Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2004

OR

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

For the transition period from to

Commission file number 000-33395

Centene Corporation

(Exact name of registrant as specified in its charter)

Delaware	**42-1406317**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
7711 Carondelet Avenue, Suite 800 St. Louis, Missouri	**63105**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(314) 725-4477

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). ☒ Yes ☐ No

As of October 20, 2004, the registrant had 20,522,828 shares of common stock outstanding.

Table of Contents

CENTENE CORPORATION

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

		PAGE
	Part I	
	Financial Information	
Item 1.	Financial Statements	
	Consolidated Balance Sheets as of September 30, 2004 (unaudited) and December 31, 2003	1
	Consolidated Statements of Earnings for the Three and Nine Months Ended September 30, 2004 and 2003 (unaudited)	2
	Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2004 and 2003 (unaudited)	3
	Notes to the Consolidated Financial Statements (unaudited)	4
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	24
Item 4.	Controls and Procedures	24
	Part II	
	Other Information	
Item 1.	Legal Proceedings	25
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3.	Defaults Upon Senior Securities	25
Item 4.	Submission of Matters to a Vote of Security Holders	25
Item 5.	Other Information	25
Item 6.	Exhibits	26
Signatures		27

Table of Contents

PART I

FINANCIAL INFORMATION

ITEM 1. ***Financial Statements***

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	September 30, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 88,687	$ 64,346
Premium and related receivables, net of allowances of $470 and $607, respectively	22,739	20,308
Short-term investments, at fair value (amortized cost $43,640 and $15,192, respectively)	43,568	15,160
Deferred income taxes	3,143	2,732
Other current assets	12,561	7,755
Total current assets	170,698	110,301
Long-term investments, at fair value (amortized cost $170,061 and $183,749, respectively)	170,126	184,811
Restricted deposits, at fair value (amortized cost $21,176 and $20,201, respectively)	21,202	20,364
Property, software and equipment	28,831	23,106
Goodwill	17,142	13,066
Other intangible assets	6,808	6,294
Other assets	6,346	4,750
Total assets	$ 421,153	$ 362,692
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims liabilities	$ 126,394	$ 106,569
Accounts payable and accrued expenses	21,907	17,965
Unearned revenue	3,670	3,673
Current portion of long-term debt and notes payable	288	579
Total current liabilities	152,259	128,786
Long-term debt	7,400	7,616
Other liabilities	5,571	6,175
Total liabilities	165,230	142,577
Stockholders' equity:		
Common stock, $.001 par value; authorized 100,000,000 shares; issued and outstanding 20,520,026 and 20,131,924 shares, respectively	21	20
Additional paid-in capital	161,613	157,380
Accumulated other comprehensive income:		
Unrealized gain on investments, net of tax	12	740
Retained earnings	94,277	61,975
Total stockholders' equity	255,923	220,115
Total liabilities and stockholders' equity	$ 421,153	$ 362,692

See notes to consolidated financial statements.

Table of Contents

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
Revenues:				
Premiums	$ 251,536	$ 196,173	$ 705,556	$ 555,285
Services	2,207	2,580	7,320	7,134
Total revenues	253,743	198,753	712,876	562,419
Expenses:				
Medical costs	202,974	160,812	570,720	460,123
Cost of services	2,111	2,681	6,149	6,269
General and administrative expenses	32,187	22,620	88,915	62,904
Total operating expenses	237,272	186,113	665,784	529,296
Earnings from operations	16,471	12,640	47,092	33,123
Other income (expense):				
Investment and other income	1,683	1,245	4,529	3,476
Interest expense	(126)	(71)	(317)	(102)
Earnings before income taxes	18,028	13,814	51,304	36,497
Income tax expense	6,677	5,110	19,002	13,805
Minority interest	—	—	—	881
Net earnings	$ 11,351	$ 8,704	$ 32,302	$ 23,573
Earnings per share:				
Basic earnings per common share	$ 0.55	$ 0.47	$ 1.59	$ 1.38
Diluted earnings per common share	$ 0.52	$ 0.44	$ 1.49	$ 1.28
Weighted average number of shares outstanding:				
Basic	20,486,429	18,430,713	20,346,902	17,094,621
Diluted	21,820,090	19,842,145	21,682,060	18,439,050

See notes to consolidated financial statements.

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30,	
	2004	2003
	(Unaudited)	
Cash flows from operating activities:		
Net earnings	$ 32,302	$ 23,573
Adjustments to reconcile net earnings to net cash provided by operating activities —		
Depreciation and amortization	7,219	4,299
Stock compensation expense	44	232
Minority interest	—	(881)
Gain on sale of investments	(212)	(1,188)
Changes in assets and liabilities —		
Premium and related receivables	(2,431)	(4,132)
Other current assets	(4,803)	(849)
Deferred income taxes	(303)	452
Other assets	(1,873)	363
Medical claims liabilities	19,825	558
Accounts payable and accrued expenses	5,184	(396)
Other operating activities	2,523	293
Net cash provided by operating activities	57,475	22,324
Cash flows from investing activities:		
Purchase of property, software and equipment	(9,487)	(16,242)
Purchase of investments	(207,385)	(291,462)
Sales and maturities of investments	188,918	202,306
Acquisitions, net of cash acquired	(7,005)	(3,218)
Net cash used in investing activities	(34,959)	(108,616)
Cash flows from financing activities:		
Reduction of long-term debt and notes payable	(507)	(24)
Extinguishment of acquired liabilities	—	(1,218)
Proceeds from stock options and employee stock purchase plan	2,332	803
Net proceeds from issuance of common stock	—	81,403
Proceeds from borrowings	—	8,581
Cash paid for fractional share impact of stock split	—	(3)
Net cash provided by financing activities	1,825	89,542
Net increase in cash and cash equivalents	24,341	3,250
Cash and cash equivalents, beginning of period	64,346	59,656
Cash and cash equivalents, end of period	$ 88,687	$ 62,906
Interest paid	$ 324	$ 85
Income taxes paid	$ 18,844	$ 13,479

See notes to consolidated financial statements.

CENTENE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share data)

1. Organization

Centene Corporation (Centene or the Company) provides multi-line managed care programs and related services to individuals receiving benefits under government subsidized programs including Medicaid, Supplemental Security Income (SSI), and the State Children's Health Insurance Program (SCHIP). Centene's Medicaid Managed Care segment operates under its own state licenses in Indiana, New Jersey, Ohio, Texas and Wisconsin and contracts with other managed care organizations to provide risk and nonrisk management services. As of January 1, 2004, the Company commenced operations in Ohio. Centene's Specialty Services segment contracts with other healthcare organizations, as well as Centene owned companies, to provide specialty services including behavioral health, nurse triage and treatment compliance.

2. Basis of Presentation

The unaudited interim financial statements herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. The accompanying interim financial statements have been prepared under the presumption that users of the interim financial information have either read or have access to the audited financial statements for the latest fiscal year ended December 31, 2003. Accordingly, footnote disclosures, which would substantially duplicate the disclosures contained in the December 31, 2003 audited financial statements, have been omitted from these interim financial statements where appropriate. In the opinion of management, these financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the results of the interim periods presented.

Certain 2003 amounts in the consolidated financial statements have been reclassified to conform to the 2004 presentation. These reclassifications have no effect on net earnings or stockholders' equity as previously reported.

The Company accounts for stock-based compensation under APB Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." The following table illustrates the effect on net earnings and earnings per share if the fair value based method had been applied to all awards.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net earnings	$ 11,351	$ 8,704	$ 32,302	$ 23,573
Pro forma stock-based employee compensation expense determined under fair value based method, net of related tax effects	901	446	2,331	1,049
Pro forma net earnings	$ 10,450	$ 8,258	$ 29,971	$ 22,524
Basic earnings per common share:				
As reported	$ 0.55	$ 0.47	$ 1.59	$ 1.38
Pro forma	0.51	0.45	1.47	1.32
Diluted earnings per common share:				
As reported	$ 0.52	$ 0.44	$ 1.49	$ 1.28
Pro forma	0.48	0.42	1.38	1.22

3. Acquisitions

FirstGuard

In September 2004, the Company announced a definitive agreement to purchase two health plan entities in Kansas and Missouri. The purchase price of approximately $93,000 plus transaction costs will be allocated to the assets acquired and liabilities assumed according to estimated fair values. The transaction is anticipated to close by the first quarter of 2005 subject to regulatory approvals.

Family Health Plan, Inc.

Effective January 1, 2004, the Company commenced operations in Ohio through the acquisition of certain Medicaid-related assets from Family Health Plan, Inc. for a purchase price of approximately $6,900. The cost has been allocated to the assets acquired and liabilities assumed according to estimated fair values.

The purchase price allocation resulted in identified intangible assets of $1,800, representing purchased contract rights, provider network and a non-compete agreement. The intangibles are being amortized over periods ranging from five to ten years. In addition, goodwill approximated $5,100, which is deductible for tax purposes.

Cenpatico Behavioral Health

During 2003, the Company acquired a 100% ownership interest in Group Practice Affiliates, LLC (GPA), a behavioral healthcare services company (63.7% in March 2003 and 36.3% in August 2003). In September 2004, the Company renamed this subsidiary Cenpatico Behavioral Health. The consolidated financial statements include the results of operations of Cenpatico Behavioral Health since March 1, 2003. The Company paid $1,800 and assumed net liabilities of approximately $2,070 for its purchase of Cenpatico Behavioral Health. The cost to acquire the ownership interest has been allocated to the assets acquired and liabilities assumed according to estimated fair values. The allocation has resulted in goodwill of $3,870 which is not deductible for tax purposes.

4. Earnings Per Share

The following table sets forth the calculation of basic and diluted net earnings per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net earnings	$ 11,351	$ 8,704	$ 32,302	$ 23,573
Shares used in computing per share amounts:				
Weighted average number of common shares outstanding	20,486,429	18,430,713	20,346,902	17,094,621
Common stock equivalents (as determined by applying the treasury stock method)	1,333,661	1,411,432	1,335,158	1,344,429
Weighted average number of common shares and potential dilutive common shares outstanding	21,820,090	19,842,145	21,682,060	18,439,050
Basic earnings per common share	$ 0.55	$ 0.47	$ 1.59	$ 1.38
Diluted earnings per common share	$ 0.52	$ 0.44	$ 1.49	$ 1.28

5. Contingencies

Aurora Health Care, Inc. (Aurora) provides medical professional services to the Company's Wisconsin health plan subsidiary. In May 2003, Aurora filed a lawsuit in the Milwaukee County Circuit Court claiming the Company had failed to adequately reimburse Aurora for services rendered during the period from 1998 to the present. The claim seeks damages totaling $9,400. The Company disputes the claim, has filed answer and discovery requests against Aurora, and plans to defend against the matter.

The Company is routinely subject to legal proceedings in the normal course of business. While the ultimate resolution of such matters are uncertain, the Company does not expect the result of these matters to have a material effect on its financial position or results of operations.

6. Segment Information

Factors used in determining the reportable business segments include the nature of operating activities, existence of separate senior management teams, and the type of information presented to the Company's chief operating decision makers to evaluate all results of operations.

Centene operates in two segments: Medicaid Managed Care and Specialty Services. The Medicaid Managed Care segment consists of Centene's health plans including all of the functions needed to operate them. The Specialty Services segment consists of Centene's specialty companies including behavioral health, nurse triage and treatment compliance functions.

Segment information for the three months ended September 30, 2004, follows:

	Medicaid Managed Care	Specialty Services	Eliminations	Consolidated Total
Revenue from external customers	$ 251,944	$ 1,799	$ —	$ 253,743
Revenue from internal customers	15,307	5,358	(20,665)	—
Total revenue	$ 267,251	$ 7,157	$ (20,665)	$ 253,743
Earnings before income taxes	$ 18,716	$ (688)	$ —	$ 18,028

Segment information for the three months ended September 30, 2003, follows:

	Medicaid Managed Care	Specialty Services	Eliminations	Consolidated Total
Revenue from external customers	$ 196,195	$ 2,558	$ —	$ 198,753
Revenue from internal customers	6,752	4,113	(10,865)	—
Total revenue	$ 202,947	$ 6,671	$ (10,865)	$ 198,753
Earnings before income taxes	$ 13,416	$ 398	$ —	$ 13,814

Segment information for the nine months ended September 30, 2004, follows:

	Medicaid Managed Care	Specialty Services	Eliminations	Consolidated Total
Revenue from external customers	$ 706,790	$ 6,086	$ —	$ 712,876
Revenue from internal customers	44,864	15,135	(59,999)	—
Total revenue	$ 751,654	$21,221	$ (59,999)	$ 712,876
Earnings before income taxes	$ 52,178	$ (874)	$ —	$ 51,304

Segment information for the nine months ended September 30, 2003, follows:

	Medicaid Managed Care	Specialty Services	Eliminations	Consolidated Total
Revenue from external customers	$ 555,391	$ 7,028	$ —	$ 562,419
Revenue from internal customers	10,847	7,957	(18,804)	—
Total revenue	$ 566,238	$14,985	$ (18,804)	$ 562,419
Earnings before income taxes	$ 33,869	$ 2,628	$ —	$ 36,497

7. Comprehensive Earnings

Differences between net earnings and total comprehensive earnings resulted from changes in unrealized gains and losses on investments available for sale, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net earnings	$ 11,351	$ 8,704	$32,302	$23,573
Reclassification adjustment, net of tax	224	(188)	(354)	(474)
Change in unrealized (loss) gain on investments, net of tax	1,257	461	(374)	864
Total comprehensive earnings	$ 12,832	$ 8,977	$31,574	$23,963

ITEM 2. ***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 and the related notes included elsewhere in this filing, and in our annual report on Form 10-K for the year ended December 31, 2003. The discussion contains forward-looking statements that involve known and unknown risks and uncertainties, including those set forth below under "Factors that May Affect Future Results and the Trading Price of Our Common Stock."

OVERVIEW

We are a multi-line managed care organization that provides Medicaid and Medicaid-related programs and related services to organizations and individuals through government subsidized programs, including Medicaid, Supplemental Security Income (SSI) and the State Children's Health Insurance Program (SCHIP). We have health plans in Indiana, New Jersey, Ohio, Texas and Wisconsin. We also provide specialty services in each of the states where we have health plans as well as in Arizona, California and Colorado. These specialty services include behavioral health, nurse triage and treatment compliance.

RECENT ACQUISITIONS

Effective January 1, 2004, we commenced operations in Ohio through the acquisition of the Medicaid-related assets of Family Health Plan, Inc. (FHP) for a purchase price of $6.9 million. We are now serving 23,500 members in Toledo, Ohio, a new market for us. The results of operations of this entity are included in our consolidated financial statements beginning January 1, 2004. The purchase price allocation resulted in identified intangible assets of $1.8 million, representing purchased contract rights, provider network and a non-compete agreement, and goodwill of $5.1 million. The contract rights, provider network and non-compete agreement are being amortized over periods ranging from five to ten years.

Effective August 1, 2003, we acquired the Medicaid-related contract rights of HMO Blue Texas in the San Antonio, Texas market. This transaction allows us to serve approximately 17,000 additional members in the state. The purchase price of $1.0 million was allocated to acquired contracts. The contracts are being amortized on a straight-line basis over a period of five years, the expected period of benefit.

During 2003, we acquired a 100% ownership interest in Group Practice Affiliates, LLC, a behavioral healthcare services company (63.7% in March 2003 and 36.3% in August 2003). In September 2004, we renamed this subsidiary Cenpatico Behavioral Health. This acquisition is consistent with our strategy to provide diversified medical services to the managed Medicaid population. We paid an aggregate purchase price of $1.8 million for Cenpatico Behavioral Health, assumed net liabilities of $2.1 million and recorded goodwill of $3.9 million related to the acquisition.

In March 2003, we purchased certain assets of ScriptAssist, a treatment compliance company. We are administering the purchased contracts under the ScriptAssist name. ScriptAssist uses various approaches and medical expertise to promote adherence to prescription drugs. The asset acquisition is consistent with our strategy to provide diversified medical services to the managed Medicaid population. The purchase price of $563,000 was allocated to acquired contracts. We are amortizing the contracts on a straight-line basis over five years, the expected period of benefit.

REVENUE AND EXPENSE DISCUSSION AND KEY METRICS

We are providing certain non-GAAP financial measures in this discussion of revenues and expenses which exclude the impact of premium taxes enacted in September 2003 in Texas and July 2004 in New Jersey. These taxes totaled $3.7 million in the nine months ended September 30, 2004 and $347,000 in the nine months ended September 30, 2003. We believe these figures are helpful in allowing the reader to more accurately assess the ongoing nature of our operations and measure our performance more consistently. We use the presented non-GAAP financial measures internally to focus management on period-to-period changes in our business. Therefore, we believe this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Revenues

We generate revenues in our Medicaid Managed Care segment primarily from premiums we receive from the states in which we operate to provide health benefits to our members. We receive a fixed premium per member per month pursuant to our state contracts. We generally receive premiums during the month we provide services and recognize premium revenue during the period in which we are obligated to provide services to our members.

Our Specialty Services companies generate revenue from a variety of sources. Our behavioral health company generates revenue via capitation payments from our health plans and others. It also receives fees for the direct provision of care and certain school programs in Arizona. Our treatment compliance program receives fee income from the manufacturers of pharmaceuticals. Our nurse triage line receives fees from health plans (including our own), physicians and other organizations for providing continuous access to nurse advisors.

Premiums collected in advance are recorded as unearned revenue. Premiums due to us are recorded as premium and related receivables and are recorded net of an allowance based on historical trends and our judgment regarding the collectibility of these accounts. As we generally receive premiums during the month in which services are provided, the allowance is typically not significant in comparison to total premium revenue and does not have a material impact on the presentation of our financial condition, changes in financial position or results of operations.

The primary drivers of our increasing revenue have been membership growth in our Medicaid Managed Care segment. We have increased our membership through internal growth as well as acquisitions. From September 30, 2003 to September 30, 2004, we increased our membership by 37.4%. The following table sets forth our membership by state:

	September 30,	
	2004	2003
Indiana	150,000	112,100
New Jersey	53,200	52,700
Ohio	23,500	—
Texas	250,200	152,100
Wisconsin	164,700	150,200
Total	641,600	467,100

The following table sets forth our membership by line of business:

	September 30,	
	2004	2003
Medicaid	479,500	389,200
SCHIP	152,100	68,600
SSI	10,000	9,300
Total	641,600	467,100

During the last 12 months our membership increased by 23,500 members in Ohio due to the acquisition of Medicaid-related assets from FHP and 94,500 members in Texas from the SCHIP Exclusive Provider Organization (EPO) contract effective September 1, 2004. Our membership also increased in each of our markets from additions to our provider networks, increases in counties served and growth in the overall number of Medicaid beneficiaries.

Our Medicaid membership has increased in the last twelve months due to the factors described above. Our SCHIP membership has declined over the same period (excluding the impact of the EPO contract effective September 1, 2004) as a result of administrative or procedural changes implemented by several states to obtain interim or temporary cost relief at a point in time related to SCHIP programs. The impact of the states' efforts to at times reduce SCHIP costs is anticipated to result in continued volatility with a trend down in our SCHIP membership, including the EPO membership, for the remainder of 2004.

Operating Expenses

Our operating expenses include medical costs, cost of services, and general and administrative expenses.

Our medical costs include payments to physicians, hospitals, and other providers for healthcare and specialty product claims. Medical costs also include estimates of medical expenses incurred but not yet reported, or IBNR, and estimates of the cost to process

unpaid claims. Monthly, we estimate our IBNR based on a number of factors, including inpatient hospital utilization data and prior claims experience. As part of this review, we also consider the costs to process medical claims and estimates of amounts to cover uncertainties related to fluctuations in provider billing patterns, membership, products and inpatient hospital trends. These estimates are adjusted as more information becomes available. We utilize the services of independent actuaries who are contracted to review our estimates quarterly. While we believe that our process for estimating IBNR is actuarially sound, we cannot assure you that healthcare claim costs will not materially differ from our estimates.

Our results of operations depend on our ability to manage expenses related to health benefits and to accurately predict costs incurred. Our health benefits ratio represents medical costs as a percentage of premium revenues and reflects the direct relationship between the premium received and the medical services provided. The table below depicts our health benefits ratios by member category and in total:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Medicaid and SCHIP	80.1%	81.3%	80.3%	82.0%
SSI	92.8	102.9	96.6	103.5
Total (GAAP)	80.7	82.0	80.9	82.9
Total (non-GAAP), excluding effect of premium taxes	81.2	82.1	81.3	82.9

Our Medicaid and SCHIP ratio decreased in 2004 from 2003 due primarily to initiatives to reduce inappropriate emergency room usage and to establish preferred drug lists. The health benefits ratio for SSI is affected by a low membership base and is subject to greater volatility as a percentage of premiums (although relatively immaterial in total dollars to total medical costs).

Our cost of services expenses include all direct costs to support the local functions responsible for generation of our services revenues. These expenses primarily consist of the salaries and wages of the physicians, clinicians, therapists and teachers who provide the services and expenses related to the clinics and supporting facilities and equipment used to provide services.

Our general and administrative expenses primarily reflect wages and benefits and other administrative costs related to health plans, specialty companies and the centralized functions that support all of our business units. The major centralized functions are claims processing, information systems and finance. Premium taxes are classified as general and administrative expenses. Our general and administrative expense ratio represents general and administrative expenses as a percentage of total revenues and reflects the relationship between revenues earned and the costs necessary to drive those revenues. The following table sets forth the general and administrative expense ratios by business segment and in total:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2004		2003		2004		2003	
	GAAP	Non-GAAP*	GAAP	Non-GAAP*	GAAP	Non-GAAP*	GAAP	Non-GAAP*
Medicaid Managed Care	10.5%	10.0%	10.2%	10.1%	10.4%	9.9%	10.3%	10.3%
Specialty Services	56.0	56.0	32.0	32.0	51.8	51.8	31.0	31.0
Total	12.7	12.2	11.4	11.2	12.5	12.0	11.2	11.1

* excluding effect of premium taxes

The improvement in the Medicaid Managed Care general and administrative expenses ratio reflects growth in membership and leveraging of our overall infrastructure. The 2004 results also included approximately $400,000 of start-up costs associated with the Texas EPO contract.

The Specialty Services ratio may vary depending on the various contracts and nature of the service provided and will have a higher general and administrative expense ratio than the Medicaid Managed Care segment. The quarter ended September 30, 2004 included $445,000 of due diligence costs related to a transaction that we decided not to pursue and costs associated with the closing of our clinic facilities in Texas and California as Cenpatico Behavioral Health fully transitions to a third-party service model for behavioral health services.

Other Income (Expense)

Other income (expense) consists of investment and other income and interest expense.

- Investment income is derived from our cash, cash equivalents and investments. Information about our investments is included below under “Liquidity and Capital Resources.”
- Interest expense reflects mortgage interest on our corporate headquarters’ building and fees paid to a bank group in conjunction with our credit facility.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003

Summarized comparative financial data are as follows ($ in millions except per share data):

	Nine Months Ended September 30,		
	2004	2003	% Change 2003-2004
Premium revenue	$ 705.6	$ 555.3	27.1%
Services revenue	7.3	7.1	2.6%
Total revenues	712.9	562.4	26.8%
Medical costs	570.7	460.1	24.0%
Cost of services	6.2	6.3	(1.9)%
General and administrative expenses	88.9	62.9	41.4%
Earnings from operations	47.1	33.1	42.2%
Investment and other income, net	4.2	3.4	24.8%
Earnings before income taxes	51.3	36.5	40.6%
Income tax expense	19.0	13.8	37.6%
Minority interest	—	0.9	—
Net earnings	$ 32.3	$ 23.6	37.0%
Diluted earnings per common share	$ 1.49	$ 1.28	16.4%

Revenues

Total revenues for the nine months ended September 30, 2004 increased 26.8% from the comparable period in 2003. This increase was due to organic growth in our existing markets, changes in our member mix by product category, the addition of EPO members in Texas, the purchase of the Texas contracts from HMO Blue, the addition of our Ohio membership through our acquisition of the Medicaid-related assets of FHP and premium rate increases.

Operating Expenses

Medical costs increased 24.0% due to the growth in our membership as discussed above. Our health benefits ratio decreased to 80.9% from 82.9% primarily due to our initiatives to reduce inappropriate emergency room usage and to establish preferred drug lists.

General and administrative expenses increased 41.4% primarily due to expenses for additional staff to support our membership growth, expansion into the Specialty Services segment and the institution of a premium tax in two states.

Other Income

Investment and other income increased 24.8% for the nine months ended September 30, 2004 from the comparable period in 2003. The increase was due to higher investment balances in 2004 primarily as a result of our $81.3 million common stock offering completed in August 2003.

Income Tax Expense

Our effective tax rate in 2004 was 37.0%, compared to 37.8% in 2003. The decrease was primarily due to a lower effective state tax rate.

Earnings Per Share and Shares Outstanding

Our earnings per share calculations reflect an increase in the weighted average shares outstanding in 2004 primarily resulting from the follow-on offering of 3,450,000 shares sold in August 2003.

Three Months Ended September 30, 2004 Compared to Three Months Ended September 30, 2003

Summarized comparative financial data are as follows ($ in millions except per share data):

	Three Months Ended September 30,		
	2004	2003	% Change 2003-2004
Premium revenue	$ 251.5	$ 196.1	28.2%
Services revenue	2.2	2.6	(14.5)%
Total revenues	253.7	198.7	27.7%
Medical costs	203.0	160.8	26.2%
Cost of services	2.1	2.7	(21.3)%
General and administrative expenses	32.2	22.6	42.3%
Earnings from operations	16.4	12.6	30.3%
Investment and other income, net	1.6	1.2	32.6%
Earnings before income taxes	18.0	13.8	30.5%
Income tax expense	6.7	5.1	30.7%
Minority interest	—	—	—
Net earnings	$ 11.3	$ 8.7	30.4%
Diluted earnings per common share	$ 0.52	$ 0.44	18.2%

Revenues

Total revenues for the three months ended September 30, 2004 increased 27.7% from the comparable period in 2003. This increase was due to organic growth in our existing markets, changes in our member mix by product category, the addition of EPO members in Texas, the addition of our Ohio membership through our acquisition of the Medicaid-related assets of FHP and premium rate increases.

Operating Expenses

Medical costs increased 26.2% due to the growth in our membership as discussed above. Our health benefits ratio decreased to 80.7% from 82.0% primarily due to our initiatives to reduce inappropriate emergency room usage and to establish preferred drug lists.

General and administrative expenses increased 42.3% primarily due to expenses for additional staff to support our membership growth and the institution of premium tax in two states.

Other Income

Investment and other income increased 32.6% for the three months ended September 30, 2004 from the comparable period in 2003. The increase was due to higher investment balances in 2004 primarily as a result of our $81.3 million common stock offering completed in August 2003.

Income Tax Expense

Our effective tax rate for the three months ended September 30, 2004 was 37.0%, consistent with the prior year period.

Earnings Per Share and Shares Outstanding

Our earnings per share calculations reflect an increase in the weighted average shares outstanding in 2004 primarily resulting from the follow-on offering of 3,450,000 shares sold in August 2003.

LIQUIDITY AND CAPITAL RESOURCES

Our operating activities provided cash of $57.5 million in the nine months ended September 30, 2004 compared to $22.3 million in the comparable period in 2003. The increase was primarily due to increased net income in addition to the timing of medical claim liabilities and accounts payable payments.

Our investing activities used cash of $35.0 million in the nine months ended September 30, 2004 compared to $108.6 million in the comparable period in 2003. The largest component of investing activities related to increases in our investment portfolio. Our investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets within our investment guidelines. Net cash provided by and used in investing activities will fluctuate from year to year due to the timing of investment purchases, sales and maturities. As of September 30, 2004, our investment portfolio consisted primarily of fixed-income securities with an average duration of 2.2 years. Cash is invested in investment vehicles such as municipal bonds, corporate bonds, insurance contracts, commercial paper and instruments of the U.S. Treasury. The states in which we operate prescribe the types of instruments in which our regulated subsidiaries may invest their cash. The average annualized portfolio yield was 3.4% for the nine months ended September 30, 2004 and 3.8% for the comparable period in 2003.

Our financing activities provided cash of $1.8 million in the nine months ended September 30, 2004 and provided cash of $89.5 million in the comparable period in 2003. Cash flow from investing and financing activities in 2003 included investing the proceeds of our $81.3 million follow-on offering completed in August 2003.

We spent $9.5 million and $16.2 million in the nine months ended September 30, 2004 and 2003, respectively, on capital assets. We anticipate spending $4.7 million on additional capital expenditures in 2004 related to facility expansions and system upgrades. We also anticipate spending approximately $10 million in the fourth quarter for real estate to support future expansion of our corporate facilities. A portion of the price may be funded through a non-recourse mortgage agreement.

At September 30, 2004, we had working capital, defined as current assets less current liabilities, of $18.4 million as compared to ($18.5) million at December 31, 2003. Our working capital is sometimes negative due to our efforts to increase investment returns through purchases of investments that have maturities of greater than one year and, therefore, are classified as long-term. Our investment policies are also designed to provide liquidity and preserve capital. We manage our short-term and long-term investments to ensure that a sufficient portion is held in investments that are highly liquid and can be sold to fund short-term capital requirements as needed.

Cash, cash equivalents and short-term investments were $132.3 million at September 30, 2004 and $79.5 million at December 31, 2003. Long-term investments were $191.3 million at September 30, 2004 and $205.2 million at December 31, 2003, including restricted deposits of $21.2 million and $20.4 million, respectively. At September 30, 2004, cash and investments held by our unregulated entities totaled $123.3 million while cash and investments held by our regulated entities totaled $200.3 million.

In September 2004, we executed a five-year $100 million Revolving Credit Agreement with various financial institutions and LaSalle Bank National Association as administrative agent and arranger. Borrowings under the agreement will bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. Under our current capital structure, borrowings under the agreement will bear interest at LIBOR plus 1%. This rate may change under differing capital structures over the life of the agreement. The agreement is secured by the common stock and membership interests of our subsidiaries. The agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, minimum debt-to-EBITDA ratios and minimum tangible net worth. The agreement will expire in September 2009 or on an earlier date in the instance of a default as defined in the agreement. As of September 30, 2004, we were in compliance with all covenants and no funds had been drawn under the agreement. In conjunction with this agreement, we cancelled our prior existing $50 million credit facility.

In September 2004, we executed a definitive agreement, subject to regulatory approvals, to purchase two health plan entities, collectively referred to as FirstGuard, in Kansas and Missouri for approximately $93 million plus transaction costs. The purchase, if completed, will be funded from a combination of our available cash and investments and borrowings under our credit facility.

There were no other material changes outside the ordinary course of our business in lease obligations or other contractual obligations in the nine months ended September 30, 2004. Based on our operating plan, we expect that our available funding will be sufficient to finance our operations, planned acquisition of FirstGuard and capital expenditures for at least 12 months from the date of this filing.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

Our Medicaid Managed Care operations are conducted through our subsidiaries. As managed care organizations, these subsidiaries are subject to state regulations that, among other things, require the maintenance of minimum levels of statutory capital, as defined by each state, and restrict the timing, payment and amount of dividends and other distributions that may be paid to us. Generally, the amount of dividend distributions that may be paid by a regulated subsidiary without prior approval by state regulatory authorities is limited based on the entity's level of statutory net income and statutory capital and surplus.

Our subsidiaries are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which we operate. As of September 30, 2004, our subsidiaries had aggregate statutory capital and surplus of $85.0 million, compared with the required minimum aggregate statutory capital and surplus requirements of $35.8 million.

The National Association of Insurance Commissioners has adopted rules which set minimum risk-based capital requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. As of September 30, 2004, our Ohio, Texas and Wisconsin health plans were in compliance with risk-based capital requirements. Indiana has adopted risk-based capital rules that will take effect as of December 31, 2004. If adopted by New Jersey, risk-based capital may increase the minimum capital required for our health plan in New Jersey. We continue to monitor the requirements in Indiana and New Jersey and do not expect that they will have a material impact on our results of operations, financial position or cash flows.

FORWARD-LOOKING STATEMENTS

This filing contains forward-looking statements that relate to future events or our future financial performance. We have attempted to identify these statements by terminology including "believe," "anticipate," "plan," "expect," "estimate," "intend," "seek," "goal," "may," "will," "should," "can," "continue" or the negative of these terms or other comparable terminology. These statements include statements about our market opportunity, our growth strategy, competition, expected activities and future acquisitions, investments and the adequacy of our available cash resources. These statements may be found in the section of this filing entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions.

Actual results may differ from projections or estimates due to a variety of important factors. Our results of operations and projections of future earnings depend in large part on accurately predicting and effectively managing health benefits and other operating expenses. A variety of factors, including competition, changes in health care practices, changes in federal or state laws and regulations or their interpretations, inflation, provider contract changes, new technologies, government-imposed surcharges, taxes or assessments, reduction in provider payments by governmental payers, major epidemics, disasters and numerous other factors affecting the delivery and cost of healthcare, such as major healthcare providers' inability to maintain their operations, may in the future affect our ability to control our medical costs and other operating expenses. Governmental action or business conditions could result in premium revenues not increasing to offset any increase in medical costs and other operating expenses. Once set, premiums are generally fixed for one-year periods and, accordingly, unanticipated costs during such periods cannot be recovered through higher premiums. The expiration, cancellation or suspension of our Medicaid managed care contracts by the state governments would also negatively impact us. Due to these factors and risks, we cannot give assurances with respect to our future premium levels or our ability to control our future medical costs.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND THE TRADING PRICE OF OUR COMMON STOCK

You should carefully consider the risks described below before making an investment decision. The trading price of our common stock could decline due to any of these risks, in which case you could lose all or part of your investment. You should also refer to the other information in this filing, including our consolidated financial statements and related notes.

Risks Related to Being a Regulated Entity

Reduction in Medicaid, SCHIP and SSI Funding Could Substantially Reduce Our Profitability.

Most of our revenues come from Medicaid, SCHIP and SSI premiums. The base premium rate paid by each state differs, depending on a combination of factors such as defined upper payment limits, a member's health status, age, gender, county or region, benefit mix and member eligibility categories. Future levels of Medicaid, SCHIP and SSI funding and premium rates may be affected by continued government efforts to contain medical costs and may further be affected by state and federal budgetary constraints. For example, in August 2004, the Centers for Medicare & Medicaid Services, or CMS, proposed a rule requiring states to estimate improper payments made under their Medicaid and SCHIP programs, report such overpayments to Congress, and, if necessary, take actions to reduce erroneous payments. Changes to Medicaid, SCHIP and SSI programs could reduce the number of persons enrolled or eligible, reduce the amount of reimbursement or payment levels, or increase our administrative or healthcare costs under those programs. States periodically consider reducing or reallocating the amount of money they spend for Medicaid, SCHIP and SSI. Over the past two years, the majority of states have implemented measures to restrict Medicaid, SCHIP and SSI costs and eligibility. We believe that reductions in Medicaid, SCHIP and SSI payments could substantially reduce our profitability. Further, our contracts with the states are subject to cancellation by the state after a short notice period in the event of unavailability of state funds.

If Our Medicaid and SCHIP Contracts are Terminated or are Not Renewed, Our Business Will Suffer.

We provide managed care programs and selected services to individuals receiving benefits under federal assistance programs, including Medicaid, SSI and SCHIP. We provide those healthcare services under contracts with regulatory entities in the areas in which we operate. The contracts expire on various dates between December 31, 2004 and August 31, 2007. Our contracts may be terminated if we fail to perform up to the standards set by state regulatory agencies. In addition, the Indiana contract under which we operate can be terminated by the state without cause. Our contracts are generally intended to run for two years and may be extended for one or two additional years if the state or its contractor elects to do so. When our contracts expire, they may be opened for bidding by competing healthcare providers. There is no guarantee that our contracts will be renewed or extended. If any of our contracts are terminated, not renewed, or renewed on less favorable terms, our business will suffer, and our operating results may be materially affected.

Changes in Government Regulations Designed to Protect Providers and Members Rather than Our Stockholders Could Force Us to Change How We Operate and Could Harm Our Business.

Our business is extensively regulated by the states in which we operate and by the federal government. The applicable laws and regulations are subject to frequent change and generally are intended to benefit and protect health plan providers and members rather than stockholders. Changes in existing laws and rules, the enactment of new laws and rules or changing interpretations of these laws and rules could, among other things:

- force us to restructure our relationships with providers within our network;
- require us to implement additional or different programs and systems;
- mandate minimum medical expense levels as a percentage of premiums revenues;
- restrict revenue and enrollment growth;
- require us to develop plans to guard against the financial insolvency of our providers;
- increase our healthcare and administrative costs;
- impose additional capital and reserve requirements; and
- increase or change our liability to members in the event of malpractice by our providers.

For example, Congress has considered various forms of patient protection legislation commonly known as the Patients' Bill of Rights and the legislation is currently pending in Congress. We cannot predict the impact of this legislation, if adopted, on our business.

Regulations May Decrease the Profitability of Our Health Plans.

Our Texas plan is required to pay a rebate to the state in the event profits exceed established levels. Similarly, our New Jersey plan is required to pay a rebate to the state in the event its health benefits ratio is less than 80%. These regulatory requirements, changes in these requirements or the adoption of similar requirements by our other regulators may limit our ability to increase our overall profits as a percentage of revenues. The states of Indiana, New Jersey and Texas have implemented prompt-payment laws and are enforcing penalty provisions for failure to pay claims in a timely manner. Failure to meet these requirements can result in financial fines and penalties. In addition, states may attempt to reduce their contract premium rates if regulators perceive our health benefits ratio as too low. Any of these regulatory actions could harm our operating results.

Also, on January 18, 2002, CMS published a final rule that removed a provision contained in the federal Medicaid reimbursement regulations permitting states to reimburse non-state government-owned or operated hospitals for inpatient and outpatient hospital services at amounts up to 150% of a reasonable estimate of the amount that would be paid for the services furnished by these hospitals under Medicaid payment principles. The upper payment limit was reduced to 100% of Medicare payments for comparable services. This development in federal regulation decreased the profitability of our health plans.

Failure to Comply With Government Regulations Could Subject Us to Civil and Criminal Penalties.

Federal and state governments have enacted fraud and abuse laws and other laws to protect patients' privacy and access to healthcare. Violation of these and other laws or regulations governing our operations or the operations of our providers could result in the imposition of civil or criminal penalties, the cancellation of our contracts to provide services, the suspension or revocation of our licenses or our exclusion from participating in the Medicaid, SSI and SCHIP programs. If we were to become subject to these penalties or exclusions as the result of our actions or omissions or our inability to monitor the compliance of our providers, it would negatively affect our ability to operate our business. For example, failure to pay our providers promptly could result in the imposition of fines and other penalties. In some states, we may be subject to regulation by more than one governmental authority, which may impose overlapping or inconsistent regulations.

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, broadened the scope of fraud and abuse laws applicable to healthcare companies. HIPAA created civil penalties for, among other things, billing for medically unnecessary goods or services. HIPAA established new enforcement mechanisms to combat fraud and abuse. Further, HIPAA imposes civil and, in some instances, criminal penalties for failure to comply with specific standards relating to the privacy, security and electronic transmission of most individually identifiable health information. It is possible that Congress may enact additional legislation in the future to increase penalties and to create a private right of action under HIPAA, which could entitle patients to seek monetary damages for violations of the privacy rules.

Compliance With New Government Regulations May Require Us to Make Significant Expenditures.

On February 20, 2003 HHS published the final HIPAA health data security regulations. The security regulations became effective on April 21, 2003. Compliance with the security regulations is required by April 21, 2005. These regulations will require covered entities to implement administrative, physical and technical safeguards to protect electronic health information maintained or transmitted by the organization.

The issuance of future judicial or regulatory guidance regarding the interpretation of regulations, the states' ability to promulgate stricter rules, and continuing uncertainty regarding many aspects of the regulations' implementation may make compliance with the relatively new regulatory landscape difficult. For example, our existing programs and systems may not enable us to comply in all respects with the new security regulations. In order to comply with the regulatory requirements, we will be required to employ additional or different programs and systems, the costs of which were $310,000 in 2003 and are not expected to exceed $500,000 in 2004. Further, compliance with these regulations could require changes to many of the procedures we currently use to conduct our business, which may lead to additional costs that we have not yet identified. We do not know whether, or the extent to which, we will be able to recover from the states our costs of complying with these new regulations. The new regulations and the related compliance costs could have a material adverse effect on our business.

Changes in Healthcare Law May Reduce Our Profitability.

Numerous proposals relating to changes in healthcare law have been introduced, some of which have been passed by Congress and the states in which we operate or may operate in the future. Changes in applicable laws and regulations are continually being considered, and interpretations of existing laws and rules may also change from time to time. We are unable to predict what regulatory changes may occur or what effect any particular change may have on our business. For example, these changes could reduce the number of persons enrolled or eligible for Medicaid and reduce the reimbursement or payment levels for medical services. More generally, we are unable to predict whether new laws or proposals will favor or hinder the growth of managed healthcare. Legislation or regulations that require us to change our current manner of operation, provide additional benefits or change our contract arrangements may seriously harm our operations and financial results.

Changes in Federal Funding Mechanisms May Reduce Our Profitability.

For fiscal year 2005, the Bush Administration proposed a major long-term change in the way Medicaid and SCHIP are funded. The proposal, if adopted, would allow states to elect to receive, instead of federal matching funds, combined Medicaid-SCHIP "allotments" for acute and long-term healthcare for low-income, uninsured persons. Participating states would be given flexibility in designing their own health insurance programs, subject to federally-mandated minimum coverage requirements. It is uncertain whether this proposal will be enacted, or if so, how it may change from a similar proposal initiated by the Bush Administration in February 2003. Accordingly, it is unknown whether or how many states might elect to participate or how their participation may affect the net amount of funding available for Medicaid and SCHIP programs. If such a proposal is adopted and decreases the number of persons enrolled in Medicaid or SCHIP in the states in which we operate or reduces the volume of healthcare services provided, our growth, operations and financial performance could be adversely affected.

In April 2004, the Bush Administration adopted a new policy that seeks to reduce states' use of accounting devices such as intergovernmental transfers for the states' share of Medicaid program funding. By restricting the use of intergovernmental transfers as part of states' Medicaid contributions, this policy, if continued, may restrict some states' funding for Medicaid, which could adversely affect our growth, operations and financial performance.

Recent legislative changes in the Medicare program may also affect our business. For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003, enacted in December 2003, will, upon taking effect in 2006, revise cost-sharing requirements for some beneficiaries and require states to reimburse the federal Medicare program for costs of prescription drug coverage provided to beneficiaries who are enrolled simultaneously in both the Medicaid and Medicare programs. These changes may reduce the availability of funding for some states' Medicaid programs, which could adversely affect our growth, operations and financial performance.

If We Are Unable to Participate in SCHIP Programs, Our Growth Rate May be Limited.

SCHIP is a federal initiative designed to provide coverage for low-income children not otherwise covered by Medicaid or other insurance programs. The programs vary significantly from state to state. Participation in SCHIP programs is an important part of our growth strategy. If states do not allow us to participate or if we fail to win bids to participate, our growth strategy may be materially and adversely affected.

If State Regulators Do Not Approve Payments of Dividends and Distributions by Our Subsidiaries to Us, We May Not Have Sufficient Funds to Implement Our Business Strategy.

We principally operate through our health plan subsidiaries. If funds normally available to us become limited in the future, we may need to rely on dividends and distributions from our subsidiaries to fund our operations. These subsidiaries are subject to regulations that limit the amount of dividends and distributions that can be paid to us without prior approval of, or notification to, state regulators. If these regulators were to deny our subsidiaries' request to pay dividends to us, the funds available to our company as a whole would be limited, which could harm our ability to implement our business strategy.

Risks Related to Our Business

Receipt of Inadequate Premiums Would Negatively Affect Our Revenues and Profitability.

Nearly all of our revenues are generated by premiums consisting of fixed monthly payments per member. These premiums are fixed by contract, and we are obligated during the contract periods to provide healthcare services as established by the state governments. We use a large portion of our revenues to pay the costs of healthcare services delivered to our members. If premiums do not increase when expenses related to medical services rise, our earnings will be affected negatively. In addition, our actual medical services costs may exceed our estimates, which would cause our health benefits ratio, or our expenses related to medical services as a percentage of premium revenues, to increase and our profits to decline. In addition, it is possible for a state to increase the rates payable to the hospitals without granting a corresponding increase in premiums to us. If this were to occur in one or more of the states in which we operate, our profitability would be harmed.

Failure to Effectively Manage Our Medical Costs or Related Administrative Costs Would Reduce Our Profitability.

Our profitability depends, to a significant degree, on our ability to predict and effectively manage expenses related to health benefits. We have less control over the costs related to medical services than we do over our general and administrative expenses. Historically, our health benefits ratio has fluctuated. For example, our health benefits ratio was 82.4% for the year ended December 31, 2003, but was 88.9% for 1999 and 88.4% for 1998. Because of the narrow margins of our health plan business, relatively small changes in our health benefits ratio can create significant changes in our financial results. Changes in healthcare regulations and practices, the level of use of healthcare services, hospital costs, pharmaceutical costs, major epidemics, new medical technologies and other external factors, including general economic conditions such as inflation levels, are beyond our control and could reduce our ability to predict and effectively control the costs of providing health benefits. We may not be able to manage costs effectively in the future. If our costs related to health benefits increase, our profits could be reduced or we may not remain profitable.

Failure to Accurately Predict Our Medical Expenses Could Negatively Affect Our Reported Results.

Our medical expenses include estimates of IBNR medical expenses. We estimate our IBNR medical expenses monthly based on a number of factors. Adjustments, if necessary, are made to medical expenses in the period during which the actual claim costs are ultimately determined or when criteria used to estimate IBNR change. We cannot be sure that our IBNR estimates are adequate or that adjustments to those estimates will not harm our results of operations. From time to time in the past, our actual results have varied from our estimates, particularly in times of significant changes in the number of our members. Our failure to estimate IBNR accurately may also affect our ability to take timely corrective actions, further harming our results.

Difficulties in Executing Our Acquisition Strategy Could Adversely Affect Our Business.

Historically, the acquisition of Medicaid businesses, contract rights and related assets of other health plans both in our existing service areas and in new markets has accounted for a significant amount of our growth. Many of the other potential purchasers of Medicaid assets have greater financial resources than we have. In addition, many of the sellers are interested either in (a) selling, along with their Medicaid assets, other assets in which we do not have an interest or (b) selling their companies, including their liabilities, as opposed to the assets of their ongoing businesses.

We generally are required to obtain regulatory approval from one or more state agencies when making acquisitions. In the case of an acquisition of a business located in a state in which we do not currently operate, we would be required to obtain the necessary licenses to operate in that state. In addition, even if we already operate in a state in which we acquire a new business, we would be required to obtain additional regulatory approval if the acquisition would result in our operating in an area of the state in which we did not operate previously, and we could be required to renegotiate provider contracts of the acquired business. We cannot assure you that we would be able to comply with these regulatory requirements for an acquisition in a timely manner, or at all. In deciding whether to approve a proposed acquisition, state regulators may consider a number of factors outside our control, including giving preference to competing offers made by locally owned entities or by not-for-profit entities. Furthermore, our credit facility may prohibit some acquisitions without the consent of our bank lender.

In addition to the difficulties we may face in identifying and consummating acquisitions, we will also be required to integrate and consolidate any acquired business or assets with our existing operations. This may include the integration of:

- additional personnel who are not familiar with our operations and corporate culture;

- existing provider networks that may operate on different terms than our existing networks;
- existing members, who may decide to switch to another healthcare plan; and
- disparate administrative, accounting and finance, and information systems.

Accordingly, we may be unable to identify, consummate and integrate future acquisitions successfully or operate acquired businesses profitably. We also may be unable to obtain sufficient additional capital resources for future acquisitions. If we are unable to effectively execute our acquisition strategy, our future growth will suffer and our results of operations could be harmed.

If Competing Managed Care Programs are Unwilling to Purchase Specialty Services From Us, We May Not be Able to Successfully Implement Our Strategy of Diversifying Our Business Lines.

We are seeking to diversify our business lines into areas that complement our Medicaid business in order to grow our revenue stream and balance our dependence on Medicaid risk reimbursement. In 2003, for example, we acquired Cenpatico Behavioral Health, a behavioral health services company, and purchased contract and name rights of ScriptAssist, a treatment compliance company. In order to diversify our business, we must succeed in selling the services of our specialty subsidiaries not only to our managed care plans, but to programs operated by third-parties. Some of these third-party programs may compete with us in some markets, and they therefore may be unwilling to purchase specialty services from us. In any event, the offering of these services will require marketing activities that differ significantly from the manner in which we seek to increase revenues from our Medicaid programs. Our inability to market specialty services to other programs may impair our ability to execute our business strategy.

Failure to Achieve Timely Profitability in Any Business Would Negatively Affect Our Results of Operations.

Start-up costs associated with a new business can be substantial. For example, in order to obtain a certificate of authority in most jurisdictions, we must first establish a provider network, have systems in place and demonstrate our ability to obtain a state contract and process claims. If we were unsuccessful in obtaining the necessary license, winning the bid to provide service or attracting members in numbers sufficient to cover our costs, any new business of ours would fail. We also could be obligated by the state to continue to provide services for some period of time without sufficient revenue to cover our ongoing costs or recover start-up costs. The expenses associated with starting up a new business could have a significant impact on our results of operations if we are unable to achieve profitable operations in a timely fashion.

We Derive a Majority of Our Premium Revenues From Operations in a Small Number of States, and Our Operating Results Would be Materially Affected by a Decrease in Premium Revenues or Profitability in Any One of Those States.

Operations in Indiana, New Jersey, Ohio, Texas and Wisconsin have accounted for most of our premium revenues to date. If we were unable to continue to operate in each of those states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenue and profitability to change suddenly and unexpectedly depending on legislative actions, economic conditions and similar factors in those states. Our inability to continue to operate in any of the states in which we operate would harm our business.

Competition May Limit Our Ability to Increase Penetration of the Markets That We Serve.

We compete for members principally on the basis of size and quality of provider network, benefits provided and quality of service. We compete with numerous types of competitors, including other health plans and traditional state Medicaid programs that reimburse providers as care is provided. Subject to limited exceptions by federally approved state applications, the federal government requires that there be choices for Medicaid recipients among managed care programs. Voluntary programs and mandated competition may limit our ability to increase our market share.

Some of the health plans with which we compete have greater financial and other resources and offer a broader scope of products than we do. In addition, significant merger and acquisition activity has occurred in the managed care industry, as well as in industries that act as suppliers to us, such as the hospital, physician, pharmaceutical, medical device and health information systems businesses. To the extent that competition intensifies in any market that we serve, our ability to retain or increase members and providers, or maintain or increase our revenue growth, pricing flexibility and control over medical cost trends may be adversely affected.

In addition, in order to increase our membership in the markets we currently serve, we believe that we must continue to develop and implement community-specific products, alliances with key providers and localized outreach and educational programs. If we are unable to develop and implement these initiatives, or if our competitors are more successful than we are in doing so, we may not be able to further penetrate our existing markets.

If We are Unable to Maintain Satisfactory Relationships With Our Provider Networks, Our Profitability Will be Harmed.

Our profitability depends, in large part, upon our ability to contract favorably with hospitals, physicians and other healthcare providers. Our provider arrangements with our primary care physicians, specialists and hospitals generally may be cancelled by either party without cause upon 90 to 120 days prior written notice. We cannot assure you that we will be able to continue to renew our existing contracts or enter into new contracts enabling us to service our members profitably.

From time to time providers assert or threaten to assert claims seeking to terminate noncancelable agreements due to alleged actions or inactions by us. Even if these allegations represent attempts to avoid or renegotiate contractual terms that have become economically disadvantageous to the providers, it is possible that in the future a provider may pursue such a claim successfully. In addition, we are aware that other managed care organizations have been subject to class action suits by physicians with respect to claim payment procedures, and we may be subject to similar claims. Regardless of whether any claims brought against us are successful or have merit, they will still be time-consuming and costly and could distract our management's attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

We will be required to establish acceptable provider networks prior to entering new markets. We may be unable to enter into agreements with providers in new markets on a timely basis or under favorable terms.

If we are unable to retain our current provider contracts or enter into new provider contracts timely or on favorable terms, our profitability will be harmed.

We May be Unable to Attract and Retain Key Personnel.

We are highly dependent on our ability to attract and retain qualified personnel to operate and expand our business. If we lose one or more members of our senior management team, including our chief executive officer, Michael F. Neidorff, who has been instrumental in developing our business strategy and forging our business relationships, our business and operating results could be harmed. We do not have an employment agreement with Mr. Neidorff, and we cannot assure you that we will be able to retain his services. Our ability to replace any departed members of our senior management or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in the Medicaid managed care and specialty services industry with the breadth of skills and experience required to operate and successfully expand a business such as ours. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these personnel.

Negative Publicity Regarding the Managed Care Industry May Harm Our Business and Operating Results.

The managed care industry has received negative publicity. This publicity has led to increased legislation, regulation, review of industry practices and private litigation in the commercial sector. These factors may adversely affect our ability to market our services, require us to change our services, and increase the regulatory burdens under which we operate. Any of these factors may increase the costs of doing business and adversely affect our operating results.

Claims Relating to Medical Malpractice Could Cause Us to Incur Significant Expenses.

Our providers and employees involved in medical care decisions may be subject to medical malpractice claims. In addition, some states, including Texas, have adopted legislation that permits managed care organizations to be held liable for negligent treatment decisions or benefits coverage determinations. Claims of this nature, if successful, could result in substantial damage awards against us and our providers that could exceed the limits of any applicable insurance coverage. Therefore, successful malpractice or tort claims asserted against us, our providers or our employees could adversely affect our financial condition and profitability. Even if any claims brought against us are unsuccessful or without merit, they would still be time-consuming and costly and could distract our management's attention. As a result, we may incur significant expenses and may be unable to operate our business effectively.

Loss of Providers Due to Increased Insurance Costs Could Adversely Affect Our Business.

Our providers routinely purchase insurance to help protect themselves against medical malpractice claims. In recent years, the costs of maintaining commercially reasonable levels of such insurance have increased dramatically, and these costs are expected to increase to even greater levels in the future. As a result of the level of these costs, providers may decide to leave the practice of medicine or to limit their practice to certain areas, which may not address the needs of Medicaid participants. We rely on retaining a sufficient number of providers in order to maintain a certain level of service. If a significant number of our providers exit our provider networks or the practice of medicine generally, we may be unable to replace them in a timely manner, if at all, and our business could be adversely affected.

Growth in the Number of Medicaid-Eligible Persons During Economic Downturns Could Cause Our Operating Results and Stock Prices to Suffer if State and Federal Budgets Decrease or Do Not Increase.

Less favorable economic conditions may cause our membership to increase as more people become eligible to receive Medicaid benefits. During such economic downturns, however, state and federal budgets could decrease, causing states to attempt to cut healthcare programs, benefits and rates. We cannot predict the impact of changes in the United States economic environment or other economic or political events, including acts of terrorism or related military action, on federal or state funding of healthcare programs or on the size of the population eligible for the programs we operate. If federal funding decreases or remains unchanged while our membership increases, our results of operations will suffer.

Growth in the Number of Medicaid-Eligible Persons May be Countercyclical, Which Could Cause Our Operating Results to Suffer When General Economic Conditions are Improving.

Historically, the number of persons eligible to receive Medicaid benefits has increased more rapidly during periods of rising unemployment, corresponding to less favorable general economic conditions. Conversely, this number may grow more slowly or even decline if economic conditions improve. Therefore, improvements in general economic conditions may cause our membership levels to decrease, thereby causing our operating results to suffer, which could lead to decreases in our stock price during periods in which stock prices in general are increasing.

We Intend to Expand Our Medicaid Managed Care Business Primarily into Markets Where Medicaid Recipients are Required to Enroll in Managed Care Plans.

We expect to continue to focus our business in states in which Medicaid enrollment in managed care is mandatory. Currently, approximately two-thirds of the states require health plan enrollment for Medicaid eligible participants in all or a portion of their counties. The programs are voluntary in other states. Because we concentrate on markets with mandatory enrollment, we expect the geographic expansion of our Medicaid Managed Care segment to be limited to those states.

If We are Unable to Integrate and Manage Our Information Systems Effectively, Our Operations Could be Disrupted.

Our operations depend significantly on effective information systems. The information gathered and processed by our information systems assists us in, among other things, monitoring utilization and other cost factors, processing provider claims, and providing data to our regulators. Our providers also depend upon our information systems for membership verifications, claims status and other information.

Our information systems and applications require continual maintenance, upgrading and enhancement to meet our operational needs. Moreover, our acquisition activity requires frequent transitions to or from, and the integration of, various information systems. We regularly upgrade and expand our information systems capabilities. If we experience difficulties with the transition to or from information systems or are unable to properly maintain or expand our information systems, we could suffer, among other things, from operational disruptions, loss of existing members and difficulty in attracting new members, regulatory problems and increases in administrative expenses. In addition, our ability to integrate and manage our information systems may be impaired as the result of events outside our control, including acts of nature, such as earthquakes or fires, or acts of terrorists.

We May Not be Able to Obtain or Maintain Adequate Insurance.

We maintain liability insurance, subject to limits and deductibles, for claims that could result from providing or failing to provide managed care and related services. These claims could be substantial. We believe that our present insurance coverage and reserves are adequate to cover currently estimated exposures. We cannot assure you that we will be able to obtain adequate insurance coverage in the future at acceptable costs or that we will not incur significant liabilities in excess of policy limits.

ITEM 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

INVESTMENTS

As of September 30, 2004, we had short-term investments of $43.6 million and long-term investments of $191.3 million, including restricted deposits of $21.2 million. The short-term investments consist of highly liquid securities with maturities between three and twelve months. The long-term investments consist of municipal, corporate and U.S. agency bonds, life insurance contracts and U.S. Treasury investments and have maturities greater than one year. Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. Due to the nature of the states' requirements, these investments are classified as long-term regardless of the contractual maturity date. These investments are subject to interest rate risk and will decrease in value if market rates increase. We have the ability to hold the investments to maturity which would mitigate the risk of a significant increase in market interest rates. Assuming a hypothetical and immediate 1% increase in market interest rates at September 30, 2004, the fair value of our fixed income investments would decrease by approximately $5.8 million. Declines in interest rates over time will reduce our investment income.

INFLATION

Although the general rate of inflation has remained relatively stable and healthcare cost inflation has stabilized in recent years, the national healthcare cost inflation rate still exceeds the general inflation rate. We use various strategies to mitigate the negative effects of healthcare cost inflation. Specifically, our health plans try to control medical and hospital costs through contracts with independent providers of healthcare services. Through these contracted care providers, our health plans emphasize preventive healthcare and appropriate use of specialty and hospital services.

While we currently believe our strategies to mitigate healthcare cost inflation will continue to be successful, competitive pressures, new healthcare and pharmaceutical product introductions, demands from healthcare providers and customers, applicable regulations or other factors may affect our ability to control the impact of healthcare cost increases.

COMPLIANCE COSTS

Federal and state regulations governing standards for electronic transactions, data security and confidentiality of patient information have been issued recently. Due to the uncertainty surrounding the regulatory requirements, we cannot be sure that the systems and programs that we have implemented will comply adequately with the security regulations that are ultimately adopted. Implementation of additional systems and programs will be required, the cost of which we estimate not to exceed $500,000 in 2004. Further, compliance with these regulations would require changes to many of the procedures we currently use to conduct our business, which may lead to additional costs that we have not yet identified. We do not know whether, or the extent to which, we will be able to recover our costs of complying with these new regulations from the states.

ITEM 4. ***Controls and Procedures.***

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2004. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of September 30, 2004, our disclosure controls and procedures were (1) designed to ensure that material information relating to us, and our consolidated subsidiaries, is made known to our chief executive officer and chief financial officer by others within those entities, particularly during the period in which this report was being prepared, and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. ***Legal Proceedings.***

Aurora Health Care, Inc. (Aurora) provides medical professional services to our Wisconsin health plan subsidiary. In May 2003, Aurora filed a lawsuit in the Milwaukee County Circuit Court claiming we had failed to adequately reimburse Aurora for services rendered during the period from 1998 to the present. The claim seeks damages totaling $9.4 million. We dispute the claim, have filed answer and discovery requests against Aurora, and are defending against the matter.

We are routinely subject to legal proceedings in the normal course of business. While the ultimate resolution of such matters are uncertain, we do not expect the result of these matters to have a material effect on our financial position or results of operations.

ITEM 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***

None.

ITEM 3. ***Defaults Upon Senior Securities.***

None.

ITEM 4. ***Submission of Matters to a Vote of Security Holders.***

None.

ITEM 5. ***Other Information.***

None.

Table of Contents

ITEM 6. ***Exhibits***

Exhibits.

EXHIBIT NUMBER	DESCRIPTION
10.1	Centene Corporation Non-Employee Directors Deferred Stock Compensation Plan.
10.2	Credit Agreement dated as of September 14, 2004 among Centene Corporation, the various financial institutions party hereto and LaSalle Bank National Association.
10.3	Stock Purchase Agreement by and between Centene Corporation and Swope Community Enterprises, dated September 28, 2004.
31.1	Certification of Chairman and Chief Executive Officer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Senior Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chairman and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Senior Vice President, Chief Financial Officer, Secretary and Treasurer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized as of October 25, 2004.

CENTENE CORPORATION

By: /s/ Michael F. Neidorff

Michael F. Neidorff
Chairman and Chief Executive Officer
(principal executive officer)

By: /s/ Karey L. Witty

Karey L. Witty
Senior Vice President, Chief Financial Officer, Secretary and Treasurer (principal financial and accounting officer)

Exhibit 10.1

CENTENE CORPORATION
NON-EMPLOYEE DIRECTORS
DEFERRED STOCK COMPENSATION PLAN

ARTICLE I
INTRODUCTION

I.1 *Establishment*. Centene Corporation (the "Company") hereby establishes the Centene Corporation Non-Employee Directors Deferred Stock Compensation Plan (the "Plan") for those directors of the Company who are not employees of the Company or any of its subsidiaries or affiliates. The Plan allows Non-Employee Directors to defer the receipt of cash compensation and to receive such deferred compensation in the form of Shares.

I.2 *Purpose*. The Plan is intended to advance the interests of the Company and its stockholders by providing a means to attract and retain qualified persons to serve as Non-Employee Directors and to promote ownership by Non-Employee Directors of a greater proprietary interest in the Company, thereby aligning such Directors' interests more closely with the interests of stockholders of the Company.

I.3 *Effective Date*. The Plan shall become effective as of September 15, 2004 (the "Effective Date").

ARTICLE II
DEFINITIONS

II.1 "Board" means the Board of Directors of the Company.

II.2 "Change in Control" means the occurrence of any of the following:

(a) Any "Person" (having the meaning ascribed to such term in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended ("1934 Act") and used in Sections 13(d) and 14(d) thereof, other than (A) Persons, who, on the Effective Date of the Plan, are beneficial owners (within the meaning of Rule 13d-3 under the 1934 Act) directly or indirectly of twenty-five percent (25%) or more of the Company's then outstanding voting securities entitled to vote generally in the election of directors ("Voting Securities") or (B) a group which includes one or more Plan participants, is or become beneficial owners directly or indirectly of fifty percent (50%) or more of the combined voting power of the Company's Voting Securities.

(b) If individuals who, as the Effective Date hereof, constitute the Board of Directors of the Company (the "Incumbent Board) cease for any reason to constitute at least a majority of the Board of Directors of the Company; provided, however, that an individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by at least

a majority of the directors then comprising the Incumbent Board shall be included within the definition of Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual election contest (or such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board.

(c) The shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation.

(d) The shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition of all or substantially all of the assets of the Company, other than a sale or disposition by the Company of all or substantially all of the assets of the Company to an entity at least fifty percent (50%) of the combined voting securities of which are owned by shareholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such transaction.

II.3 "Committee" means the Board or a committee appointed to administer the Plan under Article IV.

II.4 "Common Stock" means the Company's class of capital stock designated as Common Stock, par value one tenth of one cent ($0.001) per share, or, in the event that the outstanding shares of Common Stock are after the Effective Date recapitalized, converted into or exchanged for different stock or securities of the Company, such other stock or securities.

II.5 "Company" means Centene Corporation, a Delaware corporation, or any successor thereto.

II.6 "Deferral Date" means the date Fees would otherwise have been paid to the Participant.

II.7 "Deferral Election" means a written election to defer Fees under the Plan.

II.8 "Director" means any individual who is a member of the Board.

II.9 "Fair Market Value" of a share of Common Stock on a given valuation date means (i) the closing sales price for such Common Stock reported on the New York Stock Exchange on the date immediately preceding such valuation date, (ii) if the Common Stock is not listed on the New York Stock Exchange, the closing sales price for such Common Stock as reported for the date immediately preceding such valuation date on the principal stock exchange or quotation system in the U.S. on which Common Stock is listed or quoted (as determined by

the Committee), or (iii) if neither of the preceding clauses is applicable, the fair market value of a share of Common Stock as determined in good faith by the Board and stated in writing in a notice delivered to the holders of Common Stock involved. If no sale of Common Stock occurs on such valuation date, but there were sales reported within a reasonable period both before such valuation date, the closing sales price for such Stock on the nearest date before such valuation date shall be used.

II.10 "Fees" means all or part of any retainer or meeting fees payable in cash to a Non-Employee Director in his or her capacity as a Director. Fees shall not include any expenses paid directly or through reimbursement.

II.11 "Non-Employee Director" means a Director who is not an employee of the Company or any of its subsidiaries or affiliates. For purposes of the Plan, an employee is an individual whose wages are subject to withholding of federal income tax under Section 3401 of the Internal Revenue Code of 1986, as amended.

II.12 "Participant" means a Non-Employee Director who defers Fees under Article VI of the Plan.

II.13 "Secretary" means the Secretary or any Assistant Secretary of the Company.

II.14 "Shares" means shares of the Common Stock.

II.15 "Stock Units" means the credits to a Participant's Stock Unit Account under Article VI of the Plan, each of which represents the right to receive one Share upon settlement of the Stock Unit Account.

II.16 "Stock Unit Account" means the bookkeeping account established by the Company pursuant to Section VI.5.

II.17 "Termination of Service" means termination of service as a Director for any reason.

ARTICLE III
SHARES AVAILABLE UNDER THE PLAN

Subject to adjustment as provided in Article X, the maximum number of Shares that may be distributed in settlement of Stock Unit Accounts under the Plan shall be two hundred fifty thousand (250,000). Such Shares may include authorized but unissued Shares, treasury Shares or Shares that have been reacquired by the Company.

ARTICLE IV
ADMINISTRATION

The Plan shall be administered by the Board or such other committee as may be designated by the Board. The Committee shall have the authority to make all determinations it deems necessary or advisable for administering the Plan, subject to the express provisions of the

Plan. Notwithstanding the foregoing, no Director who is a Participant under the Plan shall participate in any determination relating solely or primarily to his or her own Shares, Stock Units or Stock Unit Account.

ARTICLE V
ELIGIBILITY

Each person who is a Non-Employee Director on a Deferral Date shall be eligible to defer Fees payable on such date in accordance with Article VI of the Plan. If any Non-Employee Director subsequently becomes an employee of the Company or any of its subsidiaries, but does not incur a Termination of Service, such Director shall continue as a Participant with respect to Fees previously deferred, but shall cease eligibility with respect to all future Fees, if any, earned while an employee.

ARTICLE VI
DEFERRAL ELECTIONS IN LIEU OF CASH PAYMENTS

VI.1 *General Rule*. Each Non-Employee Director may, in lieu of receipt of Fees, defer fifty percent (50%) or one hundred percent (100%) of such Fees in accordance with this Article VI, provided that such Non-Employee director is eligible under Article V of the Plan to defer such Fees at the date any such Fees are otherwise payable. A Director may only elect to defer fifty percent (50%) or one hundred percent (100%) of his or her Fees.

VI.2 *Timing of Election*. Each Non-Employee Director who is serving on the Board on the Effective Date may make a Deferral Election at any time prior to the Effective Date for Fees for services rendered and payable on or after the Effective Date. Any person who is not then serving as a Non-Employee Director may make a Deferral Election within thirty (30) days after commencing to serve as a Non-Employee Director, effective for Fees for services rendered and payable after the date such election is made. A Non-Employee Director who does not make a Deferral Election when first eligible to do so may make a Deferral Election at such time before the first day of any subsequent calendar year for which such Deferral Election shall be effective, in accordance with administrative procedures established with respect to the Plan.

VI.3 *Effect and Duration of Election*. A Deferral Election shall apply to Fees for services rendered and payable after the date such election is made and shall be deemed to be continuing and applicable to all Fees payable in subsequent calendar years, unless the participant revokes or modifies such election by filing a new election form at such time before the first day of any subsequent calendar year in accordance with administrative procedures established with respect to the Plan, effective for all Fees for services rendered and payable on and after the first day of such subsequent calendar year.

VI.4 *Form of Election*. A Deferral Election shall be made in a manner satisfactory to the Committee. Generally, a Deferral Election shall be made by completing and filing the specified election form with the Secretary or his or her designee within the period described in Section VI.2 or Section VI.3.

VI.5 *Establishment of Stock Unit Account.* The Company shall establish a Stock Unit Account for each Participant. All Fees deferred pursuant to this Article VI shall be credited to the Participant's Stock Unit Account as of the Deferral Date and converted to Stock Units. The number of Stock Units credited to a Participant's Stock Unit Account as of a Deferral Date shall equal the amount of the deferred Fees divided by the Fair Market Value of a Share on such Deferral Date, with fractional units calculated (and rounded) to three decimal places. Fractional Stock Units shall be credited cumulatively, but any fractional Stock Unit in a Participant's Stock Unit Account at the time of a distribution under Article VII shall be converted into cash equal to the Fair Market Value of a corresponding fractional Share on the date of distribution.

VI.6 *Crediting of Dividend Equivalents.* As of each dividend payment date with respect to Shares, each Participant shall have credited to his or her Stock Unit Account a dollar amount equal to the amount of cash dividends that would have been paid on the number of Shares equal to the number of Stock Units credited to the Participant's Stock Unit Account as of the close of business on the record date for such dividend. Such dollar amount shall then be converted into a number of Stock Units equal to the number of whole and fractional Shares that could have been purchased with such dollar amount at Fair Market Value on the dividend payment date.

ARTICLE VII
SETTLEMENT OF STOCK UNITS

VII.1 *Timing of Payment.* A Participant shall receive or begin receiving a distribution of his or her Stock Unit Account in the manner described in Section VII.2 either (i) on or as soon as administratively feasible after the first day of the second full calendar month immediately following the month in which the Participant incurs a Termination of Service (but not less than six months after the Participant has made a Deferral Election), (ii) if the Participant has made an election to defer payment in accordance with this Section, on or as soon as administratively feasible after the date specified by the Participant in such election, or (iii) if elected by the Participant, upon a Change of Control. A Participant must deliver an election to defer the distribution or commencement of distribution beyond the date applicable in clause (i) to the Secretary or his or her designee at the time that the Participant makes the deferral election pursuant to Article VI. A Participant may make an election to make a subsequent deferral election at least one (1) year (or such longer period determined by the Committee) before the earlier of the date on which the Participant incurs a Termination of Service or the previously designated distribution date.

VII.2 *Payment Options.* A Deferral Election filed under Article VI shall specify whether the Participant's Stock Unit Account is to be settled by delivering to the Participant the number of Shares equal to the number of whole Stock Units then credited to the Participant's Stock Unit Account, in either (i) a lump sum, or (ii) substantially equal annual installments over a period not to exceed five (5) years. A Participant may change the manner in which his or her Stock Unit Account is distributed by delivering a new election form to the Secretary or to his or her designee at least one (1) year (or such longer period determined by the Committee) before the earlier of the date on which the Participant incurs a Termination of Service or the previously designated distribution date.

VII.3 *Payment Upon Death of a Participant.* If a Participant dies before the entire balance of his or her Stock Unit Account has been distributed, the balance of the Participant's Stock Unit Account shall be paid in Shares as soon as administratively feasible after the Participant's death, to the beneficiary designated by the Participant under Article IX.

VII.4 *Continuation of Dividend Equivalents.* If the distribution of Shares is deferred pursuant to Section VII.2, the Participant's Stock Unit Account shall continue to be credited with dividend equivalents as provided in Section VI.6 on the undistributed Stock Units until the entire balance of the Participant's Stock Unit Account has been distributed.

ARTICLE VIII
UNFUNDED STATUS

VIII.1 *General*. The interest of each Participant in any Fees deferred under the Plan (and any Stock Units or Stock Unit Account relating thereto) shall be that of an unsecured general creditor of the Company. Stock Unit Accounts, and Stock Units credited thereto, shall at all times be maintained by the Company as bookkeeping entries evidencing unfunded and unsecured general obligations of the Company. Except as provided in Section VIII.2, any money or other assets set aside or earmarked for the purpose of satisfying the obligations of the Company hereunder shall at all times be the property of the Company and the Participant shall have no interest in such assets other than as an unsecured general creditor of the Company.

VIII.2 *Trust*. To the extent determined by the Board, the Company may transfer funds necessary to fund all or part of the payments under the Plan to a trust; provided, the assets held in such trust shall remain at all times subject to the claims of the general creditors of the Company. No participant or beneficiary shall have any interest in the assets held in such trust or in the general assets of the Company other than as an unsecured general creditor.

ARTICLE IX
DESIGNATION OF BENEFICIARY

Each Participant may designate, on a form provided by the Committee, one or more beneficiaries to receive payment of the Participant's Stock Unit Account in the event of such Participant's death. The Company may rely upon the beneficiary designation list filed with the Committee, provided that such form was executed by the Participant or his or her legal representative and filed with the Committee prior to the Participant's death. If a Participant has not designated a beneficiary, or if the designated beneficiary is not surviving when a payment is to be made to such person under the Plan, the beneficiary with respect to such payment shall be the Participant's surviving spouse, or if there is no surviving spouse, the Participant's estate.

ARTICLE X
ADJUSTMENT PROVISIONS

In the event of a reorganization, recapitalization, stock split, stock dividend, spin-off, combination, corporate exchange, merger, consolidation or other change in the Common Stock or any distribution to stockholders of Common Stock other than cash dividends or any

transaction determined in good faith by the Board or Committee to be similar to the foregoing, the Board or Committee shall make appropriate equitable changes in the number and type of Shares authorized by this Plan, and the number and type of Shares to be delivered upon settlement of Stock Unit Accounts under Article VII.

ARTICLE XI
GENERAL PROVISIONS

XI.1 *No Stockholder Rights Conferred.* Nothing contained in the Plan will confer upon any Participant or beneficiary any rights of a Stockholder of the Company, unless and until Shares are in fact issued or transferred to such Participant or beneficiary in accordance with Article VII.

XI.2 *Changes to The Plan.* The Board may amend, alter, suspend, discontinue, extend, or terminate the Plan without the consent of Participants; provided, no action taken without the consent of an affected Participant may materially impair the rights of such Participant with respect to any Stock Units credited to his or her Stock Unit Account at the time of such change or termination except that the Board may without the consent of any Participant terminate the Plan and distribute Shares with respect to Stock Units then credited to Participant's Stock Unit Account upon a Change in Control.

XI.3 *Compliance With Laws and Obligations.* The Company will not be obligated to issue or deliver Shares in connection with the Plan in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any other federal or state securities law, any requirement under any listing agreement between the Company and any national securities exchange or automated quotation system or any other laws, regulations, or contractual obligations of the Company, until the Company is satisfied that such laws, regulations and other obligations of the Company have been complied with in full. Certificates representing Shares delivered under the Plan will be subject to such restrictions as may be applicable under such laws, regulations and other obligations of the Company.

XI.4 *Limitations on Transferability.* Stock Units and other rights under the Plan may not be assigned, pledged, mortgaged, hypothecated or otherwise encumbered, and shall not be subject to the claims of creditors of any Participant.

XI.5 *Governing Law.* The validity, construction and effect of the Plan and any agreement hereunder will be determined in accordance with the Delaware General Corporation Law.

XI.6 *Plan Termination.* Unless earlier terminated by action of the Board pursuant to Section XI.2, the Plan will remain in effect until such time as no Shares remain available for delivery under the Plan and the Company has no further rights or obligations under the Plan.

Exhibit 10.2

EXECUTION COPY

CREDIT AGREEMENT

dated as of September 14, 2004

among

CENTENE CORPORATION,
as the Company

THE VARIOUS FINANCIAL INSTITUTIONS PARTY HERETO,
as Lenders,

and

LASALLE BANK NATIONAL ASSOCIATION,
as Administrative Agent and Arranger

SECTION 1 DEFINITIONS 1
1.1 Definitions 1
1.2 Other Interpretive Provisions 15
SECTION 2 COMMITMENTS OF THE LENDERS; BORROWING, CONVERSION AND LETTER OF CREDIT PROCEDURES 16
2.1 Commitments 16
2.1.1 Revolving Commitment 16
2.1.2 Increase in Revolving Commitment 16
2.1.3 L/C Commitment 17
2.2 Loan Procedures 17
2.2.1 Various Types of Loans 17
2.2.2 Borrowing Procedures 18
2.2.3 Conversion and Continuation Procedures 18
2.3 Letter of Credit Procedures 19
2.3.1 L/C Applications 19
2.3.2 Participations in Letters of Credit 20
2.3.3 Reimbursement Obligations 20
2.3.4 Funding by Lenders to Issuing Lender 21
2.3.5 Commitments Several 21
2.3.6 Certain Conditions 21
SECTION 3 EVIDENCING OF LOANS 22
3.1 Notes 22
3.2 Recordkeeping 22
SECTION 4 INTEREST 22
4.1 Interest Rates 22
4.2 Interest Payment Dates 22
4.3 Setting and Notice of LIBOR Rates 23
4.4 Computation of Interest 23
SECTION 5 FEES 23
5.1 Non-Use Fee 23
5.2 Letter of Credit Fees 23
5.3 Administrative Agent's Fees 24
SECTION 6 REDUCTION OR TERMINATION OF THE REVOLVING COMMITMENT; PREPAYMENTS 24
6.1 Reduction or Termination of the Revolving Commitment 24
6.1.1 Voluntary Reduction or Termination of the Revolving Commitment 24
6.1.2 All Reductions of the Revolving Commitment 24
6.2 Prepayments 24
6.2.1 Voluntary Prepayments 24

6.2.2 Mandatory Prepayments 24
6.3 Manner of Prepayments 24
6.4 Repayments 25

SECTION 7 MAKING AND PRORATION OF PAYMENTS; SETOFF; TAXES 25
7.1 Making of Payments 25
7.2 Application of Certain Payments 25
7.3 Due Date Extension 25
7.4 Setoff 26
7.5 Proration of Payments 26
7.6 Taxes 26

SECTION 8 INCREASED COSTS; SPECIAL PROVISIONS FOR LIBOR LOANS 28
8.1 Increased Costs 28
8.2 Basis for Determining Interest Rate Inadequate or Unfair 29
8.3 Changes in Law Rendering LIBOR Loans Unlawful 29
8.4 Funding Losses 30
8.5 Right of Lenders to Fund through Other Offices 30
8.6 Discretion of Lenders as to Manner of Funding 30
8.7 Mitigation of Circumstances; Replacement of Lenders 30
8.8 Conclusiveness of Statements; Survival of Provisions 31

SECTION 9 REPRESENTATIONS AND WARRANTIES 31
9.1 Organization 31
9.2 Authorization; No Conflict 31
9.3 Validity and Binding Nature 32
9.4 Financial Condition 32
9.5 No Material Adverse Change 32
9.6 Litigation and Indirect Obligations 32
9.7 Ownership of Properties; Liens 32
9.8 Equity Ownership; Subsidiaries 32
9.9 Pension Plans 33
9.10 Investment Company Act 33
9.11 Public Utility Holding Company Act 34
9.12 Regulation U, T, and X 34
9.13 Taxes 34
9.14 Solvency, etc 34
9.15 Environmental Matters 34
9.16 Insurance 35
9.17 Real Property 35
9.18 Information 35
9.19 Intellectual Property 36
9.20 Burdensome Obligations 36
9.21 Labor Matters 36
9.22 No Default 36
9.23 Other Names 36
9.24 S Corporation 36

9.25 Material Licenses 36
9.26 Compliance with Material Laws 36
9.27 Investments 36
9.28 Indebtedness 36
9.29 Capital Leases 37
9.30 Collateral Documents 37
9.31 Negative Pledges 37
9.32 Filings 37
9.33 Subordinated Debt 37
9.34 Charitable Foundations 37

SECTION 10 AFFIRMATIVE COVENANTS 37
10.1 Reports, Certificates and Other Information 37
10.1.1 Annual Report 37
10.1.2 Interim Reports 38
10.1.3 Compliance Certificates 38
10.1.4 Quarterly Statutory Statements 39
10.1.5 Reports to the SEC and to Shareholders 39
10.1.6 Notice of Default, Litigation and ERISA Matters 39
10.1.7 Management Reports 40
10.1.8 Budgets 40
10.1.9 Notices Under Subordinated Debt Documents and Acquisition Documents 40
10.1.10 Organizational Documents of Subsidiaries 40
10.1.11 Other Information 40
10.2 Books, Records and Inspections 40
10.3 Maintenance of Property; Insurance 41
10.4 Compliance with Laws; Payment of Taxes and Liabilities 42
10.5 Maintenance of Existence, Material Licenses, etc 42
10.6 Use of Proceeds 42
10.7 Employee Benefit Plans 43
10.8 Environmental Matters 43
10.9 Compliance with Loan Documents 43
10.10 Acquisition Documents 43
10.11 Further Assurances 43

SECTION 11 NEGATIVE COVENANTS 44
11.1 Debt 44
11.2 Liens 45
11.3 Operating Leases 46
11.4 Restricted Payments 46
11.5 Mergers, Consolidations, Sales 46
11.6 Modification of Organizational Documents 48
11.7 Transactions with Affiliates 48
11.8 Unconditional Purchase Obligations 48
11.9 Inconsistent Agreements 48
11.10 Business Activities 49

11.11 Investments 49
11.12 Restriction of Amendments to Certain Documents 49
11.13 Fiscal Year 49
11.14 Financial Covenants 49
11.14.1 Fixed Charge Coverage Ratio 49
11.14.2 Total Debt to EBITDA Ratio 49
11.14.3 Minimum Net Worth 49
11.15 Prepayment of Debt 50
11.16 Cancellation of Debt 50
11.17 Capital Structure; Equity Securities 50
11.18 New Subsidiaries 50
11.19 Charitable Foundations 50
11.20 Transactions Having a Material Adverse Effect 51

SECTION 12 EFFECTIVENESS; CONDITIONS OF LENDING, ETC. 51
12.1 Initial Credit Extension 51
12.1.1 Notes 51
12.1.2 Authorization Documents 51
12.1.3 Consents, etc 51
12.1.4 Letter of Direction 51
12.1.5 Pledge Agreement 51
12.1.6 Guaranty 52
12.1.7 Subordination Agreements 52
12.1.8 Opinions of Counsel 52
12.1.9 Insurance 52
12.1.10 Payment of Fees 52
12.1.11 Search Results; Lien Terminations 52
12.1.12 Filings, Registrations and Recordings 52
12.1.13 Closing Certificate, Consents and Permits 52
12.1.14 Financial Statements 52
12.1.15 Projections 53
12.1.16 Other 53
12.2 Conditions 53
12.2.1 Compliance with Warranties, No Default, etc. 53
12.2.2 Confirmatory Certificate 53

SECTION 13 EVENTS OF DEFAULT AND THEIR EFFECT 53
13.1 Events of Default 53
13.1.1 Non-Payment of the Loans, etc 53
13.1.2 Non-Payment of Other Debt 54
13.1.3 Other Material Obligations 54
13.1.4 Bankruptcy, Insolvency, etc. 54
13.1.5 Non-Compliance with Loan Documents 54
13.1.6 Representations; Warranties 54
13.1.7 Pension Plans 54
13.1.8 Judgments 55
13.1.9 Invalidity of Collateral Documents, etc 55

13.1.10 Invalidity of Subordination Provisions, etc 55
13.1.11 Change of Control 55
13.1.12 Seizure of Assets 55
13.1.13 Material Adverse Effect 55
13.2 Effect of Event of Default 56

SECTION 14 THE AGENT 56
14.1 Appointment and Authorization 56
14.2 Issuing Lender 56
14.3 Delegation of Duties 57
14.4 Exculpation of Administrative Agent 57
14.5 Reliance by Administrative Agent 57
14.6 Notice of Default 58
14.7 Credit Decision 58
14.8 Indemnification 58
14.9 Administrative Agent in Individual Capacity 59
14.10 Successor Administrative Agent 59
14.11 Collateral Matters 60
14.12 Administrative Agent May File Proofs of Claim 60
14.13 Other Agents; Arrangers and Managers 61

SECTION 15 GENERAL 61
15.1 Waiver; Amendments 61
15.2 Confirmations 62
15.3 Notices 62
15.4 Computations 62
15.5 Costs, Expenses and Taxes 62
15.6 Assignments; Participations 63
15.6.1 Assignments 63
15.6.2 Participations 64
15.7 Register 64
15.8 Governing Law 64
15.9 Confidentiality 65
15.10 Severability 65
15.11 Nature of Remedies 65
15.12 Entire Agreement 66
15.13 Counterparts 66
15.14 Successors and Assigns 66
15.15 Captions 66
15.16 Customer Identification - USA Patriot Act Notice 66
15.17 Indemnification by the Company 66
15.18 Nonliability of Lenders 67
15.19 Forum Selection and Consent to Jurisdiction 68
15.20 Waiver of Jury Trial 68
15.21 Statutory Notice—Oral Commitments 69

ANNEXES

ANNEX A	Lenders and Pro Rata Shares
ANNEX B	Addresses for Notices

SCHEDULES

SCHEDULE 9.6	Indirect Obligations
SCHEDULE 9.8	Subsidiaries
SCHEDULE 9.16	Insurance
SCHEDULE 9.17	Real Property
SCHEDULE 9.21	Labor Matters
SCHEDULE 9.23	Other Names
SCHEDULE 11.1	Existing Debt
SCHEDULE 11.2	Existing Liens
SCHEDULE 11.11	Investment Policy

EXHIBITS

EXHIBIT A	Form of Note (Section 3.1)
EXHIBIT B	Form of Compliance Certificate (Section 10.1.3)
EXHIBIT C	Form of Assignment Agreement (Section 15.6.1)
EXHIBIT D	Form of Notice of Borrowing (Section 2.2.2)
EXHIBIT E	Form of Notice of Conversion/Continuation (Section 2.2.3)

CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of September 14, 2004 (this "Agreement") is entered into among CENTENE CORPORATION (the "Company"), the financial institutions that are or may from time to time become parties hereto (together with their respective successors and assigns, the "Lenders") and LASALLE BANK NATIONAL ASSOCIATION (in its individual capacity, "LaSalle"), as administrative agent for the Lenders.

The Lenders have agreed to make available to the Company a revolving credit facility (which includes letters of credit) upon the terms and conditions set forth herein.

In consideration of the mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1 DEFINITIONS.

1.1 Definitions. When used herein the following terms shall have the following meanings:

Account or Accounts is defined in the UCC.

Acquisition means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of all or substantially all of any business or division of a Person, (b) the acquisition of the Capital Securities of any Person causing such Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person.

Acquisition Documents means all material documents and instruments relating to any Acquisition and all amendments and modifications thereof.

Administrative Agent means LaSalle in its capacity as administrative agent for the Lenders hereunder and any successor thereto in such capacity.

Affected Loan - see Section 8.3.

Affiliate of any Person means (a) any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person, (b) any officer or director of such Person and (c) with respect to any Lender, any entity administered or managed by such Lender or an Affiliate or investment advisor thereof and which is engaged in making, purchasing, holding or otherwise investing in commercial loans. A Person shall be deemed to be "controlled by" any other Person if such Person possesses, directly or indirectly, power to vote 5% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managers or power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. Unless expressly stated otherwise herein, neither the Administrative Agent nor any Lender shall be deemed an Affiliate of any Loan Party.

Agent Fee Letter means the Fee letter dated as of June 11, 2004 between the Company and the Administrative Agent.

Agreement - see the Preamble.

Applicable Margin means, for any day, the rate per annum set forth below opposite the level (the "Level") then in effect (calculated as of the last day of the quarter most recently ended, using EBITDA for the four quarter period then ended), it being understood that the Applicable Margin for (i) LIBOR Loans shall be the percentage set forth under the column "LIBOR Margin", (ii) Base Rate Loans shall be the percentage set forth under the column "Base Rate Margin", (iii) the Non-Use Fee Rate shall be the percentage set forth under the column "Non-Use Fee Rate" and (iv) the L/C Fee shall be the percentage set forth under the column "L/C Fee Rate":

Level	Total Debt to EBITDA Ratio	LIBOR Margin	Base Rate Margin	Non-Use Fee Rate	L/C Fee Rate
I	Greater than or equal to 2.0:1	2.25%	0.75%	0.400%	2.25%
II	Greater than or equal to 1.5:1 but less than 2.0:1	1.75%	0.25%	0.375%	1.75%
III	Greater than or equal to 1.0:1 but less than 1.5:1	1.50%	0.00%	0.350%	1.50%
IV	Greater than or equal to 0.5:1 but less than 1.0:1	1.25%	0.00%	0.300%	1.25%
V	Less than 0.5:1	1.00%	0.00%	0.250%	1.00%

The LIBOR Margin, the Base Rate Margin, the Non-Use Fee Rate and the L/C Fee Rate shall be adjusted, to the extent applicable, on the fifth (5th) Business Day after the Company provides or is required to provide the annual and quarterly financial statements and other information pursuant to Section 10.1.1 or 10.1.2, as applicable, and the related Compliance Certificate, pursuant to Section 10.1.3. Notwithstanding anything contained in this paragraph to the contrary, (a) if the Company fails to deliver such financial statements and Compliance Certificate in accordance with the provisions of Sections 10.1.1, 10.1.2 and 10.1.3, the LIBOR Margin, the Base Rate Margin, the Non-Use Fee Rate and the L/C Fee Rate shall be based upon Level I above beginning on the date the Company is notified in writing by the Administrative Agent that such financial statements and Compliance Certificate were not delivered when required until the fifth (5th) Business Day after such financial statements and Compliance Certificate are actually delivered, whereupon the Applicable Margin shall be determined by the then current Level; (b) no reduction to any Applicable Margin shall become effective at any time when an Event of Default or Unmatured Event of Default has occurred and is continuing; and (c) the initial Applicable Margin on the Closing Date shall be based on Level V until the date on which the financial statements and Compliance Certificate are required to be delivered for the Fiscal Quarter ending September 30, 2004.

Assignee - see Section 15.6.1.

Assignment Agreement - see Section 15.6.1.

Attorney Costs means, with respect to any Person, all reasonable fees and charges of any counsel to such Person, and all court costs and similar legal expenses.

Bank Product Agreements means those certain cash management service agreements entered into from time to time between any Loan Party and a Lender or its Affiliates in connection with any of the Bank Products.

Bank Product Obligations means all obligations, liabilities, contingent reimbursement obligations, fees, and expenses owing by the Loan Parties to any Lender or its Affiliates pursuant to or evidenced by the Bank Product Agreements and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all such amounts that a Loan Party is obligated to reimburse to the Administrative Agent or any Lender as a result of the Administrative Agent or such Lender purchasing participations or executing indemnities or reimbursement obligations with respect to the Bank Products provided to the Loan Parties pursuant to the Bank Product Agreements.

Bank Products means any service or facility extended to any Loan Party by any Lender or its Affiliates including: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) ACH Transactions, (f) cash management, including controlled disbursement, accounts or services, or (g) Hedging Agreements.

Base Rate means at any time the greater of (a) the Federal Funds Rate plus 0.5% or (b) the Prime Rate.

Base Rate Loan means any Loan which bears interest at or by reference to the Base Rate.

Base Rate Margin - see the definition of Applicable Margin.

BSA - see Section 10.4.

Business Day means any day on which LaSalle is open for commercial banking business in Chicago, Illinois and, in the case of a Business Day which relates to a LIBOR Loan, on which dealings are carried on in the London interbank eurodollar market.

Capital Expenditures means all expenditures which, in accordance with GAAP, would be required to be capitalized and shown on the consolidated balance sheet of the Company, including expenditures in respect of Capital Leases, but excluding expenditures made in connection with the replacement, substitution or restoration of assets to the extent financed (a) from insurance proceeds (or other similar recoveries) paid on account of the loss of or damage to the assets being replaced or restored or (b) with awards of compensation arising from the taking by eminent domain or condemnation of the assets being replaced.

Capital Lease means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property by such Person that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

Capital Securities means, with respect to any Person, all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's capital, whether now outstanding or issued or acquired after the Closing Date, including common shares, preferred shares, membership interests in a limited liability company, limited or general partnership interests in a partnership, interests in a Trust, interests in other unincorporated organizations or any other equivalent of such ownership interest.

Cash Collateralize means to deliver cash collateral to the Administrative Agent, to be held as cash collateral for outstanding Letters of Credit, pursuant to documentation satisfactory to the Administrative Agent. Derivatives of such term have corresponding meanings.

Change of Control means the occurrence of any of the following events: (a) the merger or consolidation of the Company with or into any other Person, or the merger or consolidation of any other Loan Party with or into any other Person which is not a Loan Party; or (b) any Person or Group (as defined by the SEC in Regulation 13-D) becomes the record or beneficial owner, directly or indirectly, of Capital Securities representing 20% or more of the voting power of the Company's outstanding Capital Securities having the power to vote or acquires the power to elect a majority of the board of directors of the Company.

Charitable Foundations means The Centene Charitable Foundation, a Missouri nonprofit corporation, and The Centene Foundation for Quality Health Care, a Missouri nonprofit corporation.

Closing Date - see Section 12.1.

Code means the Internal Revenue Code of 1986.

Collateral means all of the property in which Administrative Agent or any Lender has a Lien to secure payment or performance of the Obligations.

Collateral Documents means, collectively, the Pledge Agreement, the Guaranty and any other agreement or instrument pursuant to which the Company, any Subsidiary or any other Person grants or purports to grant Collateral to the Administrative Agent for the benefit of the Lenders or otherwise relates to such Collateral or guaranties the payment and/or performance of the Obligations.

Commitment means, as to any Lender, such Lender's commitment to make Loans, and to issue or participate in Letters of Credit, under this Agreement. The initial amount of each Lender's commitment to make Loans is set forth on Annex A.

Company - see the Preamble.

Compliance Certificate means a Compliance Certificate in substantially the form of Exhibit B.

Computation Period means each period of four consecutive Fiscal Quarters ending on the last day of a Fiscal Quarter.

Consolidated Net Income means, with respect to the Company and its Subsidiaries for any period, the net income (or loss) of the Company and its Subsidiaries for such period, excluding any extraordinary non-cash gains or losses and any non-cash gains or losses from discontinued operations.

Controlled Group means all members of a controlled group of corporations, all members of a controlled group of trades or businesses (whether or not incorporated) under common control and all members of an affiliated service group which, together with the Company or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

Debt of any Person means, without duplication, (a) all indebtedness of such Person, (b) all borrowed money of such Person, whether or not evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person as lessee under Capital Leases which have been or should be recorded as liabilities on a balance sheet of such Person in accordance with GAAP, (d) all obligations of such Person to pay the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business), (e) all indebtedness secured by a Lien on the property of such Person, whether or not such indebtedness shall have been assumed by such Person; provided that if such Person has not assumed or otherwise become liable for such indebtedness, such indebtedness shall be measured at the fair market value of such property securing such indebtedness at the time of determination, (f) all obligations, contingent or otherwise, with respect to the face amount of all letters of credit (whether or not drawn), bankers' acceptances and similar obligations issued for the account of such Person (including the Letters of Credit), (g) all Hedging Obligations of such Person, (h) all Indirect Obligations of such Person, (i) all Debt of any partnership of which such Person is a general partner, and (j) any Capital Securities or other equity instrument, whether or not mandatory redeemable, that under GAAP is or should be characterized as debt and not equity, whether pursuant to financial accounting standards board issuance No. 150 or otherwise.

Dollar and the sign "$" mean lawful money of the United States of America.

Dormant Subsidiary means any Subsidiary of the Company which (a) has no employees, (b) conducts no business operations, (c) has no income, (d) has no assets (other than its name and any associated goodwill) or liabilities, and (e) maintains no deposit accounts.

EBITDA means, for any period, Consolidated Net Income for such periodplus, to the extent deducted in determining such Consolidated Net Income, Interest Expense, income tax expense, depreciation and amortization for such period. EBITDA shall be determined on a pro forma basis after giving effect to all Acquisitions made by the Company or any Subsidiary at anytime during the applicable fiscal period, in each case as if such Acquisition had occurred at the beginning of such fiscal period.

Environmental Claims means all claims, however asserted, by any governmental, regulatory or judicial authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

Environmental Laws means all present or future federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative or judicial orders, consent agreements, directed duties, requests, licenses, authorizations and permits of, and agreements with, any governmental authority, in each case relating to any matter arising out of or relating to public health and safety, or pollution or protection of the environment or workplace, including any of the foregoing relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, discharge, emission, release, threatened release, control or cleanup of any Hazardous Substance.

ERISA means the Employee Retirement Income Security Act of 1974.

Event of Default means any of the events described in Section 13.1.

Excluded Taxes means taxes based upon, or measured by, the Lender's or Administrative Agent's (or a branch of the Lender's or Administrative Agent's) overall net income, overall net receipts, or overall net profits (including franchise taxes imposed in lieu of such taxes), but only to the extent such taxes are imposed by a taxing authority (a) in a jurisdiction in which such Lender or Administrative Agent is organized, (b) in a jurisdiction which the Lender's or Administrative Agent's principal office is located, or (c) in a jurisdiction in which such Lender's or Administrative Agent's lending office (or branch) in respect of which payments under this Agreement are made is located.

Federal Funds Rate means, for any day, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent. The Administrative Agent's determination of such rate shall be binding and conclusive absent manifest error.

Fiscal Quarter means a fiscal quarter of a Fiscal Year.

Fiscal Year means the fiscal year of the Company and its Subsidiaries, which period shall be the 12-month period ending on December 31 of each year. References to a Fiscal Year with a number corresponding to any calendar year (e.g., "Fiscal Year 2003" or "2003 Fiscal Year") refer to the Fiscal Year ending on December 31 of such calendar year.

Fixed Charge Coverage Ratio means, for any Computation Period, the ratio of (a) the total for such period of EBITDA minus the sum of income taxes paid in cash by the Loan Parties, all non-financed Capital Expenditures, and cash dividends paid by the Company to (b) the sum for such period of (i) cash Interest Expense plus (ii) required payments of principal of Funded Debt (excluding the Revolving Loans).

FRB means the Board of Governors of the Federal Reserve System or any successor thereto.

Funded Debt means all Debt of the Company and its Subsidiaries, determined on a consolidated basis, that matures more than one year from the date of its creation (or is renewable or extendible, at the option of such Person, to a date more than one year from such date).

GAAP means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession) and the Securities and Exchange Commission, which are applicable to the circumstances as of the date of determination.

Governmental Authority means the federal government of the United States; the government of any foreign country that is recognized by the United States or is a member of the United Nations; any state of the United States; any local government or municipality within the territory or under the jurisdiction of any of the foregoing; any department, agency, division, or instrumentality of any of the foregoing; and any court, arbitrator, or board of arbitrators whose orders or judgments are enforceable by or within the territory of any of the foregoing.

GPA Divestiture means the sale by Group Practice Affiliates, LLC of its clinics and the assets associated with such clinics.

Guaranty means the Continuing Unconditional Guaranty of Centene Management Company LLC in favor of the Administrative Agent executed as of the Closing Date.

Group - see Section 2.2.1.

Hazardous Substances means (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is friable, urea formaldehyde foam insulation, dielectric fluid containing levels of polychlorinated biphenyls, radon gas and mold; (b) any chemicals, materials, pollutant or substances defined as or included in the definition of "hazardous substances", "hazardous waste", "hazardous materials", "extremely hazardous substances", "restricted hazardous waste", "toxic substances", "toxic pollutants", "contaminants", "pollutants" or words of similar import, under any applicable Environmental Law; and (c) any other chemical, material or substance, the exposure to, or release of which is prohibited, limited or regulated by any governmental authority or for which any duty or standard of care is imposed pursuant to, any Environmental Law.

Hedging Agreement means any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

Hedging Obligation means, with respect to any Person, any liability of such Person under any Hedging Agreement. The amount of any Person's obligation in respect of any Hedging Obligation shall be deemed to be the incremental obligation that would be reflected in the financial statements of such Person in accordance with GAAP.

Indemnified Liabilities - see Section 15.17.

Indirect Obligation means, with respect to any Person, each obligation and liability of such Person, and all such obligations and liabilities of such Person, incurred pursuant to any agreement, undertaking or arrangement by which such Person: (a) guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, dividend, obligation or other liability of any other Person in any manner (other than by endorsement of instruments in the course of collection), including any indebtedness, dividend or other obligation which may be issued or incurred at some future time; (b) guarantees the payment of dividends or other distributions upon the Capital Securities of any other Person; (c) undertakes or agrees (whether contingently or otherwise): (i) to purchase, repurchase, or otherwise acquire any indebtedness, obligation or liability of any other Person or any property or assets constituting security therefor, (ii) to advance or provide funds for the payment or discharge of any indebtedness, obligation or liability of any other Person (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, working capital or other financial condition of any other Person, or (iii) to make payment to any other Person other than for value received; (d) agrees to lease property or to purchase securities, property or services from such other Person with the purpose or intent of assuring the owner of such indebtedness or obligation of the ability of such other Person to make payment of the indebtedness or obligation; (e) to induce the issuance of, or in connection with the issuance of, any letter of credit for the benefit of such other Person; or (f) undertakes or agrees otherwise to assure a creditor against loss. The amount of any Indirect Obligation shall (subject to any limitation set forth herein) be deemed to be the outstanding principal amount (or maximum permitted principal amount, if larger) of the indebtedness, obligation or other liability guaranteed or supported thereby.

Interest Expense means for any period the consolidated interest expense of the Company and its Subsidiaries for such period (including all imputed interest on Capital Leases).

Interest Period means, as to any LIBOR Loan, the period commencing on the date such Loan is borrowed or continued as, or converted into, a LIBOR Loan and ending on the date one, two, three or six months thereafter as selected by the Company pursuant to Section 2.2.2 or 2.2.3, as the case may be; provided that:

(a) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(b) any Interest Period that begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) the Company may not select any Interest Period for a Revolving Loan which would extend beyond the scheduled Termination Date.

Investment means, with respect to any Person, any investment in another Person, whether by acquisition of any debt or Capital Security, by making any loan or advance, by becoming obligated with respect to a Indirect Obligation in respect of obligations of such other Person (other than travel and similar advances to employees in the ordinary course of business) or by making an Acquisition.

Issuing Lender means LaSalle, in its capacity as the issuer of Letters of Credit hereunder, or any Affiliate of LaSalle that may from time to time issue Letters of Credit, and their successors and assigns in such capacity.

LaSalle - see the Preamble.

Law means any statute, rule, regulation, order, judgment, award or decree of any Governmental Authority.

L/C Application means, with respect to any request for the issuance of a Letter of Credit, a letter of credit application in the form being used by the Issuing Lender at the time of such request for the type of letter of credit requested.

L/C Fee Rate - see the definition of Applicable Margin.

Lender - see the Preamble. References to the "Lenders" shall include the Issuing Lender; for purposes of clarification only, to the extent that LaSalle (or any successor Issuing Lender) may have any rights or obligations in addition to those of the other Lenders due to its status as Issuing Lender, its status as such will be specifically referenced. In addition to the foregoing, for the purpose of identifying the Persons entitled to share in the Collateral and the proceeds thereof under, and in accordance with the provisions of, this Agreement and the Collateral Documents, the term "Lender" shall include Affiliates of a Lender providing a Bank Product.

Lender Party - see Section 15.17

Letter of Credit - see Section 2.1.3.

LIBOR Loan means any Loan which bears interest at a rate determined by reference to the LIBOR Rate.

LIBOR Margin - see the definition of Applicable Margin.

LIBOR Office means with respect to any Lender the office or offices of such Lender which shall be making or maintaining the LIBOR Loans of such Lender hereunder. A LIBOR Office of any Lender may be, at the option of such Lender, either a domestic or foreign office.

LIBOR Rate means a rate of interest equal to (a) the per annum rate of interest at which United States dollar deposits in an amount comparable to the amount of the relevant LIBOR Loan and for a period equal to the relevant Interest Period are offered in the London Interbank Eurodollar market at 11:00 A.M. (London time) two (2) Business Days prior to the commencement of such Interest Period (or three (3) Business Days prior to the commencement of such Interest Period if banks in London, England were not open and dealing in offshore

United States dollars on such second preceding Business Day), as displayed in the *Bloomberg Financial Markets* system (or other authoritative source selected by the Administrative Agent in its sole discretion) or, if the *Bloomberg Financial Markets* system or another authoritative source is not available, as the LIBOR Rate is otherwise determined by the Administrative Agent in its sole and absolute discretion, divided by (b) a number determined by subtracting from 1.00 the then stated maximum reserve percentage for determining reserves to be maintained by member banks of the Federal Reserve System for Eurocurrency funding or liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D), such rate to remain fixed for such Interest Period. The Administrative Agent's determination of the LIBOR Rate shall be conclusive, absent manifest error.

Lien means, with respect to any Person, any interest granted by such Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person (including an interest in respect of a Capital Lease) which secures payment or performance of any obligation and shall include any mortgage, lien, encumbrance, title retention lien, charge or other security interest of any kind, whether arising by contract, as a matter of law, by judicial process or otherwise.

Loan Documents means this Agreement, the Notes, the Letters of Credit, the Master Letter of Credit Agreement, the L/C Applications, the Agent Fee Letter, the Collateral Documents, the Subordination Agreements, and all documents, instruments and agreements delivered in connection with the foregoing from time to time.

Loan Party means the Company and each of its Subsidiaries (direct or indirect, whether now existing or hereafter created) separately, excluding any Dormant Subsidiary so long as it qualifies as a Dormant Subsidiary hereunder, but specifically including Centene Management Company LLC, a Wisconsin limited liability company, Centene Corporation of Texas, a Texas corporation, Managed Health Services Insurance Corp., a Wisconsin corporation, Superior HealthPlan, Inc., a Texas corporation, Coordinated Care Corporation Indiana, Inc., an Indiana corporation, Managed Health Services Illinois, Inc., an Illinois corporation, MHS Consulting Corporation, a Wisconsin corporation, Bankers Reserve Life Insurance Company of Wisconsin, a Wisconsin insurance company, University Health Plans, Inc., a New Jersey corporation, CenCorp Consulting Company, Inc., a Delaware corporation, Centene Finance Corporation, a Delaware corporation, and Buckeye Community Health Plan, Inc., an Ohio corporation. The words "Loan Parties" refer to the Company and its now existing or hereafter created Subsidiaries (whether direct or indirect), excluding any Dormant Subsidiary so long as it qualifies as a Dormant Subsidiary hereunder, but specifically including each of the Persons specifically mentioned in the prior sentence, collectively. The Company agrees that any Subsidiary which is a Dormant Subsidiary will automatically become a Loan Party hereunder without any further action if at any time such Subsidiary ceases to be a Dormant Subsidiary.

Loan or Loans means Revolving Loan or Revolving Loans.

Margin Stock means any "margin stock" as defined in Regulation U.

Master Letter of Credit Agreement means, at any time, with respect to the issuance of Letters of Credit, a master letter of credit agreement or reimbursement agreement in the form, if any, being used by the Issuing Lender at such time.

Material Adverse Effect means (a) a material adverse change in, or a material adverse effect upon, the financial condition, operations, assets, business, properties or prospects of the Loan Parties taken as a whole, (b) a material impairment of the ability of any Loan Party to perform any of the Obligations under any Loan Document or (c) a material adverse effect upon any substantial portion of the Collateral under the Collateral Documents or upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document.

Material Law means any separately enforceable provision of a Law whose violation by a Person would have a Material Adverse Effect on such Person.

Material License means as to any Person, any license, permit or consent from a Governmental Authority or other Person and any registration and filing with a Governmental Authority or other Person which if not obtained, held or made would have a Material Adverse Effect, and (ii) as to any Person who is a party to this Agreement or any of the other Loan Documents, any license, permit or consent from a Governmental Authority or other Person and any registration or filing with a Governmental Authority or other Person that is necessary for the execution or performance by such party, or the validity or enforceability against such party, of this Agreement or such other Loan Document.

Material Subsidiary means each Subsidiary of the Company which owns assets representing 5% or more of the total assets of the Company and its Subsidiaries on a consolidated basis or which has revenue representing 5% or more of the total revenue of the Company and its Subsidiaries on a consolidated basis.

Multiemployer Pension Plan means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Company or any other member of the Controlled Group may have any liability.

Net Worth means the difference of (a) the sum of all assets, minus (b) the sum of all liabilities, in each case as presented in the balance sheet in the Company's most recent consolidated financial statements delivered to Administrative Agent and each of the Lenders as required hereunder (including as liabilities all reserves required under GAAP for contingencies and other potential liabilities).

Non-U.S. Participant - see Section 7.6(d).

Non-Use Fee Rate - see the definition of Applicable Margin.

Note means a promissory note substantially in the form ofExhibit A.

Notice of Borrowing - see Section 2.2.2.

Notice of Conversion/Continuation - see Section 2.2.3.

Obligations means all obligations (monetary (including post-petition interest, allowed or not) or otherwise) of any Loan Party under this Agreement and any other Loan Document including Attorney Costs and any reimbursement obligations of each Loan Party in respect of Letters of Credit and surety bonds, all Hedging Obligations permitted hereunder which are owed to any Lender or the Administrative Agent (or any Affiliate of either), and all Bank Products Obligations, all in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

OFAC - see Section 10.4.

Operating Lease means any lease of (or other agreement conveying the right to use) any real or personal property by any Loan Party, as lessee, other than any Capital Lease.

PBGC means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

Participant - see Section 15.6.2.

Pension Plan means a "pension plan", as such term is defined in Section 3(2) of ERISA, which is subject to Title IV of ERISA or the minimum funding standards of ERISA (other than a Multiemployer Pension Plan), and as to which the Company or any member of the Controlled Group may have any liability, including any liability by reason of having been a substantial employer within the meaning of Section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under Section 4069 of ERISA.

Person means any natural person, corporation, partnership, trust, limited liability company, association, governmental authority or unit, or any other entity, whether acting in an individual, fiduciary or other capacity.

Pledge Agreement means the Pledge Agreement between the Company and the Administrative Agent executed as of the Closing Date.

Prime Rate means, for any day, the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its prime rate (whether or not such rate is actually charged by the Administrative Agent), which is not intended to be the Administrative Agent's lowest or most favorable rate of interest at any one time. Any change in the Prime Rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change; provided that the Administrative Agent shall not be obligated to give notice of any change in the Prime Rate.

Pro Rata Share means:

(a) with respect to a Lender's obligation to make Revolving Loans, participate in Letters of Credit, reimburse the Issuing Lender, and receive payments of principal, interest, fees, costs, and expenses with respect thereto, (x) prior to the Revolving Commitment being terminated or reduced to zero, the percentage obtained by dividing (i) such Lender's Revolving Commitment, by (ii) the aggregate Revolving Commitment of all Lenders and (y) from and after the time

the Revolving Commitment has been terminated or reduced to zero, the percentage obtained by dividing (i) the aggregate unpaid principal amount of such Lender's Revolving Outstandings by (ii) the aggregate unpaid principal amount of all Revolving Outstandings;

(b) with respect to all other matters as to a particular Lender, the percentage obtained by dividing (i) such Lender's Revolving Commitment by (ii) the aggregate amount of Revolving Commitment of all Lenders; provided that in the event the Commitments have been terminated or reduced to zero, Pro Rata Share shall be the percentage obtained by dividing (A) the principal amount of such Lender's Revolving Outstandings by (B) the principal amount of all outstanding Revolving Outstandings.

Regulation D means Regulation D of the FRB.

Regulation T means Regulation T of the FRB.

Regulation U means Regulation U of the FRB.

Regulation X means Regulation X of the FRB.

Replacement Lender - see Section 8.7(b).

Reportable Event means a reportable event as defined in Section 4043 of ERISA and the regulations issued thereunder as to which the PBGC has not waived the notification requirement of Section 4043(a), or the failure of a Pension Plan to meet the minimum funding standards of Section 412 of the Code (without regard to whether the Pension Plan is a plan described in Section 4021(a)(2) of ERISA) or under Section 302 of ERISA.

Required Capital means, for any Loan Party, a Dollar amount equal to the greater of (i) 210% of such Loan Party's risk-based capital or (ii) the statutory net worth requirement imposed from time to time by any Governmental Authority to which such Loan Party is subject.

Required Lenders means, at any time, Lenders who both (i) have Pro Rata Shares which equal or exceed 60% as determined pursuant to clause (b) of the definition of "Pro Rata Share" and (ii) constitute a simple majority of the Lenders.

Revolving Commitment means $100,000,000.00, as increased from time to time pursuant to Section 2.1.2 or reduced from time to time pursuant to Section 6.1.

Revolving Loan - see Section 2.1.1.

Revolving Loan Availability means the Revolving Commitment.

Revolving Outstandings means, at any time, the sum of (a) the aggregate principal amount of all outstanding Revolving Loans, plus (b) the Stated Amount of all Letters of Credit.

SEC means the Securities and Exchange Commission or any other governmental authority succeeding to any of the principal functions thereof.

Senior Officer means, with respect to any Loan Party, any of the chief executive officer, the chief financial officer, the chief operating officer or the treasurer of such Loan Party.

Stated Amount means, with respect to any Letter of Credit at any date of determination, (a) the maximum aggregate amount available for drawing thereunder under any and all circumstances plus (b) the aggregate amount of all unreimbursed payments and disbursements under such Letter of Credit.

Subordinated Debt means any unsecured Debt of the Company which has subordination terms, covenants, pricing and other terms which have been approved in writing by the Required Lenders.

Subordinated Debt Documents means all documents and instruments relating to the Subordinated Debt and all amendments and modifications thereof approved by the Administrative Agent.

Subordination Agreements means any subordination agreements executed by a holder of Subordinated Debt in favor of the Administrative Agent and the Lenders from time to time after the Closing Date in form and substance and on terms and conditions satisfactory to Administrative Agent.

Subsidiary means, with respect to any Person, a corporation, partnership, limited liability company or other entity of which such Person owns, directly or indirectly, such number of outstanding Capital Securities as have more than 20% of the ordinary voting power for the election of directors or other managers of such corporation, partnership, limited liability company or other entity; provided, however, that the Charitable Foundations shall not be deemed to be Subsidiaries of the Company. Unless the context otherwise requires, each reference to Subsidiaries herein shall be a reference to Subsidiaries of the Company.

Taxes means any and all present and future taxes, duties, levies, imposts, deductions, assessments, charges or withholdings, and any and all liabilities (including interest and penalties and other additions to taxes) with respect to the foregoing, but excluding Excluded Taxes.

Termination Date means the earlier to occur of (a) September 14, 2009 or (b) such other date on which the Commitments terminate pursuant toSection 6 or 13.

Termination Event means, with respect to a Pension Plan that is subject to Title IV of ERISA, (a) a Reportable Event, (b) the withdrawal of the Company or any other member of the Controlled Group from such Pension Plan during a plan year in which the Company or any other member of the Controlled Group was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or was deemed such under Section 4068(f) of ERISA, (c) the termination of such Pension Plan, the filing of a notice of intent to terminate the Pension Plan or the treatment of an amendment of such Pension Plan as a termination under Section 4041 of ERISA, (d) the institution by the PBGC of proceedings to terminate such Pension Plan or (e) any event or condition that might constitute grounds under Section 4042 of ERISA for the termination of, or appointment of a trustee to administer, such Pension Plan.

Total Debt means all Debt of the Company and its Subsidiaries, determined on a consolidated basis, excluding (a) contingent obligations in respect of Indirect Obligations (except to the extent constituting Indirect Obligations in respect of Debt of a Person other than any Loan Party), (b) Hedging Obligations, (c) Debt of the Company to Loan Parties and Debt of Loan Parties to the Company or to other Loan Parties and (d) contingent obligations in respect of undrawn letters of credit.

Total Debt to EBITDA Ratio means, as of the last day of any Fiscal Quarter, the ratio of (a) Total Debt as of such day to (b) EBITDA for the Computation Period ending on such day.

Total Plan Liability means, at any time, the present value of all vested and unvested accrued benefits under all Pension Plans, determined as of the then most recent valuation date for each Pension Plan, using PBGC actuarial assumptions for single employer plan terminations.

Type - see Section 2.2.1.

UCC means the Uniform Commercial Code as in effect on the date hereofand from time to time in the State of Illinois,provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the security interests in any Collateral or the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect on or after the date hereof in any other jurisdiction, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy.

Unfunded Liability means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Pension Plans exceeds the fair market value of all assets allocable to those benefits, all determined as of the then most recent valuation date for each Pension Plan, using PBGC actuarial assumptions for single employer plan terminations.

Unmatured Event of Default means any event that, if it continues uncured, will, with lapse of time or notice or both, constitute an Event of Default.

Withholding Certificate - see Section 7.6(d).

Wholly-Owned Subsidiary means, as to any Person, a Subsidiary all of the Capital Securities of which (except directors' qualifying Capital Securities) are at the time directly or indirectly owned by such Person and/or another Wholly-Owned Subsidiary of such Person.

1.2 Other Interpretive Provisions.

1.2.1 The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

1.2.2 Section, Annex, Schedule and Exhibit references are to this Agreement unless otherwise specified.

1.2.3 The term "including" is not limiting and means "including without limitation."

1.2.4 In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including."

1.2.5 Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement and the other Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, supplements and other modifications thereto, but only to the extent such amendments, restatements, supplements and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation shall be construed as including all statutory and regulatory provisions amending, replacing, supplementing or interpreting such statute or regulation.

1.2.6 This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and each shall be performed in accordance with its terms.

1.2.7 This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Administrative Agent, the Company, the Lenders and the other parties thereto and are the products of all parties. Accordingly, they shall not be construed against the Administrative Agent or the Lenders merely because of the Administrative Agent's or Lenders' involvement in their preparation.

SECTION 2 COMMITMENTS OF THE LENDERS; BORROWING, CONVERSION AND LETTER OF CREDIT PROCEDURES.

2.1 Commitments. On and subject to the terms and conditions of this Agreement, each of the Lenders, severally and for itself alone, agrees to make loans to, and to issue or participate in letters of credit for the account of, the Company as follows:

2.1.1 Revolving Commitment. Each Lender with a Revolving Commitment agrees to make loans on a revolving basis ("Revolving Loans") from time to time until the Termination Date in such Lender's Pro Rata Share of such aggregate amounts as the Company may request from all Lenders; provided that the Revolving Outstandings will not at any time exceed Revolving Loan Availability.

2.1.2 Increase in Revolving Commitment. The Company may, at its option any time before the Termination Date, on no more than three occasions, seek to increase the Revolving Commitment by up to an aggregate amount not exceeding $75,000,000 (resulting in maximum Revolving Commitment of $175,000,000) upon written notice to the Administrative Agent, which notice shall specify the amount of any such incremental increase (which shall not be less than $10,000,000) sought by the Company and shall be delivered at a time when no Unmatured Event of Default or Event of Default has occurred and is continuing. The

Administrative Agent, subject to the consent of the Company, which shall not be unreasonably withheld, may allocate the incremental increase (which may be declined by any Lender (including in its sole discretion) in the Revolving Commitment on either a ratable basis to the Lenders or on a non pro-rata basis to one or more Lenders and/or to other banks or entities reasonably acceptable to the Administrative Agent and the Company which have expressed a desire to accept the increase in Revolving Commitment. The Administrative Agent will then notify each existing and potentially new Lender of such revised allocations of the Revolving Commitment, including the desired increase. No increase in the Revolving Commitment shall become effective until each of the existing or new Lenders extending such incremental Revolving Commitment and the Company shall have delivered to the Administrative Agent a document in form reasonably satisfactory to the Administrative Agent pursuant to which any such existing Lender states the amount of its Revolving Commitment increase, any such new Lender states its Revolving Commitment amount and agrees to assume and accept the obligations and rights of a Lender hereunder, and the Company accepts such new Commitments. After giving effect to such increase in Revolving Commitment, all Loans and all such other credit exposure shall be held ratably by the Lenders in proportion to their respective Commitments, as revised to reflect the increase in the Revolving Commitment. Upon any increase in Revolving Commitment pursuant to this Section, the Company shall pay Administrative Agent for the ratable benefit of only the Lenders (including any new Lender) whose Revolving Commitment are increased an upfront fee in an amount equal to what is mutually agreed to among the Company, the Lenders whose Revolving Commitments are increased and the Administrative Agent. Administrative Agent will use its best efforts to arrange the increase in Revolving Commitment sought by Company but is under no obligation to consummate any such increase. Company will cooperate with Administrative Agent in such efforts.

2.1.3 L/C Commitment. Subject to Section 2.3.1, the Issuing Lender agrees to issue letters of credit, in each case containing such terms and conditions as are permitted by this Agreement and are reasonably satisfactory to the Issuing Lender (each, a "Letter of Credit"), at the request of and for the account of the Company from time to time before the scheduled Termination Date and, as more fully set forth in Section 2.3.2, each Lender agrees to purchase a participation in each such Letter of Credit;provided that (a) the aggregate Stated Amount of all Letters of Credit shall not at any time exceed $10,000,000.00 and (b) the Revolving Outstandings shall not at any time exceed Revolving Loan Availability.

2.2 Loan Procedures.

2.2.1 Various Types of Loans. Each Revolving Loan may be divided into tranches which are either a Base Rate Loan or a LIBOR Loan (each a "type" of Loan), as the Company shall specify in the related notice of borrowing or conversion pursuant to Section 2.2.2 or 2.2.3. LIBOR Loans having the same Interest Period which expire on the same day are sometimes called a "Group" or collectively "Groups". Base Rate Loans and LIBOR Loans may be outstanding at the same time,provided that not more than five different Groups of LIBOR Loans shall be outstanding at any one time. All borrowings, conversions and repayments of Revolving Loans shall be effected so that each Lender will have a ratable share (according to its Pro Rata Share) of all types and Groups of Loans.

2.2.2 Borrowing Procedures. The Company shall give written notice (each such written notice, a "Notice of Borrowing") substantially in the form of Exhibit D or telephonic notice (followed immediately by a Notice of Borrowing) to the Administrative Agent of each proposed borrowing not later than (a) in the case of a Base Rate borrowing, 11:00 A.M., Chicago time, on the proposed date of such borrowing, and (b) in the case of a LIBOR borrowing, 11:00 A.M., Chicago time, at least three Business Days prior to the proposed date of such borrowing. Each such notice shall be effective upon receipt by the Administrative Agent, shall be irrevocable, and shall specify the date, amount and type of borrowing and, in the case of a LIBOR borrowing, the initial Interest Period therefor. Promptly upon receipt of such notice, the Administrative Agent shall advise each Lender thereof. Not later than 1:00 P.M., Chicago time, on the date of a proposed borrowing, each Lender shall provide the Administrative Agent at the office specified by the Administrative Agent with immediately available funds covering such Lender's Pro Rata Share of such borrowing and, so long as the Administrative Agent has not received written notice that the conditions precedent set forth in Section 12 with respect to such borrowing have not been satisfied, the Administrative Agent shall pay over the funds received by the Administrative Agent to the Company on the requested borrowing date. Each borrowing shall be on a Business Day. Each Base Rate borrowing shall be in an aggregate amount of at least $100,000 and an integral multiple of $100,000, and each LIBOR borrowing shall be in an aggregate amount of at least $200,000 and an integral multiple of at least $100,000.

2.2.3 Conversion and Continuation Procedures. Subject to Section 2.2.1, the Company may, upon irrevocable written notice to the Administrative Agent in accordance with clause (b) below:

(A) elect, as of any Business Day, to convert any Loans (or any part thereof in an aggregate amount not less than $100,000 or a higher integral multiple of $100,000) into Loans of the other type; or

(B) elect, as of the last day of the applicable Interest Period, to continue any LIBOR Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount not less than $200,000 or a higher integral multiple of $100,000) for a new Interest Period;

provided that after giving effect to any prepayment, conversion or continuation, the aggregate principal amount of each Group of LIBOR Loans shall be at least $200,000 and an integral multiple of $100,000.

(b) The Company shall give written notice (each such written notice, a "Notice of Conversion/Continuation") substantially in the form of Exhibit E or telephonic notice (followed immediately by a Notice of Conversion/Continuation) to the Administrative Agent of each proposed conversion or continuation not later than (i) in the case of conversion into Base Rate Loans, 11:00 A.M., Chicago time, on the proposed date of such conversion and (ii) in the case of conversion into or continuation of LIBOR Loans, 11:00 A.M., Chicago time, at least three Business Days prior to the proposed date of such conversion or continuation, specifying in each case:

(A) the proposed date of conversion or continuation;

(B) the aggregate amount of Loans to be converted or continued;

(C) the type of Loans resulting from the proposed conversion or continuation; and

(D) in the case of conversion into, or continuation of, LIBOR Loans, the duration of the requested Interest Period therefor.

(c) If upon the expiration of any Interest Period applicable to LIBOR Loans, the Company has failed to select timely a new Interest Period to be applicable to such LIBOR Loans, the Company shall be deemed to have elected to convert such LIBOR Loans into Base Rate Loans effective on the last day of such Interest Period.

(d) The Administrative Agent will promptly notify each Lender of its receipt of a notice of conversion or continuation pursuant to this Section 2.2.3 or, if no timely notice is provided by the Company, of the details of any automatic conversion.

(e) Any conversion of a LIBOR Loan on a day other than the last day of an Interest Period therefor shall be subject to Section 8.4.

2.3 Letter of Credit Procedures.

2.3.1 L/C Applications. The Company shall execute and deliver to the Issuing Lender the Master Letter of Credit Agreement from time to time in effect. The Company shall give notice to the Administrative Agent and the Issuing Lender of the proposed issuance of each Letter of Credit on a Business Day which is at least three Business Days (or such lesser number of days as the Administrative Agent and the Issuing Lender shall agree in any particular instance in their sole discretion) prior to the proposed date of issuance of such Letter of Credit. Each such notice shall be accompanied by an L/C Application, duly executed by the Company and in all respects satisfactory to the Administrative Agent and the Issuing Lender, together with such other documentation as the Administrative Agent or the Issuing Lender may request in support thereof, it being understood that each L/C Application shall specify, among other things, the date on which the proposed Letter of Credit is to be issued, the expiration date of such Letter of Credit (which shall not be later than the date which is 25 days before the scheduled Termination Date (unless such Letter of Credit is Cash Collateralized)) and whether such Letter of Credit is to be transferable in whole or in part. Any Letter of Credit outstanding after the scheduled Termination Date which is Cash Collateralized for the benefit of the Issuing Lender shall be the sole responsibility of the Issuing Lender. So long as the Issuing Lender has not received written notice that the conditions precedent set forth in Section 12 with respect to the issuance of such Letter of Credit have not been satisfied, the Issuing Lender shall issue such Letter of Credit on the requested issuance date. The Issuing Lender shall promptly advise the Administrative Agent of the issuance of each Letter of Credit and of any amendment thereto, extension thereof or event or circumstance changing the amount available for drawing thereunder. In the event of any inconsistency between the terms of the Master Letter of Credit Agreement, any L/C Application and the terms of this Agreement, the terms of this Agreement shall control.

2.3.2 Participations in Letters of Credit. Concurrently with the issuance of each Letter of Credit, the Issuing Lender shall be deemed to have sold and transferred to each Lender with a Revolving Commitment, and each such Lender shall be deemed irrevocably and unconditionally to have purchased and received from the Issuing Lender, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Pro Rata Share, in such Letter of Credit and the Company's reimbursement obligations with respect thereto. If the Company does not pay any reimbursement obligation when due, the Company shall be deemed to have immediately requested that the Lenders make a Revolving Loan which is a Base Rate Loan in a principal amount equal to such reimbursement obligations. The Administrative Agent shall promptly notify such Lenders of such deemed request and, without the necessity of compliance with the requirements of Section 2.2.2, 12.2 or otherwise such Lender shall make available to the Administrative Agent its Pro Rata Share of such Loan. The proceeds of such Loan shall be paid over by the Administrative Agent to the Issuing Lender for the account of the Company in satisfaction of such reimbursement obligations. For the purposes of this Agreement, the unparticipated portion of each Letter of Credit shall be deemed to be the Issuing Lender's "participation" therein. The Issuing Lender hereby agrees, upon request of the Administrative Agent or any Lender, to deliver to the Administrative Agent or such Lender a list of all outstanding Letters of Credit issued by the Issuing Lender, together with such information related thereto as the Administrative Agent or such Lender may reasonably request.

2.3.3 Reimbursement Obligations. (a) The Company hereby unconditionally and irrevocably agrees to reimburse the Issuing Lender for each payment or disbursement made by the Issuing Lender under any Letter of Credit honoring any demand for payment made by the beneficiary thereunder, in each case on the date that such payment or disbursement is made. Any amount not reimbursed on the date of such payment or disbursement shall bear interest from the date of such payment or disbursement to the date that the Issuing Lender is reimbursed by the Company therefor, payable on demand, at a rate per annum equal to the Base Rate from time to time in effect plus the Base Rate Margin from time to time in effect plus, beginning on the third Business Day after receipt of notice from the Issuing Lender of such payment or disbursement, 2%. The Issuing Lender shall notify the Company and the Administrative Agent whenever any demand for payment is made under any Letter of Credit by the beneficiary thereunder; provided that the failure of the Issuing Lender to so notify the Company or the Administrative Agent shall not affect the rights of the Issuing Lender or the Lenders in any manner whatsoever.

(b) The Company's reimbursement obligations hereunder shall be irrevocable and unconditional under all circumstances, including (a) any lack of validity or enforceability of any Letter of Credit, this Agreement or any other Loan Document, (b) the existence of any claim, set-off, defense or other right which any Loan Party may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, the Issuing Lender, any Lender or any other Person, whether in connection with any Letter of Credit, this Agreement, any other Loan Document, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between any Loan Party and the beneficiary named in any Letter of Credit), (c) the validity, sufficiency or genuineness of any document which the Issuing Lender has determined complies on its face with the terms of the applicable Letter of Credit, even if such document should later prove to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein shall have been untrue or inaccurate in any respect, (d) the

surrender or impairment of any security for the performance or observance of any of the terms hereof, or (e) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Company's obligations hereunder. Without limiting the foregoing, no action or omission whatsoever by the Administrative Agent or any Lender (excluding any Lender in its capacity as the Issuing Lender) under or in connection with any Letter of Credit or any related matters shall result in any liability of the Administrative Agent or any Lender to the Company, or relieve the Company of any of its obligations hereunder to any such Person.

2.3.4 Funding by Lenders to Issuing Lender. If the Issuing Lender makes any payment or disbursement under any Letter of Credit and (a) the Company has not reimbursed the Issuing Lender in full for such payment or disbursement by 11:00 A.M., Chicago time, on the date of such payment or disbursement, (b) a Revolving Loan may not be made in accordance with this Agreement, or (c) any reimbursement received by the Issuing Lender from the Company is or must be returned or rescinded upon or during any bankruptcy or reorganization of the Company or otherwise, each other Lender with a Revolving Commitment shall be obligated to pay to the Administrative Agent for the account of the Issuing Lender, in full or partial payment of the purchase price of its participation in such Letter of Credit, its Pro Rata Share of such payment or disbursement (but no such payment shall diminish the obligations of the Company under Section 2.3.3), and, upon notice from the Issuing Lender, the Administrative Agent shall promptly notify each other Lender thereof. Each other Lender irrevocably and unconditionally agrees to so pay to the Administrative Agent in immediately available funds for the Issuing Lender's account the amount of such other Lender's Pro Rata Share of such payment or disbursement. If and to the extent any Lender shall not have made such amount available to the Administrative Agent by 2:00 P.M., Chicago time, on the Business Day on which such Lender receives notice from the Administrative Agent of such payment or disbursement (it being understood that any such notice received after noon, Chicago time, on any Business Day shall be deemed to have been received on the next following Business Day), such Lender agrees to pay interest on such amount to the Administrative Agent for the Issuing Lender's account forthwith on demand, for each day from the date such amount was to have been delivered to the Administrative Agent to the date such amount is paid, at a rate per annum equal to (a) for the first three days after demand, the Federal Funds Rate from time to time in effect and (b) thereafter, the Base Rate from time to time in effect. Any Lender's failure to make available to the Administrative Agent its Pro Rata Share of any such payment or disbursement shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent such other Lender's Pro Rata Share of such payment, but no Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent such other Lender's Pro Rata Share of any such payment or disbursement.

2.3.5 Commitments Several. The failure of any Lender to make a requested Loan on any date shall not relieve any other Lender of its obligation (if any) to make a Loan on such date, but no Lender shall be responsible for the failure of any other Lender to make any Loan to be made by such other Lender.

2.3.6 Certain Conditions. Except as otherwise provided in Section 2.3.4 of this Agreement, no Lender shall have an obligation to make any Loan, or to permit the continuation of or any conversion into any LIBOR Loan, and the Issuing Lender shall not have any obligation to issue any Letter of Credit, if an Event of Default or Unmatured Event of Default exists.

SECTION 3 EVIDENCING OF LOANS.

3.1 Notes. The Loans of each Lender shall be evidenced by a Note, with appropriate insertions, payable to the order of such Lender in a face principal amount equal to such Lender's Revolving Commitment.

3.2 Recordkeeping. The Administrative Agent, on behalf of each Lender, shall record in its records, the date and amount of each Loan made by each Lender, each repayment or conversion thereof and, in the case of each LIBOR Loan, the dates on which each Interest Period for such Loan shall begin and end. The aggregate unpaid principal amount so recorded shall be rebuttably presumptive evidence of the principal amount of the Loans owing and unpaid. The failure to so record any such amount or any error in so recording any such amount shall not, however, limit or otherwise affect the Obligations of the Company hereunder or under any Note to repay the principal amount of the Loans hereunder, together with all interest accruing thereon. The Administrative Agent will provide to the Company, at the Company's expense, copies of such records pertaining to the Company from time to time upon the Company's reasonable written request.

SECTION 4 INTEREST.

4.1 Interest Rates. The Company promises to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until such Loan is paid in full as follows:

(a) at all times while such Loan is a Base Rate Loan, at a rate per annum equal to the sum of the Base Rate from time to time in effect plus the Base Rate Margin from time to time in effect; and

(b) at all times while such Loan is a LIBOR Loan, at a rate per annum equal to the sum of the LIBOR Rate applicable to each Interest Period for such Loan plus the LIBOR Margin from time to time in effect;

provided that at any time an Event of Default exists, unless the Required Lenders otherwise consent, the interest rate applicable to each Loan shall be increased by 2% (and, in the case of Obligations not bearing interest, such Obligations shall bear interest at the Base Rate applicable to Revolving Loans plus 2%), provided further that such increase may thereafter be rescinded by the Required Lenders, notwithstanding Section 15.1. Notwithstanding the foregoing, upon the occurrence of an Event of Default under Sections 13.1.1 or 13.1.4, such increase shall occur automatically.

4.2 Interest Payment Dates. Accrued interest on each Base Rate Loan shall be payable in arrears on the last day of each calendar quarter and at maturity. Accrued interest on each LIBOR Loan shall be payable on the last day of each Interest Period relating to such Loan (and, in the case of a LIBOR Loan with an Interest Period in excess of three months, on the three-month anniversary of the first day of such Interest Period), upon a prepayment of such Loan, and at maturity. After maturity, and at any time an Event of Default exists, accrued interest on all Loans shall be payable on demand.

4.3 Setting and Notice of LIBOR Rates. The applicable LIBOR Rate for each Interest Period shall be determined by the Administrative Agent, and notice thereof shall be given by the Administrative Agent promptly to the Company and each Lender. Each determination of the applicable LIBOR Rate by the Administrative Agent shall be conclusive and binding upon the parties hereto, in the absence of demonstrable error. The Administrative Agent shall, upon written request of the Company or any Lender, deliver to the Company or such Lender a statement showing the computations used by the Administrative Agent in determining any applicable LIBOR Rate hereunder.

4.4 Computation of Interest. Interest shall be computed for the actual number of days elapsed on the basis of a year of (a) 360 days for interest calculated at the LIBOR Rate and (b) 365/366 days for interest calculated at the Base Rate. The applicable interest rate for each Base Rate Loan shall change simultaneously with each change in the Base Rate.

SECTION 5 FEES.

5.1 Non-Use Fee. The Company agrees to pay to the Administrative Agent for the account of each Lender a non-use fee, for the period from the Closing Date to the Termination Date, at the Non-Use Fee Rate in effect from time to time of such Lender's Pro Rata Share (as adjusted from time to time) of the unused amount of the Revolving Commitment. For purposes of calculating usage under this Section, the Revolving Commitment shall be deemed used to the extent of the sum of aggregate principal amount of all outstanding Revolving Loans plus the aggregate amount available for drawing under issued Letters of Credit. Such non-use fee shall be payable in arrears on the last day of each calendar quarter and on the Termination Date for any period then ending for which such non-use fee shall not have previously been paid. The non-use fee shall be computed for the actual number of days elapsed on the basis of a year of 360 days.

5.2 Letter of Credit Fees. (a) The Company agrees to pay to the Administrative Agent for the account of each Lender a letter of credit fee for each Letter of Credit equal to the L/C Fee Rate in effect from time to time of such Lender's Pro Rata Share (as adjusted from time to time) of the undrawn amount of such Letter of Credit (computed for the actual number of days elapsed on the basis of a year of 360 days); provided that, unless the Required Lenders otherwise consent, the rate applicable to each Letter of Credit shall be increased by 2% at any time that an Event of Default exists. Such letter of credit fees shall be payable in arrears on the last day of each calendar quarter and on the Termination Date (or such later date on which such Letter of Credit expires or is terminated) for the period from the date of the issuance of each Letter of Credit (or the last day on which the letter of credit fee was paid with respect thereto) to the date such payment is due or, if earlier, the date on which such Letter of Credit expired or was terminated.

(b) In addition, with respect to each Letter of Credit, the Company agrees to pay to the Issuing Lender, for its own account, (i) such fees and expenses as the Issuing Lender customarily requires in connection with the issuance, negotiation, processing and/or administration of letters of credit in similar situations and (ii) a letter of credit fronting fee in the amount and at the times agreed to by the Company and the Issuing Lender.

5.3 Administrative Agent's Fees. The Company agrees to pay to the Administrative Agent such agent's fees as are mutually agreed to from time to time by the Company and the Administrative Agent including the fees set forth in the Agent Fee Letter.

SECTION 6 REDUCTION OR TERMINATION OF THE REVOLVING COMMITMENT; PREPAYMENTS.

6.1 Reduction or Termination of the Revolving Commitment.

6.1.1 Voluntary Reduction or Termination of the Revolving Commitment. The Company may from time to time on at least five Business Days' prior written notice received by the Administrative Agent (which shall promptly advise each Lender thereof) permanently reduce the Revolving Commitment to an amount not less than the Revolving Outstandings. Any such reduction shall be in an amount not less than $10,000,000 or a higher integral multiple of $5,000,000. Concurrently with any reduction of the Revolving Commitment to zero, the Company shall pay all interest on the Revolving Loans, all non-use fees and all letter of credit fees and shall Cash Collateralize in full all obligations arising with respect to the Letters of Credit.

6.1.2 All Reductions of the Revolving Commitment. All reductions of the Revolving Commitment shall reduce the Commitments ratably among the Lenders according to their respective Pro Rata Shares.

6.2 Prepayments.

6.2.1 Voluntary Prepayments. The Company may from time to time prepay the Loans in whole or in part;provided that the Company shall give the Administrative Agent (which shall promptly advise each Lender) notice thereof not later than 11:00 A.M., Chicago time, on the day of such prepayment (which shall be a Business Day), specifying the Loans to be prepaid and the date and amount of prepayment. Any such partial prepayment shall be in an amount equal to $1,000,000 or a higher integral multiple of $250,000.

6.2.2 Mandatory Prepayments. If on any day on which the Revolving Commitment is reduced pursuant toSection 6.1.2 the Revolving Outstandings exceeds the Revolving Commitment, the Company shall immediately prepay Revolving Loans or Cash Collateralize the outstanding Letters of Credit, or do a combination of the foregoing, in an amount sufficient to eliminate such excess.

6.3 Manner of Prepayments. Each voluntary partial prepayment shall be in a principal amount of $1,000,000 or a higher integral multiple of $250,000. Any partial prepayment of a Group of LIBOR Loans shall be subject to the proviso to Section 2.2.3(a). Any prepayment of a LIBOR Loan on a day other than the last day of an Interest Period therefor shall include interest on the principal amount being repaid and shall be subject to Section 8.4. Except as otherwise provided by this Agreement, all principal payments in respect of the Loans shall be applied first, to repay outstanding Base Rate Loans and then to repay outstanding LIBOR Rate Loans in direct order of Interest Period maturities.

6.4 Repayments. The Revolving Loans of each Lender shall be paid in full and the Revolving Commitment shall terminate on the Termination Date.

SECTION 7 MAKING AND PRORATION OF PAYMENTS; SETOFF; TAXES.

7.1 Making of Payments. All payments of principal or interest on the Notes, and of all fees, shall be made by the Company to the Administrative Agent in immediately available funds at the office specified by the Administrative Agent not later than noon, Chicago time, on the date due; and funds received after that hour shall be deemed to have been received by the Administrative Agent on the following Business Day. The Administrative Agent shall promptly remit to each Lender its share of all such payments received in collected funds by the Administrative Agent for the account of such Lender. All payments under Section 8.1 shall be made by the Company directly to the Lender entitled thereto without setoff, counterclaim or other defense.

7.2 Application of Certain Payments. So long as no Unmatured Event of Default or Event of Default has occurred and is continuing, (a) payments matching specific scheduled payments then due shall be applied to those scheduled payments and (b) voluntary and mandatory prepayments shall be applied as set forth in Sections 6.2 and 6.3. After the occurrence and during the continuance of an Unmatured Event of Default or Event of Default, all amounts collected or received by the Administrative Agent or any Lender as proceeds from the sale of, or other realization upon, all or any part of the Collateral shall be applied in the following order, and concurrently with each remittance to any Lender of its share of any such payment, the Administrative Agent shall advise such Lender as to the application of such payment: (i) first, to the payment of all fees, costs, expenses and indemnities of the Administrative Agent (in its capacity as such), including Attorney Costs, and any other Obligations owing to the Administrative Agent in respect of sums advanced by the Administrative Agent to preserve the Collateral or to preserve its Lien in the Collateral, until paid in full; (ii) second, to the payment of all fees, costs, expenses and indemnities of the Lenders, pro-rata, until paid in full; (iii) third, to the payment of all of the Obligations (other than Bank Product Obligations and Hedging Obligations) consisting of accrued and unpaid interest owing to any Lender, pro-rata, until paid in full; (iv) fourth, to the payment of all Obligations (other than Bank Product Obligations and Hedging Obligations) consisting of principal owing to any Lender, pro-rata, until paid in full; (v) fifth, to the payment of the Administrative Agent an amount equal to all Obligations in respect of outstanding Letters of Credit to be held as cash collateral in respect of such obligations; (vi) sixth, to the payment of all Bank Product Obligations and Hedging Obligations owing to any Lender or its Affiliates, pro-rata, until paid in full; (vii) seventh, to the payment of all other Obligations owing to each Lender, pro-rata, until paid in full; and (viii) eighth, to whomever may be lawfully entitled to receive such amounts, the amount of any remaining proceeds.

7.3 Due Date Extension. If any payment of principal or interest with respect to any of the Loans, or of any fees, falls due on a day which is not a Business Day, then such due date shall be extended to the immediately following Business Day (unless, in the case of a LIBOR Loan, such immediately following Business Day is the first Business Day of a calendar month, in which case such due date shall be the immediately preceding Business Day) and, in the case of principal, additional interest shall accrue and be payable for the period of any such extension.

7.4 Setoff. The Company agrees for itself and each other Loan Party that the Administrative Agent and each Lender have all rights of set-off and bankers' lien provided by applicable law, and in addition thereto, the Company, for itself and each other Loan Party, agrees for itself and each other Loan Party that at any time any Event of Default exists, the Administrative Agent and each Lender may apply to the payment of any Obligations of the Company and each other Loan Party hereunder, whether or not then due, any and all balances, credits, deposits, accounts or moneys of the Company and each other Loan Party then or thereafter with the Administrative Agent or such Lender other than any account maintained by any Loan Party in which such Loan Party is required by Law to maintain a minimum balance, provided the Company has given prior written notice to the Administrative Agent of such requirement specifying the account number, owner, and financial institution where such account is maintained.

7.5 Proration of Payments. If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise, on account of (a) principal of or interest on any Loan, but excluding (i) any payment pursuant to Section 8.7 or 15.6 and (ii) payments of interest on any Affected Loan) or (b) its participation in any Letter of Credit) in excess of its applicable Pro Rata Share of payments and other recoveries obtained by all Lenders on account of principal of and interest on the Loans (or such participation) then held by them, then such Lender shall purchase from the other Lenders such participations in the Loans (or sub-participations in Letters of Credit) held by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery.

7.6 Taxes.

(a) All payments made by the Company hereunder or under any Loan Documents shall be made without setoff, counterclaim, or other defense. To the extent permitted by applicable law, all payments hereunder or under the Loan Documents (including any payment of principal, interest, or fees) to, or for the benefit, of any person shall be made by the Company free and clear of and without deduction or withholding for, or account of, any Taxes now or hereinafter imposed by any taxing authority.

(b) If the Company makes any payment hereunder or under any Loan Document in respect of which it is required by applicable law to deduct or withhold any Taxes, the Company shall increase the payment hereunder or under any such Loan Document such that after the reduction for the amount of Taxes withheld (and any taxes withheld or imposed with respect to the additional payments required under this Section 7.6(b)), the amount paid to the Lenders or the Administrative Agent equals the amount that was payable hereunder or under any such Loan Document without regard to this Section 7.6(b). To the extent the Company withholds any Taxes on payments hereunder or under any Loan Document, the Company shall pay the full amount deducted to the relevant taxing authority within the time allowed for

payment under applicable law and shall deliver to the Administrative Agent within 30 days after it has made payment to such authority a receipt issued by such authority (or other evidence satisfactory to the Administrative Agent) evidencing the payment of all amounts so required to be deducted or withheld from such payment.

(c) If any Lender or the Administrative Agent is required by law to make any payments of any Taxes on or in relation to any amounts received or receivable hereunder or under any other Loan Document, or any Tax is assessed against a Lender or the Administrative Agent with respect to amounts received or receivable hereunder or under any other Loan Document, the Company will indemnify such person against (i) such Tax (and any reasonable counsel fees and expenses associated with such Tax) and (ii) any taxes imposed as a result of the receipt of the payment under this Section 7.6(c). A certificate prepared in good faith as to the amount of such payment by such Lender or the Administrative Agent shall, absent manifest error, be final, conclusive, and binding on all parties.

(d) (i) To the extent permitted by applicable law, each Lender that is not a United States person within the meaning of Code Section 7701(a)(30) (a "Non-U.S. Participant") shall deliver to the Company and the Administrative Agent on or prior to the Closing Date (or in the case of a Lender that is an Assignee, on the date of such assignment to such Lender) two accurate and complete original signed copies of IRS Form W-8BEN, W-8ECI, or W-8IMY (or any successor or other applicable form prescribed by the IRS) certifying to such Lender's entitlement to a complete exemption from, or a reduced rate in, United States withholding tax on interest payments to be made hereunder or any Loan. If a Lender that is a Non-U.S. Participant is claiming a complete exemption from withholding on interest pursuant to Code Sections 871(h) or 881(c), the Lender shall deliver (along with two accurate and complete original signed copies of IRS Form W-8BEN) a certificate in form and substance reasonably acceptable to Administrative Agent (any such certificate, a "Withholding Certificate"). In addition, each Lender that is a Non-U.S. Participant agrees that from time to time after the Closing Date, (or in the case of a Lender that is an Assignee, after the date of the assignment to such Lender), when a lapse in time (or change in circumstances occurs) renders the prior certificates hereunder obsolete or inaccurate in any material respect, such Lender shall, to the extent permitted under applicable law, deliver to the Company and the Administrative Agent two new and accurate and complete original signed copies of an IRS Form W-8BEN, W-8ECI, or W-8IMY (or any successor or other applicable forms prescribed by the IRS), and if applicable, a new Withholding Certificate, to confirm or establish the entitlement of such Lender or the Administrative Agent to an exemption from, or reduction in, United States withholding tax on interest payments to be made hereunder or any Loan.

(ii) Each Lender that is not a Non-U.S. Participant (other than any such Lender which is taxed as a corporation for U.S. federal income tax purposes) shall provide two properly completed and duly executed copies of IRS Form W-9 (or any successor or other applicable form) to the Company and the Administrative Agent certifying that such Lender is exempt from United States backup withholding tax. To the extent that a form provided pursuant to this Section 7.6(d)(ii) is rendered obsolete or inaccurate in any material respects as result of change in circumstances with respect to the status of a Lender, such Lender shall, to the extent permitted by applicable law, deliver to the Company and the Administrative Agent revised forms necessary to confirm or establish the entitlement to such Lender's or Agent's exemption from United States backup withholding tax.

(iii) The Company shall not be required to pay additional amounts to a Lender, or indemnify any Lender, under this Section 7.6 to the extent that such obligations would not have arisen but for the failure of such Lender to comply with Section 7.6(d).

(iv) Each Lender agrees to indemnify the Administrative Agent and hold the Administrative Agent harmless for the full amount of any and all present or future Taxes and related liabilities (including penalties, interest, additions to tax and expenses, and any Taxes imposed by any jurisdiction on amounts payable to the Administrative Agent under this Section 7.6) which are imposed on or with respect to principal, interest or fees payable to such Lender hereunder and which are not paid by the Company pursuant to this Section 7.6, whether or not such Taxes or related liabilities were correctly or legally asserted. This indemnification shall be made within 30 days from the date the Administrative Agent makes written demand therefor.

SECTION 8 INCREASED COSTS; SPECIAL PROVISIONS FOR LIBOR LOANS.

8.1 Increased Costs. (a) If, after the date hereof, the adoption of, or any change in, any applicable law, rule or regulation, or any change in the interpretation or administration of any applicable law, rule or regulation by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency: (i) shall impose, modify or deem applicable any reserve (including any reserve imposed by the FRB, but excluding any reserve included in the determination of the LIBOR Rate pursuant to Section 4), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Lender; or (ii) shall impose on any Lender any other condition affecting its LIBOR Loans, its Note or its obligation to make LIBOR Loans; and the result of anything described in clauses (i) and (ii) above is to increase the cost to (or to impose a cost on) such Lender (or any LIBOR Office of such Lender) of making or maintaining any LIBOR Loan, or to reduce the amount of any sum received or receivable by such Lender (or its LIBOR Office) under this Agreement or under its Note with respect thereto, then upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay directly to such Lender such additional amount as will compensate such Lender for such increased cost or such reduction, so long as such amounts have accrued on or after the day which is 180 days prior to the date on which such Lender first made demand therefor.

(b) If any Lender shall reasonably determine that any change in, or the adoption or phase-in of, any applicable law, rule or regulation regarding capital adequacy, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or the compliance by any Lender or any Person controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such

Lender's or such controlling Person's capital as a consequence of such Lender's obligations hereunder or under any Letter of Credit to a level below that which such Lender or such controlling Person could have achieved but for such change, adoption, phase-in or compliance (taking into consideration such Lender's or such controlling Person's policies with respect to capital adequacy) by an amount deemed by such Lender or such controlling Person to be material, then from time to time, upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay to such Lender such additional amount as will compensate such Lender or such controlling Person for such reduction so long as such amounts have accrued on or after the day which is 180 days prior to the date on which such Lender first made demand therefor.

8.2 Basis for Determining Interest Rate Inadequate or Unfair. If:

(a) the Administrative Agent reasonably determines (which determination shall be binding and conclusive on the Company) that by reason of circumstances affecting the interbank LIBOR market adequate and reasonable means do not exist for ascertaining the applicable LIBOR Rate; or

(b) the Required Lenders advise the Administrative Agent that the LIBOR Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of maintaining or funding LIBOR Loans for such Interest Period (taking into account any amount to which such Lenders may be entitled under Section 8.1) or that the making or funding of LIBOR Loans has become impracticable as a result of an event occurring after the date of this Agreement which in the opinion of such Lenders materially affects such Loans;

then the Administrative Agent shall promptly notify the other parties thereof and, so long as such circumstances shall continue, (i) no Lender shall be under any obligation to make or convert any Base Rate Loans into LIBOR Loans and (ii) on the last day of the current Interest Period for each LIBOR Loan, such Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan.

8.3 Changes in Law Rendering LIBOR Loans Unlawful. If any change in, or the adoption of any new, law or regulation, or any change in the interpretation of any applicable law or regulation by any governmental or other regulatory body charged with the administration thereof, should make it (or in the good faith judgment of any Lender cause a substantial question as to whether it is) unlawful for any Lender to make, maintain or fund LIBOR Loans, then such Lender shall promptly notify each of the other parties hereto and, so long as such circumstances shall continue, (a) such Lender shall have no obligation to make, or convert any Base Rate Loan into, a LIBOR Loan (but shall make Base Rate Loans concurrently with the making of or conversion of Base Rate Loans into LIBOR Loans by the Lenders which are not so affected, in each case in an amount equal to the amount of LIBOR Loans which would be made or converted into by such Lender at such time in the absence of such circumstances) and (b) on the last day of the current Interest Period for each LIBOR Loan of such Lender (or, in any event, on such earlier date as may be required by the relevant law, regulation or interpretation), such LIBOR Loan shall, unless then repaid in full, automatically convert to a Base Rate Loan. Each Base

Rate Loan made by a Lender which, but for the circumstances described in the foregoing sentence, would be a LIBOR Loan (an "Affected Loan") shall remain outstanding for the period corresponding to the Group of LIBOR Loans of which such Affected Loan would be a part absent such circumstances.

8.4 Funding Losses. The Company hereby agrees that upon demand by any Lender (which demand shall be accompanied by a statement setting forth the basis for the amount being claimed, a copy of which shall be furnished to the Administrative Agent), the Company will indemnify such Lender against any net loss or expense which such Lender may sustain or incur (including any net loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain any LIBOR Loan), as reasonably determined by such Lender, as a result of (a) any payment, prepayment or conversion of any LIBOR Loan of such Lender on a date other than the last day of an Interest Period for such Loan (including any conversion pursuant to Section 8.3) or (b) any failure of the Company to borrow, convert or continue any Loan on a date specified therefor in a notice of borrowing, conversion or continuation pursuant to this Agreement. For this purpose, all notices to the Administrative Agent pursuant to this Agreement shall be deemed to be irrevocable.

8.5 Right of Lenders to Fund through Other Offices. Each Lender may, if it so elects, fulfill its commitment as to any LIBOR Loan by causing a foreign branch or Affiliate of such Lender to make such Loan; provided that in such event for the purposes of this Agreement such Loan shall be deemed to have been made by such Lender and the obligation of the Company to repay such Loan shall nevertheless be to such Lender and shall be deemed held by it, to the extent of such Loan, for the account of such branch or Affiliate.

8.6 Discretion of Lenders as to Manner of Funding. Notwithstanding any provision of this Agreement to the contrary, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if such Lender had actually funded and maintained each LIBOR Loan during each Interest Period for such Loan through the purchase of deposits having a maturity corresponding to such Interest Period and bearing an interest rate equal to the LIBOR Rate for such Interest Period.

8.7 Mitigation of Circumstances; Replacement of Lenders. (a) Each Lender shall promptly notify the Company and the Administrative Agent of any event of which it has knowledge which will result in, and will use reasonable commercial efforts available to it (and not, in such Lender's sole judgment, otherwise disadvantageous to such Lender) to mitigate or avoid, (i) any obligation by the Company to pay any amount pursuant to Section 7.6 or 8.1 or (ii) the occurrence of any circumstances described in Section 8.2 or 8.3 (and, if any Lender has given notice of any such event described in clause (i) or (ii) above and thereafter such event ceases to exist, such Lender shall promptly so notify the Company and the Administrative Agent). Without limiting the foregoing, each Lender will designate a different funding office if such designation will avoid (or reduce the cost to the Company of) any event described in clause (i) or (ii) above and such designation will not, in such Lender's sole judgment, be otherwise disadvantageous to such Lender.

(b) If the Company becomes obligated to pay additional amounts to any Lender pursuant to Section 7.6 or 8.1, or any Lender gives notice of the occurrence of any circumstances described in Section 8.2 or 8.3, the Company may designate another bank which is acceptable to the Administrative Agent and the Issuing Lender in their reasonable discretion (such other bank being called a "Replacement Lender") to purchase the Loans of such Lender and such Lender's rights hereunder, without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding principal amount of the Loans payable to such Lender plus any accrued but unpaid interest on such Loans and all accrued but unpaid fees owed to such Lender and any other amounts payable to such Lender under this Agreement, and to assume all the obligations of such Lender hereunder, and, upon such purchase and assumption (pursuant to an Assignment Agreement), such Lender shall no longer be a party hereto or have any rights hereunder (other than rights with respect to indemnities and similar rights applicable to such Lender prior to the date of such purchase and assumption) and shall be relieved from all obligations to the Company hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender hereunder.

8.8 Conclusiveness of Statements; Survival of Provisions. Determinations and statements of any Lender pursuant to Sections 8.1, 8.2, 8.3 or 8.4 shall be conclusive absent demonstrable error. Lenders may use reasonable averaging and attribution methods in determining compensation under Sections 8.1 and 8.4, and the provisions of such Sections shall survive repayment of the Obligations, cancellation of any Notes, expiration or termination of the Letters of Credit and termination of this Agreement.

SECTION 9 REPRESENTATIONS AND WARRANTIES.

To induce the Administrative Agent and the Lenders to enter into this Agreement and to induce the Lenders to make Loans and issue and participate in Letters of Credit hereunder, the Company represents and warrants to the Administrative Agent and the Lenders that:

9.1 Organization. Each Loan Party is validly existing and in good standing under the laws of its jurisdiction of organization; and each Loan Party is duly qualified to do business in each jurisdiction where, because of the nature of its activities or properties, such qualification is required, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect.

9.2 Authorization; No Conflict. Each Loan Party is duly authorized to execute and deliver each Loan Document to which it is a party, each Loan Document to which any Loan Party is a party has been executed on behalf of such Loan Party by a legally competent Person duly authorized to do so, the Company is duly authorized to borrow monies hereunder and each Loan Party is duly authorized to perform its Obligations under each Loan Document to which it is a party. The execution, delivery and performance by each Loan Party of each Loan Document to which it is a party, and the borrowings by the Company hereunder, do not and will not (a) require any consent or approval of any governmental agency or authority (other than any consent or approval which has been obtained and is in full force and effect), (b) conflict with (i) any provision of law, (ii) the charter, by-laws or other organizational documents of any Loan Party or (iii) any agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon any Loan Party or any of their respective properties or (c) require, or result in, the creation or imposition of any Lien on any asset of any Loan Party (other than Liens in favor of the Administrative Agent created pursuant to the Collateral Documents).

9.3 Validity and Binding Nature. Each of this Agreement and each other Loan Document to which any Loan Party is a party is the legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity.

9.4 Financial Condition. The audited consolidated financial statements of the Company and its Subsidiaries as at December 31, 2003 and the unaudited consolidated financial statements of the Company and its Subsidiaries as at June 30, 2004, copies of each of which have been delivered to each Lender, were prepared in accordance with GAAP (subject, in the case of such unaudited statements, to the absence of footnotes and to normal year-end adjustments) and present fairly in all material respects the consolidated financial condition of the Company and its Subsidiaries as at such dates and the results of their operations for the periods then ended.

9.5 No Material Adverse Change. Since December 31, 2003 there has been no material adverse change in the financial condition, operations, assets, business, properties or prospects of the Loan Parties taken as a whole.

9.6 Litigation and Indirect Obligations. No litigation (including derivative actions), arbitration proceeding or governmental investigation or proceeding is pending or, to the Company's knowledge, threatened against any Loan Party which might reasonably be expected to have a Material Adverse Effect. No Loan Party has any Indirect Obligations not listed on Schedule 9.6 or permitted by Section 11.1.

9.7 Ownership of Properties; Liens. Each Loan Party owns good and, in the case of real property, marketable title to all of the properties and assets, real and personal, tangible and intangible, of any nature whatsoever (including patents, trademarks, trade names, service marks and copyrights) which it purports to own or which are reflected in its financial statements (except for personal property sold in the ordinary course of business after the date of such financial statements), free and clear of all Liens, charges and claims (including pending or, to the best of the Company's knowledge, threatened infringement claims with respect to patents, trademarks, service marks, copyrights and the like) except as permitted by Section 11.2. With respect to each Account scheduled, listed or referred to in reports or financial statements submitted by any Loan Party to Administrative Agent or any Lender, except as disclosed therein: (a) the Account arose from a bona fide transaction completed in accordance with the terms of any documents pertaining to such transaction; (b) there are no facts, events or occurrences which in any way impair the validity or enforcement of the Account or tend to reduce the amount payable thereunder as shown on the applicable Loan Party's books and records and all invoices and statements delivered to Administrative Agent with respect thereto; and (c) the Account arose in the ordinary course of the applicable Loan Party's business.

9.8 Equity Ownership; Subsidiaries. All issued and outstanding Capital Securities of each Loan Party are duly authorized and validly issued, fully paid, non-assessable, and free and clear of all Liens other than those in favor of the Administrative Agent, and such securities were

issued in compliance with all applicable state and federal laws concerning the issuance of securities.Schedule 9.8 describes the authorized Capital Securities of Company, each Subsidiary of Company, and each Subsidiary of each Loan Party as of the Closing Date and identifies the owners of such Capital Securities. As of the Closing Date, except as identified on Schedule 9.8, the Company has no Subsidiaries that are not Wholly-Owned Subsidiaries. As of the Closing Date, except as set forth onSchedule 9.8, there are no pre-emptive or other outstanding rights, options, warrants, conversion rights or other similar agreements or understandings for the purchase or acquisition of any Capital Securities of any Loan Party.

9.9 Pension Plans. (a) The Unfunded Liability of all Pension Plans does not in the aggregate exceed 20% of the Total Plan Liability for all such Pension Plans. Each Pension Plan complies in all material respects with all applicable requirements of law and regulations. No contribution failure under Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan has occurred with respect to any Pension Plan, sufficient to give rise to a Lien under Section 302(f) of ERISA, or otherwise to have a Material Adverse Effect. There are no pending or, to the knowledge of Company, threatened, claims, actions, investigations or lawsuits against any Pension Plan, any fiduciary of any Pension Plan, or Company or other any member of the Controlled Group with respect to a Pension Plan or a Multiemployer Pension Plan which could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any other member of the Controlled Group has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Pension Plan or Multiemployer Pension Plan which would subject that Person to any material liability. Within the past five years, neither the Company nor any other member of the Controlled Group has engaged in a transaction which resulted in a Pension Plan with an Unfunded Liability being transferred out of the Controlled Group, which could reasonably be expected to have a Material Adverse Effect. No Termination Event has occurred or is reasonably expected to occur with respect to any Pension Plan, which could reasonably be expected to have a Material Adverse Effect.

(b) All contributions (if any) have been made to any Multiemployer Pension Plan that are required to be made by the Company or any other member of the Controlled Group under the terms of the plan or of any collective bargaining agreement or by applicable law; neither the Company nor any other member of the Controlled Group has withdrawn or partially withdrawn from any Multiemployer Pension Plan, incurred any withdrawal liability with respect to any such plan or received notice of any claim or demand for withdrawal liability or partial withdrawal liability from any such plan, and no condition has occurred which, if continued, could result in a withdrawal or partial withdrawal from any such plan; and neither the Company nor any other member of the Controlled Group has received any notice that any Multiemployer Pension Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of any excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent.

9.10 Investment Company Act. No Loan Party is an “investment company” or a company “controlled” by an “investment company” or a “subsidiary” of an “investment company,” within the meaning of the Investment Company Act of 1940.

9.11 Public Utility Holding Company Act. No Loan Party is a "holding company", or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935.

9.12 Regulation U, T, and X. The Company is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock. None of the proceeds of any Loans will be used for any purpose which violates or which would be inconsistent with, the provisions of Regulation U, Regulation T, or Regulation X.

9.13 Taxes. Each Loan Party has timely filed all tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges due and payable with respect to such return, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books or where the failure to file could not reasonably be expected to have a Material Adverse Effect. The Loan Parties have made adequate reserves on their books and records in accordance with GAAP for all taxes that have accrued but which are not yet due and payable. No Loan Party has participated in any transaction that relates to a year of the taxpayer (which is still open under the applicable statute of limitations) which is a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4(b)(2) (irrespective of the date when the transaction was entered into).

9.14 Solvency, etc. On the Closing Date, and immediately prior to and after giving effect to the issuance of each Letter of Credit and each borrowing hereunder and the use of the proceeds thereof, with respect to each Loan Party, individually, (a) the fair value of its assets is greater than the amount of its liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated in accordance with GAAP, (b) the present fair saleable value of its assets is not less than the amount that will be required to pay the probable liability on its debts as they become absolute and matured, (c) it is able to realize upon its assets and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business, (d) it does not intend to, and does not believe that it will, incur debts or liabilities beyond its ability to pay as such debts and liabilities mature and (e) it is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which its property would constitute unreasonably small capital.

9.15 Environmental Matters. The on-going operations of each Loan Party comply in all respects with all Environmental Laws, except such non-compliance which could not (if enforced in accordance with applicable law) reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect. Each Loan Party has obtained, and maintained in good standing, all licenses, permits, authorizations, registrations and other approvals required under any Environmental Law and required for their respective ordinary course operations, and for their reasonably anticipated future operations, and each Loan Party is in compliance with all terms and conditions thereof, except where the failure to do so could not reasonably be expected to result in material liability to any Loan Party and could not reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect. No Loan Party or any of its properties or operations is subject to, or reasonably anticipates the issuance of, any written order

from or agreement with any Federal, state or local governmental authority, nor subject to any judicial or docketed administrative or other proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Substance. To the Company's knowledge there are no Hazardous Substances or other conditions or circumstances existing with respect to any property, arising from operations prior to the Closing Date, or relating to any waste disposal, of any Loan Party that would reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect. To the Company's knowledge no Loan Party has any underground storage tanks that are not properly registered or permitted under applicable Environmental Laws or that at any time have released, leaked, disposed of or otherwise discharged Hazardous Substances. No Loan Party, nor to the Company's knowledge, any other Person, has at any time transported, stored, disposed of, generated, or released any Hazardous Substance on the surface, below the surface, or within the boundaries of any real property owned or operated by any Loan Party.

9.16 Insurance. Set forth on Schedule 9.16 is a complete and accurate summary of the property and casualty insurance program of the Loan Parties as of the Closing Date (including the names of all insurers, policy numbers, expiration dates, amounts and types of coverage, annual premiums, exclusions, deductibles, self-insured retention, and a description in reasonable detail of any self-insurance program, retrospective rating plan, fronting arrangement or other risk assumption arrangement involving any Loan Party). Each Loan Party and its properties are insured with financially sound and reputable insurance companies which are not Affiliates of the Loan Parties, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where such Loan Parties operate.

9.17 Real Property. Set forth on Schedule 9.17 is a complete and accurate list, as of the Closing Date, of the address of all real property owned or leased by any Loan Party, together with, in the case of leased property, the name and mailing address of the lessor of such property. Each of such leases is valid and enforceable in accordance with its terms and is in full force and effect, and no default by any party to any such lease exists which has had or could reasonably be expected to have a Material Adverse Effect. Except as set forth on Schedule 9.17, no Person is a lessee, tenant or licensee of any real property owned by any Loan Party.

9.18 Information. All information heretofore or contemporaneously herewith furnished in writing by any Loan Party to the Administrative Agent or any Lender for purposes of or in connection with this Agreement and the transactions contemplated hereby is, and all written information hereafter furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender pursuant hereto or in connection herewith will be, true and accurate in every material respect on the date as of which such information is dated or certified, and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which made (it being recognized by the Administrative Agent and the Lenders that any projections and forecasts provided by the Company are based on good faith estimates and assumptions believed by the Company to be reasonable as of the date of the applicable projections or assumptions and that actual results during the period or periods covered by any such projections and forecasts may differ from projected or forecasted results).

9.19 Intellectual Property. Each Loan Party owns and possesses or has a license or other right to use all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights and copyrights as are necessary for the conduct of the businesses of the Loan Parties, without any infringement upon rights of others which could reasonably be expected to have a Material Adverse Effect.

9.20 Burdensome Obligations. No Loan Party is a party to any agreement or contract or subject to any restriction contained in its charter, by-laws, or other organizational documents which could reasonably be expected to have either individually or in the aggregate, a Material Adverse Effect.

9.21 Labor Matters. Except as set forth on Schedule 9.21, no Loan Party is subject to any labor or collective bargaining agreement. There are no existing or, to Company's knowledge, threatened strikes, lockouts or other labor disputes involving any Loan Party that singly or in the aggregate could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of the Loan Parties are not in violation of the Fair Labor Standards Act or any other applicable law, rule or regulation dealing with such matters.

9.22 No Default. No Event of Default or Unmatured Event of Default exists or would result from the incurrence by any Loan Party of any Debt hereunder or under any other Loan Document. To Company's knowledge, no Loan Party has breached or violated or otherwise defaulted under any agreement of such Loan Party except for breaches, violations or defaults which could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

9.23 Other Names. Except as set forth on Schedule 9.23, no Loan Party has used any name other than the full name which identifies it in this Agreement. The only trade name or style under which a Loan Party creates Accounts, or to which instruments in payment of Accounts are made payable, is the name which identifies such Loan Party in this Agreement.

9.24 S Corporation. There is no election in effect under Section 1362(a) of the Code for Company to be treated as an S Corporation as defined in Section 1361(a) of the Code.

9.25 Material Licenses. All Material Licenses have been obtained or exist for each Loan Party.

9.26 Compliance with Material Laws. To Company's knowledge, each Loan Party is in compliance with all Material Laws. Without limiting the generality of the foregoing, the operations and employee compensation practices of every Loan Party comply in all material respects with all applicable Material Laws.

9.27 Investments. No Loan Party has any Investments in other Persons except Investments which would be permitted under Section 11.11 if made on or after the Closing Date.

9.28 Indebtedness. No Loan Party has any Debt except Debt which would be permitted under Section 11.1 if incurred on or after the Closing Date.

9.29 Capital Leases. No Loan Party has an interest as a lessee under any Capital Lease, except for Capital Leases for capital assets whose aggregate cost if purchased would not exceed $15,000,000.

9.30 Collateral Documents. Each Collateral Document is effective to grant to Administrative Agent an enforceable Lien in the Collateral described therein. Upon appropriate filing (as to all Collateral in which a Lien may be perfected under the UCC by filing) or Administrative Agent's taking possession or control (as to all Collateral in which a Lien may be perfected under the UCC by possession or control by the secured party), Administrative Agent will have (for the benefit of the Lenders) a fully perfected first priority Lien in the Collateral described in each Collateral Document.

9.31 Negative Pledges. No Loan Party is a party to or bound by any contract, note, bond, indenture, deed, mortgage, deed of trust, security agreement, pledge, hypothecation agreement, assignment, or other agreement or undertaking, or any security, which prohibits the creation or existence of any Lien upon or assignment or conveyance of any of the Collateral.

9.32 Filings. All registration statements, reports, proxy statements and other documents, if any, required to be filed by Company with the SEC pursuant to the Securities Act of 1933, and the Securities Exchange Act of 1934, have been filed, and such filings are complete and accurate and contain no untrue statements of material fact or omit to state any material facts required to be stated therein or necessary in order to make the statements therein not misleading.

9.33 Subordinated Debt. The subordination provisions of the Subordinated Debt (if any) are enforceable against the holders of the Subordinated Debt by the Administrative Agent and the Lenders. All Obligations constitute Debt which is senior to and the Subordinated Debt and entitled to the benefits of the subordination provisions contained in the Subordinated Debt Documents, if any.

9.34 Charitable Foundations. Each of the Charitable Foundations is a Missouri nonprofit corporation which has applied for exemption, or is exempt, from taxation pursuant to Section 501(c)(3) of the Code.

SECTION 10 AFFIRMATIVE COVENANTS.

Until the expiration or termination of the Commitments and thereafter until all Obligations hereunder and under the other Loan Documents are paid in full and all Letters of Credit have been terminated, the Company agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will:

10.1 Reports, Certificates and Other Information. Furnish to the Administrative Agent and each Lender:

10.1.1 Annual Report. Promptly when available and in any event within 90 days after the close of each Fiscal Year: (a) a copy of the annual audit report of the Company and its Subsidiaries for such Fiscal Year, including therein consolidated balance sheets and statements of earnings and cash flows of the Company and its Subsidiaries as at the end of such Fiscal Year, certified without adverse reference to going concern value and without qualification by

independent auditors of recognized standing selected by the Company and reasonably acceptable to the Administrative Agent, together with a written statement from such accountants to the effect that in making the examination necessary for the signing of such annual audit report by such accountants, nothing came to their attention that caused them to believe that the Company was not in compliance with any provision of Section 11.1, 11.3, 11.4 or 11.14 of this Agreement insofar as such provision relates to accounting matters or, if something has come to their attention that caused them to believe that the Company was not in compliance with any such provision, and describing such non-compliance in reasonable detail; and (b) a consolidating balance sheet of the Company and its Subsidiaries as of the end of such Fiscal Year and consolidating statement of earnings for the Company and its Subsidiaries for such Fiscal Year, certified by a Senior Officer of the Company; provided that the Company shall be deemed to have delivered and certified the information required in this Section 10.1.1 and in Sections 10.1.2 and 10.1.5 to the extent, and on the date, that such information is posted at the Company's website on the internet at www.centene.com, at www.sec.gov, or at such other website identified by the Company, in all cases so long as (i) the Company notifies the Administrative Agent and the Lenders of such posting, (ii) such website is accessible by the Administrative Agent and the Lenders without charge, and (iii) the Company shall promptly deliver paper copies of any such information to the Administrative Agent or any of the Lenders upon request.

10.1.2 Interim Reports. Promptly when available and in any event within 45 days after the end of each Fiscal Quarter, consolidated and consolidating balance sheets of the Company and its Subsidiaries as of the end of such Fiscal Quarter, together with consolidated and consolidating statements of earnings and consolidated statements of cash flows for such Fiscal Quarter and for the period beginning with the first day of such Fiscal Year and ending on the last day of such Fiscal Quarter, certified by a Senior Officer of the Company; provided that the Company shall be deemed to have delivered and certified the information required in this Section 10.1.2 to the extent, and on the date, that such information is posted at the Company's website on the internet at www.centene.com, at www.sec.gov, or at such other website identified by the Company, in all cases so long as (i) the Company notifies the Administrative Agent and the Lenders of such posting, (ii) such website is accessible by the Administrative Agent and the Lenders without charge, and (iii) the Company shall promptly deliver paper copies of any such information to the Administrative Agent or any of the Lenders upon request.

10.1.3 Compliance Certificates. Contemporaneously with the furnishing of a copy of each annual audit report pursuant toSection 10.1.1 and each set of quarterly statements pursuant to Section 10.1.2, a duly completed compliance certificate in the form ofExhibit B, with appropriate insertions, dated the date of such annual report or such quarterly statements and signed by a Senior Officer of the Company, containing (i) a certification of such Senior Officer that the financial statements accompanying such compliance certificate (except the Minimum Regulatory Capital and Surplus Report described in Section 10.1.4) have been prepared in accordance with GAAP applied consistently throughout the periods covered thereby and with prior periods (except as disclosed therein), (ii) a computation of each of the financial ratios and restrictions set forth in Section 11.14 and to the effect that such officer has not become aware of any Event of Default or Unmatured Event of Default that has occurred and is continuing or, if there is any such event, describing it and the steps, if any, being taken to cure it, (iii) a certification of such Senior Officer that all of the representations and warranties contained in this Agreement and the other Loan Documents are true and correct as of the date such certification is

given as if made on such date, and (iv) a written statement of the Company's management setting forth a discussion of the Company's financial condition, changes in financial condition and results of operations.

10.1.4 Quarterly Statutory Statements. Within 60 days after the end of each Fiscal Quarter, each Loan Party's Minimum Regulatory Capital and Surplus Report and all other financial statements which any Loan Party is required by Law to deliver to any Governmental Authority, including income statements, balance sheets, and statements of cash flow for each such Loan Party individually.

10.1.5 Reports to the SEC and to Shareholders. Promptly upon the filing or sending thereof, copies of all regular, periodic or special reports of any Loan Party filed with the SEC; copies of all registration statements of any Loan Party filed with the SEC (other than on Form S-8); and copies of all proxy statements or other communications made to security holders generally; provided that the Company shall be deemed to have delivered and certified the information required in this Section 10.1.5 to the extent, and on the date, that such information is posted at the Company's website on the internet at www.centene.com, at www.sec.gov, or at such other website identified by the Company, in all cases so long as (i) the Company notifies the Administrative Agent and the Lenders of such posting, (ii) such website is accessible by the Administrative Agent and the Lenders without charge, and (iii) the Company shall promptly deliver paper copies of any such information to the Administrative Agent or any of the Lenders upon request.

10.1.6 Notice of Default, Litigation and ERISA Matters. Promptly upon becoming aware of any of the following, written notice describing the same and the steps being taken by the Company or the Subsidiary affected thereby with respect thereto:

(a) the occurrence of an Event of Default or an Unmatured Event of Default;

(b) any litigation, arbitration or governmental investigation or proceeding not previously disclosed by the Company to the Lenders which has been instituted or, to the knowledge of the Company, is threatened against any Loan Party or to which any of the properties of any thereof is subject which might reasonably be expected to have a Material Adverse Effect;

(c) the institution of any steps by any member of the Controlled Group or any other Person to terminate any Pension Plan, or the failure of any member of the Controlled Group to make a required contribution to any Pension Plan (if such failure is sufficient to give rise to a Lien under Section 302(f) of ERISA) or to any Multiemployer Pension Plan, or the taking of any action with respect to a Pension Plan which could result in the requirement that the Company furnish a bond or other security to the PBGC or such Pension Plan, or the occurrence of any event with respect to any Pension Plan or Multiemployer Pension Plan which could result in the incurrence by any member of the Controlled Group of any material liability, fine or penalty (including any claim or demand for withdrawal liability or partial withdrawal from any Multiemployer Pension Plan), or any material increase in the contingent liability of the Company with respect to any post-retirement welfare benefit plan or other employee benefit plan of the Company

or another member of the Controlled Group, or any notice that any Multiemployer Pension Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of an excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent;

(d) any cancellation or material change (other than increases in coverage) in any insurance maintained by any Loan Party;

(e) any violation by any Loan Party of the minimum statutory net worth requirements imposed by any Governmental Authority to which such Loan Party is subject;

(f) any change in the name, state of incorporation, or form of organization of any Loan Party at least 15 days prior to such change; or

(g) any other event (including (i) any violation of any Environmental Law or the assertion of any Environmental Claim or (ii) the enactment or effectiveness of any law, rule or regulation) which might reasonably be expected to have a Material Adverse Effect.

10.1.7 Management Reports. Promptly upon receipt thereof, copies of all detailed financial and management reports submitted to the Company by independent auditors in connection with each annual or interim audit made by such auditors of the books of the Company.

10.1.8 Budgets. As soon as practicable, and in any event not later than 30 days after the commencement of each Fiscal Year, a budget for such Fiscal Year for the Company and its Subsidiaries in form and detail satisfactory to the Administrative Agent.

10.1.9 Notices Under Subordinated Debt Documents and Acquisition Documents Promptly following receipt, copies of any notices (including notices of default or acceleration) received from any holder or trustee of, under or with respect to any Subordinated Debt or from any other Person which is a party to any Acquisition Document**.**

10.1.10 Organizational Documents of Subsidiaries. Within five Business Days of Administrative Agent's written request, then current copies of the charter, by-laws, or other organizational documents of any Loan Party so requested by Administrative Agent, certified by Company or such Loan Party as being true, correct, and complete.

10.1.11 Other Information. Promptly from time to time, such other information concerning the Loan Parties as any Lender or the Administrative Agent may reasonably request.

10.2 Books, Records and Inspections. Keep, and cause each other Loan Party to keep, its books and records in accordance with sound business practices sufficient to allow the preparation of financial statements in accordance with GAAP; permit, and cause each other Loan Party to permit, any Lender or the Administrative Agent or any representative thereof, after

reasonable notice (or at any time without notice if an Event of Default exists), to inspect the properties and operations of the Loan Parties; and permit, and cause each other Loan Party to permit, at any reasonable time and with reasonable notice (or at any time without notice if an Event of Default exists), any Lender or the Administrative Agent or any representative thereof to visit any or all of its offices, to discuss its financial matters with its officers and its independent auditors (and the Company hereby authorizes such independent auditors to discuss such financial matters with any Lender or the Administrative Agent or any representative thereof), and to examine (and, at the expense of the Loan Parties, photocopy extracts from) any of its books or other records; and permit, and cause each other Loan Party to permit, the Administrative Agent and its representatives to inspect, after reasonable notice (or at any time without notice if an Event of Default exists) the tangible assets of the Loan Parties, to perform appraisals, and to inspect, audit, check and make copies of and extracts from the books, records, computer data, computer programs, journals, orders, receipts, correspondence and other data relating to the Loan Parties. All such inspections or audits by the Administrative Agent shall be at the Company's expense, provided that so long as no Event of Default or Unmatured Event of Default exists, the Company shall not be required to reimburse the Administrative Agent for inspections or audits more frequently than once each Fiscal Year.

10.3 Maintenance of Property; Insurance. (a) Keep, and cause each other Loan Party to keep, all property useful and necessary in the business of the Loan Parties in good working order and condition, ordinary wear and tear excepted.

(b) Maintain, and cause each other Loan Party to maintain, with responsible insurance companies, such insurance coverage as may be required by any law or governmental regulation or court decree or order applicable to it and such other insurance, to such extent and against such hazards and liabilities, as is customarily maintained by companies similarly situated; and, upon request of the Administrative Agent or any Lender, furnish to the Administrative Agent or such Lender a certificate setting forth in reasonable detail the nature and extent of all insurance maintained by the Loan Parties. The Company shall cause each issuer of an insurance policy to provide the Administrative Agent with an endorsement (i) naming the Administrative Agent and each Lender as an additional insured with respect to each policy of liability insurance, (ii) providing that 30 days' notice will be given to the Administrative Agent prior to any cancellation of, material reduction or change in coverage provided by or other material modification to such policy and (iii) reasonably acceptable in all other respects to the Administrative Agent. Upon the request of Administrative Agent, the Company shall execute (or will cause any Loan Party to execute) and deliver to the Administrative Agent a collateral assignment, in form and substance satisfactory to the Administrative Agent, of each business interruption insurance policy maintained by the Company or such Loan Party.

(c) **UNLESS THE COMPANY PROVIDES THE ADMINISTRATIVE AGENT WITH EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY THIS AGREEMENT, THE ADMINISTRATIVE AGENT MAY PURCHASE INSURANCE AT THE COMPANY'S EXPENSE TO PROTECT THE ADMINISTRATIVE AGENT'S AND THE LENDERS' INTERESTS IN THE COLLATERAL. THIS INSURANCE MAY, BUT NEED NOT, PROTECT ANY LOAN PARTY'S INTERESTS. THE COVERAGE THAT THE ADMINISTRATIVE AGENT PURCHASES MAY NOT PAY ANY CLAIM THAT IS MADE AGAINST ANY LOAN PARTY IN CONNECTION WITH THE**

COLLATERAL. THE COMPANY MAY LATER CANCEL ANY INSURANCE PURCHASED BY THE ADMINISTRATIVE AGENT, BUT ONLY AFTER PROVIDING THE ADMINISTRATIVE AGENT WITH EVIDENCE THAT THE COMPANY HAS OBTAINED INSURANCE AS REQUIRED BY THIS AGREEMENT. IF THE ADMINISTRATIVE AGENT PURCHASES INSURANCE FOR THE COLLATERAL, THE COMPANY WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING INTEREST AND ANY OTHER CHARGES THAT MAY BE IMPOSED WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO THE PRINCIPAL AMOUNT OF THE LOANS OWING HEREUNDER. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF THE INSURANCE THE LOAN PARTIES MAY BE ABLE TO OBTAIN ON THEIR OWN.

10.4 Compliance with Laws; Payment of Taxes and Liabilities. (a) Comply, and cause each other Loan Party to comply, in all material respects with all applicable laws, rules, regulations, decrees, orders, judgments, licenses and permits, except where failure to comply could not reasonably be expected to have a Material Adverse Effect; (b) without limiting clause (a) above, ensure, and cause each other Loan Party to ensure, that no person who owns a controlling interest in or otherwise controls a Loan Party is or shall be (i) listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, and/or any other similar lists maintained by OFAC pursuant to any authorizing statute, Executive Order or regulation or (ii) a person designated under Section 1(b), (c) or (d) of Executive Order No. 13224 (September 23, 2001), any related enabling legislation or any other similar Executive Orders, (c) without limiting clause (a) above, comply, and cause each other Loan Party to comply, with all applicable Bank Secrecy Act ("BSA") and anti-money laundering laws and regulations and (d) pay, and cause each other Loan Party to pay, prior to delinquency, all taxes and other governmental charges against it or any Collateral, as well as claims of any kind which, if unpaid, could become a Lien on any of its property; provided that the foregoing shall not require any Loan Party to pay any such tax or charge so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall set aside on its books adequate reserves with respect thereto in accordance with GAAP and, in the case of a claim which could become a Lien on any Collateral, such contest proceedings shall stay the foreclosure of such Lien or the sale of any portion of the Collateral to satisfy such claim.

10.5 Maintenance of Existence, Material Licenses, etc. Maintain and preserve, and (subject to Section 11.5) cause each other Loan Party to maintain and preserve, (a) its existence and good standing in the jurisdiction of its organization, and its qualification to do business and good standing in each jurisdiction where the nature of its business makes such qualification necessary (other than such jurisdictions in which the failure to be qualified or in good standing could not reasonably be expected to have a Material Adverse Effect), and (b) all Material Licenses of such Loan Party.

10.6 Use of Proceeds. Use the proceeds of the Loans, and the Letters of Credit, solely for working capital purposes, for Acquisitions permitted by Section 11.5, for Capital Expenditures and for other general business purposes; and not use or permit any proceeds of any Loan to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of "purchasing or carrying" any Margin Stock.

10.7 Employee Benefit Plans.

(a) Maintain, and cause each other member of the Controlled Group to maintain, each Pension Plan in substantial compliance with all applicable requirements of law and regulations.

(b) Make, and cause each other member of the Controlled Group to make, on a timely basis, all required contributions to any Multiemployer Pension Plan.

(c) Not, and not permit any other member of the Controlled Group to (i) seek a waiver of the minimum funding standards of ERISA, (ii) terminate or withdraw from any Pension Plan or Multiemployer Pension Plan or (iii) take any other action with respect to any Pension Plan that would reasonably be expected to entitle the PBGC to terminate, impose liability in respect of, or cause a trustee to be appointed to administer, any Pension Plan, unless the actions or events described in clauses (a), (b) and (c) individually or in the aggregate would not have a Material Adverse Effect.

10.8 Environmental Matters. If any release or threatened release or other disposal of Hazardous Substances shall occur or shall have occurred on any real property or any other assets of any Loan Party, the Company shall, or shall cause the applicable Loan Party or other responsible party to, cause the prompt containment and removal of such Hazardous Substances and the remediation of such real property or other assets as necessary to comply with all Environmental Laws and to preserve the value of such real property or other assets. Without limiting the generality of the foregoing, the Company shall, and shall cause each other Loan Party or other responsible party to, comply with any Federal or state judicial or administrative order requiring the performance at any real property of any Loan Party of activities in response to the release or threatened release of a Hazardous Substance. To the extent that the transportation of Hazardous Substances is permitted by this Agreement, the Company shall, and shall cause its Subsidiaries to, dispose of such Hazardous Substances, or of any other wastes, only at licensed disposal facilities operating in compliance with Environmental Laws.

10.9 Compliance with Loan Documents. Comply, and cause each Loan Party to comply, with all of the terms, conditions and covenants contained in the Loan Documents to which such Loan Party is a party.

10.10 Acquisition Documents. Perform, and cause each Loan Party to perform, all of its obligations under all Acquisition Documents, and enforce all of its rights and remedies thereunder, in each case as it deems appropriate in its reasonable business judgment; provided, however, that no Loan Party shall take any action or knowingly fail to take any action which would result in a waiver or other loss of any material right or remedy of such Loan Party thereunder.

10.11 Further Assurances. Take, and cause each other Loan Party to take, such actions as are necessary or as the Administrative Agent or the Required Lenders may reasonably request from time to time to carry out the terms and conditions of this Agreement and the other Loan

Documents (including a pledge by Company of all of its Capital Securities of any direct Subsidiary of Company (whether now existing or hereafter created) and a pledge by any other Loan Party of all of its Capital Securities of any direct Subsidiary of such Loan Party (whether now existing or hereafter created) which is a Material Subsidiary or which Administrative Agent may request) and a guaranty of the Obligations by any Material Subsidiary which is not licensed to operate as a health maintenance organization, or otherwise regulated by a state health, insurance or human services agency, in each case as the Administrative Agent may determine, including (a) the execution and delivery of pledge agreements, financing statements, guaranties and other documents on terms satisfactory to Administrative Agent, and the filing or recording of any of the foregoing in a manner satisfactory to Administrative Agent and (b) the delivery of certificated securities and other Collateral with respect to which perfection is obtained by possession.

SECTION 11 NEGATIVE COVENANTS

Until the expiration or termination of the Commitments and thereafter until all Obligations hereunder and under the other Loan Documents are paid in full and all Letters of Credit have been terminated, the Company agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will:

11.1 Debt. Not, and not permit any other Loan Party to, create, incur, assume or suffer to exist any Debt, except:

(a) Obligations under this Agreement and the other Loan Documents;

(b) Debt of Loan Parties (including the Company) secured by Liens on real or personal property permitted by Section 11.2(d), and extensions, renewals and refinancings thereof; provided that the aggregate amount of all such Debt at any time outstanding shall not exceed $10,000,000;

(c) Debt of Loan Parties other than the Company (and which is non-recourse to the Company) secured by Liens on real property permitted by Section 11.2(d), and extensions, renewals and refinancings thereof; provided that the aggregate amount of all such Debt at any time outstanding shall not exceed $15,000,000;

(d) Subordinated Debt which is unsecured;

(e) Hedging Obligations approved by Administrative Agent and incurred in favor of a Lender or an Affiliate thereof for bona fide hedging purposes and not for speculation;

(f) Debt described on Schedule 11.1 and any extension, renewal or refinancing thereof so long as the principal amount thereof is not increased (it being agreed that any increase will be permitted without the consent of the Administrative Agent and the Required Lenders only to the extent that such additional Debt is otherwise permitted pursuant to clauses (b), (c), or (d) of this Section 11.1);

(g) Debt under Capital Leases for capital assets whose aggregate cost if purchased would not exceed $15,000,000;

(h) Indirect Obligations which do not exceed $2,000,000 in the aggregate at any time;

(i) Indirect Obligations arising with respect to customary indemnification obligations in favor of sellers in connection with Acquisitions permitted under Section 11.5 and purchasers in connection with dispositions permitted under Section 11.5;

(j) Indirect Obligations arising with respect to performance guaranties (which may include payment obligations) provided by a Loan Party on behalf of another Loan Party in the ordinary course of business; and

(k) Debt of any Loan Party to the Company which results from an Investment made by the Company in such Loan Party pursuant to, and permitted by Section 11.11(b).

11.2 Liens. Not, and not permit any other Loan Party to, create or permit to exist any Lien on any of its real or personal properties, assets or rights of whatsoever nature (whether now owned or hereafter acquired), except:

(a) Liens for taxes or other governmental charges not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and, in each case, for which it maintains adequate reserves;

(b) Liens arising in the ordinary course of business (such as (i) Liens of landlords, carriers, warehousemen, mechanics and materialmen and other similar Liens imposed by law and (ii) Liens in the form of deposits or pledges incurred in connection with worker's compensation, unemployment compensation and other types of social security (excluding Liens arising under ERISA) or in connection with surety bonds, bids, performance bonds and similar obligations) for sums not overdue or being contested in good faith by appropriate proceedings and not involving any advances or borrowed money or the deferred purchase price of property or services and, in each case, for which it maintains adequate reserves;

(c) Liens described on Schedule 11.2 as of the Closing Date;

(d) (i) subject to the limitation set forth in Sections 11.1(b) and (c), Liens that constitute purchase money security interests on any property (including mortgage liens on real property) securing debt incurred for the purpose of financing all or any part of the cost of acquiring such property, provided that any such Lien attaches to such property within 20 days of the acquisition thereof and attaches solely to the property so acquired; and (ii) subject to the limitation set forth in Section 11.1(g), Liens arising in connection with Capital Leases (and attaching only to the property being leased);

(e) attachments, appeal bonds, judgments and other similar Liens, for sums not exceeding $5,000,000 arising in connection with court proceedings, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(f) easements, rights of way, restrictions, minor defects or irregularities in title and other similar Liens not interfering in any material respect with the ordinary conduct of the business of any Loan Party;

(g) Liens arising under the Loan Documents; and

(h) the replacement, extension or renewal of any Lien permitted by clause (c) above upon or in the same property subject thereto arising out of the extension, renewal or replacement of the Debt secured thereby (without increase in the amount thereof).

11.3 Operating Leases. Not permit the aggregate amount of all rental payments under Operating Leases made (or scheduled to be made) by the Loan Parties (on a consolidated basis) in any Fiscal Year to exceed the greater of (a) an amount equal to 5% of Net Worth or (b) $15,000,000.

11.4 Restricted Payments. Not, and not permit any other Loan Party to, (a) make any distribution to any holders of its Capital Securities (except for dividends or distributions from a Subsidiary to the Company), (b) purchase or redeem any of its Capital Securities, (c) pay any management fees or similar fees to any of its equityholders or any Affiliate thereof, (d) make any redemption, prepayment, defeasance, repurchase or any other payment in respect of any Subordinated Debt, (e) make any loans or advances to a shareholder, (f) make any contribution to, donation to, loan to, investment in, or any other transfer of funds or property to any Charitable Foundation, or (g) set aside funds for any of the foregoing. Notwithstanding the foregoing, so long as no Unmatured Event of Default or Event of Default has occurred and is continuing (i) any Subsidiary may pay dividends or make other distributions to a domestic Wholly-Owned Subsidiary, (ii) the Company may make a distribution to holders of its Capital Securities in the form of stock of the Company, and (iii) in lieu of fractional shares in association with a stock dividend, the Company may pay cash dividends in an aggregate amount not exceeding $1,000,000 in any Fiscal Year. In addition, notwithstanding the foregoing, the Company or any other Loan Party may make contributions to a Charitable Foundation so long as (1) no Unmatured Event of Default or Event of Default has occurred and is continuing or could reasonably be expected to occur as a result thereof, (2) such contribution could not reasonably be expected to have a Material Adverse Effect, (3) such contributions are treated for accounting purposes by the Company as an expense and deducted in the calculation of Consolidated Net Income (and EBITDA), and (4) such Charitable Foundation is exempt from taxation pursuant to Section 501(c)(3) of the Code.

11.5 Mergers, Consolidations, Sales. Not, and not permit any other Loan Party to, (a) be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or any Capital Securities of any class of, or any partnership or joint venture interest in, any other Person, (b) sell, transfer, convey or lease all or any substantial part of its assets or Capital Securities (including the sale of Capital Securities of any Subsidiary) except for sales of inventory and obsolete equipment in the ordinary course of business and, so long as no Unmatured Event of Default or Event of Default has occurred and is continuing, except for the

GPA Divestiture, or (c) sell or assign with or without recourse any receivables, except for (i) any such merger, consolidation, sale, transfer, conveyance, lease or assignment of or by any Wholly-Owned Subsidiary into the Company or into any other domestic Wholly-Owned Subsidiary; (ii) any such purchase or other acquisition by the Company or any domestic Wholly-Owned Subsidiary of the assets or Capital Securities of any Wholly-Owned Subsidiary; and (iii) any Acquisition by the Company or any domestic Wholly-Owned Subsidiary where:

(A) the Acquisition is made in accordance with the Company's strategic business plan, as it may be amended from time to time by the Company, and is an Acquisition of a Person in a line of business which is similar or complementary to the lines of business of the Loan Parties as of the Closing Date;

(B) immediately before and after giving effect to such Acquisition, no Event of Default or Unmatured Event of Default shall exist or is reasonably likely to occur as a result of such Acquisition;

(C) immediately after giving effect to such Acquisition, the Company is in pro forma compliance with all the financial ratios and restrictions set forth in Section 11.14;

(D) in the case of the Acquisition of any Person, the board of directors or similar governing body of such Person has approved such Acquisition, and in the case of an Acquisition which is structured as a merger involving the Company, the Company is the surviving Person;

(E) reasonably prior to such Acquisition, the Administrative Agent shall have received complete executed or conformed copies of each material document, instrument and agreement to be executed in connection with such Acquisition together with all lien search reports and lien release letters and other documents as the Administrative Agent may require to evidence the termination of Liens on the assets or business to be acquired;

(F) not less than ten Business Days prior to such Acquisition, the Administrative Agent shall have received an acquisition summary with respect to the Person and/or business or division to be acquired, such summary to include a reasonably detailed description thereof (including financial information) and operating results (including financial statements for the most recent 12 month period for which they are available and as otherwise available), the terms and conditions, including economic terms, of the proposed Acquisition, and the Company's calculation of pro forma EBITDA relating thereto; and

(G) the Loan Party which is a party to such Acquisition shall have pledged to Administrative Agent the Capital Securities, if any, acquired by such Loan Party in such Acquisition on terms satisfactory to Administrative Agent.

The conditions contained in clauses (C), (E), and (F) above will not apply to an Acquisition if the Company has provided prior written notice of such Acquisition to the Administrative Agent summarizing the essential terms thereof and the total consideration paid (including the fair market value of any property conveyed and including deferred consideration) by a Loan Party in such Acquisition (1) does not exceed $5,000,000 and (2) will not cause the total consideration paid (including the fair market value of any property conveyed and including deferred consideration) in all Acquisitions in such Fiscal Year to exceed $15,000,000 in the aggregate.

The condition contained in clause (G) above will not apply to Capital Securities of a Person which is not a direct Subsidiary of Company unless such Person is a Material Subsidiary or unless Administrative Agent expressly requests such a pledge in writing.

11.6 Modification of Organizational Documents. Not permit the charter, by-laws or other organizational documents of any Loan Party to be amended or modified in any way unless (a) in the case of Company or any direct Subsidiary of Company, copies of such amendment or modification are promptly provided to Administrative Agent, (b) in all cases such amendment or modification does not adversely affect the interests of the Lenders hereunder, under any Collateral Document, or at law, and (c) in all cases such amendment or modification is not reasonably likely to have a Material Adverse Effect. Not change, or allow any Loan Party to change, its state of formation or its organizational form unless the Company provides the Administrative Agent with at least 15 days prior written notice of such change and prior to the effectiveness of such change takes, and causes each other Loan Party to take, such actions as are necessary or as the Administrative Agent or the Required Lenders may reasonably request from time to time to carry out the terms and conditions of this Agreement and the other Loan Documents after giving effect to such change.

11.7 Transactions with Affiliates. Not, and not permit any other Loan Party to, enter into, or cause, suffer or permit to exist any transaction, arrangement or contract with any of its Affiliates; provided, however, that if no Event of Default or Unmatured Event of Default has occurred and is continuing, Company and the other Loan Parties may engage in such transactions in the ordinary course of business and pursuant to the reasonable requirements of its business on terms which are not materially less favorable than are obtainable from any Person which is not one of its Affiliates.

11.8 Unconditional Purchase Obligations. Not, and not permit any other Loan Party to, enter into or be a party to any contract for the purchase of materials, supplies or other property or services if such contract requires that payment be made by it regardless of whether delivery is ever made of such materials, supplies or other property or services.

11.9 Inconsistent Agreements. Not, and not permit any other Loan Party to, enter into any agreement containing any provision which would (a) be violated or breached by any borrowing by the Company hereunder or by the performance by any Loan Party of any of its Obligations hereunder or under any other Loan Document, (b) prohibit any Loan Party from granting to the Administrative Agent and the Lenders, a Lien on any of its assets or (c) create or permit to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (i) pay dividends or make other distributions to the Company or any other Subsidiary, or pay any Debt owed to the Company or any other Subsidiary, (ii) make loans or advances to any Loan Party or (iii) transfer any of its assets or properties to any Loan Party, other than (A) customary restrictions and conditions contained in agreements relating to the sale of all or a substantial part of the assets of any Subsidiary pending such sale, provided that such restrictions and conditions apply only to the Subsidiary to be sold and such sale is permitted hereunder, (B) restrictions or conditions imposed by any agreement relating to purchase money Debt, Capital Leases and other secured Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Debt and (C) customary provisions in leases and other contracts restricting the assignment thereof.

11.10 Business Activities. Not, and not permit any other Loan Party to, engage in any line of business other than (a) the businesses engaged in on the date hereof, (b) the managed health care business, (c) lines of business which are similar or complementary thereto, and (d) lines of business set forth in the Company's strategic business plan, as it may be amended from time to time by the Company.

11.11 Investments. Not, and not permit any other Loan Party to, make or permit to exist any Investment in any other Person, except the following:

(a) Investments by any Loan Party other than the Company in any other Loan Party;

(b) Investments by the Company in any other Loan Party so long as (i) such Investment in a Loan Party is being made to cause, and does not exceed the amount required for, such Loan Party to have total capital in an amount equal to its Required Capital, and (ii) the Company notifies the Administrative Agent in writing of such Investment prior to making such Investment;

(c) Investments which comply with Company's investment policy attached hereto asSchedule 11.11; and

(d) Investments to consummate Acquisitions permitted by Section 11.5; and initial Investments in new Subsidiaries the organization or creation of which is permitted by Section 11.18.

11.12 Restriction of Amendments to Certain Documents. Not amend or otherwise modify, or waive any rights under, any Subordinated Debt Documents.

11.13 Fiscal Year. Not change its Fiscal Year.

11.14 Financial Covenants.

11.14.1 Fixed Charge Coverage Ratio. Not permit the Fixed Charge Coverage Ratio for any Computation Period to be less than 1.50 to 1.00.

11.14.2 Total Debt to EBITDA Ratio. Not permit the Total Debt to EBITDA Ratio for any Computation Period to exceed 2.00 to 1.00.

11.14.3 Minimum Net Worth. Not permit the Net Worth of the Company and its Subsidiaries to be less than $195,000,000 at the Closing Date, or as of the end of each Fiscal Quarter to be less than an amount equal to the sum of $195,000,000 plus the sum of (a) an amount equal to 50% of Consolidated Net Income (without deduction for losses) on a cumulative basis from and after July 1, 2004, (b) an amount equal to 50% of the net proceeds (defined as gross proceeds less reasonable brokers' and underwriters' fees and commissions and other reasonable expenses of the issuance) of the issuance by Company or any other Loan Party of any Capital Securities on a cumulative basis from the Closing Date through the date of measurement, and (c) an amount equal to 50% of any increase in the Net Worth of the Company and its Subsidiaries associated with an Acquisition permitted by Section 11.5 on a cumulative basis from the Closing Date through the date of measurement.

11.15 Prepayment of Debt. Not, and not permit any other Loan Party to, voluntarily prepay any Debt other than (i) the Obligations in accordance with the terms of the Loan Documents, (ii) trade payables in the ordinary course of business, and (iii) so long as no Unmatured Event of Default has occurred and is continuing, Debt owing by a Loan Party to any other Loan Party.

11.16 Cancellation of Debt. Not, and not permit any other Loan Party to, cancel any claim or debt owing to it, except for reasonable consideration or in the ordinary course of business.

11.17 Capital Structure; Equity Securities. Not, and not permit any other Loan Party to, make any change in its capital structure which has or could have a Material Adverse Effect; or create any new class of stock or issue any stock, or issue any other equity securities or non-equity securities that are convertible into equity securities except common stock and other securities that are subordinated in right of payment to all the Obligations in a manner satisfactory to Administrative Agent.

11.18 New Subsidiaries. Not, and not permit any other Loan Party to, acquire, organize or create any Subsidiary; provided, however that Company may (and may permit any other Loan Party to) (a) acquire a Subsidiary as part of an Acquisition permitted under Section 11.5, or (b) organize or create any Subsidiary, so long as, in the case of clauses (a) or (b), Company notifies Administrative Agent in writing at least 15 days prior to the acquisition, organization, or creation of such Subsidiary and contemporaneously with such acquisition, organization, or creation, (i) if such Subsidiary is a direct Subsidiary of Company, or if such Subsidiary is a Material Subsidiary, or if Administrative Agent so requests in writing, the applicable Loan Party executes and delivers to Administrative Agent a pledge of 100% of such the Capital Securities of such Subsidiary owned by such Loan Party on terms satisfactory to Administrative Agent, (ii) such Subsidiary becomes (and if Administrative Agent so requests in writing, confirms in writing that it is) a Loan Party under this Agreement, (iii) if such Subsidiary is a Material Subsidiary which is not licensed to operate as a health maintenance organization, or otherwise regulated by a state health, insurance or human services agency, such Subsidiary executes and delivers to Administrative Agent a guaranty of the Obligations on terms satisfactory to Administrative Agent, and (iv) all of the representations and warranties contained in this Agreement are true and correct with respect to such Subsidiary as of the date of acquisition, organization, or creation.

11.19 Charitable Foundations. Use commercially reasonable efforts to promptly qualify each Charitable Foundation as exempt from taxation pursuant to Section 501(c)(3) of the Code, and once such qualification is obtained, not cause or permit any Charitable Foundation to lose its status as a nonprofit corporation which is exempt from taxation pursuant to Section 501(c)(3) of the Code, and not cause or permit any Charitable Foundation to violate any provision of its organizational documents.

11.20 Transactions Having a Material Adverse Effect. Not, and not permit any other Loan Party to, enter into any transaction which has or is reasonably likely to have a Material Adverse Effect.

SECTION 12 EFFECTIVENESS; CONDITIONS OF LENDING, ETC.

The obligation of each Lender to make its Loans and of the Issuing Lender to issue Letters of Credit is subject to the following conditions precedent:

12.1 Initial Credit Extension. The obligation of the Lenders to make the initial Loans and the obligation of the Issuing Lender to issue its initial Letter of Credit (whichever first occurs) is, in addition to the conditions precedent specified in Section 12.2, subject to the condition precedent that the Administrative Agent shall have received all of the following, each duly executed and dated the Closing Date (or such earlier date as shall be satisfactory to the Administrative Agent), in form and substance satisfactory to the Administrative Agent (and the date on which all such conditions precedent have been satisfied or waived in writing by the Administrative Agent and the Lenders is called the "Closing Date"):

12.1.1 Notes. A Note for each Lender.

12.1.2 Authorization Documents. For each Loan Party, such Person's (a) charter (or similar formation document), certified by the appropriate governmental authority; (b) good standing certificates in its state of incorporation (or formation) and in each other state requested by the Administrative Agent; (c) bylaws (or similar governing document); (d) resolutions of its board of directors (or similar governing body) approving and authorizing such Person's execution, delivery and performance of the Loan Documents to which it is party and the transactions contemplated thereby; and (e) signature and incumbency certificates of its officers executing any of the Loan Documents and authorized to submit a Notice of Borrowing (it being understood that the Administrative Agent and each Lender may conclusively rely on each such certificate until formally advised by a like certificate of any changes therein), all certified by its secretary or an assistant secretary (or similar officer) as being in full force and effect without modification.

12.1.3 Consents, etc. Certified copies of all documents evidencing any necessary corporate or partnership action, consents and governmental approvals (if any) required for the execution, delivery and performance by the Loan Parties of the Loan Documents and the documents referred to in this Section 12.

12.1.4 Letter of Direction. A letter of direction containing funds flow information with respect to the proceeds of the Loans on the Closing Date.

12.1.5 Pledge Agreement. A counterpart of the Pledge Agreement executed by the Company, together with all instruments, transfer powers and other items required to be delivered in connection therewith (including original stock or membership interest certificates representing all of the Capital Securities pledged thereby).

12.1.6 Guaranty. A counterpart of the Guaranty executed by each Material Subsidiary which is not licensed to operate as a health maintenance organization, or otherwise regulated by a state health, insurance or human services agency.

12.1.7 Subordination Agreements. Subordination Agreements with respect to all Subordinated Debt.

12.1.8 Opinions of Counsel. Opinion of counsel for Company.

12.1.9 Insurance. Evidence of the existence of insurance required to be maintained pursuant toSection 10.3(b), together with evidence that the Administrative Agent has been named as an additional insured on all related insurance policies.

12.1.10 Payment of Fees. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with all Attorney Costs of the Administrative Agent to the extent invoiced prior to the Closing Date, plus such additional amounts of Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by the Administrative Agent through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Company and the Administrative Agent).

12.1.11 Search Results; Lien Terminations. Certified copies of Uniform Commercial Code search reports dated a date reasonably near to the Closing Date, listing all effective financing statements which name Company as debtor, together with (a) copies of such financing statements, (b) a letter terminating the Loan Agreement between Company and LaSalle dated as of May 1, 2002, as amended, and the release (or assignment to Administrative Agent) of all Liens granted in connection therewith, with Uniform Commercial Code or other appropriate termination statements or assignments and documents effective to evidence the foregoing (other than Liens permitted by Section 11.2) and (c) such other Uniform Commercial Code termination statements as the Administrative Agent may reasonably request.

12.1.12 Filings, Registrations and Recordings. Each document (including Uniform Commercial Code financing statements) required by the Collateral Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Lenders, a perfected Lien on the Collateral described therein, prior to any other Liens (subject only to Liens permitted pursuant to Section 11.2), in proper form for filing, registration or recording.

12.1.13 Closing Certificate, Consents and Permits. A certificate executed by an officer of the Company on behalf of the Company certifying the matters set forth in Section 12.2.1 as of the Closing Date.

12.1.14 Financial Statements. Audited consolidated financial statements for the Company and its Subsidiaries for the Fiscal Years ending December 31, 2001, December 31, 2002, and December 31, 2003, and unaudited interim consolidated financial statements for the Company and its Subsidiaries for the Fiscal Quarters ending March 31, 2004 and June 30, 2004. Such financial statements shall include a balance sheet, income statement, and statement of cash flows.

12.1.15 Projections. Projected balance sheet, income statement, and statement of cash flows for Company and its Subsidiaries on a consolidated basis for Fiscal Years 2004, 2005, 2006, 2007, and 2008.

12.1.16 Other. Such other documents as the Administrative Agent or any Lender may reasonably request.

12.2 Conditions. The obligation (a) of each Lender to make each Loan and (b) of the Issuing Lender to issue each Letter of Credit is subject to the following further conditions precedent that:

12.2.1 Compliance with Warranties, No Default, etc.. Both before and after giving effect to any borrowing and the issuance of any Letter of Credit, the following statements shall be true and correct:

(a) the representations and warranties of each Loan Party set forth in this Agreement and the other Loan Documents shall be true and correct in all respects with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date); and

(b) no Event of Default or Unmatured Event of Default shall have then occurred and be continuing.

12.2.2 Confirmatory Certificate. If requested by the Administrative Agent or any Lender, the Administrative Agent shall have received (in sufficient counterparts to provide one to each Lender) a certificate dated the date of such requested Loan or Letter of Credit and signed by a duly authorized representative of the Company as to the matters set out in Section 12.2.1 (it being understood that each request by the Company for the making of a Loan or the issuance of a Letter of Credit shall be deemed to constitute a representation and warranty by the Company that the conditions precedent set forth in Section 12.2.1 will be satisfied at the time of the making of such Loan or the issuance of such Letter of Credit), together with such other documents as the Administrative Agent or any Lender may reasonably request in support thereof.

SECTION 13 EVENTS OF DEFAULT AND THEIR EFFECT.

13.1 Events of Default. Each of the following shall constitute an Event of Default under this Agreement:

13.1.1 Non-Payment of the Loans, etc. Default in the payment when due of the principal of any Loan; or default, and continuance thereof for five days, in the payment when due of any interest, fee, reimbursement obligation with respect to any Letter of Credit or other amount payable by the Company hereunder or under any other Loan Document.

13.1.2 Non-Payment of Other Debt. Any default shall occur under the terms applicable to any Debt of any Loan Party individually or in an aggregate amount (for all such Debt so affected and including undrawn committed or available amounts and amounts owing to all creditors under any combined or syndicated credit arrangement) exceeding $5,000,000 and such default shall (a) consist of the failure to pay such Debt when due, whether by acceleration or otherwise, or (b) accelerate the maturity of such Debt or permit the holder or holders thereof, or any trustee or agent for such holder or holders, to cause such Debt to become due and payable (or require any Loan Party to purchase or redeem such Debt or post cash Collateral in respect thereof) prior to its expressed maturity.

13.1.3 Other Material Obligations. Default in the payment when due, or in the performance or observance of, any material obligation of, or condition agreed to by, any Loan Party with respect to any material purchase or lease of goods or services where such default, singly or in the aggregate with all other such defaults, involves obligations requiring payments by any Loan Party in excess of $1,000,000 or which might reasonably be expected to have a Material Adverse Effect.

13.1.4 Bankruptcy, Insolvency, etc. Any Loan Party becomes insolvent or generally fails to pay, or admits in writing its inability or refusal to pay, debts as they become due; or any Loan Party applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for such Loan Party or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for any Loan Party or for a substantial part of the property of any thereof and is not discharged within 90 days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is commenced in respect of any Loan Party, and if such case or proceeding is not commenced by such Loan Party, it is consented to or acquiesced in by such Loan Party, or remains for 90 days undismissed; or any Loan Party takes any action to authorize, or in furtherance of, any of the foregoing.

13.1.5 Non-Compliance with Loan Documents. Failure by any Loan Party to comply with or to perform any term, condition, agreement, or covenant applicable to it herein or in the Loan Documents. Notwithstanding the foregoing sentence, a failure to comply with Sections 10.3, 10.4, 10.5, 10.7, 10.8, 10.9, or 10.11 of this Agreement shall not constitute an Event of Default if such failure is remedied within 30 days after the initial occurrence of such failure.

13.1.6 Representations; Warranties. Any representation or warranty made by any Loan Party herein or any other Loan Document is breached or is false or misleading in any material respect when made or deemed made, or any schedule, certificate, financial statement, report, notice or other writing furnished by any Loan Party to the Administrative Agent or any Lender in connection herewith is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.

13.1.7 Pension Plans. (a) Any Person institutes steps to terminate a Pension Plan if as a result of such termination the Company or any member of the Controlled Group could be required to make a contribution to such Pension Plan, or could incur a liability or obligation to

such Pension Plan, in excess of $1,000,000 individually or in the aggregate; (b) a contribution failure occurs with respect to any Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA; (c) the Unfunded Liability exceeds 20% of the Total Plan Liability, or (d) there shall occur any withdrawal or partial withdrawal from a Multiemployer Pension Plan and the withdrawal liability (without unaccrued interest) to Multiemployer Pension Plans as a result of such withdrawal (including any outstanding withdrawal liability that the Company or any member of the Controlled Group have incurred on the date of such withdrawal) exceeds $100,000 individually or in the aggregate.

13.1.8 Judgments. Any one or more judgments or orders is entered against a Loan Party or any attachment or other levy is made against the property of any Loan Party, including but not limited to any Collateral, with respect to a claim or claims involving in the aggregate liabilities (not paid or fully covered by insurance, less the amount of deductibles satisfactory to Administrative Agent and the Lenders on the Closing Date) greater than $5,000,000, and, in the case of a judgment or order, such judgment or order becomes final and non-appealable or if timely appealed is not fully bonded and collection thereof stayed pending the appeal; or any Loan Party enters into an agreement to settle any claim or controversy and the total amount (at current value based on a capitalization rate of 10%) of the monetary obligations of such Loan Party under such agreement is in excess of $5,000,000.

13.1.9 Invalidity of Collateral Documents, etc. Any Collateral Document shall cease to be in full force and effect; or any Loan Party (or any Person by, through or on behalf of any Loan Party) shall contest in any manner the validity, binding nature or enforceability of any Collateral Document, or any Lien of Administrative Agent with respect to any Collateral of Company or any Loan Party is not or ceases to be (other than as a result of a voluntary release by Administrative Agent) valid, perfected, and prior to all other Liens (other than relevant Liens expressly permitted hereunder).

13.1.10 Invalidity of Subordination Provisions, etc. Any subordination provision in any document or instrument governing Subordinated Debt, or any subordination provision in any guaranty by any Subsidiary of any Subordinated Debt, shall cease to be in full force and effect, or any Loan Party or any other Person (including the holder of any applicable Subordinated Debt) shall contest in any manner the validity, binding nature or enforceability of any such provision.

13.1.11 Change of Control. A Change of Control shall occur.

13.1.12 Seizure of Assets. Any material part of the Collateral or a substantial part of the other property of Company is nationalized, expropriated, seized or otherwise appropriated, or custody or control of such property or of Company is assumed by any Governmental Authority, unless the same is being contested in good faith by appropriate proceedings diligently pursued and a stay of enforcement is in effect.

13.1.13 Material Adverse Effect. There occurs any event which has or is reasonably likely to have a Material Adverse Effect.

13.2 Effect of Event of Default. If any Event of Default described in Section 13.1.4 shall occur in respect of the Company, the Commitments shall immediately terminate and the Loans and all other Obligations hereunder shall become immediately due and payable and the Company shall become immediately obligated to Cash Collateralize all Letters of Credit, all without presentment, demand, protest or notice of any kind; and, if any other Event of Default shall occur and be continuing, the Administrative Agent may (and, upon the written request of the Required Lenders shall) declare the Commitments to be terminated in whole or in part and/or declare all or any part of the Loans and all other Obligations hereunder to be due and payable and/or demand that the Company immediately Cash Collateralize all or any Letters of Credit, whereupon the Commitments shall immediately terminate (or be reduced, as applicable) and/or the Loans and other Obligations hereunder shall become immediately due and payable (in whole or in part, as applicable) and/or the Company shall immediately become obligated to Cash Collateralize the Letters of Credit (all or any, as applicable), all without presentment, demand, protest or notice of any kind. The Administrative Agent shall promptly advise the Company of any such declaration, but failure to do so shall not impair the effect of such declaration. Any cash Collateral delivered hereunder shall be held by the Administrative Agent (without liability for interest thereon) and applied to the Obligations arising in connection with any drawing under a Letter of Credit. After the expiration or termination of all Letters of Credit, such cash Collateral shall be applied by the Administrative Agent to any remaining Obligations hereunder and any excess shall be delivered to the Company or as a court of competent jurisdiction may elect.

SECTION 14 THE AGENT.

14.1 Appointment and Authorization. Each Lender hereby irrevocably (subject to Section 14.10) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duty or responsibility except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in other Loan Documents with reference to the Administrative Agent or any other "agent" hereunder is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

14.2 Issuing Lender. The Issuing Lender shall act on behalf of the Lenders (according to their Pro Rata Shares) with respect to any Letters of Credit issued by it and the documents associated therewith. The Issuing Lender shall have all of the benefits and immunities (a) provided to the Administrative Agent in this Section 14 with respect to any acts taken or omissions suffered by the Issuing Lender in connection with Letters of Credit issued by it or

proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent", as used in this Section 14, included the Issuing Lender with respect to such acts or omissions and (b) as additionally provided in this Agreement with respect to the Issuing Lender.

14.3 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

14.4 Exculpation of Administrative Agent. None of the Administrative Agent nor any of its directors, officers, employees or agents shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except to the extent resulting from its own gross negligence or willful misconduct in connection with its duties expressly set forth herein as determined by a final, nonappealable judgment by a court of competent jurisdiction), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by any Loan Party or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document (or the creation, perfection or priority of any Lien or security interest therein), or for any failure of the Company or any other party to any Loan Document to perform its Obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

14.5 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, electronic mail message, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, confirmation from the Lenders of their obligation to indemnify the Administrative Agent against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon each Lender. For purposes of determining compliance

with the conditions specified in Section 12, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received written notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

14.6 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Company referring to this Agreement, describing such Event of Default or Unmatured Event of Default and stating that such notice is a "notice of default". The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Event of Default or Unmatured Event of Default as may be requested by the Required Lenders in accordance with Section 13; provided that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default or Unmatured Event of Default as it shall deem advisable or in the best interest of the Lenders.

14.7 Credit Decision. Each Lender acknowledges that the Administrative Agent has not made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent and acceptance of any assignment or review of the affairs of the Loan Parties, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender as to any matter, including whether the Administrative Agent has disclosed material information in its possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial or other condition or creditworthiness of the Company which may come into the possession of the Administrative Agent.

14.8 Indemnification. Whether or not the transactions contemplated hereby are consummated, each Lender shall indemnify upon demand the Administrative Agent and its directors, officers, employees and agents (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), according to its

applicable Pro Rata Share, from and against any and all Indemnified Liabilities (as hereinafter defined);provided that no Lender shall be liable for any payment to any such Person of any portion of the Indemnified Liabilities to the extent determined by a final, nonappealable judgment by a court of competent jurisdiction to have resulted from the applicable Person's own gross negligence or willful misconduct. No action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs and Taxes) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive repayment of the Loans, cancellation of the Notes, expiration or termination of the Letters of Credit, any foreclosure under, or modification, release or discharge of, any or all of the Collateral Documents, termination of this Agreement and the resignation or replacement of the Administrative Agent.

14.9 Administrative Agent in Individual Capacity. LaSalle and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Loan Parties and Affiliates as though LaSalle were not the Administrative Agent hereunder and without notice to or consent of any Lender. Each Lender acknowledges that, pursuant to such activities, LaSalle or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to their Loans (if any), LaSalle and its Affiliates shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though LaSalle were not the Administrative Agent, and the terms "Lender" and "Lenders" include LaSalle and its Affiliates, to the extent applicable, in their individual capacities.

14.10 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Required Lenders shall, with (so long as no Event of Default exists) the consent of the Company (which shall not be unreasonably withheld or delayed), appoint from among the Lenders a successor agent for the Lenders. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Company, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 14 and Sections 15.5 and 15.17 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this

Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

14.11 Collateral Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, (a) to release any Lien granted to or held by the Administrative Agent under any Collateral Document (i) upon termination of the Commitments and payment in full of all Loans and all other obligations of the Company hereunder and the expiration or termination of all Letters of Credit; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder; or (iii) subject to Section 15.1, if approved, authorized or ratified in writing by the Required Lenders; or (b) to subordinate its interest in any Collateral to any holder of a Lien on such Collateral which is permitted by Section 11.2(d) (it being understood that the Administrative Agent may conclusively rely on a certificate from the Company in determining whether the Debt secured by any such Lien is permitted by Section 11.1(b)). Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release, or subordinate its interest in, particular types or items of Collateral pursuant to this Section 14.11. Each Lender hereby authorizes the Administrative Agent to give blockage notices in connection with any Subordinated Debt at the direction of Required Lenders and agrees that it will not act unilaterally to deliver such notices.

14.12 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 5, 15.5 and 15.17) allowed in such judicial proceedings; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 5, 15.5 and 15.17.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

14.13 Other Agents; Arrangers and Managers. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger", if any, shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

SECTION 15 GENERAL.

15.1 Waiver; Amendments. No delay on the part of the Administrative Agent or any Lender in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the other Loan Documents shall in any event be effective unless the same shall be in writing and acknowledged by Lenders having an aggregate Pro Rata Shares of not less than the aggregate Pro Rata Shares expressly designated herein with respect thereto or, in the absence of such designation as to any provision of this Agreement, by the Required Lenders, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment, modification, waiver or consent shall (a) extend or increase the Commitment of any Lender without the written consent of such Lender, (b) extend the date scheduled for payment of any principal (excluding mandatory prepayments) of or interest on the Loans or any fees payable hereunder without the written consent of each Lender directly affected thereby, (c) reduce the principal amount of any Loan, the rate of interest thereon or any fees payable hereunder (except for periodic adjustments of interest rates and fees based on a change in applicable Level as expressly provided herein), without the consent of each Lender directly affected thereby; or (d) release any party from its obligations under the Guaranty (or any guaranty subsequently executed as required by this Agreement) or all or any substantial part of the Collateral granted under the Collateral Documents, change the definition of Required Lenders, any provision of this Section 15.1 or reduce the aggregate Pro Rata Share required to effect an amendment, modification, waiver or consent, without, in each case, the written consent of all Lenders. No provision of Section 14 or other provision of this Agreement affecting the Administrative Agent in its capacity as such shall be amended, modified or waived without the consent of the Administrative Agent. No provision of this Agreement relating to the rights or duties of the Issuing Lender in its capacity as such shall be amended, modified or waived without the consent of the Issuing Lender.

15.2 Confirmations. The Company and each holder of a Note agree from time to time, upon written request received by it from the other, to confirm to the other in writing (with a copy of each such confirmation to the Administrative Agent) the aggregate unpaid principal amount of the Loans then outstanding under such Note.

15.3 Notices. Except as otherwise provided in Sections 2.2.2 and 2.2.3, all notices hereunder shall be in writing (including facsimile transmission) and shall be sent to the applicable party at its address shown on Annex B or at such other address as such party may, by written notice received by the other parties, have designated as its address for such purpose. Notices sent by facsimile transmission shall be deemed to have been given when sent; notices sent by mail shall be deemed to have been given three Business Days after the date when sent by registered or certified mail, postage prepaid; and notices sent by hand delivery or overnight courier service shall be deemed to have been given when received. For purposes of Sections 2.2.2 and 2.2.3, the Administrative Agent shall be entitled to rely on telephonic instructions from any person that the Administrative Agent in good faith believes is an authorized officer or employee of the Company, and the Company shall hold the Administrative Agent and each other Lender harmless from any loss, cost or expense resulting from any such reliance.

15.4 Computations. Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made, for the purpose of this Agreement, such determination or calculation shall, to the extent applicable and except as otherwise specified in this Agreement, be made in accordance with GAAP, consistently applied; provided that if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in Section 11.14 (or any related definition) to eliminate or to take into account the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend Section 11.14 (or any related definition) for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant (or related definition) is amended in a manner satisfactory to the Company and the Required Lenders.

15.5 Costs, Expenses and Taxes. The Company agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Administrative Agent (including Attorney Costs and any Taxes) in connection with the preparation, execution, syndication, delivery and administration (including perfection and protection of any Collateral and the costs of Intralinks (or other similar service), if applicable) of this Agreement, the other Loan Documents and all other documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including any amendment, supplement or waiver to any Loan Document), whether or not the transactions contemplated hereby or thereby shall be consummated, and all reasonable out-of-pocket costs and expenses (including Attorney Costs and any Taxes) incurred by the Administrative Agent and each Lender after an Event of Default in connection with the collection of the Obligations or the enforcement of this Agreement, the other Loan Documents or any such other documents or during any workout, restructuring or negotiations in respect thereof.

In addition, the Company agrees to pay, and to save the Administrative Agent and the Lenders harmless from all liability for, any fees of the Company's auditors in connection with any reasonable exercise by the Administrative Agent and the Lenders of their rights pursuant to Section 10.2. All Obligations provided for in this Section 15.5 shall survive repayment of the Loans, cancellation of the Notes, expiration or termination of the Letters of Credit and termination of this Agreement.

15.6 Assignments; Participations.

15.6.1 Assignments. (a) Any Lender may at any time assign to one or more Persons which are financial institutions (any such Person, an "Assignee") all or any portion of such Lender's Loans and Commitments, with the prior written consent of the Administrative Agent, the Issuing Lender (for an assignment of the Revolving Loans and the Revolving Commitment) and, so long as no Event of Default exists, the Company (which consent shall not be required for an assignment by a Lender to a Lender or an Affiliate of a Lender). Except as the Administrative Agent may otherwise agree, any such assignment shall be in a minimum aggregate amount equal to $10,000,000 or, if less, the remaining Commitment and Loans held by the assigning Lender. The Company and the Administrative Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned to an Assignee until the Administrative Agent shall have received and accepted an effective assignment agreement in substantially the form of Exhibit C hereto (an "Assignment Agreement") executed, delivered and fully completed by the applicable parties thereto and a processing fee of $3,500. No assignment may be made to any Person if at the time of such assignment the Company would be obligated to pay any greater amount under Section 7.6 or 8 to the Assignee than the Company is then obligated to pay to the assigning Lender under such Sections (and if any assignment is made in violation of the foregoing, the Company will not be required to pay such greater amounts). Any attempted assignment not made in accordance with this Section 15.6.1 shall be treated as the sale of a participation under Section 15.6.2. The Company shall be deemed to have granted its consent to any assignment requiring its consent hereunder unless the Company has expressly objected to such assignment within five Business Days after notice thereof.

(b) From and after the date on which the conditions described above have been met, (i) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned to such Assignee pursuant to such Assignment Agreement, shall have the rights and obligations of a Lender hereunder and (ii) the assigning Lender, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, shall be released from its rights (other than its indemnification rights) and obligations hereunder. Upon the request of the Assignee (and, as applicable, the assigning Lender) pursuant to an effective Assignment Agreement, the Company shall execute and deliver to the Administrative Agent for delivery to the Assignee (and, as applicable, the assigning Lender) a Note in the principal amount of the Assignee's Pro Rata Share of the Revolving Commitment (and, as applicable, a Note in the principal amount of the Pro Rata Share of the Revolving Commitment retained by the assigning Lender). Each such Note shall be dated the effective date of such assignment. Upon receipt by the assigning Lender of such Note, the assigning Lender shall return to the Company any prior Note held by it.

(c) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

15.6.2 Participations. Any Lender may at any time sell to one or more Persons participating interests in its Loans, Commitments or other interests hereunder (any such Person, a "Participant"). In the event of a sale by a Lender of a participating interest to a Participant, (a) such Lender's obligations hereunder shall remain unchanged for all purposes, (b) the Company and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations hereunder and (c) all amounts payable by the Company shall be determined as if such Lender had not sold such participation and shall be paid directly to such Lender. No Participant shall have any direct or indirect voting rights hereunder except with respect to any event described in Section 15.1 expressly requiring the unanimous vote of all Lenders or, as applicable, all affected Lenders. Each Lender agrees to incorporate the requirements of the preceding sentence into each participation agreement which such Lender enters into with any Participant. The Company agrees that if amounts outstanding under this Agreement are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement and with respect to any Letter of Credit to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; provided that such right of set-off shall be subject to the obligation of each Participant to share with the Lenders, and the Lenders agree to share with each Participant, as provided in Section 7.5. The Company also agrees that each Participant shall be entitled to the benefits of Section 7.6 or 8 as if it were a Lender (provided that on the date of the participation no Participant shall be entitled to any greater compensation pursuant to Section 7.6 or 8 than would have been paid to the participating Lender on such date if no participation had been sold and that each Participant complies with Section 7.6(d) as if it were an Assignee).

15.7 Register. The Administrative Agent shall maintain a copy of each Assignment Agreement delivered and accepted by it and register (the "Register") for the recordation of names and addresses of the Lenders and the Commitment of each Lender from time to time and whether such Lender is the original Lender or the Assignee. No assignment shall be effective unless and until the Assignment Agreement is accepted and registered in the Register. All records of transfer of a Lender's interest in the Register shall be conclusive, absent manifest error, as to the ownership of the interests in the Loans. The Administrative Agent shall not incur any liability of any kind with respect to any Lender with respect to the maintenance of the Register.

15.8 **GOVERNING LAW. THIS AGREEMENT AND EACH NOTE SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES EXCEPT THAT THE PROVISIONS OF THE LOAN DOCUMENTS PERTAINING TO THE CREATION OR PERFECTION OF**

LIENS OR THE ENFORCEMENT OF RIGHTS OF ADMINISTRATIVE AGENT IN THE COLLATERAL LOCATED IN A STATE OTHER THAN THE STATE OF ILLINOIS SHALL BE GOVERNED BY THE LAWS OF SUCH STATE.

15.9 Confidentiality. As required by federal law and the Administrative Agent's policies and practices, the Administrative Agent may need to obtain, verify, and record certain customer identification information and documentation in connection with opening or maintaining accounts, or establishing or continuing to provide services. The Administrative Agent and each Lender agree to use commercially reasonable efforts (equivalent to the efforts the Administrative Agent or such Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all information provided to them by any Loan Party and designated as confidential, except that the Administrative Agent and each Lender may disclose such information (a) to Persons employed or engaged by the Administrative Agent or such Lender in evaluating, approving, structuring or administering the Loans and the Commitments; (b) to any assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 15.9 (and any such assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any federal or state regulatory authority or examiner, or any insurance industry association, or as reasonably believed by the Administrative Agent or such Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of the Administrative Agent's or such Lender's counsel, is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any litigation to which the Administrative Agent or such Lender is a party; (f) to any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender; (g) to any Affiliate of the Administrative Agent, the Issuing Lender or any other Lender who may provide Bank Products to the Loan Parties; or (h) that ceases to be confidential through no fault of the Administrative Agent or any Lender. Notwithstanding the foregoing, the Company consents to the publication by the Administrative Agent or any Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement, and the Administrative Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

15.10 Severability. Whenever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All obligations of the Company and rights of the Administrative Agent and the Lenders expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law.

15.11 Nature of Remedies. All Obligations of the Company and rights of the Administrative Agent and the Lenders expressed herein or in any other Loan Document shall be in addition to and not in limitation of those provided by applicable law. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

15.12 Entire Agreement. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof (except as relates to the fees described in Section 5.3) and any prior arrangements made with respect to the payment by the Company of (or any indemnification for) any fees, costs or expenses payable to or incurred (or to be incurred) by or on behalf of the Administrative Agent or the Lenders.

15.13 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Receipt of an executed signature page to this Agreement by facsimile or other electronic transmission shall constitute effective delivery thereof. Electronic records of executed Loan Documents maintained by the Lenders shall deemed to be originals.

15.14 Successors and Assigns. This Agreement shall be binding upon the Company, the Lenders and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Company, the Lenders and the Administrative Agent and the successors and assigns of the Lenders and the Administrative Agent. No other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents. The Company may not assign or transfer any of its rights or Obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

15.15 Captions. Section captions used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

15.16 Customer Identification - USA Patriot Act Notice. Each Lender and LaSalle (for itself and not on behalf of any other party) hereby notifies the Loan Parties that, pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001 (the "Act"), it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow such Lender or LaSalle, as applicable, to identify the Loan Parties in accordance with the Act.

15.17 INDEMNIFICATION BY THE COMPANY**. IN CONSIDERATION OF THE EXECUTION AND DELIVERY OF THIS AGREEMENT BY THE ADMINISTRATIVE AGENT, THE ISSUING LENDER AND THE LENDERS AND THE AGREEMENT TO EXTEND THE COMMITMENTS PROVIDED HEREUNDER, THE COMPANY HEREBY AGREES TO INDEMNIFY, EXONERATE AND HOLD THE ADMINISTRATIVE AGENT, THE ISSUING LENDER, EACH LENDER AND EACH OF THE OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES AND AGENTS OF THE ADMINISTRATIVE AGENT, THE ISSUING LENDER, AND EACH LENDER (EACH A "LENDER PARTY") FREE AND HARMLESS FROM AND AGAINST ANY**

AND ALL ACTIONS, CAUSES OF ACTION, SUITS, LOSSES, LIABILITIES, DAMAGES AND EXPENSES, INCLUDING ATTORNEY COSTS (COLLECTIVELY, THE "INDEMNIFIED LIABILITIES"), INCURRED BY THE LENDER PARTIES OR ANY OF THEM AS A RESULT OF, OR ARISING OUT OF, OR RELATING TO (A) ANY TENDER OFFER, MERGER, PURCHASE OF CAPITAL SECURITIES, PURCHASE OF ASSETS OR OTHER SIMILAR TRANSACTION FINANCED OR PROPOSED TO BE FINANCED IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, WITH THE PROCEEDS OF ANY OF THE LOANS, (B) THE USE, HANDLING, RELEASE, EMISSION, DISCHARGE, TRANSPORTATION, STORAGE, TREATMENT OR DISPOSAL OF ANY HAZARDOUS SUBSTANCE AT ANY PROPERTY OWNED OR LEASED BY ANY LOAN PARTY, (C) ANY VIOLATION OF ANY ENVIRONMENTAL LAWS WITH RESPECT TO CONDITIONS AT ANY PROPERTY OWNED OR LEASED BY ANY LOAN PARTY OR THE OPERATIONS CONDUCTED THEREON, (D) THE INVESTIGATION, CLEANUP OR REMEDIATION OF OFFSITE LOCATIONS AT WHICH ANY LOAN PARTY OR THEIR RESPECTIVE PREDECESSORS ARE ALLEGED TO HAVE DIRECTLY OR INDIRECTLY DISPOSED OF HAZARDOUS SUBSTANCES OR (E) THE EXECUTION, DELIVERY, PERFORMANCE OR ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT BY ANY OF THE LENDER PARTIES, EXCEPT FOR ANY SUCH INDEMNIFIED LIABILITIES ARISING ON ACCOUNT OF THE APPLICABLE LENDER PARTY'S NEGLIGENCE OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL, NONAPPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION. IF AND TO THE EXTENT THAT THE FOREGOING UNDERTAKING MAY BE UNENFORCEABLE FOR ANY REASON, THE COMPANY HEREBY AGREES TO MAKE THE MAXIMUM CONTRIBUTION TO THE PAYMENT AND SATISFACTION OF EACH OF THE INDEMNIFIED LIABILITIES WHICH IS PERMISSIBLE UNDER APPLICABLE LAW. ALL OBLIGATIONS PROVIDED FOR IN THIS SECTION 15.17 SHALL SURVIVE REPAYMENT OF THE LOANS, CANCELLATION OF THE NOTES, EXPIRATION OR TERMINATION OF THE LETTERS OF CREDIT, ANY FORECLOSURE UNDER, OR ANY MODIFICATION, RELEASE OR DISCHARGE OF, ANY OR ALL OF THE COLLATERAL DOCUMENTS AND TERMINATION OF THIS AGREEMENT.

15.18 Nonliability of Lenders. The relationship between the Company on the one hand and the Lenders and the Administrative Agent on the other hand shall be solely that of borrower and lender. Neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to any Loan Party arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Loan Parties, on the one hand, and the Administrative Agent and the Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor. Neither the Administrative Agent nor any Lender undertakes any responsibility to any Loan Party to review or inform any Loan Party of any matter in connection with any phase of any Loan Party's business or operations. The Company agrees, on behalf of itself and each other Loan Party, that neither the Administrative Agent nor any Lender shall have liability to any Loan Party (whether sounding in tort, contract or otherwise) for losses suffered by any Loan Party in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final

non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. **NO LENDER PARTY SHALL BE LIABLE FOR ANY DAMAGES ARISING FROM THE USE BY OTHERS OF ANY INFORMATION OR OTHER MATERIALS OBTAINED THROUGH INTRALINKS OR OTHER SIMILAR INFORMATION TRANSMISSION SYSTEMS IN CONNECTION WITH THIS AGREEMENT, NOR SHALL ANY LENDER PARTY HAVE ANY LIABILITY WITH RESPECT TO, AND THE COMPANY ON BEHALF OF ITSELF AND EACH OTHER LOAN PARTY, HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE FOR ANY SPECIAL, PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ARISING OUT OF ITS ACTIVITIES IN CONNECTION HEREWITH OR THEREWITH (WHETHER BEFORE OR AFTER THE CLOSING DATE).** The Company acknowledges that it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party. No joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Loan Parties and the Lenders

15.19 **FORUM SELECTION AND CONSENT TO JURISDICTION. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF ILLINOIS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS; PROVIDED THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE ADMINISTRATIVE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF ILLINOIS AND OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. THE COMPANY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF ILLINOIS. THE COMPANY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.**

15.20 **WAIVER OF JURY TRIAL. EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY NOTE, ANY OTHER LOAN DOCUMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY LENDING**

RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

15.21 Statutory Notice—Oral Commitments. Nothing contained in the following notice shall be deemed to limit or modify the terms of this Agreement and the other Loan Documents:

ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT COMPANY AND EACH OTHER LOAN PARTY (BORROWER) AND ADMINISTRATIVE AGENT AND THE LENDERS (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS THE COMPANY AND ADMINISTRATIVE AGENT AND THE LENDERS REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

Company acknowledges that there are no other agreements between Administrative Agent, Lenders, Company and the Loan Parties, oral or written, concerning the subject matter of the Loan Documents, and that all prior agreements concerning the same subject matter, including any proposal or commitment letter, are merged into the Loan Documents and thereby extinguished.

[signature pages follow]

The parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the date first set forth above.

CENTENE CORPORATION, as Company

By: /s/ Karey L.Witty

Title: Senior Vice President and CFO

LASALLE BANK NATIONAL ASSOCIATION,
as Administrative Agent, as Issuing Lender and as a Lender

By: /s/ Ann O'Shaughnessy

Title: First Vice President

NATIONAL CITY BANK OF THE MIDWEST,
as a Lender

By: /s/ William J. Tunis

Title: Vice President

WACHOVIA BANK, N.A.,
as a Lender

By: /s/ David H. Simpson

Title: Associate

JPMORGAN CHASE BANK,
as a Lender

By: /s/ Thomas Hou

Title:

ANNEX A

LENDERS AND PRO RATA SHARES

Lender	Revolving Commitment Amount	Pro Rata Share
LaSalle Bank National Association	$ 45,000,000.00	45.00000%
National City Bank of the Midwest	$ 25,000,000.00	25.00000%
Wachovia Bank, N.A.	$ 15,000,000.00	15.00000%
JPMorgan Chase Bank	$ 15,000,000.00	15.00000
TOTALS	**$ 100,000,000.00**	**100.00000%**

ANNEX B

ADDRESSES FOR NOTICES

CENTENE CORPORATION

7711 Carondelet Avenue, Suite 800
Clayton, Missouri 63105
Attention: Karey L. Witty, Chief Financial Officer
Telephone: 314-725-4477
Facsimile: 314-725-5180

LASALLE BANK NATIONAL ASSOCIATION, as Administrative Agent, Issuing Lender and a Lender

Notices of Borrowing , Conversion, Continuation and Letter of Credit Issuance

135 South LaSalle Street, Suite 1425
Chicago, Illinois 60603
Attention: Maria M. Coronada, Team Leader, Syndication Analyst
Telephone: (312) 904-7517
Facsimile: (312) 904-4448

All Other Notices

135 South LaSalle Street
Chicago, Illinois 60603
Attention: Ann O'Shaughnessy
Telephone: (312) 904-6769
Facsimile: (312) 904-4364

NATIONAL CITY BANK OF THE MIDWEST, as a Lender

10401 Clayton Road
St. Louis, Missouri 63131
Attention: William J. Tunis
Telephone: (314) 587-7869
Facsimile: (314) 991-4532

WACHOVIA BANK, N.A., as a Lender

301 South College Street
Charlotte, North Carolina 28288
Attention: David Simpson
Telephone: (704) 383-0641
Facsimile: (704) 383-1625

JPMORGAN CHASE BANK, as a Lender

270 Park Avenue
New York, New York 10017
Attention: Thomas Hou
Telephone: (212) 270-6072
Facsimile: (212) 270-3897

EXHIBIT A

FORM OF
NOTE

$_____ _____, _____
Chicago, Illinois

The undersigned, for value received, promises to pay to the order of_____ (the "Lender") at the principal office of LaSalle Bank National Association (the "Administrative Agent") in Chicago, Illinois the aggregate unpaid amount of all Loans made to the undersigned by the Lender pursuant to the Credit Agreement referred to below (as shown on the schedule attached hereto (and any continuation thereof) or in the records of the Lender), such principal amount to be payable on the dates set forth in the Credit Agreement.

The undersigned further promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such Loan is paid in full, payable at the rate(s) and at the time(s) set forth in the Credit Agreement. Payments of both principal and interest are to be made in lawful money of the United States of America.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, the Credit Agreement, dated as of September 14, 2004 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; terms not otherwise defined herein are used herein as defined in the Credit Agreement), among the undersigned, certain financial institutions (including the Lender) and the Administrative Agent, to which Credit Agreement reference is hereby made for a statement of the terms and provisions under which this Note may or must be paid prior to its due date or its due date accelerated.

This Note is made under and governed by the laws of the State of Illinois applicable to contracts made and to be performed entirely within such State.

CENTENE CORPORATION

By: _____

Title: _____

EXHIBIT B

FORM OF COMPLIANCE CERTIFICATE

To: LaSalle Bank National Association, as Administrative Agent

Please refer to the Credit Agreement dated as of September 14, 2004 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Centene Corporation (the "Company"), various financial institutions and LaSalle Bank National Association, as Administrative Agent. Terms used but not otherwise defined herein are used herein as defined in the Credit Agreement.

I. Reports. A copy of the **[annual audited/quarterly]** report of the Company as at _____, _____ (the "Computation Date"), which report fairly presents in all material respects the financial condition and results of operations **[(subject to the absence of footnotes and to normal year-end adjustments)]**of the Company as of the Computation Date and has been prepared in accordance with GAAP consistently applied **[is enclosed herewith][may be found at the Company's website at www.centene.com]**.

II. Financial Tests. The Company hereby certifies and warrants to Administrative Agent, Issuing Lender and each Lender that the following is a true and correct computation as at the Computation Date of the following ratios and/or financial restrictions contained in the Credit Agreement and each of the enclosed are true and correct as at the Computation Date:

A. Section 11.14.1 - Minimum Fixed Charge Coverage Ratio

1. EBITDA
   a. Consolidated Net Income $_____
   b. cash Interest Expense $_____
   c. income tax expense $_____
   d. depreciation expense $_____
   e. amortization expense $_____
   f. EBITDA (sum of a, b, c, d, and e) $_____
2. income taxes paid $_____
3. unfinanced Capital Expenditures $_____
4. cash dividends paid $_____
5. Sum of (2), (3),and (4) $_____
6. remainder of (1)(f) minus (5) $_____
7. cash Interest Expense $_____

8.	required payments of principal of Funded Debt (excluding Revolving Loans)	$	_____
9.	Sum of (7) and (8)	$	_____
10.	Ratio of (6) to (9)		____ to 1
11.	Minimum Required		1.50 to 1

B. Section 11.14.2 - Maximum Total Debt to EBITDA Ratio

1.	Total Debt	$	_____
2.	EBITDA (from (A)(1)(f) above)	$	_____
3.	Ratio of (1) to (2)		____ to 1
4.	Maximum allowed		2.00 to 1

C Section 11.14.3 - Minimum Net Worth

1.	Net Worth	$	_____
2.	Minimum Required Net Worth		
a.	80% of 6/30/04 Net Worth	$	195,000,000
b.	50% of cumulative Consolidated Net Income since 7/1/04	$	_____
c.	50% of net proceeds from issuance of Capital Securities	$	_____
d.	50% of net proceeds from increases in Net Worth attributable to Acquisitions	$	_____
e.	Minimum Required Net Worth (sum of a, b, c, and d)	$	_____

The Company further certifies to you that no Event of Default or Unmatured Event of Default has occurred and is continuing.

The Company has caused this Certificate to be executed and delivered by its duly authorized officer on_____, _____.

CENTENE CORPORATION

By: _____

Title: _____

EXHIBIT C

FORM OF
ASSIGNMENT AGREEMENT

Date:_____

To: Centene Corporation

and

LaSalle Bank National Association, as Administrative Agent

Re: Assignment under the Credit Agreement referred to below

Gentlemen and Ladies:

Please refer to Section 15.6.1 of the Credit Agreement dated as of September 14, 2004 (as amended or otherwise modified from time to time, the "Credit Agreement") among Centene Corporation (the "Company"), various financial institutions and LaSalle Bank National Association, as administrative agent (in such capacity, the "Administrative Agent"). Unless otherwise defined herein or the context otherwise requires, terms used herein have the meanings provided in the Credit Agreement.

_____ (the "Assignor") hereby sells and assigns, without recourse, to_____ (the "Assignee"), and the Assignee hereby purchases and assumes from the Assignor, that interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof equal to _____% of all of the Loans, of the participation interests in the Letters of Credit and of the Commitments, such sale, purchase, assignment and assumption to be effective as of _____, _____ or such later date on which the Company and the Administrative Agent shall have consented hereto (the "Effective Date"). After giving effect to such sale, purchase, assignment and assumption, the Assignee's and the Assignor's respective Percentages for purposes of the Credit Agreement will be as set forth opposite their names on the signature pages hereof.

The Assignor hereby instructs the Administrative Agent to make all payments from and after the Effective Date in respect of the interest assigned hereby directly to the Assignee. The Assignor and the Assignee agree that all interest and fees accrued up to, but not including, the Effective Date are the property of the Assignor, and not the Assignee. The Assignee agrees that, upon receipt of any such interest or fees, the Assignee will promptly remit the same to the Assignor.

The Assignor represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim.

The Assignee represents and warrants to the Company and the Administrative Agent that, as of the date hereof, the Company will not be obligated to pay any greater amount under Section 7.6 or 8 of the Credit Agreement than the Company is obligated to pay to the Assignor under such Section. [The Assignee has delivered, or is delivering concurrently herewith, to the Company and the Administrative Agent the forms required by Section 7.6 of the Credit Agreement.] [INSERT IF ASSIGNEE IS ORGANIZED UNDER THE LAWS OF A JURISDICTION OTHER THAN THE UNITED STATES OF AMERICA OR A STATE THEREOF.] The [Assignee/Assignor/Company] shall pay the fee payable to the Administrative Agent pursuant to Section 15.6.1.

The Assignee hereby confirms that it has received a copy of the Credit Agreement. Except as otherwise provided in the Credit Agreement, effective as of the Effective Date:

(a) the Assignee (i) shall be deemed automatically to have become a party to the Credit Agreement and to have all the rights and obligations of a "Lender" under the Credit Agreement as if it were an original signatory thereto to the extent specified in the second paragraph hereof; and (ii) agrees to be bound by the terms and conditions set forth in the Credit Agreement as if it were an original signatory thereto; and

(b) the Assignor shall be released from its obligations under the Credit Agreement to the extent specified in the second paragraph hereof.

The Assignee hereby advises each of you of the following administrative details with respect to the assigned Loans and Commitment:

(A) Institution Name:

Address:

Attention:

Telephone:

Facsimile:

(B) Payment Instructions:

This Assignment shall be governed by and construed in accordance with the laws of the State of Illinois applicable to contracts made and to be performed entirely within such state, without regard to conflict of laws principles.

Please evidence your receipt hereof and your consent to the sale, assignment, purchase and assumption set forth herein by signing and returning counterparts hereof to the Assignor and the Assignee.

Percentage =____%

[ASSIGNEE]

By: _____

Title: _____

Adjusted Percentage =____%

[ASSIGNOR]

By: _____

Title: _____

ACKNOWLEDGED AND CONSENTED TO
this __ day of _____, __

LASALLE BANK NATIONAL ASSOCIATION, as Administrative Agent

By: _____

Title: _____

[SO LONG AS NO EVENT OF DEFAULT EXISTS]

ACKNOWLEDGED AND CONSENTED TO
This __ day of _____, __

CENTENE CORPORATION

By: _____

Title: _____

EXHIBIT D

FORM OF NOTICE OF BORROWING

To: LaSalle Bank National Association, as Administrative Agent

Please refer to the Credit Agreement dated as of September 14, 2004 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Centene Corporation (the "Company"), various financial institutions and LaSalle Bank National Association, as Administrative Agent. Terms used but not otherwise defined herein are used herein as defined in the Credit Agreement.

The undersigned hereby gives irrevocable notice, pursuant to Section 2.2.2 of the Credit Agreement, of a request hereby for a borrowing as follows:

(i) The requested borrowing date for the proposed borrowing (which is a Business Day) is_____, _____.

(ii) The aggregate amount of the proposed borrowing is $_____.

(iii) The type of Revolving Loans comprising the proposed borrowing are [Base Rate] [LIBOR] Loans.

(iv) The duration of the Interest Period for each LIBOR Loan made as part of the proposed borrowing, if applicable, is_____ months (which shall be 1, 2, 3 or 6 months).

The undersigned hereby certifies that on the date hereof and on the date of borrowing set forth above, and immediately after giving effect to the borrowing requested hereby: (i) there exists and there shall exist no Unmatured Event of Default or Event of Default under the Credit Agreement; and (ii) each of the representations and warranties contained in the Credit Agreement and the other Loan Documents is true and correct as of the date hereof, except to the extent that such representation or warranty expressly relates to another date and except for changes therein expressly permitted or expressly contemplated by the Credit Agreement.

The undersigned hereby represents and warrants that all of the conditions contained in Section 12.2 of the Credit Agreement have been satisfied on and as of the date hereof, and will continue to be satisfied on and as of the date of the conversion/continuation requested hereby, before and after giving effect thereto.

The Company has caused this Notice of Borrowing to be executed and delivered by its officer thereunto duly authorized on_____, _____.

CENTENE CORPORATION

By: _____

Title: _____

EXHIBIT E

FORM OF NOTICE OF CONVERSION/CONTINUATION

To: LaSalle Bank National Association, as Administrative Agent

Please refer to the Credit Agreement dated as of September 14, 2004 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") among Centene Corporation (the "Company"), various financial institutions and LaSalle Bank National Association, as Administrative Agent. Terms used but not otherwise defined herein are used herein as defined in the Credit Agreement.

The undersigned hereby gives irrevocable notice, pursuant to Section 2.2.3 of the Credit Agreement, of its request to:

(a) on [date] convert $[_____]of the aggregate outstanding principal amount of the [_____] Loan, bearing interest at the [_____] Rate, into a(n) [_____] Loan [and, in the case of a LIBOR Loan, having an Interest Period of [_____] month(s)];

[(b) on [date] continue $[_____]of the aggregate outstanding principal amount of the [_____] Loan, bearing interest at the LIBOR Rate, as a LIBOR Loan having an Interest Period of [_____] month(s)].

The undersigned hereby represents and warrants that all of the conditions contained in Section 12.2 of the Credit Agreement have been satisfied on and as of the date hereof, and will continue to be satisfied on and as of the date of the conversion/continuation requested hereby, before and after giving effect thereto.

The Company has caused this Notice of Conversion/Continuation to be executed and delivered by its officer thereunto duly authorized on_____, _____.

CENTENE CORPORATION

By: _____

Title: _____

Exhibit 10.3

STOCK PURCHASE AGREEMENT

BY AND BETWEEN

CENTENE CORPORATION

AND

SWOPE COMMUNITY ENTERPRISES

SEPTEMBER 28, 2004

TABLE OF CONTENTS

	Page
ARTICLE I	
DEFINITIONS	1
ARTICLE II	
PURCHASE AND SALE OF SHARES	8
2.1 Stock Purchase.	8
2.2 Determination of Purchase Price.	8
2.3 The Closing.	10
2.4 Tax Matter Cooperation.	11
ARTICLE III	
REPRESENTATIONS AND WARRANTIES CONCERNING SELLER	11
3.1 Organization and Good Standing.	11
3.2 Authorization.	11
3.3 Non-Contravention.	12
3.4 Ownership of Shares.	12
ARTICLE IV	
REPRESENTATIONS AND WARRANTIES CONCERNING THE COMPANIES	12
4.1 Organization and Good Standing.	12
4.2 Capitalization.	13
4.3 Subsidiaries.	13
4.4 No Violations.	14
4.5 No Consents.	14
4.6 Financial Statements.	14
4.7 Litigation.	15
4.8 Compliance with Applicable Laws.	15
4.9 Title and Condition of Properties.	16
4.10 Real Property Leases.	16
4.11 Absence of Undisclosed Liabilities.	17
4.12 Absence of Certain Changes.	17
4.13 Contracts.	18
4.14 Title to and Condition of Assets.	20
4.15 No Brokers or Finders.	20
4.16 Tax Returns and Tax Liabilities.	21
4.17 Employees and Employee Benefits.	22
4.18 Indebtedness.	23
4.19 Providers and Provider Agreements.	23
4.20 Status of Medicaid Contracts and Provider Agreements.	24
4.21 Medicaid Members.	25
4.22 Intellectual Property.	25

4.23 No Acceleration of Rights or Benefits. 26
4.24 Insurance. 26
4.25 Notes and Accounts Receivable. 26

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER 26
5.1 Organization and Good Standing. 26
5.2 Buyer's Authority. 26
5.3 No Brokers or Finders. 27
5.4 Buyer's Consents. 27
5.5 Regulatory Status. 27
5.6 No Violations. 27
5.7 No Consents. 27
5.8 Legal Proceedings. 27
5.9 Sufficient Funds. 28

ARTICLE VI
BUYER'S CONDITIONS PRECEDENT TO CLOSING 28
6.1 Instruments of Transfer. 28
6.2 Corporate Resolutions. 28
6.3 Statutory Net Worth. 28
6.4 Performance of Conditions Precedent. 28
6.5 Good Standing Certificate. 28
6.6 Secretary's Certificates. 29
6.7 Contract Terminations. 29
6.8 Material Adverse Change. 29
6.9 Releases. 29
6.10 Real Property Leases. 29
6.11 Escrow Agreement. 29
6.12 Third Party Approvals and Consents. 29
6.13 Seller's Representations and Warranties True and Correct. 29
6.14 Required Governmental Consents and Approvals. 30
6.15 Litigation. 30
6.16 Certain Covenants. 30
6.17 Deliveries. 30
6.18 Employment Agreement. 30
6.19 Provider Agreements. 30
6.20 Transportation Agreement. 30
6.21 FIRPTA Affidavit. 31

ARTICLE VII
SELLER'S CONDITIONS PRECEDENT TO CLOSING 31
7.1 Instruments of Transfer. 31
7.2 Corporate Resolutions. 31
7.3 Escrow Agreement. 31
7.4 Agreements. 31
7.5 Performance of Conditions Precedent. 31

7.6 Good Standing Certificate. 31
7.7 Secretary's Certificate. 31
7.8 Governmental Consents and Approvals. 32
7.9 Buyer's Representations and Warranties True and Correct. 32
7.10 Litigation. 32
7.11 Surplus. 32
7.12 Provider Agreement. 32
7.13 Transportation Agreement. 32

ARTICLE VIII
PRE-CLOSING COVENANTS 33
8.1 Conduct of Business Pending Closing. 33
8.2 Access to Documents and Premises. 34
8.3 Notices and Consents. 34
8.4 Notice of Developments. 35
8.5 Exclusivity. 35
8.6 Tax Matters. 35
8.7 Additional Financial Information. 35
8.8 Termination of Incentive Pools/Funds. 36
8.9 Regulatory Approval. 36
8.10 Public Information Releases. 36
8.11 Cooperation. 36
8.12 Securities Law Compliance. 36
8.13 Employees and Employee Benefits. 37

ARTICLE IX
POST-CLOSING OBLIGATIONS 37
9.1 General. 38
9.2 Employees and Employee Benefits. 38
9.3 Confidentiality. 38
9.4 Noncompetition and Nonsolicitation. 38
9.5 Agreement to Indemnify; Insurances. 39
9.6 Retained Marks. 40

ARTICLE X
INDEMNIFICATION 40
10.1 Indemnification by Seller. 40
10.2 Indemnification by Buyer. 41
10.3 Survival. 41
10.4 Limitations. 42
10.5 Notice and Right to Defend. 43
10.6 Remedies. 45
10.7 Determination of Loss Amount. 45

ARTICLE XI
TERMINATION 46
11.1 Termination. 46

11.2 Effect of Termination. 47
11.3 Waiver. 47

ARTICLE XII
ARBITRATION 47
12.1 Conciliation and Mediation. 47
12.2 Arbitration. 47
12.3 Equitable Relief. 48

ARTICLE XIII
MISCELLANEOUS 48
13.1 Notices. 48
13.2 Waiver. 49
13.3 Counterparts. 49
13.4 Delivery by Facsimile. 49
13.5 Headings. 49
13.6 Severability. 50
13.7 Entire Agreement. 50
13.8 Successors and Assigns. 50
13.9 Governing Law. 50
13.10 Cost of Transaction. 51
13.11 Further Assurances. 51
13.12 Construction. 51
13.13 Third Parties. 51
13.14 Confidentiality. 52
13.15 Rights Cumulative. 52
13.16 Amendments. 52

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered into as of this 28th day of September, 2004 (the "Execution Date"), by and between Centene Corporation, a Delaware corporation ("Buyer"), and Swope Community Enterprises, a Missouri non-profit corporation ("Seller"). Each of Buyer and Seller are sometimes collectively referred to herein as the "Parties" and individually as a "Party."

RECITALS:

A. Seller owns all of the issued and outstanding capital stock of FirstGuard Health Plan, Inc., a Missouri corporation ("FGHP"), and FirstGuard, Inc., a Delaware corporation ("FirstGuard").

B. FirstGuard owns as of the date hereof one hundred percent (100%) of the issued and outstanding capital stock of FirstGuard Health Plan Kansas, Inc., a Kansas corporation ("FG Kansas" and together with FGHP and FirstGuard, the "Companies").

C. On the terms and subject to the conditions set forth in this Agreement, Buyer desires to purchase directly or indirectly from Seller, and Seller desires to sell to Buyer, all of the Shares (as defined herein).

NOW, THEREFORE, for and in consideration of the above recitals and the representations, warranties, mutual covenants, and agreements herein expressed, and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

In addition to certain terms defined elsewhere in this Agreement, the following terms shall be defined as set forth below.

1.1 "AAA" has the meaning ascribed to it in Section 12.2.

1.2 "Actual Claims Received" has the meaning ascribed to it in Section 2.2.4.

1.3 "Actual Statutory Net Worth" has the meaning ascribed to it in Section 2.2.6.

1.4 "Affiliates" means any Person directly or indirectly controlling, controlled by or under common control with another Person.

1.5 "Affiliated Entities" means Affiliates other than Persons which are human beings.

1.6 "Audit Firm" has the meaning ascribed to it in Section 2.2.4.

1.7 "Benefit Plan" means any (i) nonqualified deferred compensation or retirement plan or arrangement, whether or not funded and whether or not terminated, (ii) qualified defined

contribution retirement plan or arrangement which is an employee pension benefit plan under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether or not funded and whether or not terminated or (iii) qualified defined benefit retirement plan or arrangement which is an employee pension benefit plan under ERISA, whether or not funded and whether or not terminated, or (iv) employee welfare benefit plan under ERISA or material fringe benefit or other retirement, bonus, severance, retention, vacation, sick pay or incentive plan, practice, arrangement, agreement or incentive plan or program, whether or not funded and whether or not terminated.

1.8 "Board of Arbitration" has the meaning ascribed to it in Section 12.2.

1.9 "Buyer" has the meaning ascribed to it in the Preamble.

1.10 "Buyer Medical Claims Amount" shall have the meaning ascribed to it in Section 2.2.4.

1.11 "Buyer Plans" has the meaning ascribed to it in Section 9.2.1.

1.12 "Cap" has the meaning ascribed to it in Section 10.4.

1.13 "Closing" means the closing of the purchase and sale of the Shares occurring on the Closing Date.

1.14 "Closing Date" means the date of Closing as determined pursuant to Section 2.3.1.

1.15 "COBRA" has the meaning ascribed to it in Section 4.17(b).

1.16 "Code" means the Internal Revenue Code of 1986, as amended.

1.17 "Company Intellectual Property" has the meaning ascribed to it in Section 4.22.3.

1.18 "Company Permits" has the meaning ascribed to it in Section 4.8.

1.19 "Company Benefit Plans" has the meaning set forth in Section 4.17(b).

1.20 "Competing Business" means the provision within the States of Kansas and Missouri of Medicaid managed care benefits through any claims processing agency, health insurance or health benefit program, including, without limitation, any health maintenance organization, healthcare preferred provider organization, supplemental security income (SSI) or dual eligible programs (other than the Pace program) or any other programs covered by Title 19 or 21 and AFDC and Chips Programs; provided that the foregoing shall not be interpreted in any way to prevent the Seller or its Subsidiaries or Affiliates from continuing to (x) provide healthcare services directly to Medicaid participants in the role of medical practitioners or (y) own a one-ninth interest in Comcare (subject to adjustments for stock dividends, stock splits, combinations of shares, reorganizations, recapitalizations, reclassifications or other similar events); provided that no such adjustment results in Seller or its Affiliates owning more than 49% of the outstanding interest in Comcare or the ability to elect a majority of the directors of

Comcare. Nothing contained herein shall limit Seller's rights to provide third party claim processing or other related services to any Medicare or commercial insurance provider or carrier (in each case, so long as such provider or carrier does not participate in any Medicaid program (other than the Pace program)) or participate in any capitated benefit programs that do not provide Medicaid benefits.

1.21 "Confidentiality Agreement" means the Confidentiality Agreement between the Parties dated February 18, 2004.

1.22 "Continuing Plan" has the meaning set forth in Section 8.13.2.

1.23 "Effective Time" has the meaning ascribed to it in Section 2.3.1.

1.24 "ERISA" has the meaning set forth in the definition of Benefit Plan.

1.25 "Escrow Agent" has the meaning ascribed to it in Section 2.2.2.

1.26 "Escrow Agreement" has the meaning ascribed to it in Section 2.2.2.

1.27 "Escrow Amount" means eighteen percent (18%) of the Purchase Price.

1.28 "Execution Date" has the meaning ascribed to it in the Preamble.

1.29 "Financial Statements" has the meaning set forth in Section 4.6 of this Agreement.

1.30 "Former Employee" means any person who was an employee of any of the Companies or any of their respective Subsidiaries' at any time, but who is not an employee of any of the Companies as of the Closing Date.

1.31 "Governmental Entity" means the United States of America or any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

1.32 "HMO" means a licensed health maintenance organization.

1.33 "HPHN Agreement" has the meaning set forth in Section 10.1(e) of this Agreement.

1.34 "IBNR Expenses" means the actuarial estimate of medical expenses that have been incurred by Medicaid Members but not reported.

1.35 "Indebtedness" means any of the following indebtedness of the Companies, whether or not contingent: (i) indebtedness for borrowed money (including, without limitation, in connection with the Surplus Note (including any principal, premium, accrued and unpaid interest, related expenses, prepayment penalties, commitment and other fees, sale or liquidity participation amounts, reimbursements, indemnities and all other amounts payable in connection therewith), (ii) obligations evidenced by bonds, debentures, notes, or other similar instruments, (iii) obligations or liabilities of the Companies under or in connection with letters of credit or

bankers' acceptances or similar items, (iv) obligations to pay the deferred purchase price of property or services other than those trade payables incurred in the ordinary course of business, (v) all obligations of the Companies under conditional sale or other title retention agreements, (vi) all obligations with respect to vendor advances or any other advances made to the Companies, (vii) all obligations of the Companies arising out of interest rate and currency swap arrangements and any other arrangements designed to provide protection against fluctuations in interest or currency rates, (viii) any deferred purchase price obligations related to past asset or stock acquisitions by any Company or the Seller with respect to the business of the Companies, (ix) all Liabilities of the Companies arising from any breach of any of the foregoing, and (xiii) all indebtedness of others guaranteed or secured by any Lien or security interest on the assets of the Companies.

1.36 "Indebtedness for Borrowed Money" means any of the following indebtedness of the Companies, whether or not contingent: (i) indebtedness for borrowed money, including, without limitation, in connection with the Surplus Note (including any principal, premium, accrued and unpaid interest, related expenses, prepayment penalties, commitment and other fees, sale or liquidity participation amounts, reimbursements, indemnities and all other amounts payable in connection therewith), (ii) obligations evidenced by bonds, debentures, notes, or other similar instruments, (iii) obligations or liabilities of the Companies under or in connection with letters of credit or bankers' acceptances or similar items, (iv) obligations to pay the deferred purchase price of property or services other than those trade payables incurred in the ordinary course of business, (v) all obligations under conditional sale or other title retention agreements, (vii) except as set forth on Schedule 1.36 all obligations with respect to vendor advances or any other advances made to the Companies and (viii) all Liabilities arising from any breach of any of the foregoing.

1.37 "Intellectual Property" means all of the following items owned by, issued to or licensed to, the Companies along with all income, royalties, damages and payments due or payable at the Closing or thereafter, including, without limitation, damages and payments for past, present or future infringements or misappropriations thereof, the right to sue and recover for past infringements or misappropriations thereof and any and all corresponding rights that, now or hereafter, may be secured throughout the world: patents, patent applications, patent disclosures and inventions (whether or not patentable and whether or not reduced to practice) and any reissue, continuation, continuation-in-part, division, revision, extension or reexamination thereof; trademarks, service marks, trade dress, logos, Internet domain names, trade names and corporate names together with all goodwill associated therewith; registered or unregistered copyrights and copyrightable works and mask works; all registrations, applications and renewals for any of the foregoing; trade secrets and confidential information (including, without limitation, ideas, formulae, compositions, know-how, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, financial, business and marketing plans, and customer and supplier lists and related information); computer software and software systems (including, without limitation, data, databases and related documentation); licenses or other agreements to or from third parties regarding the foregoing; and all copies and tangible embodiments of the foregoing (in whatever form or medium), in each case including, without limitation, the items set forth on Schedules 4.22.1 and 4.22.2.

1.38 "Interim Financial Statements" has the meaning set forth in Section 4.6 of this Agreement.

1.39 "Knowledge" means, when referring to the "knowledge", or any similar phrase or qualification based on knowledge, the actual knowledge after reasonable inquiry of E. Frank Ellis, Kant Doshi, Gary Brown, Joy Wheeler, Namish Patel, Jean Rumbaugh, William Panky and Bob Kulphongpatana.

1.40 "Leased Real Property" means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures, or other interest in real property held by any of the Companies.

1.41 "Leases" means all leases, subleases, licenses, concessions and other agreements, including all amendments, extensions, renewals, guaranties, and other agreements with respect thereto, pursuant to which any of the Companies holds any Leased Real Property, including the right to all security deposits and other amounts and instruments deposited by or on behalf of any of the Companies thereunder.

1.42 "Liability" means any liability, debt, interest, penalty, fine, claim, demand, judgment, cause of action or other loss, cost or expense or obligation of whatever kind or nature (whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

1.43 "Lien" means any interest in property securing an obligation owed to, or a claim by, a person other than the owner of the property, whether such interest is based on the common law, statute or contract, and including but not limited to the lien or security interest arising from a mortgage, charge, pledge, assignment, hypothecation, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or other encumbrance of any nature whatsoever on or with respect to any cash, property, right to receive income or other assets of any nature whatsoever.

1.44 "Material Adverse Effect" or "Material Adverse Change" means any effect or change that would be materially adverse to the business, assets, condition (financial or otherwise), operating results or operations of the Companies, taken as a whole; provided, however, that none of the following shall be deemed, individually or in the aggregate, to constitute, and none of the following shall be taken into account in determining whether there has been or will be, a Material Adverse Effect or Material Adverse Change: (a) this Agreement, the transactions contemplated by this Agreement or any event, circumstance, change or effect arising out of or relating to the announcement thereof, (b) Buyer's announcement or other disclosure of its plans or intentions with respect to the conduct of the Companies after the Closing Date or any other actions of Buyer, (c) changes or conditions (including changes in economic or financial markets, regulatory or legislative conditions, whether resulting from acts of war or terrorism, an escalation of hostilities or otherwise) affecting the U.S. economy or the healthcare industry generally (other than those resulting from regulatory and/or legislative changes in the States of Kansas and Missouri directly affecting the Companies) or (d) any disapproval or failure to act by the applicable regulatory authorities in the State of Kansas regarding FG Kansas' pending request for a rate increase.

1.45 "Medicaid" means medical assistance provided under a state plan approved under Title XIX and Title XXI of the Social Security Act.

1.46 "Medicaid Business" means the business of providing managed care services to Medicaid Members in the Service Area and of receiving from the States the corresponding premium and other revenue as payment for such services pursuant to the terms of the applicable Medicaid Contract.

1.47 "Medicaid Contract" means the contract(s) executed by and between the State of Kansas, or Missouri, as the case may be, and any of the Companies in effect as of the date of this Agreement for the Service Area.

1.48 "Medicaid Enrollment Shortfall" has the meaning ascribed to it in Section 2.2.1.

1.49 "Medicaid Members" means the persons enrolled under any of the Companies' Medicaid Contracts.

1.50 "Medicaid Providers" means the physicians, hospitals and other health care providers that have contracted with any of the Companies or any of their Affiliates to provide covered health care services to Medicaid Members.

1.51 "Medical Claim" means any medical claim, Liability or other obligation (including without limitation IBNR Expenses) incurred prior to the Effective Time in connection with the provision of covered health care services to Medicaid Members.

1.52 "Medical Claims Actual Final Amount" has the meaning ascribed to it in Section 2.2.4.

1.53 "Medical Claims Estimate" has the meaning ascribed to it in Section 2.2.3.

1.54 "Medical Claims Final True Up Date" has the meaning ascribed to it in Section 2.2.4.

1.55 "Non-Prevailing Party" means the party in an arbitration pursuant to Article XIII or an audit as a result of a dispute regarding the Medical Claims Actual Final Amount or the Actual Statutory Net Worth under Section 2.2 whose position is the furthest from the decision reached.

1.56 "Owned Intellectual Property" has the meaning ascribed to it in Section 4.22.1.

1.57 "Person" means an individual, a partnership, a corporation, an association, a limited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or any other entity.

1.58 "Provider Agreements" means the written agreements for the provision of health care services that have been executed by and between providers and any of the Companies and, to the extent such agreements relate to the Companies' business, any Affiliates of the Companies.

1.59 "Purchase Price" has the meaning ascribed to it in Section 2.2.1.

1.60 "Regulations" means the income tax regulations, including temporary regulations, promulgated under the Code, as such regulations are amended from time to time.

1.61 "Retained Marks" has the meaning ascribed to it in Section 9.6.

1.62 "Securities Act" means the Securities Act of 1933, as amended from time to time.

1.63 "Service Area" means collectively, the Kansas City, Missouri, service area (comprised of Clay, Cass, Henry, Jackson, Johnson, Lafayette, Platte, St. Clair and Ray Counties) and the state of Kansas.

1.64 "Seller" has the meaning ascribed to it in the Preamble.

1.65 "Shares" means the shares of capital stock of FGHP, FirstGuard and FG Kansas owned, directly or indirectly, by Seller on the date hereof.

1.66 "Statutory Net Worth" means net worth as calculated by the applicable governing body or bodies of either State.

1.67 "Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock 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 that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof and for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity's gains or losses or shall be or control any managing director or general partner of such business entity (other than a corporation). The term "Subsidiary" shall include all Subsidiaries of such Subsidiary.

1.68 "Surplus Note" means the note, a copy of which is attached as Exhibit A.

1.69 "Taxes" means all federal, state, local and foreign income, employment, franchise, capital stock, excise, gross receipts, sales, use, property, real estate and stamp taxes, license, occupation, premium, windfall profits, environmental (including under Code §59A), withholding, social security (or similar), unemployment, disability, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, whether

computed on a separate or consolidated, unitary or combined basis or in any other manner; payments in lieu of taxes, levies, duties, assessments and fees of any nature or other taxes of any kind whatsoever, together with all related penalties, fines or additions to tax or interest thereon whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other person.

1.70 "Tax Returns" means any returns, reports, forms, declarations, claims for refund, information reports, amended returns or other documents (including any related or supporting schedules, supporting statements or information) filed or required to be filed in connection with the determination, assessment or collection of any Person or the administration of any laws or regulations or, administrative requirements relating to any Taxes.

1.71 "Threshold" has the meaning ascribed to it in Section 10.4.

1.72 "Transferred Employee" refers to any person who is an employee of any of the Companies or any of their respective Subsidiaries as of the Closing Date.

ARTICLE II
PURCHASE AND SALE OF SHARES

2.1 Stock Purchase.

On and subject to the terms and conditions set forth in this Agreement, on the Closing Date, Buyer shall purchase from Seller, and Seller shall sell, transfer and assign to Buyer, all of the Shares, free and clear of all Liens.

2.2 Determination of Purchase Price.

2.2.1 The aggregate purchase price to be paid for the Shares (the "Purchase Price") shall be an amount equal to $93,000,000 less (i) Indebtedness for Borrowed Money outstanding immediately prior to the Closing, less (ii) any Liability of the Companies that are not paid at or prior to the Closing under the agreements set forth on Schedule 2.2.1 that become payable as a result of the transactions contemplated hereunder, less (iii) any accruals for vacation expense reflected on the books immediately prior to the Closing, less (iv) an amount equal to $715 multiplied by the Medicaid Enrollment Shortfall. For purposes hereof, the "Medicaid Enrollment Shortfall" means the amount by which the Medicaid enrollment for the Service Area, as determined by membership in the Service Area on the most recent State reports received prior to the Closing Date, is less than 130,000 persons enrolled under the Companies' Medicaid contracts (as determined by the applicable regulatory authorities); provided, however, that regardless of actual membership, the maximum Medicaid Enrollment Shortfall for purposes of determining the adjustment set forth under clause (v) above shall be 15,000.

2.2.2 The Escrow Amount shall be set aside out of the Purchase Price and delivered by the Buyer via wire transfer of immediately available funds to an escrow agent reasonably acceptable to Buyer and Seller (the "Escrow Agent") under an escrow agreement to be entered into on the Closing Date by and among Seller, Buyer and the Escrow Agent substantially in the form of Exhibit B attached hereto (the "Escrow Agreement"). The Escrow Amount shall be available on an exclusive basis (except as specifically set forth in Section 10.4) to satisfy amounts owing to Buyer in connection with this Agreement.

2.2.3 Within ten (10) Business Days prior to the Closing Date, Seller shall in good faith and consistent with reserve practices in effect for fiscal year 2004 prepare an estimate of the actual Medical Claims as of the Closing Date as certified by an independent actuary (the "Medical Claims Estimate").

2.2.4 On the sixteen-month anniversary of the Closing Date (the "Medical Claims Final True Up Date"), Buyer shall determine actual claims received for services rendered to Medicaid Members related to periods on or before the Closing Date ("Actual Claims Received") with respect to the Medicaid Business as of the Closing Date (the "Buyer Medical Claims Amount"). Buyer hereby covenants and agrees to pay Medical Claims between the Closing Date and the Medical Claims Final True Up Date in a manner no less stringent than the Companies' past practices. Buyer shall prepare and send to Seller within 60 days following the Medical Claims Final True Up Date its computation of the Actual Claims Received as of the Closing Date together with supporting information reasonably requested by Seller. Within 45 days following the receipt of such report, Seller must provide Buyer with written objection to such report detailing what parts of the Buyer Medical Claims Amount are being disputed. To the extent such written notice is not delivered within such time frame, the Buyer Medical Claim Amount shall become final and binding. Any disagreement between Buyer and Seller that cannot be resolved by the Parties within 60 days after the receipt of Seller's written objections will be resolved by KPMG (the "Audit Firm"). The Parties shall have an opportunity to present their position to the Audit Firm and shall cooperate with the Audit Firm in making available to them any records or work papers requested by the Audit Firm. The decision of the Audit Firm shall be set forth in writing and will be conclusive and binding on the Parties and subject to judicial enforcement. The Non-Prevailing Party shall pay all costs and fees of the Audit Firm and the reasonable attorney fees and other costs of the prevailing party in connection with such dispute.

2.2.5 Upon the final determination of the Medical Claims Actual Final Amount, to the extent that the Medical Claims Actual Final Amount exceeds the Medical Claims Estimate, Buyer and Seller shall promptly provide written notice to the Escrow Agent, instructing the Escrow Agent to pay an amount equal to such excess to the Buyer by wire transfer of immediately available funds; provided that to the extent any disputed Medical Claims remain outstanding or unresolved after the 16 month anniversary of the Closing Date, the Escrow Amounts equal to such claims shall not be released from the Escrow Account until such time as such Medical Claims disputes have come to final resolution. The aggregate final amount determined pursuant to this Section and Section 2.2.4 shall be deemed the "Medical Claims Actual Final Amount."

2.2.6 On the thirtieth (30th) day after the Closing Date, Buyer shall determine the actual Statutory Net Worth as of the Closing Date ("Actual Statutory Net Worth") and deliver written notice to Sellers of such amount. The Buyer shall determine the Actual Statutory Net Worth using (i) the same accounting principles and methodologies as used in the Companies balance sheets at June 30, 2004 and (ii) the Medical Claims Estimate as set forth in Section 2.2.3. Within 30 days following the receipt of such calculation, Seller must provide Buyer with written objection to such calculation detailing what parts of the Actual Statutory Net Worth are being

disputed. To the extent such written notice is not delivered within such time frame, the Actual Statutory Net Worth shall become final and binding. Any disagreement between Buyer and Seller that cannot be resolved by the Parties within 60 days after the receipt of Seller's written objections will be resolved by the Audit Firm. The Parties shall have an opportunity to present their position to the Audit Firm and shall cooperate with the Audit Firm in making available to them any records or work papers requested by the Audit Firm. The decision of the Audit Firm shall be set forth in writing and will be conclusive and binding on the Parties and subject to judicial enforcement. The Non-Prevailing Party shall pay all costs and fees of the Audit Firm and the reasonable attorney fees and other costs of the prevailing party in connection with such dispute. Upon such determination, to the extent that the Actual Statutory Net Worth exceeds $6,000,000, Buyer shall deliver such excess amount by wire transfer of immediately available funds to Seller or to the extent that the Actual Statutory Net Worth is less than $6,000,000, Seller shall deliver an amount equal to such deficiency by wire transfer of immediately available funds to Buyer. Any payment by Seller hereunder shall be taken into account to avoid double counting in connection with the medical claims true up pursuant to Section 2.2.4 above. In addition, the deductions provided for bySection 2.2.1(i), (ii) and (iii) shall be taken into account to avoid double counting in connection with the determination of the amount payable, if any, pursuant to this Section 2.2.6. The aggregate adjustment amount determined pursuant to this Section shall be deemed the "Statutory Net Worth Adjustment Amount."

2.3 The Closing.

2.3.1 The actions contemplated to consummate the transactions under this Agreement shall take place on the Closing Date, which, unless otherwise agreed by Buyer and Seller, shall be no later than the second business day after all conditions precedent of Buyer and Seller which are set forth in this Agreement have been fully satisfied or have been waived in writing; provided, however, that if such conditions have not been satisfied or waived in time to close by December 10, 2004, the closing shall take place on the later to occur of January 3, 2005 or the second business day after the conditions have been so satisfied. Notwithstanding the actual time of the day on the Closing Date at which the actions contemplated to consummate this Agreement shall occur, and unless otherwise agreed to by the Parties, the Closing shall be deemed to be effective as of and to occur, at 12:01 a.m. (Central Time, adjusted for daylight savings time, if applicable) on the day after the Closing Date (the "Effective Time"). The Closing shall take place at the offices of Kirkland & Ellis LLP, located at 200 East Randolph Drive, Chicago, Illinois 60601, or at such other location as may be agreed upon by the Parties.

2.3.2 Subject to the terms and conditions set forth in this Agreement, the Parties hereto shall consummate the following "Closing Transactions" on the Closing Date:

2.3.2.1 Seller shall deliver to Buyer the certificate(s) representing the Shares, duly endorsed for transfer or accompanied by duly executed stock powers;

2.3.2.2 Buyer shall deposit the Escrow Amount into escrow with the Escrow Agent pursuant to the terms and conditions set forth in the Escrow Agreement;

2.3.2.3 Buyer shall deliver by wire transfer to Seller the Purchase Price (as reduced by the Escrow Amount) payable to Seller in immediately available funds to an account designated at least two (2) Business Days prior to the Closing Date by Seller to Buyer in writing;

2.3.2.4 Each of the Parties shall deliver the respective, certificates and other instruments required to be delivered by or on behalf of them under Articles VII and VIII hereof; and

2.3.2.5 Seller shall deliver to Buyer all corporate books and records and other property of each of the Companies in Seller's possession.

2.4 Tax Matter Cooperation.

At the request of Buyer, Seller shall use commercially reasonable efforts to cooperate with Buyer on all Tax related matters concerning this transaction.

ARTICLE III
REPRESENTATIONS AND WARRANTIES CONCERNING SELLER

As of the Execution Date, Seller represents and warrants to Buyer that each of the following representations and warranties are true and correct as of the date hereof and will be true and correct as of the Closing Date. When information is included in schedules referenced in this Article III, Article IV or Article V or elsewhere in this Agreement such information shall be deemed disclosed only as to such schedule unless the disclosure is reasonably apparent from its face to be applicable to other sections of this Agreement. Information included in any schedule shall apply to all matters in the representation containing such schedule. The inclusion of information on any schedule shall not be deemed as admission or acknowledgment by virtue of its inclusion that such information is required to be set forth therein or that such information is material. Capitalized terms used in the schedules and not otherwise defined therein shall have the respective meanings ascribed to them in this Agreement.

3.1 Organization and Good Standing.

Seller is duly organized, validly existing, and in good standing under the laws of the State of Missouri.

3.2 Authorization.

Seller has full power and authority (including full corporate or other entity power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of Seller, enforceable in accordance with its terms and conditions. Except as set forth on Schedule 3.2, Seller need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Entity, nor is any such authorization, consent, or approval required, in order to consummate the transactions contemplated by this Agreement. The execution, delivery, and performance of this Agreement and all other agreements contemplated hereby have been duly authorized by Seller.

3.3 Non-Contravention.

Assuming that all items set forth on Schedule 3.2 are complied with, neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will except as set forth on Schedule 3.3, (A) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Entity to which Seller is subject or any provision of its charter, bylaws, or other governing documents, (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any material agreement, contract, lease, license, instrument, or other arrangement to which Seller is a party or by which he or it is bound or to which any of his or its assets is subject or (C) result in the imposition or creation of a Lien upon or with respect to the Shares.

3.4 Ownership of Shares.

Seller directly or indirectly (through its ownership of FirstGuard) holds of record and owns beneficially 100% of the Shares set forth on Schedule 3.4, free and clear of any restrictions on transfer (other than any restrictions under the Securities Act and state securities laws), Taxes, Liens, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands. There are no rights outstanding, options, warrants, purchase rights, or other contracts or commitments that could require Seller to sell, transfer, or otherwise dispose of any capital stock of the Companies (other than this Agreement). Except as set forth on Schedule 3.4, no former shareholder of any of the Companies has any claim or rights against the Companies or Seller. Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any capital stock of any of the Companies or any of their respective Subsidiaries.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES CONCERNING THE COMPANIES

As of the Execution Date, Seller represents and warrants to Buyer that each of the following representations and warranties are true and correct as of the date hereof and will be true and correct as of the Closing Date (except as otherwise provided herein):

4.1 Organization and Good Standing.

Each of the Companies is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power and authority and all licenses, permits, and authorizations necessary to carry on the Medicaid Business in which it is engaged and to own and use the properties owned and used by it. Schedule 4.1 lists the directors and officers of each of the Companies. Seller has delivered to Buyer correct and complete copies of the charter and bylaws of each of the Companies (as amended to date). No Company is in default under or in violation of any provision of its charter or bylaws.

4.2 Capitalization.

The entire authorized capital stock of (i) FirstGuard consists of 1,000 Shares, 100 of which are issued and outstanding, (ii) FGHP consists of 400,000 Class A Shares, of which 360,000 Shares are issued and outstanding and none of which are held in treasury, and 200,000 Class B Shares, none of which are issued, outstanding or held in treasury and (iii) FG Kansas consists of 1,000,000 Shares, of which 125 Shares are issued and outstanding and 25 of which are held in treasury. All of the issued and outstanding Shares have been duly authorized, are validly issued, fully paid, and non-assessable, and are held directly or indirectly (through its ownership of FirstGuard) of record by Seller as set forth in Schedule 4.2. No shares of the capital stock of any of the Companies are reserved for any purpose; there are no preemptive or similar rights with respect to the issuance, sale or other transfer (whether present, past or future) of the capital stock of any of the Companies and there are no agreements or other obligations (contingent or otherwise) which may require any of the Companies to issue, repurchase or otherwise acquire any shares of its capital stock or any of its other securities of any kind. Except as set forth on Schedule 4.2, no former shareholder of any of the Companies has claim or rights against the Companies or Seller. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require any of the Companies to issue, sell, or otherwise cause to become outstanding any of its capital stock. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to any of the Companies. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of any of the Companies.

4.3 Subsidiaries.

Schedule 4.3 sets forth for each of the Companies' respective Subsidiaries (other than FG Kansas as a Subsidiary of FG), if any, (i) its name and jurisdiction of incorporation, (ii) the number of shares of authorized capital stock of each class of its capital stock, (iii) the number of issued and outstanding shares of each class of its capital stock, the names of the holders thereof, and the number of shares held by each such holder, and (iv) the number of shares of its capital stock held in treasury. All of the issued and outstanding shares of capital stock of each of the Companies' respective Subsidiaries have been duly authorized and are validly issued, fully paid, and non-assessable. Each of the Companies holds of record and owns beneficially all of the outstanding shares of each of its respective Subsidiaries, free and clear of any restrictions on transfer. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require any of the Companies or their respective Subsidiaries to sell, transfer, or otherwise dispose of any capital stock of any of their respective Subsidiaries or that could require any Subsidiary of any of the Companies to issue, sell, or otherwise cause to become outstanding any of its own capital stock. There are no outstanding stock appreciation, phantom stock, profit participation, or similar rights with respect to any of the Companies' respective Subsidiaries. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of any capital stock of any Subsidiary of any of the Companies. No Company controls directly or indirectly or has any direct or indirect equity participation in any corporation, partnership, trust, or other business association which is not a Subsidiary of any of the Companies. Except for the Subsidiaries set forth in Schedule 4.3, no Company owns or has any right to acquire, directly or indirectly, any outstanding capital stock of, or other equity interests in, any Person.

4.4 No Violations.

Except as disclosed on Schedule 4.4, the execution, delivery and performance of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (a) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any material agreement, contract, lease, license, instrument, or other arrangement to which any of the Companies is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Lien upon the Shares or any of the Companies' assets), (b) assuming that all items set forth on Schedule 3.2 are complied with, violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Entity to which any of the Companies is subject, (c) violate any provision of the charter or bylaws of any of the Companies or (d) provide any Governmental Entity (as defined below) or Person the right to withdraw, revoke, suspend, cancel, terminate or modify any consent, license, permit, waiver or other authorization issued or originated previously.

4.5 No Consents.

Except for such filings, authorizations, orders and approvals described on Schedule 4.5, no other consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to any of the Companies or Seller in connection with the execution and delivery of this Agreement by Seller, or the consummation by Seller of the transactions contemplated hereby.

4.6 Financial Statements.

Seller has delivered to Buyer, complete and correct copies of (a) each of the Companies' balance sheets as of December 31, 2002 and 2003 and those related statements of income and cash flows, for the fiscal years ended on those dates, together with footnotes (the "Financial Statements"), the financial statements of FGHP and FG Kansas being audited and (b) each of the Companies' unaudited balance sheet and statement of income for the period ended on June 30, 2004 (the "Interim Financial Statements"). All of such financial statements fairly present, in all material respects, as of and for the periods then ended, as the case may be (subject, in the case of the unaudited balance sheet and income statement, to normal, recurring adjustments and the absence of footnotes) and in the case of the FirstGuard financial statements, the absence of footnotes, the financial position, results of operations and cash flows of the Companies, and in the case of FGHP and FG Kansas such financial statements are in conformity with statutory or other accounting practices prescribed or permitted by the insurance regulatory authorities in the respective State, in each case applied on a basis consistent throughout the reported periods. Except as indicated in Schedule 4.6, each of the foregoing financial statements (including in all cases the notes thereto, if any) is consistent in all material respects with the books and records of the Companies (which, in turn, are accurate and complete in all material respects). Except as indicated in Schedule 4.6, such financial statements (a) do not contain, as the case may be, any item of extraordinary or non-recurring income or expense (except as specified therein); and (b)

reflect all write-offs or necessary revaluation of assets of a material nature (except as specified therein). The reserves recorded in the accounting records of each of the Companies for HMO contract benefits, losses, claims and expenses and any other reserves (a) were prepared in accordance with the statutory or other actuarial and accounting practices prescribed or permitted by the insurance regulatory authorities of the States, (b) make good and sufficient provisions for all insurance obligations of each of the Companies; (c) meet the requirements of any law, rule or regulation applicable to such reserves and the requirements of the Company Permits (as defined below); and (d) except as set forth on Schedule 4.6, are computed on the basis of assumptions consistent with those used in computing the corresponding reserves in the prior fiscal year. All payments to and/or settlements with Medicaid Providers have been accounted for in the appropriate medical expense account of each of the Companies.

4.7 Litigation.

Except as set forth in Schedule 4.7 and except for (a) administrative proceedings regarding Provider claims and (b) member appeals that are in the ordinary course of business, in the case of (a) and (b) arising after the date hereof, no Company (i) is subject to any outstanding injunction, judgment, order, decree or ruling or (ii) is a party or, to the Knowledge of Seller, is threatened to be made a party to any action, suit, proceeding, hearing, or investigation of, in, or before any Governmental Entity. None of the actions, suits, proceedings, hearings, and investigations set forth in Schedule 4.7 has had or would reasonably be expected to have a Material Adverse Change. Except as set forth in Schedule 4.7, no Company is subject to any arbitration proceedings under collective bargaining contracts or otherwise or, any governmental investigations or inquiries. Except as set forth on Schedule 4.7, no Company will be subject to any Liability not fully covered by insurance (other than the deductible under such insurance) maintained by the Companies, in respect of the matters set forth on Schedule 4.7. To the Knowledge of Seller, no such action, suit, proceeding, hearing, or investigation may be or has been threatened against any of the Companies.

4.8 Compliance with Applicable Laws.

Except as set forth on Schedule 4.8, each of the Companies has conducted and is conducting its business in compliance with all material applicable laws, rules, ordinances, regulations, licenses, or judgments, or orders, rules, regulations, licenses, judgments, or decrees of Governmental Entities, and no condition exists which with or without notice or passage of time or both shall cause any of the Companies not to remain in such compliance, nor has any of the Companies received notification from any Governmental Entity asserting that it is not in compliance with any of the statutes, regulations or ordinances which such governmental authority enforces, or that the governmental agency or department is threatening to revoke, suspend or modify any governmental authorization applicable to such Company or such Subsidiary. Each of the Companies holds all material certificates, permits, licenses, consents, orders and approvals from all Governmental Entities (collectively, the "Company Permits") which are necessary to own or lease its assets and operate its business in the manner heretofore conducted, and the Company Permits are in full force and effect. Schedule 4.8 sets forth a complete and accurate listing of the Company Permits. Each of the Companies has filed all material statements and reports with the insurance regulatory authorities as required by applicable laws, regulations, licensing requirements and orders administered or issued by such

regulatory authorities. The Companies have not received written notice of, and to the Knowledge of Seller, no event has occurred with respect to any of the Company Permits that would cause the revocation, termination or suspension of any of such Company Permits or give rise to any obligation on the part of any of the Companies to undertake, or to bear all or any portion of the cost of, any remedial action of any nature. To the Knowledge of Seller, no Company executive officers, directors or employees (in their respective capacities as such) has engaged in any activity constituting fraud or abuse under the laws relating to health care or insurance. To the Knowledge of Seller, Schedule 4.8 lists all examinations of each Company conducted by a Governmental Entity and identifies by date any correspondence between any Governmental Entity and each Company regarding sanctions, conclusions made and/or corrective action required or suggested based on such examination.

4.9 Title and Condition of Properties.

None of the Companies own any real property.

4.10 Real Property Leases.

Schedule 4.10 sets forth the address of each parcel of Leased Real Property, and a true and complete list of all Leases for each such Leased Real Property (including the date and name of the parties to such Lease document). Each of the Companies has delivered to Buyer a true and complete copy of each such Lease document, and in the case of any oral Lease, a written summary of the material terms of such Lease. Except as set forth in Schedule 4.10, with respect to each of the Leases:

4.10.1 Such Lease is legal, valid, binding, enforceable and in full force and effect;

4.10.2 The transaction contemplated by this Agreement does not require the consent of any other party to such Lease, will not result in a breach of or default under such Lease, and will not otherwise cause such Lease to cease to be legal, valid, binding, enforceable and in full force and effect on identical terms following the Closing;

4.10.3 No Company or, to the Knowledge of Seller, any other party to the Lease is in breach or default under such Lease, and no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under such Lease;

4.10.4 No Company has subleased, licensed or otherwise granted any Person or Governmental Entity the right to use or occupy such Leased Real Property or any portion thereof;

4.10.5 No Company has collaterally assigned or granted any other Lien in such Lease or any interest therein; and

4.10.6 There are no Liens on the interest created by such Lease.

4.11 Absence of Undisclosed Liabilities.

Except (a) as set forth on Schedule 4.11 hereto, (b) as reflected or reserved against on the face of the Interim Financial Statements, or (c) for obligations or liabilities incurred in the ordinary course of business after the date of the Interim Financial Statements (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement, or violation of law), to the knowledge of Seller, no Company has any obligation or Liability of any nature whatsoever (whether absolute, accrued, contingent, disputed or otherwise).

4.12 Absence of Certain Changes.

Except (i) as set forth on Schedule 4.12, (ii) for the execution and delivery of this Agreement and changes in each of the Companies' assets, properties or business attributable to the transactions contemplated or necessitated by this Agreement, and (iii) as disclosed in each of the Companies' Interim Financial Statements as previously delivered or to be delivered to Buyer, since December 31, 2003:

4.12.1 No Company, except as otherwise expressly permitted in this Agreement, has redeemed or repurchased, directly or indirectly, any shares of capital stock or declared, set aside or paid any dividends or made any other distributions with respect to any shares of its capital stock;

4.12.2 No Company has issued, sold or transferred any notes, bonds or other debt securities or any equity securities, securities convertible, exchangeable or exercisable into equity securities, or warrants, options or other rights to acquire equity securities, of such Company or any Subsidiary;

4.12.3 No Company has sold, leased, licensed (as licensor), assigned, disposed of or transferred (including transfers to Seller or any employees or Affiliates of such Company or any Subsidiary) any of its assets (whether tangible or intangible), except for sales of assets not in excess of $100,000 in the aggregate;

4.12.4 No Company has hired or fired members of such Company's or any Subsidiary's senior management;

4.12.5 No Company has (i) executed, amended, or terminated any contract involving an expense amount in excess of $100,000 annually or $250,000 in the aggregate to which it is or was a party, (ii) amended, terminated or waived any of its rights thereunder, or (iii) prior to the date hereof received notice of termination, amendment, or waiver of any contract or any material rights thereunder;

4.12.6 No Company has permitted any Lien, charge or encumbrance involving an amount in excess of $50,000 on any of its assets;

4.12.7 None of the Companies has taken any action outside of the ordinary course of business which would reasonably tend to cause Medicaid Members to cease their respective affiliations with it.

4.12.8 No Company has modified or terminated any Continuing Benefit Plan;

4.12.9 No Company has failed to pay any Medical Claim or Indebtedness when due (unless contested in good faith), except in compliance with applicable law and where such failure would not reasonably be expected to lead to adverse relations with a Medicaid Provider, and all material claim liabilities have been properly recorded on the books of each of the Companies;

4.12.10 No Company has suffered or would be reasonably expected to have suffered (i) prior to the date hereof, a Material Adverse Change, (ii) to Sellers' Knowledge, after the date hereof, a Material Adverse Change or (iii) any material negative change in its premium or other revenues, claims or other costs (including IBNR Expenses) not related to an increase in such Company's revenues;

4.12.11 No Company has incurred or paid any Indebtedness, obligation or other Liability except in the ordinary course of its business, consistent with its past practice, in excess of $100,000 in the aggregate, and there does not exist a set of circumstances that could reasonably be expected to result in any such Indebtedness, obligation or Liability other than in the ordinary course of business; provided that this Section 4.12.11 shall not be interpreted to apply to Medical Claims;

4.12.12 No Company has suffered any strike, dispute, grievance, controversy or other similar labor trouble with respect to its employees;

4.12.13 Prior to the date hereof, no Company has instituted, settled, or agreed to settle, any litigation, action or proceeding before any Governmental Entity and after the date hereof no such action has been taken except in the case of administrative claims proceedings in the ordinary course of business of which Buyer has been notified prior to the taking thereof;

4.12.14 No Company has made any material changes in its servicing, billing or collection operations or policies;

4.12.15 No Company has merged or consolidated with any other corporation or other entity or permitted any other entity to merge into it (unless the surviving entity is bound by the terms of this Agreement and prepared to perform its obligations hereunder);

4.12.16 No Company has taken or omitted to take any action which would render any of its representations and warranties contained herein untrue at and as of the Closing Date with the same effect as though such representations and warranties had been made at and as of the Closing Date; and

4.12.17 Except as disclosed above or on Schedule 4.12, no Company has entered into any agreement or made any commitment to take any of the types of action described above.

4.13 Contracts.

4.13.1 Except as specifically contemplated by this Agreement and except as set forth in Schedule 4.13, none of the Companies is a party to or bound by, whether written or oral, any:

(a) collective bargaining agreement or contract with any labor union or any bonus, pension, profit sharing, retirement or any other form of deferred compensation plan or any stock purchase, stock option, hospitalization insurance or similar plan or practice, whether formal or informal, or any arrangement for which the benefits thereunder will be increased or triggered, or the vesting of benefits thereunder will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement;

(b) consulting or management services agreement or contract for the employment of any current or former officer on a full-time, part-time or consulting basis or any severance agreements, other than those that are terminable by the applicable Company on no more than thirty (30) days' notice without liability or financial obligation to such Company;

(c) agreement or indenture relating to Indebtedness or to mortgaging, pledging or otherwise placing a Lien on any of its assets;

(d) agreements with respect to the lending or investing of its funds in or to other Persons;

(e) license or royalty agreements;

(f) guaranty of any Indebtedness or other obligation, other than endorsements made for collection in the ordinary course of business;

(g) lease or agreement under which it is lessee of, or holds or operates, any personal property owned by any other party requiring payments in excess of, for any individual matter $50,000 and in the aggregate $150,000;

(h) lease or agreement under which it is lessor of or permits any third party to hold or operate any property, real or personal, owned or controlled by it;

(i) contract or group of related contracts with the same party for the purchase or sale of supplies, products or other personal property or for the furnishing or receipt of services which either calls for performance over a period of more than one year (except if such contracts do not involve a sum in excess of $100,000 annually) or involves consideration in an amount in excess of $100,000;

(j) contract or group of related contracts with the same party continuing over a period of more than one year from the date or dates thereof, not terminable by the Party thereto on thirty (30) days or less notice without penalties or involving consideration in an amount in excess of $100,000;

(k) contract containing non-competition provisions having the effect of prohibiting any of the Companies from freely engaging in business anywhere in the world;

(l) contract (or group of related contracts) or understanding for subcontracting work that requires it to pay in excess of $100,000 on an annual basis or in the aggregate in excess of $150,000 over the term of such contract (or group of related contracts);

(m) other agreement (or group of related agreements) material to it whether or not entered into in the ordinary course of business that provides for it to spend or receive, in the aggregate, more than either $100,000 during the current calendar year or the next calendar year or in the aggregate in excess of $150,000 over the term of such agreement (or group of related agreements);

(n) contract with any officer, director, shareholder or other Affiliate of any of the Companies or any of their respective Subsidiaries; or

(o) agreement relating to ownership of or investments in any business or enterprise (including investments in joint ventures and minority equity investments).

4.13.2 Except as specifically contemplated by this Agreement or disclosed in Schedule 4.13, (i) to Seller's Knowledge, no contract or commitment required to be disclosed on Schedule 4.13 has been materially breached or canceled by the other party thereto, (ii) since June 30, 2004, no customer or supplier has indicated in writing to any of the Companies, any of their respective Subsidiaries or Seller that it may or shall stop or materially decrease the rate of business done with any of the Companies or that it desires to renegotiate its contract with any of the Companies or any of their respective Subsidiaries, (iii) each of the Companies has performed all material obligations required to be performed in connection with the contracts or commitments required to be disclosed on Schedule 4.13 and are not in receipt of any claim of default under any contract or commitment required to be disclosed on the Schedule 4.13, (iv) none of Seller or the Companies has any Knowledge of any breach or anticipated breach by any party to any contract set forth on Schedule 4.13, and (v) each agreement identified on Schedule 4.13 is a valid and binding obligation of each of the Companies party thereto and, to the Knowledge of the Seller and the Companies, the valid and binding obligation of each other party thereto.

4.14 Title to and Condition of Assets.

Each of the Companies owns or leases all buildings, machinery, equipment, and other tangible assets necessary for the conduct of its business as presently conducted.

4.15 No Brokers or Finders.

Except with respect to Banc of America Securities LLC, no broker or finder is involved on behalf of any of the Companies or any of their Affiliates in connection with the transactions

contemplated by this Agreement, nor may any broker or finder involved on behalf of Seller claim any commission on account of the consummation of the transactions contemplated by this Agreement, nor will any of the Companies have any Liability with respect to any such commissions (including, without limitation, to Banc of America Securities LLC and its Affiliates) post-Closing.

4.16 Tax Returns and Tax Liabilities.

The representations and warranties in this Section 4.16 are true and correct except as disclosed on Schedule 4.16 attached hereto.

4.16.1 Each of the Companies has timely filed all United States Federal income and all other material Tax Returns that it was required to file; all such Tax Returns were correct and complete in all material respects and based on the applicable measure of such Company's operations during the period in question; and true and correct copies of all such Tax Returns are included in each of the Companies' files.

4.16.2 Each of the Companies has timely paid or caused to be paid as of the date hereof all Taxes due and payable by the Companies. No Company is currently the beneficiary of any extension of time within which to file any Tax Return. No written claim has ever been made by an authority in a jurisdiction in which a Company does not file a Tax Return that such Company is or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of any of the Companies that arose in connection with any failure (or alleged failure) to pay any Tax.

4.16.3 No Company has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. No foreign, federal, state, or local tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to any Company. None of the Companies has received from any foreign, federal, state, or local taxing authority (including jurisdictions where none of the Companies has filed Tax Returns) any written (i) notice indicating an intent to open an audit or other review, (ii) request for information related to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any taxing authority against any Company. Schedule 4.16.3 attached hereto lists all federal, state, local, and foreign income Tax Returns filed with respect to the Companies for taxable periods ended on or after December 31, 1998, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. The Seller has made available to the Buyer correct and complete copies of all Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Companies filed or received since December 31, 1998.

4.16.4 No Company is a party to any Tax allocation or sharing agreement. No Company (i) has been a member of an Affiliated Group filing a consolidated federal income Tax Return and (ii) has liability for the Taxes of any Person under Treas. Reg. Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract or otherwise.

4.16.5 None of the Companies is a party to any agreement, contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of any "excess parachute payment" within the meaning of Code §280G (or any corresponding provision of state, local or foreign Tax law). None of the Companies has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Code §355 or §361.

4.16.6 None of the Companies will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any: (A) change in method of accounting for a taxable period ending on or prior to the Closing Date; or (B) "closing agreement" as described in Code §7121 (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the Closing Date.

4.17 Employees and Employee Benefits.

(a) Schedule 4.17(a) sets forth, with respect to each of the Transferred Employees, such Transferred Employee's name and position, date of employment and title or job position, the total annual salary, wages, bonus or other compensation. Except as set forth on Schedule 4.17(a), (i) none of the Companies is a party to any written or oral employment contract or agreement with any of such Transferred Employees which precludes their termination at will, (ii) none of such Transferred Employees is now, or will by the passage of time hereafter become, entitled to receive any vacation time, vacation pay or severance pay attributable to services rendered prior to the Closing Date, and (iii) since June 30, 2004, there has been no change of, or agreement to change, any terms of employment for such Transferred Employees, including without limitation, salary, wage rates, commission formulae, or other compensation, except for normal "merit" raises given in the ordinary course of business. No such Transferred Employee has indicated any intention to terminate his or her employment. There is no union contract or other collective bargaining agreement in existence affecting any of the Companies or any of their respective Subsidiaries.

(b) Schedule 4.17(b)(i) contains a true and complete list of all Benefit Plans in which Transferred Employees or Former Employees participate as of the Closing Date ("Company Benefit Plans"). Except as set forth onSchedule 4.17(b)(ii), none of the Companies or any of their respective Subsidiaries maintains or contributes to or has any liability with respect to, or will have any liability as a result of the consummation of this transaction with respect to, any Company Benefit Plans on behalf of Transferred Employees or Former Employees as of the Closing Date. Each Company Benefit Plan that is intended to be qualified within the meaning of Section 401(a) of the Code has received a determination from the Internal Revenue Service (the "IRS") that such Company Benefit Plan is qualified under Section 401(a) of the Code, and, to Seller's Knowledge, nothing has occurred since the date of such determination that would adversely affect the qualification of such Benefit Plan in form. Each Company Benefit Plan and any related trust, insurance contract or fund has been maintained, funded and administered in compliance in all material respects with its respective terms and with all applicable laws and regulations, including, but not limited to, ERISA and the Code. Seller has complied in all material respects with the health care continuation requirements of Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code ("COBRA"); and Seller has no obligation under any

Company Benefit Plan or otherwise to provide post employment health or life insurance benefits to current or former employees of the Companies or their Subsidiaries, except as specifically required by COBRA. Neither Seller nor, to Seller's Knowledge, any other "disqualified person" (within the meaning of Section 4975 of the Code) or "party in interest" (within the meaning of Section 3(14) of ERISA) has taken any action with respect to any of the Company Benefit Plans which could subject any such Company Benefit Plan (or its related trust) or Seller or the Companies or any officer, director or employee of any of the foregoing to any material penalty or tax under Section 502(i) of ERISA or Section 4975 of the Code. No asset of any of the Companies or any of its Subsidiaries is subject to any lien under ERISA or the Code, and neither the Companies nor any of its Subsidiaries has incurred, nor reasonably expects to incur, any liability under Title IV of ERISA or to the Pension Benefit Guaranty Corporation. None of the Companies has any liability (potential or otherwise) with respect to any "employee benefit plan" (as defined in Section 3(3) of ERISA) solely by reason of being treated as a single employer under Section 414 of the Code with any other entity.

4.18 Indebtedness.

Except as set forth on the attached Schedule 4.18, the Companies have no outstanding Indebtedness.

4.19 Providers and Provider Agreements.

4.19.1 Schedule 4.19.1 lists each physician, group, IPA, hospital, PHO, ancillary service provider or other health care service provider that participates in each of the Companies' business as a Medicaid Provider and states their (i) respective effective dates and (ii) for those scheduled for recredentialing during the next twenty four (24) months, the month for which such recredentialing is scheduled. Each such Medicaid Provider has been credentialed in accordance with such Company's policies and procedures and applicable State regulatory requirements and has entered into a written Provider Agreement with such Company as applicable, and/or an Affiliate of such Company, except as would not have a material negative effect on the Companies' provision of medical services.

4.19.2 Each of the Companies has paid and pays each applicable Medicaid Provider in accordance with the compensation terms that have been, or are, in effect, as applicable, with respect to each Medicaid Provider's contract and in the time required by the Provider Agreements and applicable state law, except for payment reconciliation disputes in the ordinary course of business and as would not be reasonably likely to result in adverse relations with the applicable Medicaid Provider. Except as described on Schedule 4.19.2, since June 30, 2004 through the date hereof, no Company has made or granted any increase in the compensation payable or to become payable by it to any Medicaid Provider and after the date hereof no Company shall have taken such action outside the ordinary course of business and consistent with past practices unless in accordance with contractual obligations existing on the date hereof.

4.19.3 Schedule 4.19.3 lists each Medicaid Provider to whom administrative functions have been delegated and describes all function(s) so delegated. To the Knowledge of Seller, (i) each agreement for the delegation of administrative functions complies with the requirements of applicable law and (ii) each of the Companies has complied and continues to comply with all

applicable requirements of law, including those set forth in the Medicaid Contracts, relating to oversight and monitoring of the entities to which each of the Companies has delegated administrative functions.

4.19.4 Except as described on Schedule 4.19.4, each of the Provider Agreements (a) will continue in full force and effect notwithstanding and without regard to the consummation of the transactions contemplated under this Agreement, and (b) is terminable on less than 187 days notice.

4.19.5 Except as described on Schedule 4.19.5, none of the Provider Agreements require any of the Companies or their Affiliates to pay the provider on a most-favored provider basis, obligate any of the Companies or Affiliates to pay access or administrative fees, require (or may require) any of the Companies or Affiliates to pay bonuses from an incentive compensation pool or fund, or has a profit-sharing component.

4.19.6 Except as described on Schedule 4.19.6, none of the Provider Agreements limit the rights of any of the Companies or Affiliates to engage in any business, or to compete with any person, contains an exclusivity provision restricting its ability to do business in certain geographical areas, or obligates or binds it to use, or offer to use, the services of a Medicaid Provider in preference to any other provider.

4.19.7 If any of the "physicians" or "physician groups" contracted under the Provider Agreements are placed at "substantial financial risk," as each such term is defined by 42 C.F.R. §422.208 et seq. (the "PIP Regulation") in connection with services provided to Medicaid Members, the Companies and Affiliates have complied in all material respects with the reporting and enrollee survey requirements of the PIP Regulation.

4.19.8 Schedule 4.19.8 sets forth the "Provider Review Category Reports" as of the date hereof.

4.19.9 Schedule 4.19.9 lists each monetary settlement or pending settlement with a Medicaid provider since January 1, 2003 that is not reflected in any of the Companies' IBNR Expense, as provided to Buyer.

4.20 Status of Medicaid Contracts and Provider Agreements.

With respect to each of the Medicaid Contracts and Provider Agreements: (a) the agreement is a valid and binding obligation of each of the Companies party thereto and, to the Knowledge of Seller, the valid and binding obligation of each other party thereto, (b) to the Knowledge of Seller, except with regard to the contested or appealed payment matters set forth on Schedule 4.20, no party is in material breach or default beyond any applicable grace period, and no event has occurred which with notice or lapse of time would constitute a material breach or default, or permit termination, modification or suspension under the agreement. Without limiting the foregoing, to the Knowledge of Seller, (i) no Company is in material breach or default of any provision of the Medicaid Contracts beyond any applicable grace period, and (ii) the Provider Agreements comply with the terms of the Medicaid Contracts and applicable state and Federal regulations in all material respects, and (iii) to the Knowledge of Seller, no party has repudiated any provision of any of the agreements. With respect to the Provider Agreements,

each of the Companies is in full compliance with the applicable provisions of the prompt payment of claims laws, except as would not have an adverse effect on the Companies' provision of medical services.

4.21 Medicaid Members.

Schedule 4.21 describes each material formal written complaint and sets forth the Companies regular "Member Appeal Category Trend" and "Member Grievance Category Trend Reports" as of the date hereof.

4.22 Intellectual Property.

4.22.1 Schedule 4.22.1 sets forth a complete and correct list of all of the patents and patent applications, trademark and copyright registrations and applications, and material trademarks, trade names and service marks owned by each of the Companies (the "Owned Intellectual Property"). The Owned Intellectual Property is owned free and clear of all Liens, and no claim by any third party contesting the validity, enforceability, use or ownership of any of the Owned Intellectual Property is currently outstanding, except as set forth on Schedule 4.22.1.

4.22.2 Schedule 4.22.2 sets forth a complete and correct list of all material licenses or similar agreements or arrangements with respect to Intellectual Property, whether such Company is licensee or licensor of such rights, in each case identifying the subject Intellectual Property and nature of the licensing relationship (the "Licensed Intellectual Property"). Except as set forth on Schedule 4.22.2, all Owned and Licensed Intellectual Property owned or used by each of the Companies immediately prior to the Closing hereunder will be owned or available for use by such Company on identical terms and conditions immediately subsequent to the Closing hereunder.

4.22.3 Except as set forth in Schedule 4.22.3, (a) to the Knowledge of Seller, each of the Companies owns and possesses all right, title and interest in and to, or has a valid and enforceable right to use all of the Intellectual Property listed on Schedule 4.22.3, free and clear of all Liens, and no claim by any third party contesting the validity, enforceability, use or ownership of any such Intellectual Property has been made, is currently outstanding or, to the Knowledge of Seller, is threatened, and there are no grounds for same, (b) each of the Companies owns or has a valid and enforceable right to use all Intellectual Property necessary for such Company to conduct its business as currently conducted (the "Company Intellectual Property"), (c) no loss or expiration of any Company Intellectual Property has occurred that has had or would reasonably be expected to have an adverse effect, and no such loss or expiration is pending, threatened or reasonably foreseeable, (d) no Company has received any notices of, nor is any Company aware of any facts which indicate a likelihood of, any infringement or misappropriation by any third party with respect to the Company Intellectual Property (including, without limitation, any demand or request that any of the Companies license rights from a third party), (e) no Companies nor the operation of the Companies' business infringe or misappropriate the rights of any third parties, and Seller is not aware of any infringement or misappropriation which might occur as a result of the continued operation of such business, and (f) to the Knowledge of Seller, none of the Company Intellectual Property has been infringed, misappropriated or otherwise misused by any third party.

4.23 No Acceleration of Rights or Benefits.

Except as described in Schedule 4.23 attached hereto, neither Seller nor any of the Companies will be obligated after Closing to make any payment to any Person in connection with the transactions contemplated by this Agreement. No rights or benefits of any Person have been (or will be) accelerated or increased as a result of the consummation of the transactions contemplated by this Agreement.

4.24 Insurance.

4.24.1 The attached Schedule 4.24 lists each insurance policy maintained for or on behalf of the Companies with respect to its properties, assets and business. All of such insurance policies are in full force and effect, and, to the Knowledge of Seller, no default exists with respect to the obligations of the Companies or Seller under any such insurance policies and neither the Seller nor any Company has received any notification of cancellation of any of such insurance policies. Except as set forth in the Policies listed on Schedule 4.24, no Company has any self-insurance or co-insurance programs.

4.25 Notes and Accounts Receivable.

Except as set forth on Schedule 4.25, all notes and accounts receivable of each of the Companies are reflected properly on their books and records, are valid receivables which to the Knowledge of Seller are not subject to setoffs or counterclaims, subject only to the reserve for bad debts set forth on the face of the Interim Financial Statements (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of each of the Companies as applicable.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

As of the Execution Date and as of the Closing Date, Buyer represents and warrants to Seller as follows:

5.1 Organization and Good Standing.

Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted.

5.2 Buyer's Authority.

Buyer has all requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

5.3 No Brokers or Finders.

Except as disclosed on Schedule 5.3, no broker or finder is involved on behalf of Buyer in connection with the purchase and sale of the Shares, nor may any broker or finder involved on behalf of Buyer claim any commission on account of the purchase and sale of the Shares.

5.4 Buyer's Consents.

Except as disclosed on Schedule 5.4, no other consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity, is required by or with respect to Buyer in connection with the execution and delivery of this Agreement by Buyer, or the consummation by Buyer of the transactions contemplated hereby.

5.5 Regulatory Status.

Except as set forth on Schedule 5.5, Buyer has not received notice that it is the subject of any investigations or disputes with any Governmental Entity.

5.6 No Violations.

Except as disclosed on Schedule 5.6, the execution, delivery and performance of this Agreement does not, and the consummation of the transactions contemplated hereby will not, (a) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any material agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Lien upon Buyer's assets), (b) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Entity to which Buyer is subject or any provision of the charter or bylaws of Buyer or (c) provide any Governmental Entity (as defined below) or Person the right to withdraw, revoke, suspend, cancel, terminate or modify any consent, license, permit, waiver or other authorization issued or originated previously.

5.7 No Consents.

Except for such filings, authorizations, orders and approvals described on Schedule 5.7, no other consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to Buyer in connection with the execution and delivery of this Agreement by Buyer, or the consummation by Buyer of the transactions contemplated hereby.

5.8 Legal Proceedings.

5.8.1 There are no claims, actions, suits, proceedings or investigations pending or, to Buyer's knowledge, threatened against Buyer that would materially and adversely affect Buyer's ability to consummate any of the transactions contemplated by this Agreement.

5.8.2 There is no order, writ, injunction or judgment to which Buyer is subject that would materially and adversely affect Buyer's ability to consummate any of the transactions contemplated by this Agreement.

5.8.3 No investigation or review by any Governmental Entity with respect to Buyer is pending or, to Buyer's knowledge, threatened against Buyer other than any investigation or review that would not materially and adversely affect Buyer's ability to consummate the transactions contemplated by this Agreement.

5.9 Sufficient Funds.

Buyer has or will have sufficient funds to pay the Purchase Price.

ARTICLE VI
BUYER'S CONDITIONS PRECEDENT TO CLOSING

Buyer's obligation to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

6.1 Instruments of Transfer.

All actions to be taken by Seller in connection with consummation of the transactions contemplated hereby and all certificates, instruments, and other documents required to effect the transactions contemplated hereby shall be reasonably satisfactory in form and substance to Buyer;

6.2 Corporate Resolutions.

Seller shall provide Buyer with appropriate resolutions from its Board of Directors, authorizing Seller to effectuate the actions required by it to consummate the transactions contemplated by this Agreement.

6.3 Statutory Net Worth.

The aggregate Statutory Net Worth of FGHP and FG Kansas combined at Closing shall be at least $6,000,000.

6.4 Performance of Conditions Precedent.

All covenants, agreements and conditions contained in this Agreement to be performed or complied with by Seller on or prior to the Closing Date shall have been performed or complied with in all material respects.

6.5 Good Standing Certificate.

Seller shall have delivered to Buyer a certificate, executed by the proper state official, as to the good standing of each of the Companies and Seller in their respective jurisdiction of incorporation.

6.6 Secretary's Certificates.

Seller shall have delivered to Buyer a certificate from its secretary or assistant secretary attaching a copy of resolutions authorizing the execution, delivery and performance of this Agreement and all other documents and the taking of all action required thereunder or in connection therewith on behalf of Seller.

6.7 Contract Terminations.

Seller shall (or cause the Companies to) terminate each of the contracts set forth on Schedule 6.7 in a manner satisfactory to Buyer.

6.8 Material Adverse Change.

There shall have been no change, event or development that has had or would reasonably be expected to have a Material Adverse Change.

6.9 Releases.

All releases from third parties of any and all Liens relating to the assets and property of the Companies will have been obtained by Seller.

6.10 Real Property Leases.

The Companies and Seller shall amend the existing lease agreement as set forth on the attached Schedule 6.10.

6.11 Escrow Agreement.

The Escrow Agreement shall be executed in form attached hereto as Exhibit B.

6.12 Third Party Approvals and Consents.

Seller shall have delivered to Buyer all such written approvals, consents (including, but not limited to Provider consents) and waivers of third parties identified on Schedule 4.4 as "Required Consents" to be obtained in connection with the transactions contemplated by this Agreement.

6.13 Seller's Representations and Warranties True and Correct.

The representations and warranties of Seller set forth in Articles III and IV of this Agreement shall be true and correct in all material respects as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date except for changes permitted by this Agreement (provided that representations and warranties that are as of a specific date shall speak only as of such date; and provided further that any representation or warranty that is already modified by "materiality" or "material" or similar words of that nature shall not be deemed so modified for purposes of this condition). Buyer shall have received a certificate signed on behalf of Seller by an authorized officer of Seller to such effect.

6.14 Required Governmental Consents and Approvals.

The Parties shall have obtained all of the consents and approvals set forth on Schedule 3.2 and no governmental agency shall have announced its intention to subject either Company's current contracts to a re-assignment or a new procurement process in connection with the transactions contemplated hereby (other than the required member notification process for this transaction). Each of the Parties shall use its commercially reasonable efforts to obtain such approvals, consents or exemptions without any term or condition (including, without limitation, a limited effective period for any of the Medicaid Contracts) that would materially impair the value of any of the Companies' business to Buyer. All conditions to such consents and/or approvals required to be satisfied prior to the Closing Date by the terms of such consents and/or approvals shall have been satisfied, and all waiting periods in respect of approvals or consents from Governmental Entities shall have expired or been terminated.

6.15 Litigation.

No Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, statute, ordinance, rule, regulation, judgment, decree, injunction or other order that is in effect and restrains, enjoins or otherwise prohibits consummation of the transactions contemplated hereby.

6.16 Certain Covenants.

Seller shall have complied with its obligations in Article VIII in all material respects.

6.17 Deliveries.

Seller shall have delivered to Buyer all items set forth in Section 2.3.2.

6.18 Employment Agreement.

Buyer shall have entered into employment agreements, dated as of the date hereof, with Joy Wheeler (the "Employment Agreement") in the forms attached hereto as Exhibit C, such employment agreement to become effective upon the Closing Date.

6.19 Provider Agreement.

FirstGuard shall have entered into a long term provider agreement with Swope Health Services for the provision of primary care and behavioral health services, in the form attached hereto as Exhibit D, such agreement to become effective upon the Closing Date.

6.20 Transportation Agreement.

FirstGuard and Swope Health Services shall have amended the transportation agreement to which they are each a party on the terms set forth on Schedule 6.20 hereto, such amendment to become effective upon the Closing Date.

6.21 FIRPTA Affidavit.

Seller shall deliver to Buyer an affidavit, under penalties of perjury, stating that the Seller is not a "foreign person" within the meaning of Code §1445, dated as of the Closing Date and in form and substance satisfactory to the Buyer.

ARTICLE VII
SELLER'S CONDITIONS PRECEDENT TO CLOSING

The obligation of Seller to consummate the transactions to be performed by them in connection with the Closing is subject to satisfaction of the following conditions:

7.1 Instruments of Transfer.

All Actions to be taken by Buyer in connection with consummation of the transactions contemplated hereby and all certificates, instruments, and other documents required to effect the transactions contemplated hereby shall be reasonably satisfactory in form and substance to Seller;

7.2 Corporate Resolutions.

Buyer shall provide Seller with appropriate resolutions from its Board of Directors, authorizing Buyer to effectuate the actions required by Buyer to consummate the transactions contemplated by this Agreement.

7.3 Escrow Agreement.

The Escrow Agreement shall be executed in form attached hereto asExhibit B.

7.4 Agreements.

Buyer shall have executed and delivered to Seller all agreements, instruments, certificates and other documents to be delivered by Buyer.

7.5 Performance of Conditions Precedent.

All covenants, agreements and conditions contained in this Agreement to be performed or complied with by Buyer on or prior to the Closing Date shall have been performed or complied with in all material respects.

7.6 Good Standing Certificate.

Buyer shall have delivered to Seller a certificate, executed by the proper official, as to its good standing in the State of Delaware.

7.7 Secretary's Certificate.

Buyer shall have delivered to Seller a certificate from the secretary or assistant secretary of Buyer attaching copies of resolutions authorizing the execution, delivery and performance of this Agreement and all other documents and the taking of all action required thereunder or in connection therewith on behalf of Buyer.

7.8 Governmental Consents and Approvals.

The Parties shall have obtained from any and all Governmental Entities all appropriate and necessary approvals or consents required, or exemptions thereof to effect the transactions set forth in this Agreement.

7.9 Buyer's Representations and Warranties True and Correct.

The representations and warranties of Buyer set forth in Article V of this Agreement shall be true and correct in all material respects as of the Execution Date and as of the Closing Date as though made on and as of the Closing Date (provided that representations and warranties that are as of a specific date shall speak only as of such date; and provided further that any representation or warranty that is already modified by "materiality" or "material" or similar words of that nature shall be true and correct in all respects). Seller shall have received a certificate signed on behalf of Buyer by an authorized officer of Buyer to such effect.

7.10 Litigation.

No Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, statute, ordinance, rule, regulation, judgment, decree, injunction or other order that is in effect and restrains, enjoins or otherwise prohibits consummation of the transactions contemplated hereby.

7.11 Surplus.

Seller shall have been able to successfully cause the Companies to dividend out to Seller all but $6,000,000 of the Statutory Net Worth of both FGHP and FG Kansas combined.

7.12 Provider Agreement.

FirstGuard shall have entered into a long term provider agreement with Swope Health Services for the provision of primary care and behavioral health services, in the form attached hereto as Exhibit D, such agreement to become effective upon the Closing Date.

7.13 Transportation Agreement.

FirstGuard and Swope Health Services shall have amended the transportation agreement to which they are each a party on the terms set forth on Schedule 6.20 hereto, such amendment to become effective upon the Closing Date.

ARTICLE VIII
PRE-CLOSING COVENANTS

8.1 Conduct of Business Pending Closing.

From the Execution Date until the Closing, Seller agrees that, except (i) as otherwise provided under this Agreement, (ii) as set forth on Schedule 8.1, (iii) for the declaration and payment of dividends by the Companies to satisfy the condition set forth in Section 7.11, or (iv) as consented to by Buyer in writing, Seller will cause each of the Companies to:

(a) conduct its business in a commercially prudent manner, as a going concern and in the ordinary course, and consistent with such operation, comply in all material respects with applicable legal and contractual obligations, consistent with past practice;

(b) maintain its cash management practices and its policies, practices and procedures with respect to collection of trade accounts receivable, establishment of reserves for uncollectible accounts, accrual of accounts receivable, prepayment of expenses, payment of trade accounts payable, accrual of other expenses, deferral of revenue, and acceptance of customer deposits in accordance with past custom and practice and applicable accounting principles consistently applied;

(c) use commercially reasonable efforts to cause its current insurance policies not to be canceled or terminated or any of the coverage thereunder to lapse, unless, simultaneously with such termination, cancellation or lapse, replacement policies, providing coverage equal to or greater than the coverage under the canceled, terminated or lapsed policies to the extent practicable for market premiums, are in full force and effect; provided, however, that it shall not be considered commercially reasonable to terminate a policy or allow it to lapse solely as a result of a change in premium;

(d) administer, pay and discharge all of its Medical Claims received related to the dates of service prior to the Closing Date, and perform all reporting obligations under the Medicaid Contracts, in each case in the ordinary course of business consistent with past practice;

(e) use commercially reasonable efforts to maintain all material contracts including the Provider Agreements;

(f) use commercially reasonable efforts to maintain, in the ordinary course of business and in accordance with past practice, its network of Medicaid Providers, and credential and recredential such providers in accordance with each of the companies' policies and procedures;

(g) use commercially reasonable efforts to maintain in full force and effect all Company Permits;

(h) use commercially reasonable efforts to maintain in full force and effect all Company Intellectual Property; or

(i) not take any action (or omit to take any action), which action or omission would cause any representation or warranty contained herein to be untrue in any material respect at any time through the Closing Date, as if such representation or warranty were made at and as of such time except those representations and warranties that are made as of a certain date.

8.2 Access to Documents and Premises.

From the Execution Date through the Closing Date, Buyer, its counsel, accountants, and other representatives shall, subject to confidentiality covenants made by Seller to third parties and state and federal antitrust laws, have the right to reasonable access to the books and records, facilities and personnel of Seller and each of the Companies, including access by Buyer's representatives, to the extent possible without waiving any privileges, to information regarding all actions, suits, proceedings or investigations of any kind, now pending or threatened in writing, involving Seller or any of the Companies or Seller's or any of the Companies' Affiliates. Any such access shall occur during normal business hours and shall be scheduled by Buyer and Seller following request for access made to Seller. All actions shall be conducted by Buyer and Seller in such a manner as to maximize the retention of all applicable privileges, and Buyer's representatives shall use their best efforts to conduct their inspection in such a manner as not to be disruptive to Seller's or any of the Companies' employees or business operations. Sellers acknowledge that Buyer will be undertaking transition and integration planning during this period, and will make its books and records, personnel and facilities reasonably available to Buyer and its Representatives for such purpose.

8.3 Notices and Consents.

Seller will cause each of the Companies to give any notices to third parties, and will cause each of the Companies to use commercially reasonable efforts to obtain any third party consents referred to in Section 4.5 above. Each of the Parties will (and Seller will cause each of the Companies to) give any notices to, make any filings with, and use commercially reasonable efforts to obtain any authorizations, consents, and approvals of governments and governmental agencies in connection with the matters referred to in Sections 3.32, 4.4, and 4.5 above. Without limiting the generality of the foregoing, each of the Parties will file (and Seller will cause each of the Companies to file) any Notification and Report Forms and related material that it may be required to file with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice under the Hart-Scott-Rodino Act, will use its commercially reasonable efforts to obtain (and Seller will cause each of the Companies to use commercially reasonable efforts to obtain) an early termination of the applicable waiting period, and will make (and Seller will cause each of the Companies to make) any further filings pursuant thereto that may be necessary, proper, or advisable in connection therewith.

8.4 Notice of Developments.

Seller will give prompt written notice to Buyer of any material adverse development causing a breach of any of the representations and warranties in Article III or Article IV above. Buyer will give prompt written notice to Seller of any material adverse development which may cause a breach of any of its own representations and warranties in Article V above. No disclosure by any Party pursuant to this Section 8.4, however, shall be deemed to amend or supplement the schedules hereto or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

8.5 Exclusivity.

Seller will not (and Seller will not cause or permit any of the Companies to) (i) solicit, initiate, or encourage the submission of any proposal or offer from any Person relating to the acquisition of any capital stock or other voting securities, or any substantial portion of the assets, of any of the Companies (including any acquisition structured as a merger, consolidation, or share exchange) or (ii) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing. Seller will not vote its Shares in favor of any such acquisition. Seller will notify Buyer immediately if any Person makes any proposal, offer, inquiry, or contact with respect to any of the foregoing and the details of any such proposal, offer, inquiry, or contact.

8.6 Tax Matters.

8.6.1 Except as required by law, without the prior written consent of Buyer, Seller shall not allow any Company to make or change any election, change an annual accounting period, adopt or change any accounting method, file any amended Tax Return, enter into any closing agreement, settle any Tax claim or assessment relating to any of the Companies, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to any of the Companies, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax, if such election, adoption, change, amendment, agreement, settlement, surrender, consent or other action would have the effect of increasing the Tax Liability of any of the Companies for any period ending after the Closing Date or decreasing any Tax attribute of any of the Companies existing on the Closing Date.

8.6.2 All Tax sharing agreements or similar agreements with respect to or involving any of the Companies or any of their respective Subsidiaries shall be terminated as of the Closing Date and, after the Closing Date, the Buyer, each of the Companies and their respective Subsidiaries shall not be bound thereby or have any liability thereunder.

8.7 Additional Financial Information.

Each of the Companies shall furnish to Buyer within twenty days of the end of each month prior to Closing, unaudited statements of operations and run rate reports for each such month as well as such management, cost, and utilization reports (including claims lags and experience reports) that each of the Companies generates and uses in the normal course of business.

8.8 Termination of Incentive Pools/Funds.

Except as set forth on Schedule 8.8, Seller shall use commercially reasonable efforts to ensure that none of its Provider Agreements requires any periodic incentive payments from a shared risk or referral services pool/fund and, to the extent, any such contract contains such a pool/fund as of the Closing Date, Seller shall be responsible to reconcile and settle such pools through Closing and shall pay any required bonuses.

8.9 Regulatory Approval.

Seller and Buyer shall diligently and timely prepare and file the applications and submissions as may be required with respect to the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby. Buyer and Seller agree to take all commercially reasonable actions required or requested by such authorities for the expeditious consideration and rendering of all such approvals, consents and authorizations. Seller and Buyer shall diligently and timely cooperate with each other and with all other parties in the submission of applications and of any and all such additional information or documentation requested by any such regulatory authorities.

8.10 Public Information Releases.

8.10.1 Each of the Parties shall use reasonable efforts to consult with each of the other Parties on any initial press release, public announcement or publicly disseminated communication, including, but not limited to, and subject to applicable regulatory approval, such communications with Medicaid Members or Providers, concerning this transaction. Thereafter, between the Execution Date and the Closing the Parties agree to use reasonable efforts to consult with each other and the applicable regulatory body, if required, prior to any press release, public announcement or publicly disseminated communication concerning this transaction, to discuss the content of any such announcement and to refrain from making any such press releases or public announcements without first receiving the other's prior consent, which shall not be unreasonably withheld. Seller shall be deemed to have given such consent if Seller has not provided written notice of objection to Buyer within two (2) days following Buyer's notice to Seller of such proposed communication.

8.11 Cooperation.

The Parties agree to cooperate reasonably with each other, from the Execution Date until the Closing Date, and use their respective commercially reasonable efforts in good faith, to satisfy all conditions, undertakings and agreements contained in this Agreement.

8.12 Securities Law Compliance.

Seller is (i) aware that the United States securities laws prohibit any person who has material nonpublic information about a company from purchasing or selling securities of such company or from communicating such information to any other person under circumstances in

which it is reasonably foreseeable that such person is likely to purchase or sell such securities and (ii) familiar with the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder and agrees that it will neither use, nor cause any third party to use, any material nonpublic information regarding the Buyer in contravention of such Act or any such rules and regulations, including, without limitation, Rules 10b-5 and 14e-3.

8.13 Employees and Employee Benefits.

8.13.1 Seller agrees to provide for full vesting, as of the Closing Date, of the account balances of all Transferred Employees who are participants in any Company Benefit Plan subject to Code Section 401(a). Seller shall not be obligated to make any discretionary matching or other nonelective contributions to such Company Benefit Plans subject to Code Section 401(a) on behalf of such Transferred Employees for the plan year in which the Closing Date occurs, except as may be required under the terms of such Company Benefit Plans; provided, however, that Seller shall make any matching contribution under the FirstGuard Health Plan, Inc. Retirement Plan that would otherwise have been made on behalf of each Transferred Employee for the plan year in which the Closing occurs, which contribution shall be pro rated based on the number of days elapsed during such plan year through the Closing Date, and determined without regard to any year-end employment requirements.

8.13.2 Except with respect to the Company Benefit Plans set forth onSchedule 4.17(b)(ii) (each, a "Continuing Plan"), Buyer shall not assume any Company Benefit Plans or any liability thereunder (other than contributions accruing in a manner consistent with past practices and in the ordinary course prior to the Closing Date which are not made on or before the Closing Date), or accept any transfer of assets or liabilities from any such Company Benefit Plans. Any Company Benefit Plan which is not a Continuing Plan and of which any of the Companies is the sole sponsor shall be terminated prior to the Closing Date or sponsorship of any such Company Benefit Plan shall be transferred to Seller prior to the Closing Date.

8.13.3 Seller shall retain all responsibility and liability for any COBRA obligations with respect to any qualified beneficiary who is receiving (or who is eligible to elect) COBRA continuation coverage as of the Closing Date. COBRA continuation coverage shall not be offered by Seller to Transferred Employers (or their related beneficiaries and dependents) as a result of this transaction.

8.13.4 As of the Closing Date, Buyer shall allow Transferred Employees to participate in Buyer's flexible benefits plan and Seller shall spin-off the health care and dependent care account balances (and related assets and liabilities) to the Buyer's flexible benefits plan.

ARTICLE IX
POST-CLOSING OBLIGATIONS

The Parties agree as follows with respect to the period following the Closing.

9.1 General.

In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Article XI below). Seller acknowledges and agrees that from and after the Closing, Buyer will be entitled to possession of all documents, books, records (including Tax records), agreements, and financial data of any sort relating to each of the Companies and each of their respective Subsidiaries; provided that, Buyer shall provide Seller reasonable access to such information, as well as to Buyer's employees, for all appropriate purposes.

9.2 Employees and Employee Benefits.

9.2.1 Buyer agrees that, effective as of the Closing Date, Buyer shall provide Transferred Employees who are receiving benefits under the Company Benefit Plans on the Closing Date with employee benefits that are no less favorable than those provided to similarly situated current and former employees of Buyer. ("Buyer Plans"). Buyer shall provide Transferred Employees with credit for all service with the Companies (or any member of Companies' controlled group pursuant to Code Section 414(b), (c), (m) or (o)) prior to the Closing Date for all purposes under Buyer Plans, including but not limited to eligibility for participation and contribution allocation requirements, except to the extent necessary to prevent duplication of benefits. With respect to any medical, dental or other welfare benefits that are provided at any time to such Transferred Employees under Buyer Plans, any applicable pre-existing condition exclusions (except to the extent not satisfied under the comparable Company Benefit Plan as of such time) shall be waived, and any expenses incurred before such time under the comparable Company Benefit Plan during the plan year in which the Closing Date occurs shall be taken into account under such Buyer Plans for purposes of satisfying applicable deductible, coinsurance and maximum out-of-pocket provisions. Buyer further agrees that, in connection with the termination of employment of any Transferred Employee, it will provide a minimum termination payment no less favorable than Buyer's usual severance policy.

9.3 Confidentiality.

All nonpublic information provided to, or obtained by, Seller in connection with the transactions contemplated hereby shall be "Confidential Information" for purposes of the Confidentiality Agreement, which will continue in effect until terminated pursuant to the terms set forth therein.

9.4 Noncompetition and Nonsolicitation.

9.4.1 For a period of five (5) years from and after the Closing Date, neither Seller nor any of its Subsidiaries or Affiliated Entities will engage directly or indirectly in a Competing Business in the Service Area; provided, however, that no owner of less than 5% of the outstanding stock of any publicly-traded corporation shall be deemed to engage solely by reason thereof in any such businesses. If the final judgment of a court of competent jurisdiction

declares that any term or provision of this Section 9.4 is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

9.4.2 Seller acknowledges that the rights and compensation provided in this Agreement are adequate consideration for the agreements made by Seller in this Section 9.4, and that such covenants, and the territorial, time and other limitations with respect thereto, are reasonable and properly required for the adequate protection of Buyer's acquisition of the Shares, and Seller agrees that such limitations are reasonable with respect to their business activities and do not impose undue hardship on them.

9.4.3 Both parties hereto hereby agree that during the non-competition period set forth above and at all times thereafter each such party will refrain from making any disparaging remarks about the other party hereto or, to the extent applicable, any of such party's officers, directors, employees, agents, representatives, affiliates, products or services. It is understood and agreed, however, that this section is not intended to limit the right of any party hereto to give truthful testimony should any party hereto be subpoenaed or otherwise testify in any proceeding or other action before any Governmental Entity.

9.5 Agreement to Indemnify; Insurances.

It is understood and agreed that the Companies shall, to the fullest extent permitted under applicable law, indemnify and hold harmless, and, after the Closing Date, the Buyer shall for a period of six years following the Closing Date, to the fullest extent permitted under applicable law, indemnify and hold harmless, each director, officer, employee, fiduciary and agent of the Companies or any of their Subsidiaries and their respective Subsidiaries and Affiliates including, without limitation, officers and directors servicing as such on the date hereof or on the Closing Date (collectively, the "Indemnified Parties") from and against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any claim, action, suit, proceeding or investigation arising out of or pertaining to any of the transactions contemplated hereby, and in the event of any such claim, action, suit, proceeding or investigation (whether arising before or after the Closing date), (i) the applicable Company or the Buyer shall pay the reasonable fees and expenses of counsel selected by the Indemnified Parties, which counsel shall be reasonably satisfactory to the applicable Company or the Buyer, promptly as statements therefore are received, and (ii) the applicable Company or the Buyer will cooperate in the defense of any such matter; provided, however, that neither the applicable Company nor the Buyer shall be liable for any settlement effected without its prior written consent (which consent shall not be unreasonably withheld or delayed). For a period of six years following the Closing Date, the Buyer shall maintain or obtain officers' and directors' liability insurance covering the Indemnified Parties who currently or at the Effective Time are covered by any of the Companies' officers and directors liability insurance policies on terms not less favorable than those in effect on the date hereof in terms of coverage and amounts; provided, however, that if the aggregate annual premiums for such

insurance at any time during such period exceed 200% of the premium paid by the Companies for such insurance as of the date of this Agreement, then the Buyer shall provide the maximum coverage that will then be available at an annual premium equal to 200% of such per annum rate as of the date of this Agreement. The Buyer shall continue in effect the indemnification provisions provided in the Companies' Certificate of Incorporation, Bylaws; resolutions and any other written agreement between them for a period of not less than six years following the Effective Time. This Section 9.5 shall survive the Closing. Notwithstanding Section 13.13, this Section 9.5 is intended to be for the benefit of and to grant third party rights to the Indemnified Parties whether or not they are parties to this Agreement, and each of the Indemnified Parties shall be entitled to enforce the covenants contained herein.

9.6 Retained Marks.

Buyer agrees that within forty-five (45) days following the Closing, it will cease any and all use of the Swope trade name and trademark (the "Retained Marks") or any name or trademark incorporating or confusingly similar to the Retained Marks, including without limitation any use of the Retained Marks on any stationery, Web sites, advertising, promotional or other materials. The right of the Buyer to use the Retained Marks during the period referred to in this section is subject to the following conditions: (i) Buyer will use commercially reasonable efforts to comply with Seller's quality control standards made known to Buyer in writing with respect to use of the Retained Marks and will submit to Seller, before use, any materials created by Buyer after the Closing, including without limitation advertising materials, on which the Retained Marks appear for Seller's approval; (ii) Buyer acknowledges that the Retained Marks shall remain the property of Seller, and that all use of the Retained Marks by the Buyer shall inure to the benefit of Seller; and (iii) Buyer shall not use the Retained Marks in any other way that, to Buyer's knowledge, would jeopardize their strength or validity or diminish their value.

ARTICLE X
INDEMNIFICATION

10.1 Indemnification by Seller.

Seller shall indemnify and hold harmless Buyer and its respective officers, directors, employees, agents and Affiliates and successors and assigns of any of the foregoing against any and all actual damages resulting from claims, obligations, losses, costs, expenses, fees, liabilities and damages, whenever arising or incurred, including interest, penalties and reasonable attorneys' fees and disbursements (including amounts paid in settlement and costs of investigation) (each individually a "Loss," and collectively, "Losses"), arising out of, in connection with or otherwise relating to:

(a) The breach by Seller or inaccuracy of any representation or warranty made by Seller in this Agreement;

(b) The breach or non-performance by Seller of any covenant or agreement made by Seller in this Agreement;

(c) (i) all income Taxes (or the nonpayment thereof) of the Companies for all Taxable periods ending on or before the Closing Date and the

portion through the end of the Closing Date for any Taxable period that includes (but does not end on) the Closing Date (a "Pre-Closing Tax Period"), (ii) all income Taxes of any member of an Affiliated Group of which any Company (or any predecessor of the foregoing) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation §1.1502-6 (or any analogous or similar state, local, or foreign law or regulation for which any company is liable), and (iii) any and all income Taxes of any Person imposed on any Company as a transferee or successor, by contract or pursuant to any law, rule, or regulation, which income Taxes have accrued before the Closing;

(d) Any Company Benefit Plan (other than any Continuing Plan) currently or previously maintained or contributed to by any controlled group of companies (as defined in Code Section 414) which includes any of the Companies or Seller.;

(e) Any Liabilities arising out of, related to or incurred as a result of that certain Stock Repurchase Agreement, dated as of August 26, 2004, by and among FG Kansas, FirstGuard and Heartland Physicians Health Network, Inc. (the "HPHN Agreement"); and

(f) Any Liabilities arising out of, related to or incurred as a result of the commercial business of Seller or the Companies.

10.2 Indemnification by Buyer.

After the Closing Date and subject to the limitations of Section 10.4, Buyer shall indemnify and hold harmless Seller and its respective officers, directors, employees, agents and Affiliates, and successors and assigns of any of the foregoing against any and all Losses, arising out of, in connection with or otherwise relating to:

(a) The breach by Buyer or inaccuracy of any representation or warranty, made by Buyer in this Agreement; and

(b) The breach or non-performance by Buyer of any covenants or agreements made by Buyer in this Agreement.

10.3 Survival.

10.3.1 Except those contained in Article IX, all of the covenants and agreements (excluding those set forth in Sections 10.1(a), (b) and (d) and Sections 10.2(a) and (b), which shall terminate eighteen months after the Closing Date), made by the Parties in this Agreement shall survive the Effective Date and continue in full force and effect after the Effective Date without any time limitation.

10.3.2 The representations and warranties in this Agreement and the schedules and exhibits attached hereto shall survive the Closing as follows:

10.3.3 The representations and warranties in Section 4.16 (Tax Returns and Liabilities) shall terminate when the applicable statutes of limitations with respect to the liabilities in question expire (after giving effect to any extensions or waivers thereof), plus thirty (30) days;

10.3.4 The representations and warranties in Section 3.2 (Authorization), Section 3.4 (Ownership of Shares), and Section 4.1 (Organization and Good Standing), Section 4.2 (Capitalization), Section 4.3 (Subsidiaries) and Section 4.15 (No Brokers or Finders), shall not terminate; and

10.3.5 Except as set forth in Sections 10.3.3 and 10.3.4, the representations and warranties shall terminate eighteen months after of the Closing Date and any claims brought in connection therewith must be brought prior to such time.

10.4 Limitations.

Seller will not be liable to Buyer for any Losses pursuant to Sections 10.1(a), (b), (d) or (f) unless and until the aggregate amount of such Losses that would otherwise be recoverable pursuant to such Section but for this Section 10.4 exceeds $850,000 (the "Threshold"), and then only for amounts that exceed the Threshold; provided, that Buyer may not assert any additional claims against the Seller pursuant to Sections 10.1(a), (b), (d) or (f) once Seller has paid an amount equal to the Escrow Amount (the "Cap") in the aggregate to Buyer pursuant to such Section; provided, further, that for Losses as a result of, arising out of, relating to, allocable to, in the nature of, or caused by, (i) breaches of the representations and warranties set forth in Sections 3.2 (Authorization), 4.1 (Organization and Good Standing), 4.2 (Capitalization), 4.15 (No Brokers or Finders) and 4.16 (Tax Returns and Tax Liabilities), or (ii) Liabilities arising under or in connection with Sections 10.1(c), (e) or (f), Seller will be liable to Buyer for all such Losses without regard to the Cap, and such Losses will be subject to the Threshold but will not be counted in the determination of the Cap being met or exceeded. The indemnification rights and obligations set forth in this Article X shall survive the Closing without limit, except as set forth in Section 10.3.

Buyer will not be liable to Seller for any Losses pursuant to Section 10.2(a) or (b) unless and until the aggregate amount of such Loss that would otherwise be recoverable pursuant to such Sections but for this Section 10.34 exceeds the Threshold, and then only for amounts that exceed the Threshold; provided, that Seller may not assert any additional claims against Buyer pursuant to Section 10.1(a), (b) or (c) once Buyer has paid an amount equal to the Cap in the aggregate to Seller pursuant to such Section; provided, further, that for Losses as a result of, arising out of, relating to, allocable to, in the nature of, or caused by, breaches of the representations and warranties set forth in Sections 5.1 (Organization and Good Standing) and 5.3 (No Brokers and Finders), Buyer will be liable to Seller for all such Losses without regard to the Cap, and such Losses will be subject to the Threshold but will not be counted in the determination of the Cap being met or exceeded. The indemnification rights and obligations set forth in this Article X shall survive the Closing without limit except as set forth in Section 10.3.

Buyer agrees that if (i) there shall have been a failure of the closing condition set forth in Section 6.8 (Material Adverse Change) and (ii) Seller shall have acknowledged the same and agreed in writing that the Buyer has the right to terminate this Agreement with no liability to the

Sellers or the Companies whatsoever and (iii) Buyer elects to waive its right to terminate and close the transaction notwithstanding such failure, then Seller shall have no obligation to provide indemnity pursuant to this Article X with regard to the facts and circumstances underlying such failure of such closing condition. In the event that Buyer elects to terminate this Agreement pursuant to (ii) above, Buyer agrees not to compete with the Seller's business in the Service Area for a period of twenty-four months following the date of such termination; provided, however, that such agreement not to compete will terminate upon a change of control of FirstGuard, and that it shall not apply to any competition that shall result from an acquisition by Centene of a plan that operates inside and outside of the Service Area. Except as otherwise provided in this Agreement, each of the Parties hereby acknowledges that their sole and exclusive remedy after the Closing with respect to any and all Losses (other than claims, or causes of action arising from, fraud, willful breach or intentional misrepresentation). Except as otherwise provided in this Agreement, each of the Parties hereby acknowledges that their sole and exclusive remedy after the Closing with respect to any and all Losses shall be pursuant to the indemnification provisions set forth in this Article X. The Parties also acknowledge and agree that, to avoid double counting, to the extent any Losses are duplicative of amounts for which the aggrieved Party has (i) already received recompense through one of the adjustment mechanisms set forth in Section 2.2 or (ii) the amount at issue was considered in the calculation of Statutory Net Worth as required by Sections 2.2.6 or 6.3, such Party may not receive double recovery by seeking indemnity under this Article X for the same Losses, and that as a principle of contract interpretation, this Agreement will be construed in a manner to prevent such double recovery.

10.5 Notice and Right to Defend.

10.5.1 Should any claim or action by a third party arise after the Closing Date for which a Party may be liable to another Party under the indemnity provisions of this Agreement, the indemnitee shall notify the indemnitor in writing and in reasonable detail as soon as practicable after the indemnitee receives notice of such claim or action in the manner provided for the giving of notices under this Agreement, provided, that failure to notify in such manner shall relieve the indemnitor from Liability under this Agreement with respect to such claim only if, and only to the extent that, such failure to notify the indemnitor results in the forfeiture by the indemnitor of material rights and defenses otherwise available to the indemnitor with respect to such claim. The expenses of all proceedings, contests, lawsuits, or investigations of claims with respect to such claims or actions, shall be borne by the indemnitor. If an indemnitor wishes to assume the defense of such claim or action, it shall give written notice to the indemnitee within ten (10) days after notice from the indemnitee of such claim or action of its intention to assume the defense, and the indemnitor shall thereafter assume the defense of any such claim or Liability through counsel reasonably satisfactory to the indemnitee, provided that the indemnitee may also participate in such defense at its own expense;

10.5.2 If the indemnitor shall not assume the defense of, or if after so assuming it shall fail to defend, any such claim or action, or such action involves a claim which (a) the indemnitee reasonably believes could be materially detrimental to or materially injure the indemnitee's reputation, customer relations or future business prospects, (b) seeks non-monetary relief (except where non-monetary relief is merely incidental to a primary claim or claims for monetary damages), (c) involves criminal allegations, (d) is one in which the indemnitor is also a party and joint representation would be inappropriate or there may be legal defenses available to the

indemnitee which are different from or additional to those available to the indemnitor, or (e) involves a claim which, upon petition by the indemnitee, the appropriate court rules that the indemnitor failed or is failing to vigorously prosecute or defend, then the indemnitee shall have the sole right to defend such claim or action. In any action or proceeding with respect to which indemnification is being sought hereunder, the indemnitee or the indemnitor, whichever is not assuming the defense of such action, shall have the right to participate in such litigation and to retain its own counsel at such party's own expense. The indemnitee may defend against any such claim or action in such manner as it may reasonably deem appropriate and the indemnitee may settle such claim or litigation on such terms as it may reasonably deem appropriate, and the indemnitor shall promptly reimburse the indemnitee for the amount of all reasonable expenses, legal and otherwise, incurred by the indemnitee in connection with the defense and/or settlement of such claim or action. If no settlement of such claim or action is made, the indemnitor shall satisfy any judgment rendered with respect to such claim or in such action before indemnitee is required to do so, and pay all expenses, legal or otherwise, incurred by the indemnitee in the defense against such claim or litigation.

10.5.3 An indemnitor may not, without the prior written consent of the indemnitee, settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder unless (i) simultaneously with the effectiveness of such settlement, compromise or consent, the indemnitor pays in full any obligation imposed on the indemnitee by such settlement, compromise or consent and obtain releases of the indemnitee in full from such third party claim and (ii) such settlement, compromise or consent does not contain any equitable order, judgment or term that in any manner affects, restrains or interferes with the business of the indemnitee or any of the indemnitee's Affiliates.

10.5.4 In the event an indemnitee shall claim a right to payment pursuant to this Agreement not involving a third party claim covered by Section 10.5.1, such indemnitee shall send written notice of such claim to the appropriate indemnitor. Such notice shall specify the basis for such claim. As promptly as possible after the indemnitee has given such notice, such indemnitee and the appropriate indemnitor shall establish the merits and amount of such claim (by mutual agreement or pursuant to the arbitration provisions herein).

10.5.5 Except as otherwise provided herein, any indemnification of a Party pursuant to this Article X shall be effected by wire transfer of immediately available funds from the indemnifying Party, to an account(s) designated by the indemnified Party, within ten (10) days after the final determination thereof. Any such indemnification payments shall include interest at the Applicable Rate calculated on the basis of the actual number of days elapsed over 360, from the date of such final determination to the date of payment. Any amounts owing from Seller pursuant to this Article X shall be made from the Escrow Funds (as defined in the Escrow Agreement) in the Escrow Account (as defined in the Escrow Agreement). All indemnification payments under this Article X shall be deemed adjustments to the Purchase Price set forth in Section 2.1.

10.6 Remedies.

Notwithstanding anything to the contrary herein, nothing shall preclude any Party from seeking any remedy based upon fraud or willful or criminal misconduct or intentional breach of any of the provisions of this Agreement.

10.7 Determination of Loss Amount.

10.7.1 The amount of any Loss subject to indemnification under Article 10 shall be calculated net of any insurance proceeds received by the indemnitee on account of such Loss. No loss, liability, damage or expense shall be deemed to have been sustained by such Party to the extent of any proceeds previously received by such Party from any insurance recovery (net of (A) all out-of-pocket costs directly related to such recovery and (B) any deductibles for the applicable insurance policy and (C) reasonable estimates of increased premiums resulting from such recovery) with respect to insurance coverage in place as of the date hereof. Nothing in this Agreement shall obligate any indemnitee to seek recovery under any insurance policy for any Loss.

10.7.2 The amount of Loss with respect to which an indemnitee is to be indemnified pursuant to Article 10 initially shall be determined without regard to any Tax Benefit. However, to the extent that the indemnitee actually realizes a tax benefit (a "Tax Benefit") with respect to any payment for Losses made hereunder through a refund of Taxes or reduction in actual amount of Taxes that otherwise would be payable by the indemnitee, the indemnitee shall pay to the indemnitor the amount of such Tax Benefit (but not in excess of the indemnification payment or payments actually received from the indemnitor with respect to such Losses) at such time or times as and to the extent that the indemnitee or any Affiliate of such indemnitee actually realizes such Tax Benefit. For this purpose, Tax Benefits shall be calculated by computing the amount of Taxes before and after inclusion of any Tax items attributable to such Losses for which indemnification was made and treating such Tax items as the last items claimed for any taxable period and shall be reduced by the amount of any related Tax detriment suffered by the indemnitee. Buyer, on the one hand, and Seller, on the other hand, agree to provide the other or its designated representatives with assistance and such documents and records reasonably requested by them that are relevant to their ability to determine when an amount is payable to, or receivable from, the other party pursuant to this Section, including copies of Tax Returns, estimated Tax payments, schedules and related supporting documents. If any adjustments are made to any Tax Return relating to the indemnitee for any taxable period as a result of or in settlement of any audit, other administrative proceeding or judicial proceeding or as the result of the filing of an amended return to reflect the consequences of any determination made in connection with any such audit or proceeding and if such adjustment results in any change in the amount of any Tax Benefit or Tax detriment to the indemnitee, appropriate payments will be made between the indemnitor and the indemnitee in accordance with the previous sentence to properly reflect such adjustment amount.

ARTICLE XI
TERMINATION

11.1 Termination.

This Agreement may be terminated at any time prior to the Closing Date:

(a) by mutual written consent of the Parties;

(b) by Buyer or Seller at either's option, if the Closing Date shall not have occurred on or before March 31, 2005; provided, however, that the right to terminate this Agreement under this Section 11.1(b), shall not be available to any Party whose failure to fulfill any obligation under this Agreement has substantially contributed to, or resulted in, the failure of the Closing to have occurred on or before such date;

(c) by Buyer or Seller at either's option, if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action (which order, decree or ruling the parties hereto shall use all reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and such order, decree, ruling or other action shall have become final and nonappealable;

(d) by Seller in the event the Buyer's representations and warranties contained in Article V of this Agreement are not true and correct in all material respects or the covenants contained in this Agreement have not been complied with in all material respects, provided that Buyer has received notice of the breach indicated therein and has failed to effect a cure thereof to the reasonable satisfaction of Seller not later than thirty (30) days after such notice;

(e) by Buyer in the event any of the Companies or Seller of representations and warranties contained in this Agreement are not true and correct in all material respects or the covenants contained in this Agreement have not been complied with in all material respects, provided that Seller has received notice of the breach indicated therein and has failed to effect a cure thereof to the reasonable satisfaction of Buyer not later than thirty (30) days after such notice;

(f) by Buyer if any of the conditions set forth inArticle VI shall have become (in the good faith determination of Buyer) incapable of fulfillment prior to the Termination Date and shall not have been waived by Buyer;

(g) by Seller if any of the conditions set forth inArticle VII shall have become (in the good faith determination of Seller) incapable of fulfillment prior to the Termination Date and shall not have been waived by Seller; or

(h) by Buyer if, prior to the Closing Date, there is any Material Adverse Change; provided that Seller has received notice of such Material Adverse Change and has failed to effect a cure thereof to the reasonable satisfaction of Buyer not later than thirty (30) days after such notice;

11.2 Effect of Termination.

Except as otherwise specified in this Agreement, including but not limited to in Article XI, upon the termination of this Agreement pursuant to Section 11.1, this Agreement shall forthwith become null and void, except that nothing herein shall relieve any party from liability for any breach of this Agreement prior to such termination.

11.3 Waiver.

At any time prior to the Closing Date, any term, provision or condition of this Agreement may be waived in writing (or the time for performance of any of the obligations or other acts of the parties hereto may be extended) by the party that is entitled to the benefits thereof. Such an election shall not be deemed a waiver of any rights or remedies of the waiving party with respect to the matter which gave rise to such right to terminate.

ARTICLE XII
ARBITRATION

12.1 Conciliation and Mediation.

If a dispute between the Parties relating to this Agreement, or under any other agreement executed and delivered in connection herewith, is not resolved within fifteen (15) days from the date that either Party has notified the other that such dispute exists, then such dispute shall be submitted jointly to binding arbitration.

12.2 Arbitration.

Any dispute submitted to arbitration pursuant to this Article XII shall be determined by the decision of a board of arbitration ("Board of Arbitration") consisting of three members who are members of and certified by the American Arbitration Association ("AAA") and each of whom is experienced in managed care or health care arbitrations, selected as hereinafter provided. Buyer shall select an arbitrator and Seller shall select an arbitrator, each of whom shall be a member of the Board of Arbitration who is independent of the Parties. A third Board of Arbitration member, independent of the Parties, shall be selected by mutual agreement of the other two Board of Arbitration members. If the other two Board of Arbitration members fail to reach agreement on such third member within twenty (20) days after their selection, such third member shall thereafter be selected by the AAA upon application made to it for such purpose by any party to the arbitration. The Board of Arbitration shall meet in Wilmington, Delaware, or such other place as a majority of the members of the Board of Arbitration determines more

appropriate, and shall reach and render a decision in writing (which shall state the reasons for its decisions in writing and shall make such decisions entirely on the basis of the substantive law governing the Agreement and which shall be concurred in by a majority of the members of the Board of Arbitration) with respect to the items in dispute. In connection with rendering its decisions, the Board of Arbitration shall adopt and follow the Commercial Rules of Arbitration of the AAA in effect as of the date of the arbitration. To the extent practical, decisions of the Board of Arbitration shall be rendered no more than thirty (30) calendar days following commencement of proceedings with respect thereto. The Board of Arbitration shall cause its written decision to be delivered to Buyer and Seller. Any decision made by the Board of Arbitration (either prior to or after the expiration of such thirty (30) calendar day period) shall be final, binding and conclusive on Buyer and Seller and each party to the arbitration shall be entitled to enforce such decision to the fullest extent permitted by law and entered in any court of competent jurisdiction. The Non-Prevailing Party shall pay all costs and fees of the Board of Arbitration and reasonable attorney fees and other costs of the prevailing party in connection with such dispute.

12.3 Equitable Relief.

Notwithstanding any other provision of this Agreement, any Party shall have the right to seek equitable relief, in a court of competent jurisdiction, to the extent that equitable relief is available to a Party hereto. If a Party chooses to pursue equitable relief, such conduct shall not constitute a waiver of or be deemed inconsistent with the provisions set forth in this Article XII.

ARTICLE XIII
MISCELLANEOUS

13.1 Notices.

All notices and other communications hereunder shall be in writing and shall be either (a) deposited in first class United States mail, certified, with postage prepaid, (b) delivered by messenger, (c) sent by overnight courier, or (d) sent by fully completed and confirmed facsimile transmission (with a written confirmation simultaneously sent in first class United States mail), as follows:

If to Seller:	Copy to:
Swope Community Enterprises 3801 Blue Parkway Kansas City, MO 64130 Attention: Frank Ellis Gary Brown Fax: (816) 922-7611	Willkie Farr & Gallagher LLP 787 Seventh Avenue New York, New York 10019 Attention: William J. Grant, Esq. Fax: (212) 728-8111

If to Buyer:	Copy to:
Centene Corporation 7711 Carondelet, Suite 800 St. Louis, MO 63105 Attention: Michael F. Neidorff Fax: (314) 725-5180	Kirkland & Ellis LLP 200 East Randolph Drive Chicago, IL 60601 Attention: Gerald T. Nowak, Esq. Fax: (312) 861-2200

or such other address or fax number as any party may request by notice given as aforesaid. Notices sent as provided herein shall be deemed given on the date received by the recipient. If a recipient rejects or refuses to accept a notice given pursuant to this Section 13.1, or if a notice is not deliverable because of a changed address or fax number of which no notice was given in accordance with the provisions hereof, such notice shall be deemed to be received two days after such notice was mailed (whether as the actual notice or as the confirmation of a faxed notice) in accordance with the terms hereof. The foregoing shall not preclude the effectiveness of actual written notice given to a party at any address or by any means.

13.2 Waiver.

No waiver by either Buyer or Seller hereto of its rights under any provision of this Agreement shall constitute a waiver of such Party's rights under such provision at any other time or a waiver of such Party's rights under any other provision of this Agreement.

13.3 Counterparts.

This Agreement may be executed in any number of counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

13.4 Delivery by Facsimile.

This Agreement and any signed contract entered into in connection herewith or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine, shall be treated in all manner and respects as an original contract and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such contract, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such contract shall raise the use of a facsimile machine to deliver a signature or the fact that any signature or contract was transmitted or communicated through the use of facsimile machine as a defense to the formation of a contract and each such party forever waives any such defense.

13.5 Headings.

The headings contained in this Agreement have been inserted for convenience of reference only and shall in no way restrict or modify any of the terms or provisions hereof.

13.6 Severability.

If any provision of this Agreement is held by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable, such invalid, illegal or unenforceable provision shall be severed from the remainder of this Agreement, and the remainder of this Agreement shall be enforced. In addition, the invalid, illegal or unenforceable provision shall be deemed to be automatically modified, and, as so modified, to be included in this Agreement, such modification being made to the minimum extent necessary to render the provision valid, legal and enforceable. Notwithstanding the foregoing, if the severed or modified provision concerns all or a portion of the essential consideration to be delivered under this Agreement by one party to the other, the remaining provisions of this Agreement shall also be modified to the extent necessary to adjust equitably the parties' respective rights and obligations hereunder.

13.7 Entire Agreement.

This Agreement and the other agreements, certificates and documents of the Parties contemplated herein constitute the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements or understandings between the Parties, except the Confidentiality Agreement, which will continue in effect until terminated pursuant to the terms set forth therein. The exhibits, schedules and attachments attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions in this Agreement shall control. Each Party is responsible for the accuracy of its respective schedules regardless of any assistance provided by the other party in connection with the preparation of the schedules. This Agreement shall not constitute an agreement or be considered as evidence of an agreement between the parties until executed and delivered by the parties.

13.8 Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the Parties hereto. Notwithstanding the foregoing, this Agreement shall not be assignable by any Party without the prior written consent of the others, and any attempt at an assignment in violation of this Section 13.8 shall be void ab initio. Notwithstanding the foregoing statement, Buyer may assign its rights and obligations hereunder to any one or more of its Subsidiaries. This Agreement shall only be binding on the Parties upon execution and delivery of this Agreement by each of the Parties.

13.9 Governing Law.

This Agreement is to be governed by and interpreted under the laws of the State of Delaware, without resort to choice of law or conflict of law principles which direct the application of the laws of a different state.

13.10 Cost of Transaction.

Whether or not the transactions contemplated hereby are consummated:

13.10.1 Buyer shall pay the fees, expenses, and disbursements of Buyer and its agents, representatives, accountants, and counsel.

13.10.2 Seller shall pay the fees, expenses and disbursements of each of the Companies and Seller and its agents, representatives, accountants and counsel.

13.10.3 Seller shall absorb or pay, as applicable, all costs and expenses (including wages, overhead and professional fees) relating to all notices or other communications to the Medicaid Providers and Medicaid Members required to be sent by Seller or the Companies prior to the Closing in connection with this transaction, except that Buyer shall reimburse Seller for the costs of printing and mailing such notices.

13.10.4 Notwithstanding the foregoing, the filing fee related to any filing made pursuant to the Hart Scott Rodino Act shall be borne by Buyer.

13.11 Further Assurances.

Each party hereto agrees for the benefit of the other Parties hereto to execute and deliver any necessary documents, instruments or agreements, and to take any and all necessary actions, in order to (i) fully vest in Buyer all right, title and interest to the Shares, and (ii) carry out the terms of this Agreement and the transactions contemplated by this Agreement.

13.12 Construction.

Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine, and neuter, and the number of all words herein shall include the singular and plural. All references to section numbers in this Agreement shall be references to sections in this Agreement, unless otherwise specifically indicated. All Parties to this Agreement have been represented by counsel and, accordingly, this Agreement shall not be construed strictly for or against any party hereto. This Agreement shall not be construed more strictly against one party than the other by virtue of the fact that it may have been prepared by counsel for one of the Parties, it being recognized that each party has contributed substantially and materially to the preparation of this Agreement.

13.13 Third Parties.

None of the provisions of this Agreement shall confer rights or benefits as third party beneficiaries or otherwise upon any third party that is not expressly a party to this Agreement including, without limitation, the Medicaid Members, and the provisions of this Agreement shall not be enforceable by any such third party.

13.14 Confidentiality.

The Parties acknowledge and agree that this Agreement is within the scope of the Confidentiality Agreement. Notwithstanding the Confidentiality Agreement, which shall survive the execution of this Agreement, the Parties may disclose any terms or conditions of this Agreement to any third parties to comply with securities laws or HMO or insurance laws, and as needed to meet prudent business requirements of shareholders, investors, bondholders, members and other creditors.

13.15 Rights Cumulative.

Except as set forth herein, all rights, powers and remedies herein given to each Party are cumulative and not alternative, and are in addition to all statutes or rules of law. Any forbearance or delay by such Party in exercising the same shall not be deemed to be a waiver thereof, and the exercise of any right or partial exercise thereof shall not preclude the further exercise thereof, and the same shall continue in full force and effect until specifically waived by an instrument in writing executed by such Party.

13.16 Amendments.

No amendment, modification, termination or waiver of any provision of this Agreement shall be effective unless the same shall be set forth in a writing signed by each Party, and then only to the extent specifically set forth therein.

* * *

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Execution Date.

BUYER:

CENTENE CORPORATION

By: /s/ Michael F. Neidorff

Chairman and CEO

SELLER:

SWOPE COMMUNITY ENTERPRISES

By: /s/ E. Frank Ellis

Chairman and CEO

EXHIBIT 31.1

CERTIFICATION

I, Michael F. Neidorff certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b) [Not applicable];
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 25, 2004

/s/ Michael F. Neidorff

Michael F. Neidorff
Chairman and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Karey L. Witty certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Centene Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules13a-15(e) and 15d-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b. [Not applicable];
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 25, 2004

/s/ Karey L. Witty

Karey L. Witty
Senior Vice President, Chief Financial Officer, Secretary and Treasurer
(principal financial and accounting officer)

EXHIBIT 32.1

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

In connection with the quarterly report on Form 10-Q of Centene Corporation (the "Company") for the period ended September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Michael F. Neidorff, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael F. Neidorff

Michael F. Neidorff
Chairman and Chief Executive Officer
(principal executive officer)

Dated: October 25, 2004

EXHIBIT 32.2

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

In connection with the quarterly report on Form 10-Q of Centene Corporation (the "Company") for the period ended September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Karey L. Witty, Senior Vice President, Chief Executive Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Karey L. Witty

Karey L. Witty
Senior Vice President, Chief Financial Officer, Secretary and Treasurer
(principal financial and accounting officer)

Dated: October 25, 2004