STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION

BEFORE THE DIRECTOR
OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of the Proposed Plan of Acquisition of Control of Trillium Community Health Plan, Inc., Eugene, Oregon, by Centene Corporation, St. Louis, Missouri	))))	Findings of Fact, Conclusions of Law and Order Case No. 15-04-022

INTRODUCTION

On February 6, 2015, Centene Corporation ("Centene") filed a Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer to acquire control of Trillium Community Health Plan, Inc. ("Trillium") as required by ORS 732.517 through 732.546 (the "Form A"). The filing fee required under OAR 836-009-0007(12) was received by the Oregon Insurance Division on February 12, 2015. The acquisition described in the filing was approved by the Board of Directors of Centene on January 23, 2015.

Supplemental information was periodically provided until the filing was complete on June 24, 2015.

FINDINGS OF FACT

(1) Trillium was incorporated in Oregon on February 14, 2006, as a for-profit corporation that received its Certificate of Authority as a health care service contractor on April 18, 2006. Trillium is a subsidiary of Agate Resources, Inc. ("Agate") and Lane Individual Practice Association, Inc. ("LIPA"), which own 40% and 60% of its issued and outstanding common stock, respectively.

(2) Trillium was authorized to operate as a Coordinated Care Organization ("CCO") under a contract entered into with the Oregon Health Authority ("OHA") on August 12, 2012 (with renewal contracts and amendment, the "CCO Contract").

(3) Agate is an Oregon corporation formed on December 12, 2003. Agate provides administrative services and leases employees and buildings for Trillium and LIPA. Agate owns 40% of Trillium's issued and outstanding shares of common stock and 100% of LIPA's. Agate is owned by more than two hundred individual shareholders.

(4) LIPA is an Oregon corporation formed on January 29, 1996, that owns 60% of Trillium's issued and outstanding shares of common stock. It is a wholly owned subsidiary of Agate.

(5) Centene is a publically traded diversified, multi-line healthcare enterprise that provides programs and services to government-sponsored healthcare programs, focusing on under-insured and uninsured individuals. Centene subsidiaries offer healthcare services in several states, including California, Washington, Florida, Illinois, Massachusetts, Ohio and Texas.

(6) Prefontaine Merger Sub, Inc. is a Delaware corporation and wholly owned subsidiary of Centene ("Merger Sub") that was formed to facilitate the acquisition of Agate by Centene and is not expected to have any material business operations.

(7) Trillium has 5,000 shares of common stock outstanding with LIPA owning 3,000 shares and Agate owning 2,000.

(8) Centene proposes to acquire control of Trillium through its acquisition of Agate (the "Acquisition") through a merger of Merger Sub with and into Agate, with Agate as the surviving corporation in the merger (the "Merger"). As a result of the Merger, the shareholders of Agate will be entitled to cash consideration and Centene will become the sole shareholder of Agate and thereby gain control of Agate and Trillium.

(9) Centene has access to cash sufficient to pay the purchase price for the stock of Agate as provided for in the Merger Agreement.

(10) The terms and conditions of the acquisition are set forth in the Agreement and Plan of Merger by and among Centene Corporation, Prefontaine Merger Sub, Inc., Agate Resources, Inc. and James Dalton, as the stockholder representative (the "Agreement"), dated as of January 25, 2015.

(11) Trillium management forecasts that following the contemplated dividend described in paragraph (15) below and closing of the acquisition, the year end 2015 capital and surplus of Trillium will be approximately $47,000,000.

(12) The Purchase Price is set forth in the Agreement. It was established through negotiations between Centene and Agate. The purchase of Agate includes all of its subsidiary entities, including LIPA and Trillium."**Final Merger Consideration**" means, as finally determined pursuant to Section 2.12, the sum of:

(i) $80,000,000;

plus (ii) the Aggregate Option Exercise Price;

minus (iii) the excess, if any, of the Working Capital Target over the Final Working Capital;

plus (iv) the excess, if any, of the Final Working Capital over the Working Capital Target;

minus (v) the excess, if any, of the Target RBC over the Final RBC;

plus (vi) the excess, if any, of the Final RBC over the Target RBC;

minus (vii) the Final Indebtedness;

minus (viii) the Final Transaction Expenses;

minus (ix) the Stockholder Representative Holdback Amount; and

minus (x) 50% of the Community Investment Fund Amount.

"**Deferred Purchase Price**" means $20,000,000.

On each of the first, second and third anniversaries of the Effective Time, Purchaser shall deliver to the Paying Agent, by wire transfer of immediately available funds to an account designated in writing by the Paying Agent an amount in cash equal to the product of (x) 1/3 of the Deferred Purchase Price *less* (A) any Reduction Amounts, (B) any Unresolved Claim Amounts, in each case, not previously deducted from payments made hereunder, and/or (C) any Additional Stockholder Representative Holdback Amount and (y) the Stockholder Percentage, for distribution to the Stockholders.

(13) Following the acquisition of Trillium, Centene does not anticipate a change to the corporate name of Trillium.

(14) There are no current plans, other than as stated herein, to declare an extraordinary dividend, to liquidate, or to sell or merge any assets of Trillium following the acquisition.

(15) Under the Merger Agreement, prior to closing Trillium is expected to declare and pay a dividend to Agate and LIPA (with LIPA paying the amount it receives to Agate in the form of dividend) such that Trillium's Risk Based Capital would be reduced to approximately, and not less than, 200.00 percent of Trillium's Authorized Control Level. Action to declare the dividend may be taken following the approval of the acquisition, and payment of the dividend will be made prior to the closing of the acquisition. Centene and Agate understand that any such dividend will require prior notice to and the prior approval of the Division, or failure of the Division to disapprove the request for approval of the payment of such dividend during the period prescribed by ORS 732.576.

(16) Centene provided an anticipated parental guarantee of Trillium that will go into effect following the approval of the transaction to ensure certain financial benchmarks of Trillium are within regulatory thresholds, as defined under the Insurance Code, Oregon Administrative Rules, and guidance and processes as defined by the National Association of Insurance Commissioners. The guarantee is solely

limited to the regulatory authority of the Insurance Division of the Oregon Department of Consumer and Business Services.

(17) Subject to rights shareholders may have under the Agreement and under ORS 60.551 through 60.594, the legal positions, equities, rights and relationships of Agate's individual shareholders, as shareholders of Agate, will terminate upon consummation of the acquisition. Immediately following the acquisition, Centene will directly own 100% of the issued and outstanding common stock of Agate.

(18) The legal positions, equities, rights and relationships of Agate will continue upon consummation of the acquisition.

(19) The legal positions, equities, rights and relationships of LIPA will continue upon consummation of the acquisition. Immediately following the acquisition, through its 100% ownership of Agate, Centene will indirectly own 100% of the issued and outstanding common stock of LIPA.

(20) The legal positions, equities, rights and relationships of Trillium will continue upon consummation of the acquisition. Immediately following the acquisition, through the 100% ownership of Trillium by Agate and LIPA, Centene will indirectly own 100% of the issued and outstanding common stock of Trillium.

(21) All current officers and directors of Trillium will remain in place immediately following the Closing. Terry Coplin, Secretary and Chief Executive Officer of Trillium, will enter into a separate employment agreement with Centene in connection with the Closing.

(22) Upon completion of the proposed acquisition, Trillium will have management comprised of individuals with many years of experience in insurance.

(23) OHA provided by letter dated June 12, 2015, that Trillium is in satisfactory standing under the terms of the CCO Contract and that the acquisition will neither alter Trillium's compliance with the certification standards for CCO nor fundamentally change the information based on which Trillium was certified as a CCO.

(24) On the basis of the Statement Regarding the Acquisition of Control of Trillium Community Health Plans, Inc. by Centene Corporation and specifically on the basis of the findings of fact above, the Director enters the following:

CONCLUSIONS OF LAW

1. The Statement Regarding the Acquisition of Control of Trillium Community Health Plan, Inc. by Centene Corporation that was submitted to the Director is properly supported by the required documents and meets the requirements of the Oregon Insurance Code for approval with respect to acquisitions and mergers pursuant to ORS 732.517 to 732.546.

2. The Director finds that there is no evidence that:

(a) The activity is contrary to law or would result in a prohibited combination of risks or classes of insurance.

The acquisition of control of Trillium by Centene is permitted by ORS 732.517 to 732.546.

(b) The activity is inequitable or unfair to the policyholders or shareholders of any insurer involved in, or to any other person affected, by the proposed activity.

The activity is not inequitable or unfair to the policyholders or shareholders of any insurer involved or to any other person affected by the proposed activity. A subsidiary of Centene will merge with and into Agate and Agate's existing shares will be converted into the right to receive the negotiated price. Trillium projects that, following the contemplated dividend and acquisition, the capital and surplus of Trillium for the year ended 2015 will total approximately $47,000,000.

(c) The activity would substantially reduce the security of and service to be rendered to policyholders of any domestic insurer involved in the proposed activity, or would otherwise prejudice the interests of such policyholders in this state or elsewhere.

The activity will not substantially reduce the security of and service to be rendered to policyholders of any domestic insurer involved or otherwise prejudice the interests of such policyholders in this state or elsewhere.

(d) The activity provides for a foreign or alien insurer to be an acquiring party, and the insurer cannot satisfy the requirements of this state for transacting an insurance business involving the classes of insurance affected by the activity.

The activity does not provide for a foreign or alien insurer to be an acquiring party. As such, this provision is not relevant to the Director's consideration.

(e) The activity or its consummation would substantially diminish competition in insurance in this state or tend to create a monopoly.

This transaction will not substantially diminish competition of insurance in this state or another state or tend to create a monopoly.

(f) After the change of control or ownership, the domestic insurer to which the activity applies would not be able to satisfy the requirements for the issuance of a certificate of authority to transact the line or lines of insurance for which the insurer is currently authorized.

Trillium will be adequately capitalized to transact the lines of business for which it is authorized in Oregon. *See* ORS 750.045.

(g) The financial condition of any acquiring party might jeopardize the financial stability of the insurer.

The transaction with Centene will enhance – not jeopardize – the financial stability of Trillium.

(h) The plans or proposals that the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in the insurer's business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest.

Following the proposed transaction, Centene has no current plans to liquidate Trillium, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management.

(i) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the activity or its consummation.

There is nothing to suggest that the competence, experience and integrity of those persons who will control the operation of Trillium will not be in the interest of Trillium policyholders and of the public to permit the activity or its consummation.

(j) The activity or its consummation is likely to be hazardous or prejudicial to the insurance-buying public.

The transaction will not be hazardous or prejudicial to the insurance-buying public.

(k) The activity is subject to other material and reasonable objections.

OHA provided written indication that the acquisition is not expected to alter Trillium's satisfactory standing under the terms of the CCO Contract. Centene intends that Trillium will continue performing its obligations under the CCO Contract. The Division considered over 50 public comments received, both in support and opposition to this transaction over a period of 36 days. After considering all comments, the division finds that there are no material or reasonable objections to this transaction.

ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, it is hereby ordered that the acquisition of control of Trillium Community Health Plan, Inc. by Centene Corporation is hereby approved and is found to be fair, just and equitable to the Trillium Community Health Plan, Inc. policyholders.

DATED this 25 day of June, 2015.



LAURA N. CALI
Oregon Insurance Commissioner

NOTICE

Pursuant to ORS 732.528 (6), any insurer or other party to the proposed activity, including the insurer proposed to be acquired, within 60 days after receipt of a notice of approval or disapproval, may appeal the final order of the director as provided in ORS 183.310 to 183.550. For purposes of the judicial review the specifications required to be set forth in the written notice from the director will be deemed the findings of fact and conclusions of law of the department.