SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2003

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 (State or Other Jurisdiction of Incorporation or Organization)	04-1406317 (I.R.S. Employer Identification Number)
7711 CARONDELET AVENUE, SUITE 800 ST. LOUIS, MISSOURI (Address of principal executive offices)	63105 (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:
[X] Yes [ ] No

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

As of July 18, 2003, the registrant had 16,606,059 shares of common stock outstanding.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30, 2003	DECEMBER 31, 2002
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,422	$ 59,656
Premium and related receivables, net of allowances of $246 and $219, respectively	16,739	16,773
Short-term investments, at fair value (amortized cost $9,396 and $9,687, respectively)	9,405	9,571
Deferred income taxes	1,688	2,846
Other current assets	6,574	4,243
Total current assets	77,828	93,089
Long-term investments, at fair value (amortized cost $94,813 and $78,025, respectively)	96,489	79,666
Restricted deposits, at fair value (amortized cost $19,840 and $15,561, respectively)	20,068	15,762
Property and equipment, net	8,202	6,295
Intangible assets, net	13,039	10,695
Deferred income taxes	726	472
Other assets	4,062	4,348
Total assets	$ 220,414	$ 210,327
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims liabilities	$ 87,101	$ 91,181
Accounts payable and accrued expenses	9,810	10,748
Other current liabilities	30	—
Total current liabilities	96,941	101,929
Other liabilities	5,641	5,334
Total liabilities	102,582	107,263
Minority interest	7	881
Stockholders' equity:		
Common stock, $.001 par value; authorized 40,000,000 shares; 16,606,059 and 16,243,649 shares issued and outstanding, respectively	17	16
Additional paid-in capital	73,026	72,372
Accumulated other comprehensive income:		
Net unrealized gain on investments, net of tax	1,204	1,087
Retained earnings	43,578	28,708
Total stockholders' equity	117,825	102,183
Total liabilities and stockholders' equity	$ 220,414	$ 210,327

The accompanying notes are an integral part of these statements.

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(IN THOUSANDS, EXCEPT SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2003	2002	2003	2002
	(Unaudited)		(Unaudited)	
Revenues:				
Premiums	$ 182,900	$ 107,503	$ 359,112	$ 203,152
Services	3,332	107	4,554	211
Total revenues	186,232	107,610	363,666	203,363
Expenses:				
Medical costs	152,404	88,109	299,311	167,053
Cost of services	2,613	86	3,588	168
General and administrative expenses	20,879	11,697	40,284	22,162
Total operating expenses	175,896	99,892	343,183	189,383
Earnings from operations	10,336	7,718	20,483	13,980
Other income (expense):				
Investment and other income, net	1,257	976	2,231	1,891
Interest expense	(4)	(11)	(31)	(11)
Earnings before income taxes	11,589	8,683	22,683	15,860
Income tax expense	4,462	3,449	8,695	6,327
Minority interest	581	—	881	—
Net earnings	$ 7,708	$ 5,234	$ 14,869	$ 9,533
Earnings per common share, basic:				
Net earnings per common share	$ 0.47	$ 0.34	$ 0.91	$ 0.62
Earnings per common share, diluted:				
Net earnings per common share	$ 0.43	$ 0.30	$ 0.83	$ 0.56
Shares used in computing per share amounts:				
Basic	16,484,945	15,483,915	16,409,291	15,311,427
Diluted	17,803,016	17,319,569	17,829,558	17,152,775

The accompanying notes are an integral part of these statements.

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CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,	
	2003	2002
	(Unaudited)	
Cash flows from operating activities:		
Net earnings	$ 14,869	$ 9,533
Adjustments to reconcile net earnings to net cash provided by operating activities —		
Depreciation and amortization	2,761	975
Stock compensation expense	108	49
Minority interest	(881)	—
Gain on sale of investments	(777)	(307)
Loss on disposal of equipment	44	—
Changes in assets and liabilities —		
Decrease (increase) in premium and related receivables	1,205	(492)
Increase in other current assets	(2,065)	(1,676)
Decrease (increase) in deferred income taxes	836	(555)
Decrease (increase) in other assets	286	(106)
(Decrease) increase in medical claims liabilities	(4,081)	3,992
Decrease in accounts payable and accrued expenses	(3,248)	(2,497)
Increase in other current liabilities	30	—
Increase in other liabilities	308	—
Net cash provided by operating activities	9,395	8,916
Cash flows from investing activities:		
Purchase of property and equipment	(2,561)	(2,431)
Purchase of investments	(103,310)	(87,328)
Sales and maturities of investments	83,196	29,093
Contract acquisitions	(561)	—
Investment in subsidiary	(1,734)	(3,193)
Proceeds from disposal of equipment	11	—
Net cash used in investing activities	(24,959)	(63,859)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	—	10,304
Extinguishment of acquired liabilities	(1,218)	—
Proceeds from exercise of stock options	548	108
Net cash (used in) provided by financing activities	(670)	10,412
Net decrease in cash and cash equivalents	(16,234)	(44,531)
Cash and cash equivalents, beginning of period	59,656	88,867
Cash and cash equivalents, end of period	$ 43,422	$ 44,336
Supplemental disclosures of cash flow information:		
Interest paid	$ 42	$ —
Income taxes paid	$ 8,580	$ 9,282

The accompanying notes are an integral part of these 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 managed care programs and related services to individuals receiving benefits under Medicaid, including Supplemental Security Income (SSI), and the State Children's Health Insurance Program (SCHIP). Centene operates under its own state licenses in Wisconsin, Texas, Indiana and New Jersey. In addition, the Company contracts with other healthcare organizations to provide specialty services including behavioral health, nurse triage and pharmacy compliance.

Centene's managed care organization subsidiaries include Managed Health Services Insurance Corp. (MHSIC), a wholly owned Wisconsin corporation; Superior HealthPlan, Inc, (Superior), a wholly owned Texas corporation; Coordinated Care Corporation Indiana, Inc. (CCCI), a wholly owned Indiana corporation; and University Health Plans, Inc. (UHP), an 80% owned New Jersey corporation.

Centene's other subsidiaries include Centene Management Corporation (CMC), a wholly owned Wisconsin corporation; Bankers Reserve Life Insurance Company of Wisconsin (Bankers Reserve), a wholly owned Wisconsin corporation that the Company purchased in March of 2002; NurseWise, LP (NurseWise), a wholly owned Delaware corporation that was formed in August of 2002; Cenphiny, Inc. (Cenphiny), a wholly owned Delaware corporation that was incorporated in December of 2002; and Group Practice Affiliates, LLC (GPA), a 63.7% owned joint venture, purchased in March of 2003.

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, 2002. Accordingly, footnote disclosures, which would substantially duplicate the disclosures contained in the December 31, 2002 audited financial statements, have been omitted from these interim financial statements. 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.

On May 27, 2003, the Company's Board of Directors declared a three-for-two stock split effected in the form of a 50% stock dividend, payable July 11, 2003 to shareholders of record on June 20, 2003. All share, per share and stockholders equity amounts have been restated to reflect this stock split.

Certain 2002 amounts in the consolidated financial statements have been reclassified to conform to the 2003 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 income and earnings per share if the fair value based method had been applied to all awards.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net earnings, as reported	$ 7,708	$ 5,234	$ 14,869	$ 9,533
Pro forma stock-based employee compensation expense determined under fair value based method, net of related tax effects	614	94	977	135
Pro forma net earnings	$ 7,094	$ 5,140	$ 13,892	$ 9,398
Earnings per common share:				
Basic, as reported	$ 0.47	$ 0.34	$ 0.91	$ 0.62
Basic, pro forma	0.43	0.33	0.85	0.61
Diluted, as reported	$ 0.43	$ 0.30	$ 0.83	$ 0.56
Diluted, pro forma	0.40	0.30	0.78	0.55
Shares used in computing per share amounts:				
Basic	16,484,945	15,483,915	16,409,291	15,311,427
Diluted	17,803,016	17,319,569	17,829,558	17,152,775

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2002, SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002," was issued. As a result of the rescission of SFAS No. 4, gains and losses related to the extinguishment of debt should be classified as extraordinary only if they meet the criteria outlined under APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements," was an amendment to SFAS No. 4 and is no longer necessary. SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers," defined accounting requirements for the effects of the transition to the Motor Carrier Act of 1980. The transitions are complete and SFAS No. 44 is no longer necessary. SFAS No. 145 amends SFAS No. 13, "Accounting for Leases," requiring that any capital lease that is modified resulting in an operating lease should be accounted for under the sale-leaseback provisions of SFAS No. 98 or SFAS No. 28, as applicable. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. The adoption of the provisions of SFAS No. 145 did not have a material impact on the Company's results of operations, financial position or cash flows.

In June 2002, SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued. It requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)," which required that a liability for an exit cost be recognized upon the entity's commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of the provisions of SFAS No. 146 did not have a material impact on the Company's results of operations, financial position or cash flows.

In November 2002, FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others an interpretation of SFAS No. 5, 57, and 107 and rescission of FASB Interpretation No. 34," was issued. FIN 45 clarifies the requirements of SFAS No. 5, "Accounting for Contingencies," relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. The adoption of FIN 45 did not have a significant impact on the net income or equity of the Company. The Company has guaranteed that one of its HMO subsidiaries shall have and maintain capital and surplus at least in the minimum amount required by law. The maximum amount of payments required under this guarantee is based on state requirements, however, the capital of this HMO exceeded the amount required at June 30, 2003. There are no recourse provisions to offset payments made under this guarantee arrangement.

In December 2002, SFAS No. 148, “Accounting for Stock-Based Compensation - Transition and Disclosure,” was issued. This statement amends FASB Statement No. 123, “Accounting for Stock-Based Compensation,” to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 and APB Opinion No. 28, “Interim Financial Reporting,” to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for fiscal years ending after December 15, 2002 and for interim periods beginning after December 15, 2002. The adoption of the provisions of SFAS No. 148 did not have a material impact on the Company’s results of operations, financial position or cash flows.

On January 17, 2003, FIN 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB 51,” was issued. The primary objectives of FIN 46 are to provide guidance on the identification and consolidation of variable interest entities, or VIEs, which are entities for which control is achieved through means other than through voting rights. The company has completed an analysis of FIN 46 and has determined that it does not have any VIEs.

In April 2003, SFAS No.149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities,” was issued. SFAS No. 149 amends and clarifies SFAS No. 133 to improve financial accounting and reporting for derivative instruments and hedging activities. To ensure that contracts with comparable characteristics are accounted for similarly, SFAS No. 149 clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative, clarifies when a derivative contains a financing component and amends the definition of an underlying and certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003, except certain provisions relating to forward purchases and sales of when-issued securities or other securities that do not yet exist should be applied to both existing contracts and new contracts entered into after June 30, 2003. The adoption of SFAS No. 149 is not expected to have a material impact on the Company’s financial statements.

4. EARNINGS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net earnings	$ 7,708	$ 5,234	$ 14,869	$ 9,533
Shares used in computing per share amounts:				
Weighted average number of common shares outstanding	16,484,945	15,483,915	16,409,291	15,311,427
Dilutive effect of stock options (as determined by applying the treasury stock method)	1,318,071	1,835,654	1,420,267	1,841,348
Weighted average number of common shares and potential dilutive common shares outstanding	17,803,016	17,319,569	17,829,558	17,152,775
Earnings per common share, basic:				
Net earnings per common share	$ 0.47	$ 0.34	$ 0.91	$ 0.62
Earnings per common share, diluted:				
Net earnings per common share	$ 0.43	$ 0.30	$ 0.83	$ 0.56

5. JOINT VENTURE - GROUP PRACTICE AFFILIATES

Effective March 1, 2003, Cenphiny, a wholly owned subsidiary of Centene, acquired a 63.7% ownership interest in Group Practice Affiliates, LLC. GPA, an Atlanta, Georgia-based behavioral healthcare services company, serves over 700,000 individuals, including a portion of Centene’s Texas membership, in three states through a combination of networks, groups and schools.

Cenphiny paid approximately $4,300 in cash for its investment in GPA. The cost to acquire the ownership interest has been preliminarily allocated to the assets acquired and liabilities assumed according to estimated fair values and is subject to adjustment when additional information concerning asset and liability valuations are finalized. The preliminary allocation has resulted in goodwill of approximately $1,775. The goodwill is not amortized and is not deductible for tax purposes.

The consolidated financial statements include the results of operations of GPA since March 1, 2003. In accordance with ARB No. 51, “Consolidated Financial Statements,” the minority interests’ share of GPA’s deficit is shown as an additional component of goodwill of $450. In addition, Centene is recognizing 100% of GPA’s earnings or losses subsequent to the date of investment until the historical partners’ equity in GPA becomes positive.

Cenphiny may be required to make an additional investment, which is estimated not to exceed $1,700, by June 2004 based on GPA’s 2003 performance and other factors. Conversely, certain post-closing adjustments based on GPA’s 2003 performance and other factors may result in an increase of Cenphiny’s ownership percentage. After a three-year term of the joint venture, Cenphiny will have the option to acquire any remaining interest in GPA. Similarly, the minority interest partners will have the option to sell any remaining interest in GPA to Cenphiny after the three-year term. Any purchase or sale of the remaining partners’ interests will be equal to the fair market value of the partners’ interests as of the date of the notice.

6. CONTRACT ACQUISITIONS

Effective March 1, 2003, Cenphiny purchased contract and name rights of ScriptAssist, LLC (ScriptAssist), a medication compliance company. Cenphiny is administering the purchased contracts under the ScriptAssist name. ScriptAssist uses various approaches and medical expertise to promote adherence to prescription drugs.

Cenphiny paid approximately $561 in cash in connection with the purchase from ScriptAssist. Cenphiny allocated the entire purchase price of $561 to identifiable intangible assets, representing the value assigned to acquired contracts, which is being amortized on a straight-line basis over a period of five years, the expected period of benefit.

7. 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 maker to evaluate all results of operations.

With the acquisition of 63.7% of GPA and the purchase of ScriptAssist assets on March 1, 2003, Centene began operating 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 services including behavioral health, nurse triage and pharmacy compliance functions.

Revenues and earnings from operations from third parties for the three months and six months ended June 30, 2003, from Centene’s Specialty Services segment represented less than 4.0% of the Company’s consolidated revenues and earnings from operations. As a result, financial information by segment as of and for the three months and six months ended June 30, 2003, has not been presented.

8. COMPREHENSIVE INCOME

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net earnings	$ 7,708	$ 5,234	$14,869	$9,533
Changes in unrealized gains on investments available for sale	100	657	184	144
Tax effect of changes in unrealized gains	(37)	(243)	(67)	(53)
Total comprehensive income	$ 7,771	$ 5,648	$14,986	$9,624

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 appearing elsewhere in this report and in our annual report on Form 10-K for the year ended December 31, 2002. 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 provide managed care programs and related services to individuals receiving benefits under Medicaid, including Supplemental Security Income, or SSI, and the State Children's Health Insurance Program, or SCHIP. We have health plans in Wisconsin, Texas, Indiana and New Jersey. In addition, we contract with other healthcare organizations to provide specialty services including behavioral health, nurse triage and pharmacy compliance.

Effective March 1, 2003, we acquired a 63.7% ownership interest in Group Practice Affiliates, or GPA. GPA, an Atlanta, Georgia-based behavioral healthcare services company, serves over 700,000 individuals in three states through a combination of networks, groups and schools, including a portion of our membership. The joint venture investment is consistent with our strategy to provide diversified medical services to the managed Medicaid population. We paid $4.3 million in cash for our investment in GPA. We may be required to make an additional investment of up to $1.7 million by June 2004 based on GPA's 2003 performance and other factors. Conversely, certain post-closing adjustments based on GPA's 2003 performance and other factors may result in our ownership percentage increasing. After a three-year term of the joint venture, we will have the option to acquire any remaining interest in GPA. Similarly the minority interest partners will have the option to sell any remaining interest in GPA to us after the three-year term. Any purchase or sale of the remaining partners' interests will be made at a price equal to the fair market value of the partners' interests as of the date of the notice.

Also effective March 1, 2003, we purchased contract and name rights of ScriptAssist, a medication compliance company, for $561,000 in cash. 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. As a result of the ScriptAssist transaction, $561,000 was allocated to an intangible asset, purchased contract rights. We are amortizing the contract rights on a straight-line basis over five years, the period expected to be benefited.

On December 1, 2002, we acquired 80% of the outstanding capital stock of University Health Plans, or UHP, from University of Medicine and Dentistry of New Jersey, or UMDNJ, which continues to own the remaining capital stock of UHP. UHP is a managed health plan operating in 15 counties in New Jersey. We paid an aggregate purchase price of $10.6 million for our interest in UHP. In connection with the acquisition, we entered into an investor rights agreement with UMDNJ providing that, among other things:

- We have the right, exercisable at any time prior to September 1, 2003, to purchase the remaining shares of UHP held by UMDNJ for a cash purchase price of $2.6 million.

- If we do not exercise the right described above, the remaining shares of UHP held by UMDNJ will be exchanged on December 1, 2005 for a purchase price payable in either, at our election, shares of our common stock or cash. The purchase price would equal the greater of (a) $2.6 million or (b) the product of (1) the enterprise value of UHP as of December 1, 2005 and (2) the percentage of the outstanding UHP common stock (on a fully diluted basis) then represented by the shares owned by UMDNJ.

In June 2002, Superior HealthPlan entered into an agreement with Texas Universities Health Plan Inc. to purchase the SCHIP contracts in three Texas service areas. Effective September 1, October 1 and November 1, 2002, the state of Texas approved the contract sales between Superior and Texas Universities Health Plan, thereby adding approximately 24,000 members to our Texas health plan. As a result of this transaction, $595,000 was recorded as an intangible asset, purchased contract rights. We are amortizing the contract rights on a straight-line basis over five years, the period expected to be benefited.

In June 2003 we entered into a definitive agreement under which we expect to acquire, in the third quarter of 2003, the Medicaid-related contract rights of HMO Blue Texas in the San Antonio, Texas market for a purchase price of $1.0 million in cash. This acquisition will add 21,000 members to our existing base of 24,000 members in San Antonio.

With our acquisition of 63.7% of GPA and our purchase of ScriptAssist assets, we began operating in two segments: Medicaid Managed Care and Specialty Services. The Medicaid Managed Care segment consists of our health plans, including all of the functions needed to operate them. The Specialty Services segment consists of our specialty services, including our behavioral health, nurse triage and pharmacy compliance functions. Our consolidated financial statements for the three months and six months ended June 30, 2003 are not presented by segment because revenues and earnings from operations from third parties from our Specialty Services segment represented less than 4.0% of consolidated revenues and earnings from operations for each such period.

REVENUES

We generate revenues 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. We generate services revenues, for providing services on a non-risk basis to SSI members through our Medicaid managed care organizations, and for providing behavioral health, nurse triage and pharmacy compliance services to other healthcare entities.

Premiums collected in advance are recorded as unearned premiums. Premiums due to us are recorded as premium and related receivables and are recorded net of an allowance based on historical trends and our management's judgment on 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 driver of our increasing revenues has been membership growth. We have increased our membership through internal growth and acquisitions. From June 30, 2002 to June 30, 2003, we increased our membership by 57%. The following table sets forth our membership by state:

	June 30,	
	2003	2002
Wisconsin	145,600	123,900
Texas	131,400	61,900
Indiana	109,000	92,800
New Jersey	52,700	—
Total	438,700	278,600

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

	June 30,	
	2003	2002
Medicaid (excluding SSI)	361,700	250,800
SCHIP	68,800	25,200
SSI	8,200	2,600
Total	438,700	278,600

Our membership increased by 24,000 members in Texas due to the purchase of SCHIP contract rights from Texas Universities Health Plan in the third and fourth quarters of 2002. In addition, two competing plans exited the Austin, Texas market during 2002. As a result, our Texas plan increased its membership by 28,000 lives. This increase includes 12,000 lives that we are managing for the state of Texas on an interim basis and that will become part of a re-procurement process scheduled for mid-2004. We entered the New Jersey market through our acquisition of 80% of the equity of UHP in December 2002. The remaining membership increases in our Wisconsin, Texas and Indiana markets resulted from additions to our provider network and growth in the number of Medicaid beneficiaries.

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. 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 physician billing patterns, membership, products and inpatient hospital trends. These estimates are adjusted as more information becomes available. We utilize the services of independent actuarial consultants 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 claims 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 June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Medicaid (excluding SSI)	82.4%	82.0%	82.4%	82.2%
SSI	103.3	—	103.7	—
Total	83.3	82.0	83.3	82.2

While our core Medicaid business remained consistent between periods, the addition of the SSI members in New Jersey in December 2002 has caused our heath benefits ratio to increase. The health benefits ratio for SSI is affected by a low membership base, which subjects us to volatility. We expect the health benefits ratio for SSI to decrease as these members become fully integrated into our medical management programs and our membership base grows within the state of New Jersey as well as in new markets.

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 and our centralized functions that support all of our business units. The major centralized functions are claims processing, information systems, finance, medical management support, human resources and administration. Our general and administrative expenses 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 expenses ratios by business segment and in total:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Medicaid Managed Care	10.3%	10.9%	10.4%	11.0%
Specialty Services	32.2	—	30.2	—
Total	11.2	10.9	11.1	11.0

OTHER INCOME (EXPENSE)

Other income (expense) consists principally of investment 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 non-use fees paid to a bank in conjunction with our revolving credit facility.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2003 COMPARED TO SIX MONTHS ENDED JUNE 30, 2002

Revenues

Premiums for the six months ended June 30, 2003 increased $156.0 million, or 76.8%, to $359.1 million from $203.2 million for the comparable period in 2002. This increase was due to organic growth in our existing markets, changes in our member mix by product category, the purchase of the Texas SCHIP contracts and the acquisition of 80% of the outstanding capital stock of UHP. In addition, we received weighted average rate increases effective January 1, 2003 of 1.0% in Indiana and 4.3% in Wisconsin.

Services revenues for the six months ended June 30, 2003 increased $4.3 million to $4.6 million from $211,000 for the comparable period in 2002. This increase resulted from increases in our non-risk SSI membership in our Texas market and services revenues of GPA since March 1, 2003.

Operating Expenses

Medical costs for the six months ended June 30, 2003 increased $132.3 million, or 79.2%, to $299.3 million from $167.1 million for the comparable period in 2002. This increase primarily reflected the growth in our membership as described above.

Cost of services for the six months ended June 30, 2003 increased $3.4 million to $3.6 million from $168,000 for the comparable period in 2002. This increase was due primarily to the inclusion of direct costs related to the services revenues of GPA since March 1, 2003.

General and administrative expenses for the six months ended June 30, 2003 increased $18.1 million, or 81.8%, to $40.3 million from $22.2 million for the comparable period in 2002. This increase reflected a higher level of wages and related expenses for additional staff to support our membership growth and expanding markets.

Other Income (Expense)

Other income (expense) for the six months ended June 30, 2003 increased $320,000, or 17.0%, to $2.2 million from $1.9 million for the comparable period in 2002. This increase was due to a larger amount of dollars invested.

Income Tax Expense

For the six months ended June 30, 2003, we recorded income tax expense of $8.7 million based on a 38.3% effective tax rate. For the six months ended June 30, 2002, we recorded income tax expense of $6.3 million based on an effective tax rate of 39.9%. Our effective tax rate decreased period over period due to our investment in tax-advantaged securities and our implementation of state tax savings strategies.

THREE MONTHS ENDED JUNE 30, 2003 COMPARED TO THREE MONTHS ENDED JUNE 30, 2002

Revenues

Premiums for the three months ended June 30, 2003 increased $75.4 million, or 70.1%, to $182.9 million from $107.5 million for the comparable period in 2002. This increase was due to organic growth in our existing markets, changes in our member mix by product category, the purchase of the Texas SCHIP contracts and the acquisition of 80% of the outstanding capital stock of UHP. In addition, we received weighted average rate increases effective January 1, 2003, of 1.0% in Indiana and 4.3% in Wisconsin.

Services revenues for the three months ended June 30, 2003 increased $3.2 million to $3.3 million from $107,000 for the comparable period in 2002. This increase resulted from increases in our non-risk SSI membership in our Texas market and a full quarter of services revenues of GPA, which we acquired March 1, 2003.

Operating Expenses

Medical costs for the three months ended June 30, 2003 increased $64.3 million, or 73.0%, to $152.4 million from $88.1 million for the comparable period in 2002. This increase primarily reflected the growth in our membership as described above.

Cost of services for the three months ended June 30, 2003 increased $2.5 million to $2.6 million from $86,000 for the comparable period in 2002. This increase was due primarily to the inclusion of direct costs related to the services revenue of GPA.

General and administrative expenses for the three months ended June 30, 2003 increased $9.2 million, or 78.5%, to $20.9 million from $11.7 million for the comparable period in 2002. This increase reflected a higher level of wages and related expenses for additional staff to support our membership growth and expanding markets.

Other Income (Expense)

Other income (expense) for the three months ended June 30, 2003 increased $288,000, or 29.8%, to $1.3 million from $965,000 for the comparable period in 2002. This increase was due to a larger amount of dollars invested.

Income Tax Expense

For the three months ended June 30, 2003, we recorded income tax expense of $4.5 million based on a 38.5% effective tax rate. For the three months ended June 30, 2002, we recorded income tax expense of $3.4 million based on an effective tax rate of 39.7%. Our effective tax rate decreased period over period due to our investment in tax-advantaged securities and our implementation of state tax savings strategies.

LIQUIDITY AND CAPITAL RESOURCES

Our operating activities provided cash of $9.4 million for the six months ended June 30, 2003 compared to $8.9 million for the six months ended June 30, 2002. This increase was due to continued profitability and an increase in membership, partially offset by a decrease in medical claims liabilities and payment of accrued income taxes.

Our investing activities used cash of $25.0 million for the six months ended June 30, 2003 and $63.9 million for the comparable period in 2002. 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 June 30, 2003, our investment portfolio consisted primarily of fixed-income securities with an average duration of 3.2 years. Cash is invested in investment vehicles such as municipal bonds, commercial paper, and instruments of U.S. government-backed agencies and the U.S. Treasury. The states in which we operate prescribe the types of instruments in which our subsidiaries may invest their cash. The average annualized portfolio yield was 5.5% for the six months ended June 30, 2003 and 6.9% for the year ended December 31, 2002 (exclusive of a one-time dividend of $5.1 million from a captive insurance company in which we maintained an investment). Our yield decreased due to our investment in tax-advantaged securities in the first quarter of 2003 and the third and fourth quarters of 2002, as well as a decrease in the overall interest rate environment.

Our financing activities used cash of $670,000 for the six months ended June 30, 2003 and provided cash of $10.4 million for the six months ended June 30, 2002. The use of cash for the six months ended June 30, 2003 was due to the elimination of liabilities acquired as part of the GPA acquisition, partially offset by proceeds from the exercise of stock options. Cash provided by financing activities for the six months ended June 30, 2002 was primarily due to the proceeds from the issuance of common stock through a follow-on public offering completed in May 2002.

On July 22, 2003 we filed a registration statement with the SEC under which we propose to offer to the public 3,000,000 shares of common stock. If this offering is completed, we intend to use our net proceeds for working capital and other general corporate purposes, which may include acquisitions of businesses, assets and technologies that are complementary to our business. We may use proceeds to acquire Medicaid and SCHIP businesses, specialty services businesses and contract rights in order to increase our membership and to expand our business into new service areas. For example, we have three pending matters for which we may use a portion of the net proceeds:

- In June 2003 we entered into a definitive agreement under which we expect to acquire, in the third quarter of 2003, the Medicaid-related contract rights of HMO Blue Texas in the San Antonio, Texas market for a purchase price of $1.0 million in cash.

- We are party to a non-binding letter of intent that would expand our programs into a new state for a proposed purchase price of less than $7 million in cash. This proposed acquisition is in an early stage of diligence and negotiation, and there can be no assurance that the acquisition will be completed.

- We may elect, at any time prior to September 1, 2003, to purchase those shares of University Health Plans that we do not currently own, for a cash purchase price of $2.6 million.

Although we have evaluated other possible acquisitions from time to time, we currently have no other commitments or agreements to make any acquisitions, and we cannot assure you that we will make any other acquisitions in the future. We also apply proceeds to fund working capital to:

- increase market penetration within our current service areas;

- pursue opportunities for the development of new markets;

- expand services and products available to our members; and

- strengthen our capital base by increasing the statutory capital of our health plan subsidiaries.

We have not determined the amount of net proceeds, if any, to be used specifically for the foregoing purposes. As a result, our management will have broad discretion to allocate any net proceeds of the public offering. Alternatively, we may choose to use existing funds for some or all of the foregoing purposes. For example, effective March 1, 2003, we acquired a 63.7% interest in GPA for $4.3 million and purchased assets of ScriptAssist for $561,000. Pending application of any such net proceeds, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing instruments, repurchase agreements and high-grade corporate notes.

Our capital expenditures consist primarily of new software, software and hardware upgrades, and furniture, equipment and leasehold improvements related to office and market expansions. We purchased $2.6 million of capital assets during the six months ended June 30, 2003, and we anticipate spending $5.1 million for additional capital expenditures during the remainder of 2003 on office and market expansions and system upgrades.

In July 2003, we purchased the building in which our corporate headquarters in Saint Louis, Missouri are located for an aggregate purchase price of $12.5 million. We paid the purchase price in cash, and we currently are negotiating with a bank to borrow $8.0 million under a non-recourse mortgage loan arrangement to replenish a portion of the cash purchase price.

Our principal contractual obligations at June 30, 2003 consisted of obligations under operating leases and estimated mortgage obligations for our corporate headquarters purchase. The significant non-cancelable lease and mortgage payments over the next five years and beyond are as follows (in thousands):

	Payments Due
July 1 through December 31, 2003	$ 2,774
2004	5,309
2005	4,707
2006	4,102
2007	3,520
Thereafter	14,166
Total	$ 34,578

Effective May 1, 2003, we extended our $25 million revolving line of credit facility with LaSalle Bank N.A. until May 2004. The facility has interest rates based on LaSalle's prime rate and LIBOR. We have granted a security interest in the common stock of our subsidiaries. The facility includes financial covenants, including requirements of minimum EBITDA and minimum tangible net worth. We are required to obtain LaSalle's consent to any proposed acquisition that would result in a violation of any of the covenants contained in the facility. As of June 30, 2003, we were in compliance with all covenants and no funds had been drawn on the facility.

At June 30, 2003, we had working capital, defined as current assets less current liabilities, of $(19.1) million as compared to $(8.8) million at December 31, 2002. Our working capital is often minimal and 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 working capital as needed.

Cash, cash equivalents and short-term investments were $52.8 million at June 30, 2003 and $69.2 million at December 31, 2002. Long-term investments were $116.6 million at June 30, 2003 and $95.4 million at December 31, 2002, including restricted deposits of $20.1 million at June 30, 2003 and $15.8 million at December 31, 2002. Cash and investments held by our unregulated entities totaled $41.5 million at June 30, 2003. Based on our operating plan, we expect that our available cash, cash equivalents and investments, cash from our operations and cash available under our credit facility will be sufficient to finance our operations and capital expenditures for at least 12 months from the date of this report.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

Our operations are conducted through our subsidiaries. As managed care organizations, our subsidiaries are subject to state regulations that, among other things, may 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 June 30, 2003, our subsidiaries had aggregate statutory capital and surplus of $50.2 million, compared with the required minimum aggregate statutory capital and surplus requirements of $25.8 million.

The National Association of Insurance Commissioners adopted guidelines which set minimum risk-based capital requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. Wisconsin and Texas adopted various forms of the rules as of December 31, 1999. As of December 31, 2002, our Wisconsin and Texas 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. The managed care organization rules, if adopted by New Jersey, may increase the minimum capital required for our health plans in New Jersey. We continue to monitor these 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.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2002, SFAS No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002,” was issued. As a result of the rescission of SFAS No. 4, gains and losses related to the extinguishment of debt should be classified as extraordinary only if they meet the criteria outlined under APB Opinion No. 30, “Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.” SFAS No. 64, “Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements,” was an amendment to SFAS No. 4 and is no longer necessary. SFAS No. 44, “Accounting for Intangible Assets of Motor Carriers,” defined accounting requirements for the effects of the transition to the Motor Carrier Act of 1980. The transitions are complete and SFAS No. 44 is no longer necessary. SFAS No. 145 amends SFAS No. 13, “Accounting for Leases,” requiring that any capital lease that is modified resulting in an operating lease should be accounted for under the sale-leaseback provisions of SFAS No. 98 or SFAS No. 28, as applicable. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. The adoption of the provisions of SFAS No. 145 did not have a material impact on our results of operations, financial position or cash flows.

In June 2002, SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities,” was issued. It requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement nullifies Emerging Issues Task Force Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring),” which required that a liability for an exit cost be recognized upon the entity’s commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of the provisions of SFAS No. 146 did not have a material impact on our results of operations, financial position or cash flows.

In November 2002, FIN No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others an interpretation of SFAS No. 5, 57, and 107 and rescission of FASB Interpretation No. 34,” was issued. FIN 45 clarifies the requirements of SFAS No. 5, “Accounting for Contingencies,” relating to a guarantor’s accounting for, and disclosure of, the issuance of certain types of guarantees. The adoption of FIN 45 did not have a significant impact on our net income or equity. We have guaranteed that one of our HMO subsidiaries shall have and maintain capital and surplus at least in the minimum amount required by law. The maximum amount of payments required under this guarantee is based on state requirements, however, the capital of this HMO exceeded the amount required at June 30, 2003. There are no recourse provisions to offset payments made under this guarantee arrangement.

In December 2002, SFAS No. 148, “Accounting for Stock-Based Compensation - Transition and Disclosure,” was issued. This statement amends FASB Statement No. 123, “Accounting for Stock-Based Compensation,” to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 and APB Opinion No. 28, “Interim Financial Reporting,” to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for fiscal years ending after December 15, 2002 and for interim periods beginning after December 15, 2002. The adoption of the provisions of SFAS No.

148 did not have a material impact on our results of operations, financial position or cash flows.

On January 17, 2003, FIN 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB 51,” was issued. The primary objectives of FIN 46 are to provide guidance on the identification and consolidation of variable interest entities, which are entities for which control is achieved through means other than through voting rights. Our management has completed an analysis of FIN 46 and has determined that we do not have any variable interest entities.

In April 2003, SFAS No.149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities,” was issued. SFAS No. 149 amends and clarifies SFAS No. 133 to improve financial accounting and reporting for derivative instruments and hedging activities. To ensure that contracts with comparable characteristics are accounted for similarly, SFAS No. 149 clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative, clarifies when a derivative contains a financing component and amends the definition of an underlying and certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003, except certain provisions relating to forward purchases and sales of when-issued securities or other securities that do not yet exist should be applied to both existing contracts and new contracts entered into after June 30, 2003. We do not expect that adoption of SFAS No. 149 will have a material impact on our financial statements.

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 report, including our consolidated financial statements and related notes. The risks and uncertainties described below are those that we currently believe may materially affect our company. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial also may become important factors that affect our company.

RISKS RELATED TO BEING A REGULATED ENTITY

Reductions in Medicaid and SCHIP Funding Could Substantially Reduce Our Profitability.

Nearly all of our revenues come from Medicaid and SCHIP 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 and SCHIP premium rates may be affected by continued government efforts to contain medical costs and may further be affected by state and federal budgetary constraints. Changes to Medicaid and SCHIP 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 and SCHIP. We believe that reductions in Medicaid and SCHIP 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 Medicaid, including 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 August 31, 2003 and June 30, 2004. Our contracts with the states of Indiana and Wisconsin accounted for 73% of our revenues for the year ended December 31, 2002. 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 premium 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 Patients' Bills of Rights. We cannot predict the impact of this legislation, if adopted, on our business.

Regulations May Decrease the Profitability of Our Health Plans.

Our Texas plans are required to pay a rebate to the state in the event profits exceed established levels. Similarly, our New Jersey plans are required to pay a rebate to the state in the event their health benefits ratio is less than 80%. To date we have not been required to pay any rebate under either the Texas or New Jersey regulations. 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 Texas and New Jersey 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, the federal Centers for Medicare and Medicaid Services, or CMS, published a final rule that removed an exception 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 percent of a reasonable estimate of the amount that would be paid for the services furnished by these hospitals under Medicaid payment principles. This development in federal law could decrease 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 impact 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 would 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 August 17, 2000, the United States Department of Health and Human Services, or HHS, issued a new regulation under HIPAA requiring the use of uniform electronic data transmission standards for healthcare claims and payment transactions submitted or received electronically. We are required to comply with the new regulation by October 2003. In December 2000, HHS issued a new regulation mandating heightened privacy and confidentiality protections under HIPAA that became effective on April 14, 2001 and for which compliance was required by April 14, 2003. We are taking steps to enhance the privacy initiatives of GPA, which we acquired in March 2003, in order for these initiatives to be consistent with the privacy initiatives implemented in our other operations. On February 20, 2003 HHS published the final HIPAA 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 are not expected to exceed $500,000 in 2003. 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 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 Federal Funding Mechanisms May Reduce Our Profitability.

In February 2003, 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 combined Medicaid-SCHIP "allotments" for acute and long-term health care 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 the initial proposal. 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.

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

SCHIP is a relatively new 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 customers. If premiums do not increase when expenses related to medical services rise, our earnings would 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 83.3% for the six months ended June 30, 2003, 82.3% for 2002, 82.8% for 2001 and 84.3% for 2000, 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. For example, our acquisition of 80% of the equity of University Health Plans, or UHP, on December 1, 2002, accounted for 30.3% of the increase in our membership for the year ended December 31, 2002 compared to 2001. 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, which 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 Medicaid Managed Care Programs are Unwilling to Purchase Specialty Services From Us, We May Be Unable to Successfully Implement Our Strategy of Diversifying Our Business Lines.

We are seeking to diversify, broaden 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. Effective March 1, 2003, for example, we acquired a 63.7% interest in GPA, a behavioral health services company, and purchased contract and name rights of ScriptAssist, a medication compliance company. In order to diversify our business, we must succeed in selling the services of GPA, ScriptAssist and any other 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 Medicaid 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. In addition, we may not be able to effectively commercialize any new programs or services we seek to market to third parties. 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 All of Our Premium Revenues from Operations in Four 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 Wisconsin, Texas, Indiana and New Jersey account for all of our premium revenues. 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 would decrease materially. For example, in the first half of 2001, our membership in Indiana declined by approximately 46,000 due to a subcontracting provider organization terminating a percent-of-premium arrangement. 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 industries. 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 Medicaid managed care 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 mission 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 industry with the breadth of skills and experience required to operate and expand successfully 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.

Recently, 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.

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 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 business 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 and 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 June 30, 2003, we had short-term investments of $9.4 million and long-term investments of $116.6 million, including restricted deposits of $20.1 million. The short-term investments consisted of highly liquid securities with maturities between three and twelve months. The long-term investments consisted of municipal bonds and instruments of U.S. government-backed agencies and the U.S. Treasury, and had original maturities greater than one year. Restricted deposits consisted of investments required by various state statutes to be deposited or pledged to state agencies. These investments are classified as long-term regardless of the contractual maturity date due to the nature of the states' requirements. These investments are subject to interest rate risk and will decrease in value if market rates increase. We have the ability to hold the short-term investments to maturity, and as a result, we would not expect the value of these investments to decline significantly as a result of a sudden change in market interest rates. Assuming a hypothetical and immediate 1% increase in market interest rates at June 30, 2003, the fair value of our fixed income investments would have decreased by $2.9 million. Similarly, a 1% decrease in market interest rates at June 30, 2003 would have resulted in an increase of the fair value of our investments of $2.9 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 2003. We incurred implementation cost of $179,000 in the six months ended June 30, 2003. 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.

Evaluation of disclosure controls and procedures. Based on their evaluations as of a date within 90 days of the filing date of this report, our principal executive officer and principal financial officer, with the participation of our full management team, have concluded that our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act) are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Changes in internal controls. There were no significant changes in our internal controls or in other factors that could significantly affect these internal controls subsequent to the date of their most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Aurora Health Care, Inc., or Aurora, provides medical professional services to our Wisconsin health plan subsidiary, Managed Health Services, or MHS. In May 2003 Aurora filed a lawsuit against MHS in the Milwaukee County Circuit Court disputing MHS's interpretation of its contract with Aurora and claiming that, as a result of such interpretation, MHS had failed to adequately reimburse Aurora for services rendered to MHS's Medicaid members during the period from 1998 to 2003. The claim seeks damages totaling $7.9 million. MHS disputes the claim, has filed an answer and discovery requests against Aurora, and plans to vigorously defend against the matter. While the case is in the early stages of litigation, we do not expect the matter will have a material effect on our business or financial position.

In addition, we may become subject to legal proceedings in the normal course of our business. We are not currently subject to any legal proceedings that will materially affect our business or results of operations.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

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

We held our annual meeting of stockholders on May 6, 2003. At the meeting, Edward L. Cahill and Robert K. Ditmore were reelected as Class II Directors, while David L. Steward was elected as a new Class II Director. The votes with respect to each nominee (without giving effect to the three-for-two split of our common stock effected as a common stock dividend paid as of July 11, 2003) are set forth below:

	Total Vote for Each Director	Total Vote Withheld From Each Director
Mr. Cahill	8,138,263	726,170
Mr. Ditmore	8,137,763	726,670
Mr. Steward	8,280,876	583,557

Additional directors of the company whose terms of office continued after the meeting are Samuel E. Bradt, Michael F. Neidorff, Claire W. Johnson and Richard P. Wiederhold.

At the meeting, our stockholders approved our 2003 Stock Incentive Plan by a vote of 6,614,776 shares for, 1,285,263 shares against and 964,384 shares abstaining and approved our Short-Term Executive Compensation Plan by a vote of 7,767,048 shares for, 932,435 shares against and 164,950 shares abstaining.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
10.1	First Amendment dated as of May 1, 2003 to Loan Agreement by and between LaSalle Bank National Association and Centene Corporation
10.2	Agreement of Purchase and Sale dated as of April 24, 2003 by and between The Realty Associates Fund IV, L.P., as seller, and Centene Management Corporation, as purchaser
31.1	Certification of President and Chief Executive Officer pursuant to Rule 139-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Senior Vice President, Chief Financial Officer and Treasurer pursuant to Rule 139-14(a) under the Securities Exchange Act of 1934, as amended.
32.1	Certification of President 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 and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

On May 1, 2003, we filed a current report on Form 8-K announcing our operating results for the quarter ended March 31, 2003.

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 July 28, 2003.

CENTENE CORPORATION

By: /s/ Michael F. Neidorff

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

By: /s/ Karey L. Witty

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

EXHIBIT 10.1

FIRST AMENDMENT
(DATED JUNE 30, 2003 AND EFFECTIVE MAY 1, 2003)
TO
LOAN AGREEMENT
(THAT WAS EFFECTIVE MAY 1, 2002)
BY AND BETWEEN
LASALLE BANK NATIONAL ASSOCIATION,
AS LENDER,
AND
CENTENE CORPORATION,
AS BORROWER

In consideration of their mutual agreements herein and for other sufficient consideration, the receipt of which is hereby acknowledged, CENTENE CORPORATION, a Delaware corporation (Borrower) and LASALLE BANK NATIONAL ASSOCIATION (Lender) agree as follows:

1. DEFINITIONS; SECTION REFERENCES. The term Original Loan Agreement means the Loan Agreement dated as of May 1, 2002 between Borrower and Lender. The term this Amendment means this First Amendment. The term Loan Agreement means the Original Loan Agreement as amended by this Amendment. Capitalized terms used and not otherwise defined herein have the meanings defined in the Loan Agreement. Section and Exhibit references are to sections of, and exhibits to, respectively, the Original Loan Agreement unless otherwise specified.

2. CONDITIONS TO EFFECTIVENESS OF THIS AMENDMENT. This Amendment is effective as of May 1, 2003, but only if the following conditions have been satisfied on or before June 30, 2003:

2.1. This Amendment has been executed by Borrower and Lender.

2.2. That certain Stock Pledge Agreement regarding Borrower's capital stock of Cenphiny, Inc. and Centene Finance Corporation dated as of even date herewith has been executed by Borrower (and original stock certificates representing 100% of the capital stock of each of them, together with stock powers duly executed in blank, have been delivered to Lender).

2.3. Borrower has delivered to Lender certificates of good standing for the following Persons, issued by the Secretary of State of the following states:

2.3.1. Borrower (Delaware and Missouri).

2.3.2. Centene Management Corporation (Wisconsin).

2.3.3. Centene Corporation of Texas (Texas).

2.3.4. Managed Health Services Insurance Corp. (Wisconsin).

2.3.5. Superior HealthPlan, Inc. (Texas).

2.3.6. Coordinated Care Corporation Indiana, Inc. (Indiana).

2.3.7. Managed Health Services Illinois, Inc. (Illinois).

2.3.8. MHS Consulting Corporation (Wisconsin).

2.3.9. MHS Behavioral Health of Texas, Inc. (Texas).

2.3.10. Bankers Reserve Life Insurance Company of Wisconsin (Wisconsin).

2.3.11. University Health Plans, Inc. (New Jersey).

2.3.12. Cenphiny, Inc. (Delaware).

2.3.13. Centene Finance Corporation (Delaware).

2.4. Borrower has delivered to Lender a Certificate of the Secretary of Borrower certifying (i) that the Charter Documents of Borrower and each Subsidiary of Borrower previously certified to Lender in connection with the execution of the Original Loan Agreement have not been amended, (ii) that resolutions adopted by the Board of Directors of Borrower, as applicable, authorizing the execution, delivery and performance of this Amendment and the documents described herein by Borrower and the performance of this Amendment and the transactions described herein by Borrower are attached to such certificate and remain in full force and effect, and (iii) the names, titles, and true signatures of the incumbent corporate officers who are authorized to sign this Amendment or attest signatures or seals on this

Amendment on behalf of Borrower.

2.5. Certificate of Incorporation for University Health Plans, Inc., certified by the New Jersey Secretary of State.

2.6. Certificate of Incorporation for Cenphiny, Inc., certified by the Delaware Secretary of State.

2.7. Certificate of Incorporation for Centene Finance Corporation, certified by the Delaware Secretary of State.

2.8. An opinion of Borrower's counsel in form and substance satisfactory to Lender.

3. AMENDMENTS TO ORIGINAL LOAN AGREEMENT. The Original Loan Agreement is hereby amended as follows:

3.1. COVERED PERSONS. Section 2.3 is amended by deleting the text thereof in its entirety and replacing it with the following: "The words Covered Person, a Covered Person, any Covered Person, each Covered Person and every Covered Person refer to Borrower and each of its Subsidiaries separately, including Centene Management Corporation, a Wisconsin corporation, 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, MHS Behavioral Health of Texas, Inc., a Texas corporation, Bankers Reserve Life Insurance Company of Wisconsin, a Wisconsin insurance company, University Health Plans, Inc., a New Jersey corporation, Cenphiny, Inc., a Delaware corporation, and Centene Finance Corporation, a Delaware corporation. The words Covered Persons refer to Borrower and its Subsidiaries, including each of the Persons specifically mentioned in the prior sentence, collectively."

3.2. MATURITY DATE. Section 6.1 is amended by replacing the date "May 1, 2003" with the date "May 1, 2004".

3.3. SECURITY. Section 10 is amended by inserting the following sentence after the first sentence: "The requirements of the preceding sentence regarding the delivery to Lender of original stock certificates and stock powers will not apply to Subsidiaries of Borrower which are not direct Subsidiaries of Borrower unless Lender expressly requests in writing the delivery of such stock certificates and stock powers."

3.4. SUBSIDIARIES. Section 12.12 is amended by inserting the following after the words "Disclosure Schedule": "or otherwise disclosed to Lender in writing".

3.5. PERMITTED ACQUISITIONS--PRO FORMA FINANCIAL INFORMATION. Section 14.6.2 is amended by inserting the following sentence at the end thereof: "The requirements of this Section 14.6.2 will not apply to an Acquisition if the total consideration paid (including the fair market value of any property conveyed and including deferred consideration) by a Covered Person in such Acquisition (i) does not exceed $2,000,000 and (ii) will not cause the total consideration paid (including the fair market value of any property conveyed and including deferred consideration) in all Acquisitions by all Covered Persons in such fiscal year to exceed $10,000,000 in the aggregate."

3.6. PERMITTED ACQUISITIONS--PLEDGE OF EQUITY INTERESTS. Section 14.6.4 is amended by inserting the following sentence at the end thereof: "The preceding sentence will not apply to the stock, membership interests, or other equity Interests of a Person which is not a direct Subsidiary of Borrower unless Lender expressly requests such a pledge in writing."

3.7. PERMITTED ACQUISITIONS--DUE DILIGENCE MATERIALS. Section 14.6.5 is amended by inserting the following sentence at the end thereof: "The requirements of this Section 14.6.5 will not apply to an Acquisition to which the requirements of Section 14.6.2 do not apply."

3.8. NEW SUBSIDIARIES. Section 14.14 is deleted in its entirety and replaced with the following:

14.14. NEW SUBSIDIARIES. Acquire any Subsidiary other than as part of a Permitted Acquisition, or organize or create any Subsidiary unless, in any case, contemporaneously with the acquisition, organization, or creation of such Subsidiary, (i) if such Subsidiary is a direct Subsidiary of Borrower or if

Lender so requests in writing, the applicable Covered Person executes and delivers to Lender a pledge of 100% of such Subsidiary's capital stock, membership interests, or other equity interests owned by such Covered Person on terms satisfactory to Lender, (ii) such Subsidiary becomes (and agrees in writing that it is) a Covered Person under this Agreement, and (iii) 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.

4. REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants to Lender as of the date hereof that (i) this Amendment and each and every other document and instrument delivered by Borrower in connection with this Amendment (each, an Amendment Document and, collectively, the Amendment Documents) has been duly authorized by its Board of Directors, (ii) no consents are necessary from any third Person for its execution, delivery or performance of the Amendment Documents to which it is a party which have not been obtained and a copy thereof delivered to Lender, (iii) each of the Amendment Documents to which it is a party constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except to the extent that the enforceability thereof against it may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally or by equitable principles of general application (whether

considered in an action at law or in equity), (iv) all of the representations and warranties contained in Section 12, as amended by this Amendment, are true and correct in all material respects with the same force and effect as if made on and as of the date of this Amendment, except that with respect to the representations and warranties made regarding financial data, such representations and warranties are hereby made with respect to the most recent Financial Statements and other financial data (in the form required by the Original Loan Agreement) delivered by it to Lender, and (v) there exists no Default or Event of Default under the Original Loan Agreement.

5. EFFECT OF AMENDMENT. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Lender under the Original Loan Agreement or any of the other Loan Documents, nor constitute a waiver of any provision of the Original Loan Agreement or any of the other Loan Documents or any Existing Default or Event of Default, nor act as a release or subordination of the Security Interests of Lender under the Security Documents. Each reference in the Original Loan Agreement to the Agreement, hereunder, hereof, herein, or words of like import, shall be read as referring to the Original Loan Agreement as amended hereby. Each reference in the other Loan Documents to the Loan Agreement shall be read as referring to the Original Loan Agreement, as amended hereby.

6. REAFFIRMATION. Borrower hereby acknowledges and confirms that (i) except as expressly amended hereby, the Original Loan Agreement and other Loan Documents remain in full force and effect, (ii) the Loan Agreement, as amended hereby, is in full force and effect, (iii) it has no defenses to its obligations under the Loan Agreement or any of the other Loan Documents to which it is a party, (iv) the Security Interests of Lender under the Security Documents continue in full force and effect and have the same priority as before this Amendment, and (v) it has no claim against Lender arising from or in connection with the Loan Agreement or the other Loan Documents.

7. COUNTERPARTS. This Amendment may be executed by the parties hereto on any number of separate counterparts, each of which shall be deemed an original, but all of which counterparts taken together shall constitute one and the same instrument. It shall not be necessary in making proof of this Amendment to produce or account for more than one counterpart signed by the party to be charged.

8. COUNTERPART FACSIMILE EXECUTION. This Amendment, or a signature page thereto intended to be attached to a copy of this Amendment, signed and transmitted by facsimile machine or telecopier shall be deemed and treated as an original document. The signature of any Person thereon, for purposes hereof, is to be considered as an original signature, and the document transmitted is to be considered to have the same binding effect as an original signature on an original document. At the request of any party hereto, any facsimile or telecopy document is to be re-executed in original form by the Persons who executed the facsimile or telecopy document. No party hereto may raise the use of a facsimile machine or telecopier or the fact that any signature was transmitted through the use of a facsimile or telecopier machine as a defense to the enforcement of this Amendment.

9. GOVERNING LAW. This Amendment and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the internal laws of the State of Illinois applicable to contracts made and to be performed wholly within such state, without regard to

choice or conflict of laws provisions.

10. SECTION TITLES. The section titles in this Amendment are for convenience of reference only and shall not be construed so as to modify any provisions of this Amendment.

11. INCORPORATION BY REFERENCE. Lender and Borrower hereby agree that all of the terms of the Loan Documents are incorporated in and made a part of this Amendment by this reference.

12. STATUTORY NOTICE - ORAL COMMITMENTS. Nothing contained in such notice shall be deemed to limit or modify the terms of the Loan Documents or this Amendment:

> 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 YOU (BORROWER) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE 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.

BORROWER ACKNOWLEDGES THAT THERE ARE NO OTHER AGREEMENTS BETWEEN LENDER AND BORROWER, ORAL OR WRITTEN, CONCERNING THE SUBJECT MATTER OF THE LOAN DOCUMENTS, AND THAT ALL PRIOR AGREEMENTS CONCERNING THE SAME SUBJECT MATTER, INCLUDING ANY PROPOSAL, TERM SHEET OR LETTER, ARE MERGED INTO THE LOAN DOCUMENTS AND THEREBY EXTINGUISHED.

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IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by appropriate duly authorized officers as of the date first above written.

BORROWER:

CENTENE CORPORATION

By:______________________________
Name:____________________________
Title:___________________________

LENDER:

LASALLE BANK NATIONAL ASSOCIATION

By:______________________________
Name:____________________________
Title:___________________________

EXHIBIT 10.2

==

AGREEMENT OF PURCHASE AND SALE

BY AND BETWEEN

THE REALTY ASSOCIATES FUND VI, L.P.,

AS SELLER,

AND

CENTENE MANAGEMENT CORPORATION,

AS PURCHASER

Date: April 24, 2003

Property: 7711 Carondelet Avenue
Clayton, Missouri

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AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT OF PURCHASE AND SALE (this "AGREEMENT") is made and entered into as of this 24th day of April, 2003 (the "EFFECTIVE DATE") by and between THE REALTY ASSOCIATES FUND VI, L.P., a Delaware limited partnership ("SELLER"), whose principal place of business is located at c/o TA Associates Realty, 28 State Street, 10th Floor, Boston, Massachusetts 02109, and CENTENE MANAGEMENT CORPORATION, a Wisconsin corporation, or its permitted assigns ("PURCHASER"), whose principal place of business is located at 7711 Carondelet Avenue, Suite 800, St. Louis, Missouri 63105.

In consideration of the mutual promises, covenants and agreements hereinafter set forth and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser agree as follows:

ARTICLE I.

SALE OF PROPERTY

1.1. SALE OF PROPERTY. Seller hereby agrees to sell, assign and convey to Purchaser and Purchaser agrees to purchase from Seller, all of Seller's right, title and interest in and to, the following:

1.1.1 LAND AND IMPROVEMENTS. Those certain parcels of real property, more particularly described, on Exhibit A attached hereto and incorporated herein by reference thereto (the "LAND"), together with all improvements located thereon (the "IMPROVEMENTS").

1.1.2 REAL PROPERTY. All rights, privileges and easements appurtenant to Seller's interest in the Land and the Improvements, if any, including, without limitation, all of Seller's right, title and interest, if any, in and to all mineral and water rights and all easements, licenses, covenants and other rights-of-way or other appurtenances used in connection with the beneficial use and enjoyment of the Land and the Improvements (the Land, the Improvements and all such easements and appurtenances are sometimes collectively referred to herein as the "REAL PROPERTY").

1.1.3 LEASES. All leases, subleases, licenses and other occupancy agreements, together with any and all amendments, modifications or supplements thereto, are hereafter referred to collectively as the "Leases" being more particularly described on Exhibit E attached hereto.

1.1.4 PERSONAL PROPERTY. All personal property (including equipment), if any, owned by Seller and located on the Real Property, and all fixtures (if any) owned by Seller and located on the Real Property as of the date hereof (the "PERSONAL PROPERTY").

1.1.5 INTANGIBLE PROPERTY. All non-exclusive trademarks and trade names, if any, used or useful in connection with the Real Property, but only to the extent that the same are not trademarks or trade names of Seller or any of Seller's affiliated companies (collectively, the "TRADE NAMES"), together with the Seller's interest, if any, in and to all guarantees, licenses,

approvals, certificates, permits and warranties relating to the Real Property, to the extent assignable (collectively, the "INTANGIBLE PROPERTY").

1.1.6 SERVICE AGREEMENTS. All assignable contracts and agreements executed by or on Seller's behalf (collectively, the "SERVICE AGREEMENTS") relating to the upkeep, repair, maintenance or operation of the Property. At Closing, Seller agrees to deliver written notice terminating all Service Agreements which Seller has the right to terminate, without cause or penalty, on thirty (30) or less days notice. All other Service Agreements will be assumed by Purchaser at Closing. The Service Agreements exclude any property management agreements entered into by Seller, which agreements Seller agrees to terminate at Closing.

1.2. PROPERTY. The Real Property, the Leases, the Personal Property, the Trade Names, the Service Agreements and the Intangible Property are sometimes collectively hereinafter referred to as the "PROPERTY"). It is hereby acknowledged by the parties that Seller shall not convey to Purchaser any (a) claims relating to any real property tax refunds or rebates, (b) existing insurance claims, and/or (c) existing claims against any tenants of the Property that are applicable to the period prior to the Closing (as hereinafter defined), all of which claims shall be reserved by Seller.

ARTICLE II.

PURCHASE PRICE

2.1. PURCHASE PRICE. The purchase price for the Property shall be TWELVE MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS ($12,500,000.00) (the "PURCHASE PRICE"). The Purchase Price, as adjusted by all prorations as provided for herein, shall be paid to Seller by Purchaser at Closing, by wire transfer of immediately available federal funds.

ARTICLE III.

DEPOSITS AND ESCROW AGENT

3.1. DEPOSIT. Within two (2) business day following the Effective Date, as defined in Section 16.4 of this Agreement and as a condition precedent to the formation of this Agreement, Purchaser shall deposit TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS ($250,000.00) (the "INITIAL DEPOSIT") with Chicago Title Insurance Company, Suite 1700, 2001 Bryan Street, Dallas, Texas, 75201, Attention: Ellen Schwab ("ESCROW AGENT" and "TITLE COMPANY") in immediately available federal funds, the receipt of which is hereby acknowledged by Escrow Agent's execution hereof. If Purchaser shall fail to deposit the Initial Deposit within the time period provided for above, Seller may at any time prior to the deposit of the Initial Deposit, terminate this Agreement, in which case this Agreement shall be null and void ab initio and in such event Escrow Agent shall immediately deliver to Seller all copies of this Agreement in its possession, and thereafter neither party shall have any further rights or obligations to the other hereunder, except for the Surviving Termination Obligations (as hereinafter defined). The

Initial Deposit, together with all interest accrued thereon shall be referred to herein, collectively, as the "DEPOSIT".

3.2. APPLICATION UPON DEFAULT. If the Closing occurs, the Deposit shall be paid to Seller and credited against the Purchase Price at Closing. If the Closing does not occur, the Deposit shall be held and delivered as hereinafter provided.

3.3. INTEREST BEARING. The Deposit shall (a) be held in an interest-bearing escrow account by Escrow Agent in an institution as directed by Purchaser and reasonably acceptable to Seller, and (b) include any interest earned thereon. To allow the interest bearing account to be opened, Purchaser's and Seller's tax identification numbers are set forth herein below their signatures.

3.4. ESCROW AGENT. Escrow Agent is executing this Agreement to acknowledge Escrow Agent's responsibilities and rights hereunder. Any amendment to this Agreement which alters Escrow Agent's responsibilities and/or rights hereunder not executed by Escrow Agent shall be effective as to the parties thereto, but shall not be binding upon Escrow Agent. Escrow Agent shall accept the Deposit with the understanding of the parties that Escrow Agent is not a party to this Agreement except to the extent of its specific responsibilities and rights hereunder, and does not assume or have any liability for the performance or non-performance of Purchaser or Seller hereunder. Additional provisions with respect to the Escrow Agent are set forth in Article XVI.

ARTICLE IV.

CLOSING, PRORATIONS AND CLOSING COSTS

4.1. CLOSING. The closing of the purchase and sale of the Property shall occur at 10:00 a.m. (local time at the Property) on a date designated by Purchaser in written notice delivered to Seller at least five (5) business days prior to the date designated by Purchaser; provided, however, in no event shall such designated date be later than the thirtieth (30th) day following the last day of the Inspection Period or such earlier date as may be agreed to by Seller and Purchaser and shall be held through escrow at the offices of the Escrow Agent, or at such other place agreed to by Seller and Purchaser. "CLOSING" shall be deemed to have occurred when the Title Company has been instructed by both parties to record the Deed. Time is hereby made of the essence. The date of Closing is referred to in this Agreement as the "CLOSING DATE."

4.2. PRORATIONS. All matters involving prorations or adjustments to be made in connection with Closing and not specifically provided for in some other provision of this Agreement shall be adjusted in accordance with this Section 4.2. Except as otherwise set forth herein, all items to be prorated pursuant to this Section 4.2 shall be prorated as of midnight of the day immediately preceding the Closing Date, with Purchaser to be treated as the owner of the Property, for purposes of prorations of income and expenses, on and after the Closing Date. The provisions of this Section 4.2 shall survive the Closing.

4.2.1 TAXES. Except to the extent payable by the tenants to the applicable taxing authorities, real estate and personal property taxes and special assessments, if any, shall be prorated as of the Closing Date. Seller shall pay all real estate and personal property taxes and special assessments payable during the calendar year of the Closing and attributable to the Property to, but not including, the Closing Date. If the real estate and/or personal property tax rate and assessments have not been set for the taxes and assessments payable during the year in which the Closing occurs, then the proration of such taxes shall be based upon the rate and assessments for the preceding tax year and such proration shall be adjusted in cash between Seller and Purchaser upon presentation of written evidence that the actual taxes paid for the year in which the Closing occurs, differ from the amounts used in the Closing in accordance with the provisions of Section 4.2.5 hereof. All taxes imposed due to a change of use of the Property after the Closing Date shall be paid by the Purchaser. If any taxes which have been apportioned shall subsequently be reduced by abatement, the amount of such abatement, less the cost of obtaining the same and after deduction of sums payable to tenants under Leases or expired or terminated Leases, shall be prorated as of the Closing Date.

4.2.2 INSURANCE. There shall be no proration of Seller's insurance premiums or assignment of Seller's insurance policies. Purchaser shall be obligated (at its own election) to obtain any insurance coverage deemed necessary or appropriate by Purchaser.

4.2.3 UTILITIES. Except to the extent paid directly by the tenants to the applicable utility company or service provider, the amounts of all telephone, electric, sewer, water and other utility bills, trash removal bills, janitorial and maintenance service bills and all other operating expenses relating to the Property and allocable to the period prior to the Closing Date shall be determined and paid by Seller before Closing, if possible, or shall be paid thereafter by Seller or adjusted between Purchaser and Seller immediately after the same have been determined. Purchaser shall cause all utility services to be placed in Purchaser's name as of the Closing Date.

4.2.4 RENTS. Rents (including, without limitation, estimated pass-through payments, payments for common area maintenance reconciliations and all additional charges payable by tenants under the Leases, (collectively, "RENTS")) actually collected by Seller prior to Closing shall be prorated as of the Closing Date. Seller will receive a credit for any Rents due under the Lease with Centene Corporation ("CENTENE") for the period prior to Closing to the extent same remains unpaid as of the Closing Date. During the period after Closing, Purchaser shall, within ten (10) business days following receipt, deliver to Seller any and all Rents accrued but uncollected as of the Closing Date to the extent subsequently collected by Purchaser; provided, however, (a) Purchaser shall apply Rents received after Closing first to payment of Rent due for the month of Closing, then to current Rent then due, and thereafter to delinquent Rents in order of maturity (i.e., "oldest" delinquencies paid first); and (b) "true up" payments received from tenants attributable to a year-end reconciliation of actual and budgeted pass-through payments shall not be subject to such priority allocation (as long as identifiable as such a payment and not as a payment of base rent) and instead shall be allocated, upon receipt, among Seller and Purchaser pro rata in accordance with their respective period of ownership as set forth in Section 4.2.5 below. Seller shall have the right, after Closing, to proceed against tenants for Rents allocable to the period of Seller's ownership of the Property, provided that Seller shall have no right to commence eviction or similar proceedings against any tenant. Purchaser shall use commercially reasonable efforts to collect all pass-through rents payable by tenants and any delinquent Rents (provided, however, that Purchaser shall have no obligation to institute legal proceedings, including an action for unlawful detainer, against a tenant owing delinquent Rents). The amount of any unapplied security deposits under the Leases held by Seller in cash at the time of Closing shall be credited against the Purchase Price; accordingly, Seller shall retain the actual cash deposits. If any security deposits are in the form of a letter of credit, Seller shall assign its interest in the letter of credit to Purchaser and deliver the original letter of credit to Purchaser at Closing. All costs to assign such letter of credit shall, unless payable by the tenant, be borne by Purchaser.

4.2.5 CALCULATIONS. For purposes of calculating prorations, Purchaser shall be deemed to be in title to the Property, and, therefore entitled to the income therefrom and responsible for the expenses thereof for the entire day upon which the Closing occurs. All such prorations shall be made on the basis of the actual number of days of the month which shall have elapsed as of the day of the Closing and based upon the actual number of days in the month and a three hundred sixty five (365) day year. The amount of such prorations shall be initially performed at Closing but shall be subject to adjustment in cash after the Closing as and when complete and accurate information becomes available, if such information is not available at the Closing. Seller and Purchaser agree to cooperate and use their best efforts to make such adjustments no later than sixty (60) days after the Closing or as soon thereafter as may be practicable, with respect to common area maintenance and other additional rent charges (including pass-throughs for real estate and personal property taxes and special assessments) payable by tenants under Leases. Except as set forth in this Section 4.2, all items of income and expense which accrue for the period prior to the Closing will be for the account of Seller and all items of income and expense which accrue for the period on and after the Closing will be for the account of Purchaser.

4.2.6 LEASING COMMISSIONS AND LEASING COSTS. Seller shall be responsible for all leasing commissions and other leasing costs due and payable prior to the Effective Date with respect to Leases executed prior to the Effective Date. Purchaser shall be responsible for all leasing commissions and other leasing costs attributable to any new leases or the renewal or expansion of any existing Lease after the Effective Date and/or due and payable with respect to any existing Lease (including the Lease with Centene) after the Closing. If Seller has, prior to the Closing, paid any leasing commissions or other leasing costs which are Purchaser's responsibility hereunder, Seller will receive a credit for same from Purchaser at the Closing.

4.2.7 PREPAID ITEMS. Any prepaid items, including, without limitation, fees for licenses which are transferred to the Purchaser at the Closing and annual permit and inspection fees shall be prorated as of the Closing.

4.2.8 DECLARATION ASSESSMENTS. Any assessments payable under any declaration or similar instrument affecting the Property shall be prorated as of the Closing Date.

4.3. CLOSING COSTS. Seller shall pay (a) the fees of any counsel representing Seller in connection with this transaction; (b) one-half (1/2) of the escrow fee charged by Escrow Agent; and (c) the cost of the Survey. Purchaser shall pay (i) the fees of any counsel representing Purchaser in connection with this transaction; (ii) the cost of the Title Policy, including any endorsements requested by Purchaser to the Title Policy; (iii) the cost of any changes requested

by Purchaser or its lender to the Survey; (iv) the fees for recording the deed conveying the Real Property to Purchaser; and (v) one-half (1/2) of the escrow fee charged by Escrow Agent. Any other costs or expenses incident to this transaction and the closing thereof not expressly provided for above shall be allocated between and paid by the parties in accordance with custom and practice in Clayton, Missouri.

ARTICLE V.

PURCHASER'S RIGHT OF INSPECTION; INSPECTION PERIOD

5.1. RIGHT TO EVALUATE. From the Effective Date until 5:00 p.m. (local time at the Property) on Monday, June 9, 2003, i.e., the forty-fifth (45th) day following the Effective Date (the "INSPECTION PERIOD"), Purchaser and its agents shall have the right during business hours (with reasonable advance notice to Seller and subject to the rights of the tenants in possession), at Purchaser's sole cost and expense and at Purchaser's and its agents' sole risk, to perform inspections and tests of the Property and to perform such other analyses, inquiries and investigations as Purchaser shall deem necessary or appropriate; provided, however, that in no event shall (a) such inspections or tests unreasonably disrupt or disturb the on-going operation of the Property or the rights of the tenants at the Property, or (b) Purchaser or its agents or representatives conduct any physical testing, drilling, boring, sampling or removal of, on or through the surface of the Property (or any part or portion thereof) including, without limitation, any ground borings or invasive testing of the Improvements (collectively, "PHYSICAL TESTING"), without Seller's prior written consent, which consent may be given or withheld in Seller's sole and absolute discretion. In the event Purchaser desires to conduct Physical Testing of the Property, then Purchaser shall submit to Seller, for Seller's approval, a written detailed description of the scope and extent of the proposed Physical Testing, which approval may be given or withheld in Seller's sole and absolute discretion. If Seller does not approve the Physical Testing or approves only a portion thereof, Purchaser may, at its option, by sending written notice to Seller, elect to, either (i) terminate this Agreement or (ii) conduct during the Inspection Period that portion of the Physical Testing approved by Seller, if any, or if Seller disapproves the entire proposed Physical Testing, affirmatively agree to forego any Physical Testing of the Property. In the event Purchaser terminates this Agreement as aforesaid, the Deposit shall be immediately refunded to Purchaser and this Agreement shall terminate and be of no further force and effect other than the Surviving Termination Obligations. In no event shall Seller be obligated as a condition of this transaction to perform or pay for any environmental remediation of the Property recommended by any Physical Testing. After making such tests and inspections, Purchaser agrees to promptly restore the Property to its condition prior to such tests and inspections (which obligation shall survive the Closing or any termination of this Agreement). Prior to Purchaser entering the Property to conduct the inspections and tests described above, Purchaser shall obtain and maintain, at Purchaser's sole cost and expense, and shall deliver to Seller evidence of, the following insurance coverage, and shall cause each of its agents and contractors to obtain and maintain, and, upon request of Seller, shall deliver to Seller evidence of, the following insurance coverage: commercial liability insurance, from an insurer reasonably acceptable to Seller, in the amount of One Million and No/100 Dollars ($1,000,000.00) combined single limit for personal injury and property damage per occurrence ($2,000,000, in the aggregate), together with umbrella coverage of at least Five Million and No/100 Dollars

($5,000,000.00), such policy to name Seller as an additional insured party, which insurance shall provide coverage against any claim for personal liability or property damage caused by Purchaser or its agents, employees or contractors in connection with such inspections and tests. Seller shall have the right, in its discretion, to accompany Purchaser and/or its agents during any inspection or tenant interview.

5.2 INSPECTION OBLIGATIONS AND INDEMNITY. Purchaser and its contractors shall: (a) not unreasonably disturb the tenants of the Improvements or interfere with their use of the Real Property pursuant to their respective Leases; (b) not interfere with the operation and maintenance of the Real Property; (c) not damage any part of the Property or any personal property owned or held by any tenant; (d) not injure or otherwise cause bodily harm to Seller, its agents, contractors and employees or any tenant; (e) promptly pay when due the costs of all tests, investigations and examinations done with regard to the Property; (f) not permit any liens to attach to the Property by reason of the exercise of its rights hereunder; (g) restore the Improvements and the surface of the Real Property to the condition in which the same was found before any such inspection or tests were undertaken; (h) not interview any tenant, except if accompanied by Seller or one of its representatives; and (i) not reveal or disclose any information obtained during the Inspection Period concerning the Property to anyone outside Purchaser's organization other than its agents, consultants and representatives. Purchaser shall, at its sole cost and expense, comply with all applicable federal, state and local laws, statutes, rules, regulations, ordinances or policies in conducting its inspection of the Property and Physical Testing. Purchaser shall, and does hereby agree to indemnify, defend and hold the Seller, its partners, agents and their respective successors and assigns, harmless from and against any and all claims, demands, suits, obligations, payments, damages, losses, penalties, liabilities, costs and expenses (including but not limited to attorneys' fees) to the extent arising out of Purchaser's or Purchaser's agents' actions taken in, on or about the Property in the exercise of the inspection right granted pursuant to Section 5.1, including, without limitation, (a) claims made by any tenant against Seller for Purchaser's entry into such tenant's premises or any interference with any tenant's use or damage to its premises or property in connection with Purchaser's review of the Property, and (b) Purchaser's obligations pursuant to this Section 5.2. This Section 5.2 shall survive the Closing and/or any termination of this Agreement.

5.3. SELLER DELIVERIES. To the extent not previously delivered to Purchaser, Seller shall deliver to Purchaser all of the items specified on Exhibit B attached hereto (the "DOCUMENTS"), within five (5) business days after the Effective Date to the extent such items are in Seller's possession. Except as otherwise expressly set forth in Section 7.1, Seller makes no representations or warranties of any kind regarding the accuracy, thoroughness or completeness of or conclusions drawn in the information contained in the Documents, if any, relating to the Property. Seller has no obligation to deliver or make available to Purchaser Seller's internal memoranda, attorney-client privileged materials, structural and physical inspection reports, internal appraisals, economic evaluations of the Property, nor any reports regarding the Property prepared by

Seller or its affiliates solely for internal use or for the information of the investors in Seller. Purchaser acknowledges that any and all of the Documents that are not otherwise known by or available to the public are proprietary and confidential in nature and will be delivered to Purchaser solely to assist Purchaser in determining the feasibility of purchasing the Property. Purchaser agrees not to disclose such non-public Documents, or any of the provisions, terms or conditions thereof, to any party outside of Purchaser's organization other than its agents,

consultants and representatives. Purchaser shall return all of the Documents, on or before three (3) business days after the first to occur of (a) such time as Purchaser notifies Seller in writing that it shall not acquire the Property, or (b) such time as this Agreement is terminated for any reason other than Seller's default. This Section 5.3 shall survive any termination of this Agreement.

5.4. INDEPENDENT EXAMINATION. Purchaser hereby acknowledges that, except as provided in Section 7.1, Purchaser is relying upon its own independent examination of the Property and all matters relating thereto and not upon the Documents and/or any statements of Seller or of any officer, director, employee, agent, broker, manager or attorney of Seller with respect to acquiring the Property. Seller shall not, except as otherwise expressly provided in Section 7.1, be deemed to have represented or warranted the completeness or accuracy of any studies, investigations and reports heretofore or hereafter furnished to Purchaser. The provisions of this Section 5.4 shall survive Closing and/or termination of this Agreement.

5.5. TERMINATION RIGHT. In the event that Purchaser determines, in Purchaser's sole and absolute discretion, that it does not desire, for any or no reason, to acquire the Property, Purchaser shall provide written notice to Seller before the end of the Inspection Period, and, subject to the Surviving Termination Obligations, this Agreement shall terminate, the Deposit shall be delivered to Purchaser and thereupon neither party shall have any further rights or obligations to the other hereunder. If Purchaser shall fail to timely notify Seller in writing of its election to terminate this Agreement on or before the expiration of the Inspection Period, time being of the essence, the termination right described in this Section 5.5 shall be immediately null and void and of no further force or effect. Purchaser's failure to provide such notice on or before the end of the Inspection Period shall constitute Purchaser's waiver of the herein-described termination right. Notwithstanding any provision of this Agreement, this is an "all or none" transaction and Purchaser has no right to terminate this Agreement as to any part of the Property.

5.6. COPIES OF REPORTS. As additional consideration for the transaction contemplated herein, Purchaser agrees that it will provide to Seller, within five (5) days following a written request therefor, copies of any and all third (3rd) party reports, tests or studies relating to the Property obtained by Purchaser, including but not limited to those involving environmental matters. Notwithstanding any provision of this Agreement, no termination of this Agreement shall terminate Purchaser's obligations pursuant to the foregoing sentence.

ARTICLE VI.

TITLE AND SURVEY MATTERS

6.1. TITLE. Seller shall provide Purchaser with a title insurance commitment (the "COMMITMENT") for an Owner's Policy of Title Insurance from Chicago Title Insurance Company (the "TITLE COMPANY"), covering the Real Property, together with a copy of all instruments reflected as exceptions set forth therein, within ten (10) days of the Effective Date. Purchaser shall notify Seller no later than the expiration of the Inspection Period in writing of any title exceptions, exclusions from coverage or other matters identified in the Commitment which Purchaser disapproves (the "TITLE OBJECTIONS"). Any exception, exclusion from coverage

or other matter shown in the Commitment as of the end of the Inspection Period or otherwise not disapproved in writing within said time period shall be deemed approved by Purchaser and shall constitute a "PERMITTED EXCEPTION" hereunder. Purchaser and Seller hereby agree that (i) all non-delinquent property taxes as of the Closing, (ii) the rights of the Tenant under the Lease and Approved New Leases, (iii) all matters created by or on behalf of Purchaser, including, without limitation, any documents or instruments to be recorded as part of any financing for the acquisition of the Property by Purchaser and (iv) the exceptions to title identified on Exhibit D attached hereto, shall constitute "PERMITTED EXCEPTIONS". Without Seller's prior written consent, Purchaser shall not make any application to any governmental agency for any permit, approval, license or other entitlement for the Property or the use or development thereof.

6.2. SURVEY. Seller has provided Purchaser with a copy of that certain survey of the Property dated August 7, 2002 prepared by Volz Incorporated (the "SURVEY"). Purchaser shall have the right to request changes to the Survey during the Inspection Period. If the Survey discloses any matters which are unacceptable to Purchaser, in Purchaser's sole and absolute discretion, Purchaser shall notify Seller in writing no later than the expiration of the Inspection Period. Any survey matter shown on the Survey not disapproved in writing within said time period (or otherwise shown on the Survey as of the last day of the Inspection Period) shall be deemed approved by Purchaser and shall constitute a Permitted Exception hereunder. Seller may, at its sole election, on or before the Closing Date, have any Survey matters to which Purchaser has objected removed; provided, however, in no event will Seller be obligated to do so or otherwise incur costs with respect thereto.

ARTICLE VII.

REPRESENTATIONS AND WARRANTIES OF THE SELLER

7.1. SELLER'S REPRESENTATIONS. Seller represents and warrants that the following matters are true and correct as of the Effective Date and the Closing Date.

7.1.1 AUTHORITY. Seller is a limited partnership, duly organized, validly existing and in good standing under the laws of the State of Delaware and, to the extent necessary, is qualified to conduct business in the State in which the Property is located. This Agreement has been duly authorized, executed and delivered by Seller, is the legal, valid and binding obligation of Seller, and does not violate any provision of any agreement or judicial order to which Seller is a party or to which Seller is subject. All documents to be executed by Seller which are to be delivered at Closing, will, at the time of Closing, (a) be duly authorized, executed and delivered by Seller, (b) be legal, valid and binding obligations of Seller, and (c) not violate any provision of any agreement or judicial order to which Seller is a party or to which Seller is subject.

7.1.2 9/11 DEALINGS. Neither Seller nor any of its affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents, is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including

the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action.

7.1.3 COMPLIANCE WITH ZONING AND RELATED MATTERS. Except as set forth on Exhibit K:

(i) Seller has received no written notice from any governmental authority that the Improvements fail to comply with any applicable laws, statutes, ordinances, codes, covenants, conditions and restrictions of any kind or nature.

(ii) Seller has not received any written notice from any governmental authority of any proposed change in the zoning for the Property.

(iii) There are no pending litigation proceedings, claims, condemnations or sales in lieu thereof asserted against Seller with respect to Seller's interest in the Property.

(iv) Seller has received no written notice from any governmental authority of any pending public improvements, liens or special assessments to be made in respect of, or assessed against, the Property by any governmental authority.

7.1.4 SERVICE AGREEMENTS. The Service Agreements listed on Exhibit L which is attached hereto and made a part hereof are, to the best of Seller's knowledge, all of the agreements concerning the operation and maintenance of the Property which will affect the Property after the Closing.

7.2. SELLER'S KNOWLEDGE. For purposes of this Agreement and any document delivered at Closing, whenever the phrases "to the best of Seller's knowledge", or the "knowledge" of Seller or words of similar import are used, they shall be deemed to refer to the current, actual, conscious knowledge only, and not any implied, imputed or constructive knowledge, without any independent investigation having been made or any implied duty to investigate, of James P. Raisides and Deborah Tirone and Seller represents that the foregoing are the individuals with the primary responsibility for overseeing the operation and sale of the Property. Such individuals shall have no personal liability hereunder.

7.3. CHANGE IN REPRESENTATION/WAIVER. Notwithstanding anything to the contrary contained herein, Purchaser acknowledges that it shall not be entitled to rely on any representation or warranty made by Seller in this ARTICLE VII to the extent, prior to or at Closing, Purchaser shall have or obtain current, actual, conscious knowledge (and not any implied, imputed or constructive knowledge) of facts contradictory to such representation or warranty; provided, however, if Purchaser determines prior to Closing that there is a breach of any of the representations and warranties made by Seller above, then Purchaser may, at its option, by sending to Seller written notice of its election either (a) terminate this Agreement, or (b) waive such breach and proceed to Closing with no adjustment in the Purchase Price and Seller shall have no further liability as to such matter thereafter, except for liens resulting from Seller's acts. In the event Purchaser terminates this Agreement for the reasons set forth above, the Deposit shall be immediately refunded to Purchaser and neither Purchaser nor Seller shall

thereafter have any other rights or remedies hereunder other than the Surviving Termination Obligations. In furtherance thereof, Seller shall have no liability with respect to any of the foregoing representations and warranties or any representations and warranties made in any other document executed and delivered by Seller to Purchaser to the extent that, prior to Closing, Purchaser discovers or learns of facts (from whatever source, including, without limitation the property manager, the Tenant Estoppel Certificates (as hereinafter defined), as a result of Purchaser's due diligence tests, investigations and inspections of the Property, as a result of Purchaser or Purchaser's affiliate having leased space within the Improvements or disclosure by Seller or Seller's agents and employees) that contradicts any such representations and warranties, or renders any such representations and warranties untrue or incorrect, and Purchaser nevertheless consummates the transaction contemplated by this Agreement.

7.4. SURVIVAL. The express representations and warranties of Seller made in this Agreement shall not merge into any instrument or conveyance delivered at the Closing; provided, however, that any action, suit or proceeding with respect to the truth, accuracy or completeness of such representations and warranties shall be commenced, if at all, on or before the date which is six (6) months after the date of the Closing and, if not commenced on or before such date, thereafter such representations and warranties shall be void and of no force or effect.

ARTICLE VIII.

REPRESENTATIONS AND WARRANTIES OF PURCHASER

8.1. Purchaser represents and warrants to Seller that the following matters are true and correct as of the Effective Date and the Closing Date.

8.1.1 AUTHORITY. Purchaser is a corporation, duly organized, validly existing and in good standing under the laws of the State of Wisconsin, and to the extent necessary, is qualified to conduct business in the State in which the Property is located. This Agreement has been duly authorized, executed and delivered by Purchaser, is the legal, valid and binding obligation of Purchaser, and does not, to the best of Purchaser's knowledge, violate any provision of any agreement or judicial order to which Purchaser is a party or to which Purchaser is subject. All documents to be executed by Purchaser which are to be delivered at Closing, at the time of Closing will be duly authorized, executed and delivered by Purchaser, at the time of Closing will be legal, valid and binding obligations of Purchaser, and at the time of Closing will not, to the best of Purchaser's knowledge, violate any provision of any agreement or judicial order to which Purchaser is a party or to which Purchaser is subject.

8.1.2 ERISA COMPLIANCE. To the best of Purchaser's knowledge, Purchaser is not (a) a "plan" nor a plan "fiduciary" nor an entity holding "plan assets" (as those terms are defined under the Employee Retirement Income Security Act of 1974, as amended, and its applicable regulations as issued by the Department of Labor and the Internal Revenue Service, "ERISA") nor, to the best of Purchaser's knowledge, an entity whose assets are deemed to be plan assets under ERISA, Purchaser is acquiring the Property for Purchaser's own personal account and, to the best of Purchaser's knowledge, that the Property shall not constitute plan assets subject to ERISA upon conveyance of the Property by Seller and the closing of this

Agreement between Purchaser and Seller. Seller shall not have any obligation to close the transaction contemplated by this Agreement if the transaction for any reason constitutes a prohibited transaction under ERISA or if Purchaser's representation is found to be false or misleading in any respect. The foregoing representation and warranty shall survive the Closing.

8.1.3 NO FINANCING CONTINGENCY. It is expressly acknowledged by Purchaser that this transaction is not subject to any financing contingency, and no financing for this transaction shall be provided by Seller.

8.1.4 9/11 DEALINGS. Neither Purchaser nor any of its affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents, is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the OFAC (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action.

8.2. PURCHASER'S ACKNOWLEDGMENT. Purchaser or its affiliate currently leases space within the Improvements and, as a result, is somewhat familiar with the condition of the Property. Purchaser further acknowledges and agrees that, except as expressly provided in Section 7.1 of this Agreement, Seller has not made, does not make and specifically disclaims any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, oral or written, past, present or future, of, as to, concerning or with respect to (a) the nature, quality or condition of the Property, including, without limitation, the water, soil and geology, (b) the income to be derived from the Property, (c) the suitability of the Property for any and all activities and uses which Purchaser may conduct thereon, (d) the compliance of or by the Property or its operation with any laws, rules, ordinances or regulations of any applicable governmental authority or body, including, without limitation, the Americans with Disabilities Act and any rules and regulations promulgated thereunder or in connection therewith, (e) the habitability, merchantability or fitness for a particular purpose of the Property, or (f) any other matter with respect to the Property, and except as expressly set forth in Section 7.1 of this Agreement or in any closing document, specifically that Seller has not made, does not make and specifically disclaims any representations regarding solid waste, as defined by the U.S. Environmental Protection Agency regulations at 40 C.F.R., Part 261, or the disposal or existence, in or on the Property, of any hazardous substance or hazardous waste, as defined by the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, and other applicable state laws, and regulations promulgated thereunder. Purchaser further acknowledges and agrees that, except as expressly provided in Section 7.1, having been given the opportunity to inspect the Property, Purchaser is relying solely on its own investigation of the Property and not on any information provided or to be provided by Seller. Purchaser further acknowledges and agrees that, except as expressly set forth in Section 7.1, any information provided or to be provided with respect to the Property was obtained from a variety of sources and that Seller has not made any independent investigation or verification of such information. PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY PROVIDED IN SECTION 7.1 OF THIS AGREEMENT, AND AS A MATERIAL INDUCEMENT TO THE EXECUTION AND DELIVERY OF THIS AGREEMENT BY SELLER, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE

ON AN "AS IS, WHERE IS" CONDITION AND BASIS "WITH ALL FAULTS." Purchaser acknowledges, represents and warrants that Purchaser is not in a significantly disparate bargaining position with respect to Seller in connection with the transaction contemplated by this Agreement; that Purchaser freely and fairly agreed to this acknowledgment as part of the negotiations for the transaction contemplated by this Agreement. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, SELLER SHALL IN NO EVENT HAVE ANY LIABILITY FOR BREACH OF ANY REPRESENTATION, WARRANTY, INDEMNITY OR COVENANT SET FORTH IN THIS AGREEMENT OR IN ANY CLOSING DOCUMENT IN EXCESS OF FIVE HUNDRED THOUSAND AND NO/100 DOLLARS ($500,000.00), IN THE AGGREGATE.

8.3. PURCHASER'S RELEASE. Purchaser on behalf of itself and its successors and assigns waives its right to recover from, and forever releases and discharges, Seller, Seller's partners, each of their respective members, trustees, employees and agents of each of them, and their respective heirs, successors, personal representatives and assigns from any and all demands, claims, legal or administrative proceedings, losses, liabilities, damages, penalties, fines, liens, judgments, costs or expenses known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with (i) the physical condition of the Property, (ii) the condition of title to the Property, (iii) the presence on, under or about the Property of any mold or hazardous or regulated substance, (iv) the Property's compliance with any applicable federal, state or local law, rule or regulation, or (v) any other aspect of the Property; provided, however, the foregoing release (a) does not release Seller for liability for any breach of the representations and warranties of Seller set forth in Section 7.1 of this Agreement; (b) does not release Seller from any liability under the special warranty of title set forth in the Deed; and (c) apply to the existing Lease between Seller, as landlord and Centene, as tenant. The terms and provisions of this Section 8.3 shall survive Closing and/or termination of this Agreement.

8.4 SURVIVAL. The express representations and warranties of Purchaser made in this Agreement shall not merge into any instrument or conveyance delivered at the Closing; provided, however, that any action suit or proceeding with respect to the truth, accuracy or completeness of such representations and warranties shall be commences, if at all, on or before the date which is six (6) months after the date of the Closing and, if not commenced on or before such date, thereafter such representations and warranties shall be void and of no force or effect.

ARTICLE IX.

SELLER'S INTERIM OPERATING COVENANTS.

9.1. OPERATIONS. Seller shall continue to operate, manage and maintain the Improvements through the Closing Date in the ordinary course of Seller's business and substantially in accordance with Seller's present practice, subject to ordinary wear and tear and further subject to Article XII of this Agreement.

9.2. MAINTAIN INSURANCE. Seller shall maintain until the Closing Date fire and extended coverage insurance on the Property which is at least equivalent in all material respects

to the insurance policies covering the Real Property and the Improvements as of the Effective Date.

9.3. PERSONAL PROPERTY. Seller shall not transfer or remove any Personal Property from the Improvements after the Effective Date except for repair or replacement thereof. Any items of Personal Property replaced after the Effective Date shall be promptly installed prior to Closing and shall be of substantially similar quality to the item of Personal Property being replaced.

9.4. NO SALES. Except for the execution of tenant Leases pursuant to Section 9.5, Seller shall not convey any interest in the Property to any third party.

9.5. TENANT LEASES. Seller shall not, from and after the last day of the Inspection Period, (i) grant any consent or waive any material rights under the Leases, (ii) terminate any Lease, or (iii) enter into a new lease, modify an existing Lease or renew, extend or expand an existing Lease in each case without the prior written approval of Purchaser (an "APPROVED NEW LEASE"), which in each case shall not be unreasonably withheld, conditioned or delayed, and which shall be deemed granted if Purchaser fails to respond to a request for approval within five (5) business days after receipt of the request therefor together with a summary of lease terms and credit information of the proposed tenant. Purchaser has no right to review and approve any Approved New Lease during the Inspection Period, but Seller agrees to furnish Purchaser copies of any Approved New Lease signed during the Inspection Period promptly following receipt thereof. Seller also agrees to promptly furnish Purchaser with copies of any new lease, renewal and expansion proposals given or received by Seller during the Inspection Period. If, during the Inspection Period, Seller receives an offer (the "OFFER") to lease any currently vacant space within the Improvements which Seller is willing to accept, Seller agrees to provide written notice (the "OFFER NOTICE") to Centene setting forth the terms of the Offer, including the space covered thereby (the "OFFER SPACE"), and providing Centene with the right of first refusal (the "ROFR") to lease the Offer Space on the same terms as set forth in the Offer, but not otherwise. Centene shall have five (5) business days following the date of the Offer Notice within which to elect to exercise the ROFR as to such Offer Space. If Centene exercises the ROFR and unconditionally accepts the Offer within such five (5) business day period, the existing Centene Lease will be deemed automatically amended to expand Centene's existing premises to include the Offer Space on the terms set forth in the Offer Notice and, if requested by either Seller or Centene, the parties shall promptly execute and deliver an amendment to the existing Centene Lease expanding Centene's premises to include the Offer Space on the terms set forth in the Offer. If Seller fails to receive written notice from Centene exercising the ROFR and unconditionally accepting the Offer within such five (5) business day period, Centene will be deemed to have rejected the Offer and Seller will be free to lease the Offer Space on the terms set forth in the Offer or such other terms as Seller may deem acceptable, as long as the base rental rate is no less than that set forth in the Offer Notice. If Centene fails to exercise the ROFR and Seller thereafter desires to lease the Offer Space at a rental rate less than that set forth in the Offer Notice, Seller agrees to provide Centene with an additional Offer Notice (the "REVISED OFFER NOTICE") offering to lease the Offer Space to Centene at such reduced rental rate, which must be unconditionally accepted (or otherwise be deemed rejected) by Centene within two (2) business days following the date of the Revised Offer Notice. THE ROFR DOES NOT COVER OR INCLUDE ANY SPACE WITHIN THE IMPROVEMENTS CURRENTLY LEASED OR OVER WHICH ANY EXISTING TENANT HAS ANY

EXPANSION OR OTHER RIGHT WITH RESPECT THERETO. FURTHER, THE ROFR SHALL NOT BE CONSIDERED A PART OF THE CENTENE LEASE AND SHALL AUTOMATICALLY EXPIRE AND BE OF NO FURTHER EFFECT FROM AND AFTER THE DATE THIS AGREEMENT TERMINATES OR OTHERWISE EXPIRES BY ITS TERMS.

ARTICLE X.

CLOSING CONDITIONS.

10.1. CONDITIONS TO OBLIGATIONS OF SELLER. The obligations of Seller under this Agreement to sell the Property and consummate the other transactions contemplated hereby shall be subject to the satisfaction of the following conditions on or before the Closing Date except to the extent that any of such conditions may be waived by Seller in writing at Closing.

10.1.1 REPRESENTATIONS, WARRANTIES AND COVENANTS OF PURCHASER. All representations and warranties of Purchaser in this Agreement shall be true and correct in all material respects as of the Closing Date, with the same force and effect as if such representations and warranties were made anew as of the Closing Date. Any changes to such representations disclosed by Purchaser shall be acceptable to Seller, and Purchaser shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by Purchaser prior to the Closing Date.

10.2. CONDITIONS TO OBLIGATIONS OF PURCHASER. The obligations of Purchaser under this Agreement to purchase the Property and consummate the other transactions contemplated hereby shall be subject to the satisfaction of the following conditions on or before the Closing Date, except as otherwise provided below or to the extent that any of such conditions may be waived by Purchaser in writing at Closing.

10.2.1 REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER. All representations and warranties of Seller in this Agreement shall be true and correct in all material respects as of the Closing Date, with the same force and effect as if such representations and warranties were made anew as of the Closing Date. Any changes to such representations disclosed by Seller shall be acceptable to Purchaser, and Seller shall have performed and complied in all material respects with all covenants and agreement required by this Agreement to be performed or complied with by Seller prior to the Closing Date.

10.2.2 TENANT ESTOPPELS. Purchaser shall have received Tenant estoppel certificates in substantially the form attached hereto as Exhibit C (or, if different, the form required by the applicable Lease or delivered to Seller prior to Seller's acquisition of the Property) from tenants who lease, in the aggregate, at least eighty-five percent (85%) of the leased space (inclusive of the space leased by Centene Corporation) in the Property in substantially the same form as Seller received from such tenants when Seller acquired the Property (the "TENANT ESTOPPEL CERTIFICATES"). Purchaser acknowledges that Seller has no obligation to obtain a Tenant Estoppel Certificate from Centene Corporation and the threshold set forth above includes the space leased by such tenant. Seller shall provide Purchaser with

copies of the Tenant Estoppel Certificates prepared by Seller for Purchaser's review and comment before delivering the completed Tenant Estoppel Certificates to the Tenants and the completed Tenant Estoppel Certificates shall be deemed approved by Purchaser on the expiration of three (3) business days following such delivery unless Purchaser provides Seller in writing any comments to, or objections concerning the substance of the completed Tenant Estoppel Certificate to be delivered to the Tenants under the Leases. Notwithstanding the foregoing, Seller may provide its own estoppel ("SELLER'S ESTOPPEL") in the form attached as Exhibit J to Purchaser in satisfaction of the foregoing requirements but Seller may not deliver a Seller Estoppel for more than fifteen percent (15%) of the leased space. In the event that, after the Closing, Seller delivers to Purchaser a Tenant Estoppel Certificate from a tenant for whom Seller executed a Seller's Estoppel at the Closing and such Tenant Estoppel Certificate contains no information which is contradictory to or inconsistent with the information contained in the Seller's Estoppel, then Seller thereafter shall be released from all liability relating to Seller's Estoppel with respect to such Seller's Estoppel. In no event shall Seller be obligated to deliver updates to any of the Tenant Estoppel Certificates. Seller will deliver Purchaser copies of the signed Tenant Estoppel Certificates promptly following Seller's receipt thereof. Purchaser agrees not to unreasonably object to or withhold Purchaser's consent to any alternate estoppel form or changes made by any tenant to the form attached hereto. In particular, Purchaser agrees to accept for each tenant the same form of Tenant Estoppel Certificate signed by such tenant which Seller received prior to Seller's acquisition of the Property as long as such Tenant Estoppel Certificate is revised to show Purchaser as the prospective buyer. If Purchaser fails to furnish Seller with a written notice of disapproval (which notice, in order to be effective, must include Purchaser's specific objections), within five (5) business days from the date of Seller's delivery thereof, such

Tenant Estoppel Certificate will be deemed approved by Purchaser.

10.2.3 TITLE POLICY. Upon recordation of the Deed and payment of the title insurance premiums, Title Company shall be committed to issue the Title Policy to Purchaser.

10.2.4 POSSESSION OF THE PROPERTY. Delivery by Seller of possession of the Property, subject to the Permitted Exceptions and the rights of tenants under the Leases and Approved New Leases.

ARTICLE XI.

CLOSING

11.1. PURCHASER'S CLOSING OBLIGATIONS. Purchaser, at its sole cost and expense, shall deliver or cause to be delivered to Seller at Closing the following:

11.1.1 The Purchase Price, after all adjustments are made at the Closing as herein provided, by wire transfer or other immediately available federal funds, which amount shall be received in escrow by the Title Company at or before 11:00 a.m. St. Louis, Missouri time.

11.1.2 A general assignment substantially in the form attached hereto as Exhibit G (the "GENERAL ASSIGNMENT").

11.1.3 Written notice addressed to the tenants in substantially the form attached as Exhibit H (the "TENANT NOTICE").

11.1.4 Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transactions which are the subject of this Agreement, including, without limitation, any certificate of value or similar instrument required under applicable law.

11.2. SELLER'S CLOSING OBLIGATIONS. Seller, at its sole cost and expense, shall deliver or cause to be delivered to Purchaser the following:

11.2.1 A Special Warranty Deed (the "Deed"), in the form attached hereto as Exhibit F.

11.2.2 The General Assignment.

11.2.3 The Tenant Notice.

11.2.4 A certificate substantially in the form attached hereto as Exhibit I ("NON-FOREIGN ENTITY CERTIFICATION") certifying that Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended.

11.2.5 To the extent necessary to remove any exception to the Title Policy for mechanic's liens and general rights of parties in possession, an affidavit in a form acceptable to the Escrow Agent and Seller allowing Escrow Agent to issue the Title Policy to Purchaser without such exception.

11.2.6 A closing statement.

11.2.7 The following items, to the extent in Seller's possession (which need not be delivered at the Closing, but may, instead, be delivered in the Property's management office): (a) all keys for all entrance door and spaces which may be locked (whether occupied or not) in the Improvements; (b) all original books, records, tenant files, operating reports, plans and specifications and other materials reasonably necessary to the continuity of operation of the Property; and (c) the originals (or copies where originals are not available and copies of the Leases will be certified) of the Leases and the Approved Contracts.

11.2.8 Such other documents as may be reasonably necessary or appropriate to effect the consummation of the transactions which are the subject of this Agreement.

ARTICLE XII.

RISK OF LOSS.

12.1. CONDEMNATION AND CASUALTY. If, prior to the Closing Date, all or any portion of the Property is taken by condemnation or eminent domain, or is the subject of a pending taking which has not been consummated, or is destroyed or damaged by fire or other casualty, Seller shall notify Purchaser of such fact promptly after Seller obtains knowledge thereof. If such condemnation or casualty is "MATERIAL" (as hereinafter defined), Purchaser shall have the option to terminate this Agreement upon notice to Seller given not later than fifteen (15) days after receipt of Seller's notice, or the Closing Date, whichever is earlier. If this Agreement is terminated, the Deposit shall be returned to Purchaser and thereafter neither Seller nor Purchaser shall have any further rights or obligations to the other hereunder except with respect to the Surviving Termination Obligations. If this Agreement is not terminated, Seller shall not be obligated to repair any damage or destruction but (a) Seller shall assign, without recourse, and turn over to Purchaser all of the insurance proceeds or condemnation proceeds, as applicable, (or, if such have not been awarded, all of its right, title and interest therein) payable with respect to such fire or other casualty or condemnation, and (b) the parties shall proceed to Closing pursuant to the terms hereof without abatement of the Purchase Price except for a Purchase Price credit in the amount of the applicable insurance deductible.

12.2. CONDEMNATION NOT MATERIAL. If the condemnation is not Material, then the Closing shall occur without abatement of the Purchase Price and Seller shall assign, without recourse, all awards or any rights to collect awards to Purchaser on the Closing Date.

12.3. CASUALTY NOT MATERIAL. If the Casualty is not Material, then the Closing shall occur without abatement of the Purchase Price except for a Purchase Price credit in the amount of the applicable deductible and any damage from such Casualty not covered by the insurance proceeds and Seller shall not be obligated to repair such damage or destruction and Seller shall assign, without recourse, and turn over to Purchaser all of the insurance proceeds net of any reasonable (a) costs of repairs, and (b) collection costs (or, if such have not been awarded, all of its right, title and interest therein) payable with respect to such casualty and credit the Purchase Price with the amount of any applicable insurance deductible.

12.4. MATERIALITY. For purposes of this Article XII (a) with respect to a taking by eminent domain, the term "MATERIAL" shall mean any taking whatsoever, regardless of the amount of the award or the amount of the Property taken, excluding, however, any taking solely of subsurface rights or takings for utility easements or right of way easements, if the surface of the Property, after such taking, may be used in substantially the same manner as though such rights had not been taken, and (b) with respect to a casualty, the term "MATERIAL" shall mean any casualty such that the cost of repair, as reasonably estimated by Seller's engineer, is in excess of Six Hundred Twenty-Five Thousand and No/100 Dollars ($625,000.00).

ARTICLE XIII.

DEFAULT

13.1. DEFAULT BY SELLER. In the event the Closing and the transactions contemplated hereby do not occur as provided herein by reason of the default of Seller, Purchaser may elect, as the sole and exclusive remedy of Purchaser, to (a) terminate this Agreement and receive the

Deposit from the Escrow Agent, and in such event Seller shall not have any liability whatsoever to Purchaser hereunder other than with respect to the Surviving Termination Obligations, or (b) enforce specific performance of Seller's obligation to convey the Property, without adjustment to, or credit against, the Purchase Price. Purchaser shall be deemed to have elected to terminate this Agreement (as provided in subsection (a) above) if Purchaser fails to deliver to Seller written notice of its intent to file a cause of action for specific performance against Seller on or before fifteen (15) business days after the originally scheduled Closing Date, or having given Seller notice, fails to file a lawsuit asserting such cause of action within ninety (90) days after the originally scheduled Closing Date. Notwithstanding the foregoing, nothing contained herein shall limit Purchaser's remedies at law or in equity, as to the Surviving Termination Obligations.

13.2. DEFAULT BY PURCHASER. IN THE EVENT THE CLOSING AND THE TRANSACTIONS CONTEMPLATED HEREBY DO NOT OCCUR AS PROVIDED HEREIN BY REASON OF ANY DEFAULT OF PURCHASER, PURCHASER AND SELLER AGREE IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO FIX THE DAMAGES WHICH SELLER MAY SUFFER. THEREFORE, PURCHASER AND SELLER HEREBY AGREE A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT SELLER WOULD SUFFER IN THE EVENT PURCHASER DEFAULTS AND FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY IS AND SHALL BE, AS SELLER'S SOLE AND EXCLUSIVE REMEDY (WHETHER AT LAW OR IN EQUITY), A SUM EQUAL TO THE DEPOSIT. UPON SUCH DEFAULT BY PURCHASER, SELLER SHALL HAVE THE RIGHT TO RECEIVE THE DEPOSIT FROM THE ESCROW AGENT AS ITS SOLE AND EXCLUSIVE REMEDY AND THEREUPON THIS AGREEMENT SHALL BE TERMINATED AND NEITHER SELLER NOR PURCHASER SHALL HAVE ANY FURTHER RIGHTS OR OBLIGATIONS HEREUNDER EXCEPT WITH RESPECT TO THE SURVIVING TERMINATION OBLIGATIONS. NOTWITHSTANDING THE FOREGOING, NOTHING CONTAINED HEREIN SHALL LIMIT SELLER'S REMEDIES AT LAW OR IN EQUITY AS TO THE SURVIVING TERMINATION OBLIGATIONS.

ARTICLE XIV.

BROKERS

14.1. BROKERS. Purchaser and Seller each represents and warrants to the other that it has not dealt with any person or entity entitled to a brokerage commission, finder's fee or other compensation with respect to the transaction contemplated hereby. Purchaser hereby agrees to indemnify, defend, and hold Seller harmless from and against any losses, damages, costs and expenses (including, but not limited to, attorneys' fees and costs) incurred by Seller by reason of any breach or inaccuracy of the Purchaser's (or its nominee's) representations and warranties contained in this Article XIV. Seller hereby agrees to indemnify, defend, and hold Purchaser harmless from and against any losses, damages, costs and expenses (including, but not limited to, attorneys' fees and costs) incurred by Purchaser by reason of any breach or inaccuracy of Seller's representations and warranties contained in this Article XIV. Seller and Purchaser agree that it is their specific intent that no broker shall be a party to or a third party beneficiary of this Agreement or the Deposit, that no broker shall have any rights or cause of action hereunder, and further that the consent of a broker shall not be necessary to any agreement, amendment, or

document with respect to the transaction contemplated by this Agreement. The provisions of this Article XIV shall survive the Closing and/or termination of this Agreement.

ARTICLE XV.

CONFIDENTIALITY

15.1. CONFIDENTIALITY. Purchaser expressly acknowledges and agrees that the transactions contemplated by this Agreement, the Documents that are not otherwise known by or readily available to the public and the terms, conditions and negotiations concerning the same shall be held in the strictest confidence by Purchaser and shall not be disclosed by Purchaser except to its legal counsel, lenders, investors, surveyor, title company, broker, accountants, consultants, officers, partners, directors and shareholders (the "AUTHORIZED REPRESENTATIVES"), and except and only to the extent that such disclosure may be necessary for its performance hereunder. Purchaser agrees that it shall instruct (and will be responsible for the compliance of) each of its Authorized Representatives to maintain the confidentiality of such information. Purchaser further acknowledges and agrees that, unless and until the Closing occurs, all information and materials obtained by Purchaser in connection with the Property that are not otherwise known by or readily available to the public will not be disclosed by Purchaser to any third persons (other than to its Authorized Representatives) without the prior written consent of Seller. If the transaction contemplated by this Agreement does not occur for any reason whatsoever, Purchaser shall promptly return to Seller, and shall instruct its Authorized Representatives to return to Seller, all copies and originals of all documents and information provided to Purchaser. Nothing contained in this Section 15.1 shall preclude or limit either party from disclosing or accessing any information otherwise deemed confidential under this Section 15.1 in connection with the party's enforcement of its rights following a disagreement hereunder or in response to lawful process or subpoena or other valid or enforceable order of a court of competent jurisdiction or any filings with Authorities required by reason of the transactions provided for herein. The provisions of this Section 15.1 shall survive any termination of this Agreement.

15.2. POST CLOSING PUBLICATION. Notwithstanding the foregoing, following Closing, Purchaser and Seller shall have each have the right to announce the sale and acquisition of the Property in newspapers and real estate trade publications (including "tombstones") publicizing the purchase or as otherwise required by law, in each instance only in a form which has been approved by Purchaser and Seller. The provisions of this Section 15.2 shall survive Closing and/or any termination of this Agreement.

ARTICLE XVI.

MISCELLANEOUS

16.1. NOTICES. Any and all notices, requests, demands or other communications hereunder shall be deemed to have been duly given if in writing and if transmitted by hand delivery with receipt therefor, by facsimile delivery (with confirmation by hard copy), by

overnight courier, or by registered or certified mail, return receipt requested, first class postage prepaid addressed as follows (or to such new address as the addressee of such a communication may have notified the sender thereof) (the date of such notice shall be the date of actual delivery to the recipient thereof):

To Purchaser:	Centene Corporation 7711 Carondelet Avenue Suite 800 St. Louis, Missouri 63105 Attn: James Reh, Vice President of Facilities Management Phone No.: (314) 725-4477 Fax No.: (314) 725-2065 Email: jreh@centene.com
With a copy to:	Armstrong Teasdale LLP One Metropolitan Square, Suite 2600 St. Louis, MO 63102 Attn: Michael A. Chivell Phone No.: (314) 342-8082 Fax No.: (314) 612-2232 Email: mchivell@armstrongteasdale.com
To Seller:	c/o TA Associates Realty 28 State Street, 10th Floor Boston, Massachusetts 02109 Attn: James P. Raisides Phone No.: (617) 476-2726 Fax No.: (617) 476-2799 Email: jraisides@tarealty.com
With a copy to:	Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation 2323 Bryan Street, Suite 2200 Dallas, Texas 75201 Attn: Kenneth F. Plifka Phone No.: (214) 969-4900 Fax No.: (214) 969-4999 Email: plifka@sbep-law.com
To Escrow Agent:	Chicago Title Insurance Company 2001 Bryan Street, Suite 1700 Dallas, Texas 75201-3005 Attn: Ellen Schwab Phone No.: (214) 965-1670 Fax No.: (214) 965-1629 Email: schwabe@ctt.com

16.2. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal, substantive laws in which the Property is located, without regard to the conflict of laws principles thereof.

16.3. HEADINGS. The captions and headings herein are for convenience and reference only and in no way define or limit the scope or content of this Agreement or in any way affect its provisions.

16.4. EFFECTIVE DATE. This Agreement shall be effective upon delivery of this Agreement fully executed by Seller and Purchaser, which date shall be deemed the Effective Date hereof. Either party may request that the other party promptly execute a memorandum specifying the Effective Date.

16.5. BUSINESS DAYS. If any date herein set forth for the performance of any obligations of Seller or Purchaser or for the delivery of any instrument or notice as herein provided should be on a Saturday, Sunday or legal holiday, the compliance with such obligations or delivery shall be deemed acceptable on the next business day following such Saturday, Sunday or legal holiday. As used herein, the term "legal holiday" means any state or Federal holiday for which financial institutions or post offices are generally closed in the state where the Property is located.

16.6. COUNTERPART COPIES. This Agreement may be executed in two or more counterpart copies, all of which counterparts shall have the same force and effect as if all parties hereto had executed a single copy of this Agreement.

16.7. BINDING EFFECT. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

16.8. ASSIGNMENT. Purchaser shall not have the right to assign the Agreement without Seller's prior written consent, which consent may be given or withheld in Seller's sole and absolute discretion; provided, however, Purchaser may assign this Agreement to another entity without Seller's consent (a) as long as (i) such assignee is controlled by Centene; and (ii) Purchaser provides Seller with the name and organizational documents for such assignee and all members thereof at least five (5) business days in advance of the Closing Date; and (b) as part of a sale-leaseback transaction in which Centene or a wholly owned affiliate is the tenant. Purchaser shall in no event be released from any of its obligations or liabilities hereunder as a result of any assignment. The respective obligations of Seller and Purchaser under this Section 16.8 shall survive the Closing and shall not be merged therein. Whenever reference is made in this Agreement to Seller or Purchaser, such reference shall include the successors and assigns of such party under this Agreement.

16.9. INTERPRETATION. This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that both Seller and Purchaser have contributed substantially and materially to the preparation of this Agreement.

16.10. ENTIRE AGREEMENT. This Agreement and the Exhibits attached hereto contain the final and entire agreement between the parties hereto with respect to the sale and purchase of the

Property and are intended to be an integration of all prior negotiations and understandings. Purchaser, Seller and their agents shall not be bound by any terms, conditions, statements, warranties or representations, oral or written, not contained herein. No change or modifications to this Agreement shall be valid unless the same is in writing and signed by the parties hereto. Each party reserves the right to waive any of the terms or conditions of this Agreement which are for their respective benefit and to consummate the transaction contemplated by this Agreement in accordance with the terms and conditions of this Agreement which have not been so waived. Any such waiver must be in writing signed by the party for whose benefit the provision is being waived.

16.11. SEVERABILITY. If any one or more of the provisions hereof shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

16.12. SURVIVAL. Except as otherwise specifically provided for herein or in any closing document (collectively, the "SURVIVING TERMINATION OBLIGATIONS"), the provisions of this Agreement and the representations and warranties herein shall not survive after the conveyance of title and payment of the Purchase Price but be merged therein.

16.13. EXHIBITS. Exhibits A through L attached hereto are incorporated herein by reference.

16.14. TIME. Time is of the essence in the performance of each of the parties' respective obligations contained herein.

16.15. LIMITATION OF LIABILITY. The obligations of Seller are binding only on Seller's interest in the Property and shall not be personally binding upon, nor shall any resort be had to, any other assets of Seller nor the private properties of any of the partners, officers, directors, shareholders or beneficiaries of Seller, or of any partners, officers, directors, shareholders or beneficiaries of any partners of Seller, or of any of Seller's employees or agents. All documents executed by Seller shall be deemed to contain (even if not expressly stated) the foregoing exculpation.

16.16. PREVAILING PARTY. Should either party employ an attorney to enforce any of the provisions hereof, (whether before or after Closing, and including any claims or actions involving amounts held in escrow), the non-prevailing party in any final judgment agrees to pay the other party's reasonable expenses, including reasonable attorneys' fees and expenses in or out of litigation and, if in litigation, trial, appellate, bankruptcy or other proceedings, expended or incurred in connection therewith, as determined by a court of competent jurisdiction. The provisions of this Section 16.16 shall survive Closing and/or any termination of this Agreement.

16.17. ESCROW AGREEMENT.

16.17.1 INSTRUCTIONS. Purchaser and Seller each shall promptly deposit a copy of this Agreement executed by such party (or either of them shall deposit a copy executed by both Purchaser and Seller) with Escrow Agent, and, upon receipt of the Deposit from Purchaser, Escrow Agent shall immediately execute this Agreement where provided below and

send copies to Purchaser and Seller. This Agreement, together with such further instructions, if any, as the parties shall provide to Escrow Agent by written agreement, shall constitute the escrow instructions. If any requirements relating to the duties or obligations of Escrow Agent hereunder are not acceptable to Escrow Agent, or if Escrow Agent requires additional instructions, the parties hereto agree to make such deletions, substitutions and additions hereto as counsel for Purchaser and Seller shall mutually approve, which additional instructions shall not substantially alter the terms of this Agreement unless otherwise expressly agreed to by Seller and Purchaser.

16.17.2 REAL ESTATE REPORTING PERSON. Escrow Agent is hereby designated the "real estate reporting person" for purposes of Section 6045 of Title 26 of the United States Code and Treasury Regulation 1.6045-4 and any instructions or settlement statement prepared by Escrow Agent shall so provide. Upon the consummation of the transaction contemplated by this Agreement, Escrow Agent shall file Form 1099 information return and send the statement to Seller, with a copy to Purchaser, as required under the aforementioned statute and regulation. Seller and Purchaser shall promptly furnish their federal tax identification numbers to Escrow Agent and shall otherwise reasonably cooperate with Escrow Agent in connection with Escrow Agent's duties as real estate reporting person.

16.17.3 LIABILITY OF ESCROW AGENT. Any notice sent by Seller or Purchaser (the "NOTIFYING PARTY") to the Escrow Agent shall be sent simultaneously to the other noticed parties pursuant to Section 16.1 herein (the "NOTICE PARTIES"). If the Notice Parties do not object to the Notifying Party's notice to the Escrow Agent within ten (10) days after the Notice Parties' receipt of the Notifying Party's certificate to the Escrow Agent, the Escrow Agent shall be able to rely on the same. If the Notice Parties send, within such ten (10) days, written notice to the Escrow Agent disputing the Notifying Party's certificate, a dispute shall exist and the Escrow Agent shall hold the Deposit as hereinafter provided. The parties hereto hereby acknowledge that Escrow Agent shall have no liability to any party on account of Escrow Agent's failure to disburse the Deposit if a dispute shall have arisen with respect to the propriety of such disbursement and, in the event of any dispute as to who is entitled to receive the Deposit, disburse them in accordance with the final order of a court of competent jurisdiction, or to deposit or interplead such funds into a court of competent jurisdiction pending a final decision of such controversy. The parties hereto further agree that Escrow Agent shall not be liable for failure to any depository and shall not be otherwise liable except in the event of Escrow Agent's gross negligence or willful misconduct. The Escrow Agent shall be reimbursed on an equal basis by Purchaser and Seller for any reasonable expenses incurred by the Escrow Agent arising from a dispute with respect to the Deposit. The obligations of Seller with respect to the Escrow Agent are intended to be binding only on Seller and Seller's assets and shall not be personally binding upon, nor shall any resort be had to, the private properties of any of the partners, officers, directors, shareholders or beneficiaries of Seller, or of any partners, officers, directors, shareholders or beneficiaries of any partners of Seller, or of any of Seller's employees or agents.

16.18. NO RECORDING. Neither this Agreement nor any memorandum or short form hereof shall be recorded or filed in any public land or other public records of any jurisdiction, by either party and any attempt to do so may be treated by the other party as a breach of this Agreement.

16.19. WAIVER OF TRIAL BY JURY. The respective parties hereto shall and hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this Agreement, or for the enforcement of any remedy under any statute, emergency or otherwise.

[SIGNATURES ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal on the date set forth above.

SELLER:

THE REALTY ASSOCIATES FUND VI, L.P.,
a Delaware limited partnership

By: Realty Associates Fund VI, LLC,
its general partner

By: Realty Associates Advisors, LLC,
its manager

By: Realty Associates
Advisors Trust,
its sole member

By:________________________
Name:
Title:

PURCHASER:

CENTENE MANAGEMENT CORPORATION,
a Wisconsin corporation

By:_____________________________________
Name:
Title:

ESCROW AGENT JOINDER

Escrow Agent hereby executes this Agreement for the sole purpose of acknowledging receipt of the Initial Deposit and its responsibilities hereunder and to evidence its consent to serve as Escrow Agent in accordance with the terms of this Agreement.

ESCROW AGENT:

CHICAGO TITLE INSURANCE COMPANY

By:_____________________________________
Name:
Title:

Date: April ____, 2003

LIST OF EXHIBITS

EXHIBITS

EXHIBIT A
LEGAL DESCRIPTION

Centene Place

Lots 8, 9 and 10 in Block 13 of the Town (now City) of Clayton according to the plat thereof recorded in Plat Book 1, Page 11 (now Page 7) of the St. Louis County Records.

EXHIBIT B
DUE DILIGENCE DOCUMENTS
TO BE DELIVERED BY SELLER

Tenant Information

1. A current rent roll for the Property in the form currently maintained by Seller.

2. All Leases and amendments thereto, including all subleases and Lease

guaranties.

3. All leasing commission/brokerage agreements

4. All certificates of insurance or other evidence of insurance delivered by existing tenants of the Property

Operating Information

1. All service, maintenance, equipment and/or supply contracts.

2. Real estate tax bills (including special assessments) for the prior two (2) years.

3. Year-to-date 2003 operating statements.

4. Year-end 2002 Lease occupancy expense reconciliations.

Other

1. Seller's most current title policy and any title report or commitment for the Property.

2. Seller's most recent survey of the Property.

3. Any maintenance or repair records relating to the Property from October 1, 2002 to the present - to be made available at the property manager's office, to the extent in Seller's possession or control.

4. Any "as built" plans and specifications for the Improvements and any site engineering plans and environmental reports relating to the Property - to be made available at the property manager's office, to the extent in Seller's possession or control.

5. All marketing and leasing materials related to the Property - to be made available at the property manager's office, to the extent in Seller's possession or control.

6. True and complete copies of all governmental documents and/or approvals for tax abatement, development, zoning, platting and/or utility services for the Property, including any reassessment notices from any taxing authority or assessors office for 2003 - to be made available at the property manager's office, to the extent in Seller's possession or control.

7. True and complete copies of any certificates of occupancy for the Improvements - to be made available at the property manager's office, to the extent in Seller's possession or control.

8. A list of the Personal Property - to be made available at the property manager's office, to the extent in Seller's possession or control.

EXHIBIT C

TENANT ESTOPPEL CERTIFICATE

_____________________________________ (the "Tenant") hereby certifies to The Realty Associates Fund VI, a Delaware limited partnership (the "Owner") and Centene Corporation, its successors or assigns ("Purchaser") as follows:

1. Pursuant to that certain Lease dated ____________, ______ (the "Lease"), Tenant leases _______________ square feet of space (the "Premises"). The Lease, as amended, modified and supplemented, is in full force and effect, and represents the entire agreement between Tenant and Owner for the Property. There are no amendments, modifications or supplements to the Lease, whether oral or written, except as follows (include the date of each amendment, modification or supplement): ________________________________ ____________________________________. A true and correct copy of the Lease, as amended, modified and supplemented, is attached hereto as Exhibit A.

2. The term of the Lease began on ____________________, ______ and will end on ____________________, 20____. Tenant has accepted the Premises, is in occupancy, and is paying rent under the Lease.

3. The Lease does/does not provide for an option to extend the

term of the Lease for ________________ years. Except as expressly provided in the Lease, Tenant does not have any right or option to renew or extend the term of the Lease, to lease other space at the Property, nor any preferential right to purchase all or any part of the Premises or the Property.

4. The Lease is presently in full force and effect and neither Owner nor Tenant is in default thereunder. There exist no facts that would constitute a basis for any such default upon the lapse of time or the giving of notice or both.

5. Tenant is currently paying [Base Monthly] Rent under the Lease in the amount of $__________________ and estimated monthly pass throughs in the amount of __________________. As of the date of this certificate, to the knowledge of Tenant, there exist no offsets, counterclaims, or defenses of Tenant under the Lease against Owner, and there exist no events that would constitute a basis for any such offset, counterclaim, or defense against Owner upon the lapse of time or the giving of notice or both, except the following (if left blank, there shall be deemed to be none):__________________

6. There are no concessions, bonuses, free rental periods, rebates, advance rental payments, or other matters affecting the rental payable by Tenant under the Lease except as described in the attached Lease

7. A cash security deposit in the amount of $__________________ has been paid to Owner under the Lease, and Tenant has not given Owner any other security or similar deposit.

8. All improvements or repairs required under the terms of the Lease to be made by Owner through the date hereof have been satisfactorily completed. All allowances and other payments due to Tenant by Owner under the terms of the Lease have been paid in full, except the following (if left blank, there shall be deemed to be none):____ ____________.

9. Tenant acknowledges that: (a) Purchaser will rely on the statements of Tenant in Purchaser's decision to purchase the Property from Owner, and (b) Owner may assign its interest in the Lease to Purchaser and agrees, upon receipt of notice of such assignment from Owner and Purchaser, to attorn to Purchaser and to perform all of Tenant's obligations as the tenant under the Lease, including, without limitation, the payment of rent, directly to Purchaser, or its agent, as the landlord under the Lease, from and after the date of such notice.

Dated this _______ day of ______________, 2003.

[NAME OF TENANT]

By:_____________________________________
Name:
Title:

EXHIBIT D

PERMITTED EXCEPTIONS

1. Real estate taxes and all general and special assessments applicable to the year of Closing (to the extent not fully paid at Closing) and subsequent calendar years.

2. Rights of tenants under the Leases.

3. Local, state and federal laws, ordinances or governmental regulations, including, but not limited to, building and zoning laws, ordinances and regulations, now or hereafter in effect relating to the Property.

EXHIBIT E

LEASE SCHEDULE

[Please see rent roll attached hereto]

NOTE: THE RENT ROLL HAS BEEN ATTACHED FOR REFERENCE PURPOSES ONLY AND SELLER DOES NOT REPRESENT THE ACCURACY THEREOF.

EXHIBIT F

AFTER RECORDING RETURN TO:

____

____

____

____

SPECIAL WARRANTY DEED

THE STATE OF___________ Section
Section KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF _____________ Section

THAT, ______________________, ____________________ ("Grantor"), for and in consideration of the sum of Ten and No/100 Dollars ($10.00) and other good and valuable consideration in hand paid to Grantor by_______________________ ("Grantee"), whose mailing address is _________________,_______________________, Attention: ___________________, the receipt and sufficiency of such consideration being hereby acknowledged, has GRANTED, SOLD AND CONVEYED, and by these presents does GRANT, SELL AND CONVEY unto Grantee that certain real property being more particularly described in Exhibit A attached hereto and made a part hereof for all purposes, together with all improvements, structures and fixtures situated thereon (collectively, the "Property"); subject, however, to those matters more particularly described in Exhibit B attached hereto and made a part hereof for all purposes (collectively, the "Permitted Exceptions").

TO HAVE AND TO HOLD the Property, together with all and singular the rights, and appurtenances thereto in anywise belonging, unto Grantee, its successors and assigns forever, subject to the Permitted Exceptions; and Grantor does hereby bind itself and its successors to WARRANT AND FOREVER DEFEND all and singular the Property, subject to the Permitted Exceptions, unto Grantee, its successors and assigns, against every person whomsoever lawfully claiming, or claim the same, or any part thereof, by, through, or under Grantor, but not otherwise.

IN WITNESS WHEREOF, this instrument has been executed as of (but not necessarily on) this _____ day of ____________________, 2003.

GRANTOR:

____

By:_____________________________________
Name:
Title:

THE STATE OF _____________ Section

Section
COUNTY OF _______________ Section

This instrument was acknowledged before me on ___________________, 2003, by ____________________________________, a ________________________, on behalf of such ___________________.

My Commission Expires: ____________________________________

Notary Public, State of_____________

____

Notary's name printed:

____

NOTE: THIS FORM WILL BE MODIFIED, AS APPROPRIATE, TO COMPLY WITH APPLICABLE MISSOURI REQUIREMENTS.

EXHIBIT G

GENERAL ASSIGNMENT

THIS GENERAL ASSIGNMENT (the "General Assignment") is made as of the ______ day of _____________, 2003 by: (i) ____________________ ("Seller"), and (ii) _________________________________, a ________________________ ("Purchaser").

KNOW ALL MEN BY THESE PRESENTS:

Concurrently with the execution and delivery hereof, pursuant to a certain Agreement of Purchase and Sale dated ________, 2003 (the "Agreement") between Seller and Purchaser, Seller is conveying to Purchaser all of Seller's right, title and interest in and to the real property described on Exhibit A attached hereto and made a part hereof (the "Land") and in and to the building, parking areas and other structures and improvements located on the Land (collectively, the "Improvements") located in Clayton, Missouri. The Land and the Improvements are hereinafter sometimes collectively referred to as the "Property."

It is the desire of Seller to hereby sell, assign, transfer, convey, set-over and deliver to Purchaser all of Seller's right, title and interest in and to the Assigned Property (as hereinafter defined).

1. Bill of Sale and Assignment.

Seller does hereby sell, assign, transfer, set-over and deliver unto Purchaser, its successors and assigns, with special warranty of title and subject to the limitations contained in Section 8.2 of the Agreement, all right, title and interest of Seller in and to:

a. All personal property (including equipment), if any, owned by Seller and located on the Property as of the date hereof, all inventory located on the Property on the date hereof, and all fixtures (if any) owned by Seller and located on the Property as of the date hereof (the "Personal Property"); and

b. All non-exclusive trademarks and trade names, if any, used in connection with the Property, but only to the extent that the same are not trademarks or trade names of Seller or any of Seller's affiliated companies (collectively, the "Trade Names");

c. Seller's interest, if any, in and to the service, equipment, supply and maintenance contracts (the "Contracts") listed on Schedule 1 attached hereto, and guarantees, licenses, approvals, certificates, permits and warranties relating to the Property, to the extent assignable (collectively, the "Intangible Property"); and

d. The leases, subleases, licenses and other occupancy agreements, together with any and all amendments, modifications or supplements thereto (the "Leases") demising space in or otherwise similarly affecting or relating to the

Property listed on Schedule 2 attached hereto; subject, however to the rights of Seller set forth in the Agreement to rents under the leases assigned hereby attributable to the period prior to the date hereof.

TO HAVE AND TO HOLD the Personal Property, the Trade Names, the Intangible Property and the Leases (collectively, the "Assigned Property") unto Purchaser, its successors and assigns, forever.

2. Assumption/Indemnity.

Purchaser accepts the foregoing assignment and assumes and agrees to be bound by and to perform and observe all of the obligations, covenants, terms and conditions to be performed or observed under the Assigned Property arising on or after the date hereof. Purchaser further agrees to indemnify Seller and hold Seller harmless from and against any and all claims, liens, damages, demands, causes of action, liabilities, lawsuits, judgments, losses, costs and expenses (including, without limitation, attorneys' fees and expenses) (collectively, the "Losses") asserted against or incurred by Seller by reason of or arising out of any failure by Purchaser to perform or observe the obligations, covenants, terms and conditions assumed by Purchaser hereunder arising in connection with the Assigned Property and related to the period on or after the date hereof. Seller agrees to indemnify Purchaser and hold Purchaser harmless from and against any all Losses asserted against or incurred by Purchaser by reason of or arising out of any failure by Seller to perform or observe the obligations, covenants, terms and conditions arising in connection with or under the Assigned Property and related to the period prior to the date hereof and during Seller's period of ownership.

3. Exclusions from Personal Property.

It is hereby acknowledged by the parties that the Assigned Property shall not include claims relating to any real property tax refunds or rebates for periods accruing prior to the date hereof, existing insurance claims and any existing claims against tenants of the Property, which claims are hereby reserved by Seller; provided, however, Seller shall have no right to terminate the lease, evict or otherwise dispossess any tenant or require Purchaser to declare a default under the lease of any tenant.

4. Counterpart Copies.

This General Assignment may be executed in two or more counterpart copies, all of which counterparts shall have the same force and effect as if all parties hereto had executed a single copy of this General Assignment.

IN WITNESS WHEREOF, the parties have caused this General Assignment to be executed as of the date first written above.

SELLER:

____

By: __________________________________
Name:
Title:

PURCHASER:

____
a ____________________________________

By: __________________________________
Name:
Title:

EXHIBIT H

NOTICE LETTER TO TENANTS

________________, 2003

CERTIFIED MAIL,
RETURN RECEIPT REQUESTED

Dear Tenant:

We are pleased to advise you that the building in which your premises are located at ____, has been sold by _____________________ to _________________________________ (the "Purchaser") effective as of the date set forth above. Your lease agreement has been assigned to and accepted by Purchaser and Purchaser has agreed to assume all responsibility for security deposits currently held under your lease.

All future correspondence relating to your tenancy, as well as rent checks and other charges, should be made payable and mailed to ___________ c/o ________.

The Purchaser looks forward to working with you in the operation of this Property.

Very truly yours,

SELLER:

____

By: __________________________________
Name:
Title:

PURCHASER:

____
a ____________________________________

By: __________________________________
Name:
Title:

EXHIBIT I

NON-FOREIGN ENTITY CERTIFICATE

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by __________________________ ("Transferor"), the undersigned hereby certifies on behalf of Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. Transferor's U.S. employer identification number is 04-3216723; and

3. Transferor's office address is:

   c/o TA Realty Associates
   28 State Street, 10th Floor
   Boston, Massachusetts 02109

Transferor understands that this certification may be disclosed to the Internal Revenue Service and that any false statement made within this certification could be punished by fine, imprisonment, or both.

Under penalties of perjury the undersigned declares that he has examined this certification and that to the best of his knowledge and belief it is true, correct and complete, and the undersigned further declares that he has the authority to sign this document on behalf of the Transferor.

Dated: _________________, 2003

TRANSFEROR:

____

By: __________________________________
Name:
Title:

EXHIBIT J

SELLER'S ESTOPPEL CERTIFICATE

THE REALTY ASSOCIATES FUND VI, L.P. (the "Seller") hereby certifies to ____________________________________, its successors or assigns ("Purchaser") as follows, to its current, actual, conscious knowledge:

1. Pursuant to that certain Lease dated ____________, _____ (the "Lease") with _______________________________________ (the "Tenant"), Tenant leases approximately _____________ square feet of space (the "Premises"). A true and correct copy of the Lease, as amended, modified or supplemented, is attached hereto as Exhibited A.

2. Seller has neither sent nor received any notice of default under the Lease which remains uncured except as follows:
____
____

3. As of the date of this Certificate, to Seller's knowledge, there exist no offsets, counterclaims, or defenses of Tenant under the Lease against Seller, and there exist no events that would constitute a basis for any such offset, counterclaim, or defenses against Seller, upon the lapse of time or the giving of notice or both, except the following (if left blank, there shall deemed to be none):______________________________________.

4. All improvements or repairs required under the terms of the Lease to be made by Seller through the date hereof have, to Seller's knowledge, been satisfactorily completed. All allowances and other payments due to Tenant

by Seller under the terms of the Lease have, to Seller's knowledge, been paid in full, except the following (if left blank, there shall be deemed to be none):__ _________________________________.

The obligations of Seller are intended to be binding only on Seller and Seller's assets and shall not be personally binding upon, nor shall any resort be had to, the private properties of any of the partners, officers, directors, shareholders or beneficiaries of Seller, or of any partners, officers, directors, shareholders or beneficiaries of any partners of Seller, or of any of Seller's employees or agents. Any action, suit or proceeding with respect to the truth, accuracy or completeness of the foregoing representations and warranties shall be commenced, if at all, on or before December 31, 2003 and, if not commenced on or before such date, thereafter such representations and warranties shall be void and of no force or effect.

By its acceptance hereof, Purchaser hereby agrees that if, after the date hereof, Seller delivers to Purchaser a tenant estoppel certificate from Tenant and such tenant estoppel certificate contains no information which is contradictory to the information contained herein, then Seller thereafter shall be released from all liability hereunder relating to such non-contradictory information.

Dated: _________________, 2003

SELLER:

THE REALTY ASSOCIATES FUND VI, L.P.,
a Delaware limited partnership

By: Realty Associates Fund VI, LLC,
its general partner

By: Realty Associates Advisors, LLC,
its manager

By: Realty Associates
Advisors Trust,
its sole member

By: ____________________________
Name:
Title:

EXHIBIT K

DISCLOSURE SCHEDULE

None

EXHIBIT L

LIST OF SERVICE AGREEMENTS

Please see list attached behind this exhibit

EXHIBIT 31.1

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 Rules 13a-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 report is being prepared;

    b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

    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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 functions):

    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.

Date: July 28, 2003

/s/ Michael F. Neidorff

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

EXHIBIT 31.2

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 Rules 13a-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 report is being prepared;

   b) [Paragraph omitted in accordance with SEC transition instructions contained in SEC Release 34-47986]

   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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 functions):

   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.

Date: July 28, 2003

/s/ Karey L. Witty

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

EXHIBIT 32.1

CERTIFICATE 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 June 30, 2003, 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.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael F. Neidorff

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

Dated: July 28, 2003

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 June 30, 2003, as filed with the Securities and Exchange Commission of the date hereof (the Report), the undersigned, Karey L. Witty, Senior Vice President, Chief Financial 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.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Karey L. Witty

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

Dated: July 28, 2003