Oregon
Kate Brown, Governor

Department of Consumer and Business Services
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May 27, 2015
Mr. Nick Budnick
The Oregonian
1500 SW First Avenue
Portland, OR 97201

Ms. Sherri McDonald
The Register-Guard
3500 Chad Drive
Eugene, OR 97408

Re: Request for Public Records of Centene Acquisition of Trillium

Dear Mr. Budnick and Ms. McDonald:

On February 6, 2015, Centene Corporation ("Centene") filed with the Oregon Department of Consumer and Business Services ("DCBS") 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"). On May 8, 2015, DCBS received a public records request from the Oregonian for documents pertaining to its review of the Form A. On May 13, 2015, DCBS received a similar public records request from the Register-Guard.

DCBS has identified and analyzed the records responsive to these two requests under Oregon's public records law. Under ORS 731.312(6) and ORS 732.586, DCBS may release records that are considered confidential and exempt from disclosure as part of an examination to the extent "the director, in the director's sole discretion, determines that disclosure is necessary to protect the public interest." Based on our analysis of the records and applicable laws, DCBS finds that full disclosure of the following documents is necessary to protect the public interest due to the fact that the majority of Trillium's annual membership and revenue is and has been derived from publicly funded healthcare services and that Centene intends to maintain Trillium's focus on public programs:

i. Merger Agreement
ii. Agate Board of Directors Resolution
iii. Centene's list of directors and officers
iv. Trillium Pro Formas

DCBS intends to release these documents in full, as well as emails not considered exempt from public records disclosure under ORS 192.502(1) or ORS 192.502(9) and ORS 40.255.

DCBS does not have clear and convincing evidence that disclosure of personal privacy information contained in the following documents is necessary to protect the public interest:

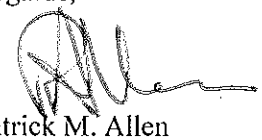
i. Agate – Ownership Details document
ii. Estimated Consideration document
iii. NAIC Biographical Affidavits
iv. Stockholder signatures and Schedule A to the Stockholder Support Agreement

DCBS does not intend to disclose personal privacy information and intends to release redacted versions of these documents.

DCBS has provided notice to Centene and Trillium that it intends to release the documents, as described above, on June 4, 2015. I will send the documents directly to you, and DCBS will extend the public comment period to allow time for public review of the records.

Thank you for your request and your patience as we conducted our review.

Regards,



Patrick M. Allen
Director

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

CENTENE CORPORATION,

PREFONTAINE MERGER SUB, INC.,

AGATE RESOURCES, INC.

AND

JAMES DALTON,

AS THE STOCKHOLDER REPRESENTATIVE

January 25, 2015

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Exhibit E	-	Form of Escrow Agreement
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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "**Agreement**") is made and entered into as of January 25, 2015, by and among Agate Resources, Inc., an Oregon corporation (the "**Company**"), Centene Corporation, a Delaware corporation ("**Purchaser**"), Prefontaine Merger Sub, Inc., a Delaware corporation and a wholly-owned direct subsidiary of Purchaser ("**Merger Sub**"), and James Dalton (the "**Stockholder Representative**"), as agent for the Company Holders. The Company, Purchaser, Merger Sub and the Stockholder Representative are sometimes collectively referred to herein as the "**Parties**" and individually as a "**Party**." Capitalized terms used herein and not otherwise defined herein have the meanings given to such terms in Article I.

The board of directors of the Company (the "**Company Board**"), at a meeting duly called and held at which all directors were present, has unanimously adopted resolutions (i) determining that this Agreement and the transactions provided for herein, including the consideration to be paid for each share of the Company's Common Stock in the merger of Merger Sub with and into the Company (the "**Merger**") is fair to the Stockholders, (ii) approving and adopting this Agreement and the transactions and agreements contemplated hereby, (iii) declaring this Agreement and the Merger advisable and directing that this Agreement be submitted to the Stockholders for their approval and adoption, (iv) recommending to the Stockholders that they vote in favor of and approve and adopt this Agreement in accordance with the terms hereof and (v) subject to the approval and adoption of this Agreement by the Stockholders, approving the filing of the Articles of Merger on the Closing Date ((i), (ii), (iii), (iv) and (v), collectively, the "**Company Recommendation**"), a copy of which is attached as Exhibit G.

The board of directors of each of Purchaser and Merger Sub has approved, and Purchaser, in its capacity as the sole stockholder of Merger Sub, and following the recommendation of the board of directors of Merger Sub, has approved, the Merger upon the terms and subject to the conditions set forth in this Agreement.

Concurrent with the execution and delivery of this Agreement, as a condition and an inducement to Purchaser's and Merger Sub's willingness to enter into this Agreement, certain Stockholders who hold as of the date of this Agreement in the aggregate no less than 20.43% of the voting power of the outstanding Common Stock as of such time are entering into a stockholder support agreement, in the form attached as Exhibit A (the "**Stockholder Support Agreement**"), pursuant to which they have agreed, among other things, to vote all of their Common Stock in favor of this Agreement and the Merger and the transactions and agreements contemplated hereby.

In consideration of the mutual covenants, agreements and understandings contained herein, and intending to be legally bound, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. For the purposes of this Agreement, the following terms have the meanings set forth below:

"**ACA Gross-Up**" means, with respect to any calendar year, the amount reimbursed to the Regulated Target Entity by the State of Oregon with respect to the non-deductible Health Insurer Fee under section 9010 of the Affordable Care Act for such calendar year.

"**Acceptable Confidentiality Agreement**" means a confidentiality agreement containing terms no less favorable to the Company than those contained in the Confidentiality Agreement.

"**Accounts Receivable**" has the meaning set forth in Section 3.9.

"**Acquisition Agreement**" means any letter of intent, agreement in principle, merger agreement, stock purchase agreement, asset purchase agreement, acquisition agreement, joint venture agreement, recapitalization agreement, support agreement, option agreement or similar agreement relating to an Acquisition Proposal.

"**Acquisition Proposal**" means a proposal or offer from, or inquiry with respect to, or indication of interest in making a proposal or offer by, any Third Party relating to any (a) direct or indirect acquisition (including any lease, license, long-term supply agreement or other arrangement having the same economic effect as an acquisition) of assets having a fair market value of at least 5% of the aggregate fair market value of the assets of the Target Entities taken as a whole (including any Equity Interests of Subsidiaries, but excluding sales of immaterial and obsolete assets in the Ordinary Course of Business), (b) direct or indirect acquisition of any of the Equity Interests of any of the Target Entities (other than issuances of Common Stock upon the valid exercise of Options outstanding as of the date of this Agreement and repurchases of Common Stock (i) from any terminated employee pursuant to and in accordance with an agreement between the Company and such employee that is in effect as of the date of this Agreement and listed in Section 3.2(b) and Section 3.2(c) of the Company Disclosure Schedule or (ii) that is required pursuant to the terms of the Company's Articles of Incorporation, as in effect as of the date of this Agreement), (c) tender offer or exchange offer or equity investment, joint venture, liquidation, dissolution, recapitalization, restructuring, reorganization, liquidation, dissolution or other extraordinary transaction with respect to the Target Entities, (d) merger, consolidation, other business combination or similar transaction involving any of the Target Entities, or (e) combination of any of the foregoing.

"**Action**" means any action, litigation (in Law or in equity), arbitration, mediation, suit, proceeding, indictment, demand, hearing, inquiry, investigation, examination, charge, complaint, audit, assessment or claim, whether civil, criminal, administrative, judicial or arbitrative in nature.

"**Additional Company Termination Fee**" means $1,000,000.

"**Additional Stockholder Representative Holdback Amount**" means an amount, not to exceed 10% of any Deferred Purchase Price actually paid, that the Stockholder Representative reasonably requests, by written notice to Purchaser and the Escrow Agent at least five Business Days prior to Purchaser's distribution of any Deferred Purchase Price to the Paying Agent in accordance with this Agreement, to be deposited in the Representative Holdback Account.

"**Affiliate**" means (i) as to any Person, any other Person that directly or indirectly is in Control of, is Controlled by or is under common Control with such Person or (ii) as to any Person that is a natural Person, any such Person's spouse, parents, children or siblings, whether by blood, adoption or marriage, residing in such Person's home or any trust or similar entity for the benefit of any of the foregoing Persons.

"**Affiliated Group**" means any affiliated group as defined in Code §1504 that has filed a consolidated return for federal income Tax purposes (or any similar group under Law) for a period during which a Target Entity was a member.

"**Aggregate Merger Consideration**" means (i) the Initial Merger Consideration *plus* (ii) the Subsequent Merger Consideration.

"**Aggregate Option Exercise Price**" means the aggregate amount that would be paid to the Company in respect of all Options outstanding at the Closing if the holders thereof were exercising such Options for Option Shares at the Closing (whether such exercise price is in fact paid in cash or by cashless exercise of such Options).

"**Agreement**" has the meaning set forth in the preamble.

"**Antitakeover Laws**" means any "moratorium," "control share," "fair price," "affiliate transaction," "business combination" or other antitakeover Laws of any state or other jurisdiction.

"**Articles of Merger**" has the meaning set forth in Section 2.2.

"**Authorized Control Level RBC**" means, as of any particular time of determination, the number determined under the risk-based capital formula in accordance with the RBC Instructions applicable to the Regulated Target Entity.

"**Benefit Plan**" has the meaning set forth in Section 3.20(c).

"**Bonus Amount**" means $5,000,000.

"**Bonus Amount Per Share**" means the product obtained by multiplying (i) the Bonus Amount and (ii) the Per Share Portion.

"**Bonus Target**" means (a) with respect to the calendar year ended December 31, 2015, Underwriting Margin of at least $62,000,000, (b) with respect to the calendar year ended December 31, 2016, Underwriting Margin of at least $65,000,000 and (c) with respect to the calendar year ended December 31, 2017, Underwriting Margin of at least $68,000,000.

"**Business Day**" means a day that is not a Saturday, Sunday, legal holiday or other day on which banks are required to be closed in New York, New York.

"**Cash**" means, as of any particular time of determination, all unrestricted cash and cash equivalents of the Unregulated Target Entities, *minus* (i) as of any date of measurement, any bank overdrafts, *minus* (ii) all outstanding (uncleared) checks, drafts and money orders payable by

an Unregulated Target Entity, *minus* (iii) the Excess Cash Amount and *plus* (iv) all outstanding (uncleared) deposits payable to an Unregulated Target Entity.

"**Certificates**" means the original certificates representing shares of Common Stock.

"**Closing**" has the meaning set forth in Section 2.11.

"**Closing Certificate**" has the meaning set forth in Section 2.8(a).

"**Closing Date**" has the meaning set forth in Section 2.11.

"**Closing Working Capital**" means the Working Capital of the Unregulated Target Entities as of the Closing.

"**COBRA**" has the meaning set forth in Section 3.20(b).

"**Code**" means the Internal Revenue Code of 1986, as amended, and any reference to any particular Code section shall be interpreted to include any revision of or successor to that section regardless of how numbered or classified.

"**Common Stock**" means the Company's Class A Common Stock and Class B Common Stock.

"**Community Investment Fund Amount**" means $2,000,000.

"**Company**" has the meaning set forth in the preamble.

"**Company Action Level Event**" has the meaning given to that term under the state of Oregon Administrative Rules Section 836-011-0515.

"**Company Adverse Recommendation Change**" has the meaning set forth in Section 7.5(c)(i).

"**Company Board**" has the meaning set forth in the preamble.

"**Company Disclosure Schedule**" means the disclosure schedule delivered by the Company to Purchaser and Merger Sub and attached hereto.

"**Company Financial Advisor**" has the meaning set forth in Section 3.17.

"**Company Holders**" means, collectively, the Stockholders and Optionholders.

"**Company Indemnified Party**" has the meaning set forth in Section 9.2(b).

"**Company Material Adverse Effect**" means any change, effect, event, circumstance, development or occurrence that, individually or in the aggregate, (i) has caused or would reasonably be expected to cause a termination, cancellation, review, suspension, revocation or other loss or modification of any Permit or authorization from a Governmental Authority

necessary to conduct the business of the Regulated Target Entity or sell any product or service in the State of Oregon, (ii) has had or would reasonably be expected to have a material and adverse effect on, or result in a material and adverse change in, the business, assets, properties, liabilities, condition (financial or otherwise) or operations (or results of operations) of the Target Entities, taken as a whole, or (iii) prevents or would reasonably be expected to prevent the Target Entities from performing their obligations hereunder or from consummating the transactions contemplated hereby, but excluding solely for purposes of clause (ii) above any change, effect, event, circumstance, development or occurrence resulting from (A) changes in general economic, financial or capital markets or geopolitical conditions (including changes in interest and exchange rates, commodity prices or hedging markets), (B) conditions generally affecting any Payment Program, (C) any outbreak or escalation of hostilities or war or any act of terrorism, (D) any changes after the date of this Agreement in applicable Laws or accounting rules (including GAAP or STAT) or the enforcement, implementation or interpretation thereof; (E) the execution, delivery, announcement or pendency of this Agreement or the transactions contemplated by this Agreement; (F) any natural or man-made disaster or acts of God, or (G) any failure to meet the Company's internal forecasts or projections (it being understood that the change, effect, event, circumstance, development or occurrence giving rise to such failure may, unless otherwise excluded by another clause in this definition of "Company Material Adverse Effect," be taken into account in determining whether a Company Material Adverse Effect has occurred or would reasonably be expected to occur); *provided, however*, that any effect resulting from any change, effect, event, circumstance, development or occurrence referred to in clauses (A), (B), (C), (D) or (F) above shall be taken into account in determining whether a Company Material Adverse Effect has occurred or would reasonably be expected to occur to the extent that such change, effect, event, circumstance, development or occurrence has a disproportionate effect on the Target Entities, taken as a whole, compared to other participants in the industries in which the Target Entities operate.

"**Company Recommendation**" has the meaning set forth in the preamble.

"**Company Systems**" has the meaning set forth in Section 3.15(d).

"**Company Target RBC Calculation**" has the meaning set forth in Section 2.8(a).

"**Company Termination Fee**" means $3,500,000; *provided, however*, that in the event of a termination pursuant to Section 10.3(c) or Section 10.4(d) the "Company Termination Fee" shall mean $2,500,000.

"**Company Transaction Expenses**" means all fees, costs and expenses incurred by any of the Target Entities on or before the Closing in connection with this Agreement (including the negotiation thereof and discussions leading thereto) or the transactions contemplated hereby, including (i) fees and expenses of legal counsel, accountants, investment bankers and financial advisers (including the Company Financial Advisor), 50% of the fees payable to the Paying Agent, 50% of the fees payable to the Escrow Agent, counsel to the Stockholder Representative and any other representatives and consultants engaged by the Company, the Stockholders or the Stockholder Representative, (ii) (A) all change of control, stay, transaction bonus or similar payments (including, for the avoidance of doubt, any amounts paid to the Company's board of directors, Terry W. Coplin or David L. Cole in connection with the

Transaction), and (B) without duplication, all Liabilities or other obligations of the Target Entities under employee benefit arrangements, employment agreements, pension plans, incentive plans, deferred compensation or similar arrangements (including severance plans or bonus plans) that become due as a result of the consummation of the transactions contemplated hereby, (iii) (a) any payroll Taxes payable by any Target Entity with respect to the exercise or cancellation of Options in connection with the transactions contemplated by this Agreement and (b) all unpaid income and other Taxes for any Pre-Closing Tax Period, (iv) the cost of the D&O Insurance pursuant to Section 8.5(b) and (v) 50% of any Transfer Taxes.

"**Confidentiality Agreement**" means the Confidentiality Agreement, dated as of January 16, 2013, by and between Purchaser and the Company, as amended from time to time in accordance with its terms.

"**Consideration Spreadsheet**" has the meaning set forth in Section 2.8(b).

"**Continuing Employees**" has the meaning set forth in Section 8.8(a).

"**Contract**" means any contract, indenture, instrument, note, bond, loan, lease, deed, mortgage, license, joint venture or other agreement or any agreement or commitment to enter into any of the foregoing (in each case, whether written or oral).

"**Control**" means the power to direct the management and policies of a Person by reason of ownership of voting securities, by Contract, by Order or otherwise.

"**County Loan**" means the Agreement (No. 50602) effective as of August 1, 2012 between the Company and Lane County, a political subdivision of the State of Oregon.

"**D&O Insurance**" has the meaning set forth in Section 8.5.

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

"**Deferred Purchase Price Per Share**" means the product obtained by multiplying (i) the Deferred Purchase Price and (ii) the Per Share Portion.

"**Dissenting Shares**" mean any shares of Common Stock that are issued and outstanding at the Closing and in respect of which dissenters' rights have been perfected in accordance with Sections 60.551 through 60.594 of the OBCA in connection with the Merger.

"**Divestiture Action**" has the meaning set forth in Section 7.4(b).

"**Effective Time**" has the meaning set forth in Section 2.2.

"**Employee Optionholder Percentage**" means a fraction, (i) the numerator of which is the total number of Option Shares held by employees of the Surviving Corporation, and (ii) the denominator of which is (a) the total number of shares of Common Stock issued and outstanding as of the Closing (for the avoidance of doubt, including all Dissenting Shares) plus (b) the total number of Option Shares as of the Closing.

"**Environmental and Safety Requirements**" means all federal, state, local and foreign statutes, regulations, ordinances and other provisions having the force or effect of Law, all judicial and administrative Orders and determinations and all common law, in each case concerning public health and safety, worker health and safety (but only to the extent such worker health and safety Laws relate to or regulate workplace exposures to Hazardous Materials), pollution or protection of the environment (including all those relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, Release, threatened Release, control or cleanup of any hazardous or otherwise regulated materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, radiation or radon), each as are enacted and in effect on or before the Closing Date.

"**Equity Interest**" means, with respect to any Person, any share, capital stock or partnership, member or similar interest and any option, warrant, right or security convertible, exchangeable or exercisable therefor or other instrument or right the value of which is based on any of the foregoing.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Affiliate**" means a Person, other than a Target Entity, who would at any relevant time be treated as a single employer with any Target Entity under Section 414 of the Code.

"**Escrow Agent**" means Wilmington Trust, N.A., as the Escrow Agent under the Escrow Agreement.

"**Escrow Agreement**" has the meaning set forth in Section 5.4.

"**Estimated Indebtedness**" has the meaning set forth in Section 2.8(a).

"**Estimated RBC**" has the meaning set forth in Section 2.8(a).

"**Estimated Transaction Expenses**" has the meaning set forth in Section 2.8(a).

"**Estimated Working Capital**" has the meaning set forth in Section 2.8(a).

"**Excess Cash Amount**" means, without duplication, the aggregate amount of cash distributed by the Regulated Target Entity and Lane Individual Practice Association, Inc. to the Company pursuant to Section 7.3 and held by the Company at the Closing.

"**Excess Cash Amount Per Share**" means the product obtained by multiplying (i) the Excess Cash Amount and (ii) the Per Share Portion.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Exchange Fund**" has the meaning set forth in Section 2.8(d)(i).

"**Final Indebtedness**" has the meaning set forth in Section 2.12(g).

"**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.

"**Final Merger Consideration Adjustment Statement**" has the meaning set forth in Section 2.12(g).

"**Final RBC**" has the meaning set forth in Section 2.12(g).

"**Final Transaction Expenses**" has the meaning set forth in Section 2.12(g).

"**Final Working Capital**" has the meaning set forth in Section 2.12(g).

"**Financial Statements**" has the meaning set forth in Section 3.7(b).

"**Firm**" has the meaning set forth in Section 2.12(e).

"**Firm's Report**" has the meaning set forth in Section 2.12(e).

"**Fundamental Representations**" means (a) the representations and warranties of the Company set forth in Section 3.1 (Organization, Corporate Power and Qualification), Section 3.2 (Capital Stock and Related Matters), Section 3.3 (Subsidiaries, Investments), Section 3.4 (Corporate Power and Authority; Enforceability), Section 3.13 (Tax Matters), Section 3.17 (Brokerage) and Section 3.25 (Affiliated Transactions) and (b) the representations and warranties

of Purchaser and Merger Sub set forth in Section 4.1 (Organization, Power and Authority), Section 4.2 (Authorization; No Breach) and Section 4.3 (Brokerage).

"**GAAP**" means United States generally accepted accounting principles, consistently applied.

"**Governing Documents**" means, with respect to any entity, the certificate or articles of incorporation, bylaws, certificate of formation, articles of organization, limited liability company agreement, operating agreement, certificate of partnership, partnership agreement and any other similar governing document.

"**Governmental Authority**" means any federal, state, local, provincial, municipal, national, international or other (i) government, (ii) governmental or quasi-governmental authority of any nature (including any governmental agency, department, official or entity and any court or other tribunal) or (iii) body exercising any arbitrative, administrative, executive, judicial, legislative, police or regulatory authority or Taxing Authority.

"**Hazardous Material(s)**" means any substance, material or waste, including special waste, that is characterized, classified, regulated or designated under any Environmental and Safety Requirements as hazardous, toxic, a pollutant or radioactive, including petroleum, asbestos, radiation, toxic mold and pesticides, or otherwise subject to imposition of liability or standards of conduct under any Environmental and Safety Requirements.

"**Health Care Laws**" means all federal, state and local health care Laws applicable to any Target Entity, including: the federal Anti-kickback Statute (42 U.S.C. § 1320a-7b(b)); any applicable state fraud and abuse prohibitions, including those that apply to all payors (governmental, commercial insurance and self-payors); the Anti-Inducement Law (42 U.S.C. § 1320a-7a(a)(5)); the Stark laws (42 U.S.C. § 1395nn); the civil False Claims Act (31 U.S.C. §§ 3729 et seq.); the administrative False Claims Law (42 U.S.C. § 1320a-7b(a)); the civil monetary penalty Laws (42 U.S.C. § 1320a-7a); the exclusion Laws (42 U.S.C. 1320a-7); the Federal Program Fraud Civil Remedies Act (31 U.S.C. § 3801 et. Seq.); ownership and control (42 C.F.R. 455.104); business transactions (42 C.F.R. 455.105); conviction of crimes (42 C.F.R. 455.106); public entity crimes; the Patient Protection and Affordable Care Act (Pub. L. 111-148) as amended by the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152); the Medicare Program Laws (including Title XVIII of the Social Security Act) and Laws relating to Medicaid programs (including Title XIX of the Social Security Act) and the regulations adopted thereunder including 42 C.F.R. Parts 422 and 423 and the Centers for Medicare and Medicaid Services guidance found in the Medicare Managed Care Manual and the Medicare Prescription Drug Manual; and disbarment and suspension (52 Fed. Reg., pages 20360- 20369, and Section 4707 of the Balanced Budget Act of 1997); all Laws relating to the licensure, certification, qualification or authority to transact business in connection with the provision of, payment for or arrangement of health care services or supplies, health benefits or health insurance; state Laws governing the participation in or operation of a Coordinated Care Organization under ORS Chapter 414 (including the regulations promulgated thereunder) or a Health Care Service Contractor under ORS Chapter 750 (including the other statutes cross referenced and the regulations promulgated thereunder); all state medical practice and corporate practice of medicine Laws and regulations (including common law), and state professional fee-splitting Laws and regulations (including

common law); HIPAA, and any comparable state or local Laws; all Laws relating to coding, coverage, reimbursement, claims submission, billing and collections related to third party payors including government programs or otherwise related to insurance fraud; any applicable state pharmacy board Laws and the regulations promulgated pursuant to such Laws, each as amended from time to time.

"**Health Care Programs**" has the meaning set forth in Section 3.28.

"**HIPAA**" means the Health Insurance Portability and Accountability Act of 1996, as amended, including the corresponding federal privacy regulations and security regulations codified in the Code of Federal Regulations at 45 C.F.R. parts 160 and 164, and the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, Pub. Law No. 111-5 and its implementing regulations.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"**Indebtedness**" means, as of any particular time of determination, without duplication, all indebtedness, liabilities or other obligations of the Unregulated Target Entities (i) for borrowed money or in respect of loans or advances, (ii) evidenced by bonds, debentures, notes or other similar instruments or debt securities, (iii) under letters of credit, banker's acceptances or similar credit transactions, but only to the extent drawn upon, (iv) in respect of the obligations under any leases required to be capitalized under GAAP, (v) in respect of the obligations of a Person other than the Unregulated Target Entities that are secured by an Encumbrance against any of the Unregulated Target Entities' assets or that are guaranteed by any of the Unregulated Target Entities, (vi) in respect of the deferred purchase price (A) of property or services and/or (B) in connection with the acquisition of any business or Person, (vii) interest rate protection agreements, interest rate swap agreements, foreign currency exchange agreements or other interest or exchange rate hedging agreements or arrangements of any of the Unregulated Target Entities, (viii) any amount outstanding (other than accrued and unpaid interest included as part of the Working Capital calculation) under the County Loan , (ix) for accrued and unpaid interest on any of the foregoing and (x) for any premiums or other fees, costs or expenses associated with prepaying any of the foregoing; *provided*, that Indebtedness shall not include Indebtedness owing from the Company to any of its wholly-owned Subsidiaries or from a wholly-owned Subsidiary of the Company to the Company or any other wholly-owned Subsidiary of the Company.

"**Indemnified Party**" has the meaning set forth in Section 9.2(c).

"**Indemnifying Party**" has the meaning set forth in Section 9.2(c).

"**Individual Matter**" means any (i) indemnification claim or (ii) series of indemnification claims arising from the same underlying facts, events, occurrences or circumstances.

"**Initial Merger Consideration**" means an initial cash amount, payable at the Effective Time in accordance with Section 2.8, equal to:

(i) $80,000,000;

plus (ii) the Aggregate Option Exercise Price;

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

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

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

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

minus (vii) the Estimated Indebtedness;

minus (viii) the Estimated Transaction Expenses;

minus (ix) the Stockholder Representative Holdback Amount; and

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

"**Initial Merger Consideration Per Share**" means the product obtained by multiplying (i) the Initial Merger Consideration and (ii) the Per Share Portion.

"**Intellectual Property Rights**" means all intellectual property and proprietary rights throughout the world, including all of the following: (i) patents, patent applications, patent disclosures and inventions; (ii) Internet domain names, trademarks, service marks, trade dress, trade names, logos and corporate names and registrations and applications for registration thereof together with all of the goodwill associated therewith; (iii) copyrights (registered or unregistered) and copyrightable works and registrations and applications for registration thereof; (iv) mask works and registrations and applications for registration thereof; (v) computer software, data, data bases and documentation thereof; (vi) trade secrets and other confidential information (including ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know how, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, financial and marketing plans and customer and supplier lists and information); and (vii) copies and tangible embodiments thereof (in whatever form or medium).

"**Inter-Party Claim**" has the meaning set forth in Section 9.4.

"**Knowledge**" (i) with respect to the Company, means: the actual knowledge, after due inquiry, of Terry Coplin, David Cole, Patrice Korjenek, Shannon Conley, Colleen Connelly or Kristi Seidel; and (ii) with respect to Purchaser or Merger Sub, means the actual knowledge, after due inquiry, of Keith Williamson. Due inquiry for this purpose means using reasonable diligence with respect to the particular matter in question.

"**Latest Balance Sheet**" has the meaning set forth in Section 3.7(a)(ii).

"**Latest STAT Balance Sheet**" has the meaning set forth in Section 3.6(a).

"**Law**" means all foreign, national, federal, provincial, state or local laws, statutes, rules, regulations, codes, principles of common law in the applicable jurisdiction, Orders or requirements of any Governmental Authority.

"**Leased Real Property**" means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures or other interests in real property held by any Target Entity.

"**Leases**" has the meaning set forth in Section 3.26.

"**Letter of Transmittal**" has the meaning set forth in Section 7.9(d).

"**Liabilities**" mean all liabilities, debts, interest, obligations, Taxes, commitments, demands, penalties, judgments, awards, settlements, assessments, fines, costs, expenses (including attorneys', professionals' and consultants' fees and expenses and all other amounts paid in investigation, defense or settlement), losses, damages, claims, causes of action, deficiencies, guaranties or endorsements, in each case whether direct or indirect, whether absolute or contingent, whether known or unknown, whether asserted or unasserted, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due, whenever arising and regardless of when asserted, including all fees, costs and expenses relating thereto.

"**Lien**" or "**Liens**" means any lien (statutory or other), mortgage, pledge, security interest, lease, easement, restriction, covenant, condition, option, claim, deed of trust, deed to secure debt, right of first refusal, right of first offer, charge, Tax or other encumbrance of any kind, or any filing or agreement to file any financing statement as a debtor under the Uniform Commercial Code or any similar Law.

"**Loss**" or "**Losses**" means, collectively, with respect to any Person, all damages, Liabilities, demands, claims, actions, causes of action, costs, deficiencies, penalties, fines or other losses or expenses (including attorneys' fees and disbursements, court costs and other out-of-pocket expenses), whether or not arising out of a third party claim (including interest, penalties and expenses), against or affecting such Person, and including all amounts paid in investigation, defense or settlement of any of the foregoing.

"**Material Contract**" has the meaning set forth in Section 3.14(b).

"**Maximum Merger Consideration Per Share**" means the sum of the Initial Merger Consideration Per Share, the Deferred Purchase Price Per Share and the Bonus Amount per Share, assuming full payment of the Deferred Purchase Price and the Bonus Amount to the Company Holders.

"**Maximum Premium Amount**" has the meaning set forth in Section 8.5(b).

"**Merger**" has the meaning set forth in the preamble.

"**Merger Consideration Adjustment Statement**" has the meaning set forth in Section 2.12(a).

"**Merger Consideration Per Option**" has the meaning set forth in Section 2.7(b).

"**Merger Consideration Per Share**" has the meaning set forth in Section 2.7(a).

"**Merger Sub**" has the meaning set forth in the preamble.

"**Merger Sub Common Stock**" means the common stock, par value $0.01 per share, of Merger Sub.

"**Multiemployer Plan**" means a multiemployer plan within the meaning of Section 3(37) of ERISA.

"**Necessary Stockholder Approval**" has the meaning set forth in Section 3.4(a).

"**Negative Merger Consideration Adjustment Amount**" has the meaning set forth in Section 2.12(i).

"**Non-Employee Optionholder Percentage**" means a fraction, (i) the numerator of which is the total number of Option Shares held by non-employees of the Surviving Corporation, and (ii) the denominator of which is (a) the total number of shares of Common Stock issued and outstanding as of the Closing (for the avoidance of doubt, including all Dissenting Shares) plus (b) the total number of Option Shares as of the Closing.

"**Notice Period**" has the meaning set forth in Section 7.5(d)(iii).

"**OBCA**" has the meaning set forth in Section 2.1.

"**Objection Notice**" has the meaning set forth in Section 2.12(c).

"**Option Plan**" means the 2004 Stock Incentive Plan.

"**Option Shares**" means the shares of Common Stock issuable upon exercise of the Options in full, assuming that the Options are exercisable for shares of Common Stock whether or not vested in accordance with the terms of the Options (and assuming exercise immediately before the Closing on a cash basis, not a net exercise or other cashless basis).

"**Optionholder**" means each holder, as of the Closing, of an Option exercisable for Option Shares.

"**Options**" means options to purchase shares of Common Stock, whether issued under the Option Plan or otherwise.

"**Order**" means any order, writ, judgment, injunction, consent, directive, decision, decree, stipulation, ruling, assessment or award of, or agreement with or by, any Governmental Authority.

"**Ordinary Course of Business**" means the usual and ordinary course of business, consistent with past practice, including with respect to quantity and frequency.

"**Owned Real Property**" means all land, together with all buildings, structures, improvements and fixtures located thereon, and all easements and other rights and interests appurtenant thereto, owned by any Target Entity.

"**Party**" or "**Parties**" has the meaning set forth in the preamble.

"**Paying Agent**" means Wilmington Trust, N.A., as paying agent under the Paying Agent Agreement.

"**Paying Agent Agreement**" has the meaning set forth in Section 5.5.

"**Payment Program**" has the meaning set forth in Section 3.23(e).

"**Payoff Letters**" has the meaning set forth in Section 5.13.

"**Per Share Portion**" means a fraction, the numerator of which is one, and the denominator of which is (i) the total number of shares of Common Stock issued and outstanding as of the Closing (for the avoidance of doubt, including all Dissenting Shares) plus (ii) the total number of Option Shares.

"**Permits**" means all permits, licenses, approvals, consents, certifications, registrations, accreditations and authorizations from any Governmental Authority that are required in order for the Target Entities to conduct the business of the Target Entities in the manner and in the jurisdictions as presently conducted.

"**Permitted Liens**" means (i) Liens for current Taxes not yet due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings by the Company and for which appropriate reserves have been established in accordance with GAAP; (ii) mechanics', carriers', workers', repairers' and similar statutory Liens arising or incurred in the Ordinary Course of Business for amounts which are not yet due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings by the Company and for which appropriate reserves have been established in accordance with GAAP; (iii) zoning ordinances regulating the use or occupancy of any Real Property that are imposed by any Governmental Authority having jurisdiction over such Real Property that are not violated by the current use or occupancy of such Real Property; (iv) covenants, conditions, restrictions, easements and other similar matters of record affecting title to the Owned Real Property or Leased Real Property that do not materially impair the occupancy or use of the Owned Real Property or Leased Real Property for the purposes for which it is currently used or proposed to be used in connection with the Company's business; (v) the mortgages and trust deeds affecting the interest of the landlord/lessor under the Leases (or affecting the interest of the landlord/lessor under any ground lease referenced in the Leases) in the real property that is leased or subleased by the Leases, each as set forth on Section 1.1(a) of the Company Disclosure Schedule; and (vi) the ground leases and other leases referenced in the Leases and affecting the Leased Real Property, each as set forth on Section 1.1(b) of the Company Disclosure Schedule.

"**Person**" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a general partnership, a limited partnership, a limited liability partnership, a trust (including a business trust), an estate, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

"**Personally Identifiable Information**" has the meaning set forth in Section 3.15(e).

"**Positive Merger Consideration Adjustment Amount**" has the meaning set forth in Section 2.12(h).

"**Positive Merger Consideration Adjustment Amount Per Share**" means the product obtained by multiplying (i) the Positive Merger Consideration Adjustment Amount and (ii) the Per Share Portion.

"**Post-Closing Tax Period**" means any Tax period beginning after the Closing and the portion of any Straddle Period beginning after the Closing.

"**Pre-Closing Tax Period**" has the meaning set forth in Section 8.1(a).

"**Pro Rata Share**" means, with respect to each Company Holder, a fraction, (i) the numerator of which is (a) the total number of shares of Common Stock outstanding as of the Closing and held by such Company Holder (for the avoidance of doubt, less Dissenting Shares as of the time of measurement) plus (b) the total number of Option Shares held by such Company Holder, and (ii) the denominator of which is (x) the total number of shares of Common Stock issued and outstanding as of the Closing (for the avoidance of doubt, including all Dissenting Shares) plus (y) the total number of Option Shares as of the Closing.

"**Provider**" has the meaning set forth in Section 3.27(a).

"**Provider Agreement**" means a Contract with a physician, health care provider group, independent practice association, physician-hospital organization, ancillary health care service provider or other health care service provider to provide or arrange for the provision of health care services to individuals enrolled in a health care benefit program offered by a Target Entity.

"**Proxy Statement**" has the meaning set forth in Section 7.9(a).

"**Purchaser**" has the meaning set forth in the preamble.

"**Purchaser Disclosure Schedule**" means the disclosure schedule delivered by Purchaser to the Company and attached hereto.

"**Purchaser Indemnified Party**" or "**Purchaser Indemnified Parties**" has the meaning set forth in Section 9.2(a).

"**Qualifying Acquisition Proposal**" means a *bona fide* written Acquisition Proposal (in each case, for at least 50% of the issued and outstanding Equity Interests or at least 50% of the assets of the Target Entities on a consolidated basis) that the Company Board determines (after consultation with its independent financial advisor and outside legal counsel) constitutes, or could reasonably be expected to lead to, a Superior Proposal, and which Acquisition Proposal was not solicited after the date hereof, was made after the date hereof and did not otherwise result from a breach of Section 7.5.

"**RBC Instructions**" means the risk based capital report, including risk based capital instructions adopted by the National Association of Insurance Commissioners, as such RBC Instructions may be amended from time to time by the National Association of Insurance Commissioners.

"**RBC Measurement Time**" means (a) with regard to RBC TTM Components, (i) if the Closing occurs on or before April 1, 2015, then December 31, 2014, or (ii) if the Closing occurs after April 1, 2015, then the last day of the calendar month in which the Closing occurs and (b) with regard to all other components of Risk Based Capital, the Closing.

"**RBC TTM Components**" means components of Risk Based Capital or Authorized Control Level RBC, as the case may be, that require a 12-month income statement value or metric for determination.

"**Real Property**" has the meaning set forth in Section 3.26.

"**Record Date**" has the meaning set forth in Section 7.9(e)(ii).

"**Regulated Target Entity**" means Trillium Community Health Plan, Inc.

"**Reimbursement Claims**" has the meaning set forth in Section 3.28.

"**Release**" has the meaning set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"**Representative Holdback Account**" means a bank account designated in writing by the Escrow Agent into which the Stockholder Representative Holdback Amount and the Additional Stockholder Representative Holdback Amount shall be deposited.

"**Representatives**" means officers, directors, agents, employees, auditors, attorneys, accountants, financial advisors and other advisors and representatives of a Person.

"**Risk Based Capital**" means, as of any particular time of determination, the amount of capital (assets minus liabilities) that the Regulated Target Entity maintains based on the inherent risks (and the degree of risk) in the insurance operations of the Regulated Target Entity associated with its operations and investments, calculated in accordance with the NAIC's Risk-Based Capital (RBC) for Health Organizations Model Act and the formula set forth in the RBC Instructions, consistent with the covenants set forth on the RBC Schedule and, to the extent not inconsistent therewith, the past practice of the Regulated Target Entity.

"**Securities Act**" shall mean the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**STAT**" means the statutory accounting practices prescribed or permitted by the Oregon Insurance Division applied on a consistent basis.

"**STAT Financial Statements**" has the meaning set forth in Section 3.6(a).

"**Stockholder**" means a stockholder of the Company and "**Stockholders**" means all of the stockholders of the Company.

"**Stockholder Percentage**" means a fraction, (i) the numerator of which is the total number of shares of Common Stock outstanding as of the Closing (for the avoidance of doubt, including all Dissenting Shares) and (ii) the denominator of which is (a) the total number of shares of Common Stock issued and outstanding as of the Closing (for the avoidance of doubt, including all Dissenting Shares) *plus* (b) the total number of Option Shares as of the Closing.

"**Stockholder Representative**" has the meaning set forth in the preamble.

"**Stockholder Representative Holdback Amount**" means $400,000.

"**Stockholder Representative Statement**" has the meaning set forth in Section 2.12(j).

"**Stockholder Support Agreement**" has the meaning set forth in the preamble.

"**Stockholders Meeting**" has the meaning set forth in Section 7.9(e)(i).

"**Stoel Rives**" has the meaning set forth in Section 8.7(b).

"**Straddle Period**" has the meaning set forth in Section 8.1(b).

"**Subsequent Merger Consideration**" means contingent cash amounts, payable after the Effective Time, consisting of (i) the Deferred Purchase Price, if any, and the Bonus Amount, if any, in each case paid in accordance with Section 2.9 and (ii) the amount released from the Representative Holdback Account, if any, in accordance with Section 2.13.

"**Subsidiary**" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof or (ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of the limited liability

company, partnership, association or other business entity gains or losses or shall be or Control any managing director or general partner of such limited liability company, partnership, association or other business entity.

"**Successor Benefit Plans**" has the meaning set forth in Section 8.8(b).

"**Superior Proposal**" means a bona fide written Acquisition Proposal (in each case for 100% of the issued and outstanding Equity Interests or 100% of the assets of the Target Entities on a consolidated basis) that (a) was not solicited in violation of Section 7.5, (b) is not subject to any financing condition to close and (c) the Company Board determines in good faith, after consultation with its independent financial advisor and outside legal counsel, and taking into consideration, among other things, all of the terms, conditions, impact and all legal, financial, regulatory and other aspects of such Acquisition Proposal and this Agreement (in each case taking into account any revisions to this Agreement made or proposed in writing by Purchaser prior to the time of determination), including financing, regulatory approvals, identity of the Person or group making the Acquisition Proposal, and breakup fee and expense reimbursement provisions, (i) is reasonably likely to be consummated in accordance with its terms and (ii) would result in a transaction that is more favorable to the Stockholders from a financial point of view than the transactions provided for in this Agreement (after taking into account the expected timing and risk and likelihood of consummation).

"**Surviving Corporation**" has the meaning set forth in Section 2.1.

"**Target Entities**" means the Company and its Subsidiaries.

"**Target RBC**" means the product of 2.0 and the Authorized Control Level RBC as of the Target RBC Time. For purposes of the Initial Merger Consideration, Target RBC will be determined and agreed to by the Parties at or prior to the Closing, and, if the parties are unable to agree on the Target RBC prior to the Closing, then the Target RBC will be as reflected in the Company Target RBC Calculation, delivered by the Company pursuant to Section 2.8(a). For purposes of the Final Merger Consideration, Target RBC will be the same as used in the calculation of the Initial Merger Consideration, provided that, if Purchaser disagrees with the Company Target RBC Calculation, then Purchaser may, in its sole discretion, submit its own calculation of the Target RBC together with the Merger Consideration Adjustment Statement to the Firm for resolution and determination of the Target RBC. In the event of such submission, the parties shall follow the dispute resolution procedures set forth in Section 2.12(e)-(f), and (i) the Target RBC shall be as determined by the Firm, (ii) the Final Merger Consideration shall be calculated using the Target RBC as so determined and (iii) the Positive Merger Consideration Adjustment Amount or Negative Merger Consideration Adjustment Amount, as the case may be, shall be calculated after taking into account the preceding clauses (i) and (ii).

"**Target RBC Time**" means (a) with regard to RBC TTM Components, (i) if the Closing occurs on or before April 1, 2015, then December 31, 2014, or (ii) if the Closing occurs after April 1, 2015, then the last day of the calendar month prior to the calendar month in which the Closing occurs and (b) with regard to all other components of Authorized Control Level RBC, the Closing Date.

"**Tax**" or "**Taxes**" means federal, state, county, local, foreign or other income, gross receipts, ad valorem, franchise, profits, sales or use, transfer, registration, excise, utility, environmental, communications, real or personal property, capital stock, escheat, license, payroll, wage or other withholding, employment, social security, severance, stamp, occupation, alternative or add-on minimum, estimated and other taxes of any kind whatsoever (including deficiencies, penalties, additions to tax and interest attributable thereto).

"**Tax Return**" means any return, claim for refund, information report or filing with respect to Taxes, including any schedules attached thereto and including any amendment thereof.

"**Taxing Authority**" means the Internal Revenue Service and any other state, local or foreign Governmental Authority responsible for the collection of or enforcement of the payment of Taxes.

"**Termination Date**" has the meaning set forth in Section 10.2(a).

"**Third Party**" means any Person or group (as defined in Section 13(d)(3) of the Exchange Act) other than the Company, Purchaser, Merger Sub or any Affiliate of any of the foregoing.

"**Third Party Approvals**" has the meaning set forth in Section 5.7.

"**Threshold**" has the meaning set forth in Section 9.2(c)(i).

"**Transfer Taxes**" has the meaning set forth in Section 8.1(g).

"**Underwriting Margin**" means TOTAL Revenues for the Current Year as set forth on line 8 of the Statement of Revenue and Expenses in the Regulated Target Entity's Annual Statement to the Insurance Department of the State of Oregon for the year ending December 31 for which the Underwriting Margin is being determined (the "**Statement of Revenue**"), less the amount, if any, of the ACA Gross-Up included in TOTAL Revenue for the Current Year as set forth in line 8 of the applicable Statement of Revenue, less TOTAL Hospital and Medical for the Current Year as set forth on line 18 of the applicable Statement of Revenue. For purposes of determining Underwriting Margin, TOTAL Revenue for the Current Year and TOTAL Hospital and Medical for the Current Year shall be calculated using the methodology used in the preparation of the Regulated Target Entity's STAT financial statements for the period ending December 31, 2013, notwithstanding that such line items reflected in the applicable Statement of Revenue may be calculated using a different methodology.

"**Unregulated Target Entities**" means the Company and its Subsidiaries, other than the Regulated Target Entity.

"**Unresolved Claim Amount**" has the meaning set forth in Section 2.9.

"**Unsurrendered Shares**" means, as of any payment date, the shares of Common Stock that were outstanding at the Closing and for which a Certificate has not been properly surrendered as of the close of business on the day preceding such payment date (other than Dissenting Shares).

"**Unused Stockholder Representative Holdback Amount**" means the aggregate of all amounts released from the Representative Holdback Account to the Company Holders pursuant to Section 2.13.

"**Unused Stockholder Representative Holdback Amonnt Per Share**" means the product obtained by multiplying (i) the Unused Stockholder Representative Holdback Amount and (ii) the Per Share Portion.

"**WARN Act**" has the meaning set forth in Section 3.19.

"**Working Capital**" means the current assets of the Unregulated Target Entities, including Cash (but excluding, for the avoidance of doubt, Risk Based Capital of the Regulated Target Entity, the Excess Cash Amount and Tax assets), minus the current liabilities of the Unregulated Target Entities (excluding, for the avoidance of doubt, the County Loan, Indebtedness and Tax liabilities), in each case on a consolidated basis and determined in accordance with GAAP, as applied in the Working Capital Schedule and, to the extent not inconsistent with the Working Capital Schedule, the past practice of the Unregulated Target Entities.

"**Working Capital Target**" means $750,000.

Section 1.2 Interpretive Provisions. Unless the express context otherwise requires:

(a) the words "hereof," "herein," "hereunder," "hereto" and "herewith" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;

(b) words defined in the singular shall have a comparable meaning when used in the plural, and vice versa;

(c) the words "Dollars" and "$" mean U.S. dollars, and the aggregate of each payment to a Company Holder will be rounded to the nearest penny;

(d) references herein to a specific Section, Subsection, Recital or Exhibit shall refer, respectively, to the Sections, Subsections, Recitals or Exhibits of this Agreement;

(e) unless otherwise specified, the use herein of the word "include" or "including" when following any statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation," "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter;

(f) references herein to any gender shall include each other gender;

(g) references herein to any Person shall include such Person's heirs, executors, personal representatives, administrators, successors and assigns; *provided, however*, that nothing

contained in this clause (g) is intended to authorize any assignment or transfer not otherwise permitted by this Agreement;

(h) the word "or" shall be disjunctive but not exclusive;

(i) references herein to any Law shall be deemed to refer to such Law as amended, reenacted, supplemented or superseded in whole or in part and in effect from time to time and also to all rules and regulations promulgated thereunder;

(j) the phrase "made available" shall mean that the referenced document or other material was posted and continuously accessible to Purchaser and its Representatives in the electronic data room located at https://sp.agatehealthcare.com/mateam/default.aspx no less than five calendar days prior to the date of this Agreement and remained so posted and accessible through the date of this Agreement;

(k) the headings and captions contained in this Agreement and the table of contents to this Agreement are intended solely for convenience and shall not affect the rights of the parties to this Agreement or the meaning or interpretation of this Agreement;

(l) any capitalized terms used in any Schedule or Exhibit attached hereto and not otherwise defined therein shall have the meanings set forth in this Agreement;

(m) the Parties intend that each representation, warranty and covenant contained herein shall have independent significance; if any Party has breached any representation, warranty or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty or covenant;

(n) the word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not simply mean "if";

(o) except with respect to the STAT Financial Statements, any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given to such term in accordance with GAAP and, except with respect to the STAT Financial Statements, all financial computations hereunder shall be computed, unless otherwise specifically provided herein, in accordance with GAAP, and, with respect to the STAT Financial Statements, any accounting term used in this Agreement shall have, unless otherwise specifically provided herein, the meaning customarily given to such term in accordance with STAT to the extent applicable;

(p) all references herein to any period of days shall mean the relevant number of calendar days unless otherwise specified;

(q) if the last day for the giving of any notice or the performance of any act required or permitted under this Agreement is a day that is not a Business Day, then the time for the giving of such notice or the performance of such action shall be extended to the next succeeding Business Day; and

(r) where any provision in this Agreement refers to action to be taken by any Person, or that such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, including actions taken by or on behalf of any Affiliate of such Person.

The parties to this Agreement have been represented by counsel during the negotiation and execution of this Agreement and waive the application of any laws or rule of construction providing that ambiguities in any agreement or other document shall be construed against the party drafting such agreement or other document.

ARTICLE II

MERGER AND OTHER TRANSACTIONS

Section 2.1 Merger. Upon the terms and subject to the conditions of this Agreement, at the Effective Time, and in accordance with the applicable provisions of the Oregon Business Corporation Act (the "**OBCA**"), Merger Sub shall merge with and into the Company, the separate corporate existence of Merger Sub shall cease and the Company shall continue as the surviving corporation in the Merger. The Company, in its capacity as the corporation surviving the Merger, is hereinafter sometimes referred to as the "**Surviving Corporation.**"

Section 2.2 Effective Time. On the Closing Date, Purchaser and the Company shall cause the Merger to be consummated by filing articles of merger as required by the OBCA (the "**Articles of Merger**") with the Secretary of State of the State of Oregon, in such form as required by, and executed in accordance with, the relevant provisions of the OBCA, effective as of 12:01 a.m. on the first day of the calendar month immediately following the calendar month in which the Closing occurs (such time, or such other time (if any) as Purchaser and the Company shall agree upon and specify in the Articles of Merger, being the "**Effective Time**").

Section 2.3 Effects of the Merger. At the Effective Time, the effect of the Merger shall be as provided in this Agreement and the Articles of Merger and as specified in the OBCA. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all of the properties, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation and all of the debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

Section 2.4 Articles of Incorporation. The Articles of Incorporation of the Company as in effect at the Closing shall by virtue of the Merger be amended and restated in its entirety to read as set forth in Exhibit B and become the Articles of Incorporation of the Surviving Corporation and, as so amended and restated, shall be the Articles of Incorporation of the Surviving Corporation until duly amended in accordance with the provisions thereof and applicable Law.

Section 2.5 Bylaws. The bylaws of the Company as in effect at the Closing shall by virtue of the Merger be amended and restated in their entirety to be identical to the bylaws of Merger Sub (except that the corporation's name will be the name of the Surviving Corporation) and, as so amended and restated, shall be the bylaws of the Surviving Corporation until duly

amended in accordance with the provisions thereof, the provisions of the Articles of Incorporation of the Surviving Corporation and applicable Law.

Section 2.6 Officers and Directors. Subject to applicable Law, the officers and directors of Merger Sub at the Closing shall be the officers and directors of the Surviving Corporation, and shall hold office until their respective successors are duly elected and qualified or their earlier death, resignation or removal.

Section 2.7 Effect on Common Stock and Options. As of the Effective Time, by virtue of the Merger and without any action on the part of any Party:

(a) Common Stock. Each share of Common Stock issued and outstanding as of the Closing (other than (i) any Dissenting Shares and (ii) any Common Stock owned by Purchaser or any of its Affiliates) shall, by virtue of the Merger, be converted into the right to receive from (A) the Company in accordance with the provisions hereof the Excess Cash Amount Per Share and (B) from Purchaser in accordance with the provisions hereof (1) the Initial Merger Consideration Per Share, (2) the Deferred Purchase Price Per Share, if any, (3) the Bonus Amount Per Share, if any, and (4) the Unused Stockholder Representative Holdback Amount Per Share, if any, in each case, that becomes payable hereunder with respect to such share of Common Stock ((A) and (B), collectively, the "**Merger Consideration Per Share**"), each without interest or dividends thereon, upon the proper surrender of the Certificate formerly representing such share of Common Stock in the manner provided in the Letter of Transmittal. From and after the Effective Time, all such shares of Common Stock shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each holder of a Certificate representing any such shares shall cease to have any rights with respect thereto, except the right pursuant to this Section 2.7(a) to receive the Merger Consideration Per Share.

(b) Options. Prior to the Closing, the Company shall take all actions that are necessary to cause, effective at the Effective Time, each Option to become fully vested and exercisable, and to be canceled in exchange for the right to receive, less any applicable withholding Taxes, in the manner provided in Section 2.14, an amount per Option Share equal to: (A) the excess of the Initial Merger Consideration Per Share over the exercise price of such Option, (B) the Deferred Purchase Price Per Share, if any, (C) the Bonus Amount Per Share, if any, (D) the Unused Stockholder Representative Holdback Amount Per Share, if any, and (E) the Excess Cash Amount Per Share ((A), (B), (C), (D) and (E), collectively, the "**Merger Consideration Per Option**"), in each case without interest or dividends thereon and upon the delivery of a completed and duly executed Letter of Transmittal in accordance with the terms thereof.

(c) Merger Sub Common Stock. Each share of Merger Sub Common Stock issued and outstanding at the Closing shall be converted into and become one fully paid and nonassessable share of voting common stock, par value $0.01 per share, of the Surviving Corporation.

(d) Cancellation of Purchaser-Owned Stock. Each share of Common Stock that is owned by Purchaser or any of its Affiliates at the Closing shall automatically be cancelled and

retired and shall cease to exist at the Effective Time without payment of any consideration therefor.

(e) Dissenting Shares. Notwithstanding any provision to the contrary contained in this Agreement, any Dissenting Shares shall not be converted into the right to receive the Merger Consideration Per Share, but shall instead be converted into the right to receive such consideration as may be determined to be due with respect to any such Dissenting Shares pursuant to the OBCA. Each holder of Dissenting Shares who, pursuant to the provisions of the OBCA, becomes entitled to payment thereunder for such shares shall receive payment therefor in accordance with the OBCA (but only after the value therefor shall have been agreed upon or finally determined pursuant to the OBCA). If, after the Effective Time, any Dissenting Share shall lose its status as a Dissenting Share, then any such share shall immediately be converted into the right to receive the Merger Consideration Per Share in respect of such previously Dissenting Share as if such share of Common Stock had never been a Dissenting Share, and the Paying Agent shall issue and deliver to the holder thereof at (or as promptly as reasonably practicable after) the applicable time or times specified in this Agreement the Merger Consideration Per Share as if such share had never been a Dissenting Share. The Company shall give Purchaser prompt notice of any demands for payment received by the Company pursuant to Sections 60.564, 60.571 or 60.587 of the OBCA, and withdrawals of such demands. Except (i) prior to Closing, with the prior written consent of Purchaser (not to be unreasonably withheld, conditioned or delayed), and (ii) after Closing, with prior consultation with the Stockholder Representative, the Company shall not voluntarily make any payment or offer to make any payment with respect to, or settle or offer to settle, any Action in respect of any Dissenting Shares.

Section 2.8 Payment of Initial Merger Consideration and Deliveries.

(a) At least 10 Business Days (but no more than 20 days) prior to the Closing, the Company shall deliver to Purchaser a statement duly certified by the Company's Chief Financial Officer on behalf of the Company setting forth in reasonable detail the Company's good faith calculation of the Target RBC (the "**Company Target RBC Calculation**"). At least five Business Days (but no more than ten Business Days) prior to the Closing, the Company shall deliver to Purchaser a statement (the "**Closing Certificate**") duly certified by the Company's Chief Financial Officer on behalf of the Company setting forth in reasonable detail the Company's good faith calculation of, as of the Closing (other than as to the Risk Based Capital of the Regulated Target Entity), (i) Working Capital ("**Estimated Working Capital**"), (ii) Indebtedness ("**Estimated Indebtedness**"), (iii) unpaid Company Transaction Expenses ("**Estimated Transaction Expenses**"), (iv) Risk Based Capital of the Regulated Target Entity as of the RBC Measurement Time ("**Estimated RBC**") and (v) the resulting Initial Merger Consideration, each based upon the most recent ascertainable financial information and records of the Target Entities and, to the extent available, the applicable Payoff Letters in accordance with Section 5.13.

(b) At least five Business Days (but no more than seven Business Days) prior to the Closing, the Company shall deliver to Purchaser a spreadsheet (the "**Consideration Spreadsheet**") duly certified by the Company's Chief Financial Officer on behalf of the Company, in substantially the form of Exhibit C, which spreadsheet shall set forth all of the following information, as of the Closing: (i) the names of all the Company Holders; (ii) the number and kind of shares of Common Stock held by such Persons and the respective Certificate numbers; (iii) for

each Option held by such Person, the number of Option Shares underlying such Option, the number of Option Shares underlying such Option and the exercise price of the Option Shares; (iv) a schedule setting forth, for each Company Holder, such Person's Pro Rata Share of (A) the Initial Merger Consideration, (B) the Deferred Purchase Price, (C) the Bonus Amount, (D) the Stockholder Representative Holdback Amount and (E) the Excess Cash Amount; and (v) a schedule setting forth the respective amounts of the payments and deliveries to be made to each recipient pursuant to clauses (i) through (vi) of Section 2.8(d). The Company may amend the Consideration Spreadsheet before the Closing to reflect changes in Dissenting Shares between delivery and the Closing.

(c) Each item included in the Closing Certificate and the Consideration Spreadsheet shall be calculated in accordance with the corresponding definitions in this Agreement. The Closing Certificate shall be prepared in accordance with GAAP (as applied in the Working Capital Schedule), except with respect to the Risk Based Capital, which shall be prepared in accordance with STAT. In the event Purchaser notifies the Company prior to the Closing that it disputes any amount set forth in the Closing Statement or the Consideration Spreadsheet, Purchaser and the Company shall cooperate in good faith to resolve any such dispute as promptly as practicable prior to the Closing Date. If, prior to the Closing, Purchaser and the Company agree in writing to any disputed component on the Closing Certificate or the Consideration Spreadsheet, then such component shall be modified as so agreed. If Purchaser and the Company are unable to agree on all of the components of the Closing Statement and the Consideration Spreadsheet then the Closing Statement and the Consideration Spreadsheet as delivered by the Company shall control.

(d) At the Closing, or as promptly as practicable thereafter:

(i) (A) Purchaser shall, pursuant to the Paying Agent Agreement, deliver to the Paying Agent by wire transfer of immediately available funds to accounts designated in writing by the Paying Agent (1) an amount in cash equal to the portion of the Initial Merger Consideration payable to the Stockholders pursuant to Section 2.7(a) (other than in respect of shares canceled pursuant to Section 2.7(d) and any Dissenting Shares), (2) an amount in cash equal to the portion of the Initial Merger Consideration payable to the Optionholders who are not employees of the Surviving Corporation pursuant to Section 2.7(b) and (3) the fees of the Paying Agent and (B) the Company shall, pursuant to the Paying Agent Agreement, deliver to the Paying Agent by wire transfer of immediately available funds to accounts designated in writing by the Paying Agent (1) an amount in cash equal to the portion of the Excess Cash Amount payable to the Stockholders pursuant to Section 2.7(a) (other than in respect of shares canceled pursuant to Section 2.7(d) and any Dissenting Shares) and (2) an amount in cash equal to the portion of the Excess Cash Amount payable to the Optionholders who are not employees of the Surviving Corporation pursuant to Section 2.7(b) (the amounts in clauses (A)(1)-(2) and (B)(1)-(2) above, the **"Exchange Fund"**);

(ii) Purchaser shall deliver to the Surviving Corporation an amount in cash equal to the portion of the Initial Merger Consideration payable to the Optionholders who are employees of the Surviving Corporation pursuant to Section 2.7(b), and cause the Surviving Corporation to pay each such Optionholder promptly after the Effective Time his

or her portion of the Initial Merger Consideration pursuant to Section 2.7(b) and his or her portion of the Excess Cash Amount payable to the Optionholders pursuant to Section 2.7(b);

(iii) Purchaser shall, pursuant to the Escrow Agreement, deliver to the Escrow Agent, by wire transfer of immediately available funds, the Stockholder Representative Holdback Amount to the Representative Holdback Account and the fees of the Escrow Agent;

(iv) Purchaser shall pay to each Person to whom any Indebtedness for borrowed money is owed an amount in cash equal to the amount required to be paid in order to satisfy and terminate such Indebtedness as required by the Payoff Letters delivered pursuant to Section 5.13;

(v) Purchaser shall pay to each Person to whom any Company Transaction Expenses are owed an amount in cash equal to the amount provided for in the Estimated Transaction Expenses set forth in the Closing Certificate; and

(vi) Purchaser shall deliver the Community Investment Fund Amount to a non-profit entity recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, to be formed or selected by the Company and Purchaser prior to Closing for the benefit of the Medicaid population in Lane County, Oregon.

(e) All cash payments to be made after the Closing from the Exchange Fund shall be made by the Paying Agent by check or by wire transfer of immediately available funds to the account set forth in the applicable Letter of Transmittal within two Business Days after the proper delivery thereof and the associated Certificates or affidavit pursuant to Section 2.10(e) to the Paying Agent. All cash payments to be made after the Closing by the Company to the Optionholders who are employees of the Surviving Corporation shall be made by the Company by check or payroll within three Business Days after the proper delivery of a Letter of Transmittal to the Paying Agent.

(f) Whether or not specified herein, in order for a Certificate to be "properly surrendered" pursuant to this Agreement, the Certificate shall be (i) duly endorsed for transfer or accompanied by a stock transfer power duly executed in blank, (ii) accompanied by a completed and duly executed Letter of Transmittal and (iii) delivered to the Paying Agent.

Section 2.9 Post-Closing Payments. On each of the first, second and third anniversaries of the Effective Time, Purchaser shall, or shall cause the Surviving Corporation to, subject to offset and reduction, and without duplication of amounts as between Losses and Unresolved Claim Amounts arising from the same Individual Matter, (i) for Losses payable to any Purchaser Indemnified Party in accordance with Article IX and (ii) in accordance with Section 2.12 (any offsets or reduction pursuant to clauses (i) and (ii), a "**Reduction Amount**") (it being understood and agreed that, to the extent a claim for Losses by a Purchaser Indemnified Party exists as of any such anniversary date an amount equal to such claim (the "**Unresolved Claim Amount**") shall be withheld from and reduce any payments to be made pursuant to this Section 2.9

until such claim is fully and finally resolved either by a written agreement between the Parties or by a final order of a court of competent jurisdiction):

(a) Deferred Purchase Price.

(i) 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.

(ii) 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 Non-Employee Optionholder Percentage, for distribution to the Optionholders who are not employees of the Surviving Corporation.

(iii) Deliver to the Surviving Corporation, by wire transfer of immediately available funds 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 Employee Optionholder Percentage, for distribution to the Optionholders who are employees of the Surviving Corporation.

(iv) Deliver to the Escrow Agent by wire transfer of immediately available funds the Additional Stockholder Representative Holdback Amount, if any.

(v) The Surviving Corporation shall pay within three Business Days of receipt to each Optionholder for whom payment was received under clause (iii) above his or her Pro Rata Share of the payment made under clause (iii).

(b) Bonus. If the Surviving Corporation has achieved the applicable Bonus Target for the calendar year (meaning January through December) immediately preceding such anniversary date, then:

(i) 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 Bonus Amount *less* (A) any Reduction Amounts and/or any (B) Unresolved Claim Amounts, in each case, not previously deducted from payments made hereunder and (y) the Stockholder Percentage, for distribution to the Stockholders.

(ii) Deliver to the Paying Agent, by wire transfer of immediately available funds an amount in cash equal to the product of (x) 1/3 of the Bonus Amount *less*

(A) any Reduction Amounts and/or any (B) Unresolved Claim Amounts, in each case, not previously deducted from payments made hereunder and (y) the Non-Employee Optionholder Percentage, for distribution to the Optionholders who are not employees of the Surviving Corporation.

(iii) Deliver to the Surviving Corporation, by wire transfer of immediately available funds an amount in cash equal to the product of (x) 1/3 of the Bonus Amount *less* (A) any Reduction Amounts and/or any (B) Unresolved Claim Amounts, in each case, not previously deducted from payments made hereunder and (y) the Employee Optionholder Percentage, for distribution to the Optionholders who are employees of the Surviving Corporation.

(iv) The Surviving Corporation shall pay within three Business Days of receipt to each Optionholder for whom payment was received under clause (iii) above his or her Pro Rata Share of the payment made under clause (iii).

(c) Unresolved Claim Amount. Immediately after any Unresolved Claim Amount that has been withheld from payment pursuant to Section 2.9 is fully and finally resolved by a written agreement between the Parties or by a final order of a court of competent jurisdiction:

(i) Purchaser shall, or shall cause the Surviving Corporation to, pursuant to such written agreement or final court order, 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) Unresolved Claim Amounts fully and finally resolved in favor of the Company Holders and (y) the Stockholder Percentage, for distribution to the Stockholders.

(ii) Purchaser shall, or shall cause the Surviving Corporation to, pursuant to such written agreement or final court order, deliver to the Paying Agent, by wire transfer of immediately available funds an account designated in writing by the Paying Agent an amount in cash equal to the product of (x) Unresolved Claim Amounts fully and finally resolved in favor of the Company Holders and (y) the Non-Employee Optionholder Percentage, for distribution to the Optionholders who are not employees of the Surviving Corporation.

(iii) Purchaser shall deliver to the Surviving Corporation, pursuant to such written agreement or final court order, by wire transfer of immediately available funds an amount in cash equal to the product of (x) Unresolved Claim Amounts fully and finally resolved in favor of the Company Holders and (y) the Employee Optionholder Percentage, for distribution to the Optionholders who are employees of the Surviving Corporation.

(iv) The Surviving Corporation shall pay within three Business Days of receipt to each Optionholder for whom payment was received under clause (iii) above his or her Pro Rata Share of the payment made under clause (iii).

Section 2.10 Additional Merger Procedures and Effects.

(a) Until properly surrendered, each share of Common Stock (other than Dissenting Shares and shares canceled pursuant to Section 2.7(d) or Section 2.7(e) , and upon cancellation each Option, shall represent solely the right to receive the Merger Consideration Per Share or Merger Consideration Per Option, as applicable. No interest or dividends shall be paid or accrued on the Merger Consideration Per Share or Merger Consideration Per Option, as applicable, payable in respect of any Common Stock or any Options.

(b) After the Effective Time, there shall be no transfers on the stock transfer books of the Surviving Corporation of any shares of capital stock that were outstanding immediately prior to the Effective Time.

(c) None of Purchaser, Merger Sub or the Surviving Corporation, to the extent permitted by Law, shall be liable to any Person for any Unsurrendered Shares (or interest, dividends or distributions with respect thereto) or any amount delivered to a public official pursuant to any applicable abandoned property, escheat or other similar Law.

(d) Any portion of the Exchange Fund that remains undistributed to the former Company Holders after the first anniversary of the Closing Date shall be delivered to, or retained by, the Surviving Corporation, as applicable, and any former Company Holders who have not theretofore properly surrendered their Certificates and complied with Section 2.8(f) shall thereafter look only to the Surviving Corporation for the Merger Consideration Per Share or Merger Consideration Per Option, as applicable, without any interest or dividends thereon.

(e) If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed, Purchaser or the Paying Agent, as applicable, shall pay, in exchange for such lost, stolen or destroyed certificate, the amount and type of consideration to be paid in respect of each share of Common Stock represented by such Certificate in accordance with this Article II.

Section 2.11 Closing. Upon the terms and subject to the conditions of this Agreement, the closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place by electronic exchange of documents at (a) 8:00 a.m. (Pacific Time), on the last Business Day of the calendar month in which, as of such Business Day, (i) at least 60 days have elapsed following the Oregon Insurance Division's approval of the transactions contemplated hereby and (ii) all conditions to the obligations of the Parties to consummate the transactions contemplated hereby (other than conditions that by their terms or nature are to be performed at the Closing, but subject to the satisfaction or waiver (to the extent permitted by Law) of such conditions at the Closing) have been satisfied or waived (to the extent permitted by Law) by the Party entitled to the benefit thereof, *provided* that all such conditions (other than those conditions that by their terms are to be satisfied at the Closing) continue to be satisfied at all times during such period until the Closing or (b) such other date and/or time as Purchaser and the Company may mutually agree in writing (the "**Closing Date**"). The Closing shall be deemed to occur at 11:59 p.m. (Pacific time) on the Closing Date.

Section 2.12 Adjustment to the Merger Consideration.

(a) No later than 120 days after the Closing Date, Purchaser shall cause the Surviving Corporation to prepare and deliver to the Stockholder Representative a written statement (the **"Merger Consideration Adjustment Statement"**) duly certified by the Surviving Corporation's Chief Financial Officer on behalf of the Company accurately setting forth in reasonable detail the Surviving Corporation's good faith calculation of, as of the Closing (other than as to the Risk Based Capital of the Regulated Target Entity), (i) Closing Working Capital, (ii) Indebtedness, (iii) unpaid Company Transaction Expenses and (iv) Risk Based Capital of the Regulated Target Entity as of the RBC Measurement Time (minus any Excess Cash Amount), together with such schedules and data with respect to the determination thereof as may be appropriate to support the calculations set forth in the Merger Consideration Adjustment Statement.

(b) Following the delivery of the Merger Consideration Adjustment Statement and until the Merger Consideration Adjustment Statement has become final and binding as set forth in Section 2.12(g), Purchaser and the Surviving Corporation shall provide the Stockholder Representative and its Representatives with reasonable access during normal business hours to any documents or work papers used in the preparation of, or necessary to support the calculations set forth in, the Merger Consideration Adjustment Statement, as the Stockholder Representative may reasonably request.

(c) If the Stockholder Representative disagrees with the calculation of any of the items set forth in the Merger Consideration Adjustment Statement, the Stockholder Representative shall, within 60 days after receipt of the Merger Consideration Adjustment Statement, deliver a notice (an **"Objection Notice"**) to Purchaser setting forth any such disagreement, which notice shall specify in reasonable detail the nature and dollar amount of any disagreement so asserted, together with the Stockholder Representative's calculation of each disputed item and supporting calculations and information. If the Stockholder Representative does not deliver an Objection Notice within such 60-day period, or if the Stockholder Representative notifies Purchaser in writing that it shall not deliver an Objection Notice, then the Merger Consideration Adjustment Statement shall be deemed final and conclusive and binding on each of the Parties and the Company Holders.

(d) If the Stockholder Representative delivers an Objection Notice, Purchaser and the Stockholder Representative shall negotiate in good faith to resolve any disagreements set forth in the Objection Notice, and any resolution agreed to in writing by Purchaser and the Stockholder Representative shall be deemed final and conclusive and binding on each of the Parties and the Company Holders. If Purchaser and the Stockholder Representative are able to resolve all of the disagreements set forth in the Objection Notice, then the Merger Consideration Adjustment Statement, adjusted to reflect such resolution, shall be deemed final and conclusive and binding on each of the Parties and the Company Holders.

(e) If Purchaser and the Stockholder Representative are unable to resolve all disagreements set forth in the Objection Notice within 30 days after Purchaser's receipt of the Objection Notice, Purchaser and the Stockholder Representative shall jointly retain an independent accounting firm of recognized national standing other than Purchaser's accounting firm (the

"**Firm**") to resolve any remaining disagreements. If Purchaser and the Stockholder Representative are unable to agree on the choice of the Firm, then the Firm shall be a "big-four" accounting firm selected by lot (after excluding one firm designated by Purchaser and one firm designated by the Stockholder Representative). Purchaser and the Stockholder Representative shall direct the Firm to render a determination within thirty 30 days of its retention and Purchaser, the Stockholder Representative and their respective agents shall cooperate with the Firm during its engagement. The Firm shall consider only those items and amounts with respect to the Merger Consideration Adjustment Statement set forth in the Objection Notice that Purchaser and the Stockholder Representative are unable to resolve. Purchaser and the Stockholder Representative shall each make written submissions to the Firm promptly (and in any event no later than 15 days after the Firm's engagement), which submissions shall contain such Party's computation of the items remaining in dispute and information, arguments and support for such Party's position. The Firm shall review such submissions and base its determination solely on such submissions and this Agreement. In resolving any disputed item, the Firm may not assign a value to any item greater than the greatest value for such item claimed by any Party or less than the smallest value for such item claimed by any Party. The Firm shall deliver to Purchaser and the Stockholder Representative, as promptly as practicable (and in any event shall endeavor to do so within 30 days after its appointment), a written report (i) setting forth (A) the resolution of each disputed item that had been submitted to it, determined in accordance with the provisions of this Section 2.12, and (B) any adjustments that are required to be made to the Merger Consideration Adjustment Statement to reflect such resolution and (ii) which shall have attached thereto a Merger Consideration Adjustment Statement that has been revised to reflect (x) the resolution of any remaining disputed items and (y) the adjustments, if any, referred to in clause (i)(B) of this sentence (the "**Firm's Report**"). The Firm's Report shall be conclusive and binding upon each of the Parties and the Company Holders.

(f) The fees, costs and expenses of the Firm shall be borne (i) by Purchaser in the proportion that the aggregate dollar amount of the items that are successfully disputed by the Stockholder Representative (as finally determined by the Firm) bear to the aggregate dollar amount of the items submitted to the Firm and (ii) by the Stockholder Representative in the proportion that the aggregate dollar amount of the disputed items that are unsuccessfully disputed by the Stockholder Representative (as finally determined by the Firm) bear to the aggregate dollar amount of the items submitted to the Firm. If the fees and expenses are to be paid by the Stockholder Representative, the fees and expenses may be paid from the Representative Holdback Account.

(g) The Merger Consideration Adjustment Statement (i) that has become final and binding pursuant to the last sentence of Section 2.12(c) or the last sentence of Section 2.12(d) or (ii) that is included in the Firm's Report, as applicable, shall be the Merger Consideration Adjustment Statement that shall be final and binding upon Purchaser, the Surviving Corporation, the Stockholder Representative and the Company Holders for purposes of this Agreement (the "**Final Merger Consideration Adjustment Statement**"). The (i) Closing Working Capital, (ii) Indebtedness, (iii) unpaid Company Transaction Expenses and (iv) Risk Based Capital of the Regulated Target Entity, each as finally determined pursuant to this Section 2.12, shall be referred to as the "**Final Working Capital**," the "**Final Indebtedness**," the "**Final Transaction Expenses**" and the "**Final RBC**," respectively.

(h) If (i) the Final Merger Consideration exceeds (ii) the Initial Merger Consideration (such excess, the "**Positive Merger Consideration Adjustment Amount**"), then Purchaser shall pay, or shall cause the Surviving Corporation to pay, an amount in cash equal to the Positive Merger Consideration Adjustment Amount in accordance with Section 2.12(k).

(i) If (i) the Initial Merger Consideration exceeds (ii) the Final Merger Consideration (such excess, the "**Negative Merger Consideration Adjustment Amount**"), then such amount shall be deemed a "Loss" subject to the setoff and reduction provisions of Section 2.9 within three Business Days after the date on which the Merger Consideration Adjustment Statement has become final and binding pursuant to Section 2.12(g).

(j) Within three Business Days after the date on which the Merger Consideration Adjustment Statement has become final and binding pursuant to Section 2.12(g), the Stockholder Representative shall deliver to Purchaser and the Surviving Corporation a written statement (the "**Stockholder Representative Statement**") setting forth:

(i) the Positive Merger Consideration Adjustment Amount Per Share, or the Negative Merger Consideration Amount Per Share, if any; and

(ii) either (A) on a Company Holder by Company Holder basis, based on their respective Pro Rata Share, either (1) such Company Holder's share of the Positive Merger Consideration Adjustment Amount or (2) such Company Holder's share of the Negative Merger Consideration Amount, or (B) stating that no such further amounts are payable to the Company Holders; and

(k) On the next anniversary of the Effective Time, following the receipt by Purchaser and the Surviving Corporation of the Stockholder Representative Statement, Purchaser or the Surviving Corporation shall:

(i) 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 (A) the Positive Merger Consideration Adjustment Amount, if any, and (B) the Stockholder Percentage;

(ii) deliver to the Paying Agent, by wire transfer of immediately available funds an amount in cash equal to the product of (A) the Positive Merger Consideration Adjustment Amount, if any, and (B) the Non-Employee Optionholder Percentage; and

(iii) deliver to the Surviving Corporation, by wire transfer of immediately available funds an amount in cash equal to the product of (A) the Positive Merger Consideration Adjustment Amount, if any, and (B) the Employee Optionholder Percentage, and the Surviving Corporation shall pay within three Business Days of receipt to each such Optionholder his or her Pro Rata Share of the Positive Merger Consideration Adjustment Amount.

Section 2.13 Distribution of Representative Holdback Account Balance to Company Holders. On the third anniversary of the Effective Time, the Stockholder Representative

shall instruct the Escrow Agent to disburse any amount then remaining in the Representative Holdback Account to the Paying Agent for distribution pursuant to the Paying Agent Agreement to the Company Holders (other than as to any Options held by employees of the Surviving Corporation) in accordance with their respective Pro Rata Shares, except if there exist any unresolved claims for Losses pursuant to this Agreement, in which case, the Stockholder Representative shall instruct the Escrow Agent to disburse any amount then remaining in the Representative Holdback Account to the Paying Agent for distribution pursuant to the Paying Agent Agreement to the Company Holders (other than as to any Options held by employees of the Surviving Corporation) in accordance with their respective Pro Rata Shares within five Business Days after all such unresolved claims for Losses are finally resolved; *provided* that any amounts owed to Company Holders under this Section 2.13 with respect to Options of employees of the Surviving Corporation shall be disbursed by the Escrow Agent to the Surviving Corporation for distribution to such Company Holders in accordance with their respective Pro Rata Shares.

Section 2.14 Withholding Rights. Purchaser, Merger Sub, the Company, the Surviving Corporation, the Escrow Agent, the Stockholder Representative and the Paying Agent (and any other Person that has any withholding obligation with respect to any payment made pursuant to this Agreement or any other agreement referenced herein) shall be entitled to deduct and withhold from amounts otherwise payable pursuant to this Agreement such amounts as such Persons are required to deduct and withhold under the Code or any provision of state, local or foreign Tax Law. To the extent that amounts are so withheld and paid over to the appropriate Taxing Authority, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Persons receiving the amounts otherwise payable pursuant to this Agreement in respect of which such deduction and withholding was made.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the Company Disclosure Schedule, the Company hereby represents and warrants to Purchaser and Merger Sub the following:

Section 3.1 Organization, Corporate Power and Qualification. Section 3.1 of the Company Disclosure Schedule lists each Target Entity together with its jurisdiction of organization or formation and the nature of its organization (corporation, partnership, limited liability company, etc.) Each Target Entity (a) is a corporation or limited liability company, as applicable, validly existing and, where applicable, in good standing under the Laws of the state of Oregon, (b) has all requisite corporate or similar power and authority necessary to own and operate its properties and to carry on its businesses as now conducted and (c) is qualified to do business and is in good standing, as applicable, in every jurisdiction in which its ownership of property or conduct of business requires it to qualify. Copies of each Target Entity's Governing Documents, which have been made available to Purchaser, reflect all amendments made thereto and are true, correct and complete, are in full force and effect and, other than as expressly contemplated by this Agreement, no amendment or other modification has been filed, recorded or is pending or contemplated with respect thereto. Section 3.1 of the Company Disclosure Schedule also sets forth a list of the officers and directors of each Target Entity and any outstanding powers of attorney executed on behalf of a Target Entity.

Section 3.2 Capital Stock and Related Matters.

(a) The authorized capital stock of the Company consists solely of 49,507 shares of Class A Common Stock, 500,000 shares of Class B Common Stock and 100,000 shares of Preferred Stock. The issued and outstanding capital stock of the Company consists of 25,027 shares of Class A Common Stock, 26,684 shares of Class B Common Stock and no shares of Preferred Stock. Except as described in this Section 3.2(a), there are no other shares of capital stock or other class of shares of capital stock of the Company authorized, issued or outstanding.

(b) All issued and outstanding shares of capital stock of the Company are held beneficially and of record by the Persons and in the respective amounts set forth on Section 3.2(b) of the Company Disclosure Schedule. All issued and outstanding Equity Interests of the Company are duly authorized, validly issued, fully paid and non-assessable, were issued in compliance with securities Laws or exemptions therefrom, were not issued in violation of any preemptive rights and are free and clear from any Liens (other than Liens for Taxes not yet due and payable, if any), preemptive rights, rights of first refusal or other similar rights. Except as disclosed in Section 3.2(b) of the Company Disclosure Schedule, neither the Company nor any equityholder of the Company is a party to or holds Equity Interests of the Company bound by or subject to any voting agreement, voting trust, stockholders agreement, proxy or other arrangement with respect to the voting or transfer of any shares of capital stock or other equity or equity-like interests of the Company (other than proxies provided pursuant to the Proxy Statement and arrangements pursuant to the Stockholder Support Agreement).

(c) Section 3.2(c) of the Company Disclosure Schedule contains a true, correct and complete list of each outstanding Option (whether or not granted under the Option Plan), including the holder, date of grant, exercise price per share, vesting schedule (and the terms of any acceleration thereof), number of shares of Common Stock subject thereto and the term of each Option. All of the Options set forth on Section 3.2(c) of the Company Disclosure Schedule were granted under the Option Plan and have had shares of Common Stock duly reserved for issuance in respect thereof by the Company and upon any issuance of such shares in accordance with the terms of the Option Plan such shares shall be duly authorized, validly issued, fully paid and nonassessable and, except as disclosed in Section 3.2(c) of the Company Disclosure Schedule, free and clear from any preemptive, rights of first refusal or other similar rights.

(d) All Options were granted under the Option Plan and not under any other plan, program or agreement.

(e) (i) The exercise price of each Option is greater than or equal to the fair market value of the Common Stock, as determined pursuant to Section 83 of the Code and the Treasury Regulations thereunder, issuable upon exercise thereof measured as of the date of the corporate action authorizing the grant of such Option, (ii) no Option has had its exercise date or grant date delayed or "back-dated" and (iii) all Options have been issued in compliance with all applicable Laws and properly accounted for in all material respects in accordance with GAAP.

(f) There are no:

(i) except as disclosed on Section 3.2(f)(i) of the Company Disclosure Schedule, subscriptions, options, puts, calls, warrants, convertible or exchangeable securities, or other rights, agreements, arrangements, restrictions or commitments of any character to which a Target Entity is a party or by which a Target Entity is bound that obligate any of the Target Entities to issue, purchase, acquire, deliver, sell, redeem, repurchase or exchange, or cause to be issued, purchased, acquired, delivered, sold, redeemed, repurchased or exchanged, any Equity Interests in any Person or any securities directly or indirectly convertible into or exchangeable or exercisable for any capital stock or other equity or equity-like interests (including interests with profit participation features), or any debt securities of any Person or to make any investment (in the form of a loan, capital contribution or otherwise) in any Person;

(ii) bonds, debentures, notes or other indebtedness having the right to vote on any matters on which stockholders of any Target Entity may vote (whether or not dependent on conversion or other trigger event);

(iii) registration covenants with respect to Common Stock or any other securities of the Target Entities; or

(iv) stock appreciation rights, phantom stock rights or similar stock rights outstanding with respect to a Target Entity.

(g) Except as disclosed in Section 3.2(g) of the Company Disclosure Schedule, no Target Entity is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock or any warrants, options or other rights to acquire its capital stock.

(h) Except as expressly contemplated by Section 7.3, no Target Entity has any liability or obligation to pay any dividend or other distribution in respect of any of the Target Entities' capital stock or equity awards (and none of the Target Entities have accrued or declared but unpaid dividends or other distributions or obligations to make any payments in respect of a Target Entity's capital stock or equity awards). The treatment of the Options and payments with respect thereto under this Agreement, and cancellation of the Options and Option Plan as contemplated hereby, is in compliance with the terms of the Options and Option Plan. The Company has made available to Purchaser true, correct and complete copies of the Option Plan, and any repurchases or cancellations of Common Stock and Options have been completed in accordance with such Option Plan and with applicable Law and without further liability to any Target Entity.

(i) The Stockholders party to the Stockholder Support Agreement hold in the aggregate no less than 20.43% of the voting power of the outstanding Common Stock.

(j) No Option has an exercise price greater than the Initial Merger Consideration Per Share.

Section 3.3 Subsidiaries; Investments. The Target Entities (other than the Company) are all of the direct and indirect Subsidiaries of the Company. Section 3.3 of the Company Disclosure Schedule lists the amount and ownership of each Target Entity's (other than

the Company's) issued and outstanding Equity Interests. The Target Entities do not own, directly or indirectly, any Equity Interests, or rights or obligations to acquire the same, in any person that is not a Target Entity and have not entered into any letters of intent, memoranda of understanding or definitive agreements relating to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or otherwise). All of the outstanding Equity Interests of each Target Entity (other than the Company) are owned by the Company or one or more of the other Target Entities and are free and clear of all Liens, other than Liens for Taxes not yet due and payable, if any, and restrictions under applicable securities Laws. All of the issued and outstanding Equity Interests of each Target Entity are duly authorized, validly issued, fully paid and nonassessable, were issued in compliance with securities Laws or exemptions therefrom, were not issued in violation of any preemptive rights and are free and clear from any Liens (other than Liens for Taxes not yet due and payable, if any), preemptive rights, rights of first refusal or other similar rights. No Target Entity and no equityholder of a Target Entity is a party to or holds Equity Interests of a Target Entity bound by or subject to any voting agreement, voting trust, stockholders agreement, proxy or other arrangement with respect to the voting or transfer of any Equity Interests of any Target Entity. No Target Entity Controls, directly or indirectly, or has any direct or indirect Equity Interest in, any entity that is not a Target Entity.

Section 3.4 Corporate Power and Authority; Enforceability.

(a) The Company has all requisite corporate power and authority to execute, deliver and perform this Agreement and each other agreement and instrument contemplated hereby to which it is a party and, subject to the Necessary Stockholder Approval, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement by the Company and each other agreement and instrument contemplated hereby to which the Company is a party and the consummation of the Merger and the other transactions contemplated hereby and thereby have been duly and validly authorized by the Company Board. The approval of the holders (whether by proxy or vote at a duly called meeting of the Stockholders) of at least a majority of the outstanding Common Stock, voting together as one class, and with each such holder having one vote is the only vote (whether by proxy or vote at a duly called meeting of the Stockholders) of the Stockholders required to approve this Agreement and the transactions contemplated hereby (the "**Necessary Stockholder Approval**"). The Company Recommendation, which has been obtained, the approval described in Section 5.10(b) and the Necessary Stockholder Approval are the only proceedings necessary on the part of any Target Entity to authorize the execution, delivery and performance of this Agreement and the other agreements and instruments contemplated hereby and the consummation by the Company of the transactions contemplated herein and therein. The affirmative vote of holders of a majority of the outstanding shares of Common Stock at the Stockholders Meeting (whether in person or by proxy) to adopt this Agreement and approve the Merger is sufficient under the OBCA, the Company's Governing Documents and all applicable Laws to meet the requirements of the Necessary Stockholder Approval.

(b) This Agreement has been, and each other agreement and instrument contemplated hereby to which the Company is a party has been or will be, duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by Purchaser and Merger Sub, constitutes or shall constitute a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms,

except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general equitable principles (whether considered in a proceeding at law or in equity).

Section 3.5 Consents; Non-Contravention.

(a) Except as set forth on Section 3.5(a) of the Company Disclosure Schedule, the execution, delivery and performance by the Company of this Agreement and all other agreements and instruments contemplated hereby to which the Company is or will be a party, and the consummation of the transactions contemplated hereby and thereby do not and will not, with or without the giving of notice or the lapse of time or both (i) conflict with or violate the Governing Documents of any Target Entity, (ii) conflict with or violate in any material respect any Law or Order applicable to any Target Entity or by which any of their respective properties are bound, assuming that all consents, approvals and authorizations contemplated in Section 3.5(b) have been obtained and all filings described in Section 3.5(b) have been made, or (iii) conflict with or result in a breach of or create any Lien under, or constitute a default or result in a loss of a benefit under, or give rise to any right of termination, cancellation, amendment, acceleration or similar right under, or obligation or fee under, any Material Contract, Lease or Permit to which a Target Entity is a party or by which any of their respective properties are bound or result in the creation of any Lien upon the capital stock (other than Liens for Taxes not yet due and payable) or material assets (other than a Permitted Lien) of a Target Entity.

(b) Except for (i) applicable pre-merger notification requirements of the HSR Act and the expiration or termination of any applicable waiting period thereunder, (ii) the filing of the Articles of Merger under the OBCA and (iii) as set forth on Section 3.5(b) of the Company Disclosure Schedule, the Target Entities are not and shall not be required to prepare or submit any application, notice, report or other filing or obtain any consent, authorization, approval, order, registration or confirmation from any court or Governmental Authority or from any third party in connection with the execution, delivery or performance of this Agreement by the Company and the consummation of the transactions contemplated hereby.

(c) The Company and the Company Board have taken all necessary actions so that the provisions of any Antitakeover Laws applicable to the Company or the other Target Entities, do not, and will not, apply to this Agreement, the Merger or the other transactions contemplated hereby.

Section 3.6 Statutory Accounting.Section 3.6(a) of the Company Disclosure Schedule contains true, correct and complete copies of (x) the audited STAT balance sheets of the Regulated Target Entity for each of the fiscal years ended as of December 31, 2012 and December 31, 2013, and the related audited statements of income, retained earnings and changes in financial position, together with all related notes and schedules thereto, accompanied by the reports thereon of the Regulated Target Entity's accountants, and (y) the unaudited STAT financial statements of the Regulated Target Entity for the period ended November 30, 2014 (the "**Latest STAT Balance Sheet**" and collectively referred to herein as the "**STAT Financial Statements**"). Each of the STAT Financial Statements is consistent with the books and records of the Regulated Target Entity (which are accurate in all material respects) and presents fairly, in all material respects, the financial condition and results of operations and cash flows of the Regulated Target Entity as of

the dates thereof and for the periods covered thereby and has been prepared in accordance with STAT, in each case, consistently applied throughout the periods covered thereby and subject, in the case of the unaudited STAT Financial Statements, to normal year-end adjustments (none of which adjustments would be material, individually or in the aggregate) and the absence of footnote disclosure (none of which would be material, individually or in the aggregate).

(b) The Regulated Target Entity has devised and maintained systems of internal accounting controls with respect to its business sufficient to provide reasonable assurances that (i) all transactions are executed in all material respects in accordance with management's general or specific authorization, (ii) all transactions are recorded as necessary to permit the preparation of audited financial statements in conformity with STAT and to maintain proper accountability for items and (iii) recorded accountability for items is compared with actual levels at reasonable intervals and appropriate action is taken with respect to any differences. There have been no instances of fraud by the Regulated Target Entity, whether or not material, that occurred during any period covered by the STAT Financial Statements. The books and records of the Regulated Target Entity have been maintained in all material respects in accordance with STAT and GAAP, applied on a consistent basis, and any other Laws, are correct in all material respects and reflect only actual transactions.

(c) The aggregate actuarial reserves and other actuarial amounts held in respect of Liabilities with respect to the Regulated Target Entity as established or reflected on the Latest STAT Balance Sheet:

(i) were (A) determined in accordance with STAT, (B) fairly stated in accordance with sound actuarial principles and (C) based on sound actuarial assumptions;

(ii) met in all material respects the requirements of the applicable insurance laws of the State of Oregon or any other state having such jurisdiction; and

(iii) were adequate and sufficient (under generally accepted actuarial standards consistently applied) to cover the total amount of all the reasonably anticipated matured and unmatured Liabilities of the Regulated Target Entity.

(d) The Regulated Target Entity's Risk Based Capital is equal to or greater than the Target RBC.

Section 3.7 Financial Statements.

(a) Section 3.7(a) of the Company Disclosure Schedule contains a true, correct and complete copy of:

(i) the audited consolidated and consolidating balance sheets of the Target Entities as of December 31, 2013 and December 31, 2012, and the related consolidated and consolidating statements of income, cash flows and stockholders' equity (or the equivalent) for the fiscal years then ended and the notes thereto; and

(ii) the unaudited consolidated and consolidating balance sheet of the Target Entities as of November 30, 2014 (the "**Latest Balance Sheet**"), and consolidating

statements of income and cash flows (or the equivalent) for the eleven-month period then ended.

(b) Each of the foregoing financial statements (including in all cases the notes thereto, if any) (collectively, the "**Financial Statements**") is consistent with the books and records of the Target Entities (which are accurate in all material respects) and presents fairly, in all material respects, the financial condition and results of operations and cash flows of the Target Entities on a consolidated basis as of the dates thereof and for the periods covered thereby and has been prepared in accordance with GAAP, in each case, consistently applied throughout the periods covered thereby and subject, in the case of the unaudited Financial Statements, to normal year-end adjustments (none of which adjustments would be material, individually or in the aggregate) and the absence of footnote disclosure (none of which would be material, individually or in the aggregate).

(c) The Unregulated Target Entities have devised and maintained systems of internal accounting controls with respect to their businesses sufficient to provide reasonable assurances that (i) all transactions are executed in all material respects in accordance with management's general or specific authorization, (ii) all transactions are recorded as necessary to permit the preparation of audited financial statements in conformity with GAAP and to maintain proper accountability for items and (iii) recorded accountability for items is compared with actual levels at reasonable intervals and appropriate action is taken with respect to any differences. There have been no instances of fraud by any Unregulated Target Entity, whether or not material, that occurred during any period covered by the Financial Statements. The books and records of the Unregulated Target Entities have been maintained in all material respects in accordance with GAAP, applied on a consistent basis, and any other Laws, are correct in all material respects and reflect only actual transactions.

(d) Section 3.7(d) of the Company Disclosure Schedule sets forth all bank accounts held by, or for the benefit of, any Target Entity and the Persons with authority to direct such accounts.

(e) Except for the County Loan, the Target Entities have no Indebtedness. All Indebtedness of the Target Entities may be prepaid at the Closing without penalty under the terms of the agreements governing such Indebtedness. None of the Target Entities is in default with respect to any Indebtedness or any instrument or agreement relating thereto.

(f) There is currently no Indebtedness owed by any Target Entity to any other Target Entity.

(g) The Financial Statements do not reflect a reserve for doubtful accounts.

Section 3.8 Absence of Undisclosed Liabilities. Except (a) for those Liabilities that are reflected, accrued or reserved against on the liabilities side of the Latest Balance Sheet, (b) for Liabilities with a dollar value of less than $100,000 in the aggregate, (c) for Liabilities set forth on the Company Disclosure Schedule and (d) for Liabilities incurred since the date of the Latest Balance Sheet in the Ordinary Course of Business or as a Company Transaction Expense, neither the Company nor any of its Subsidiaries has any material Liability.

Section 3.9 Accounts Receivable. Except as set forth on Section 3.9 of the Company Disclosure Schedule, all accounts receivable set forth on the Latest Balance Sheet (the "**Accounts Receivable**") represent bona fide claims against debtors for sales, services performed or other charges arising on or before the respective dates of recording thereof and are current and, assuming commercially reasonable efforts by the collecting party consistent with the Company's past practice, collectible, net of reserves for doubtful accounts in accordance with GAAP, and are not subject to setoffs or counterclaims. Except for Liens securing Indebtedness of a Target Entity and Liens for Taxes not yet due and payable, if any, no Person has any Lien on any of the Accounts Receivable. In the Ordinary Course of Business, the Target Entities do not bill Accounts Receivable.

Section 3.10 No Company Material Adverse Effect. Since December 31, 2013 to the date of this Agreement, a Company Material Adverse Effect has not occurred.

Section 3.11 Absence of Certain Developments. Except as reflected or reserved against in the Latest Balance Sheet, since September 30, 2014 to the date of this Agreement, the business of the Target Entities has been conducted, in all material respects, in the Ordinary Course of Business. Since the date of the Latest Balance Sheet, there has not been any incident of damage, destruction or loss of property or assets owned by a Target Entity or used in the operation of its business, whether or not covered by insurance, having a replacement cost or fair market value in excess of $100,000. From December 31, 2013 to the date of this Agreement:

(a) none of the Target Entities has suffered any loss, or any material interruption in use, of any assets or properties of any Target Entity that resulted in a loss to the Target Entity in excess of $25,000 individually or in the aggregate with all such losses;

(b) the Regulated Target Entity's Risk Based Capital has not fallen below the Target RBC;

(c) none of the Target Entities has taken any action that, if such action were taken after the date of this Agreement and prior to the Closing, would require the consent of Purchaser pursuant to Section 7.2 (but not including any such actions contemplated by Section 7.2(l)); or

(d) none of the Target Entities has authorized, or committed or agreed to take, any of the foregoing actions.

Section 3.12 Assets.

(a) Each Target Entity has good, valid and marketable title to, a valid leasehold interest in or a valid and enforceable (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general equitable principles (whether considered in a proceeding at law or in equity)) license to use the properties and assets, whether tangible or intangible, used by them in the conduct of their respective businesses as presently conducted, free and clear of all Liens, except for Permitted Liens.

(b) Each Target Entity owns, has a valid leasehold interest in or has a valid and enforceable (except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general equitable principles (whether considered in a proceeding at law or in equity)) license to use all of the material assets, properties and rights, whether tangible or intangible, necessary for the conduct of its business as presently conducted.

Section 3.13 Tax Matters.

(a) Each Target Entity has filed all Tax Returns that it is required to file under applicable Laws and all such Tax Returns are complete and correct in all material respects and have been prepared in material compliance with all applicable Laws;

(b) each Target Entity has paid all Taxes due and owing by it (whether or not such Taxes are shown or required to be shown on a Tax Return) and has withheld and paid over to the appropriate Taxing Authority all material Taxes that it is required to withhold from amounts paid or owing to any employee, shareholder, creditor or other third party;

(c) no Target Entity has waived any statute of limitations with respect to any Taxes or agreed to any extension of time for filing any Tax Return that has not been filed; and no Target Entity has consented to extend to a date later than the date of this Agreement the period in which any Tax may be assessed or collected by any Taxing Authority;

(d) no Tax audits or other type of review, or administrative or judicial Tax proceedings, are pending or, to the Company's Knowledge, being conducted with respect to any Target Entity, and the Target Entities have not received written notice of any such proceedings;

(e) no Target Entity has received within the past five years from any foreign, federal, state or local Taxing Authority (including jurisdictions where such Target Entity has filed Tax Returns) any (i) written notice indicating an intent to open an audit or other review with respect to any Tax or Tax Return or (ii) written notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted or assessed by any Taxing Authority against any Target Entity;

(f) there are no material unresolved claims by any Taxing Authority of which any Target Entity has received written notice concerning any Target Entity's Tax liability;

(g) since January 1, 2009, no written notice has been delivered to any Target Entity by a Taxing Authority in a jurisdiction where such Target Entity does not file Tax Returns that such Target Entity is or may be subject to Taxes assessed by such jurisdiction;

(h) no Target Entity (i) has been a member of an Affiliated Group (other than a group the common parent of which was the Company) or filed or been included in a combined, consolidated or unitary income Tax Return or (ii) has any liability for the Taxes of any Person under Treasury Regulation Section 1.1502-6 (or similar provision of Law) as a transferee or successor by Contract or otherwise;

(i) except as set forth on Section 3.13(i) of the Company Disclosure Schedule, no Target Entity is a party to or bound by any Tax allocation or Tax sharing agreement (other than agreements among the Target Entities);

(j) except as set forth on Section 3.13(j) of the Company Disclosure Schedule, no Target Entity will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period ending after the Closing Date as a result of any (i) change in method of accounting or use of an improper method of accounting for a taxable period (or portion thereof) ending on or prior to the Closing Date, (ii) "closing agreement," as described in Section 7121 of the Code (or any corresponding provision of state, local or foreign income Tax Law) executed on or before the Closing Date, (iii) prepaid amount received on or prior to the Closing Date, (iv) installment sale or open transaction disposition made on or prior to the Closing Date or (v) election under Section 108(i) of the Code attributable to events occurring before the Closing Date;

(k) no Target Entity is a party to any Contract that has resulted, or in connection with the transactions contemplated by this Agreement could result, separately or in the aggregate, in the payment of any "excess parachute payment" within the meaning of Section 280G of the Code (or any corresponding provision of Tax Law);

(l) no Target Entity has any potential liability for Tax as the result of any intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local or non-U.S. income Tax Law);

(m) since January 1, 2009, no Target Entity has distributed the stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Sections 355 and 361 of the Code;

(n) no Target Entity is or since January 1, 2009 has been a party to any "listed transaction," as defined in Section 6707A(c)(1) of the Code and Treasury Regulation Section 1.6011-4(b);

(o) no Target Entity has a permanent establishment (within the meaning of an applicable Tax treaty) or otherwise has an office or fixed place of business or is subject to income Tax in a country other than the country in which it is organized; and

(p) each Contract to which any Target Entity is a party that is a "nonqualified deferred compensation plan" subject to Section 409A of the Code has been maintained in good faith compliance with Section 409A of the Code and the regulations thereunder and no amount under any such Contract is or has been subject to the interest and additional Tax set forth under Section 409A of the Code. No Target Entity has any actual or potential obligation to reimburse or otherwise "gross-up" any Person for the interest or additional Tax set forth under Sections 4999 or 409A of the Code.

Section 3.14 Contracts and Commitments.

(a) Except as set forth on Section 3.14 or Section 3.20 of the Company Disclosure Schedule, no Target Entity is a party to or bound by any:

(i) collective bargaining agreement or any other Contract with any labor union;

(ii) Contract providing for the payment of any cash or other compensation or benefits upon the consummation of the transactions contemplated hereby;

(iii) consulting or independent contractor agreement or Contract;

(iv) provider or supplier Contract with a third-party payor, including TRICARE, Medicare or Medicaid;

(v) Contract with, or relating to the provision of goods or services to, any Governmental Authority;

(vi) Contract with a third party administrator or other Person for the provision of any management, administrative or claims processing service;

(vii) guarantee, performance, surety or similar Contract;

(viii) limited liability company agreement, partnership agreement or joint venture agreement;

(ix) Contract under which it has advanced or loaned monies to any other Person or otherwise agreed to advance, loan or invest any funds (other than advances of less than $10,000 individually or $100,000 in the aggregate to any Target Entity's employees in the Ordinary Course of Business);

(x) settlement, conciliation or similar Contract with any Governmental Authority or pursuant to which a Target Entity is obligated to pay consideration after the Closing in excess of $25,000;

(xi) Contract with respect to the acquisition, divestiture, spin-out or disposition of any assets, securities, Person or business unit outside of the Ordinary Course of Business of any Target Entity (and related agreements and instruments) entered into since January 1, 2009 or for which there are any ongoing indemnification rights or obligations or payment rights or obligations;

(xii) Contract or series of related Contracts for capital expenditures or the acquisition or construction of fixed assets in excess of $100,000;

(xiii) Contract entered into since January 1, 2009 with respect to the dissolution or liquidation or any former Subsidiary of any Target Entity;

(xiv) (A) mortgage, indenture, loan or credit agreement, note, debenture, security agreement or other Contract relating to the borrowing of money, extension of credit or other Indebtedness for borrowed money or relating to the mortgaging, pledging or otherwise placing a Lien on any material asset or material group of assets of any Target Entity or (B) any letter of credit arrangement;

(xv) Contract or group of Contracts for the purchase of materials or personal property from any supplier or for the furnishing of services to any Target Entity that involve aggregate payments by the Target Entities of $100,000 or more during the period beginning January 1, 2014 and ending on the date of this Agreement;

(xvi) Contract or group of Contracts for the lease of any tangible personal property owned by any other Person that provides for annual payments in excess of $100,000 and is not terminable without liability by the applicable Target Entity on 60 days' notice or less;

(xvii) Contract or group of Contracts for the sale, license or lease (as lessor) by any Target Entity of any service, material, product, supply or other asset owned or leased by the Target Entities that involve aggregate payments to any Target Entity of $100,000 or more during the period beginning January 1, 2014 and ending on the date of this Agreement;

(xviii) Contract or group of Contracts relating to the purchase, distribution, marketing, advertising or sale of a Target Entity's products or services, in each case that involved payments by a Target Entity in excess of $100,000 or more during the period beginning January 1, 2014 and ending on the date of this Agreement;

(xix) Contract (A) granting or obtaining any right to use any Intellectual Property Right (other than Contracts granting rights to use standardized computer programs (whether in source code, object code or other form), databases, compilations and data, technology supporting the foregoing and all documentation, including user manuals and training materials, related to any of the foregoing generally available to the public) or (B) restricting any Target Entity's right or permitting third Persons to use any Intellectual Property Rights of any Target Entity;

(xx) Contract that contains a "most favored nation" or similar provision or that provides any customer of a Target Entity with pricing, discounts or benefits that change based on the pricing, discounts or benefits offered to other customers of a Target Entity;

(xxi) broker, agent, sales representative, sales or distribution Contract that has a term in excess of one year or is not terminable without liability by the applicable Target Entity on 60 days' notice or less;

(xxii) Contract prohibiting any Target Entity from freely engaging in any business or competing anywhere in the world or from soliciting or hiring any Person; or

(xxiii) Contract not otherwise of a type listed above involving reasonably anticipated payments to or from a Target Entity in excess of $100,000 per annum.

(b) Each of the Contracts set forth or required to be set forth on the attached Section 3.14 of the Company Disclosure Schedule (including each amendment or waiver with respect thereto, each, a "**Material Contract**") is valid and binding on and enforceable in accordance with its terms against the Target Entity party thereto and, to the Company's Knowledge, each other party thereto and is in full force and effect, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general equitable principles (whether considered in a proceeding at law or in equity). The applicable Target Entity has performed in all material respects all obligations required to be performed by it under each Material Contract and is not in default under or in breach of and is not in receipt of any written claim of default or breach under any Material Contract. No event has occurred that with the passage of time or the giving of notice or both would result in a default, breach or event of noncompliance by any Target Entity under any Material Contract. To the Company's Knowledge, no other party to any Material Contract is in default under or in breach of any of the Material Contracts. The Company has made available to Purchaser a true, correct and complete copy of each of the Material Contracts.

Section 3.15 Intellectual Property Rights.

(a) Section 3.15 of the Company Disclosure Schedule contains a true, correct and complete list of all (i) patented or registered Intellectual Property Rights (including domain names) owned or used by each Target Entity and (ii) pending patent applications and applications for other registrations of Intellectual Property Rights filed by or on behalf of each Target Entity. The Target Entities collectively own, free and clear of all Liens, possess a right, title and interest to or have the right to use pursuant to a valid and enforceable license or pursuant to a partial ownership interest all Intellectual Property Rights necessary for the operation of the business of the Target Entities as presently conducted and as presently proposed to be conducted. Except as set forth on Section 3.15 of the Company Disclosure Schedule, the loss or expiration of any Intellectual Property Right or related group of Intellectual Property Rights owned or used by any Target Entity has not resulted in any Loss to any Target Entity in excess of $25,000, individually or in the aggregate with all such Losses, and no loss or expiration of any material Intellectual Property Right is pending or, to the Company's Knowledge, threatened or reasonably foreseeable (other than the expiration of those material Intellectual Property Rights which by Law expire on a certain date, each of which is set forth on Section 3.15 of the Company Disclosure Schedule). The Target Entities have taken all commercially reasonable steps to maintain and protect the Intellectual Property Rights that each owns and uses.

(b) Since January 1, 2009 (i) there have been no claims made against any Target Entity asserting the invalidity, misuse or unenforceability of any of the Intellectual Property Rights set forth on subsection (a) of Section 3.15 of the Company Disclosure Schedule, (ii) no Target Entity has received any written notices of, and the Company has no Knowledge of any facts that indicate a reasonable likelihood of any infringement, misappropriation or dilution by any third party with respect to any Intellectual Property Rights (including any demand or request that any Target Entity license any rights from a third party), (iii) the conduct of the respective businesses of the Target Entities has not infringed, misappropriated or diluted, nor does infringe, misappropriate

or dilute any Intellectual Property Rights of other Persons, and (iv) to the Company's Knowledge, the Intellectual Property Rights set forth on subsection (a) of Section 3.15 of the Company Disclosure Schedule have not been infringed, misappropriated or diluted by other Persons. Except for the transfer, conveyance or assignment of Intellectual Property Rights to the Surviving Corporation, the transactions contemplated by this Agreement shall not have a material effect on any right, title or interest of the Target Entities in and to the Intellectual Property Rights listed on subsection (a) of Section 3.15 of the Company Disclosure Schedule and all of such Intellectual Property Rights shall be owned or available for use by the Surviving Corporation on terms and conditions identical in all material respects immediately after the Closing.

(c) The Target Entities own and possess all right, title and interest in and to all Intellectual Property Rights identified on subsection (a) of Section 3.15 of the Company Disclosure Schedule created or developed solely by any of their respective employees and independent contractors or under the direction or supervision of such entity's employees or independent contractors relating to the business of such entity or the actual research or development conducted by such entity and the Target Entities own and possess all right, title and interest in and to any such Intellectual Property Rights necessary to the demonstratively anticipated research and development to be conducted by such entity. All Persons who have participated in the creation or development of any of the Intellectual Property Rights set forth or required to be set forth on Section 3.15 of the Company Disclosure Schedule (i) have executed and delivered to the applicable Target Entity a valid and enforceable agreement (A) providing for the non-disclosure by such Person of any confidential information of the Target Entities and (B) providing for the assignment by such Person to the applicable Target Entity of any Intellectual Property Rights arising out of such Person's employment by or Contract with such Target Entity or (ii) were employees working within the scope of their employment, and, as a result, no assignment or work made for hire agreement was required. It is not necessary for any Target Entity to utilize any Intellectual Property Rights any of its employees developed, invented or made prior to their employment by such Target Entity except for any such Intellectual Property Rights that have previously been assigned or licensed to such Target Entity.

(d) The firmware, hardware, software and other similar or related items of automated, computerized and/or software systems used by the Target Entities (the "**Company Systems**") are sufficient for the current needs of the Target Entities and there have been no material adverse changes to the Company Systems in the past 12 months. There have been no unauthorized intrusions or breaches of the security of the Company Systems in the past 24 months. The Target Entities have taken commercially reasonable steps consistent with good (or better) industry standard security practices to protect the Company Systems from any "back door," "time bomb," "virus," "Trojan horse," "worm," "drop dead device" or other software routines or hardware components that permit unauthorized access or the unauthorized disablement or erasure of data and related software.

(e) Each Target Entity has at all times complied in all material respects and is currently in compliance in all material respects with any applicable privacy policies it has established. The current privacy policies of the Target Entities are in all material respects in compliance with all applicable Laws. For purposes of this Agreement, the term "**Personally Identifiable Information**" means data that identifies or locates a particular individual, including name, address, telephone number, electronic mail address, social security number, bank account

number or credit card number. Except as set forth on Section 3.15 of the Company Disclosure Schedule, no Personally Identifiable Information has been (i) collected by any Target Entity in material violation of any Laws or (ii) transferred or disclosed by any Target Entity to third parties in material violation of any Laws. There are no notices or Actions pending or, the Company's Knowledge, threatened by Governmental Authorities or private parties involving Personally Identifiable Information held or stored by any Target Entity.

Section 3.16 Litigation. Except as set forth on Section 3.16 of the Company Disclosure Schedule, there are no (and, during the four years preceding the date of this Agreement, there have not been any) Actions pending or, to the Company's Knowledge, threatened against any Target Entity, or pending or threatened by any Target Entity against any Person, at law or in equity, or before or by any Governmental Authority (including any Actions with respect to the transactions contemplated by this Agreement). Except as set forth on Section 3.16 of the Company Disclosure Schedule, no Target Entity is subject to (and, during the six years preceding the date of this Agreement, there has not been) any Order and, to the Company's Knowledge, there is no Order threatened against any Target Entity or affecting any Target Entity or its business, operations, assets, liabilities or condition (including financial condition).

Section 3.17 Brokerage. Except for fees owing to James F. Dalton and Edward Roney (together, the "**Company Financial Advisor**"), no broker, finder or investment banker is or will be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon any arrangement or agreement made by or on behalf of any Target Entity.

Section 3.18 Insurance. Section 3.18 of the Company Disclosure Schedule contains a true, correct and complete list and description (including insurer, coverages, deductibles, limitations and expiration dates) of each material casualty, general liability or other insurance policy maintained by any of the Target Entities or that name any Target Entity as an insured or loss payee, each such policy is in full force and effect and all premiums due and payable under such policies have been paid in full. No Target Entity has received written notice from any insurance carrier purporting to cancel coverage. No Target Entity is in default with respect to its obligations under any insurance policy maintained by it, no Target Entity has been denied insurance coverage within the past three years and there are no pending material claims as to which the insurers have denied liability. Except as set forth on Section 3.18 of the Company Disclosure Schedule, no Target Entity has any self-insurance or co-insurance programs. Except as set forth on Section 3.18 of the Company Disclosure Schedule, the execution and delivery by the Company of this Agreement and each other Target Entity, as applicable, of all other agreements and instruments contemplated hereby to which the Company or such other Target Entity is a party and the consummation of the transactions contemplated hereby and thereby do not and will not result in a breach or default in any material respect under any insurance policy maintained by the Target Entities.

Section 3.19 Employees. Except as set forth on Section 3.19 of the Company Disclosure Schedule, to the Company's Knowledge, no executive or key employee of any Target Entity has any plans to terminate employment with such Target Entity. No labor strike, work stoppage, slowdown or other material labor dispute has occurred within the past three years at any Target Entity and none is underway or, to the Company's Knowledge, threatened. No labor

organization or group of employees has filed any representation petition or made any written or, to the Company's Knowledge, oral demand for recognition with respect to any Target Entity within the past three years. No union organizing or decertification activities are underway or, to the Company's Knowledge, threatened and no such activities have occurred within the past three years. With respect to the transactions contemplated by this Agreement, any notice required under any Law or collective bargaining agreement has been or prior to the Closing will be given, and all bargaining obligations with any employee representative have been or prior to the Closing will be satisfied. Within the past three years, no Target Entity has implemented any plant closing or layoff of employees that could implicate the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar Law, regulation or ordinance (collectively, the "**WARN Act**") and no such action will be implemented without advance notification to Purchaser.

Section 3.20 ERISA.

(a) No Target Entity or ERISA Affiliate has any obligation to contribute to or any other Liability under or with respect to any Multiemployer Plan.

(b) No Target Entity maintains or has any obligation to contribute to (or any other Liability under or with respect to) any plan or arrangement that provides medical, health, life insurance or other welfare type benefits for current or future retired or terminated employees, officers, directors or contractors or any dependents thereof (except for limited continued medical benefit coverage required to be provided under Section 4980B of the Code or similar state Law ("**COBRA**") for which the covered individual pays the full cost of coverage).

(c) No Target Entity or ERISA Affiliate maintains, contributes to or has any Liability under (or with respect to) any plan which is or was a "defined benefit plan" (as defined in Section 3(35) of ERISA), any "multiple employer plan" (within the meaning of Section 210 of ERISA or Section 413(c) of the Code) or any "multiple employer welfare arrangement" (as such term is defined in Section 3(40) of ERISA).

(d) Section 3.20 of the Company Disclosure Schedule sets forth a true, correct and complete list of each plan, program, policy, agreement, Contract or arrangement providing benefits or remuneration to current or former employees or independent contractors of any Target Entity or with respect to which any Target Entity has any material Liability, including any pension, profit sharing, retirement, employment Contract, bonus or incentive, deferred compensation, health or other welfare benefit, fringe or severance plans, programs, policies, agreements or arrangements (each a "**Benefit Plan**").

(e) With respect to each Benefit Plan, all payments, premiums, contributions, reimbursements or accruals for all periods ending prior to or as of the Closing shall have been timely made or properly accrued. None of the Benefit Plans has any unfunded Liabilities that are not properly reflected on the Latest Balance Sheet.

(f) The Benefit Plans and all related trusts, insurance contracts and funds have been maintained, funded and administered in compliance in all material respects with their terms and the applicable provisions of ERISA, the Code and other applicable Laws. Each Target Entity has timely complied in all material respects with all reporting and disclosure obligations as they

apply to the Benefit Plans and each Target Entity and each ERISA Affiliate has complied in all material respects with the requirements of COBRA. There has been no "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary duty (as determined under ERISA) with respect to any Benefit Plan. No Actions with respect to the Benefit Plans (other than routine claims for benefits) are pending or threatened and there are no existing circumstances that could reasonably be expected to give rise to any such Action.

(g) A current favorable determination letter or opinion letter from the Internal Revenue Service has been received by the Company with respect to each Benefit Plan intended to be qualified under Section 401(a) of the Code and related trust intended to be Tax exempt under Section 501(a) of the Code and there are no existing circumstances that could reasonably be expected to materially and adversely affect the qualified status of such Benefit Plan or the Tax exempt status of such trust.

(h) With respect to each Benefit Plan, the Company has made available to Purchaser, as applicable: (i) the most recent favorable determination letter or opinion letter, (ii) true, correct and complete copies of all documents pursuant to which the Benefit Plan is maintained, funded and administered, including the most recent summary plan description and (iii) the two most recent annual reports (Form 5500 and attachments).

(i) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby shall (i) result in any payment becoming due to any current or former employee, director, officer or contractor of any Target Entity under any Benefit Plan or otherwise, (ii) increase any benefits or compensation otherwise payable under any Benefit Plan or (iii) result in the acceleration of the time of payment, funding or vesting of any benefits or compensation.

Section 3.21 Permits. The Target Entities possess all Permits and all such Permits are in full force and effect. Section 3.21 of the Company Disclosure Schedule sets forth a list of all Permits and all applications pending before any Governmental Authority for the issuance or renewal of any Permits. No Target Entity is currently in, and, since January 1, 2009, no Target Entity has been in violation of, default under or delinquent in respect to any Permit. There is no Action pending or, to the Company's Knowledge, threatened regarding, and no event has occurred that has resulted in or after notice or lapse of time or both would reasonably be expected to result in, revocation, suspension, non-renewal, termination or cancellation of any Permit. No Target Entity has received from any Governmental Authority any written notification with respect to noncompliance with any such Permits or with respect to any intent to rescind, restrict or not renew any Permit. Except as set forth on Section 3.21 of the Company Disclosure Schedule, each Permit is renewable by its terms or in the ordinary course of business without the need to comply with any special qualification procedures not generally applicable to similarly situated licensees or to pay any amounts other than routine filing fees. No present or former manager, officer, director, shareholder, employee or partner of any of the Target Entities or any other Person (other than a Target Entity) owns or has any proprietary, financial or other interest, direct or indirect, in any Permit that any of the Target Entities owns, possesses, operates under or pursuant to or uses.

Section 3.22 Compliance with Laws.

(a) Since January 1, 2009, the Target Entities have been in compliance in all material respects with, and are in material compliance with, have not violated in any material respect, and are not in material violation of, and are not delinquent with respect to, any Law or Order from any Governmental Authority to which any of the Target Entities or their respective property, assets, personnel or business activities are subject. None of the Target Entities have, since January 1, 2009, received any written notice regarding any actual or alleged violation, investigation relating to any violation or threat to be charged with any violation with respect to any Law or Order to which any of the Target Entities or their respective property, assets, personnel or business activities are subject. Each of the Target Entities has made available to Purchaser true, correct and complete copies of all material written communications since January 1, 2012 between any of the Target Entities and any Governmental Authority. Except as set forth on Section 3.22(a) of the Company Disclosure Schedule, since January 1, 2012, (i) no validation, review, survey, inspection, audit, investigation or program integrity review related to any Target Entity has been conducted by any Governmental Authority, government contractor or third party payor and (ii) no such reviews are scheduled, pending or, to the Company's Knowledge, threatened against or affecting any of the Target Entities or their respective facilities or locations. The Target Entities have timely filed all material reports, data and other information required by any Governmental Authority or third party payor program.

(b) Except as set forth on Section 3.22(b) of the Company Disclosure Schedule, no Target Entity nor any Representative acting at their direction has, directly or indirectly, used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to any political activity, made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns from corporate funds, established or maintained a secret or unrecorded fund, participated in or cooperated with an international boycott as defined in Section 999 of the Code, violated any provision of the Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment to any officer or employee of any Governmental Authority, a member of a foreign political party or a candidate for political office in a foreign country for the purpose of influencing any act or decision of any such Person acting in his or her official capacity, inducing the Person to take or omit to take any action in violation of his or her lawful duty or inducing such Person to use his or her influence with any government to affect or influence any act or decision of such government or instrumentality in order to assist a Target Entity to obtain or retain business for or with, or in directing business to, any Person.

Section 3.23 Compliance with Health Care Laws.

(a) Except as set forth on Section 3.23(a) of the Company Disclosure Schedule, since January 1, 2009, (i) each Target Entity has been, and is currently, in compliance in all material respects with all applicable Health Care Laws, (ii) no officer, director or employee of any Target Entity has engaged in any act on behalf of a Target Entity that violates in any material respect any Health Care Law and (iii) no Target Entity has received any written notice from any Governmental Authority of any material violation or allegation of a material violation of any Health Care Law by a Target Entity.

(b) No Target Entity is a party to or has any ongoing reporting obligations pursuant to any corporate integrity agreement, deferred prosecution agreement, monitoring agreement, consent decree, settlement order, plan of correction or similar agreement imposed by any Governmental Authority.

(c) Except as set forth on Section 3.23(c) of the Company Disclosure Schedule, since January 1, 2009, no Target Entity has made any voluntary disclosure to the Office of the Inspector General of the United States Department of Health and Human Services, the Centers for Medicare & Medicaid Services or any state or federal government health care program or any fiscal intermediary of any state or federal government health care program with respect to any potential or actual violation of any Health Care Law by any Target Entity.

(d) Except as set forth on Section 3.23(d) of the Company Disclosure Schedule, since January 1, 2009, each Target Entity has timely filed all material regulatory reports, schedules, statements, documents, filings, submissions, forms, registrations, permit and license renewals and other documents, together with any amendments required to be made with respect thereto, that it was required to file with any Governmental Authority pursuant to any Health Care Law, including state health and insurance regulatory authorities and applicable federal regulatory authorities, and has timely paid all material fees and assessments due and payable in connection therewith.

(e) Except as set forth on Section 3.23(e) of the Company Disclosure Schedule, since January 1, 2009, no federal, state or private third-party payment program ("**Payment Program**") has requested or, to the Company's Knowledge, threatened any recoupment, refund or set-off from any Target Entity, and there is no Action pending, received or, to the Company's Knowledge, threatened against a Target Entity that relates in any way to a violation of any Health Care Laws pertaining to the Payment Programs or that would reasonably be expected to result in the imposition of penalties or the exclusion of a Target Entity from participation in any Payment Programs. Since January 1, 2009, no Target Entity has been debarred, excluded or suspended from participation in any such Payment Program and no Target Entity has submitted to any Payment Program any false or fraudulent claim for payment. Since January 1, 2009, all billing and coding practices of the Target Entities have been true, correct, complete and in compliance in all material respects with all applicable Health Care Laws and the regulations and policies of all Payment Programs.

(f) Since January 1, 2009: (i) no Target Entity has violated in any material respect any condition for participation or any rule, regulation or policy or standard of any Payment Program; (ii) each Target Entity meets in all material respects all requirements of participation, claims submission and payment of the Payment Programs; and (iii) no Payment Program has imposed a fine, penalty or other sanction on a Target Entity.

(g) Since January 1, 2009, other than in the Ordinary Course of Business, (i) no validation review, compliance audit or program integrity review related to a Target Entity has been conducted by any commercial Payment Program or Governmental Authority in connection with any third-party Payment Program and (ii) no such reviews are scheduled, pending or, to the Company's Knowledge, threatened against or affecting any Target Entity.

Section 3.24 Environmental and Safety Matters.

(a) Each Target Entity has complied in all material respects and is in compliance in all material respects with all Environmental and Safety Requirements, which compliance has included obtaining, maintaining and complying with all permits, licenses and other authorizations required pursuant to Environmental and Safety Requirements for the occupation of the facilities and the operation of the businesses of the Target Entities.

(b) No Target Entity has received in writing any notice, report or claim from a Governmental Authority or other third party regarding any actual or alleged violation of Environmental and Safety Requirements or any Liabilities or potential Liabilities under Environmental and Safety Requirements.

(c) No Target Entity is subject to any Action or Order pursuant to any Environmental and Safety Requirements.

(d) No Target Entity, in a manner that has given or would give rise to any Liabilities pursuant to any Environmental and Safety Requirements, has (i) treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, Released or exposed any Person to Hazardous Materials or (ii) owned, occupied or operated any facility or property contaminated by any Hazardous Materials.

(e) No Target Entity has assumed, undertaken, provided an indemnity with respect to or otherwise become subject to any Liability relating to Hazardous Materials or any Environmental and Safety Requirements.

(f) No Target Entity, or any predecessor or Affiliate thereof, has manufactured, sold, marketed or distributed products or items containing asbestos and none of the foregoing Persons has any Liability with respect to the manufacture, sale, marketing or distribution of any such products or items.

(g) No Target Entity, or any predecessor or Affiliate thereof, has any Liability with respect to the presence or alleged presence of any Hazardous Materials at or upon any property or facility.

(h) The Company has made available to Purchaser all material environmental audits, assessments and reports and all other documents materially bearing on environmental, health or safety Liabilities, in each case relating to any Target Entity's or any of its Affiliates or predecessors past or current properties, facilities or operations that are in its possession, custody or control.

Section 3.25 Affiliated Transactions. Except as set forth on Section 3.25 of the Company Disclosure Schedule, except for ordinary course employment arrangements listed on Section 3.14 or Section 3.20 of the Company Disclosure Schedule and rights under Governing Documents and this Agreement, there are no transactions or Contracts that are currently in effect or under which any Liabilities on the part of any Target Entity exist between any Target Entity, on the one hand, and (a) any officer, director, stockholder, manager, employee, Company Holder or Affiliate of a Target Entity, (b) any Person related by blood, marriage or adoption to any

individual described in clause (a) or (c) any Person in which any Person described in clauses (a) or (b) owns any beneficial interest, on the other hand. Except as set forth on Section 3.25 of the Company Disclosure Schedule, there is no outstanding amount owing from any Target Entity to any Affiliate of the Company or from an Affiliate of the Company to any Target Entity except for amounts owing pursuant to employment or compensation related arrangements in the Ordinary Course of Business.

Section 3.26 Real Property.

(a) Section 3.26 of the Company Disclosure Schedule sets forth the address of each Leased Real Property (collectively, the "**Real Property**"). The Company has made available to Purchaser a true, correct and complete copy of each Lease, including all amendments, extensions, renewals, guaranties and other agreements with respect thereto.

(b) Except as set forth in Section 3.26 of the Company Disclosure Schedule, with respect to each of the leases relating to Leased Real Property (collectively, the "**Leases**"): (i) the Lease is legal, valid, binding and enforceable against the Target Entity party thereto and, to the Company's Knowledge, each other party thereto; (ii) neither the applicable Target Entity nor, to the Company's Knowledge, any other party to the Lease is in breach or default under the Lease, and no event has occurred or circumstance exists that, with the delivery of notice, passage of time or both, would constitute such a breach or default or permit the termination, modification or acceleration of rent under the Lease; and (iii) the applicable Target Entity has not assigned, subleased, mortgaged, deeded in trust or otherwise transferred or encumbered the Lease or any interest therein.

(c) No Target Entity owns any Owned Real Property.

Section 3.27 Providers and Provider Agreements.

(a) Section 3.27(a) of the Company Disclosure Schedule lists each physician, health care provider group, independent practice association, hospital, physician-hospital organization, ancillary health care service provider or any other health care service provider with whom the Target Entity has a Provider Agreement (each, a "**Provider**"). Each such Provider to which credentialing requirements apply has been credentialed in accordance with the Target Entities' policies and procedures and in accordance with applicable State of Oregon regulatory requirements.

(b) Except for payment reconciliation disputes in the Ordinary Course of Business, the Target Entities have paid and pay each applicable Provider (or such Provider's contracting entity) in accordance with the compensation terms that have been, or are, in effect, as applicable, in accordance with Provider Agreements and applicable state Law.

(c) Section 3.27(c) of the Company Disclosure Schedule lists each Provider to whom any Target Entity delegates administrative functions and describes all function(s) so delegated. Each Contract for the delegation of administrative functions complies with the requirements of applicable Law. The Target Entities have complied and continue to comply with all applicable requirements of Law relating to oversight and monitoring of the entities to which the Target Entities have delegated administrative functions.

(d) Except as described on Section 3.27(d) of the Company Disclosure Schedule, none of the Provider Agreements (i) requires any Target Entity to pay the provider on a most favored provider basis, (ii) obligates any Target Entity to pay access or administrative fees, or (iii) requires any payment or termination fee upon a change of control of any Target Entity

(e) None of the Provider Agreements limits the rights of any Target Entity to engage in any business or to compete with any Person, contains an exclusivity provision restricting either a Target Entity's ability to do business in certain geographical areas or obligates or binds any Target Entity to use, or offer to use, the services of a Provider in preference to any other provider.

(f) There are no written complaints received from and after January 1, 2012 by any Target Entity from a Provider.

(g) There are no monetary settlements or pending settlements with a health care provider by any Target Entity from and after January 1, 2012.

Section 3.28 Reimbursement and Billing. The Target Entities have timely filed when required all claims for reimbursement ("**Reimbursement Claims**") under any commercial, state or federal Payment Program, including Medicare, TRICARE and Medicaid ("**Health Care Programs**"). Except as set forth in Section 3.28 of the Company Disclosure Schedule, all such Reimbursement Claims comply in all material respects with all Laws and none contain any errors, omissions or disallowable costs or expenses, that are or that would reasonably be expected to result in losses to the Target Entities, individually or in the aggregate, in excess of $25,000. Except as set forth in Section 3.28 of the Company Disclosure Schedule, since January 1, 2009, none of the Target Entities has received written notice of any dispute between or among any of them and any Governmental Authority or fiscal intermediary regarding such Reimbursement Claims and there are no facts or circumstances that may reasonably be expected to give rise to any material disallowance under any such Reimbursement Claims. Except as set forth in Section 3.28 of the Company Disclosure Schedule, since January 1, 2009, (a) none of the Target Entities has received any notice of denial of payment or overpayment of a material nature from a Health Care Program or any other third-party payor (inclusive of managed care organizations) with respect to items or services provided by the Target Entities other than those that have been finally resolved in any settlement for an amount less than $10,000 individually or $100,000 in the aggregate, (b) the Company has no Knowledge of any basis for the assertion after the Closing of any such denial or overpayment claim and (c) none of the Target Entities has received written notice from a Health Care Program or any other third-party payor (inclusive of managed care organizations) of any pending or threatened claims, proceedings, investigations, audits or surveys specifically with respect to, or arising out of, items or services provided by the Target Entities and, to the Company's Knowledge, no such investigation, audit or survey is pending, threatened or imminent. All billing by, or on behalf of, the Target Entities to third-party payors, including Health Care Programs and insurance companies, has been true, correct and complete in all material respects. None of the Target Entities has failed to return an overpayment in accordance with applicable Law.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER AND MERGER SUB

Purchaser and Merger Sub hereby represent and warrant to the Company that:

Section 4.1 Organization, Power and Authority. Each of Purchaser and Merger Sub is (a) duly organized, validly existing and, where applicable, in good standing under the Laws of Delaware, and (b) has all requisite corporate power and authority necessary to own and operate its properties and to carry on its businesses as now conducted. Each of Purchaser and Merger Sub possesses all requisite power and authority necessary to execute, deliver and perform this Agreement and to perform this Agreement and each other agreement and instrument contemplated hereby to which it is a party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

Section 4.2 Authorization; No Breach.

(a) The execution, delivery and performance by Purchaser and Merger Sub of this Agreement and each other agreement and instrument contemplated hereby to which Purchaser or Merger Sub is a party, and the consummation of the Merger and the other transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of Purchaser and Merger Sub, as the case may be. This Agreement has been, and each other agreement and instrument contemplated hereby to which Purchaser or Merger Sub is a party has been or will be, duly and validly executed and delivered by Purchaser or Merger Sub, as the case may be, in accordance with the terms thereof, shall constitute a legal, valid and binding agreement of Purchaser or Merger Sub, as the case may be, enforceable against Purchaser or Merger Sub, as the case may be, in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general equitable principles (whether considered in a proceeding at law or in equity).

(b) The execution, delivery and performance by Purchaser and Merger Sub of this Agreement and all other agreements and instruments contemplated hereby to which Purchaser or Merger Sub is or will be a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not, with or without the giving of notice or the lapse of time or both (i) conflict with or violate the Governing Documents of Purchaser or Merger Sub, (ii) conflict with or violate any Law or Order applicable to Purchaser or Merger Sub or by which any of their respective properties are bound, assuming that all consents, approvals and authorizations contemplated in subsection (c) below have been obtained, and all filings described in such subsection have been made, (iii) conflict with or result in a breach of or constitute a default or result in a loss of a benefit under, or give rise to any right of termination, cancellation, amendment acceleration or similar right under, or obligation or fee under, any material Contract to which Purchaser or Merger Sub is a party or by which any of their respective properties are bound or result in the creation of any Lien upon the capital stock or material assets of Purchaser or Merger Sub, that would reasonably be expected to prevent, materially and adversely impair, delay or affect the ability of Purchaser or Merger Sub to perform their obligations hereunder and to consummate the transactions contemplated hereby.

(c) Except for (i) applicable pre-merger notification requirements of the HSR Act and the expiration or termination of any applicable waiting period thereunder, (ii) the filing of the Articles of Merger under the OBCA and (iii) the filings and approvals required under the Oregon Insurance Code as required by ORS 732.517 to ORS 732.546, Purchaser and Merger Sub are not required to prepare or submit any application, notice, report or other filing or obtain any consent, authorization, approval, order, registration or confirmation from any court or Governmental Authority or, to the extent required under any material Contract to which Purchaser or Merger Sub is a party or by which any of their respective properties are bound, from any third party in connection with the execution, delivery or performance of this Agreement by Purchaser and Merger Sub and the consummation of the transactions contemplated hereby that would reasonably be expected to prevent, materially and adversely impair, delay or affect the ability of Purchaser or Merger Sub to perform their obligations hereunder and to consummate the transactions contemplated hereby.

Section 4.3 Brokerage. No broker, finder or investment banker is or will be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon any arrangement or agreement made by or on behalf of Purchaser or Merger Sub.

Section 4.4 Litigation, etc. There are no Actions pending or, to Purchaser's or Merger Sub's Knowledge, threatened against Purchaser or Merger Sub that would reasonably be expected to prevent, materially and adversely impair, delay or affect the ability of Purchaser or Merger Sub to perform their obligations hereunder and to consummate the transactions contemplated hereby. Neither Purchaser nor Merger Sub is subject to any Order that is material to the conduct of the business of Purchaser and Merger Sub, taken as a whole.

Section 4.5 No Prior Activities Except for obligations or liabilities incurred in connection with its incorporation or organization or the negotiation and consummation of this Agreement and the transactions contemplated hereby, Merger Sub has not incurred any obligations or liabilities, and has not engaged in any business or activities of any type or kind whatsoever. The authorized capital stock of Merger Sub consists solely of 1,000 shares of common stock, par value $0.01 per share, all of which were duly authorized and validly issued, are fully paid and nonassessable and are not subject to preemptive rights. Purchaser owns, beneficially and of record, all of the outstanding capital stock of Merger Sub.

Section 4.6 Vote/Approval Required. No vote or consent of the holders of any class or series of capital stock of Purchaser is necessary to adopt this Agreement or approve the Merger or the transactions contemplated hereby. The vote or consent of Purchaser as the sole stockholder of Merger Sub is the only vote or consent of the holders of any class or series of capital stock of Merger Sub necessary to adopt this Agreement or approve the Merger or the transactions contemplated hereby.

Section 4.7 Sufficiency of Funds. Purchaser has sufficient cash on hand or other sources of immediately available funds to permit it to make payment of the amounts set forth in Section 2.8(d) and consummate the transactions contemplated by this Agreement.

Section 4.8 Independent Investigation. Each of Purchaser and Merger Sub has conducted its own independent investigation, review and analysis of the business, results of operations, prospects, condition (financial or otherwise) or assets of the Target Entities, and acknowledges that it has been provided adequate access to the personnel, properties, assets, premises, books and records, and other documents and data of the Target Entities for that purpose. In making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, each of Purchaser and Merger Sub has relied solely upon its own investigation and the express representations and warranties set forth in Article III of this Agreement (including the Company Disclosure Schedule). None of the Company Holders, the Target Entities or any other Person has made any representation or warranty as to the Target Entities or this Agreement, except as expressly set forth in Article III of this Agreement (including the related portions of the Company Disclosure Schedule), the Stockholder Support Agreement or the Letters of Transmittal.

ARTICLE V

CONDITIONS TO THE OBLIGATIONS OF MERGER SUB AND PURCHASER AT THE CLOSING

The obligation of Purchaser and Merger Sub to consummate the transactions contemplated by this Agreement at the Closing is subject to the satisfaction (or waiver, where permitted by Law) at or prior to the Closing of each of the following conditions:

Section 5.1 Representations and Warranties. The Company's Fundamental Representations (other than those set forth in Section 3.25 (Affiliated Transactions)) shall be true and correct in all respects as of the Closing as though made as of the Closing (except to the extent any such representation or warranty speaks as of the date of this Agreement or any other specific date, in which case such representation or warranty shall have been true and correct in all respects as of such date). The other representations and warranties of the Company in Article III (including Section 3.25 (Affiliated Transactions)) shall be true and correct in all respects as of the Closing (without giving effect to any "materiality" or "Company Material Adverse Effect" qualifiers contained therein) as though made as of the Closing (except to the extent any such representation or warranty speaks as of the date of this Agreement or any other specific date, in which case such representation or warranty shall have been true and correct in all respects as of such date (without giving effect to any "materiality" or "Company Material Adverse Effect" qualifiers contained therein)), except with respect to both representations and warranties required to be true and correct as of the Closing and representations and warranties required to be true and correct as of any other specific date, for such failures to be true and correct (without giving any effect to any limitation as to "materiality" or "Company Material Adverse Effect" set forth therein) that have not resulted and would not reasonably be expected to result in Losses to Purchaser in excess of $3,000,000 in the aggregate.

Section 5.2 Covenants. The Company shall have performed or complied in all material respects with all of the covenants in this Agreement required to be performed by or complied with by the Company at or prior to the Closing (including those set forth in Article VII).

Section 5.3 Dissenters' Rights. The number of Dissenting Shares shall not exceed 3% of the issued and outstanding shares of Common Stock.

Section 5.4 Escrow Agreement. The Stockholder Representative and the Escrow Agent shall have executed and delivered an escrow agreement in the form of Exhibit E (as amended from time to time in accordance with its terms, the "**Escrow Agreement**"), and the Escrow Agreement shall be in full force and effect as of the Closing and shall not have been amended or modified.

Section 5.5 Paying Agent Agreement. The Stockholder Representative and the Paying Agent shall have executed and delivered a paying agent agreement in the form of Exhibit F (as amended from time to time in accordance with its terms, the "**Paying Agent Agreement**"), and the Paying Agent Agreement shall be in full force and effect as of the Closing and shall not have been amended or modified.

Section 5.6 Litigation. No court or other Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered, or provided written notice to any Target Entity that such court or Governmental Authority intends to enact, issue, promulgate, enforce or enter any Order or Law (whether temporary, preliminary, or permanent) that has had or would have the effect of restraining, enjoining or otherwise prohibiting the consummation of the Merger.

Section 5.7 Third Party Notices, Consents and Approvals. The Company shall have made all notifications to, and if applicable, received or obtained all consents and approvals from, all third parties that are set forth on Section 5.7 of the Company Disclosure Schedule (collectively, the "**Third Party Approvals**"), in each case on terms and conditions reasonably satisfactory to Purchaser.

Section 5.8 Regulatory Authority. No Target Entity shall have been notified by the State of Oregon or any other Governmental Authority that such Target Entity shall no longer be the only coordinated care organization providing Medicaid services under an Oregon Health Plan contract in Lane County, Oregon, or that such Target Entity's authority to operate as a Coordinated Care Organization or as a Health Care Service Contractor has been or may be terminated, cancelled, reviewed, suspended, revoked or otherwise lost or adversely modified.

Section 5.9 Regulatory Consents.

(a) Any applicable waiting periods under the HSR Act, and any comparable applicable foreign competition or antitrust Laws relating to the transactions contemplated by this Agreement, shall have expired or been terminated.

(b) All necessary regulatory approvals required by the State of Oregon or any other Governmental Authority, including approvals required under the Oregon Insurance Code under ORS 732.517 to 732.546 and by the Oregon Health Authority (including with respect to a change of control of the Company and the Regulated Target Entity), shall have been obtained.

Section 5.10 Shareholder Approvals.

(a) The Necessary Stockholder Approval shall have been obtained, including any approvals required under ORS 732.529.

(b) The shareholders of the Company and the Regulated Target Entity shall have approved the transactions contemplated hereby as they relate to the Regulated Target Entity in the manner required by Law in order to effectuate the transactions contemplated by this Agreement, including the approvals required under ORS 732.529.

Section 5.11 Material Adverse Effect. There shall have been no Company Material Adverse Effect.

Section 5.12 Closing Documents. At the Closing, the Company shall have delivered to Purchaser (a) a certificate of an officer of the Company on behalf of the Company dated as of the Closing Date, stating that each of the conditions specified in Section 5.1, Section 5.2, Section 5.3, Section 5.8, Section 5.11 and Section 5.15 have been satisfied, (b) certified copies of the Company Recommendation and (c) a certificate dated as of the Closing Date, in form and substance required under the Treasury Regulations Sections 1.897-2(h) and 1.445-2(c)(3), stating that the Company's stock is not a U.S. real property interest as defined in Section 897 of the Code.

Section 5.13 Payment of Indebtedness. The Company shall have delivered payoff letters with respect to the Indebtedness for borrowed money of the Target Entities (the "**Payoff Letters**") providing for the releases of all Liens related thereto upon payment of the amounts described therein.

Section 5.14 Key Management Employment Agreements; Continued Employment. At or prior to the Closing, the Persons listed on Section 5.14 of the Company Disclosure Schedule shall have executed new employment agreements with Purchaser on terms satisfactory to Purchaser in its sole and absolute discretion. As of the Closing, Terry Coplin shall be employed by the Company pursuant to such new employment agreement.

Section 5.15 RBC Minimum. The Regulated Target Entity's Risk Based Capital as of the Closing shall be equal to or greater than the Target RBC, and the Regulated Target Entity's Risk Based Capital and financial condition shall be sufficient to avoid a Company Action Level Event.

Section 5.16 Letters of Transmittal. The Paying Agent shall have received Letters of Transmittal for properly surrendered certificates representing at least 80% of the outstanding Common Stock.

ARTICLE VI

CONDITIONS TO THE OBLIGATIONS OF THE COMPANY AT THE CLOSING

The obligation of the Company to consummate the transactions contemplated by this Agreement at the Closing is subject to the satisfaction (or waiver, where permitted by Law) at or prior to the Closing of each of the following conditions:

Section 6.1 Representations and Warranties. Purchaser's and Merger Sub's Fundamental Representations shall be true and correct in all respects as of the Closing (without giving effect to any "materiality" or "Company Material Adverse Effect" qualifiers contained therein) as though made as of the Closing (except to the extent any such representation or warranty speaks as of the date of this Agreement or any other specific date, in which case such representation or warranty shall have been true and correct in all respects as of such date), other than for matters that are individually or in the aggregate *de minimis*. The other representations and warranties of Purchaser and Merger Sub in Article IV shall be true and correct in all material respects as of the Closing (without giving effect to any "materiality" or "material adverse effect" qualifiers contained therein) as though made as of the Closing (except to the extent any such representation or warranty speaks as of the date of this Agreement or any other specific date, in which case such representation or warranty shall have been true and correct in all material respects as of such date (without giving effect to any "materiality" or "Company Material Adverse Effect" qualifiers contained therein)).

Section 6.2 Covenants. Purchaser and Merger Sub shall have performed or complied in all material respects with all of the covenants required to be performed by or complied with by Purchaser or Merger Sub hereunder prior to the Closing (including those set forth in Article VII).

Section 6.3 Escrow Agreement. Purchaser and the Escrow Agent shall have executed and delivered the Escrow Agreement, and the Escrow Agreement shall be in full force and effect as of the Closing and shall not have been amended or modified.

Section 6.4 Paying Agent Agreement. Purchaser and the Paying Agent shall have executed and delivered the Paying Agent Agreement, and the Paying Agent Agreement shall be in full force and effect as of the Closing and shall not have been amended or modified.

Section 6.5 Litigation. No court or other Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered or provided written notice to Purchaser or Merger Sub that such court or Governmental Authority intends to enact, issue, promulgate, enforce or enter any Order or Law (whether temporary, preliminary, or permanent) that has had or would have the effect of restraining, enjoining or otherwise prohibiting the consummation of the Merger.

Section 6.6 Shareholder Approvals.

(a) The Necessary Stockholder Approval shall have been obtained, including any approvals required under ORS 732.529.

(b) The shareholders of the Company and the Regulated Target Entity shall have approved the transactions contemplated hereby as they relate to the Regulated Target Entity in the manner required by Law in order to effectuate the transactions contemplated by this Agreement, including the approvals required under ORS 732.529.

Section 6.7 Regulatory Consents.

(a) Any applicable waiting periods under the HSR Act, and any comparable applicable foreign competition or antitrust Laws relating to the transactions contemplated by this Agreement, shall have expired or been terminated.

(b) All necessary regulatory approvals required by the State of Oregon or any other Governmental Authority, including approvals required under the Oregon Insurance Code under ORS 732.517 to 732.546 and by the Oregon Health Authority (including with respect to a change of control of the Company and the Regulated Target Entity), shall have been obtained.

Section 6.8 Closing Documents. At the Closing, Purchaser shall have delivered to the Company (a) a certificate of an officer of Purchaser and Merger Sub on behalf of Purchaser and Merger Sub dated as of the Closing Date stating that each of the conditions specified in Section 6.1 and Section 6.2 have been satisfied, (b) certified copies of the resolutions duly adopted by the board of directors of each of Purchaser and Merger Sub authorizing the execution, delivery and performance of this Agreement and each of the other agreements contemplated hereby, the adoption and filing of the Articles of Merger, the Merger and the other transactions contemplated hereby and (c) a certified copy of the resolutions of Purchaser, as the sole Stockholder of Merger Sub, adopting this Agreement.

ARTICLE VII

PRE-CLOSING COVENANTS AND AGREEMENTS

Each of the Parties agrees as follows with respect to the period between the date of this Agreement and the Closing:

Section 7.1 Maintenance of Business. Except as expressly permitted or required by this Agreement, as set forth on Section 7.2 of the Company Disclosure Schedule, as required by Law or as consented to by Purchaser in writing, the Company shall, and shall cause the other Target Entities to, (a) maintain its tangible assets in good operating condition and repair (normal wear and tear excepted) consistent with past practice, (b) maintain insurance reasonably comparable to that in effect on the date of the Latest Balance Sheet, (c) maintain its books, accounts and records in accordance with past custom and practice as used in the preparation of the Financial Statements and (d) maintain in full force and effect the existence of, and, other than in the Ordinary Course of Business, not permit the abandonment, assignment or license of, any or all material Intellectual Property Rights owned by any Target Entity.

Section 7.2 Operation of Business. The Company shall, and shall cause each of the other Target Entities to, operate their respective businesses in the Ordinary Course of Business and preserve intact the goodwill and organization of their respective businesses and the relationships with their respective customers, suppliers, employees and other Persons having

business relations with the Target Entities. Without limiting the generality of the foregoing, except as expressly permitted or required by this Agreement or set forth on Section 7.2 of the Company Disclosure Schedule or with the prior written consent of Purchaser, prior to the Closing the Company shall not, and shall not permit any of the other Target Entities to:

(a) issue, deliver, sell, pledge, acquire, redeem, transfer, encumber, grant options or rights to purchase or sell any Equity Interests of any Target Entity, or authorize, propose or agree to the issuance, delivery, sale, pledge, acquisition, redemption, transfer, encumbrance or grant, or permit any reclassifications of any Equity Interests of any Target Entity, other than shares of Company Stock issued upon the exercise of Options outstanding on the date of this Agreement in accordance with the Option Plan;

(b) split, combine, adjust, subdivide or reclassify any Common Stock or other capital stock;

(c) amend, restate, amend and restate or modify its Governing Documents;

(d) except pursuant to Section 7.3, declare, pay or otherwise set aside for payment any cash or non-cash dividend or other cash or non-cash distribution with respect to its capital stock or other equity securities (other than dividends paid by Subsidiaries of the Company to the Company or another Subsidiary of the Company);

(e) merge or consolidate with, or acquire all or substantially all the assets of, or otherwise acquire or make any investment in, any business, business organization or division thereof, or any other Person;

(f) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization (other than the Merger);

(g) sell, lease, license, mortgage, pledge, subject to any Lien (other than Permitted Liens) or otherwise dispose of any assets or property other than the sale of inventory and damaged, immaterial, obsolete or excess equipment in the Ordinary Course of Business;

(h) settle or compromise any Action if such settlement or compromise involves (i) aggregate payments by the Target Entities in respect of all such Actions after the Closing in excess of $75,000 or (ii) any relief other than money damages;

(i) (i) enter into any new, or amend, terminate or renew any existing, employment, severance, consulting or salary continuation agreements with or for the benefit of any officer, director, key employee or consultant (other than standard proprietary rights and inventions assignment or similar agreements executed by newly hired employees in the Ordinary Course of Business); (ii) grant any increases in compensation, perquisites or benefits to any officer, director, employee or consultant (except for salary increases and annual bonuses (not related to the Merger) payable in the Ordinary Course of Business pursuant to Benefit Plans disclosed to Purchaser on Section 3.20 of the Company Disclosure Schedule); or (iii) agree to grant or grant any stock-related, cash-based, performance or similar award or bonus that, at the option of the grantee, is to be settled in securities of the Company;

(j) (i) except for changes required by applicable Law, adopt, amend or terminate any Benefit Plan, or adopt or enter into any new Benefit Plan or materially increase the benefits provided under any Benefit Plan, or promise or commit to undertake any of the foregoing in the future or (ii) enter into any collective bargaining or other similar arrangement with any labor organization;

(k) implement any employee layoff that by itself or when aggregated in accordance with applicable Law with other layoffs that occur prior to the Closing could implicate the WARN Act;

(l) enter into, materially amend, terminate or waive any Material Contract;

(m) take any act or omit to take any act, or permit any act or omission to occur, that would reasonably be expected to cause a breach by any Target Entity of any Material Contract;

(n) enter into any transaction with or for the benefit of any Affiliate other than transactions between the Target Entities;

(o) make any material change to, establish any new or amend any cash management policies, including delaying or postponing the payment of accounts payable or accelerating the collection of any accounts receivable, or making any material change in its servicing, billing or collection operations or policies;

(p) make or change any material Tax election, change an annual accounting period or adopt or change any material accounting method, practice or policy (other than as required by Law or GAAP), file any amended Tax Return, settle or compromise any Tax claim, consent to any extension or waiver of the statute of limitations period applicable to any Tax claim, surrender any right to claim a refund on Taxes, enter into any closing agreement with respect to Taxes or fail to pay any Taxes as they become due and payable;

(q) disclose any material confidential information or trade secrets, abandon or allow to expire or lapse any registered Intellectual Property Rights or transfer, assign or grant any license or sublicense of any rights under or with respect to any material Intellectual Property Rights;

(r) make any capital expenditures in excess of $100,000 in the aggregate;

(s) create, incur, assume, refinance or guarantee any Indebtedness;

(t) make any loans, advances or capital contributions to, or investments in, any other Person;

(u) forgive, cancel, waive or release any right involving more than $100,000 in the aggregate or outside the Ordinary Course of Business;

(v) take any action outside the Ordinary Course of Business that would reasonably be expected to cause members to cease enrollment;

(w) make or grant any material increase in the compensation payable or to become payable to any Provider other than in the Ordinary Course of Business pursuant to contracts disclosed to Purchaser on the Company Disclosure Schedule;

(x) permit the Regulated Target Entity to deliver or make available to any Governmental Authority any statutory statement where the aggregate actuarial reserves or other actuarial amounts held in respect of Liabilities with respect to the Regulated Target Entity do not comply with the requirements and meet the standards set forth in Section 3.6(c); or

(y) authorize, or commit or agree to take, any of the foregoing actions.

Section 7.3 Pre-Closing Dividend. Prior to the Closing, subject to any required approval of the Oregon Insurance Division, the Company shall, to the extent that such distribution would not cause the Regulated Target Entity's Risk Based Capital to be less than the Target RBC, cause (a) the Regulated Target Entity to distribute all cash held by the Regulated Target Entity to the Regulated Target Entity's shareholders and (b) Lane Individual Practice Association, Inc. to distribute all such cash it receives to the Company.

Section 7.4 Efforts to Complete.

(a) Subject to the terms and conditions of this Agreement, each of Purchaser and Merger Sub, on the one hand, and the Company, on the other hand, shall use its reasonable best efforts to cooperate with each other and take or cause to be taken all actions, and to do or cause to be done all things, necessary, proper or advisable to consummate and make effective, in the most expeditious manner possible, the transactions contemplated hereby, including satisfaction but not waiver of the conditions set forth in Article V (in the case of the Company) and Article VI (in the case of Purchaser and Merger Sub) by (i) obtaining (and cooperating with the other in obtaining) any clearance, authorization, Order or approval of, or any exemption by, any Governmental Authority required to be obtained or made by Purchaser, Merger Sub or any Target Entity in connection with the transactions contemplated hereby, and the expiration or termination of all applicable waiting periods with respect to any Governmental Authorities, (ii) making any and all notices, registrations and filings that may be necessary or advisable to obtain the approval or waiver from, or to avoid any Action by, any Governmental Authority, including by the Oregon Insurance Division under the Oregon Insurance Code under ORS 732.517 to 732.546, (iii) obtaining any required approval of the Oregon Insurance Division to make the distribution contemplated by Section 7.3 and making such distribution in accordance with Section 7.3, (iv) obtaining the approval described in Section 5.10(b) within two Business Days following the receipt of the regulatory approvals described in Section 5.9(b) and (v) executing any certificates, instruments or other documents that are necessary to consummate and make effective the transactions contemplated hereby and to fully carry out the purposes and intent of this Agreement. Without limiting the generality of the foregoing, each of the Parties shall file (and the Company shall cause each of the other Target Entities to file) within ten Business Days of the date of this Agreement any notification required under the HSR Act or any comparable applicable foreign competition or antitrust Laws, and in connection with obtaining clearance under the HSR Act or such other Laws each of the Parties shall (and the Company shall cause each of the other Target Entities to) use reasonable best efforts to (x) prepare and furnish all necessary information and documentation and make presentations to Governmental Authorities, (y) otherwise do whatever is

reasonably necessary, proper or advisable to assist and cooperate with the other in obtaining such clearance from Governmental Authorities and (z) respond as promptly as practicable to any inquiries or requests received from any Governmental Authority for additional information or documentation or otherwise in connection therewith. The Parties specifically shall request early termination of the waiting period in filings made under the HSR Act. Also, without limiting the generality of the foregoing, in connection with the filing of "Form A" by Purchaser as required by ORS 732.523 with the Director of the Department of Consumer and Business Services, each of the Parties shall (and the Company shall cause each of the other Target Entities to) use reasonable best efforts to (x) prepare and furnish all necessary information and documentation and make presentations to the Department of Consumer and Business Services, (y) otherwise do whatever is reasonably necessary, proper or advisable to assist and cooperate with the other in obtaining such clearance from the Department of Consumer and Business Services and (z) respond as promptly as practicable to any inquiries or requests received from the Department of Consumer and Business Services for additional information or documentation or otherwise in connection therewith. Further, without limiting the generality of the foregoing, in connection with the filing of "Form E" by Purchaser as required by ORS 732.521 and 732.539 with the Oregon Insurance Division, each of the Parties shall (and the Company shall cause each of the other Target Entities to) use reasonable best efforts to (x) prepare and furnish all necessary information and documentation and make presentations to the Oregon Insurance Division, (y) otherwise do whatever is necessary, proper or advisable to assist and cooperate with the other in obtaining such clearance from the Oregon Insurance Division and (z) respond as promptly as practicable to any inquiries or requests received from the Oregon Insurance Division for additional information or documentation or otherwise in connection therewith. Notwithstanding anything in this Agreement to the contrary, no Party shall be required to, and none of the Company or any of its Subsidiaries may, without the prior written consent of Purchaser, enter into any agreements or commitments or take any other actions to resolve any objections or Actions referenced in this Section 7.4 if such agreement, commitment or other action would reasonably be expected, individually or in the aggregate, to (A) prevent consummation of any of the transactions contemplated hereby, (B) result in any of the transactions contemplated hereby being rescinded following the Closing or (C) result in the imposition of any material Liability on the Purchaser, any of the Target Entities or the Surviving Corporation following the Effective Time.

(b) For the avoidance of doubt and notwithstanding anything to the contrary set forth in this Section 7.4, the obligations of Purchaser under Section 7.4 to use its reasonable best efforts shall not mean Purchaser, Merger Sub or the Company committing to, and in no event shall Purchaser, Merger Sub, the Company or any of their respective Affiliates be required to: (i) sell, divest or otherwise convey particular assets, categories, portions or parts of assets or business of Purchaser, Merger Sub, any of the Target Entities or any of their respective Affiliates; (ii) agree to sell, divest or otherwise convey any particular asset, category, portion or part of an asset or business of Purchaser, Merger Sub, any of the Target Entities or any of their respective Affiliates contemporaneously with or subsequent to the Effective Time or otherwise; and/or (iii) permit the Company to sell, divest or otherwise convey any of the particular assets, categories, portions or parts of assets or businesses of the Company, any of the other Target Entities or any of their respective Affiliates prior to the Effective Time or license, hold separate or enter into similar arrangements with respect to its respective assets or the assets of Purchaser, Merger Sub, a Target Entity or any of their respective Affiliates or the conduct of its respective business or terminate any relationships or contractual rights or obligations of Purchaser, Merger Sub, a Target Entity or any

of their respective Affiliates as a condition to obtaining any and all expirations of waiting periods under the HSR Act or consents from any Governmental Authority required in connection with the transactions contemplated hereby (each, a "**Divestiture Action**"). Furthermore, the Company will not agree, and will not permit any of the Target Entities to agree to, any Divestiture Action without the prior written consent of Purchaser.

(c) Each of Purchaser and Merger Sub, on the one hand, and the Company, on the other hand, shall, to the extent legally permissible, keep the other reasonably informed of the status of their respective efforts to consummate the transactions contemplated hereby, including by, (i) promptly notifying the other of and furnishing the other with copies of any written communications and advising the other orally of any material oral communications from or with any Governmental Authority with respect to the transactions contemplated hereby, (ii) permitting the other to review and discuss in advance, and consider in good faith the views of the other in connection with, any proposed written (or any material proposed oral) communication with any such Governmental Authority with respect to the transactions contemplated hereby, (iii) not participating in any meeting with respect to the transactions contemplated hereby with any such Governmental Authority unless it consults with the other in advance and, to the extent permitted by such Governmental Authority, gives the other the opportunity to attend and participate thereat, (iv) furnishing the other with copies of all correspondence, filings and communications between it and any such Governmental Authority with respect to this Agreement and the transactions contemplated hereby and (v) furnishing the other with such necessary information and reasonable assistance as each of them may reasonably request in connection with its preparation of necessary filings or submissions of information to any such Governmental Authority with respect to the transactions contemplated hereby. Notwithstanding anything to the contrary in this Section 7.4(c), in no event shall any Party be obligated to provide the other with any portion of an HSR notification filing (or equivalent non-U.S. competition filing) not customarily furnished to the other party in connection with HSR or non-U.S. competition filings.

(d) Purchaser and the Company shall each bear 50% of the HSR filing fee and each filing or other fee payable in connection with obtaining clearance under any comparable applicable foreign competition or antitrust Laws.

Section 7.5 No Solicitation; Company Adverse Recommendation Change.

(a) On the date hereof the Company will and will instruct and cause the Target Entities and the Company's and the other Target Entities' Representatives to immediately cease all discussions and negotiations with any Persons that may be ongoing with respect to an Acquisition Proposal, and deliver a written notice to each such Person to the effect that the Company is ending all discussions and negotiations with such Person with respect to any Acquisition Proposal and such notice shall also request such Person to promptly return or destroy all confidential information concerning any of the Target Entities. From the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement pursuant to Article X, the Company will not and will not authorize or permit any Target Entity or any of its or their respective Representative to, directly or indirectly (other than with respect to Purchaser, Merger Sub and their Representatives):

(i) initiate, solicit, propose, knowingly encourage (including by providing information) or take any action to knowingly facilitate any inquiries or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, an Acquisition Proposal;

(ii) engage in, continue or otherwise participate in any discussions or negotiations regarding, or provide any information or data concerning the Company or any of the other Target Entities to any Person relating to, any Acquisition Proposal or any proposal or offer that could reasonably be expected to lead to an Acquisition Proposal;

(iii) grant any waiver, amendment or release, or fail to enforce any rights (including by failing to pursue and obtain injunctions to prevent breaches), under any standstill or confidentiality agreement or any Antitakeover Laws, or otherwise knowingly facilitate any effort or attempt by any Person to make an Acquisition Proposal (including providing consent or authorization to make an Acquisition Proposal to any officer or employee of the Company or to the Company Board (or any member thereof) pursuant to any confidentiality agreement);

(iv) (A) execute or enter into any Acquisition Agreement or other agreement that requires the Company to abandon, or is inconsistent with the transactions contemplated by, this Agreement or (B) publicly (or privately amongst any group of or individual Stockholders not members of the Company Board) approve, endorse or recommend any such action; or

(v) publicly propose (or privately amongst any group of or individual Stockholders not members of the Company Board) to do any of the foregoing.

(b) Notwithstanding anything to the contrary set forth in Section 7.5(a), but subject to the terms of this Section 7.5(b), at any time prior to, but not after, the Stockholders Meeting, the Company may, subject to compliance with this Section 7.5:

(i) provide information in response to a request therefor to a Third Party who has made (and not withdrawn) a Qualifying Acquisition Proposal after the date of this Agreement if and only if, prior to providing such information, (A) the Company has received from such Third Party so requesting such information an executed Acceptable Confidentiality Agreement (which the Company may negotiate and enter into with such Third Party), (B) the Company gives Purchaser prompt (but in any event within twenty-four (24) hours of the determination that such Acquisition Proposal is a Qualifying Acquisition Proposal) written notice of the Qualifying Acquisition Proposal and (C) the Company furnishes to Purchaser any information concerning the Company and the other Target Entities that is to be provided to such Third Party making such Qualifying Acquisition Proposal that is given such access and that was not previously made available to Purchaser or Purchaser's Representatives; and

(ii) engage or participate in any discussions or negotiations with the Third Party who has made such Qualifying Acquisition Proposal;

provided, that prior to taking any action described in Section 7.5(b)(i) or Section 7.5(b)(ii), the Company Board shall have determined in good faith, based on the information then available and after consultation with its independent financial advisor and outside legal counsel, that (x) such Acquisition Proposal constitutes a Qualifying Acquisition Proposal and (y) failure to take such actions would be inconsistent with its fiduciary duties to the Stockholders under applicable Law. So long as the Company, the Company Subsidiaries and their respective Representatives have otherwise complied with this Section 7.5 in all respects, none of the foregoing shall prohibit the Company or its Representatives from contacting any person or group of persons that has made an Acquisition Proposal after the date of this Agreement solely to request the clarification of the terms and conditions thereof so as to determine whether the Acquisition Proposal constitutes a Qualifying Acquisition Proposal, and any such action shall not, in and of itself, be a breach of this Section 7.5.

(c) Except as expressly provided by Section 7.5(d), from the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement pursuant to Article X, neither the Company Board nor any committee thereof shall:

(i) (A) withhold, withdraw (or not continue to make), qualify or modify (or publicly propose (or privately amongst any group of or individual Stockholders not members of the Company Board) or resolve to withhold, withdraw (or not continue to make), qualify or modify), in a manner adverse to Purchaser or Merger Sub, the Company Recommendation, (B) adopt, approve, recommend or declare advisable or publicly propose (or privately amongst any group of or individual Stockholders not members of the Company Board) to adopt, approve, recommend or declare advisable an Acquisition Proposal, (C) following the date any Acquisition Proposal or any material modification thereto is first made public, sent or given to the Stockholders, fail to issue a press release that expressly reaffirms the Company Recommendation within 2 Business Days following Purchaser's written request to do so or (D) fail to include the Company Recommendation in the Proxy Statement (any action described in clauses (A) through (D), a "**Company Adverse Recommendation Change**"); or

(ii) cause or permit the Company or any of its Subsidiaries to enter into any Acquisition Agreement.

(d) Notwithstanding anything to the contrary set forth in Section 7.5(c), at any time prior to, but not after, the Stockholders Meeting, if the Company has received a Qualifying Acquisition Proposal from any Person that is not withdrawn and that the Company Board concludes in good faith constitutes a Superior Proposal, (x) the Company Board may effect a Company Adverse Recommendation Change with respect to such Superior Proposal, and/or (y) the Company Board may authorize the Company to terminate this Agreement to enter into an Acquisition Agreement with respect to such Superior Proposal, in each case of (x) and (y), if and only if:

(i) the Company Board determines in good faith, after consultation with its independent financial advisor and outside legal counsel, that failure to take such

actions would be inconsistent with its fiduciary duties to the Stockholders under applicable Law;

(ii) the Company has complied in all respects with its obligations under this Section 7.5; and

(iii) the Company has provided prior written notice to Purchaser at least three (3) Business Days prior to taking any such action described in clause (x) or clause (y) above (the "**Notice Period**"), to the effect that the Company Board has received a Qualifying Acquisition Proposal that is not withdrawn and that the Company Board has concluded constitutes a Superior Proposal and which notice shall specify the identity of the party making the Superior Proposal and the material terms thereof; and

(A) prior to effecting such Company Adverse Recommendation Change or termination, the Company shall, and shall cause its financial and legal advisors to, during the Notice Period, negotiate with Purchaser and its Representatives in good faith (to the extent Purchaser desires to negotiate) regarding adjustments in the terms and conditions of this Agreement proposed by Purchaser, so that such Qualifying Acquisition Proposal would cease to constitute a Superior Proposal; *provided*, that in the event of any material revisions to the Qualifying Acquisition Proposal which result in the Company Board determining such Qualifying Acquisition Proposal to again be a Superior Proposal, the Company shall be required to deliver a new written notice to Purchaser and an additional two (2) Business Days from the date of such notice shall apply in order for the Company to comply with the requirements of this Section 7.5 (including this Section 7.5(d)) with respect to such new written notice, and, during each such two (2) Business Day period, the Company shall, and shall cause its financial and legal advisors to, negotiate with Purchaser and its Representatives in good faith (to the extent Purchaser desires to negotiate) regarding adjustments in the terms and conditions of this Agreement proposed by Purchaser, so that such Qualifying Acquisition Proposal would cease to constitute a Superior Proposal; and

(B) in the case of any action described in clause (y) of Section 7.5(d), the Company shall promptly thereafter validly terminate this Agreement in accordance with Section 10.3(b), and enter into an Acquisition Agreement with respect to such Superior Proposal (it being understood and agreed that any purported termination of this Agreement pursuant to Section 10.3(b) shall have no force and effect unless the Company shall have paid the Company Termination Fee prior to such termination).

Section 7.6 Full Access.

(a) From the date of this Agreement until its termination in accordance with Article X, the Company shall provide, and shall cause its and its Subsidiaries, officers, directors, employees, attorneys, accountants and other agents and Representatives to provide, to Purchaser, its Affiliates and its Representatives, full access at all reasonable times and during normal business hours, under the supervision of the Company's personnel and in such a manner as not to unreasonably interfere with the normal operations of the Target Entities, to the Target Entities' premises, properties, officers, employees and Providers and to business, financial, legal, tax, compensation and other data and information concerning the Target Entities' affairs and operations. Notwithstanding anything to the contrary in this Agreement, no Target Entity will be required to disclose any information to Purchaser if such disclosure would, in Company's reasonable discretion after consultation with outside counsel, as to the matters in clauses (x) and (y) below: (x) adversely affect the ability of any Target Entity to assert any attorney-client privilege (and, to the extent possible, in such event the applicable Target Entity shall enter into a joint defense agreement with respect to any such information); or (y) contravene any applicable Law.

(b) Each of Purchaser and Merger Sub agrees that it shall, and shall cause its Affiliates, potential lenders and each of their respective Representatives to, hold in strict confidence all data and information obtained by them from the Company or any Target Entity in accordance with the Confidentiality Agreement.

Section 7.7 Notice of Material Developments; Updating of Schedules. Each Party shall give prompt written notice to the other Parties of any circumstance, event or action the existence of which could reasonably be expected, individually or in the aggregate, to result in the failure of any of the conditions set forth in Article V or Article VI, as the case may be, to the other Parties' obligations to be satisfied and of any other material development affecting the ability of such Party to promptly consummate the transactions contemplated by this Agreement. If the Company or Purchaser notifies the other of any Individual Matter arising after the date of this Agreement in the Ordinary Course of Business that results or would reasonably be expected to result in Losses not in excess of $25,000 per Individual Matter, then such notification shall be deemed to be an amendment to the Company Disclosure Schedule or Purchaser Disclosure Schedule, as applicable, for purposes of Article IX, and no Indemnified Party may seek indemnification for Losses not in excess of $25,000 with respect to such Company Disclosure Schedule update or Purchaser Disclosure Schedule update, as applicable. Other than deemed amendments to the Company Disclosure Schedule or Purchaser Disclosure Schedule in accordance with the preceding sentence, the delivery of a notification under this Section 7.7 shall not modify this Agreement for purposes of determining whether the conditions set forth in Article V or Article VI, as applicable, have been satisfied, or (ii) limit or affect any Party's right to indemnification pursuant to Article IX.

Section 7.8 Financial Statements. The Company shall deliver to Purchaser (a) the Financial Statements for each annual fiscal period and monthly fiscal period that has ended between the date of this Agreement and the Closing Date within 90 days following the end of each annual fiscal period and 30 days following the end of each monthly fiscal period, as applicable, and (b) the STAT Financial Statements for each annual fiscal period and quarterly fiscal period

that has ended between the date of this Agreement and the Closing Date within 60 days following the end of each annual fiscal period and 45 days following the end of each quarterly fiscal period, as applicable.

Section 7.9 Proxy Statement; Stockholders Meeting.

(a) Proxy Statement. As promptly as practicable after the date of this Agreement, the Company shall prepare a proxy statement relating to the Stockholders Meeting (together with any amendments thereof or supplements thereto, the "**Proxy Statement**"). The Company shall cause the Proxy Statement to be mailed to the Stockholders within three Business Days after receipt of the approval of the Oregon Insurance Division of the transactions contemplated by this Agreement. If necessary in order to comply with applicable securities Laws, after the Proxy Statement shall have been mailed, the Company shall promptly circulate amended, supplemental or supplemented proxy material, and, if required in connection therewith, re-solicit proxies. Purchaser and Merger Sub shall furnish all information as the Company may reasonably request in connection with such actions and the preparation of the Proxy Statement.

(b) Required Disclosures. The Proxy Statement shall include (i) the notice required pursuant to Section 60.214(1) of the OBCA, (ii) the notice to Company Stockholders of their dissenters' rights under Section 60.561 of the OBCA, (iii) the Company Recommendation, (iv) all material disclosure relating to the Company Financial Advisor (including the amount of fees and other considerations the Company Financial Advisor will receive upon cousummation of the Merger, and the conditions for the payment of such fees and other considerations), (v) a copy of OBCA 60.551 to 60.594 and (vii) any notices that are required by Law and any notices to which such holder is entitled pursuant to the provisions of the Company's Articles of Incorporation or bylaws. The Company shall ensure that the Proxy Statement complies in all material respects with the applicable provisions of the Exchange Act and the rules and regulations promulgated thereunder. Five Business Days prior to mailing the Proxy Statement (or any amendment or supplement thereto), the Company shall provide Purchaser with an opportunity to review and comment on such document and shall include in such document all reasonable comments proposed by Purchaser in writing.

(c) Accuracy. Each of Purchaser, Merger Sub and the Company agrees, for itself and in respect of each of its respective Affiliates and Representatives, that none of the information supplied or to be supplied by Purchaser, Merger Sub or the Company, as applicable, expressly for inclusion in the Proxy Statement will, as of the time such documents (or any amendment thereof or supplement thereto) are mailed to the Stockholders and at the time of the Stockholders Meeting, contain any untrue statement of a material fact, or omit to state any material fact required to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If at any time prior to the Closing any event or circumstance relating to Purchaser or Merger Sub, or their respective officers or directors, should be discovered by Purchaser or Merger Sub that should be set forth in an amendment or a supplement to the Proxy Statement to ensure that the Proxy Statement would not include any misstatement of a material fact or omit to state any material fact required to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading, Purchaser shall promptly notify the Company, and, at Purchaser's expense, the Company shall amend or supplement and, if required by applicable Law, mail to the Stockholders,

the Proxy Statement promptly to disclose such event or circumstance. If at any time prior to the Closing any event or circumstance relating to the Company or any of its Subsidiaries or their respective officers or directors should be discovered by the Company that should be set forth in an amendment or a supplement to the Proxy Statement to ensure that the Proxy Statement would not include any misstatement of a material fact or omit to state any material fact required to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the Company shall promptly notify Purchaser, and the Company shall amend or supplement and, if required by applicable Law, mail to the Stockholders, the Proxy Statement promptly to disclose such event or circumstance.

(d) Letter of Transmittal. At a time to be mutually agreed by the Company and the Purchaser, the Company shall mail or distribute to each Company Holder a letter of transmittal with instructions for effecting the proper surrender of the Certificates for payment (which shall include (i) a release of claims by such Company Holder against the Target Entities, (ii) appointment of the Stockholder Representative in accordance with the terms hereof and (iii) a joinder to the Stockholder Support Agreement) in the form attached hereto as Exhibit D (the "**Letter of Transmittal**") and instruct each such Company Holder to return the Letter of Transmittal to the Company in accordance with instructions to be set forth therein. Within two Business Days after the Stockholders Meeting at which the adoption of this Agreement and the transactions contemplated hereby (including the Merger) are approved, the Company shall provide the Stockholders who have satisfied the requirements under Section 60.564 of the OBCA with the notice described in Section 60.567 of the OBCA.

(e) Stockholders' Meeting.

(i) The Company shall duly call, give notice of and hold a meeting of its stockholders (the "**Stockholders Meeting**") no later than the date that is 35 days following the date on which the Oregon Insurance Division approves the "Form A" filed by Purchaser pursuant to Section 7.4 of this Agreement for the purpose of obtaining the Necessary Stockholder Approval; *provided*, that, without the prior written consent of Purchaser, the Company may not delay, adjourn or postpone the Stockholders Meeting, except to the extent required by applicable Law and then only for the minimum period required by applicable Law; *provided, further*, that, notwithstanding the foregoing, Purchaser may require the Company to adjourn or postpone the Stockholders Meeting on one occasion and on a second occasion if the Company has not received proxies representing at least 70% of the outstanding Common Stock as of the time of such second postponement. The meeting notice shall comply with all requirements required by Law, including without limitation the requirements under ORS 732.529.

(ii) The Company agrees and acknowledges that it has established the date that is 15 Business Days after the date of this Agreement as the record date for purposes of determining the Stockholders entitled to notice of and to vote at the Stockholders Meeting, *provided that*, to the extent required by Law or the Company's organizational documents, the Company may establish a later date as the record date for purposes of determining the Stockholders entitled to notice of and to vote at the Stockholders Meeting (such date, including as it may be subsequently established in accordance with the terms hereof, the "**Record Date**"). In the event that the date of the

Stockholders Meeting as originally called is for any reason adjourned or postponed or otherwise delayed, the Company agrees that unless Purchaser shall have otherwise approved in writing, it shall implement such adjournment or postponement or other delay in such a way that the Company does not establish a new Record Date for the Stockholders Meeting, as so adjourned, postponed or delayed, except as required by applicable Law.

(iii) Prior to the Stockholders Meeting, the Company shall, (x) take all reasonable lawful action to solicit the Necessary Stockholder Approval and (y) subject to Section 7.5, publicly reaffirm the Company Recommendation within one Business Day after any request by Purchaser. The Company shall, upon the reasonable request of Purchaser, advise Purchaser at least on a daily basis on each of the last 15 days prior to the date of the Stockholders Meeting as to the aggregate tally of the proxies received by the Company with respect to the Necessary Stockholder Approval. Without the prior written consent of Purchaser, the adoption of this Agreement and the transactions contemplated hereby (including the Merger) shall be the only matter (other than procedural matters) that the Company shall propose to be acted on by the Stockholders at the Stockholders Meeting.

Section 7.10 Dissolutions. The Company shall use commercially reasonable efforts to cause the dissolution of Agate Properties LLC prior to the Closing and shall, promptly following the filing of articles of dissolution with the Oregon Secretary of State, provide written evidence of such filing to Purchaser.

ARTICLE VIII

ADDITIONAL AGREEMENTS

Section 8.1 Tax Matters.

(a) Tax Indemnification. Except to the extent taken into account in Estimated Transaction Expenses and reflected in the Initial Merger Consideration paid at Closing, after the Closing, the Company Holders shall, solely from the Deferred Purchase Price and Bonus Amount, if any, and by reduction of any payments to be made to the Company Holders pursuant to Section 2.9, indemnify the Purchaser Indemnified Parties and hold them harmless from and against (i) all Taxes (or the non-payment thereof) of each Target Entity for all taxable periods ending on or before the Closing or for Taxes of each Target Entity for any portion of any Straddle Period that ends on or prior to the Closing Date, as determined in accordance with Section 8.1(b) (each, a "**Pre-Closing Tax Period**"), (ii) all Taxes of any member of an affiliated, consolidated, combined or unitary group of which any Target Entity (or any predecessor of any Target Entity) is or was a member on or prior to the Closing Date, pursuant to Treasury Regulation Section 1.1502-6 or any analogous or similar Law or regulation, which Taxes relate to an event or transaction occurring on or before the Closing and (iii) any and all Taxes of any Person imposed on a Target Entity as a transferee or successor, by Contract or pursuant to any Law, which Taxes relate to an event or transaction occurring on or before the Closing. Any indemnification obligations of the Company Holders pursuant to this Article VIII shall be determined and satisfied in accordance with the procedures and limitations set forth in Article IX. There shall be no duplication between the obligation to indemnify in Section 9.2(a) and the obligation to indemnify in this Section 8.1(a).

(b) Straddle Period. In the case of any taxable period that includes (but does not end on) the Closing Date (a "**Straddle Period**"), the amount of any Taxes based on or measured by income, receipts, payments or payroll and any value-added Tax of any Target Entity for the Pre-Closing Tax Period shall be determined based on an interim closing of the books as of the close of business on the Closing Date (and for such purpose the taxable period of any partnership or other pass-through entity in which a Target Entity holds a beneficial interest shall be deemed to terminate at such time) and the amount of other Taxes of a Target Entity for a Straddle Period that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on and including the Closing Date and the denominator of which is the number of days in such Straddle Period.

(c) Refunds, Reductions. Any refunds or credits of Taxes with respect to any Target Entity that are paid or credited to Purchaser, the Surviving Corporation or any of their respective Subsidiaries or Affiliates and that relate to a Pre-Closing Tax Period shall be for the account of the Company Holders other than refunds to the extent attributable to the carryback of losses or other Tax attributes of any Target Entity from any taxable period beginning on the day of the Effective Time. The Surviving Corporation shall pay to the Stockholder Representative, or pay to the Company Holders at such Representative's direction, any such refund or the amount of any such credit within 30 days after receipt thereof or entitlement thereto; *provided*, that all payments pursuant to this Section 8.1(c) shall be net of (i) any costs associated in obtaining such refund or credit of Taxes, (ii) any Tax required to be withheld on payment of such amount to the Stockholder Representative or the Company Holders and (iii) any Taxes imposed on Purchaser, the Surviving Corporation or any of their respective Subsidiaries or Affiliates as a result of such Tax refunds or credit. If any refund or credit for which a payment is made to the Company Holders pursuant to this Section 8.1(c) is subsequently reduced or disallowed, the Company Holders shall, solely from the Deferred Purchase Price and Bonus Amount, if any, and by reduction of any payments to be made to the Company Holders pursuant to Section 2.9, indemnify and hold harmless Purchaser, the Surviving Corporation or any of their respective Subsidiaries or Affiliates from and against any Tax or other cost that is attributable to such reduction or disallowance. Any such payment pursuant to the preceding sentence shall be treated as an adjustment to the Aggregate Merger Consideration, except to the extent otherwise required by applicable Law. Notwithstanding anything in this Section 8.1(c) to the contrary, refunds for Transfer Taxes borne in accordance with Section 8.1(g) shall be 50% for the account of the Surviving Corporation and 50% for the account of the Company Holders.

(d) Responsibility for Filing Tax Returns.

(i) On or prior to the Closing, the Company shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) all Tax Returns that are required to be filed on or prior to the Closing Date by or with respect to all Target Entities and the Company shall timely remit (or cause to be timely remitted) any Taxes due in respect of such Tax Returns. All such Tax Returns shall be prepared in a manner consistent with prior practice, unless otherwise required by applicable Law, and shall be provided to Purchaser at least 14 days prior to the due date (including any extension thereof) for the filing of such Tax Return for Purchaser's review and approval,

which approval shall not be unreasonably conditioned, withheld or delayed. The Company shall provide Purchaser with copies of such Tax Returns promptly following filing.

(ii) Following the Closing, Purchaser shall timely file or cause to be timely filed when due (taking into account all extensions properly obtained) all Tax Returns that are required to be filed by or with respect to the Surviving Corporation and its Subsidiaries after the Closing Date. With respect to any such Tax Return required to be filed with respect to the Surviving Corporation or any of its Subsidiaries for a taxable period beginning prior to the Closing Date, Purchaser shall prepare all such Tax Returns in a manner consistent with the past practice of the Company prior to the Closing unless otherwise required by applicable Law and shall provide the Stockholder Representative with a copy of such completed Tax Return together with appropriate supporting information and schedules at least 14 days prior to the due date (including any extension thereof) for the filing of such Tax Return for the Stockholder Representative's review and approval, which approval shall not be unreasonably conditioned, withheld or delayed. The Surviving Corporation shall provide the Stockholder Representative with copies of such Tax Returns promptly following filing. Purchaser and the Stockholder Representative shall attempt in good faith to resolve any disagreements regarding such Tax Returns prior to the due date for filing. Except as required by applicable Law, without the prior written consent of the Stockholder Representative, neither Purchaser, the Surviving Corporation nor any Subsidiary of the Surviving Corporation shall file any amended Tax Return for any period beginning on or before the Closing Date, except (y) amended Tax Returns for such periods may be filed to correct material errors that are discovered in such Tax Returns that, absent such correction, would materially and adversely affect Purchaser, the Surviving Corporation or its Subsidiaries for taxable periods (or portions thereof) beginning after the Closing Date and (z) amended Tax Returns for such periods may be made for the purpose of carrying back net operating losses or similar items from taxable periods (or portions thereof) beginning after the Closing Date to taxable periods beginning on or before the Closing Date.

(e) Cooperation on Tax Matters.

(i) Purchaser, the Company, the Surviving Corporation, each Target Entity and the Stockholder Representative shall cooperate fully, as and to the extent reasonably requested by another Party, in connection with the filing of any Tax Returns and any Action with respect to Taxes. Such cooperation shall include the retention and (upon the other Party's request) the provision of records and information that are reasonably relevant to any such Action and making employees available on a mutually convenient basis to provide additional information and explanation of any materials provided hereunder. Purchaser and the Stockholder Representative agree (x) to retain all books and records with respect to Tax matters pertinent to the Target Entities relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Purchaser or the Stockholder Representative, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any Taxing Authority, and (y) to give the other Party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the

other Party so requests, Purchaser or the Stockholder Representative, as the case may be, shall allow the other Party to take possession of such books and records.

(ii) Purchaser and the Stockholder Representative further agree, upon request, to use commercially reasonable efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the transactions contemplated hereby).

(iii) Purchaser and the Stockholder Representative further agree, upon request, to provide the other Person with all information that either Person may be required to report pursuant to Sections 6043 or 6043A of the Code or Treasury Regulations promulgated thereunder.

(f) Tax Sharing Agreements. All tax-sharing agreements or similar agreements with respect to or involving any Target Entity shall be terminated as of the Closing Date and, after the Closing Date, no Target Entity shall be bound thereby or have any liability thereunder.

(g) Certain Taxes and Fees. All transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) (together, the "**Transfer Taxes**") incurred in connection with the consummation of the transactions contemplated by this Agreement shall be borne one-half by Purchaser and one-half by the Company Holders (by treating such amount as a Company Transaction Expense and to the extent unpaid at the Closing reducing the Final Merger Consideration in accordance with Section 2.12), and a Target Entity shall file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes.

Section 8.2 Press Release and Announcements. Unless required by Law (in which case each Party agrees to use its reasonable best efforts to consult with the other Parties prior to any such disclosure as to the form and content of such disclosure) or Section 7.9, no press releases or other releases of information related to this Agreement or the transactions contemplated hereby shall be issued or released prior to the Closing without the consent of Purchaser and the Company, which consent shall not be unreasonably withheld, conditioned or delayed; *provided* that Purchaser and its Affiliates shall be permitted to disclose the terms and provisions of this Agreement to their respective existing and prospective investors and lenders, and the respective advisors and Representatives of the foregoing; *provided, further,* that Purchaser will be liable and indemnify the Company for any breach of confidentiality by such parties.

Section 8.3 Confidentiality. The Confidentiality Agreement shall survive the execution of this Agreement and the Parties hereby agree to be bound by and comply with the terms of the Confidentiality Agreement, which are hereby incorporated into this Agreement by reference and shall continue in full force and effect until the Effective Time, such that the information obtained by either Party or their respective Representatives during any investigation conducted in connection with the negotiation and execution of this Agreement or the consummation of the transactions contemplated by this Agreement or otherwise shall be governed by the terms of the Confidentiality Agreement.

Section 8.4 Further Assurances. In case at any time after the Closing any further action is reasonably necessary or desirable to carry out the purposes of this Agreement or the transactions contemplated hereby, each of the Parties shall take such further action (including the execution and delivery of such further instruments and documents) as any other Party may reasonably request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Article IX).

Section 8.5 Directors' and Officers' Insurance.

(a) Purchaser agrees that all rights to indemnification, advancement of expenses and exculpation by the Target Entities now existing in favor of each Person who is now, or has been at any time prior to the date of this Agreement, an officer or director of any of the Target Entities, as provided in the Governing Documents of such Target Company, in each case as in effect on the date of this Agreement, or pursuant to any other agreements in effect on the date of this Agreement and disclosed in Section 8.5(a) of the Company Disclosure Schedule, will survive the Closing Date and will continue in full force and effect in accordance with their respective terms.

(b) Prior to the Effective Time, the Company shall obtain and fully pay the premium for "tail" insurance policies for the extension of (i) the directors' and officers' liability coverage of the Target Entities' existing directors' and officers' insurance policies and (ii) the Target Entities' existing fiduciary liability insurance policies, in each case for a claims reporting or discovery period of at least six years from and after the Effective Time from an insurance carrier with the same or better credit rating as the Company's insurance carrier as of the date of this Agreement with respect to directors' and officers' liability insurance and fiduciary liability insurance (collectively, "**D&O Insurance**") with terms, conditions, retentions and limits of liability that are not materially less favorable as compared to the Target Entities' existing policies with respect to any matter claimed against a director or officer of any of the Target Entities by reason of him or her serving in such capacity that existed or occurred at or prior to the Effective Time (including in connection with this Agreement or the transactions or actions contemplated hereby). If the premium, however, for the D&O Insurance exceeds 150% of the premium immediately before the Closing Date (the "**Maximum Premium Amount**"), the Company shall obtain such insurance providing for the maximum coverage that is then available at a premium equal to the Maximum Premium Amount and permit the directors and officers to pay amounts greater than the Maximum Premium Amount to obtain D&O Insurance providing for the then-existing coverage.

Section 8.6 Stockholder Representative.

(a) The Company hereby irrevocably nominates, constitutes and appoints, and each Company Holder, by virtue of his, her or its approval of this Agreement or execution of a Letter of Transmittal or acceptance of any consideration contemplated by Section 2.8, shall have irrevocably nominated, constituted and appointed the Stockholder Representative as the agent, agent for service of process and true and lawful attorney-in-fact of such Company Holder, with full power of substitution, to act in the name, place and stead of such Company Holder, as applicable, with respect to this Agreement, the Paying Agent Agreement and the Escrow Agreement and the taking by the Stockholder Representative of any and all actions (whether prior to,

contemporaneously with or after such nomination, constitution and appointment) and the making of any decisions required or permitted to be taken or made by the Stockholder Representative under this Agreement, the Paying Agent Agreement or the Escrow Agreement, which in each case and as applicable shall be deemed to have been ratified by such Company Holder, including the full power and authority (i) to make all determinations and take all actions in connection with any purchase price adjustment pursuant to Section 2.12, (ii) to make all determinations and take all actions in connection with any indemnification claims pursuant to Article IX, (iii) to amend or waive any provision of this Agreement or any agreement related hereto or contemplated hereby, (iv) to execute and deliver all agreements, certificates, receipts, consents, elections, instructions and other documents (including any amendments thereto or waivers thereof) required or contemplated by, or deemed necessary or advisable by the Stockholder Representative in its sole discretion in connection with this Agreement or the transactions and agreements contemplated hereby or thereby and (v) to do all other things and to perform all other acts required or contemplated by, or deemed necessary or advisable by the Stockholder Representative in its sole discretion in connection with this Agreement and any of the transactions or agreements contemplated hereby or thereby. To the extent the Stockholder Representative is so appointed pursuant to the Letters of Transmittal, Purchaser, Merger Sub and any other party to this Agreement or any related agreement in dealing with the Stockholder Representative may conclusively rely, without inquiry, upon any act of the Stockholder Representative as the act of the Company Holders.

(b) All notices delivered by Purchaser or the Target Entities following the Closing to the Stockholder Representative (whether pursnant to this Agreement or otherwise) shall constitute notice to the Company Holders.

(c) Without limiting the generality of this Section 8.6 and notwithstanding anything to the contrary contained in this Agreement, the Paying Agent Agreement or the Escrow Agreement, Purchaser shall be entitled to deal exclusively with the Stockholder Representative on all matters described in Section 8.6(a) and each Purchaser Indemnified Party shall be entitled to deal exclusively with the Stockholder Representative on all matters relating to Article IX or Section 8.1(a) and each of them shall be entitled to rely conclusively (without further evidence of any kind whatsoever) on any document executed or purported to be executed on behalf of any Company Holder by the Stockholder Representative and on any other action taken or purported to be taken by the Stockholder Representative on behalf of any Company Holder by the Stockholder Representative as fully binding upon such Company Holder.

(d) The Stockholder Representative may at any time designate a replacement Stockholder Representative and each Company Holder hereby consents to such replacement Stockholder Representative. If the Stockholder Representative shall die, become disabled, be dissolved or otherwise be unable or unwilling to fulfill its responsibilities as representative of the Company Holders or is removed at the Company' Holders' election (by majority vote (based on Pro Rata Share of the Company Holders)), then the Company Holders shall, by majority vote (based on Pro Rata Share of the Company Holders) within 30 days after such death, disability, dissolution, inability, unwillingness or removal, appoint a successor representative reasonably acceptable to Purchaser. Any such successor shall become the "Stockholder Representative" for purposes of this Agreement. The time period for the Stockholder Representative to respond to, or to provide, any communication or notice required under this Agreement will be tolled, to the extent

practicable and to the extent that such tolling would not reasonably be expected to materially prejudice or cause any material Loss to Purchaser, the Surviving Corporation or any of their Affiliates (and in any event, for no more than 35 days), during any period that there is no Stockholder Representative serving and for five days after any successor Stockholder Representative is appointed.

(e) No bond shall be required of the Stockholder Representative. The Stockholder Representative shall not be liable to any Company Holder for any act done or omitted hereunder as the Stockholder Representative while acting in good faith and in the exercise of its reasonable business judgment with respect to any matter arising out of or in connection with the acceptance or administration of its duties hereunder (it being understood that any act done or omitted pursuant to the advice of counsel shall be conclusive evidence of such good faith). The Stockholder Representative shall be entitled to be indemnified by the Company Holders, jointly and severally, for any loss, liability or expense incurred on the part of the Stockholder Representative with respect to any matter arising out of or in connection with the acceptance or administration of its duties hereunder; *provided* that (i) the indemnification obligations of each Company Holder under this Section 8.6(e) shall be limited to the portion of Aggregate Merger Consideration paid to such Company Holder and (ii) no Party (other than the Stockholder Representative) shall have any obligation or liability under the terms of Section 8.6. The Stockholder Representative will be entitled to retain third parties to assist in fulfilling its obligations hereunder. All fees, costs and expenses incurred by the Stockholder Representative in the performance of its duties will be paid on direction of the Stockholder Representative out of the Representative Holdback Account. None of Purchaser, Merger Sub or the Surviving Corporation shall be responsible to the Company Holders for any obligations of the Stockholder Representative, including for any amounts owed by it relating to the Stockholder Representative Holdback Amount or otherwise.

(f) The execution of a Letter of Transmittal or acceptance of any consideration contemplated by Section 2.8 shall be deemed to constitute approval by each Stockholder and Optionholder of all arrangements relating to indemnification and recovery contemplated in Article IX, which shall be binding upon each such Stockholder and Optionholder.

Section 8.7 Provision Respecting Legal Representation.

(a) Each of the Parties hereby acknowledges and agrees, on its own behalf and on behalf of its directors, members, partners, stockholders, officers, employees, Representatives and Affiliates, that Kirkland & Ellis LLP has served as counsel to Purchaser and Merger Sub in connection with the negotiation, preparation, execution and delivery of this Agreement, the agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby, and that, following consummation of the transactions contemplated hereby, Kirkland & Ellis LLP (or any successor) may serve as counsel to Purchaser, the Target Entities, certain direct and indirect equityholders of Purchaser or any director, officer, employee, Affiliate or direct or indirect member, partner or stockholder of the foregoing in connection with any Action or obligation arising out of or relating to this Agreement, the agreements contemplated hereby or the transactions contemplated hereby or thereby, and each of the Parties hereby consents thereto and waives any conflict of interest arising therefrom, and each of the Parties shall cause any of its Subsidiaries to waive any conflict of interest arising from such representation.

(b) Purchaser and, after the Closing, the Surviving Corporation agree that from and after the Closing, the Stockholder Representative will be entitled, without objection by the Surviving Corporation or Purchaser, to retain the services of Stoel Rives LLP ("**Stoel Rives**") for consultation and representation in any dispute (including in litigation) between Purchaser or the Surviving Corporation, on the one hand, and the Stockholder Representative or any Company Holder, on the other hand, with respect to any matter, including matters concerning, arising from, out of or in connection with this Agreement or any related documents and agreements or the transactions contemplated by this Agreement, or in connection with any other matter arising at or after the Closing. The Surviving Corporation and Purchaser hereby waive all conflicts arising in connection with the Stockholder Representative and any Company Holder's retention of Stoel Rives as provided in this Section 8.7(b), after consultation with counsel other than Stoel Rives. This advance conflict waiver will apply whether or not Stoel Rives represents the Surviving Corporation in any matter following the Closing. Furthermore, notwithstanding the transactions contemplated by this Agreement, Purchaser and the Surviving Corporation agree that, until the third anniversary of the Closing (but, in the case of pending claims for Losses under this Agreement or disputes relating to this Agreement as of such date, the date of resolution), neither the Surviving Corporation nor Purchaser will hold or have the right to control, assert or access the attorney/client privilege as to any communications prior to the Closing between any of the Target Entities and Company Holders, and Stoel Rives to the extent that the privileged communications relate to this Agreement or the Merger and the terms contemplated hereby or thereby. The Parties agree that the Company Holders collectively, as represented by Stockholder Representative, and no one else, until the third anniversary of the Closing (but, in the case of pending claims for Losses under this Agreement or disputes relating to this Agreement as of such date, the date of resolution) (after which time the Surviving Corporation shall hold and control such privilege), will hold and be entitled to control, access and assert such attorney/client privilege as to those communications after the Closing. Purchaser acknowledges that it has consulted with counsel other than Stoel Rives regarding the foregoing consents and waivers, that the consents and waivers are voluntary and have been considered carefully.

Section 8.8 Continuation of Employee Benefits.

(a) For the period beginning at the Effective Time and ending on the earlier of (i) the date that is six months following the Effective Time, (ii) December 31, 2015 and (iii) the date of termination of employment of the relevant employee, the Surviving Corporation shall provide to employees of the Company and its Subsidiaries who immediately following the Effective Time continue employment (including those employees on approved leave) with the Surviving Corporation ("**Continuing Employees**") compensation and benefits during their period of employment with the Surviving Corporation that are substantially comparable in the aggregate to the benefits provided to the Continuing Employees by the Target Entities on the date of this Agreement and set forth on Section 3.20 of the Company Disclosure Schedule.

(b) With respect to any qualified pension, profit sharing, 401(k) or retirement plan or any health or other welfare benefit maintained by the Surviving Corporation or any of the other Target Entities or its or their Affiliates (collectively, "**Successor Benefit Plans**") in which any Continuing Employee shall participate at or immediately after the Effective Time, the Surviving Corporation or its Affiliates shall recognize all service of the Continuing Employees with (or as otherwise credited by) the Company and its Subsidiaries, or any ERISA Affiliate, as the

case may be, for eligibility and vesting purposes in any Successor Benefit Plan in which such Continuing Employees may be eligible to participate at or immediately after the Effective Time, *provided* that credit for such service was given to such Continuing Employee under the analogous Benefit Plan as of the Effective Time; *provided, further*, that such credit need not be given to the extent it would result in duplication of benefits.

(c) On or immediately prior to the Closing, each Target Entity shall pay to each of its respective employees the cash value in respect of all paid time off accrued but not used by such employees, and the Surviving Corporation shall have no obligation to honor such accrued paid time off after the Closing.

(d) Nothing in this Section 8.8 is intended to, and nothing in this Section 8.8 shall be construed to, create any right to continued employment or service, alter the at-will status of any Continuing Employee or other individual or create any third party beneficiary rights of any kind or nature in any Person, including the right of any Continuing Employee or other individual to seek to enforce any right to compensation, benefits or any other right or privilege of employment. Nothing herein shall be construed to establish, amend or modify any benefit or compensation plan, program, agreement, Contract or arrangement or shall limit the ability of the Target Entities, Purchaser or any of their Affiliates to amend, modify or terminate any benefit or compensation plan, program, agreement, Contract or arrangement at any time assumed, established, sponsored or maintained by any of them.

Section 8.9 Bonus Target. With respect to the Bonus Target, Purchaser, Merger Sub, and the Surviving Corporation make the agreements set forth on Exhibit H.

ARTICLE IX

INDEMNIFICATION

Section 9.1 Survival. The representations and warranties in this Agreement, the Stockholder Support Agreement and in each Letter of Transmittal shall survive the Closing and shall terminate on the date that is 24 months following the Closing Date; *provided* that the Fundamental Representations and the representations and warranties set forth in each Letter of Transmittal and the Stockholder Support Agreement shall survive until the date that is 36 months following the Closing Date and shall thereupon terminate and expire. Each covenant and agreement in this Agreement, the Stockholder Support Agreement and in the Letters of Transmittal shall survive until 36 months following the Closing Date, except to the extent it terminates earlier by its terms. In addition, any representation, warranty or covenant in respect of which indemnity may be sought under Section 9.2, and the indemnity with respect thereto, shall survive the time at which it would otherwise terminate pursuant to this Section 9.1 with respect to a specific alleged breach thereof if notice of such inaccuracy or breach giving rise to such right or good faith belief of right of indemnity shall have been given to the Party against whom such indemnity may be sought prior to such time (regardless of when Losses in respect thereof may actually be incurred). It is the express intent of the Parties that, if an applicable survival period as contemplated by this Section 9.1 is shorter than the statute of limitations that would otherwise apply, then, by contract, the applicable statute of limitations will be reduced to the survival period contemplated by this Section 9.1. The Parties further acknowledge that the time periods set forth in this Section 9.1 for

the assertion of claims under this Agreement are the result of arms'-length negotiation among the Parties and that they intend for the time periods to be enforced as agreed by the Parties.

Section 9.2 General Indemnification.

(a) Indemnification by the Company Holders. Subject to the provisions of Section 9.1 and the other applicable limitations set forth in this Article IX, from and after the Closing, the Company Holders shall, solely from the Deferred Purchase Price and Bonus Amount, if any, and by reduction of any payments to be made to the Company Holders pursuant to Section 2.9, indemnify, defend and hold harmless Purchaser, Merger Sub and their respective Affiliates, equityholders, partners, officers, directors, employees, agents, Representatives, successors and assigns (each, individually, a "**Purchaser Indemnified Party**," and all, collectively, the "**Purchaser Indemnified Parties**") from and against any and all Losses resulting from, in connection with or arising out of:

(i) any breach of any representation or warranty of the Company in this Agreement (taking into account the Company Disclosure Schedule attached hereto) or of any representation or warranty of a Company Holder in the Stockholder Support Agreement or in any Letter of Transmittal (or the certificates or instruments furnished under the Letters of Transmittal) or any inaccuracy in any certificate delivered on behalf of the Company pursuant to Article V of this Agreement or in any certificate delivered on behalf of the Company Holders pursuant to the Stockholder Support Agreement or in any Letter of Transmittal;

(ii) any Tax, fee, clawback, disgorgement or similar obligation imposed, or threatened to be imposed, with respect to any of the Target Entities by any Governmental Authority for any period prior to the Closing;

(iii) any nonfulfillment or breach by the Company (but only such nonfulfillment or breach that occurs prior to the Closing) of any of its covenants or agreements set forth in this Agreement, or by any Company Holder of any of its covenants or agreements set forth in the Stockholder Support Agreement or in the Letters of Transmittal furnished by any of them;

(iv) any indemnification required pursuant to Section 8.1(a) or Section 8.1(c);

(v) any Indebtedness to the extent not reflected in the Final Indebtedness and any Company Transaction Expenses unpaid as of the Closing to the extent not reflected in the Final Transaction Expenses;

(vi) any disclosure of protected health information by any Target Entity or any of its Representatives made before the Closing;

(vii) any fines imposed against the Target Entities by, amounts payable to or claims made by the Centers for Medicare and Medicaid Services for actions taken by any of the Target Entities before the Closing; or

(viii) the exercise of any appraisal or dissenters rights with respect to the Merger by any Person, or any other Action made by any Company Holder (or any of their respective Affiliates or Representatives, successors and assigns) or any Person that was formerly (or claims to be or have been) an equityholder of the Company or participant in any equity plan with respect to his or her status as an equityholder before the Closing.

(b) Indemnification by Purchaser. Subject to the provisions of Section 9.1 and the other applicable limitations set forth in this Article IX, from and after the Closing, Purchaser shall indemnify, defend and hold harmless each Company Holder and his, her, or its respective Affiliates, equityholders, partners, officers, directors, employees, agents, Representatives, successors and assigns (each, individually, a "**Company Indemnified Party**," and all, collectively, the "**Company Indemnified Parties**") from and against any and all Losses resulting from or arising out of:

(i) any breach of any representation or warranty of Purchaser or Merger Sub in this Agreement, or any inaccuracy of any certification delivered on behalf of Purchaser or Merger Sub pursuant to Article VI of this Agreement;

(ii) any nonfulfillment or breach by Purchaser, Merger Sub, or the Surviving Corporation (but, in the case of the Surviving Corporation, only such nonfulfillment or breaches that occur after the Closing) of any of its covenants or agreements set forth in this Agreement; or

(iii) any payment required to be made by Purchaser pursuant to Section 8.1(c).

(c) Limitations. The Person making a claim under Article IX is referred to as the "**Indemnified Party**," and the Person against whom such claims are asserted is referred to as the "**Indemnifying Party**." The indemnification provided in Section 9.2(a) and Section 9.2(b) is subject to the following limitations.

(i) None of the Company Holders shall have any liability under Section 9.2(a)(i), except for any liability resulting from a breach of or inaccuracy in any of the Fundamental Representations, unless and until the aggregate amount of all Losses relating thereto for which the Company Holders would, but for this proviso, be liable, exceed on a cumulative basis an amount equal to $750,000 (the "**Threshold**"); in which case the Company Holders shall become liable for all of such Losses (*i.e.*, if such aggregate Losses exceed the Threshold, then this Section 9.2(c)(i) shall be without effect in respect thereof and the Company Holders shall be liable with respect to all such Losses from the first dollar). With respect to any claim as to which the Indemnified Party may be entitled to indemnification under Section 9.2(a)(i), the Indemnifying Party shall not be liable for any Individual Matter that does not exceed $25,000 (which Losses less than or equal to $25,000 shall not be counted toward the Threshold).

(ii) The Company Holders shall have no liability under Section 9.2(a)(i) in excess of $12,000,000 on an aggregate basis, other than with respect to claims for Losses

pursuant to Section 9.2(a)(i) with respect to any breach of or inaccuracy in the Fundamental Representations or the representations and warranties in the Letters of Transmittal.

(iii) Except with respect to injunctive and other equitable relief and except for any action for willful misconduct or fraud, the Company Holders shall have no liability under Section 9.2(a), Section 8.1(a) or Section 8.1(c) in excess of any unpaid Deferred Purchase Price and any unpaid Bonus Amount pursuant to Section 2.9.

(iv) Purchaser shall have no liability under Section 9.2(b)(i) in excess of $12,000,000 on an aggregate basis, other than with respect to claims for Losses pursuant to Section 9.2(b)(i) with respect to any breach of or inaccuracy in the Fundamental Representations.

(v) Purchaser shall have no liability under Section 9.2(b)(i), except for any liability resulting from a breach of or inaccuracy in any of the Fundamental Representations, unless and until the aggregate amount of all Losses relating thereto for which Purchaser would, but for this proviso, be liable, exceed on a cumulative basis an amount equal to the Threshold; in which case Purchaser shall become liable for all of such Losses (*i.e.*, if such aggregate Losses exceed the Threshold, then this Section 9.2(c)(v) shall be without effect in respect thereof and Purchaser shall be liable with respect to all such Losses from the first dollar). With respect to any claim as to which the Indemnified Party may be entitled to indemnification under Section 9.2(b)(i), the Indemnifying Party shall not be liable for any Individual Matter that does not exceed $25,000 (which Losses less than or equal to $25,000 shall not be counted toward the Threshold).

(vi) All indemnification payments under this Article IX shall be deemed to be adjustments to the Aggregate Merger Consideration.

(vii) The amount of any Losses subject to the indemnification pursuant to this Article IX shall be reduced by any amounts actually recovered by an Indemnified Party (A) under any applicable insurance policy (such recovery amounts to be calculated after deducting the full amount of out-of-pocket expenses incurred in procuring such recovery, and any premium increase or retroactive adjustment resulting therefrom) or (B) from unaffiliated third Persons (such as pursuant to contractual indemnities or contribution obligations, including those imposed by Law; such recovery amounts to be calculated after deducting the full amount of out-of-pocket expenses incurred in procuring such recovery). If the Purchaser Indemnified Party receives any third party payments after the Loss related to the payment is recovered from the Company Holders, the Purchaser Indemnified Party will promptly pay to the Company Holders such amount of the Losses as would not have been permitted to be recovered from the Company Holder had the third party payment reduced the indemnifiable Losses covered by the original indemnification recovery (such recovery amounts to be calculated after deducting the full amount of out-of-pocket expenses incurred in procuring such third party payment).

(viii) Each Party shall use commercially reasonable efforts to mitigate any Losses to which it would be entitled to indemnification pursuant to this Article IX to the extent required by applicable Law.

(ix) Payments by an Indemnifying Party pursuant to Section 9.2(a) or Section 9.2(b) in respect of any Loss shall be reduced by an amount equal to any Tax benefit actually realized as a result of such Loss by the Indemnified Party in the taxable year that includes the indemnity payment and shall be increased by an amount equal to any Tax liability actually incurred as a result of such payment by the Indemnified Party in the taxable year that includes the indemnity payment.

(x) Any liability for indemnification under this Agreement must be determined without duplication of recovery by reason of the state of facts giving rise to such liability constituting a breach of more than one representation, warranty, covenant or agreement or more than one right to indemnification or were taken into account in determining the Final Working Capital, Final RBC, Final Indebtedness or Final Transaction Expenses.

(xi) Other than with respect to Third Party Claims, "Losses" exclude (A) consequential, special, incidental or indirect Losses, (B) exemplary or punitive Losses and (C) Losses for lost profits or loss of business; *provided, however*, that the foregoing shall not exclude actual Losses of any kind (even if such Losses would otherwise be excluded from indemnification pursuant to the foregoing clauses (A), (B) or (C)) if, in each case as a result of the breach at issue, such Losses (1) were reasonably foreseeable as of the date of this Agreement, (2) would normally and naturally arise, and (3) do not arise from or relate to the special circumstances of the party suffering the Losses.

(d) Determination of Eligibility for Indemnity; Calculation of Losses. Notwithstanding anything to the contrary contained in this Agreement, each representation and warranty in this Agreement shall be read without giving effect to any "Company Material Adverse Effect" or materiality qualification contained therein (except (A) with respect to the representations and warranties set forth in Section 3.6(a), Section 3.7(b) and Section 3.10, (B) any dollar thresholds set forth in Article III and (C) except that the term "Material Contract" shall be read as defined) for purposes of (i) determining whether a breach thereof for indemnification purposes has occurred and (ii) calculating the amount of Losses to which any indemnification would apply. For the avoidance of doubt, the indemnification obligations contained in Section 9.2(a)(ii) and Section 9.2(a)(iv) - Section 9.2(a)(viii) are absolute indemnification obligations and all disclosures contained in the Company Disclosure Schedule shall be disregarded for purposes of determining whether indemnification is required by such Sections and the amount of Losses for which indemnification can be obtained pursuant to such Sections.

Section 9.3 Procedures for Third Party Claims.

(a) Any Indemnified Party entitled to be indemnified pursuant to the provisions of this Article IX shall notify the Stockholder Representative or Purchaser, as applicable, in writing promptly after receiving written notice of any pending or threatened Action against it by any Person who is not a Party in respect of which such Indemnified Party is entitled to indemnification hereunder (a "**Third-Party Claim**"), which notice shall describe the claim in reasonable detail and the basis therefor, including copies of all material written evidence thereof and the amount of Losses related thereto (if known and quantifiable) or a good faith estimate of such Losses. The failure to give such prompt written notice shall not, however, relieve the

Indemnifying Party of its indemnification obligations, except and to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. If the claim is made by a Purchaser Indemnified Party, the amount of indemnifiable Losses included in the written notice, shall be withheld pursuant to Section 2.9 as an "Unresolved Claim Amount" until such Third-Party Claim is fully and finally resolved. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, assume the defense of any Third-Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel reasonably acceptable to the Indemnified Party (which written notice shall irrevocably acknowledge the Indemnifying Party's responsibility to fully indemnify the Indemnified Party hereunder for such Third-Party Claim, subject to any limitations on liability set forth in this Agreement, including in this Article IX), and the Indemnified Party shall cooperate in good faith in such defense; *provided*, that the Indemnifying Party shall not be entitled to assume the defense of (and shall pay the fees and expenses of counsel retained by the Indemnified Party with respect to), and the Indemnified Party shall be entitled to have sole control over the defense of, any Third-Party Claim that (i) seeks injunctive or other equitable relief or is part of a criminal Action, (ii) involves criminal or quasi-criminal allegations, (iii) involves a claim to which the Indemnified Party reasonably believes an adverse determination would be materially detrimental or injurious to the Indemnified Party, (iv) the Indemnified Party reasonably believes an adverse determination would result in Losses that would exceed the limitation on the right of the Indemnitee to recovery contained in this Article IX (taking into account all other indemnification claims), (v) in the reasonable opinion of counsel to the Indemnified Party, presents an actual conflict between the Indemnified Party and the Indemnifying Party that would make separate representation advisable or (vi) involves a claim that, upon petition by the Indemnified Party, the appropriate court or arbitrational body rules that the Indemnifying Party failed or is failing to vigorously prosecute or defend.

(b) If the Indemnifying Party assumes the defense of the Third-Party Claim, the Indemnified Party shall have the right, at its own cost and expense, to participate in the defense of any Third-Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. If the Indemnifying Party has the right to and does elect to defend any Third-Party Claim, the Indemnifying Party shall: (i) conduct the defense of such Third-Party Claim actively and diligently and keep the Indemnified Party fully informed of material developments in the Third-Party Claim at all stages thereof; (ii) promptly submit to the Indemnified Party copies of all pleadings, responsive pleadings, motions and other similar legal documents and papers received or filed in connection therewith; (iii) permit the Indemnified Party and its counsel to confer on the conduct of the defense thereof; and (iv) permit the Indemnified Party and its counsel an opportunity to review and comment on all legal papers to be submitted prior to their submission.

(c) Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement or consent to the entry of any judgment of any Third-Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned, or delayed). If the Indemnifying Party has not assumed the defense pursuant to Section 9.3(a), the Indemnified Party shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed, and, in the case of the Company Holders, shall be provided by the Stockholder Representative). Once fully and finally resolved, any Unresolved Claim Amount determined to be owed to any Purchaser Indemnified Party shall be permanently withheld pursuant to Section 2.9 and retained by Purchaser.

Section 9.4 Procedures for Inter-Party Claims. In the event that an Indemnified Party determines that it has a claim for Losses against an Indemnifying Party hereunder (other than as a result of a Third-Party Claim) (an "**Inter-Party Claim**"), the Indemnified Party shall promptly deliver written notice thereof to the Indemnifying Party specifying the nature and basis of the alleged breach giving rise to such Inter-Party Claim and all relevant facts and circumstances relating thereto, including copies of all material written evidence thereof, and the amount of Losses related thereto (if known and quantifiable) or a good faith estimate of such Losses. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and to the extent the Indemnifying Party forfeits rights or defenses by reason of such failure. If the claim is made by a Purchaser Indemnified Party, the amount of indemnifiable Losses included in the written notice shall be withheld pursuant to Section 2.9 as an "Unresolved Claim Amount" until such Inter-Party Claim is fully and finally resolved. The Indemnified Party shall provide the Indemnifying Party and its Representatives with reasonable access to its books and records during normal business hours for the purpose of allowing the Indemnifying Party a reasonable opportunity to verify any such Inter-Party Claim for Losses and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such necessary information and assistance (including reasonable access to the Company's premises and personnel reasonably related to such Inter-Party Claim during normal business hours on reasonable prior written notice and the right to examine and copy any reasonably related accounts, documents or records) as the Indemnifying Party or any of its Representatives may reasonably request. If the Indemnifying Party disputes liability in respect of such Inter-Party Claim under this Article IX, the Indemnifying Party shall notify the Indemnified Party thereof within 30 days following its receipt of such notice. If the Indemnifying Party does not so notify the Indemnified Party, the Inter-Party Claim specified by the Indemnified Party in such notice shall be conclusively deemed to be a liability of the Indemnifying Party under this Article IX. If the claim is made by a Purchaser Indemnified Party, (a) the amount of the Losses set forth in the notice of the Inter-Party Claim shall be permanently withheld pursuant to Section 2.9 and retained by Purchaser or (b) in the case of any notice in which the amount of the Inter-Party Claim (or any portion of the Inter-Party Claim) is estimated, on such later date when the amount of such Inter-Party Claim (or such portion of such Inter-Party Claim) becomes finally determined pursuant to Section 9.5. If the Stockholder Representative has timely disputed the Company Holders' liability with respect to such Inter-Party Claim as provided above, then the Stockholder Representative and the Purchaser Indemnified Party shall negotiate in good faith to resolve such dispute for a period of 30 days and, thereafter, shall be entitled to seek remedies in accordance with Section 11.5.

Section 9.5 Manner of Payment. Any Losses payable to any Purchaser Indemnified Party in accordance with this Article IX shall, following the final determination of the amount of such Losses payable to such Purchaser Indemnified Party in accordance with this Article IX and to the extent not previously withheld, be deducted from remaining amounts to be paid pursuant to Section 2.9 and retained by Purchaser. Any Losses payable to the Company Holders shall be paid to the Paying Agent for distribution to the Company Holders in accordance with their Pro Rata Share of the Losses on the subsequent anniversary of the Effective Time, and, if the third anniversary of the Effective Time has passed, within ten Business Days of such final determination.

Section 9.6 Purchaser Indemnified Party Representative. Purchaser shall act as the representative for each Purchaser Indemnified Party under this Agreement, and all actions or

notices by a Purchaser Indemnified Party must be performed through Purchaser as representative. Notices delivered to Purchaser will constitute notice to the applicable Purchaser Indemnified Party. Actions taken or omitted to be taken by Purchaser will constitute actions taken or omitted to be taken by the applicable Purchaser Indemnified Party. The Stockholder Representative is entitled to rely conclusively on all actions taken or signed on behalf of any Purchaser Indemnified Party by Purchaser as fully binding on the Purchaser Indemnified Party.

Section 9.7 Company Indemnified Party Representative. The Stockholder Representative shall act as the representative for each Company Indemnified Party under this Agreement, and all actions or notices by a Company Indemnified Party under this Agreement, and all actions or notices by a Company Indemnified Party must be performed through the Stockholder Representative. Notices delivered to the Stockholder Representative will constitute notice to the applicable Company Indemnified Party. Actions taken or omitted to be taken by the Stockholder Representative will constitute actions taken or omitted to be taken by the applicable Company Indemnified Party. Purchaser is entitled to rely conclusively on all actions taken or signed on behalf of any Company Indemnified Party by the Stockholder Representative as fully binding on each Company Indemnified Party.

Section 9.8 Exclusive Remedies. Except as set forth in Section 2.12 and Section 11.1 and for Actions based on fraud or willful misconduct, each of the Parties acknowledges and agrees (on behalf of themselves and the other Purchaser Indemnified Parties, as to Purchaser, and on behalf of the other Company Indemnified Parties, as to the Stockholder Representative) that from and after the Closing the sole and exclusive remedy of any such Person with respect to any and all claims relating to the subject matter of this Agreement shall be in accordance with the indemnification provisions set forth in this Article IX.

ARTICLE X

TERMINATION

Section 10.1 Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Closing by the mutual written consent of the Company and Purchaser, which consent shall have been approved by the action of their respective boards of directors.

Section 10.2 Termination by Either Purchaser or the Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Closing by either Purchaser or the Company, if:

(a) the Closing shall not have occurred on or before September 30, 2015 (the "**Termination Date**") (other than as a result of any material breach of this Agreement by the terminating party); or

(b) any court of competent jurisdiction shall have issued or entered an Order permanently enjoining or otherwise prohibiting the consummation of the Merger and such injunction shall have become final and non-appealable; *provided* that the Party seeking to terminate this Agreement pursuant to this Section 10.2(b) (i) shall not have initiated the proceeding

that gave rise to such Order or taken any action in support of such proceeding, (ii) shall have used such reasonable best efforts as may be required by Section 7.4 to prevent, oppose and remove such Order and (iii) shall not have breached its obligations under this Agreement, which breach shall have primarily contributed to the issuance, promulgation, enforcement or entry of such Order or the Order becoming final and non-appealable.

Section 10.3 Termination by the Company. This Agreement may be terminated and the Merger may be abandoned by the Company, with the approval of the Company Board, if:

(a) Purchaser or Merger Sub shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Article VI and (ii) if curable, cannot be cured by the earlier of (x) the Termination Date or (y) 30 days following the Company's delivery to Purchaser of the written notice contemplated by Section 10.5, *provided* that the right to terminate this Agreement under this Section 10.3 shall not be available if, at the time, the Company is in material breach of any of its covenants or agreements contained herein;

(b) at any time prior to, but not after, the Stockholders Meeting, if the Company Board has authorized the termination of this Agreement in accordance with Section 7.5(d), but only if the Company is not in breach of and has not breached Section 7.5 and, if prior to such termination, the Company pays to Purchaser the Company Termination Fee in accordance with Section 10.6; or

(c) the Necessary Stockholder Approval is not obtained at the Stockholders Meeting or any adjournment thereof at which this Agreement has been voted upon.

Section 10.4 Termination by Purchaser. This Agreement may be terminated and the Merger may be abandoned by Purchaser if:

(a) the Company shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Article V and (ii) if curable, cannot be cured by the earlier of (x) the Termination Date or (y) 30 days following Purchaser's delivery to the Company of the written notice contemplated by Section 10.5; *provided* that the right to terminate this Agreement under this Section 10.4(a) shall not be available if, at the time, Purchaser or Merger Sub is in material breach of any of its covenants or agreements contained herein;

(b) the Company, its Affiliates or any of their respective Representatives shall have breached Section 7.5 in any material respect;

(c) the Company Board effects a Company Adverse Recommendation Change;

(d) the Necessary Stockholder Approval is not obtained at the Stockholders Meeting or any adjournment thereof at which this Agreement has been voted upon;

(e) the approval described in Section 5.10(b) is not delivered to Purchaser within two Business Days following the receipt of the regulatory approvals described in Section 5.9(b); or

(f) any Target Entity shall have been notified by the State of Oregon or any other Governmental Authority that such Target Entity shall no longer be the only coordinated care organization providing Medicaid services under an Oregon Health Plan contract in Lane County, Oregon, or that such Target Entity's authority to operate as a Coordinated Care Organization or as a Health Care Service Contractor has been terminated, cancelled, suspended, revoked or otherwise lost or materially and adversely modified; or

(g) the Regulated Target Entity's Risk Based Capital falls below the Target RBC, or the occurrence of a Company Action Level Event as to the Regulated Target Entity.

Section 10.5 Termination Procedures. If Purchaser wishes to terminate this Agreement pursuant to Section 10.2 or Section 10.4, then Purchaser shall deliver to the Company a written notice in accordance with Section 11.13 stating that Purchaser is terminating this Agreement and setting forth a brief description of the basis on which Purchaser is terminating this Agreement. If the Company wishes to terminate this Agreement pursuant to Section 10.2 or Section 10.3, the Company shall deliver to Purchaser a written notice in accordance with Section 11.13 stating that the Company is terminating this Agreement and setting forth a brief description of the basis on which the Company is terminating this Agreement.

Section 10.6 Company Termination Fee.

(a)

(i) If this Agreement is terminated pursuant to Section 10.4(c), the Company shall pay the Company Termination Fee to Purchaser (or one or more of its designees) promptly, but in any event within two Business Days after the date of such termination, by wire transfer of same day funds to one or more accounts designated by Purchaser (or its designee(s)).

(ii) If this Agreement is terminated pursuant to Section 10.3(c), Section 10.4(b) or Section 10.4(d), the Company shall pay the applicable Company Termination Fee to Purchaser (or one or more of its designees) promptly, but in any event within two Business Days after the date of such termination, by wire transfer of immediately available funds to one or more accounts designated by Purchaser (or its designee(s)).

(iii) If this Agreement is terminated pursuant to Section 10.4(a) and the Company, within 12 months after the date of such termination, enters into an Acquisition Agreement with a Third Party or consummates an Acquisition Proposal, in each case, for at least 15% of the issued and outstanding Equity Interests of a Target Entity or at least 15% of the assets of the Target Entities on a consolidated basis, then the Company shall pay the Company Termination Fee to Purchaser (or one or more of its designees) prior to the execution of such Acquisition Agreement and/or consummation of such Acquisition Proposal, as applicable, by wire transfer of immediately available funds to one or more accounts designated by Purchaser (or its designee(s)).

(iv) If this Agreement is terminated pursuant to Section 10.3(c) or Section 10.4(d) and the Company, within 12 months after the date of such termination, enters into an Acquisition Agreement with a Third Party or consummates an Acquisition Proposal, in each case, for at least 15% of the issued and outstanding Equity Interests of a Target Entity or at least 15% of the assets of the Target Entities on a consolidated basis, then the Company shall pay the Additional Company Termination Fee to Purchaser (or one or more of its designees) prior to the execution of such Acquisition Agreement and/or consummation of such Acquisition Proposal, as applicable, by wire transfer of immediately available funds to one or more accounts designated by Purchaser (or its designee(s)).

(v) If this Agreement is terminated by the Company pursuant to Section 10.3(b), then, prior to such termination, the Company shall pay the Company Termination Fee to Purchaser (or one or more of its designees) by wire transfer of same day funds to one or more accounts designated by Purchaser (or its designee(s)).

(b) For the avoidance of doubt, in no event shall the Company be obligated to pay, or cause to be paid, the Company Termination Fee or the Additional Company Termination Fee on more than one occasion. Purchaser shall have the right to assign the right to receive the Company Termination Fee and the Additional Company Termination Fee to one or more Persons in its sole discretion.

Section 10.7 Effect of Termination and Abandonment.

(a) Termination of this Agreement pursuant to this Article X shall terminate all rights, remedies and obligations of the Parties and none of the Parties shall have any liability to any of the other parties or any of their respective officers, directors, employees or stockholders hereunder, except that the provisions set forth in this Article X and Article XI, and the defined terms to the extent necessary under those articles, and the Confidentiality Agreement shall remain in effect; *provided* that nothing herein shall relieve any Party from any liability for damages arising out of its material breach of any of its covenants or agreements contained in this Agreement; *provided, further*, that if the Company Termination Fee is paid to Purchaser, neither Purchaser nor Merger Sub may recover additional amounts for damages pursuant to this Section 10.7 other than in the event of fraud (and, for the avoidance of doubt, the Additional Company Termination Fee).

(b) The Parties acknowledge that the agreements contained in this Section 10.7 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the Parties would not enter into this Agreement.

Section 10.8 Investigation Shall Not Limit Rights. The right of any Party to terminate this Agreement pursuant to this Article X shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Party, or any of their respective Affiliates or Representatives, whether prior to or after the execution of this Agreement.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Remedies.

(a) Remedies of Purchaser and Merger Sub. In addition to the provisions of Section 2.12, Section 8.1 and Article IX, Purchaser and Merger Sub shall have the following remedies:

(i) Specific Performance. Prior to the valid termination of this Agreement pursuant to Article X, Purchaser and Merger Sub shall be entitled to seek and obtain an injunction, specific performance and other equitable relief to prevent breaches of this Agreement by the Company and to enforce specifically the terms and provisions hereof, including the Company's obligation to consummate the Merger.

(ii) Termination. Each of Purchaser and Merger Sub shall be entitled to all rights and remedies available to it in connection with a termination of this Agreement by it in accordance with Article X, including payment of the Company Termination Fee and Additional Company Termination Fee in accordance with the terms thereof.

(iii) Specific Performance by Purchaser. After the Closing, the Purchaser shall be entitled to seek and obtain an injunction, specific performance and other equitable remedies to prevent breaches of this Agreement by the Stockholder Representative and the Company Holders and to enforce specifically the terms and provisions hereof.

(b) Remedies of the Company and the Stockholder Representative. In addition to the provisions of Section 2.12, Section 8.1 and Article IX, the Company and the Stockholder Representative shall have the following remedies:

(i) Specific Performance by the Company. Prior to the valid termination of this Agreement pursuant to Article X, the Company shall be entitled to seek and obtain an injunction, specific performance and other equitable remedies to prevent breaches of this Agreement by Purchaser or Merger Sub and to enforce specifically the terms and provisions hereof, including Purchaser's and Merger Sub's obligation to consummate the Merger.

(ii) Specific Performance by the Stockholder Representative. After the Closing, the Stockholder Representative shall be entitled to seek and obtain an injunction, specific performance and other equitable remedies to prevent breaches of this Agreement by Purchaser or the Surviving Corporation and to enforce specifically the terms and provisions hereof.

(iii) Termination. The Company shall be entitled to all rights and remedies available to it in connection with a termination of this Agreement by it in accordance with Article X.

(c) Money Damages not Adequate. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and that any breach of this Agreement could not be adequately compensated in all cases by monetary damages alone. Each Party hereby agrees not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches of this Agreement by such Party and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened

breaches of, or to enforce compliance with, the covenants and obligations of such Party under this Agreement. Any Party seeking an Order or injunction to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide any bond or other security in connection with such Order or injunction sought in accordance with the terms of this Section 11.1.

Section 11.2 Amendments; Waivers. Prior to the Closing, this Agreement may be amended or any provision of this Agreement may be waived only by a writing executed by the Company, the Stockholder Representative, Purchaser and Merger Sub. After the Closing, this Agreement may be amended or any provision of this Agreement may be waived only by a writing executed by Purchaser and the Stockholder Representative. No course of dealing between or among the Parties shall be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any Party under or by reason of this Agreement, and no waiver by any Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Section 11.3 Governing Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the Schedules and Exhibits hereto and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement) shall be governed by, and construed in accordance with, the Laws of the State of Delaware without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware, except to the extent required by the OBCA and/or to give effect to the terms hereof under the OBCA. In furtherance of the foregoing, the internal law of the State of Delaware shall control the interpretation and construction of this Agreement (and all Schedules and Exhibits hereto), even though under that jurisdiction's choice of law or conflict of law analysis the substantive law of some other jurisdiction would ordinarily apply, except to the extent required by the OBCA and/or to give effect to the terms hereof under the OBCA and the applicable insurance laws of the State of Oregon.

Section 11.4 Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANOTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.4.

Section 11.5 Consent to Jurisdiction. Each Party irrevocably submits to the exclusive jurisdiction of the United States District Court for the District of Oregon for the purposes of any Action arising out of this Agreement or the transactions contemplated hereby. Each Party agrees to commence any such Action exclusively in the United States District Court for the District of Oregon. Each Party further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth above shall be effective service of process for any Action in the State of Oregon with respect to any matters to which it has submitted to jurisdiction in this Section 11.5. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any Action arising out of this Agreement or the transactions contemplated hereby in the United States District Court for the District of Oregon and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Action brought in any such court has been brought in an inconvenient forum.

Section 11.6 Successors and Assigns. This Agreement and all of the covenants and agreements contained herein and the rights, interests and obligations hereunder shall bind and inure to the benefit of the respective heirs, successors and assigns of the Parties hereto whether so expressed or not, except that neither this Agreement nor any of the covenants and agreements herein or rights, interests or obligations hereunder may be assigned or delegated by the Company, Purchaser or Merger Sub prior to the Closing without the prior written consent of the other Parties hereto; *provided* that any of Merger Sub, Purchaser and, following the Closing, the Surviving Corporation, may assign its rights pursuant to this Agreement, including its rights to indemnification, to any of its financing sources as collateral security. Except as permitted by this Section 11.6, any purported assignment or delegation of this Agreement, any of the covenants and agreements herein or any of the rights, interests or obligations hereunder, shall be void.

Section 11.7 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable Law, but if any provision of this Agreement or the application of any such provision to any Person or circumstance shall be held to be prohibited by, illegal or unenforceable under applicable Law in any respect by a court of competent jurisdiction, such provision shall be ineffective only to the extent of such prohibition or illegality or unenforceability, without invalidating the remainder of such provision or the remaining provisions of this Agreement. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 11.8 Counterparts. This Agreement may be executed simultaneously in counterparts (including by signature pages delivered by means of facsimile machine or electronic transmission in portable electronic format (pdf)), any one of which need not contain the signatures of more than one Party, but all such counterparts taken together shall constitute one and the same Agreement.

Section 11.9 Delivery by Facsimile or PDF. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or electronic transmission in portable document format (pdf) shall be treated in all manner and respects as an

original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any Party or to any such agreement or instrument, each other Party or thereto shall re-execute original forms thereof and deliver them to all other Parties. No Party or party to any such agreement or instrument shall raise the use of a facsimile machine or electronic transmission in portable document format (pdf) to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or electronic transmission in portable document format (pdf) as a defense to the formation of a contract and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

Section 11.10 Entire Agreement. This Agreement (including the Company Disclosure Schedule and all other Schedules and Exhibits hereto), the Confidentiality Agreement and the agreements and certificates to be delivered by any of the Target Entities or Purchaser at the Closing, contain the entire agreement and understanding among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, relating to such subject matter in any way. All Schedules and Exhibits attached hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein.

Section 11.11 No Third-Party Beneficiaries. Except as expressly set forth in Article IX (Indemnification) and Section 8.1(a) (Tax Indemnification), and except for the rights granted to the Stockholder Representative under Section 8.6, this Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing herein expressed or implied shall give or be construed to give any Person, other than the Parties and such permitted successors and assigns, any legal or equitable rights hereunder.

Section 11.12 Schedules. The information set forth in a given section or subsection of the Company Disclosure Schedule or the Purchaser Disclosure Schedule shall be deemed to provide the information contemplated by, or otherwise qualify, the provisions of this Agreement set forth in the corresponding section or subsection of this Agreement and any other section or subsection of this Agreement if and to the extent that it is reasonably apparent on its face that such information is relevant to such other section or subsection of this Agreement, whether or not an explicit cross reference appears.

Section 11.13 Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, one Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), upon written acknowledgment of receipt after transmittal by facsimile or electronic mail during business hours at the site of receipt or three days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications shall be sent to Purchaser, Merger Sub, the Stockholder Representative and the Company at the addresses indicated below or to such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party.

The Company:

Agate Resources, Inc.
1800 Millrace Drive
Eugene, Oregon 97403
Attn: Terry W. Coplin
Fax: (541) 762-9034
Email: tcoplin@trilliumchp.com

with a copy to (which shall not constitute notice to the Company):

Stoel Rives LLP
900 SW Fifth Avenue, Suite 2600
Portland, Oregon 97204
Attention: Barbara L. Nay & Jason M. Brauser
Fax: (503) 224-3380
Email: barbara.nay@stoel.com & jason.brauser@stoel.com

Stockholder Representative:

James Dalton
1505 SE Oxford Lane
Milwaukie, Oregon 97222-7414
Phone: (503) 956-1312
Email: jfdpdx@gmail.com

with a copy to (which shall not constitute notice to the Stockholder Representative):

Jeremy P. Prickel, CPA
432 W. 11th Ave.
Eugene, OR 97401
Phone: (541) 687-2320
Fax: (541) 485-0960
jeremyp@jrcpa.com

Purchaser, Merger Sub and, following the Closing, the Surviving Corporation:

Centene Corporation
7770 Forsyth Blvd., Suite 800
St. Louis, MO 63105
Attn: Keith H. Williamson
Fax: (314) 725-5180
Email: kwilliamson@centene.com

with copy to (which shall not constitute notice to Purchaser, Merger Sub or the Surviving Corporation):

Kirkland & Ellis LLP
300 North LaSalle Street
Chicago, Illinois 60654
Attn: Gerald T. Nowak, P.C. & Kevin L. Morris
Fax: 1-312-862-2200
Email: gnowak@kirkland.com & kmorris@kirkland.com

Section 11.14 Expenses. Except as otherwise specified in this Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated by this Agreement must be paid by the Party incurring such costs and expenses, whether or not the Closing has occurred.

* * * * *

IN WITNESS WHEREOF, the Parties have executed this Agreement and Plan of Merger on the date first written above.

The Company: AGATE RESOURCES, INC.

[redacted]

Nat[redacted]
Its: CEO / Secretary

Stockholder Representative: [redacted]

James Dalton

[Signature pages 1 of 2 to Merger Agreement]

Purchaser:

CENTENE CORPORATION

By: [redacted]
Name: Jesse Hunter
Its: Executive Vice President

Merger Sub:

PREFONTAINE MERGER SUB, INC.

By: [redacted]
Name: Jesse Hunter
Its: President

Exhibit A

Resolutions Adopted by the Board of Directors of Agate Resources, Inc.

Meeting Date: January 16, 2015

Acquisition of the Company by Centene Corporation

WHEREAS, Agate Resources, Inc., an Oregon corporation (the "**Company**"), has entered into discussions with Centene Corporation, a Delaware corporation ("**Parent**"), regarding a statutory merger pursuant to which (i) a wholly-owned subsidiary of Parent ("**Merger Sub**") would merge with and into the Company and (ii) the Company would become a wholly-owned subsidiary of Parent (the "**Merger**");

WHEREAS, the Board of Directors (the "**Board**") believes that it is advisable and fair and in the best interests of the Company and its shareholders that the Company enter into an Agreement and Plan of Merger with Parent, Merger Sub, and James Dalton, as Stockholder Representative, in substantially the form attached hereto as **Exhibit A** (the "**Merger Agreement**"), pursuant to which the issued and outstanding shares of capital stock of the Company and options outstanding immediately before the effective time of the Merger will convert into the right to receive a portion, as set forth in the Merger Agreement, of (i) $80,000,000 (subject to a working capital adjustment and Risk Based Capital adjustment), *less* (ii)(A) up to $400,000 plus up to 10% of amounts released to shareholders and option holders on the first, second and third anniversaries of the closing date to cover costs incurred by the Stockholder Representative as contemplated by the Merger Agreement, (B) transaction costs incurred by the Company as contemplated by the Merger Agreement and (C) $1,000,000 to partner with Parent to create a community investment fund, *plus* (iii)(A) up to $5,000,000 in future bonus payments payable in accordance with the terms of the Merger Agreement and (B) up to $20,000,000 in deferred purchase price;

RESOLVED, that the Board has determined that the Merger Agreement and the transactions provided for in the Merger Agreement, including the Merger, and the consideration to be paid for each share of the Company's Common Stock in the Merger, are fair to the shareholders;

RESOLVED, that the terms and provisions of the Merger Agreement, in substantially the form attached hereto, and the transactions and agreements contemplated by the Merger Agreement, including the Merger, are hereby approved and adopted;

RESOLVED, that the form, terms and provisions of the Stockholder Support Agreement, in substantially the form attached to the Merger Agreement, are hereby approved and adopted;

RESOLVED, that the Merger and the Merger Agreement are advisable and the Merger and the Merger Agreement be submitted to the Company's shareholders for approval at a special meeting of the shareholders;

RESOLVED, that the Board recommends to the Company's shareholders that they vote in favor of and approve and adopt the Merger and the Merger Agreement;

RESOLVED, that each of Terry Coplin and David Cole (each, an "**Authorized Officer**" and collectively, the "**Authorized Officers**") is authorized and directed in the name and on behalf of the Company to execute and deliver the Merger Agreement, with such changes as any Authorized Officer may approve, such officer's execution and delivery of the Merger Agreement constituting conclusive evidence of such officer's approval;

RESOLVED, that each of the Authorized Officers is authorized to negotiate, execute and deliver any and all other agreements, documents, instruments or certificates contemplated by the Merger Agreement (collectively, the "**Transaction Documents**"), including the Stockholder Support Agreement and the Articles of Merger, or necessary for the delivery or performance thereof, all in such form as the officer executing such Transaction Document shall approve and deem necessary or appropriate, such officer's execution and delivery thereof to serve as conclusive evidence of such officer's approval;

RESOLVED, that each of the Authorized Officers is authorized (i) to execute and deliver a written consent on behalf of the Company, as a shareholder of Trillium Community Health Plan, Inc. (**"Trillium"**), directing Trillium, in accordance with Trillium's articles of incorporation and subject to the completion of the Merger, to distribute the Excess Cash Amount (as defined in the Merger Agreement) to Trillium's shareholders, and (ii) to take any other action the Authorized Officer deems necessary or advisable to, subject to the completion of the Merger, cause the entire Excess Cash Amount to be distributed to the Company, including through a distribution by Lane Individual Practice Association, Inc. (**"LIPA"**) to the Company of the portion of the Excess Cash Amount distributed by Trillium to LIPA;

RESOLVED, that, subject to the approval and adoption of the Merger Agreement by the shareholders, the Board approves the filing of the Articles of Merger on the Closing Date (as defined in the Merger Agreement);

RESOLVED, that the Company's performance of its obligations under the Merger Agreement, the Transaction Documents to which it is a party and the transactions contemplated thereby is approved in all respects; and

RESOLVED, that each Authorized Officer of the Company is authorized to prepare or cause to be prepared, and to execute and file, jointly with Parent or otherwise, all such applications, amendments thereof, and documents related thereto, as may be deemed by either officer to be necessary or desirable to obtain such approvals or authorizations of regulatory authorities as may be required to effect the Merger on the basis, or on substantially the basis, set forth in the Merger Agreement.

Treatment of Options and Company Option Plan

WHEREAS, in connection with the Merger, the Board believes that it is in the best interests of the Company and its shareholders to treat outstanding options (each, an "**Option**") under

the Company's Amended and Restated 2004 Stock Incentive Plan (the "**Company Option Plan**") in the manner described in the Merger Agreement;

RESOLVED, that, (i) pursuant to Section 8.2-3 of the Company Option Plan and subject to the completion of the Merger, during the period beginning on the later of (A) the date on which the Merger Agreement is executed and delivered on behalf of the Company or (B) the date which is 30 days before the Effective Time (as defined in the Merger Agreement) and ending at the Effective Time (the "**Merger Exercise Period**"), Options outstanding under the Company Option Plan may be exercised to the extent then exercisable, (ii) subject to the completion of the Merger, immediately prior to the expiration of the Merger Exercise Period, Options outstanding under the Company Option Plan shall become fully vested and exercisable, and (iii) subject to the completion of the Merger, upon the expiration of the Merger Exercise Period, all unexercised Options and related option agreements shall immediately terminate and be canceled in exchange for the consideration set forth in the Merger Agreement;

RESOLVED, that, subject to the completion of the Merger and in accordance with the Merger Agreement, the holder of each Option outstanding under the Company Option Plan as of immediately before the expiration of the Merger Exercise Period shall be entitled to receive, subject to the terms and conditions of the Merger Agreement, the consideration set forth in the Merger Agreement;

RESOLVED, that each of the Authorized Officers is authorized and directed, in the name and on behalf of the Company, to do all things, perform all acts and execute all documents deemed by him or her to be necessary or appropriate to give effect to the purpose and intent of the foregoing resolutions; and

RESOLVED, that, as of the Effective Time, the Company Option Plan shall terminate and be of no further force or effect.

Special Shareholders Meeting Date

RESOLVED, that a Special Meeting of the shareholders (the "**Special Shareholders Meeting**") be held no later than the date that is 35 days following the date on which the Oregon Insurance Division approves the "Form A" filed by Parent pursuant to the Merger Agreement for the purpose of obtaining the Necessary Stockholder Approval (as defined in the Merger Agreement) at such time and location as management may determine.

Record Date; Solicitation of Proxies

RESOLVED, that the record date for determining shareholders entitled to notice of and to vote at the Special Shareholders Meeting and for purposes of solicitation of proxies referenced below shall be 5:00 p.m., Pacific time, on the date that is 15 Business Days after the date of the Merger Agreement; and

RESOLVED, that the Company is authorized and directed to solicit proxies (each, a "**Proxy**") in favor of Thomas Wuest, M.D., Terry Coplin and David Cole, or any of them, with respect to the Merger and the Merger Agreement.

Approval of Notice and Proxy Statement

RESOLVED, that the Notice of Special Meeting of Shareholders, Proxy Statement and Proxy, each in the form approved by the chief executive officer of the Company, are approved, and the chief executive officer of the Company is authorized to cause to be transmitted to the shareholders the Notice of Special Meeting of Shareholders, Proxy Statement and Proxy.

General Authorization; Ratification

RESOLVED, that the officers of the Company are each authorized to execute and deliver all such further instruments and documents (including amendments to any agreement or other document approved in the foregoing resolutions), pay such expenses and do and perform such other acts and things as, in the judgment of the officer or officers taking the action, may be necessary or desirable to carry out fully the intent and accomplish the purposes of the foregoing resolutions; and

RESOLVED, that any acts of any officer or officers of the Company and of any person or persons designated and authorized to act by any officer of the Company, which acts would have been authorized by the foregoing resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved, and adopted as the acts of the Company.

Centene Corporation
Directors and Executive Officers

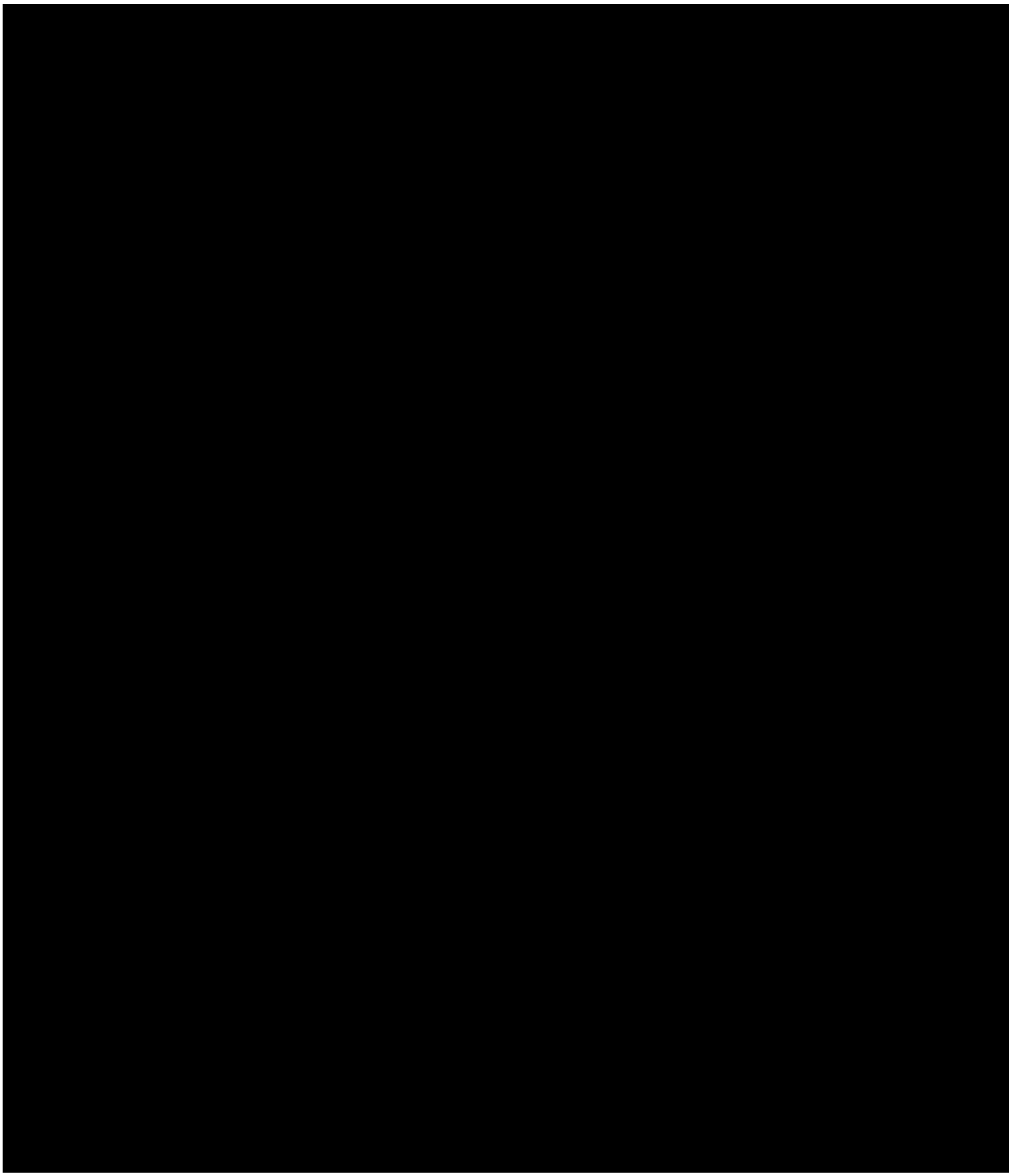
Name	Position
Michael F. Neidorff	Chairman, President and Chief Executive Officer
Orlando Ayala	Director
Robert K. Ditmore	Director
Frederick H. Eppinger	Director
Richard A. Gephardt	Director
Pamela A. Joseph	Director
John R. Roberts	Director
David L. Steward	Director
Tommy G. Thompson	Director
K. Rone Baldwin	Executive Vice President, Insurance Group Business Unit
Carol E. Goldman	Executive Vice President and Chief Administrative Officer
Jason M. Harrold	Executive Vice President, Specialty Company Business Unit
Robert T. Hitchcock	Executive Vice President, Health Plan Business Unit
Jesse N. Hunter	Executive Vice President, Chief Business Development Officer
Donald G. Imholz	Executive Vice President, Operations and Chief Information Officer
Edmund E. Kroll, Jr.	Senior Vice President, Finance and Investor Relations
C. David Minifie	Executive Vice President, Business Integration & Chief Marketing Officer
William N. Scheffel	Executive Vice President, Chief Financial Officer and Treasurer
Jeffrey A. Schwaneke	Senior Vice President, Corporate Controller and Chief Accounting Officer
Keith H. Williamson	Executive Vice President, General Counsel and Secretary

TRILLIUM COMMUNITY HEALTH PLAN REVISED RBC PLAN
COMPARISON OF TOTAL ADJUSTED CAPITAL TO RISK-BASED CAPITAL

	2014	2015	2016	2017
[redacted]				
[redacted]				
Capital and Surplus	43,454,699	47,005,012	67,392,877	89,302,708
[redacted]				
[redacted]				
[redacted]				
[redacted]				
[redacted]				
[redacted]				
[redacted]				

Trend Test	**2014**	**2015**	**2016**	**2017**
TOTAL Revenue	407,528,920	486,063,190	510,622,328	536,937,967
Underwriting Deductions	371,503,578	444,398,644	477,746,424	501,719,101
Combined Ratio	91.160	91.428	93.562	93.441
[redacted]				
[redacted]				
[redacted]				

RBC ANALYSIS REVISED RBC PLAN



RBC ANALYSIS REVISED RBC PLAN

[redacted]

Capital and Surplus	43,454,699	47,005,012	67,392,877	89,302,708

[redacted]

TRILLIUM COMMUNITY HEALTH PLAN REVISED RBC PLAN
BALANCE SHEET 2015-17 PROJECTION

	Net Admitted Assets			
Assets	**2014 Actual**	**2015 Forecast**	**2016 Forecast**	**2017 Forecast**
Bonds	26,024,312	26,024,312	26,024,312	26,024,312
Cash ($80,397,408), cash equivalents ($250,556), short-term investments ($6,033,296)	86,681,259	102,153,195	127,296,649	153,783,813
Subtotals, cash and invested assets	112,705,571	128,177,507	153,320,961	179,808,125
Investment income due and accrued	123,072	176,340	211,744	248,887
Uncollected premiums and agents balances in the course of collection	1,447,392	1,726,317	1,813,542	1,907,005
Accrued retrospective premiums	1,479,871	1,765,055	1,854,237	1,949,798
Amounts receivable relating to uninsured plans	1,073,936	1,280,893	1,345,612	1,414,960
Net deferred tax asset	1,009,000	1,161,284	926,646	995,821
Health care and other amounts receivable				
Aggregate write-ins for other than invested assets	1,000,000	1,000,000	1,000,000	1,000,000
Total Assets	118,838,842	135,287,394	160,472,742	187,324,596
Details of Write-Ins				
Receivable from parent	1,000,000	1,000,000	1,000,000	1,000,000

	Total			
Liabilities, Capital and Surplus	**2014 Actual**	**2015 Forecast**	**2016 Forecast**	**2017 Forecast**
Claims unpaid (less $0 reinsurance ceded)	47,748,800	55,929,509	60,521,105	63,630,302
Accrued medical incentive pool and bonus amounts	6,700,000	7,847,898	8,492,180	8,928,455
Unpaid claims adjustment expenses	1,038,600	1,216,541	1,316,415	1,384,044
Aggregate health policy reserves, including the liability of $0 for medical loss ratio rebate per the Public Health Service Act	46,179			
General expenses due or accrued	5,086,303	5,957,729	6,446,836	6,778,034
Current federal and foreign income tax payable and interest thereon including $0 on realized capital gains (losses)	7,324,000	8,622,874	6,880,620	7,394,262
Amounts due to parent, subsidiaries and affiliates	7,434,152	8,707,831	9,422,710	9,906,790
Aggregate write-ins for other liabilities (including $0 current)	6,109			
Total Liabilities	75,384,143	88,282,382	93,079,865	98,021,888
Common capital stock	20,005,722	20,005,722	20,005,722	20,005,722
Unassigned funds (surplus)	23,448,977	26,999,290	47,387,155	69,296,986
Total Capital and Surplus	43,454,699	47,005,012	67,392,877	89,302,708
Total Liabilities, Capital and Surplus	118,838,842	135,287,394	160,472,742	187,324,595
Details of Write-Ins				
Premiums received in advance	3,491			
Unclaimed Property	2,618			

TRILLIUM COMMUNITY HEALTH PLAN REVISED RBC PLAN
STATEMENT OF REVENUE AND EXPENSES

	2014 Actual	2015 Forecast	2016 Forecast	2017 Forecast
Member Months	1,054,140	1,154,400	1,212,120	1,272,726
Net premium income (including $0 non-health premium income)	407,528,920	486,063,190	510,622,328	536,937,967
Less: HRA Hospital Reimbursement Adjustment				
Total Revenues	407,528,920	486,063,190	510,622,328	536,937,967
Hospital and Medical:				
Hospital/medical benefits	224,535,045	262,916,887	284,410,097	298,928,603
Other professional services	26,477,382	31,003,405	33,537,904	35,249,940
Emergency room and out-of-area	26,571,699	31,113,844	33,657,372	35,375,506
Prescription drugs	43,613,005	51,068,177	55,242,953	58,062,984
Incentive pool, withhold adjustments and bonus amounts	4,685,385	5,486,301	5,934,801	6,237,759
Subtotal	325,882,516	381,588,614	412,783,127	433,854,793
Less:				
Net reinsurance recoveries	6,220,947	7,160,051	7,615,428	7,872,103
HRA Hospital Reimbursement Adjustment				
TOTAL Hospital and Medical	319,661,569	374,428,563	405,167,699	425,982,689
Claims adjustment expenses, including $24,054,720 in cost containment expenses	32,461,976	38,011,000	41,118,364	43,217,366
General administrative expenses	19,380,033	31,959,080	31,460,361	32,519,046
TOTAL Underwriting Deductions	371,503,578	444,398,644	477,746,424	501,719,101
Net underwriting gain or (loss)	36,025,342	41,664,546	32,875,905	35,218,866
Net investment income earned	642,522	919,309	1,103,870	1,297,519
Net gain or (loss) from agents or premium balances charged off [(amount recovered $0) (amount charged off $1,000)	(310)			
Net income or (loss) after capital gains tax and before all other federal income taxes	36,667,554	42,583,855	33,979,775	36,516,385
Federal and foreign income taxes incurred	14,467,759	17,033,542	13,591,910	14,606,554
Net income (loss)	22,199,795	25,550,313	20,387,865	21,909,831
DETAILS OF WRITE-INS: DHS Transformation Grant	7,071,133	xxx	xxx	xxx

TRILLIUM COMMUNITY HEALTH PLAN REVISED RBC PLAN
STATEMENT OF REVENUE AND EXPENSES (CONTINUED) 2015-17 PROJECTION

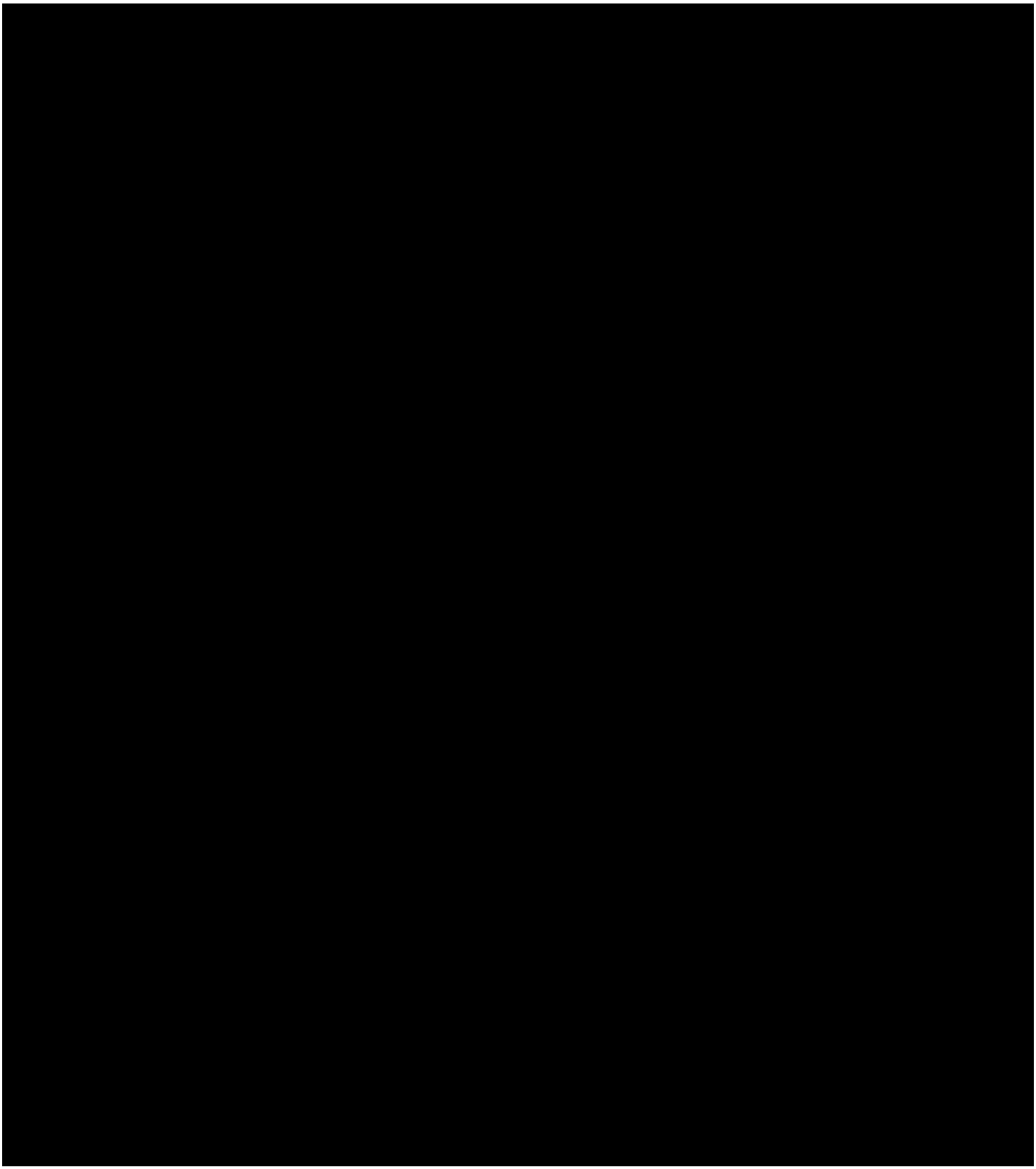
Capital & Surplus Account	2014 Actual	2015 Forecast	2016 Forecast	2017 Forecast
Capital and surplus prior reporting year	20,873,465	43,454,699	47,005,011	67,392,876
Net income or (loss)	22,736,664	26,143,593	21,025,460	22,551,140
Change in net deferred income tax	405,000	152,284	(234,638)	69,175
Change in nonadmitted assets	(560,430)	(745,564)	(402,957)	(710,483)
Capital Changes:				
Paid in	0	(22,000,000)	0	0
Net change in capital and surplus	22,581,234	3,550,313	20,387,865	21,909,831
Capital and surplus end of reporting year	43,454,699	47,005,011	67,392,876	89,302,708

TRILLIUM COMMUNITY HEALTH PLAN REVISED RBC PLAN
COMPARISON OF TOTAL ADJUSTED CAPITAL TO RISK-BASED CAPITAL

	2014	2015	2016	2017
[redacted]				
Capital and Surplus	43,454,699	69,005,012	89,392,877	111,302,708
[redacted]				

Trend Test	**2014**	**2015**	**2016**	**2017**
TOTAL Revenue	407,528,920	486,063,190	510,622,328	536,937,967
Underwriting Deductions	371,503,578	444,398,644	477,746,424	501,719,101
Combined Ratio	91.160	91.428	93.562	93.441
[redacted]				

RBC ANALYSIS REVISED RBC PLAN



FIXED INCOME ASSETS

[redacted]

Capital and Surplus	43,454,699	69,005,012	89,392,877	111,302,708

[redacted]

TRILLIUM COMMUNITY HEALTH PLAN REVISED RBC PLAN
BALANCE SHEET 2015-17 PROJECTION

	Net Admitted Assets			
Assets	**2014 Actual**	**2015 Forecast**	**2016 Forecast**	**2017 Forecast**
Bonds	26,024,312	26,024,312	26,024,312	26,024,312
Cash ($80,397,408), cash equivalents ($250,556), short-term investments ($6,033,296)	86,681,259	124,153,195	149,296,649	175,783,813
Subtotals, cash and invested assets	112,705,571	150,177,507	175,320,961	201,808,125
Investment income due and accrued	123,072	176,340	211,744	248,887
Uncollected premiums and agents balances in the course of collection	1,447,392	1,726,317	1,813,542	1,907,005
Accrued retrospective premiums	1,479,871	1,765,055	1,854,237	1,949,798
Amounts receivable relating to uninsured plans	1,073,936	1,280,893	1,345,612	1,414,960
Net deferred tax asset	1,009,000	1,161,284	926,646	995,821
Health care and other amounts receivable				
Aggregate write-ins for other than invested assets	1,000,000	1,000,000	1,000,000	1,000,000
Total Assets	118,838,842	157,287,394	182,472,742	209,324,596
Details of Write-Ins				
Receivable from parent	1,000,000	1,000,000	1,000,000	1,000,000

	Total			
Liabilities, Capital and Surplus	**2014 Actual**	**2015 Forecast**	**2016 Forecast**	**2017 Forecast**
Claims unpaid (less $0 reinsurance ceded)	47,748,800	55,929,509	60,521,105	63,630,302
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Total Liabilities	75,384,143	88,282,382	93,079,865	98,021,888
Common capital stock	20,005,722	20,005,722	20,005,722	20,005,722
Unassigned funds (surplus)	23,448,977	48,999,290	69,387,155	91,296,986
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TRILLIUM COMMUNITY HEALTH PLAN REVISED RBC PLAN
STATEMENT OF REVENUE AND EXPENSES

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Less:				
Net reinsurance recoveries	6,220,947	7,160,051	7,615,428	7,872,103
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DETAILS OF WRITE-INS: DHS Transformation Grant	7,071,133	xxx	xxx	xxx

TRILLIUM COMMUNITY HEALTH PLAN REVISED RBC PLAN
STATEMENT OF REVENUE AND EXPENSES (CONTINUED) 2015-17 PROJECTION

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Change in nonadmitted assets	(560,430)	(745,564)	(402,957)	(710,483)
Capital Changes:				
Paid in	0	0	0	0
Net change in capital and surplus	22,581,234	25,550,313	20,387,865	21,909,831
Capital and surplus end of reporting year	43,454,699	69,005,011	89,392,876	111,302,708

1. Issued and outstanding shares of the Company:

Last Name	First Name	Middle/Sffx	ShareholderType	A Shares	B Shares
[redacted]				[redacted]	

Last Name	First Name	Middle/Sffx	ShareholderType	A Shares	B Shares
[redacted]					

Last Name	First Name	Middle/Sffx	ShareholderType	A Shares	B Shares
[redacted]					

Last Name	First Name	Middle/Sffx	ShareholderType	A Shares	B Shares
[redacted]					

Last Name	First Name	Middle/Sffx	ShareholderType	A Shares	B Shares
[redacted]					

Last Name	First Name	Middle/Sffx	ShareholderType	A Shares	B Shares
[redacted]					

1. Outstanding Options[2]*

Last	First	SH Type	Open Optns	Acquired thru	Acquired	Optn Yr	EX Price ($)	Expire On
[redacted]								

[2]The Company's directors' options are fully vested on grant. The Company's employees' options vest one-fourth on the first anniversary of the employee's hire date and thereafter by one-forty eighth per month.

*member of the board of directors of the Company.

Confidentiality Statement

The Attached Pages Are Not Subject to Public Disclosure Under Oregon Law

The following pages in this file are provided to the Oregon Insurance Division in response to a request for additional information related to a "Form A" filing. The materials are confidential and are exempt from public disclosure pursuant to Oregon law under ORS 192.501(2) and ORS 192.502(4).

Estimated Consideration to be Paid to Each Owner

Last Name	First Name	Consideration
[redacted]		

Last Name	First Name	Consideration
[redacted]		

Last Name	First Name	Consideration
[redacted]		

Last Name	First Name	Consideration
[redacted]		

Last Name	First Name	Consideration
[redacted]		
TOTAL		$128,251,766

EXHIBIT C

NAIC BIOGRAPHICAL AFFIDAVITS*

*** Centene requests confidential treatment for Exhibit C as exempt from public disclosure pursuant to ORS 192.501(28), ORS 192.502(2), and ORS 192.502(4).**

MICHAEL F. NEIDORFF

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable): First: *Michael* Middle: *Frederic* Last: *Neidorff*

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

[redacted]

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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Full name, address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

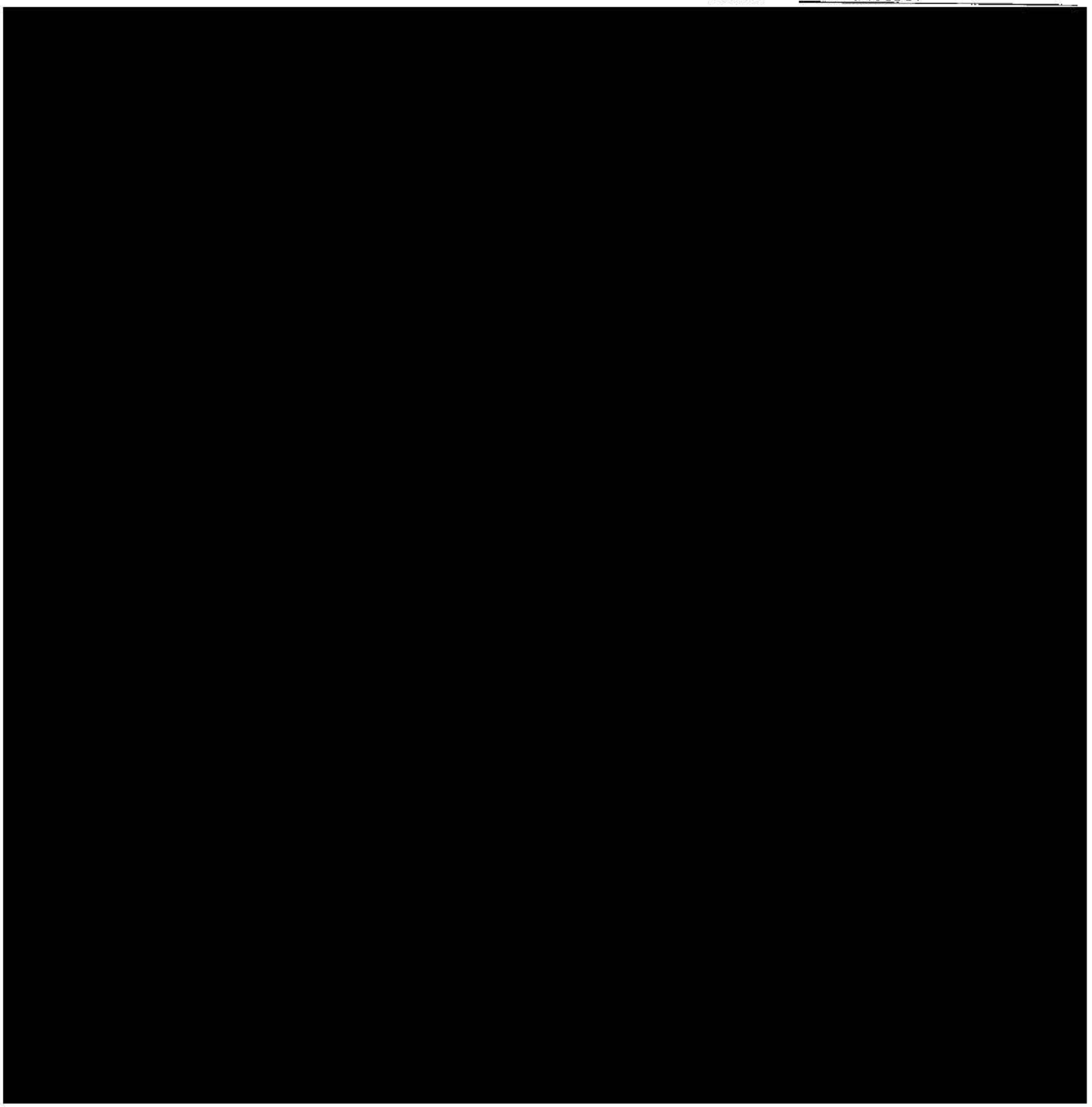
1. Affiant's Full Name (Initials Not Acceptable): First: *Michael* Middle: *Frederic* Last: *Neidorff*
   IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

[redacted]

ORLANDO AYALA

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

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1. Affiant's Full Name (Initials Not Acceptable): First: ***Orlando*** Middle: ***None*** Last: ***Ayala-Lozano***

[redacted]

Applicant Name (Company): Centene Corporation

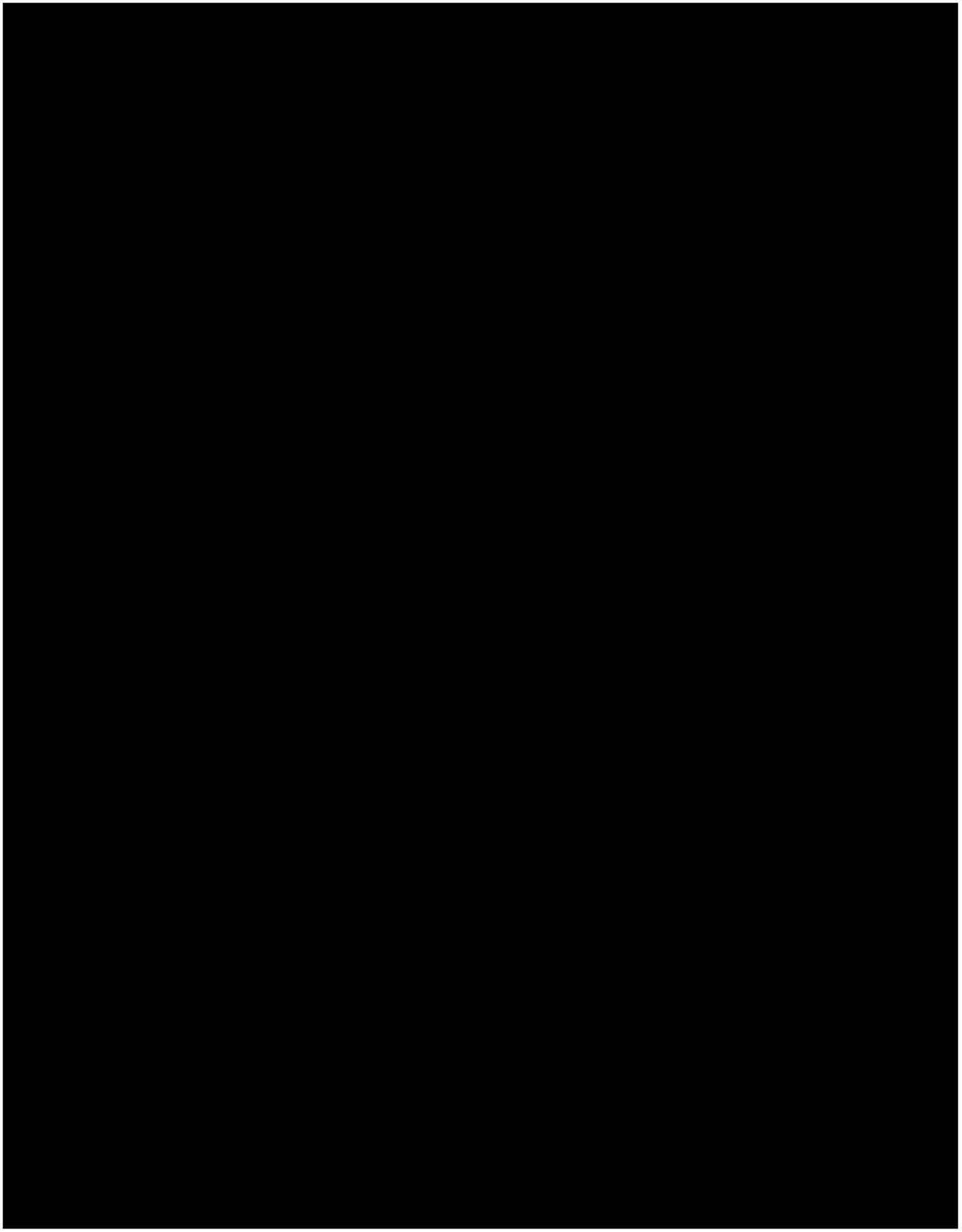
NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: *Orlando* Middle: *None* Last: *Ayala-Lozano*

[redacted]

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

ROBERT K. DITMORE

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

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1. Affiant's Full Name (Initials Not Acceptable): First: *Robert* Middle: *Keith* Last: *Ditmore*

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

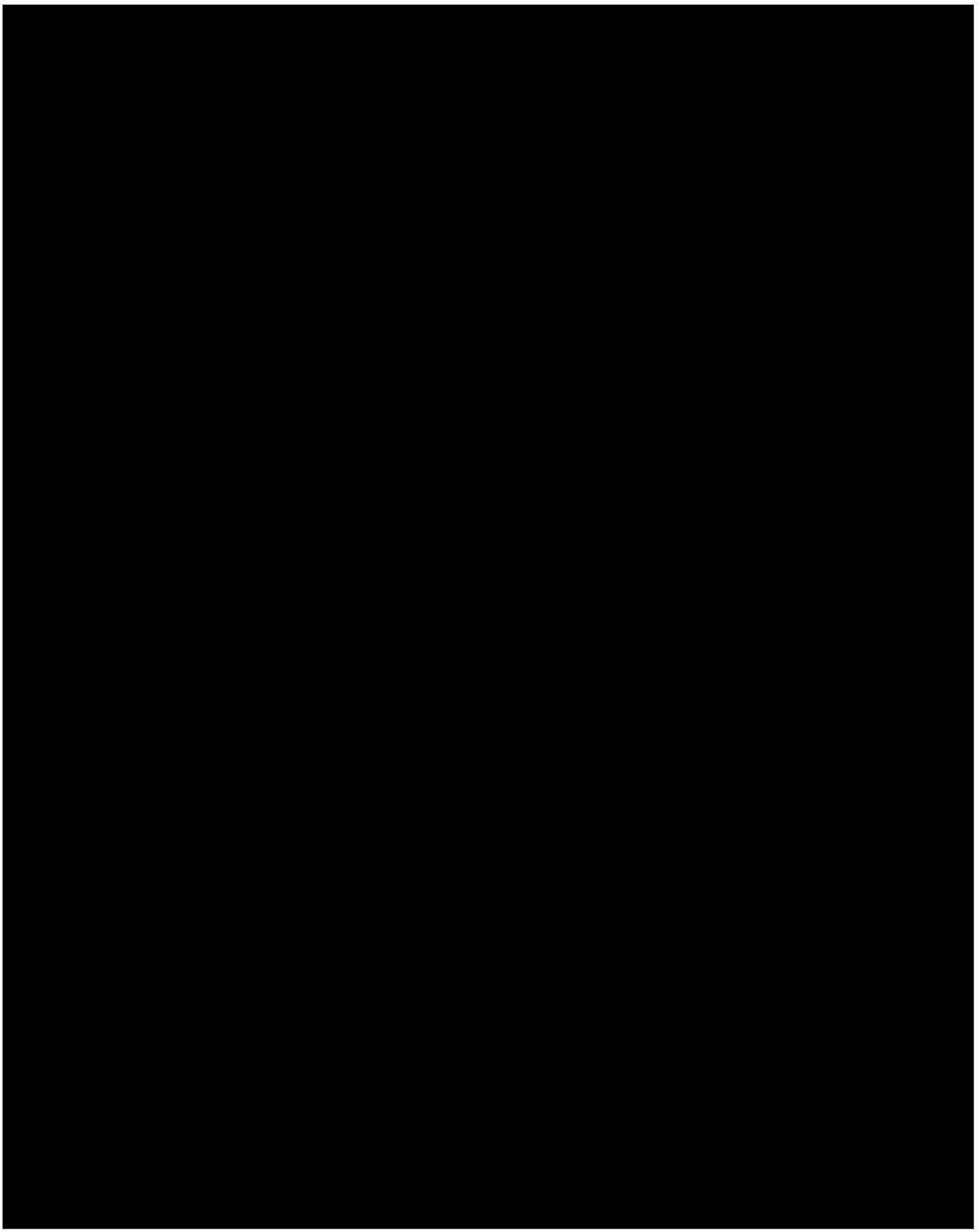
[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

[redacted]

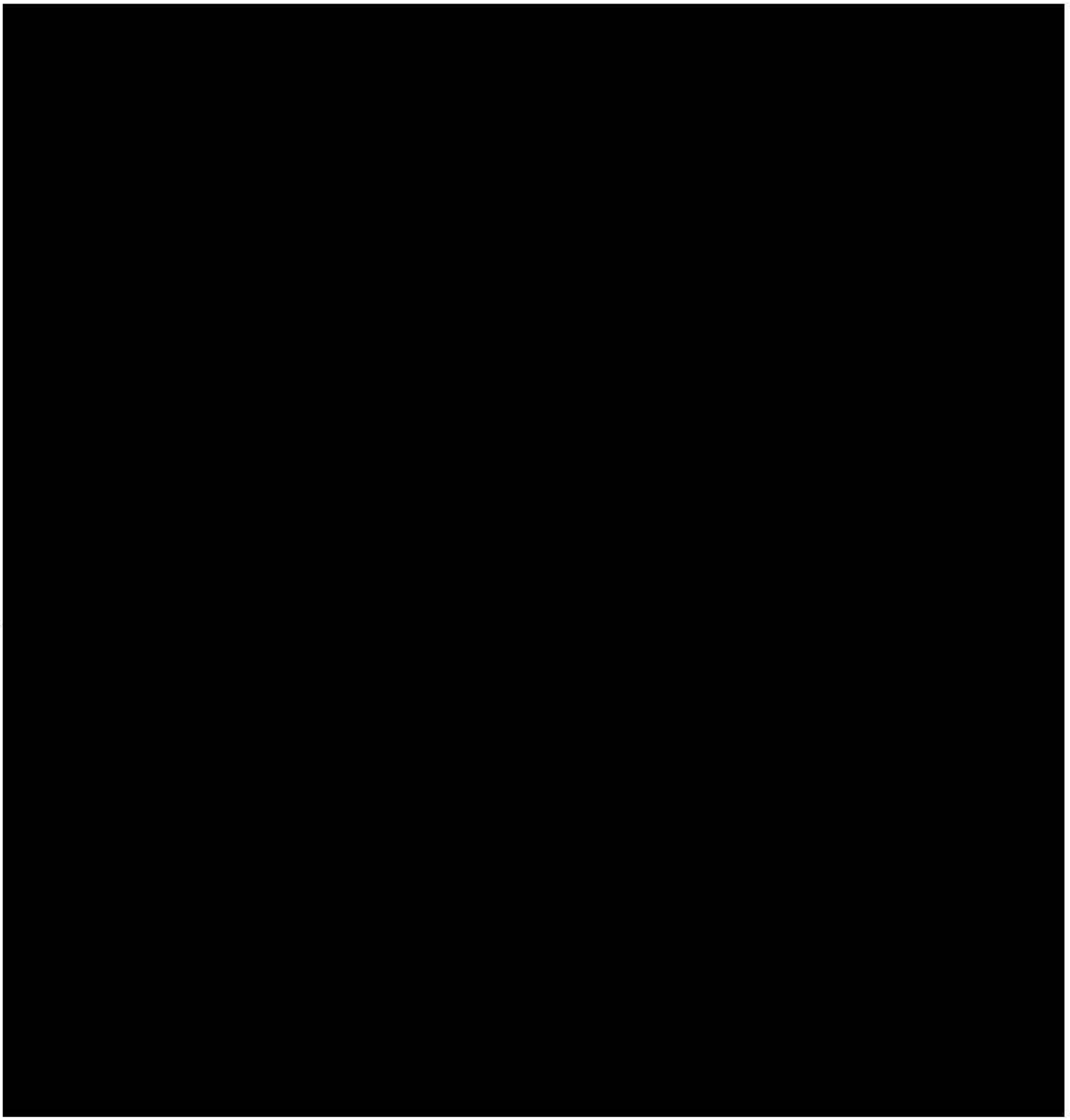
Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317



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NAIC No. None

FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
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(Print or Type)

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1. Affiant's Full Name (Initials Not Acceptable): First: *Robert* Middle: *Keith* Last: *Ditmore*
   IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(Minnesota and Oklahoma)

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(California)

[redacted]

FREDERICK H. EPPINGER

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

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1. Affiant's Full Name (Initials Not Acceptable): First: ***Frederick*** Middle: ***Henry*** Last: ***Eppinger***

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

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[redacted]

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FEIN: 42-1406317

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NAIC No. None

FEIN: 42-1406317

[redacted]

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FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

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[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

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NAIC No. None

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DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

RICHARD A. GEPHARDT

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

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(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable): First: *Richard* Middle: *Andrew* Last: *Gephardt*

[redacted]

Applicant Name (Company): Centene Corporation

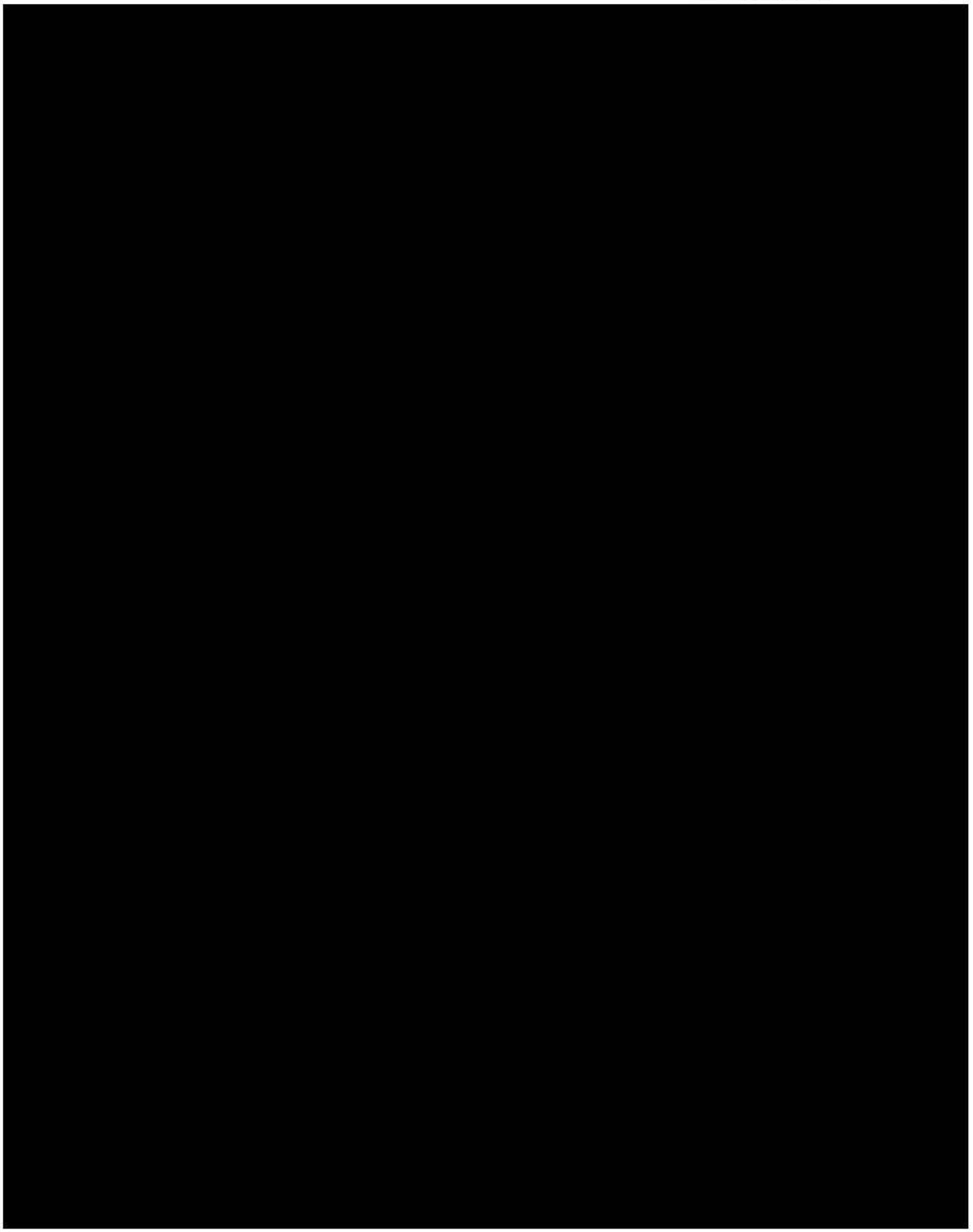
NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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Full name, address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

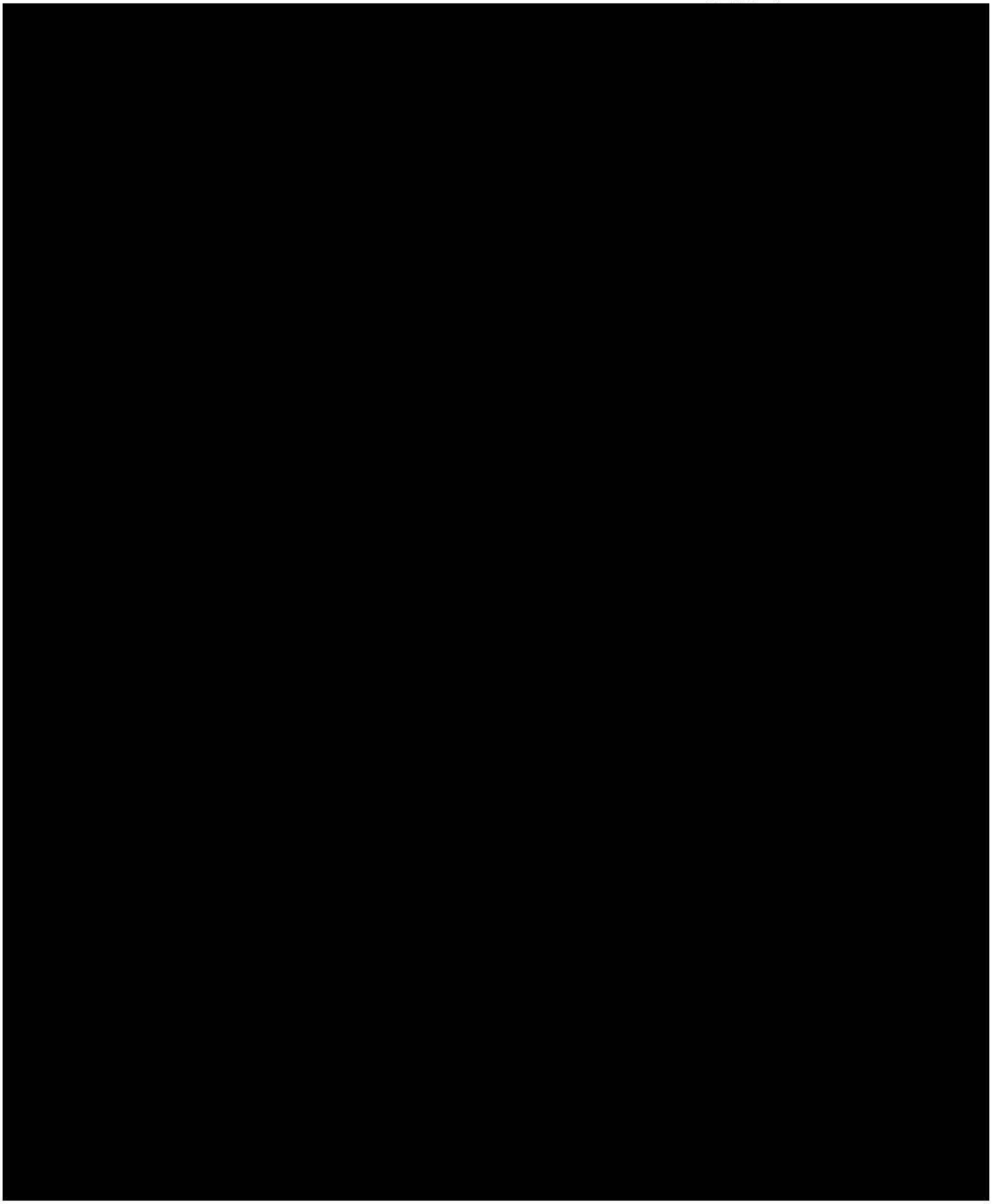
Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: *Richard* Middle: *Andrew* Last: *Gephardt*
   IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

PAMELA A. JOSEPH

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

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1. Affiant's Full Name (Initials Not Acceptable): First: ***Pamela*** Middle: ***Ann*** Last: ***Joseph***

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: ***Pamela*** Middle: ***Ann*** Last: ***Joseph***
   IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(Minnesota and Oklahoma)

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS
(California)

[redacted]

JOHN R. ROBERTS

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

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1. Affiant's Full Name (Initials Not Acceptable): First: *John* Middle: *Rumley* Last: *Roberts*

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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1. Affiant's Full Name (Initials Not Acceptable): First: *John* Middle: *Rumley* Last: *Roberts*
   IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

John R. Roberts
Directorship List

DAVID L. STEWARD

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

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1. Affiant's Full Name (Initials Not Acceptable): First: ***David*** Middle: ***Lloyd*** Last: ***Steward***

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

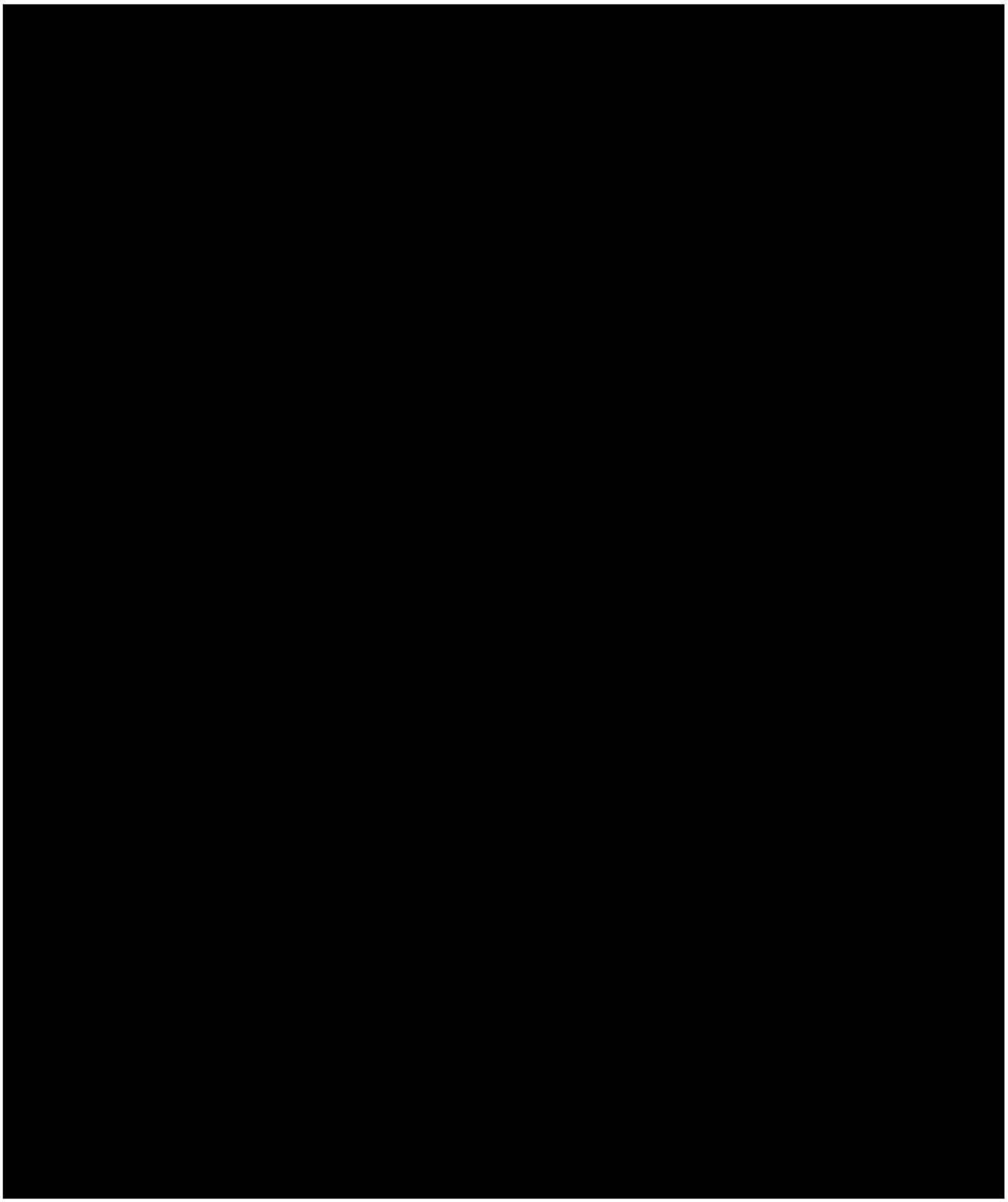
Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

Type of Business:

Supervisor/Contact:



Applicant Name (Company): Centene Corporation NAIC No. None

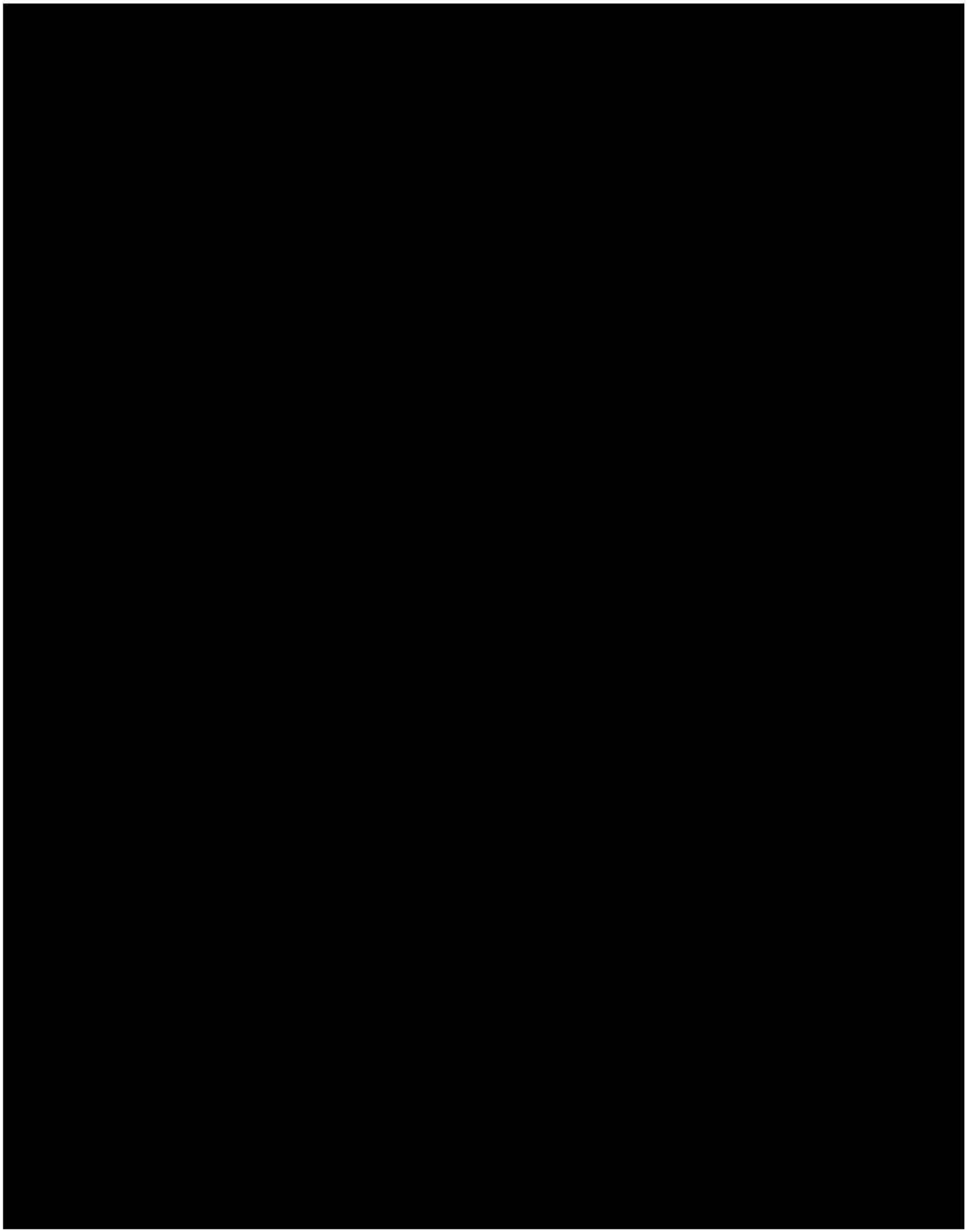
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: *David* Middle: *Lloyd* Last: *Steward*

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

TOMMY G. THOMPSON

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable): First: *Tommy* Middle: *George* Last: *Thompson*

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

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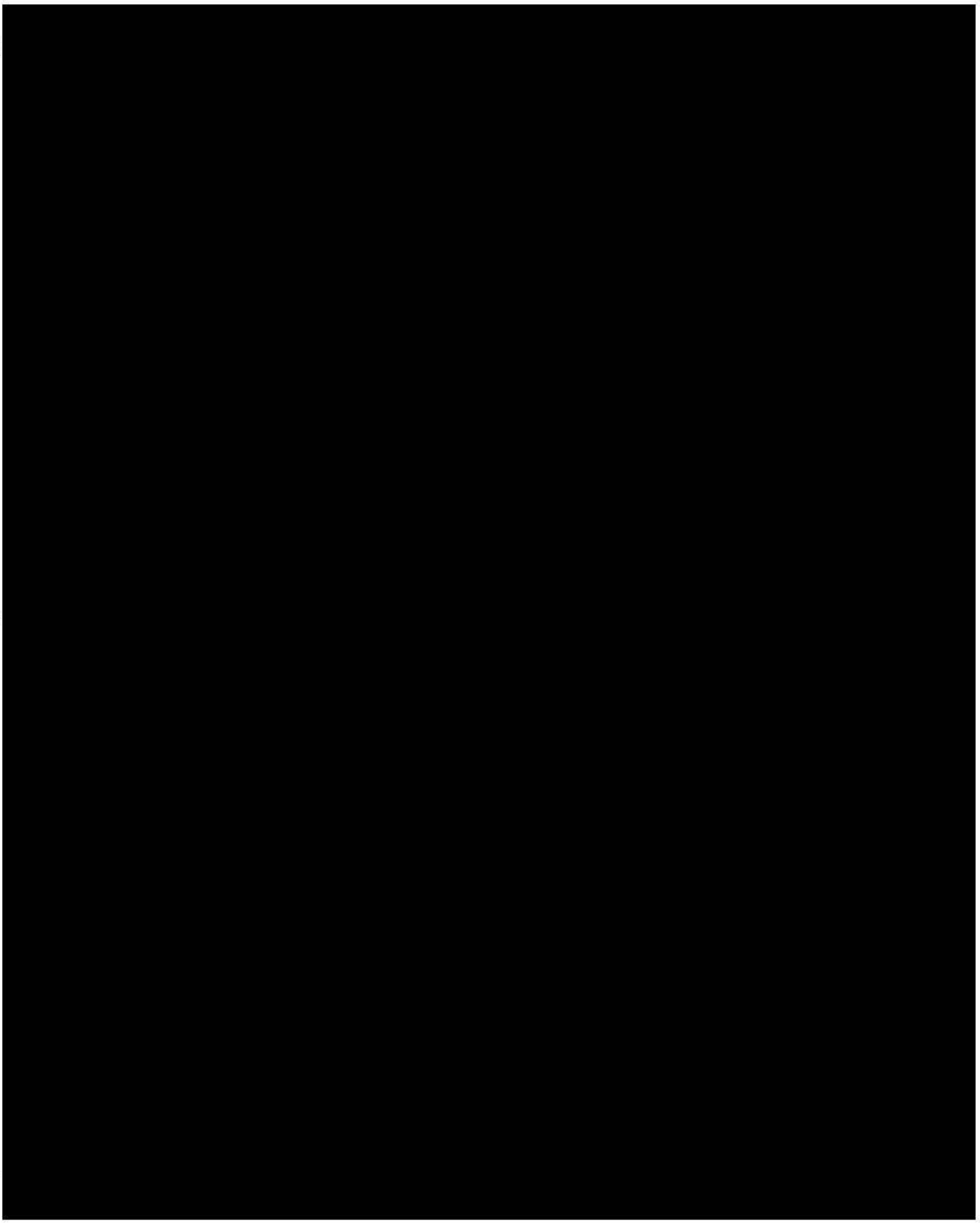
Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: *Tommy* Middle: *George* Last: *Thompson*
IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS
(All states except California, Minnesota and Oklahoma)

[redacted]

K. RONE BALDWIN

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable): First: Kenneth Middle: Rone Last: Baldwin

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

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Full name, address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

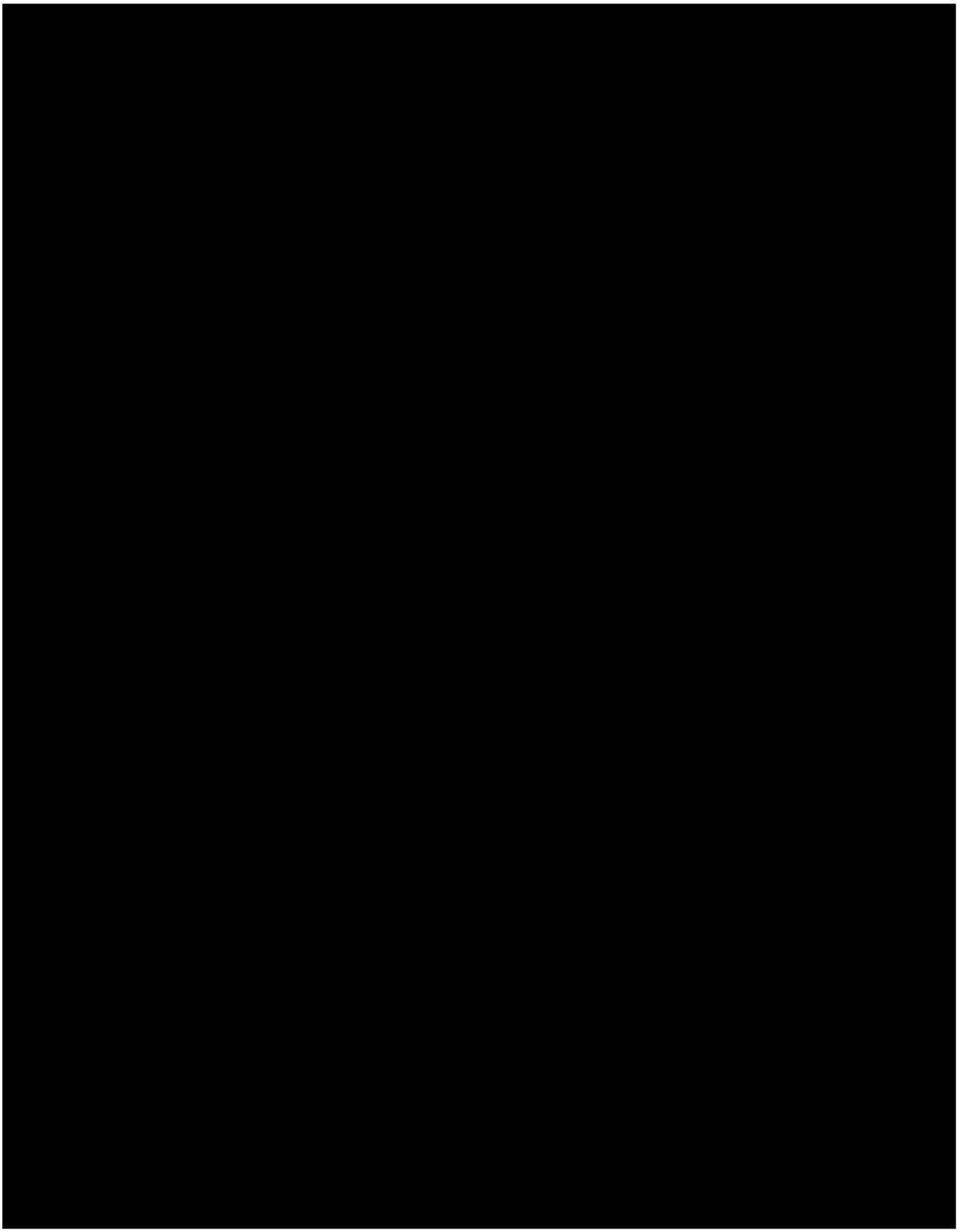
1. Affiant's Full Name (Initials Not Acceptable): First: Kenneth Middle: Rone Last: Baldwin

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(Minnesota and Oklahoma)

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(California)

[redacted]

CAROL E. GOLDMAN

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable): First: Carol Middle: Elizabeth Last: Goldman

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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Full name, address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: Carol Middle: Elizabeth Last: Goldman

IF ANSWER IS "NONE," SO STATE

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

Officerships/Directorates for Carol Goldman

[redacted]

JASON M. HARROLD

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable): First: Jason Middle: Masterton Last: Harrold

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

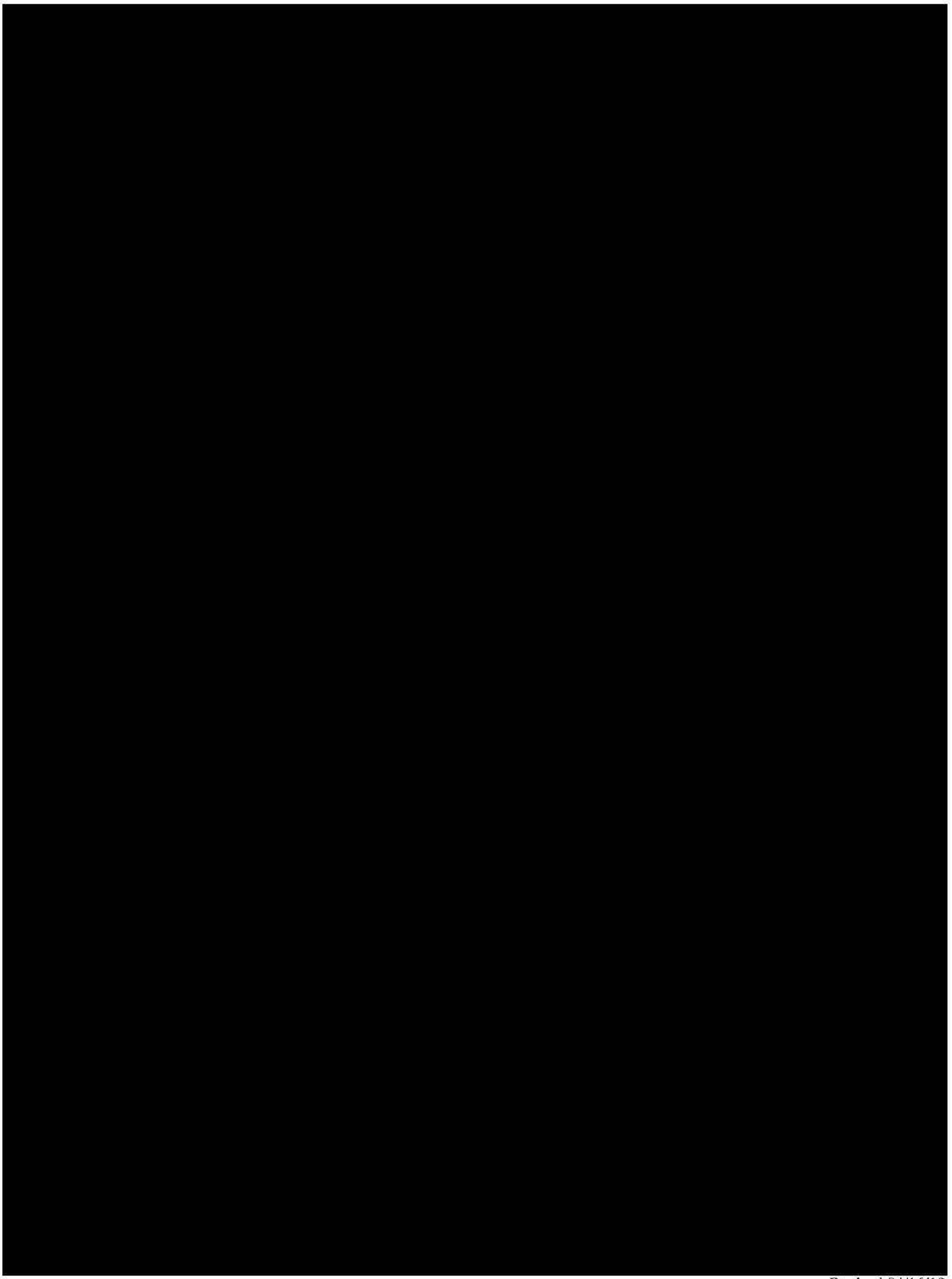
Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

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Full name, address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: Jason Middle: Masterton Last: Harrold
   IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

ROBERT T. HITCHCOCK

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable): First: Robert Middle: Todd Last: Hitchcock

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

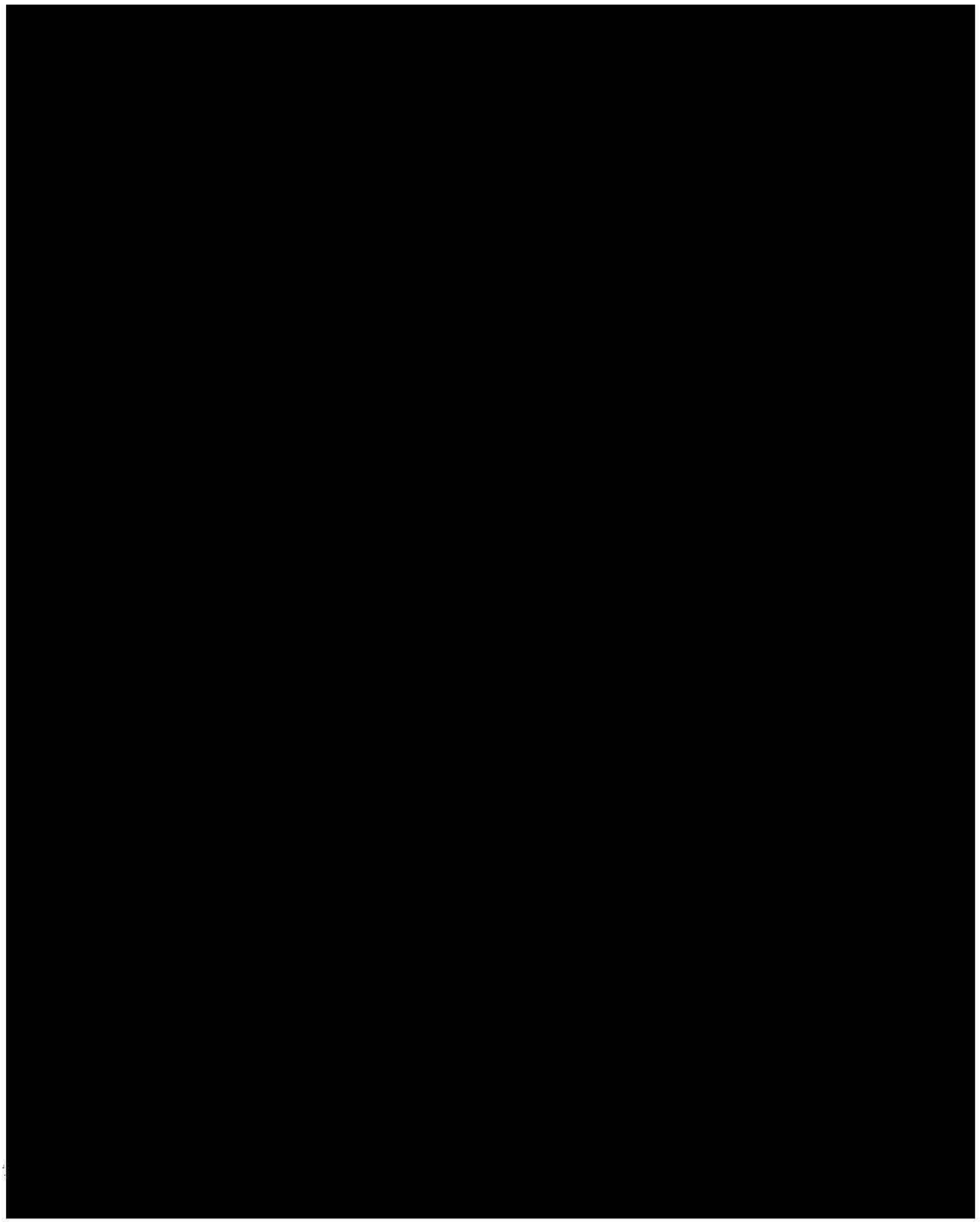
Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: Robert Middle: Todd Last: Hitchcock
   IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

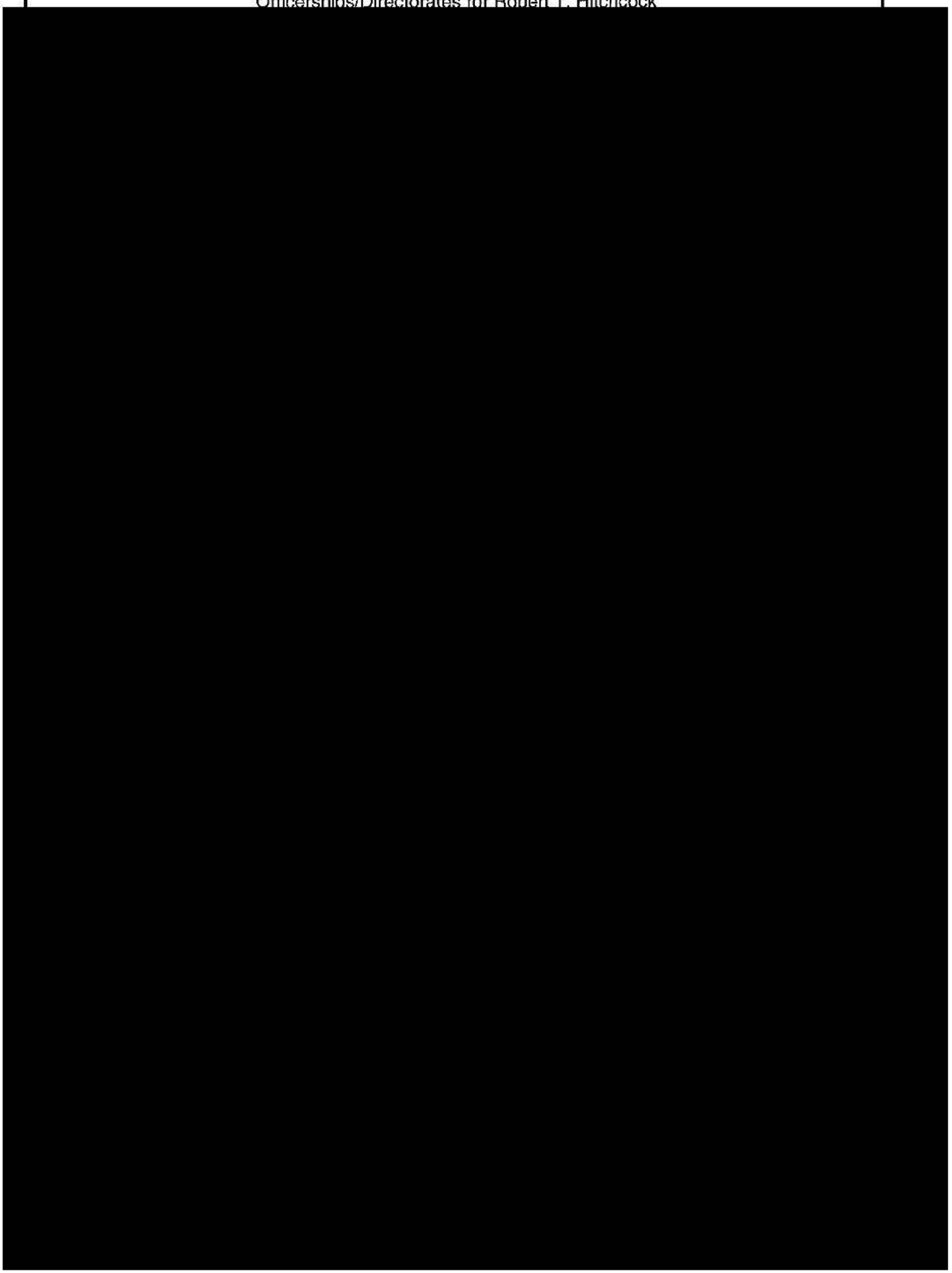
NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

Officerships/Directorates for Robert T. Hitchcock



JESSE N. HUNTER

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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1. Affiant's Full Name (Initials Not Acceptable): First: Jesse Middle: Nathan Last: Hunter

[redacted]

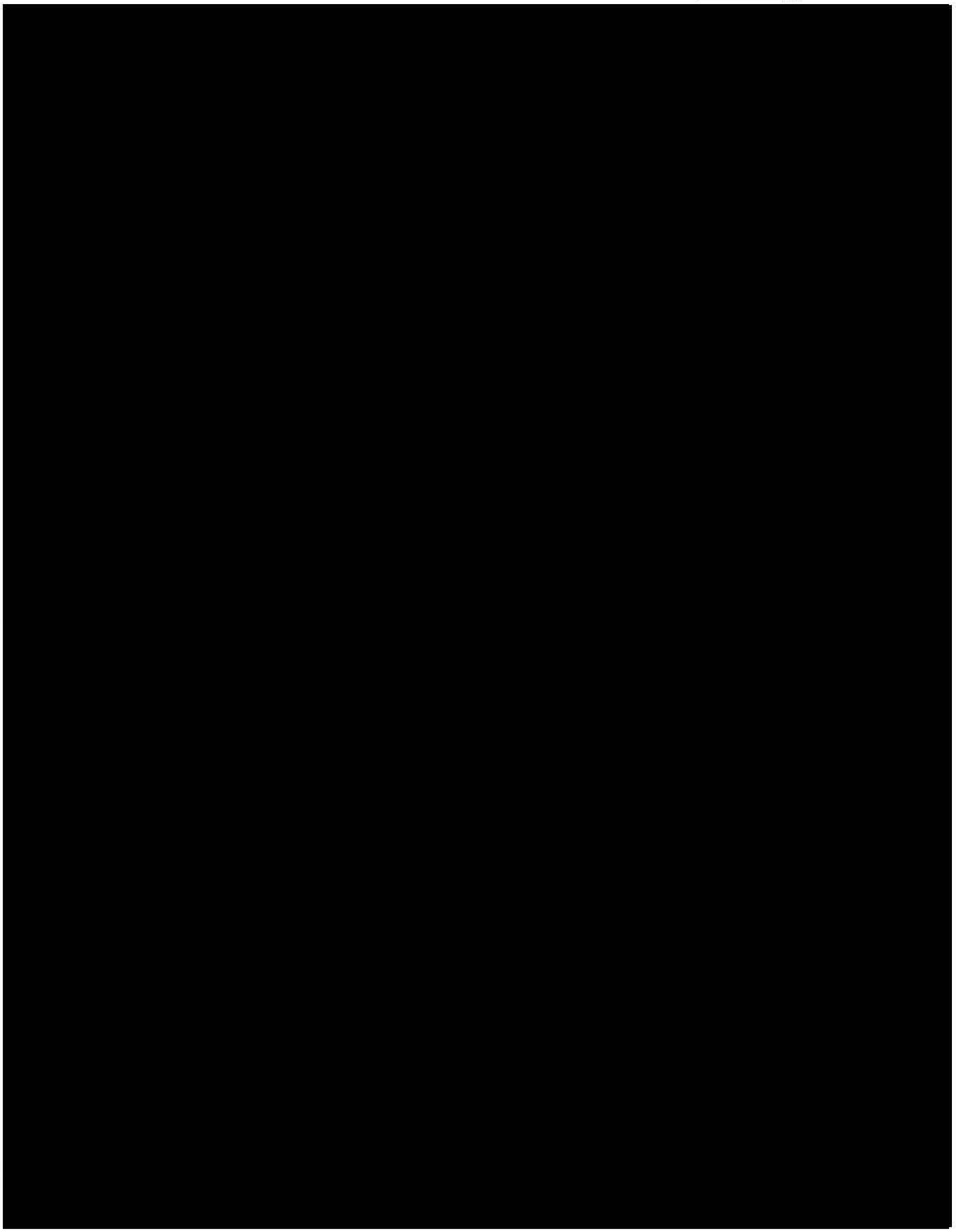
Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

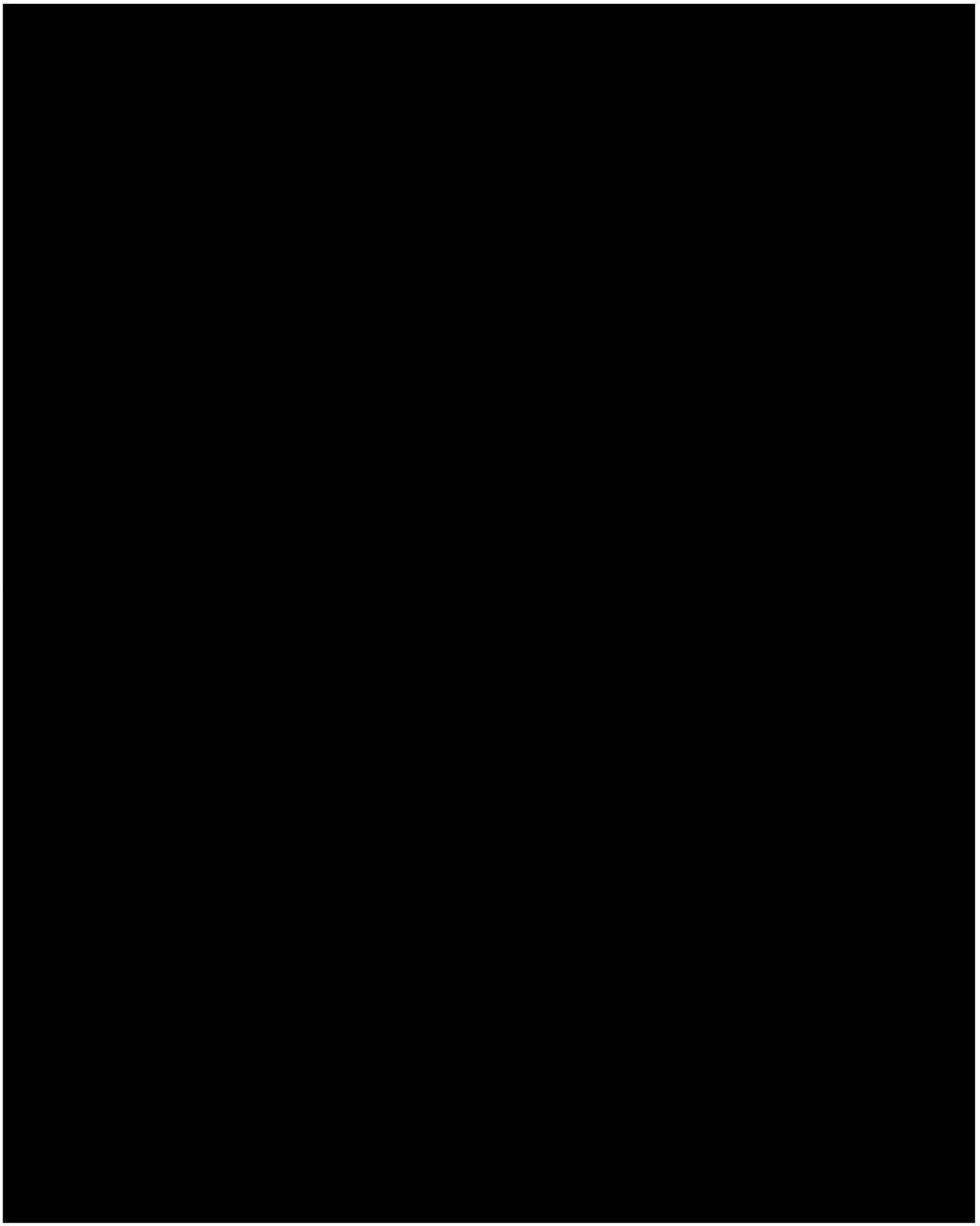
Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317



Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

Full name, address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: Jesse Middle: Nathan Last: Hunter
   IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

DONALD G. IMHOLZ

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

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1. Affiant's Full Name (Initials Not Acceptable): First: Donald Middle: Gene Last: Imholz

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
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1. Affiant's Full Name (Initials Not Acceptable): First: Donald Middle: Gene Last: Imholz

IF ANSWER IS "NONE," SO STATE

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

Directorships & Officerships
Don Imholz

Company	Officership / Directorship	Initial Date
[redacted]		

EDMUND E. KROLL, Jr.

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

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1. Affiant's Full Name (Initials Not Acceptable): First: Edmund Middle: Edward Last: Kroll, Jr.

[redacted]

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

[redacted]

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
Supplemental Personal Information

(Print or Type)

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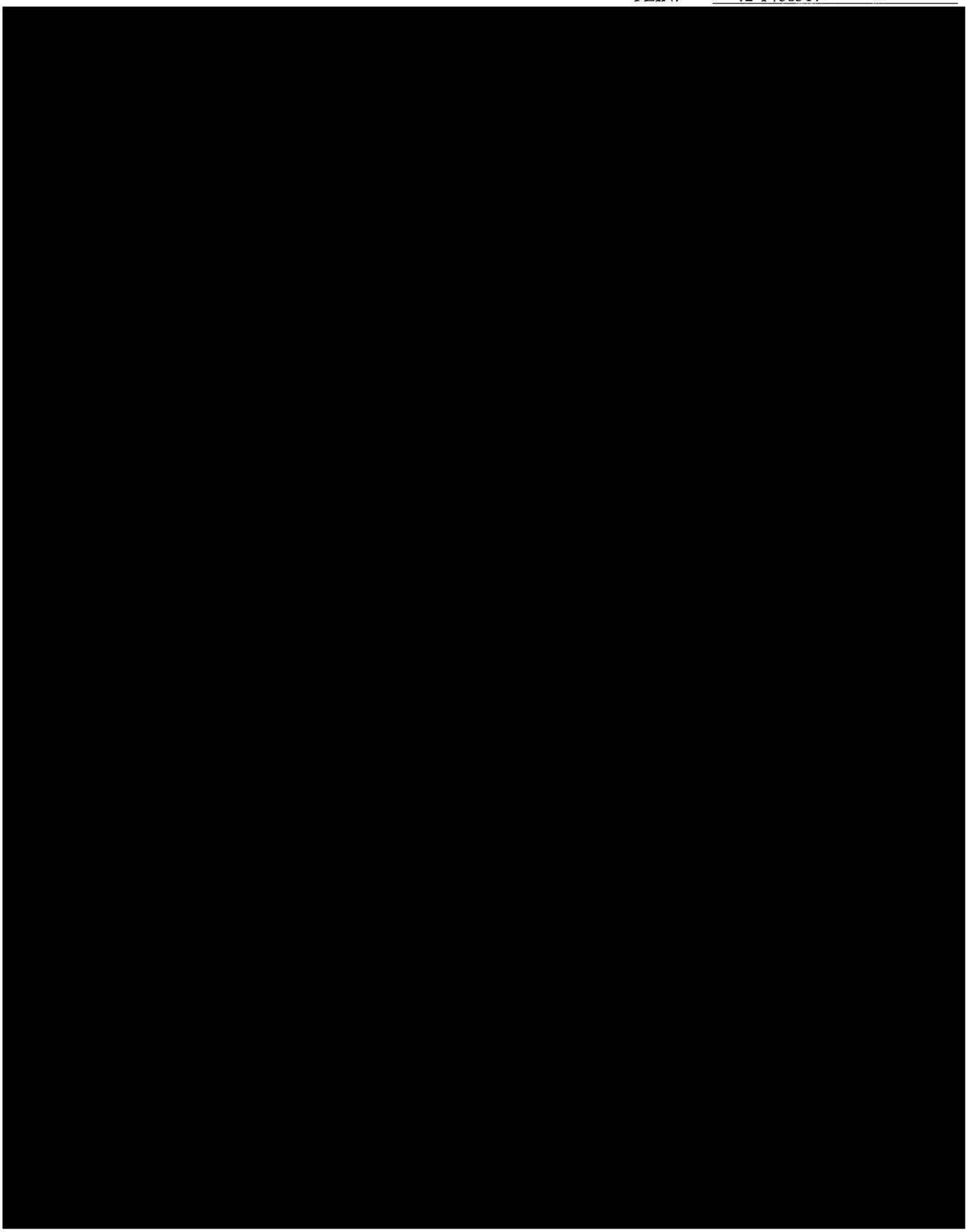
Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

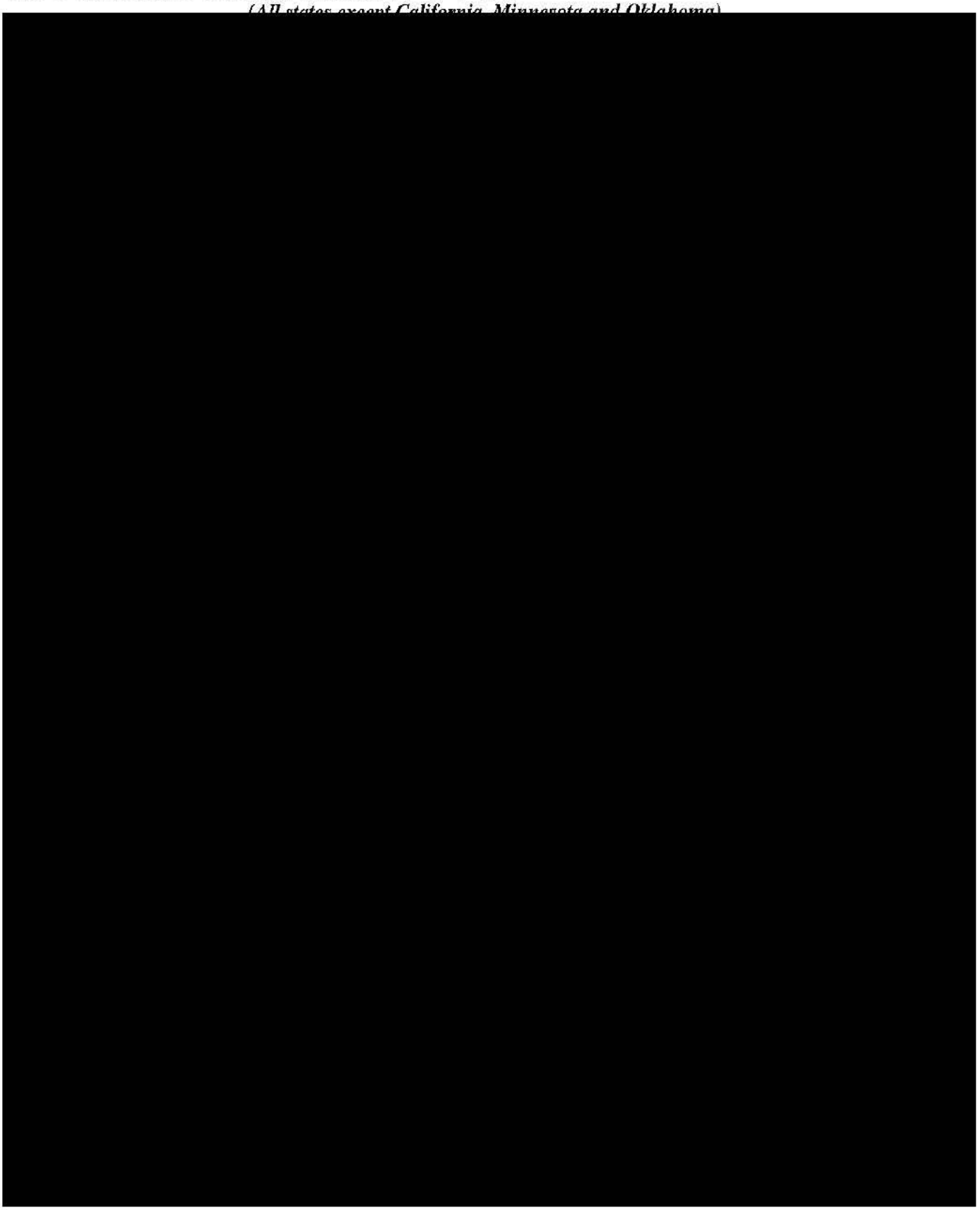
1. Affiant's Full Name (Initials Not Acceptable): First: Edmund Middle: Edward Last: Kroll, Jr.

[redacted]



DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)



DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(Minnesota and Oklahoma)

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(California)

[redacted]

C. DAVID MINIFIE

316

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

In connection with the above-named entity, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) IF ANSWER IS "NO" OR "NONE," SO STATE.

1. Affiant's Full Name (Initials Not Acceptable): First: Charles Middle: David Last: Minifie

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT
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Full name, address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

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1. Affiant's Full Name (Initials Not Acceptable): First: Charles Middle: David Last: Minifie
IF ANSWER IS "NONE," SO STATE

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(Minnesota and Oklahoma)

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(California)

[redacted]

WILLIAM N. SCHEFFEL

328

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

To the extent permitted by law, this affidavit will be kept confidential by the state insurance regulatory authority.

(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

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1. Affiant's Full Name (Initials Not Acceptable): First: William Middle: Nelder Last: Scheffel

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

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Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

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Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

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Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

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Full name, address, and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

1. Affiant's Full Name (Initials Not Acceptable): First: William Middle: Nelder Last: Scheffel

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

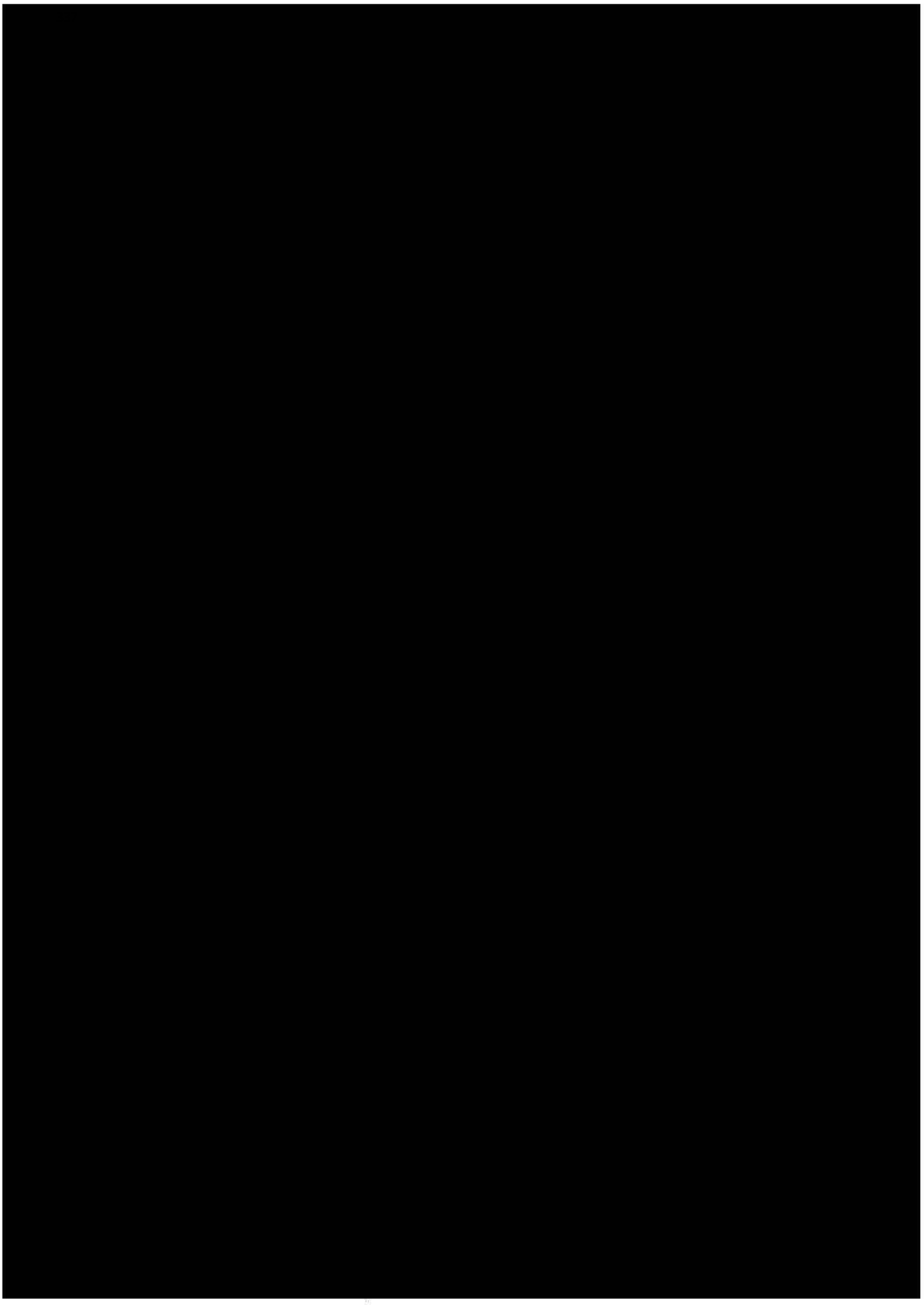
NAIC No. None

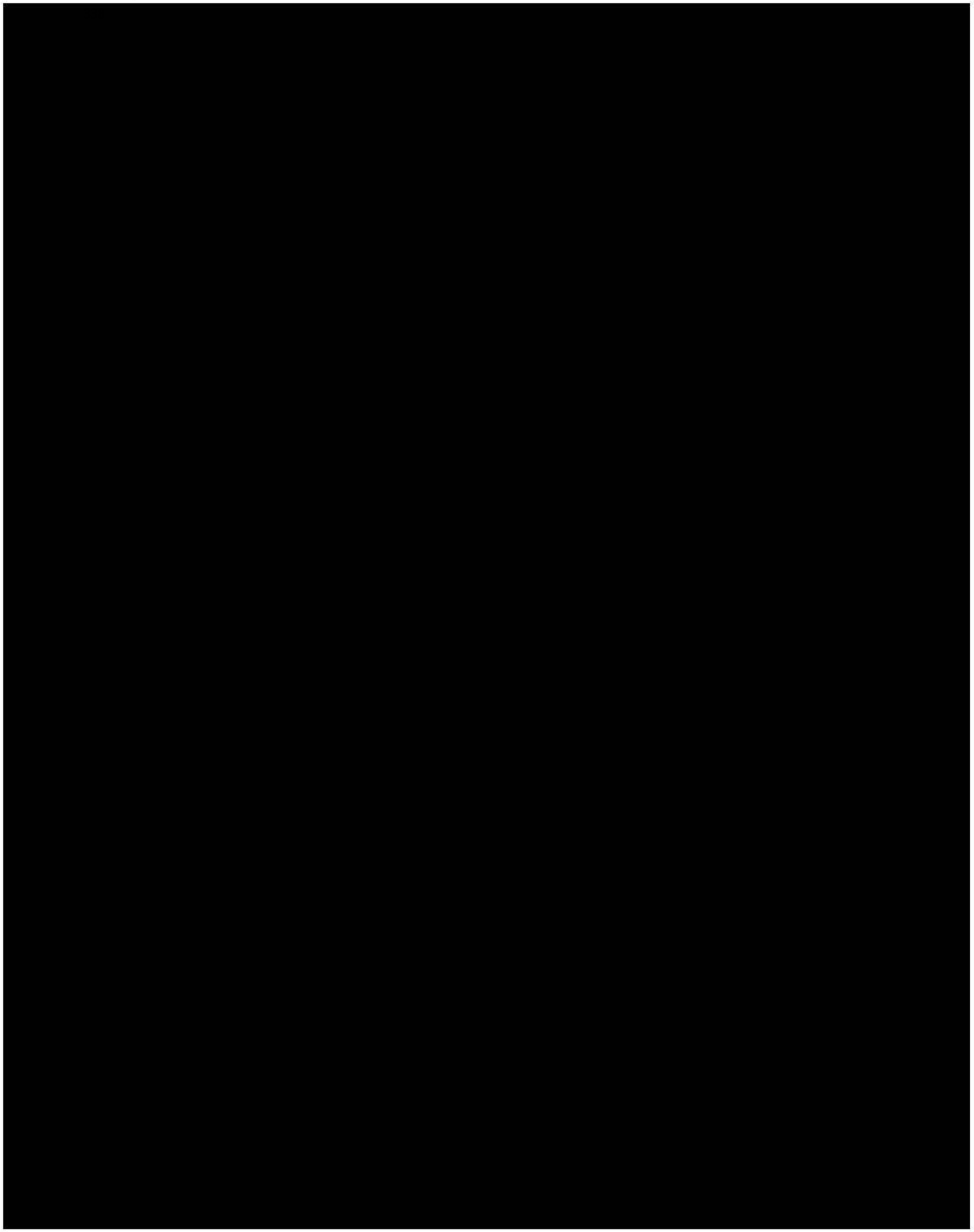
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]





JEFFREY A. SCHWANEKE

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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(Print or Type)

Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

Centene Corporation; 7700 Forsyth Blvd., St. Louis, MO 63105; 314-725-4477

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1. Affiant's Full Name (Initials Not Acceptable): First: Jeffrey Middle: Alan Last: Schwaneke

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

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Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

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Applicant Name (Company): Centene Corporation

NAIC No. None

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NAIC No. None

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Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

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1. Affiant's Full Name (Initials Not Acceptable): First: Jeffrey Middle: Alan Last: Schwaneke
   IF ANSWER IS "NONE," SO STATE.

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

(All states except California, Minnesota and Oklahoma)

[redacted]

KEITH H. WILLIAMSON

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

BIOGRAPHICAL AFFIDAVIT

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Full name, address and telephone number of the present or proposed entity under which this biographical statement is being required (Do Not Use Group Names).

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1. Affiant's Full Name (Initials Not Acceptable): First: Keith Middle: Harvey Last: Williamson

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

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Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None
FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation

NAIC No. None

FEIN: 42-1406317

[redacted]

Applicant Name (Company): Centene Corporation NAIC No. None
FEIN: 42-1406317

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   IF ANSWER IS "NONE," SO STATE.

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Applicant Name (Company): Centene Corporation

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NAIC No. None

FEIN: 42-1406317

DISCLOSURE AND AUTHORIZATION CONCERNING BACKGROUND REPORTS

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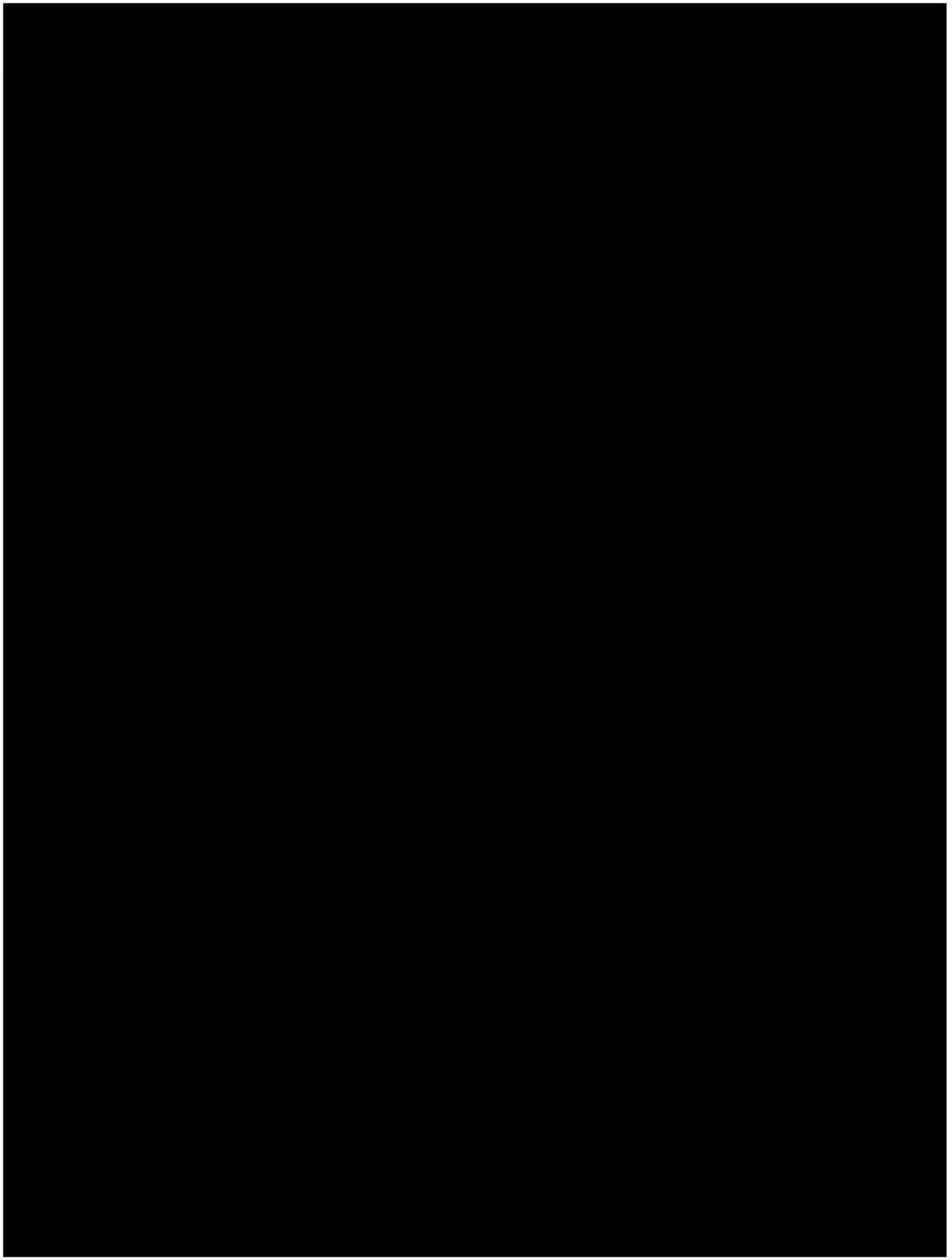

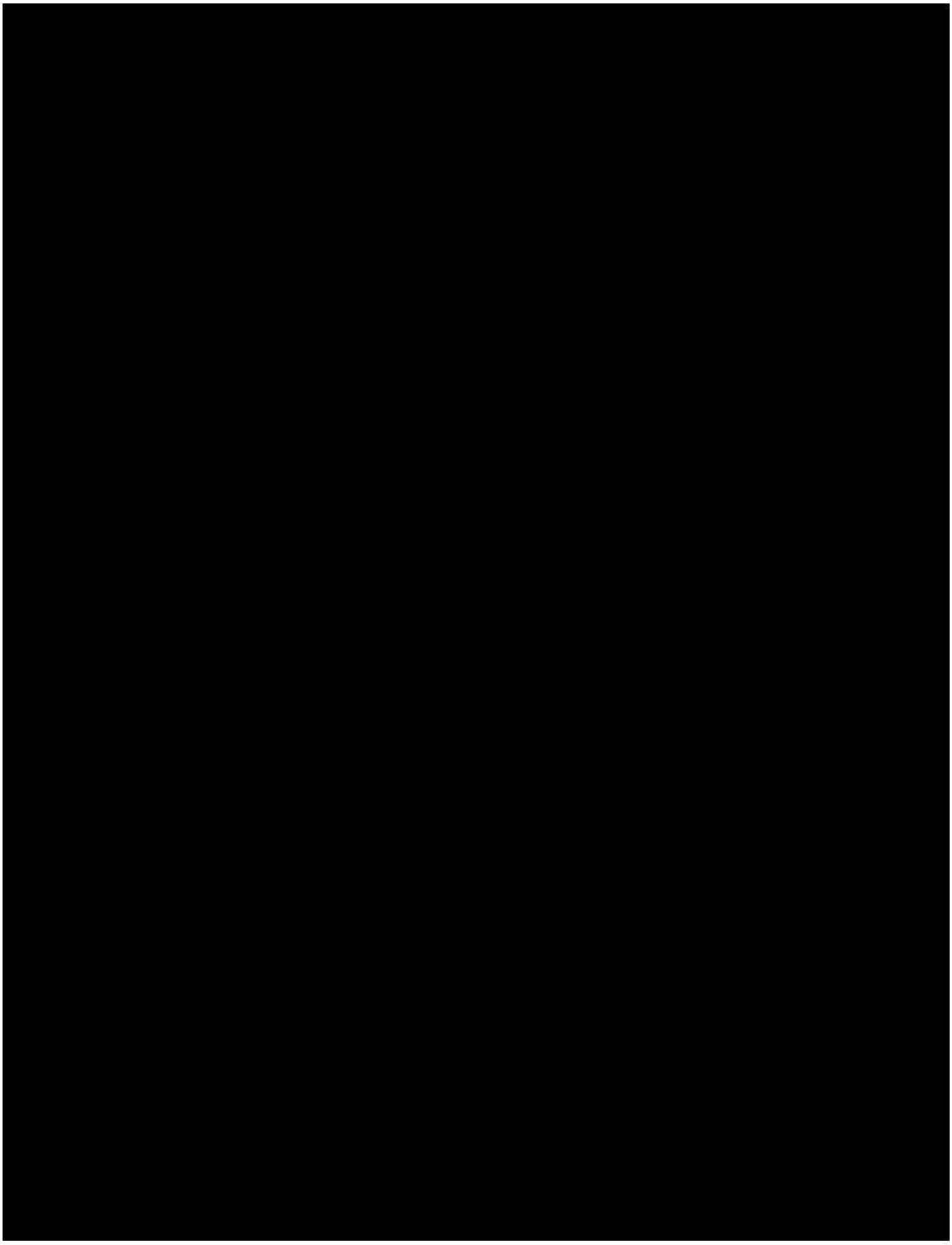

EXECUTION VERSION

STOCKHOLDER SUPPORT AGREEMENT

This **STOCKHOLDER SUPPORT AGREEMENT** (this "**Agreement**"), dated as of January 25, 2015, is entered into by and among Agate Resources, Inc., an Oregon corporation (the "**Company**"), Centene Corporation, a Delaware corporation ("**Purchaser**"), Prefontaine Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Purchaser ("**Merger Sub**"), and the Stockholders listed on Schedule A hereto (the "**Holders**" and together, all of the undersigned are referred to herein collectively as the "**Parties**" and each a "**Party**"). Except as otherwise provided in this Agreement, any capitalized terms used but not otherwise defined herein will have the meanings ascribed to such terms in the Merger Agreement, as defined herein.

WHEREAS, as of the date hereof, each of the Holders (i) is the record or beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of the number of shares of Common Stock set forth opposite such Holder's name on Schedule A (all such shares set forth on Schedule A, together with any shares of Common Stock of the Company that are hereafter issued to or otherwise acquired or owned by each of the Holders prior to the termination of this Agreement being referred to herein as the "**Subject Shares**") and (ii) owns the number of Options set forth opposite such Holder's name on Schedule A;

WHEREAS, Purchaser, Merger Sub and the Company have entered into an Agreement and Plan of Merger, dated as of the date hereof and as it may be amended from time to time (the "**Merger Agreement**"), which provides, among other things, for Merger Sub to merge with and into the Company upon the terms and subject to the conditions set forth in the Merger Agreement;

WHEREAS, the Company's Board of Directors has unanimously approved this Agreement.

WHEREAS, as a condition to their willingness to enter into the Merger Agreement, Purchaser and Merger Sub have required that each Holder, and as an inducement and in consideration therefor, each Holder (in each Holder's capacity as a holder of the Subject Shares) has agreed to, enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth below and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, do hereby agree as follows:

ARTICLE I
AGREEMENT TO EXCHANGE

1.1 **Agreement to Submit Documents**. Each Holder agrees to validly deliver or cause to be delivered all of such Holder's Subject Shares pursuant to and in accordance with the terms of the Merger Agreement, free and clear of all Liens. Without limiting the generality of the foregoing, as promptly as practicable, but in no event later than ten Business Days after receipt of both the Proxy Statement and Letter of Transmittal, such Holder shall (a) deliver, or cause to be delivered, pursuant to the terms thereof (i) a Letter of Transmittal with respect to

such Holder's Subject Shares, (ii) one or more Certificates representing such Subject Shares and (iii) all other documents or instruments required to be delivered by the Holders in connection with the Merger or (b) cause such other Person that is the holder of record of any Subject Shares beneficially owned by such Holder to tender such Letter of Transmittal, Certificates and other documents or instruments pursuant to and in accordance with clause (a) of this Section 1.1.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF EACH HOLDER

Each Holder represents and warrants to Purchaser and Merger Sub, severally, and not jointly and severally, that:

2.1 **Binding Agreement**. Such Holder has full legal capacity to execute and deliver this Agreement, to perform its, his or her covenants and obligations hereunder and to consummate the transactions contemplated hereby. Such Holder, if an entity, is a corporation or is otherwise duly formed, validly existing and in good standing (if applicable) under the Laws of the state of its formation or organization and has all requisite power to own, lease and operate its properties. This Agreement has been duly executed and delivered by such Holder and, assuming the due authorization, execution and delivery by the other Parties hereto, constitutes a legal, valid and binding obligation of the Holder, enforceable against the Holder in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally and by general equitable principles (whether considered in a proceeding at law or in equity).

2.2 **Non-Contravention**. The execution and delivery by the Holder of this Agreement and the performance by the Holder of his, her or its covenants and obligations hereunder do not and the consummation by the Holder of the transactions contemplated hereby will not (a) conflict with or violate any Law or Order applicable to the Holder or the Holder's Subject Shares or Options, (b) except as may be required by applicable securities Laws, require any consent, approval, order, authorization or other action by, or filing with or notice to, any Person (including any Governmental Authority) under, constitute a breach or default (with or without the giving of notice or the lapse of time or both) under or give rise to any right of termination, cancellation, acceleration or similar right under or result in the creation of any Lien on any of the Subject Shares or Options pursuant to any Contract or Order binding on the Holder or any applicable Law, (c) render any takeover Laws or the restrictions contained therein applicable to the Merger or any other transaction involving Purchaser, Merger Sub or any Affiliate thereof or (d) in the case of a Holder that is an entity, violate or conflict with any provision of the organizational documents of the entity.

2.3 **Ownership of Subject Shares, Options; Total Shares**. The Holder is the record or beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of such Holder's Subject Shares and has good and marketable title to such Subject Shares, free and clear of any Liens, except as provided hereunder. The Holder is a party to one or more agreements with the Company evidencing the Options and has good and marketable title to such Options, free and clear of any Liens. The Subject Shares and Options listed on Schedule A opposite the Holder's name constitute all of the Equity Interests of the Company beneficially owned by such Holder or to which such Holder has a legal right as of the date hereof, and such Holder neither holds nor

has any beneficial ownership in nor any legal right to any other Equity Interest in the Company. Except pursuant to this Agreement, no Person has any contractual or other right or obligation to purchase or otherwise acquire any of the Holder's Subject Shares or Options other than the Company pursuant to its articles of incorporation.

2.4 **Voting Power**. Other than as provided in this Agreement, the Holder or the signatory on behalf of the Holder has full voting power with respect to the Holder's Subject Shares and full power of disposition, full power to issue instructions with respect to the matters set forth herein and full power to agree to all of the matters set forth in this Agreement, in each case with respect to all of the Holder's Subject Shares and, if applicable, any shares of Common Stock issued upon the exercise of the Holder's Options. None of the Holder's Subject Shares (or any shares of Common Stock underlying such Holder's Options) are subject to any proxy, voting trust or other agreement or arrangement with respect to the voting of such Subject Shares, except as provided hereunder.

2.5 **Reliance**. The Holder has had the opportunity to review the Merger Agreement and this Agreement with counsel of the Holder's own choosing. The Holder understands and acknowledges that Purchaser and Merger Sub are entering into the Merger Agreement in reliance upon the Holder's execution, delivery and performance of this Agreement.

2.6 **Absence of Litigation**. There is neither any Action pending nor threatened in writing against nor any outstanding Order applicable to the Holder or any of the Holders' properties or assets (including the Subject Shares and Options) that would reasonably be expected to prevent or materially delay or impair the consummation of the transactions contemplated by this Agreement or the Merger Agreement or otherwise adversely impact the Holder's ability to perform its obligations hereunder in any material respect.

2.7 **Brokers**. No broker, finder or investment banker is or will be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by the Merger Agreement based upon any arrangement or agreement made by or on behalf of the Holder.

ARTICLE III
ADDITIONAL COVENANTS OF THE HOLDERS

Each Holder hereby, severally, and not jointly and severally, covenants and agrees that until the termination of this Agreement:

3.1 **Voting of Subject Shares; Proxy**.

(a) At every meeting of the Stockholders called, and at every adjournment or postponement thereof, such Holder shall, or shall cause the holder of record of the Subject Shares on any applicable record date to, appear or otherwise cause such Holder's Subject Shares to be counted as present for purposes of establishing a quorum at any such meeting of Stockholders and vote such Holder's Subject Shares (i) in favor of (A) the adoption and approval of the Merger Agreement (as it may be amended from time to time) and the transactions contemplated thereby and (B) approval of any proposal to adjourn or postpone the meeting to a later date, if requested by Purchaser or Merger Sub, (ii) against (A) any action or agreement that

would in any material respect impede, interfere with or prevent the Merger, including any other extraordinary corporate transaction, including a merger, acquisition, sale, consolidation, reorganization, recapitalization, extraordinary dividend or liquidation involving a Target Entity and any Person (other than Purchaser, Merger Sub or their respective Affiliates), or any other proposal of any Person (other than Purchaser, Merger Sub or their respective Affiliates) to acquire any of the Equity Interests of a Target Entity or assets having a fair market value of at least [redacted] of the aggregate fair market value of the assets of the Target Entities taken as a whole, (B) any Acquisition Proposal and any action in furtherance of any Acquisition Proposal, in each case other than the transactions contemplated by the Merger Agreement, (C) any amendment of the Company's articles of incorporation or bylaws, or other proposal or transaction involving the Company or any of its Subsidiaries, which amendment or other proposal or transaction would in any manner impede, frustrate, delay, prevent or nullify the Merger Agreement or the transactions contemplated thereby (including the Merger) and (D) any action, proposal, transaction or agreement that would reasonably be expected to result in a breach of any covenant, representation or warranty or any other obligation or agreement of the Holder under this Agreement and/or (iii) in favor of any other matter necessary for consummation of the transactions contemplated by the Merger Agreement that is considered at any such meeting of the Stockholders.

(b) Such Holder hereby irrevocably grants to, and appoints, Purchaser and any designee thereof, such Holder's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of such Holder, to attend any meeting of the Stockholders on behalf of such Holder with respect to the matters set forth in Section 3.1(a), to include such Subject Shares in any computation for purposes of establishing a quorum at any such meeting of Stockholders, and to vote all Subject Shares, or to grant a consent or approval in respect of the Subject Shares, in connection with any meeting of Stockholders or any action by written consent in lieu of a meeting of Stockholders in a manner consistent with the provisions of Section 3.1(a). Such Holder hereby affirms that the irrevocable proxy set forth in this Section 3.1(b) is given in connection with the execution of this Agreement and the Merger Agreement, and that such irrevocable proxy is given to secure the performance of the duties of such Holder under this Agreement. Such Holder hereby further affirms that the irrevocable proxy is coupled with an interest and, until termination of this Agreement in accordance with Section 4.2 hereof, is intended to be irrevocable in accordance with the provisions of Section 60.231(5) of the ORS.

3.2 **No Transfer; No Inconsistent Arrangements**. Except as provided hereunder (including pursuant to Section 1.1 or Section 3.1) or under the Merger Agreement, such Holder shall not, directly or indirectly, (a) create or permit to exist any Lien on any or all of the Holder's Equity Interests in the Company, including any Subject Shares and Options, (b) transfer, sell, assign, gift, hedge, pledge or otherwise dispose (whether by sale, liquidation, dissolution, dividend, distribution or otherwise) of, or enter into any derivative arrangement with respect to (collectively, "**Transfer**"), any or all of the Holder's Equity Interests in the Company, including any Subject Shares and Options, or any right or interest therein (or consent to any of the foregoing), (c) enter into any Contract with respect to any Transfer of any or all of the Holder's Equity Interests in the Company, including any Subject Shares and Options, or any right or interest therein, (d) grant or permit the grant of any proxy, power-of-attorney or other authorization or consent in or with respect to any or all of such Holder's Equity Interests in the Company, including any Subject Shares or Options, (e) deposit or permit the deposit of any or all

of the Holder's Equity Interests in the Company, including any Subject Shares and Options, into a voting trust or enter into any voting agreement or arrangement with respect to any of such Equity Interests, including the Subject Shares or Options or (f) take or permit any other action that would in any way restrict, limit or interfere with the performance of such Holder's obligations hereunder or the transactions contemplated hereby or otherwise make any representation or warranty of such Holder herein untrue or incorrect in any material respect. Any action taken in violation of the foregoing sentence shall be null and void ab initio and such Holder agrees that any such prohibited action may and should be enjoined. If any involuntary Transfer of any or all of such Holder's Subject Shares and, if applicable, such Holder's Options shall occur (including, if applicable, a sale by such Holder's trustee in any bankruptcy, or a sale to a purchaser at any creditor's or court sale), the transferee (which term, as used herein, shall include any and all transferees and subsequent transferees of the initial transferee) shall take and hold such Subject Shares and Options subject to all of the restrictions, liabilities and rights under this Agreement, which shall continue in full force and effect until valid termination of this Agreement.

3.3 **No Exercise of Appraisal Rights**. Each of the Holders (a) waives and agrees not to demand appraisal of such Holder's Subject Shares pursuant to Sections 60.551 through 60.594 of the Oregon Revised Statutes and (b) agrees not to commence or join in, and agrees to take all actions necessary to opt out of, any class in any class action with respect to any claim, derivative or otherwise, against Purchaser, Merger Sub, the Company or the Stockholder Representative or any of their respective Affiliates (i) challenging the validity of, or seeking to enjoin the operation of, any provision of this Agreement or (ii) alleging breach of any fiduciary duty of any Person in connection with the negotiation and entry into the Merger Agreement. This Section 3.3 will survive the termination of this Agreement if the termination occurs pursuant to clause (b) of Section 4.2.

3.4 **Documentation and Information**. Each of the Holders consents to and hereby authorizes Purchaser and Merger Sub to publish and disclose in all documents and schedules filed with the SEC, and any press release or other disclosure document that Purchaser or Merger Sub reasonably determines to be necessary in connection with the Merger and any transactions contemplated by the Merger Agreement, such Holder's identity and ownership of the Subject Shares and/or Options, the existence of this Agreement and the nature of such Holder's commitments and obligations under this Agreement, but only to the extent such publication and disclosure is required by applicable Law, and each of the Holders acknowledges that Purchaser and Merger Sub may file this Agreement or a form hereof with the SEC or any other Governmental Authority if such filing is required by applicable Law. Each of the Holders agrees to promptly give Purchaser any information it may reasonably require for the preparation of any such disclosure documents, and each of the Holders agrees to promptly notify Purchaser of any required corrections with respect to any written information supplied by it specifically for use in any such disclosure document, if and to the extent that the Holder shall become aware that any such information shall have become false or misleading in any material respect.

3.5 **Adjustments**. In the event (a) of any stock split, stock dividend, merger, reorganization, recapitalization, reclassification, combination, exchange of shares or the like of the capital stock of the Company on, of or affecting the Subject Shares or (b) that any of the Holders shall become the beneficial owner of any additional shares of Common Stock, then the

terms of this Agreement shall apply to the shares of Common Stock held by such Holder immediately following the effectiveness of the events described in clause (a) or such Holder becoming the beneficial owner thereof as described in clause (b), as though, in either case, they were Subject Shares hereunder. In the event that any of the Holders shall become the beneficial owner of any other securities entitling the holder thereof to vote or give consent with respect to the matters set forth in Section 3.1 hereof, then the terms of Section 3.1 hereof shall apply to such other securities as though they were Subject Shares hereunder.

ARTICLE IV
MISCELLANEOUS

4.1 **Notices**. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when delivered personally to the recipient, one Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), upon written acknowledgment of receipt after transmittal by facsimile or electronic mail during business hours at the site of receipt or three days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, in each case addressed as follows: (a) if to Purchaser or Merger Sub, in accordance with the provisions of the Merger Agreement and (b) if to a Holder, to such Holder's address, facsimile number or e-mail address set forth on a signature page hereto, or to such other address, facsimile number or e-mail address as such Holder may hereafter specify in writing for the purpose of giving notice to each other party hereto.

4.2 **Termination**. This Agreement shall terminate automatically, without any notice or other action by any Person, upon the first to occur of (a) the termination of the Merger Agreement in accordance with its terms, (b) the Effective Time, (c) the date of any material modification, waiver or amendment to any provision of the Merger Agreement (as in effect on the date hereof without giving effect to any amendments thereto) that (i) reduces the amount, changes the form or otherwise adversely affects the consideration payable to the Holders pursuant to the Merger Agreement as in effect on the date hereof or (ii) imposes or purports to impose any material liability or obligation on or against the Holders, or modifies any liability or obligation on or against the Holders pursuant to the Merger Agreement as in effect on the date hereof, in each case under this clause (ii), where the recourse for satisfaction of such liability or obligation is to the Holders directly rather than as an offset to or reduction in proceeds not yet paid or payable to the Holders and (d) the mutual written consent of all of the parties hereto. Upon termination of this Agreement, subject to the last sentence of Section 3.3, no Party shall have any further obligations or liabilities under this Agreement and the power-of-attorney and proxy set forth in Section 3.1 shall be revoked, terminated and of no further force and effect; *provided*, *however*, that (x) nothing set forth in this Section 4.2 shall relieve any Party from liability for any breach of this Agreement by any Party prior to termination hereof, except that, if the termination occurs pursuant to clause (b) of the first sentence of this Section 4.2, the sole remedy of Purchaser or any other Purchaser Indemnified Party as to the Holders with respect to any such liability shall be limited to that set forth in the Merger Agreement, and (y) the provisions of this ARTICLE IV shall survive any termination of this Agreement.

4.3 **Amendments; Extension and Waivers**. Subject to the last sentence of this Section 4.3, this Agreement may not be amended, changed or supplemented or otherwise

modified except by an instrument in writing signed by (i) the Holder who is seeking to enforce an amendment, change, supplement or modification of this Agreement, or against whom enforcement is sought, (ii) Purchaser, (iii) Merger Sub and (iv) the Company. At any time prior to the Effective Time, any Party may, on behalf of itself, (a) extend the time for the performance of any of the obligations or other acts of any other Party, (b) waive any inaccuracies in the representations and warranties of any other Party contained in this Agreement or in any document delivered pursuant to this Agreement or (c) subject to the provisions of this Section 4.3, waive compliance with any of the agreements or conditions of any other Party contained in this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Schedule A may be amended by Purchaser, Merger Sub and the Company without the consent of the Holders to add information regarding Persons who become parties to this Agreement after the date of this Agreement.

4.4 **Expenses**. Except as otherwise specified in writing by the Parties, all out-of-pocket expenses incurred in connection with this Agreement and the other transactions contemplated hereby shall be paid by the Party incurring such cost or expense.

4.5 **Binding Effect; Benefit; Assignment**. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties (whether by operation of Law or otherwise) without the prior written consent of the other Parties hereto, and any assignment without such prior written consent shall be null and void; *provided*, that Purchaser, upon prior written notice to the Holders, may assign, in its sole discretion, any of or all its rights, interests and obligations hereunder to any direct or indirect wholly owned Subsidiary of Purchaser, in which event all references herein to Purchaser shall be deemed references to such Subsidiary. No assignment by any Party shall relieve such Party of any of its obligations hereunder. Subject to the foregoing, this Agreement will be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns.

4.6 **Applicable Law; Venue**. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the Schedules and Exhibits hereto and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement) shall be governed by, and construed in accordance with, the Laws of the State of Delaware without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware, except to the extent required by the OBCA and/or to give effect to the terms hereof under the OBCA and the applicable insurance laws of the State of Oregon. In furtherance of the foregoing, the internal law of the State of Delaware shall control the interpretation and construction of this Agreement (and all Schedules and Exhibits hereto), even though under that jurisdiction's choice of law or conflict of law analysis the substantive law of some other jurisdiction would ordinarily apply, except to the extent required by the OBCA and/or to give effect to the terms hereof under the OBCA and the

applicable insurance laws of the State of Oregon. Each Party irrevocably submits to the exclusive jurisdiction of the United States District Court for the District of Oregon for the purposes of any Action arising out of this Agreement or the transactions contemplated hereby or, in the absence of federal jurisdiction to hear such Action, the state courts sitting in Portland, Oregon. Each Party agrees to commence any such Action exclusively in the United States District Court for the District of Oregon or, in the absence of federal jurisdiction to hear such Action, the state courts sitting in Portland, Oregon. Each Party further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth above shall be effective service of process for any Action in the State of Oregon with respect to any matters to which it has submitted to jurisdiction in this Section 4.6. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any Action arising out of this Agreement or the transactions contemplated hereby in the United States District Court for the District of Oregon or, in the absence of federal jurisdiction to hear such Action, the state courts sitting in Portland, Oregon, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Action brought in any such court has been brought in an inconvenient forum.

4.7 **Waiver of Trial by Jury**. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANOTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 4.7.

4.8 **Counterparts; Delivery by Facsimile or Email**. This Agreement may be executed simultaneously in counterparts (including by signature pages delivered by means of facsimile machine or electronic transmission in portable electronic format (pdf)), any one of which need not contain the signatures of more than one Party, but all such counterparts taken together shall constitute one and the same Agreement. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or electronic transmission in portable document format (pdf) shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any Party to any such agreement or instrument, each other Party thereto shall re-execute original forms thereof and deliver them to all other Parties. No Party or party to any such agreement or instrument shall raise the use of a facsimile machine or electronic transmission in portable document format (pdf) to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or electronic transmission in portable document format (pdf) as a defense to the formation of a

contract and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

4.9 **Entire Agreement**. This Agreement and the agreements and documents referred to herein contain the entire agreement and understanding among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, whether written or oral, relating to such subject matter in any way. All Schedules and Exhibits attached hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein.

4.10 **Severability**. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable Law, but if any provision of this Agreement or the application of any such provision to any Person or circumstance shall be held to be prohibited by, illegal or unenforceable under applicable Law in any respect by a court of competent jurisdiction, such provision shall be ineffective only to the extent of such prohibition or illegality or unenforceability, without invalidating the remainder of such provision or the remaining provisions of this Agreement. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

4.11 **Specific Performance**. The Parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached and that in any such case any breach of this Agreement could not be adequately compensated by monetary damages alone. Accordingly, the Parties agree that, prior to the valid termination of this Agreement in accordance with Section 4.2, each Party shall be entitled to an injunction or injunctions, or any other appropriate form of specific performance or equitable relief, to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction, in each case in accordance with Section 4.6, this being in addition to any other remedy to which they are entitled under the terms of this Agreement at law or in equity. Each Party hereto accordingly agrees not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of such Party under this Agreement all in accordance with the terms of this Section 4.11. Any Party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to post a bond or undertaking in connection with such order or injunction sought in accordance with the terms of this Section 4.11.

4.12 **Mutual Drafting**. The Parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any Law, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

4.13 **Further Assurances**. Purchaser, Merger Sub and each of the Holders will execute and deliver, or cause to be executed and delivered, all further documents and instruments and use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to perform their respective obligations under this Agreement.

4.14 **Interpretation**. When a reference is made in this Agreement to an Article or a Section, such reference shall be to an Article or a Section of this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the word "include," "includes" or "including" is used in this Agreement, it shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereby" refer to this Agreement.

4.15 **Capacity as Holder**. Each Holder signs this Agreement solely in such Holder's capacity as a stockholder of the Company, and not in any other capacity and this Agreement shall not limit or otherwise affect the actions of such Holder or any affiliate, agent or designee of such Holder or any of its affiliates in its capacity, if applicable, as an officer or director of a Target Entity.

4.16 **No Agreement Until Executed**. This Agreement shall not be effective unless and until (a) the Merger Agreement is executed by all parties thereto and (b) this Agreement is executed by Purchaser, Merger Sub, the Company and at least one Holder. This Agreement will be effective against each Holder on the later of the date the Holder signed this Agreement and the date the Merger Agreement is executed by all parties thereto.

4.17 **No Ownership Interest**. Except as otherwise provided herein, nothing contained in this Agreement shall be deemed to vest in Purchaser or Merger Sub any direct or indirect ownership or incidence of ownership of or with respect to the Subject Shares and Options. All rights, ownership and economic benefits of and relating to the Subject Shares and Options shall remain vested in and belong to the applicable Holder, and neither Purchaser nor Merger Sub shall have any authority to manage, direct, restrict, regulate, govern or administer any of the policies or operations of any of the Target Entities or exercise any power or authority to direct such Holder in the voting of any of the Subject Shares, except as otherwise provided herein.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed by their respective duly authorized officers to be effective as of the date first above written.

CENTENE CORPORATION

[redacted]

By: _____
Name: Jesse Hunter
Its: Executive Vice President

[redacted]

PREFONTAINE MERGER SUB, INC.

[redacted]

By: _____
Name: Jesse Hunter
Its: President

[redacted]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed by their respective duly authorized officers to be effective as of the date first above written.

AGATE RESOURCES, INC.

[redacted]

Name: Terry Coplin

Title: Chief Executive Officer

[redacted]

Name: [redacted]
Address: [redacted]
Phone: [redacted]
Fax: [redacted]
Email: [redacted]

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Name: [redacted]
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Schedule A

CENTENE® Corporation

Oregon Partnership

Better Health Outcomes, Lower Costs.™

Centene's Purpose

CENTENE® Corporation

Transforming the health of the community one person at a time

OUR MISSION

Better health outcomes at lower costs

OUR BRAND PILLARS

Focus on individuals + Active Local Involvement + Whole Health

OUR BELIEFS

- We believe in treating the whole person, not just the physical body.
- We believe treating people with kindness, respect and dignity empowers healthy decisions.
- We believe we have a responsibility to remove barriers and make it simple to get well, stay well and be well.
- We believe local partnerships enable meaningful, accessible healthcare.
- We believe healthier individuals create more vibrant families and communities.

Local Approach Alignment

CENTENE® Corporation

Local Stakeholder Involvement

Board of Directors (13)

External (11): 4 local physicians, 1 member advocate, 1 FQHC rep, 5 local business leaders
Internal (2): 2 health plan leadership

Community Advisory Committee (20)

External (13): mix of member advocate, facility, and community resource professionals
Internal (7): medical and member facing professionals

Public Policy Committee (5)

External (5): 2 local physicians, 3 members

Quality Improvement Committee (12)

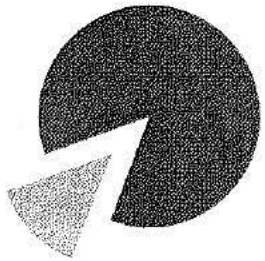
External (4): 4 local physicians
Internal (8): health plan leadership, medical, operations, and finance

Local Operations

15,300+

jobs enterprise wide

Only 14% of Employees are "Corporate"



- Case Management
- Connections Representatives
- Disease Management
- Call Center
- Member Services
- Provider Relations
- Provider Services

Beneficial for Policyholders and Members

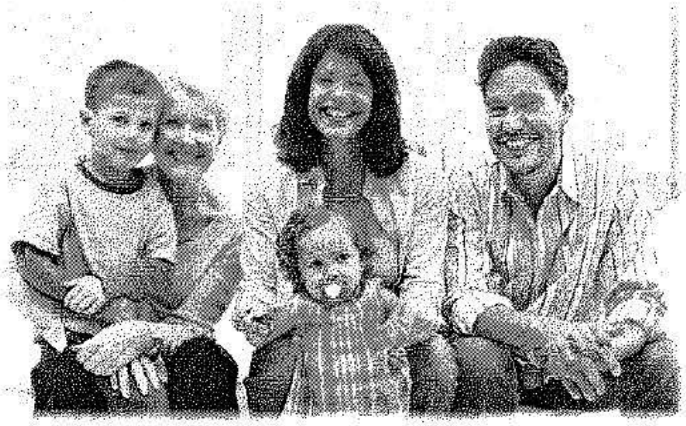
CENTENE® Corporation

Leverage existing Centene resources and benefit from future investments

Dedication to the local community with establishment of Community Fund

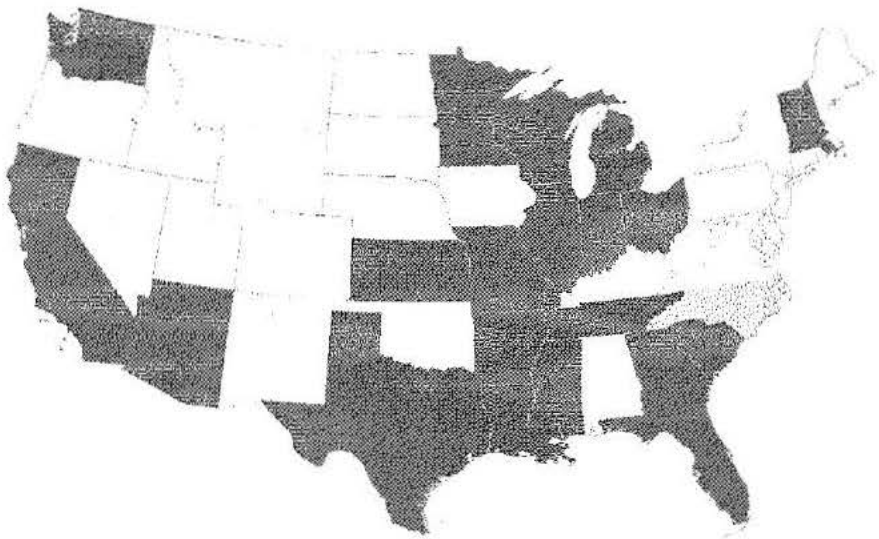
Continuation and commitment to the high level of community input and involvement

Centene has an expanding west coast focus and Trillium is a natural fit



Centene Overview

CENTENE® Corporation



22 states

with government sponsored healthcare programs

4.4 million members

Medicaid	Exchanges	MA SNP	Correctional
(19 states)	(11 States)	(7 States)	(5 States)

237,000 Physicians

2,100 Hospitals

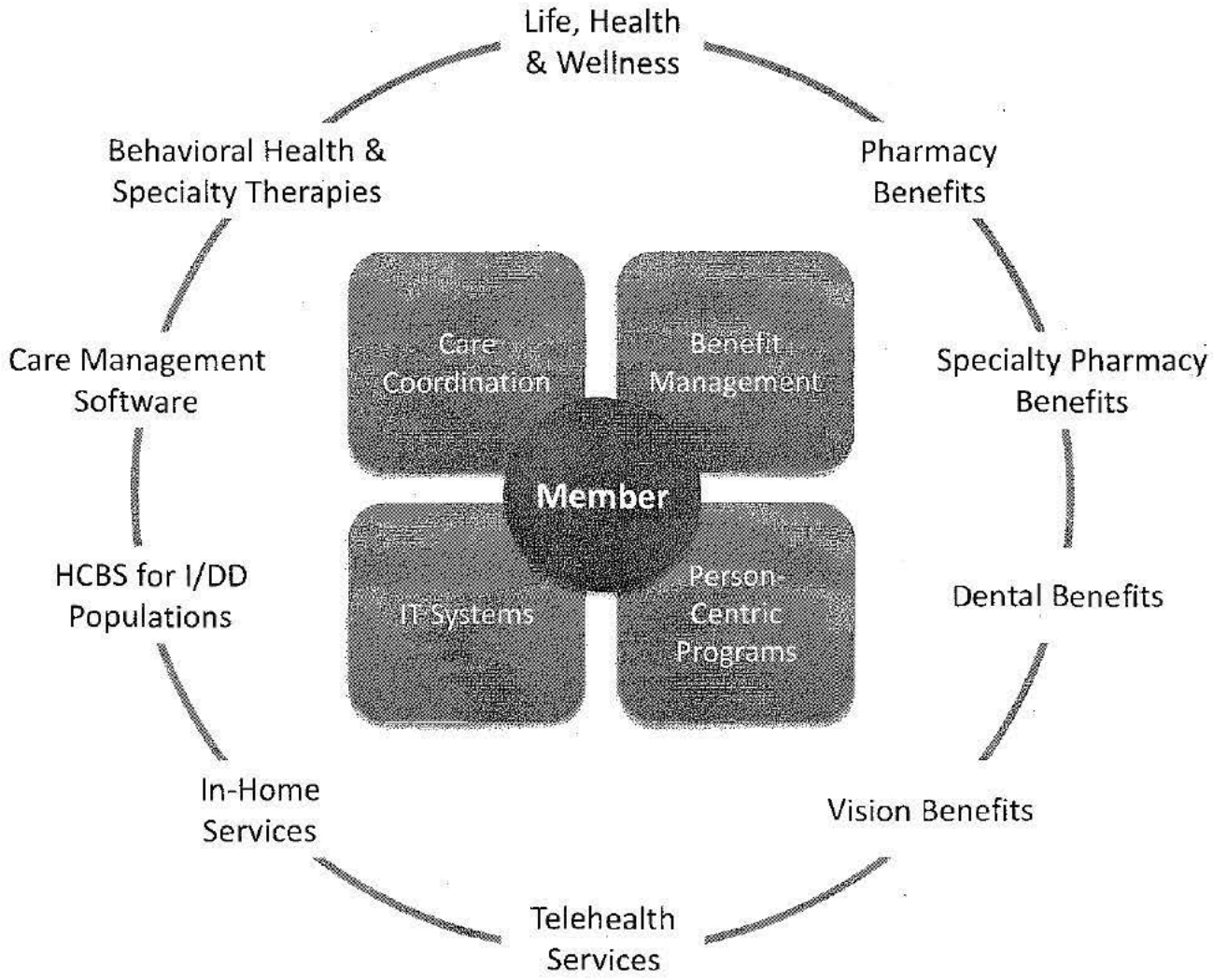
in our provider networks

Specialty Health Solutions

CENTENE® Corporation

Total Solution Integration

- Physical Health
- Behavioral Health
- Pharmacy Services
- Ancillary Services



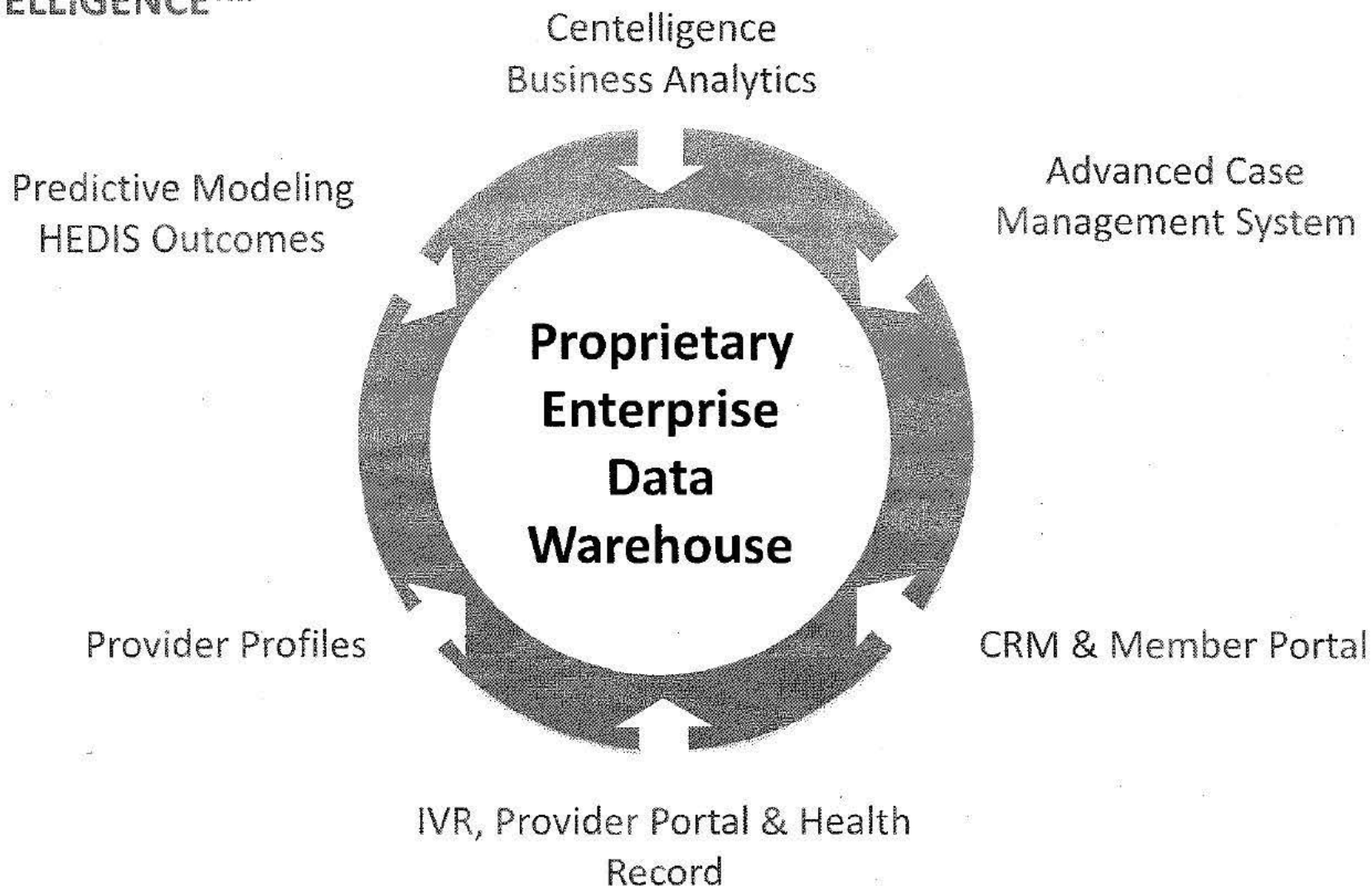
Centurion

Centurion is a correctional healthcare joint venture between Centene and MHM Services Inc. Currently has contracts in MA, MN, TN and VT.

Systems Integration

CENTENE® Corporation

CENTELLIGENCE™



The Member Experience

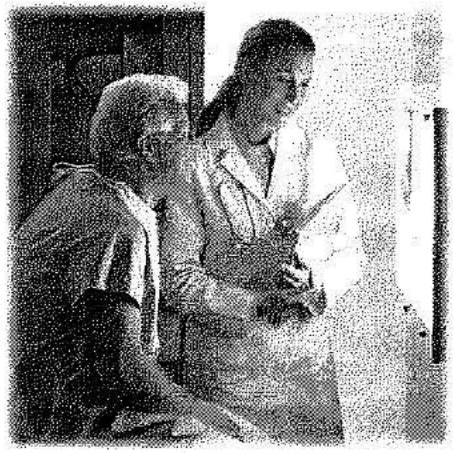
CENTENE® Corporation

"I wanted to drop you a note today, to say 'thanks,' plain and simple … I have never had an insurance company actually sound like they care what may happen to me. I was diagnosed with diabetes this year – a little scary for me. Your reps have really gone out of their way to make sure my sugar is good, that I have all the supplies I need, and more importantly, that I keep up with things like eye exams, pap smears, etc. Things that I know need to be done, but that I can easily overlook, in the daily 'rush' of life. Seriously, I have never had an insurance company take such good 'care' of me and more importantly, take time with me. I really wanted to let all of you know, that your efforts do not go unnoticed and more importantly, they are appreciated."

– Letter from Florida Member

"If I had not had that call from Magnolia and if I had not listened, I would have probably not known about the cancer until it was too late. I will tell everyone how much Magnolia has done for me and how much I love all of you."

– Mississippi Member Statement



CENTENE® Corporation

Oregon Partnership

Better Health Outcomes, Lower Costs.™

Merger
Public Presentation
Agate Resources, Inc.

TERRY COPLIN CEO

RICHARD FINKELSTEIN, MD

MELISSA EDWARDS, MD

Trillium
Community Health Plan

Agate Resources, Inc.

Overview

Ownership

Agate Resources in a private corporation owned primarily by local physicians. Agate is the sole owner of Trillium Community Health Plan

Profile

Lane County Oregon Based
Created in 1996 by local physicians as Lipa
220 employees
Serves Medicaid, Medicare and Commercial members
Currently covers 100,000 members
Coordinated Care Organization since 2012
Community Partnerships
Most recently serving the Reedsport area

Trillium
Community Health Plan

Agate Resources, Inc.

Triple Aim

Population health, Patient experience, Reduce Cost

Community Focus

Public private partnership, Provider relations,
Service Integration

Patient & Provider Involvement

Community Advisory Committee
Clinical Advisory Panel

Trillium
Community Health Plan

Agate Resources, Inc.

Challenges

Growth
January 2014 served 57,000 members
May 2015 serve 100,000 members

Population Health
Smoking, Obesity, Perinatal

Technology
sophisticated State of the art technology

Regulatory
Administrative, Reporting, Compliance

Specialty Services
Nurse line, Wellness, Pharmacy, Telehealth, etc.

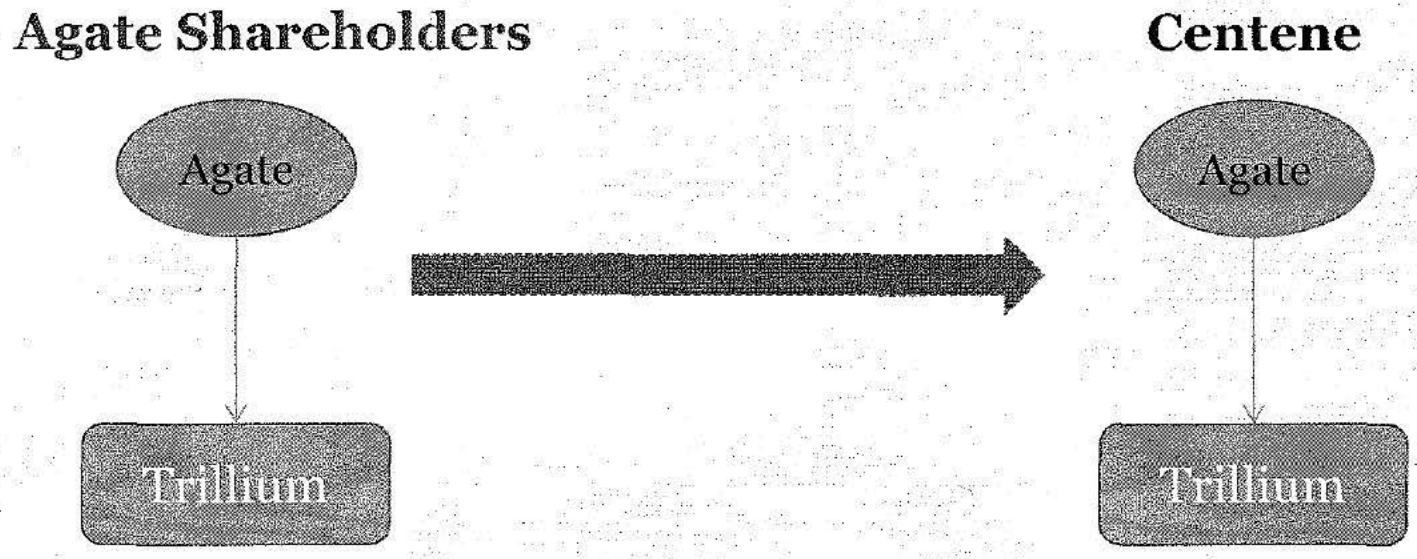
Care Coordination
Benefit management, IT

Transformation
Making a real change in how care is delivered with eye toward population health

Trillium
Community Health Plan

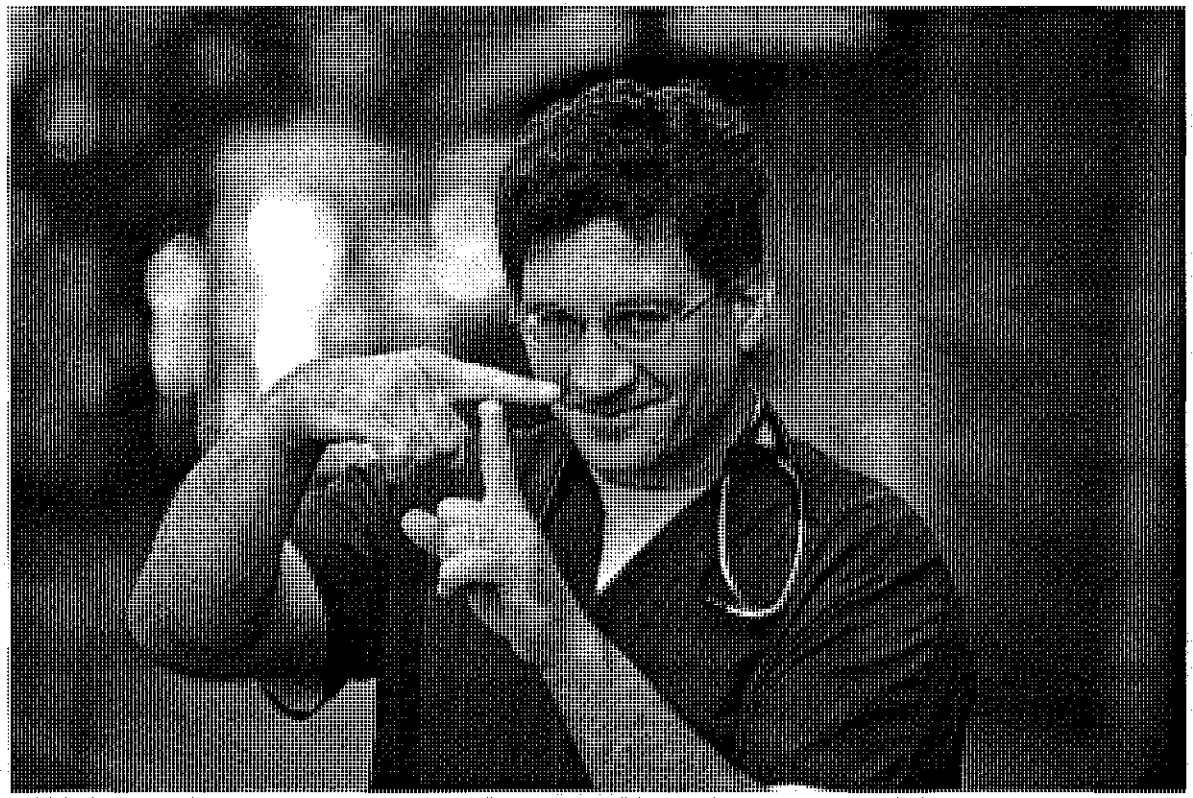
Agate Resources, Inc.

Change



Trillium
Community Health Plan

- Better Care
- Better Health
- Lower Cost



T is for Triple Aim

Form A--Acquisition of Trillium Community Health Plans
by Centene Corporation
Effective 8/1/2015

Form A Fee: $50/hour - $5,000 Minimum

Date	Activity	Individual	Hours
2/12/2015	Form A filed	Russell	2.00
2/25/2015	Form A acknowledgement letter & request for information	Brian	4.00
3/9/2015	Receipt of requested Information	Russell, Ryan, Brian	2.00
3/9/2015 - 3/12/2015	Form A Review		
3/12/2015	Trillium Dividend	Russell, Ryan, Brian	8.00
3/13/2015	Meeting with Company Counsel - Discuss Form A & Dividend		
3/13/2015 - 3/25/2015	Review documents	Russell	6.00
3/25/2015	Letter - Request for Information	Russell	4.00
4/8/2015	Letter Received/Review	Russell	2.00
4/13/2015	Letter - Request for Information	Russell	4.00
4/17/2015	Letter Received/Review	Russell/Ryan	2.00
4/17/2015	Discussion of Public Hearing/Review approve messages	Russell, Ryan, Brian	2.00
5/5/2015 - 5/8/2015	Form A review	Ryan	20.00
5/11/2015 - 5/14/2015	Public Hearing Preparation	Ryan	16.00
5/14/2015	Hearing (including travel)	Laura, Ryan, Brian, Deanna	4.00
5/15/2015 - TBD	Order Preparation	Ryan, TK, Deanna	
	Order Issued	Laura	

Total	76.00

State of Oregon
Department of Consumer & Business Services
Insurance Division

Proposed Acquisition of Agate, Inc. and Trillium Community Health Plans By Centene Corporation

6:00 p.m.
Thursday, May 14, 2015

Eugene Hilton – Wilder Room
66 E 6th Ave, Eugene, OR 97401

Opening Comments: Laura Cali

Centene Corporation/Agate, Inc./Trillium Community Health Plans, Inc. presentations:
Centene: Jesse Hunter – presenting, Chris Bowers, Dr. Jay Fathi, Rob Baughman (tentative)
Agate/Trillium: Terry Coplin, Dr. Richard Finkelstein, Dr. Melissa Edwards

Procedures for acquiring controlling interest of an Oregon Domestic Insurance Company ORS 732.523: Brian Fjeldheim

Statutory basis for approval ORS 732.528: Ryan Keeling

Public Comments: Laura Cali

Closing comments: Laura Cali

Written comments and questions may be submitted to the Oregon Insurance Division at ryan.w.keeling@oregon.gov following the hearing. The public comment period will close at 5pm Pacific daylight time on Thursday, May 28, 2015.

State of Oregon
Department of Consumer & Business Services
Insurance Division

Proposed Acquisition of Agate, Inc. and Trillium Community Health Plans By Centene Corporation

Opening Comments – Laura Cali

For the record it is 6:00 PM, May 14, 2015. We will now open this Public Hearing.

Welcome to tonight's public hearing regarding the proposed acquisition of Agate, Inc. and their insurance subsidiary Trillium Community Health Plan, Inc. by Centene Corporation.

I am Laura Cali, the Oregon Insurance Commissioner. Also attending this hearing from the Oregon Insurance Division are Ryan Keeling, Chief Analyst and Assistant Manager of Financial Regulation and Brian Fjeldheim, who is the Financial Analyst responsible for reviewing this transaction.

Cenetene submitted the Agreement and Plan of Merger to acquire Agate, and through this transaction, Trillium as well, for my approval. As the primary regulator overseeing the operations of Oregon-domiciled insurance companies, like Trillium, the Oregon Insurance Division must approve this proposed transaction before it can take place. Trillium is also authorized to operate as a Coordinated Care Organization under a contract with the Oregon Health Authority. As part of the CCO contract, OHA will need to consent to this transaction as well.

Tonight's hearing is part of the Oregon Insurance Division's review and approval process. This hearing is an opportunity for Trillium policyholders and the general public to hear an explanation of the proposed Plan, learn how it will affect policyholders' rights going forward, and provide public comment about the proposed transaction. I decided to conduct this hearing in Eugene because the largest percentage of Trillium's policyholders are Lane County residents, and I wanted them to have an opportunity to participate and provide comment.

Following these opening remarks, representatives from Centene and Agate and Trillium will present the details of the proposed acquisition. After their presentations, I will open the floor for public comment. There is a sign-up sheet for those who wish to provide comment this evening, and we ask that you sign up before the comment period begins and list your name and affiliation. You may also

submit written comments and questions to the Oregon Insurance Division at ryan.w.keeling@oregon.gov following the hearing. The public comment period will close at 5pm Pacific daylight time on Thursday, May 28, 2015.

Centene Corporation/Agate-Trillium Community Health Plan presentations

Centene Corporation: Jesse Hunter – presenting, Chris Bowers, Dr. Jay Fathi, Rob Baughman (tentative)
Agate/Trillium: Terry Coplin, Richard Finkelstein, Melissa Edwards

Procedures for acquiring controlling interest of an Oregon Domestic Insurance Company ORS 732.523: Brian Fjeldheim

Statutory basis for approval ORS 732.528: Ryan Keeling

Public Comments: Laura Cali

Closing comments: Laura Cali

Thank you for attending tonight and for your interest in this proposed transaction. We will consider the comments provided at this public hearing and those received in writing by 5:00 Pacific daylight time May 28, 2015. We will conclude our review of the transaction and issue an order regarding the transaction following the conclusion of the open comment period.

For the record, it is now _____PM, May 14, 2015, and this public hearing is adjourned.

DCBS

Centene Corporation

Biographical Affidavit Summary

Name
Michael Neidorff
Orlando Ayala-Lozano
Robert Ditmore
Frederick Eppinger
Richard Gephardt
Pamela Joseph
John Robers
David Steward
Tommy Thompson
Rone Baldwin
Carol Goldwin
Jason Harrold
Robert Hitchcock
Jesse Hunter
Donald Imholz
Edmund Kroll
David Minifie
William Scheffel
Jeffrey Schwaneke
Keith Williamson
20

State of Oregon
Department of Consumer & Business Services
Insurance Division

Proposed Acquisition of Agate, Inc. and Trillium Community Health Plans By Centene Corporation

Opening Comments – Laura Cali

For the record it is 6:00 PM, May 14, 2015. We will now open this Public Hearing.

Welcome to tonight's public hearing regarding the proposed acquisition of Agate, Inc. and their insurance subsidiary Trillium Community Health Plan, by Centene Corporation.

I am Laura Cali, the Oregon Insurance Commissioner. Also attending this hearing from the Oregon Insurance Division are Ryan Keeling, Chief Analyst and Assistant Manager of Financial Regulation and Brian Fjeldheim, who is the Financial Analyst responsible for reviewing this transaction.

Cenetene submitted the Agreement and Plan of Merger to acquire Agate, and through this transaction, Trillium, as well, for my approval. As the primary regulator overseeing the operations of Oregon-domiciled insurance companies, like Trillium, the Oregon Insurance Division must approve this proposed transaction before it can take place. Trillium is also authorized to operate as a Coordinated Care Organization under a contract from the Oregon Health Authority. As part of the CCO contract, OHA will need to consent to this transaction as well.

Comment [LNC1]: Agate?

Comment [RWK2]: Updated but not sure I like how I phrased that

Tonight's hearing is part of the Oregon Insurance Division's review and approval process. This hearing is an opportunity for Trillium policyholders and the general public to hear an explanation of the proposed Plan, learn how it will affect policyholders' rights going forward, and provide public comment about the proposed transaction. I decided to conduct this hearing in Eugene because the largest percentage of Trillium's policyholders are Lane County residents, and I wanted them to have an opportunity to participate and provide comment.

Following these opening remarks, representatives from Centene and Agate & Trillium will present the details of the proposed acquisition. After their presentations, I will open the floor for public comment. There is a sign-up sheet for those who wish to provide comment this evening, and we ask that you sign up before the comment period begins and list your name and affiliation. You may also

Comment [LNC3]: Are there making two separate presentations, or one combined?

Comment [RWK4]: They are making two separate presentations.

submit written comments and questions to the Oregon Insurance Division at ~~[email address?]~~ ryan.w.keeling@oregon.gov following the hearing. The public comment period will close at 5pm Pacific time on Thursday, May 28~~1~~, 2015.

Centene Corporation/Agate-Trillium Community Health Plan presentations

~~TBD~~Centene Corporation: Jesse Hunter – presenting, Chris Bowers, Dr. Jay Fathi, Rob Baughman (tentative)
Agate/Trillium: Ken Coplin, Richard Finkelstein, Melissa Edwards

Procedures for acquiring controlling interest of an Oregon Domestic Insurance Company ORS 732.523 Brian Fjeldheim

Statutory basis for approval ORS 732.528: Ryan Keeling

Public Comments: Laura Cali

Closing comments – Laura Cali

Thank you for attending tonight and for your interest in this proposed transaction. We will consider the comments provided at this public hearing and those received in writing by 5:00 Pacific daylight time May 28~~1~~, 2015. We will conclude our review of the transaction and issue an order regarding the transaction following the conclusion of the open comment period.

For the record, it is now _____PM, May 14, 2015, and this public hearing is adjourned.

Comment [LNC5]: Correct?

Comment [RWK6]: Yes, 5pm

Comment [LNC7]: Have we decided how long to extend? May 28 or 29?

Comment [RWK8]: I think we are going to have to go with the 28th.

Comment [LNC9]: Will need to change to reflect extension.

~~C:\Users\er2\Desktop\Centene\Trillium - hearing info for Laura (revised draft) 5 14 15 (LC comments).docx? C:\COMPANY WORK\Ryan\Financial Analysis\Agate-A\Trillium-Centene\Trillium - hearing info for Laura (revised draft) 5 14 15 (LC comments).docx T:\COMPANY WORK\RUSSELL\Companies\Mutual of Enumclaw\Hearing\MOE hearing info for Laura.docx.docx~~

State of Oregon
Department of Consumer & Business Services
Insurance Division

Proposed Acquisition of Agate, Inc. and Trillium Community Health Plans By Centene Corporation

For the record, I am Ryan Keeling, the Chief Financial Analyst and Assistant Manager of the Financial Regulation section of the Oregon Insurance Division. The following are the statutory requirements for approval or denial of an acquisition of an Oregon Domestic Insurance Company.

Oregon Revised Statute 732.528 provides the following requirements for the Approval of proposed activity and grounds for refusing approval. (1) The Director of the Department of Consumer and Business Services shall make a determination concerning the proposed activity described in ORS 732.521 (1) (in this instance, the "Acquisition" of Agate and Trillium) not later than the 60th day before the effective date of the activity. The director may refuse, after a public hearing, to approve a proposed activity if:

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

(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. However, in connection with an acquisition of the insurer's voting securities from the insurer's shareholders, the director shall evaluate whether the proposed acquisition is fair to the shareholders of the insurer to be acquired only with respect to any shareholders that are unaffiliated with the acquiring party or parties and that would remain after the acquisition is completed.

(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.

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

(e) The activity or the completion of the activity would substantially diminish competition in insurance in this state or tend to create a monopoly. In determining whether the activity would substantially diminish competition in insurance in this state or tend to create a monopoly, the director:

(A) Shall require the information described in ORS 732.539 (which sets forth requirements to notify the Division of an intended acquisition) and apply the standards set forth in ORS 732.542 (which outline the definitions of a highly concentrated market).

(B) May not disapprove the activity if the director finds that the activity would yield substantial economies of scale or increase the availability of insurance as provided in ORS 732.542 (9).

(C) May condition the director's approval of the activity on a party's removing the basis for the director's disapproval within a specific period of time.

(f) After the change of control or ownership, the domestic insurer to which the activity described in ORS 732.521 (1) applies would not be able to satisfy the requirements for receiving a certificate of authority to transact the line or lines of insurance for which the domestic insurer is currently authorized.

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

(h) The plans or proposals that the acquiring party has to liquidate the insurer, sell the insurer's assets or consolidate or merge the insurer 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 the insurer's policyholders and not in the public interest.

(i) The competence, experience and integrity of the persons that would control the operation of the insurer are such that permitting the activity or permitting completion of the activity would not be in the interest of the insurer's policyholders and the public.

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

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

(2) If the director disapproves the proposed activity, the director shall promptly notify, in writing, each insurer and each acquiring party involved in the proposed activity, specifying the bases, factors and reasons for the disapproval and giving each insurer and each acquiring party that filed the statement relating to the proposed activity an opportunity to amend the statement, if possible, to obviate the director's objections.

(3) If the director determines that a party that acquires control of a domestic insurer must maintain or restore the domestic insurer's capital to a level required under the laws and rules of this state, the director shall make and communicate the determination to the acquiring party not later than 60 days after the acquiring party files the statement required under ORS 732.523.

(4) The acquiring party or parties that filed a statement of acquisition under ORS 732.523 shall file any amendment to the statement that responds to the director's objection and, if a hearing was held on the proposed activity, shall resubmit the amendment at a hearing held under this section unless the director finds that a hearing is not necessary to protect the policyholders, shareholders or any other person the proposed activity affects.

(5) The director may retain at the acquiring party's expense any actuaries, accountants and other experts not otherwise a part of the director's staff as the director may reasonably need to assist the director in reviewing the proposed activity.

(6) The director may establish the effective date of an activity to which ORS 732.521 (1) applies in the order that approves the activity.

(7) Within 60 days after receiving a notice of approval or disapproval, any insurer or other party to a proposed activity, including the insurer subject to the acquisition, may appeal the director's final order as provided in ORS chapter 183. For purposes of the judicial review, the specifications the director must set forth in the director's written notice are the findings of fact and conclusions of law of the Department of Consumer and Business Services.

(8) On petition to the court, the court's power extends to affirming the order of the director, modifying all or any part of the director's objections, adding additional objections, approving the proposed activity as submitted or subject to such modifications or changes as the court may find proper, and requiring resubmission to the boards of directors or other governing bodies or for hearing as provided in ORS 732.526. [Formerly 732.540; 2001 c.377 §37; 2003 c.802 §169; 2013 c.370 §21]

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
EVALUATION OF PROPOSED PLAN OF ACQUISITION OF

Review date: 5/5/2015 Checklist version 1 Analyst: Keeling

Unless the provisions of ORS 732.517 to 732.546 are first satisfied, a person shall not enter into an agreement to merge with or otherwise acquire control of a domestic insurer.

Acronyms used throughout checklist:
Trillium – Trillium Community Health Plans
Centene – Centene Corporation
Agate – Agate Inc.
LIPA – Lane Independent Physicians Association
Merger Agreement – Agreement and Plan of Merger by and Among Centene Corporation, Prefontaine Merger Sub, Inc., Agate Resources, Inc., and James Dalton, as the Stockholder Representative
Plan - Agreement and Plan of Merger by and Among Centene Corporation, Prefontaine Merger Sub, Inc., Agate Resources, Inc., and James Dalton, as the Stockholder Representative

Following is my review of the applicable statutory requirements:

732.523 Procedure for acquiring controlling interest of voting securities; filing of statement; request for hearing.

(1) An acquiring party: Centene Corporation

(a) Must file with the director for approval a statement containing the information required in this section.

___ File is deemed complete. Date:

Notwithstanding these and other noted deficiencies, the format of the Form A follows OAR 836-27-100 Exhibit 1 and contains all required elements.

(b) Must deliver or mail to the domestic insurer, concurrently with filing the statement under paragraph (a) of this subsection, a statement containing the information required by this section. A statement mailed under this paragraph shall be sent by certified mail, return receipt requested.

_X_ Verification of this notice

(2) The statement to be filed with the director under this section shall be made under oath or affirmation and shall contain the following information:

(a) The name and address of the domestic insurer involved and each acquiring party, and additional biographical and business information about each acquiring party, business plans and information regarding persons who will serve as directors or officers.

_X_ The Form A is signed by Jeffrey A Schwaneke, and certified by Jeffrey A. Schwaneke. Attested by Keith H. Williamson. The signature and certification comply with OAR 836-027-0100 Exhibit 1.

__X__ The name and address of the domestic insurer: Trillium Community Health Plan, via purchase of Agate, Inc.

___X___ The name and address of the acquiring party: Centene Corporation

__X__ Biographical information on officers and directors

__X__ Check SAD, RIRS for each officer and director . **See Accompanying spreadsheet**

__X__ Statement regarding contemplated changes

(b) The source, nature and amount of the consideration used or to be used in effecting the activity, a description of any transaction in which funds were or are to be obtained for the activity and the identity of persons furnishing the consideration.

__X__ **- Centene will pay cash from their accounts to purchase the stock of Agate, Inc.**

(c) Fully audited financial information as to the earnings and financial condition of each acquiring party for the preceding five fiscal years or for such lesser period as the acquiring party and any predecessors of the acquiring party has been in existence, and similar unaudited information as of a date not earlier than 90 days prior to the filing of the statement. *Provided 10K and 10Q.*

(d) Any plan or proposals of each acquiring party to liquidate the insurer, to sell its assets or merge or consolidate it with any person, or to make any other material change in its business or corporate structure or management. *No plans to liquidate the insurer, sell its assets or merge or consolidate it with any person, or to make any other material change in its business or corporate structure or management.* [redacted]

[redacted]

(e) As required by the director, information regarding shares to be acquired by an acquiring party, information regarding related offers or agreements, information regarding classes of security to be acquired and related contracts, arrangements or understandings, and information regarding related purchases of securities and recommendations to purchase.

__X__ Information provided indicating the full purchase of all outstanding stock and options of Agate, Inc. This includes an allocation by stockholder of the intended amounts to be paid for their outstanding stock.

(f)Any additional information required by the director.

(3) All requests or invitations for tenders or advertisements making a tender offer or requesting or inviting tenders of securities for control of a domestic insurer made by or on behalf of any acquiring party shall contain such information specified in subsection (2) of this section as the director may prescribe. Copies of the materials shall be filed with the director at least 10 days prior to the time the materials are first published or sent or given to security holders.

N/A

(4) If any acquiring party required to file the statement is a partnership, limited partnership, syndicate, or other group, ...

N/A Centene is a publically traded corporation.

(5) If any material change occurs in the facts set forth in the statement filed under this section, the party who filed the statement must file with the director and send to the insurer, within two business days after the party learns of the change, an amendment setting forth the change together with copies of all documents and other material relevant to the change. N/A

(6) If an offer, request, invitation, agreement or acquisition is proposed to be made by means of a registration statement under the Securities Act of 1933 or Securities Exchange Act of 1934, the party required to file the statement under this section may use such documents in furnishing the information called for by that statement.

N/A Based upon the dollar value, Centene has provided assurance that this does not reach the materiality threshold of the acts noted.

(7) Any acquiring party may file with the completed statement or within 10 days thereafter a written request for a hearing on the acquisition. The insurer to be acquired may file with the director a written request for a hearing on the acquisition within 10 days after the filing of the completed statement.

___ Date filing is complete:

N/A Statements that each party waives its right to a hearing.

732.526 Hearing on proposed acquisition; notice. (1) If a written request for a hearing has been duly filed or if, within 10 days after filing of a completed statement, the director considers it necessary or advisable to hold a hearing, the direetor shall direct that a hearing be held.

___ Hearing information. Commissioner is requiring a public hearing; Hearing to be held 5/14/2015.

(2) The hearing shall be held within 30 days after the filing of the written request for hearing or within 30 days after the director's order directing that a hearing be held, at a time and place designated by the director.

732.528 Approval of proposed activity.

(1) The director shall approve the proposed activity not later than the 60th day before the effective date of the activity unless the director finds that any of the following apply to the proposed activity:

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

_____Comment:

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

_____Comment:

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

_____Comment:

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

_____Comment:

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

_____Comment:

(f)After the change of control or ownership, the domestic insurer to which the activity described in ORS 732.521(1) 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 it is currently authorized.

_____Comment:

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

_____Comment:

(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 its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest.

_____Comment:

(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.

_____Comment:

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

_____Comment:

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

_____Comment:

(2) If the director does not approve the proposed activity, the director shall promptly notify each insurer and each acquiring party to the proposed activity in writing, specifying the bases, factors and reasons for the disapproval and giving each insurer and each acquiring party who filed the statement relating to the proposed activity an opportunity to amend the statement, if possible, to obviate the director's objections.

_____Director's decision:

(3) Any amendment to the statement filed under ORS 732.523 pursuant to the director's objection shall be filed by the acquiring party or parties filing the statement and, if a hearing was held on the proposed activity, shall be resubmitted at a hearing held pursuant to this section unless the director finds that such a hearing is not necessary.

(4) The director may retain at the acquiring person's expense any actuaries, accountants and other experts not otherwise a part of the director's staff as may be reasonably necessary to assist the director in reviewing the proposed activity.

_____Outside consultants

(5) The director may establish the effective date of an activity to which ORS 732.521 (1) applies in the order approving the activity.

_____Effective date: _____

(6) Any insurer or other party to a 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.

_____Date for the end of the appeal period: _____

(7) On petition to the court, the court's power shall extend to affirming the order of the director, modifying all or any part of the director's objections, adding additional objections, approving the proposed activity as submitted or subject to such modifications or changes as the court may find proper, and requiring resubmission to the boards of directors or other governing bodies or for hearing as provided in ORS 732.535.

732.531 Acquisition of assets or insurance of mutual insurers.

732.533 Statement of Acquisition.

Not later than the 30th day after consummation of an activity described in ORS 732.521(1), the acquiring party shall submit to the director a statement that the activity has been consummated. The statement must be made under the oath of the presiding officer of the board of directors of the acquiring party.

_____Due date for statement of acquisition: _____

732.536 Compliance with foreign or alien laws.

(1) The action taken by any foreign or alien insurer or other party to the proposed activity must be authorized by the laws of the state, country or province under which it is incorporated or organized, and each foreign or alien insurer or other party must satisfy and comply with any applicable laws thereof and with the provisions of its articles of incorporation and bylaws.

_____Any other state or federal jurisdictions involved?

SCHWABE, WILLIAMSON & WYATT®
ATTORNEYS AT LAW

Pacwest Center, 1211 SW 5th Ave., Suite 1900, Portland, OR 97204 | Phone 503.222.9981 | Fax 503.796.2900 | www.schwabe.com

PETER D. RICOY
Admitted in Oregon and Washington
Direct Line: 503-796-2973
E-Mail: pricoy@schwabe.com

February 12, 2015

BY HAND DELIVERY

Russell Latham
Oregon Insurance Division
350 Winter St. NE, 3rd Floor
Salem, OR 97309

Re: Form A Filing for Centene Corporation
Our File No.: 126360-191828

Dear Russell:

Following up our email correspondence, as you know on February 6, 2015 our firm submitted a "Form A" filing on behalf of our client, Centene Corporation. Pursuant to that filing request, enclosed please find a check in the amount of $5,000 for the filing fee.

Please feel free to call me with any questions you may have. As always, we appreciate your help.

Si[redacted]

Peter D. Ricoy

PDR:al
Enclosure

021815-016-001-001 1002 0000500000

Check Date: Feb/10/2015 Vendor Number: 0000023505 Check No. 336042

Invoice Number	Invoice Date	Voucher ID	Gross Amount	Discount Taken	Late Charge	Paid Amount
021015	Feb/10/2015	00422363	5,000.00	0.00	0.00	5,000.00

44310/1002

Check Number	Date	Total Gross Amount	Total Discounts	Total Late Charges	Total Paid Amount
336042	Feb/10/2015	$5,000.00	$0.00	$0.00	$5,000.00

FORM A FILING

VOLUME I

1. Correspondence Dated February 6, 2015
2. Form A
3. Exhibit A: Centene's Subsidiaries and Affiliates
4. Exhibit B: Centene's Directors and Executives Officers
5. Exhibit C: NAIC Biographical Affidavits
6. Exhibit D: Merger Agreement
7. Exhibit E: Stockholders Support Agreement

VOLUME II

8. Exhibit F: Financial Statements

SCHWABE, WILLIAMSON & WYATT®
ATTORNEYS AT LAW

Pacwest Center, 1211 SW 5th Ave., Suite 1900, Portland, OR 97204 | Phone 503.222.9981 | Fax 503.796.2900 | www.schwabe.com

PETER D. RICOY
Admitted in Oregon and Washington
Direct Line: 503-796-2973
E-Mail: pricoy@schwabe.com

February 6, 2015

BY HAND DELIVERY

Ms. Laura N. Cali
Insurance Commissioner
Oregon Insurance Division
350 Winter Street NE, 3rd Floor
Salem, OR 97301-3883

Re: Form A Filing for Centene Corporation
Our File No.: 126360-191828

Dear Commissioner Cali:

On behalf of our client Centene Corporation, we are submitting the enclosed "Form A" filing together with the accompanying exhibits.

Centene requests confidential treatment for Exhibit C as exempt from public disclosure pursuant to ORS 192.501(28), ORS 192.502(2), and ORS 192.502(4). Centene requests confidential treatment for Exhibit D and Exhibit E as exempt from public disclosure pursuant to ORS 192.501(2) and ORS 192.502(4).

Thank you very much for your review of the filing. We look forward to working with you on this matter. Please feel free to call me with any questions you may have.

Sinc[redacted]

Peter D. Ricoy

PDR:al
Enclosures

FORM A
STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

TRILLIUM COMMUNITY HEALTH PLAN, INC.

BY

CENTENE CORPORATION

Filed with the Department of Consumer and Business Services of the State of Oregon.

Dated: February 06, 2015

Name, Title, address, and telephone number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed:

Peter D. Ricoy, Attorney at Law
Schwabe, Williamson, & Wyatt, P.C.
1211 SW 5th Ave. Suite 1900
Portland, OR 97204

Email: pricoy@schwabe.com
Telephone: 503-796-2973

ITEM 1. INSURER AND METHOD OF ACQUISITION

Name and address of domestic insurer to which this application relates:

TRILLIUM COMMUNITY HEALTH PLAN, INC. ("**Trillium**")
1800 Millrace Drive
Eugene, OR 97403

Brief description of how control is to be acquired:

Trillium is an Oregon corporation and an Oregon domiciled Health Care Service Contractor, and is controlled by Agate Resources, Inc., an Oregon corporation ("**Agate**"). Consequently, Agate is considered to be a domestic insurer for

purposes of this Form A pursuant to ORS 732.518(3). Centene Corporation is a Delaware corporation ("**Centene**"). Pursuant to an Agreement and Plan of Merger (the "**Merger Agreement**") among Centene, Agate, Prefontaine Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Centene ("**Merger Sub**"), and James Dalton as the stockholder representative, Centene proposes to acquire control of Agate 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. Merger Sub was formed solely for purposes of effecting the Merger and is not expected to have any business operations.

ITEM 2. IDENTITY AND BACKGROUND OF APPLICANT

(a) Name and address of applicant seeking to acquire control:

Centene Corporation
7700 Forsyth Boulevard
St. Louis, Missouri 63105

Prefontaine Merger Sub, Inc., a subsidiary of Centene Corporation
7700 Forsyth Boulevard
St. Louis, Missouri 63105

(b) The nature of applicant's business, and business intended to be done:

Centene is a diversified, multi-line healthcare enterprise that provides programs and services to government-sponsored healthcare programs, focusing on under-insured and uninsured individuals. Centene and its subsidiaries provide services primarily through Medicaid, CHIP, LTC, Foster Care, ABD, Medicare and other state and federal programs for the uninsured. Centene has developed specialized Medicaid expertise, and has implemented programs to achieve savings for state governments and improve medical outcomes for members by reducing inappropriate emergency room use, inpatient days and high cost interventions as well as by managing care of chronic illnesses. Centene works with state agencies in order to maximize the effectiveness of its programs. Centene subsidiaries offer healthcare services in several states, including California, Washington, Florida, Illinois, Massachusetts, Ohio and Texas. Centene would continue this work by expanding its services to Oregon.

Agate is a diversified holding company that offers an array of health care products and services to Oregon residents through its subsidiary Trillium.

Trillium serves as one of Oregon's Coordinated Care Organizations and provides covered services to Oregon Health Plan members. Trillium also provides coverage to Medicare beneficiaries through a Medicare Advantage plan. Agate's other subsidiaries (Lane Individual Practice Association, Inc. ("LIPA"), Independent Professional Services L.L.C. ("IPS"), Apropo Benefits Management, LLC, and Agate Properties LLC) are largely inactive. IPS is a provider of credentialing services. Trillium and Agate would continue offering the above services after the Merger and the Merger would bring together the combined value of each of the entities' offerings to Oregonians.

(c) List identities of applicant and its affiliates:

Please see attached Exhibit A, listing the subsidiaries and affiliates of Centene.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH APPLICANT

State the following with respect to (1) the acquiring party if the acquiring party is an individual or (2) if the acquiring party is not an individual, all individuals who are or who have been selected to become directors or executive officers of the acquiring party or who perform or will perform functions appropriate to such positions, or who are owners of 10 percent or more of the voting securities of the acquiring party: (a) Name and business address; (b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on; (c) Material occupations, positions, offices or employment during the last five years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith. (d) Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.

Please see attached Exhibit B listing Centene's Directors and Executive Officers, and Exhibit C, containing the biographical affidavits for each.

ITEM 4. NATURE, SOURCE, AND AMOUNT OF CONSIDERATION

(a) Nature, source, and amount of funds:

The amount of consideration for the transaction is set forth on the Merger Agreement, attached as Exhibit D. The source of funds to purchase the outstanding shares of Agate will be cash from Centene. Centene anticipates funding a portion of the consideration through amounts available under Centene's current revolving line of credit with existing lenders. Centene is considering obtaining additional funds through a block trade of equity under its current shelf filing. The precise mix of funding sources will be determined by Centene's financial managers.

(b) Criteria used in determining the nature and amount of such consideration.

The amount of consideration was negotiated between the parties to the Merger.

(c) Loans in ordinary course.

Not applicable.

ITEM 5. FUTURE PLANS OF INSURER

Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate such insurer, to sell its assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.

Centene does not currently have any plans to, after the consummation of the Merger, declare an extraordinary dividend, liquidate Agate or Trillium, sell Agate's or Trillium's assets to, or merge Agate or Trillium with, any other person or to make any other material change in their business operations or corporate structure or management. As described in the Merger Agreement, immediately prior to the consummation of the Merger, Trillium will pay a dividend to its current shareholders Agate and LIPA, LIPA will distribute its share of the dividend to its sole shareholder Agate, and Agate will pay a dividend of the entire amount to its current shareholders.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

Centene will indirectly acquire all of Trillium's outstanding voting securities through a merger of Merger Sub with and into Agate, with Agate as the surviving corporation. As a result of the Merger, Centene will become the sole shareholder of Agate and the shares of those who were shareholders of Agate immediately prior to the Merger will be cancelled and converted into the right to receive cash consideration in accordance with the Merger Agreement.

The fairness of the terms of the acquistion was arrived at through negotiation between the parties to the Merger.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer that is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

Neither Centene, any of its affiliates, or any person listed in Item 3 above has any beneficial ownership or rights to acquire beneficial ownership, other than as set forth in the Merger Agreement and the Stockholder Support Agreement.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO THE VOTING SECURITIES OF THE INSURER

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom such contracts, arrangements or understandings have been entered into.

Other than the rights set forth in the Merger Agreement and the Stockholder Support Agreement, there are no contracts, arrangements or understanding with respect to any voting security of Trillium in which Centene's affiliates or any

persons listed in Item 3 are involved. The Merger Agreement is set forth in Exhibit D, and the Stockholder Support Agreement is set forth in Exhibit E.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this Statement. Include in such description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any such shares so purchased are hypothecated.

There have been no purchases by Centene, Centene's affiliates or any person listed in Item 3 above, of any voting securities of Trillium or Agate during the 12 calendar months preceding the filing of this Form A.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3, during the 12 calendar months preceding the filing of this statement.

Other than Centene's own internal recommendations to enter into this transaction, there have been no recommendations made by Centene, Centene's affiliates, or anyone on behalf of any of them during the 12 calendar months preceding the filing of this Form A to purchase any voting security of Trillium or Agate.

ITEM 11. COPIES OF TENDER AND OTHER OFFERS

Copies of all tender offers for, requests or invitations for tenders of, exchange offers for, and agreements to acquire or exchange any voting security of the insurer and, if distributed, of additional soliciting material relating thereto

There are no tender offers for, requests or invitations for tenders of, exchange offers for, or agreements to acquire or exchange any voting security of Trillium or Agate except as set forth in the Merger Agreement.

ITEM 12. AGREEMENTS WITH BROKER DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

Centene has no agreements, contracts or understandings with any broker-dealer regarding solicitation of tenders or any other thing with regard to the proposed transaction.

ITEM 13. FINANCIAL STATEMENTS AND EXHIBITS

Attached to this Form A as Exhibit F are the following SEC filings containing the financial statements for the periods requested:

1. FORM 10-K for Centene Corporation for the Year Ended 12-31-2009
2. FORM 10-K for Centene Corporation for the Year Ended 12-31-2010
3. FORM 10-K for Centene Corporation for the Year Ended 12-31-2011
4. FORM 10-K for Centene Corporation for the Year Ended 12-31-2012
5. FORM 10-K for Centene Corporation for the Year Ended 12-31-2013
6. FORM 10-Q for Centene Corporation for the Quarter Ended 03-31-2014
7. FORM 10-Q for Centene Corporation for the Quarter Ended 06-30-2014
8. FORM 10-Q for Centene Corporation for the Quarter Ended 09-30-2014

ITEM 14. SIGNATURE AND CERTIFICATION

Pursuant to the requirements of ORS 732.517 to 732.592, Centene Corporation has caused this application to be duly signed on its behalf in the City of St. Louis and the State of Missouri on the _____ day of February, 2015.

Centene Corporation

[redacted]

By: Jeffrey A. Schwaneke
Its: Senior Vice President, Corporate Controller
and Chief Accounting Officer

Attest:

[redacted]

By: Keith H. Williamson
Title: Executive Vice President, General Counsel
and Secretary

CERTIFICATION

The undersigned deposes and says that the undersigned deponent has duly executed the attached application dated February _____, 2015 for and on behalf of Centene Corporation; that the deponent is the Senior Vice President, Corporate Controller and Chief Accounting Officer of such company and that the deponent is authorized to execute and file such instrument. Deponent further says that the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.

[redacted]

By: Jeffrey A. Schwaneke
Title: Senior Vice President, Corporate Controller
and Chief Accounting Officer

SECRETARY'S CERTIFCATE

The undersigned, being the duly elected Secretary of Centene Corporation (the "Corporation"), does hereby certify that the following resolution was duly adopted by the Corporation's Board of Directors at a meeting held on December 29, 2014 and further certifies that such resolution remains in full force and effect:

> **RESOLVED**, that the Board of Directors hereby approves the 100% acquisition of PREFONTAINE for a cash transaction value of $100 million.

IN WITNESS WHEREOF, the undersigned has hereto executed this certificate as of this 23rd day of January, 2015.

[redacted]

Keith H. Williamson
Secretary

State of Missouri
County of St. Louis

The foregoing instrument was acknowledged before me this 23rd day of January, 2015, by Keith H. Williamson, who is personally known to me.

[redacted]

Notary Public

(Seal)

ROSEMARIE BAYES
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: June 3, 2016
Commission # 12567879

Rosemarie Bayes
Print Notary Name

June 3, 2016
My commission expires

Agate Resources, Inc.
Secretary's Certificate

I, Terry W. Coplin, the Secretary of Agate Resources, Inc., an Oregon corporation (the "Company"), hereby certify on behalf of the Company that attached as Exhibit A is a true, correct, and complete copy of certain resolutions which were adopted by the Board of Directors of the Company at a duly called meeting held on January 16, 2015. Such resolutions have not been amended, revoked, or rescinded, and are in full force and effect.

This Secretary's Certificate is executed and delivered as of January 19, 2015.

Agate Resources, Inc.

[redacted]

Terry W. Coplin
Secretary

EXHIBIT A

CENTENE'S SUBSIDIARIES AND AFFILIATES

Exhibit A

Resolutions Adopted by the Board of Directors of Agate Resources, Inc.

Meeting Date: January 16, 2015

Acquisition of the Company by Centene Corporation

WHEREAS, Agate Resources, Inc., an Oregon corporation (the "**Company**"), has entered into discussions with Centene Corporation, a Delaware corporation ("**Parent**"), regarding a statutory merger pursuant to which (i) a wholly-owned subsidiary of Parent ("**Merger Sub**") would merge with and into the Company and (ii) the Company would become a wholly-owned subsidiary of Parent (the "**Merger**");

WHEREAS, the Board of Directors (the "**Board**") believes that it is advisable and fair and in the best interests of the Company and its shareholders that the Company enter into an Agreement and Plan of Merger with Parent, Merger Sub, and James Dalton, as Stockholder Representative, in substantially the form attached hereto as **Exhibit A** (the "**Merger Agreement**"), pursuant to which the issued and outstanding shares of capital stock of the Company and options outstanding immediately before the effective time of the Merger will convert into the right to receive a portion, as set forth in the Merger Agreement, of (i) $80,000,000 (subject to a working capital adjustment and Risk Based Capital adjustment), *less* (ii)(A) up to $400,000 plus up to 10% of amounts released to shareholders and option holders on the first, second and third anniversaries of the closing date to cover costs incurred by the Stockholder Representative as contemplated by the Merger Agreement, (B) transaction costs incurred by the Company as contemplated by the Merger Agreement and (C) $1,000,000 to partner with Parent to create a community investment fund, *plus* (iii)(A) up to $5,000,000 in future bonus payments payable in accordance with the terms of the Merger Agreement and (B) up to $20,000,000 in deferred purchase price;

RESOLVED, that the Board has determined that the Merger Agreement and the transactions provided for in the Merger Agreement, including the Merger, and the consideration to be paid for each share of the Company's Common Stock in the Merger, are fair to the shareholders;

RESOLVED, that the terms and provisions of the Merger Agreement, in substantially the form attached hereto, and the transactions and agreements contemplated by the Merger Agreement, including the Merger, are hereby approved and adopted;

RESOLVED, that the form, terms and provisions of the Stockholder Support Agreement, in substantially the form attached to the Merger Agreement, are hereby approved and adopted;

RESOLVED, that the Merger and the Merger Agreement are advisable and the Merger and the Merger Agreement be submitted to the Company's shareholders for approval at a special meeting of the shareholders;

RESOLVED, that the Board recommends to the Company's shareholders that they vote in favor of and approve and adopt the Merger and the Merger Agreement;

RESOLVED, that each of Terry Coplin and David Cole (each, an "**Authorized Officer**" and collectively, the "**Authorized Officers**") is authorized and directed in the name and on behalf of the Company to execute and deliver the Merger Agreement, with such changes as any Authorized Officer may approve, such officer's execution and delivery of the Merger Agreement constituting conclusive evidence of such officer's approval;

RESOLVED, that each of the Authorized Officers is authorized to negotiate, execute and deliver any and all other agreements, documents, instruments or certificates contemplated by the Merger Agreement (collectively, the "**Transaction Documents**"), including the Stockholder Support Agreement and the Articles of Merger, or necessary for the delivery or performance thereof, all in such form as the officer executing such Transaction Document shall approve and deem necessary or appropriate, such officer's execution and delivery thereof to serve as conclusive evidence of such officer's approval;

RESOLVED, that each of the Authorized Officers is authorized (i) to execute and deliver a written consent on behalf of the Company, as a shareholder of Trillium Community Health Plan, Inc. (**"Trillium"**), directing Trillium, in accordance with Trillium's articles of incorporation and subject to the completion of the Merger, to distribute the Excess Cash Amount (as defined in the Merger Agreement) to Trillium's shareholders, and (ii) to take any other action the Authorized Officer deems necessary or advisable to, subject to the completion of the Merger, cause the entire Excess Cash Amount to be distributed to the Company, including through a distribution by Lane Individual Practice Association, Inc. (**"LIPA"**) to the Company of the portion of the Excess Cash Amount distributed by Trillium to LIPA;

RESOLVED, that, subject to the approval and adoption of the Merger Agreement by the shareholders, the Board approves the filing of the Articles of Merger on the Closing Date (as defined in the Merger Agreement);

RESOLVED, that the Company's performance of its obligations under the Merger Agreement, the Transaction Documents to which it is a party and the transactions contemplated thereby is approved in all respects; and

RESOLVED, that each Authorized Officer of the Company is authorized to prepare or cause to be prepared, and to execute and file, jointly with Parent or otherwise, all such applications, amendments thereof, and documents related thereto, as may be deemed by either officer to be necessary or desirable to obtain such approvals or authorizations of regulatory authorities as may be required to effect the Merger on the basis, or on substantially the basis, set forth in the Merger Agreement.

Treatment of Options and Company Option Plan

WHEREAS, in connection with the Merger, the Board believes that it is in the best interests of the Company and its shareholders to treat outstanding options (each, an "**Option**") under

the Company's Amended and Restated 2004 Stock Incentive Plan (the "**Company Option Plan**") in the manner described in the Merger Agreement;

RESOLVED, that, (i) pursuant to Section 8.2-3 of the Company Option Plan and subject to the completion of the Merger, during the period beginning on the later of (A) the date on which the Merger Agreement is executed and delivered on behalf of the Company or (B) the date which is 30 days before the Effective Time (as defined in the Merger Agreement) and ending at the Effective Time (the "**Merger Exercise Period**"), Options outstanding under the Company Option Plan may be exercised to the extent then exercisable, (ii) subject to the completion of the Merger, immediately prior to the expiration of the Merger Exercise Period, Options outstanding under the Company Option Plan shall become fully vested and exercisable, and (iii) subject to the completion of the Merger, upon the expiration of the Merger Exercise Period, all unexercised Options and related option agreements shall immediately terminate and be canceled in exchange for the consideration set forth in the Merger Agreement;

RESOLVED, that, subject to the completion of the Merger and in accordance with the Merger Agreement, the holder of each Option outstanding under the Company Option Plan as of immediately before the expiration of the Merger Exercise Period shall be entitled to receive, subject to the terms and conditions of the Merger Agreement, the consideration set forth in the Merger Agreement;

RESOLVED, that each of the Authorized Officers is authorized and directed, in the name and on behalf of the Company, to do all things, perform all acts and execute all documents deemed by him or her to be necessary or appropriate to give effect to the purpose and intent of the foregoing resolutions; and

RESOLVED, that, as of the Effective Time, the Company Option Plan shall terminate and be of no further force or effect.

Special Shareholders Meeting Date

RESOLVED, that a Special Meeting of the shareholders (the "**Special Shareholders Meeting**") be held no later than the date that is 35 days following the date on which the Oregon Insurance Division approves the "Form A" filed by Parent pursuant to the Merger Agreement for the purpose of obtaining the Necessary Stockholder Approval (as defined in the Merger Agreement) at such time and location as management may determine.

Record Date; Solicitation of Proxies

RESOLVED, that the record date for determining shareholders entitled to notice of and to vote at the Special Shareholders Meeting and for purposes of solicitation of proxies referenced below shall be 5:00 p.m., Pacific time, on the date that is 15 Business Days after the date of the Merger Agreement; and

RESOLVED, that the Company is authorized and directed to solicit proxies (each, a "**Proxy**") in favor of Thomas Wuest, M.D., Terry Coplin and David Cole, or any of them, with respect to the Merger and the Merger Agreement.

Approval of Notice and Proxy Statement

RESOLVED, that the Notice of Special Meeting of Shareholders, Proxy Statement and Proxy, each in the form approved by the chief executive officer of the Company, are approved, and the chief executive officer of the Company is authorized to cause to be transmitted to the shareholders the Notice of Special Meeting of Shareholders, Proxy Statement and Proxy.

General Authorization; Ratification

RESOLVED, that the officers of the Company are each authorized to execute and deliver all such further instruments and documents (including amendments to any agreement or other document approved in the foregoing resolutions), pay such expenses and do and perform such other acts and things as, in the judgment of the officer or officers taking the action, may be necessary or desirable to carry out fully the intent and accomplish the purposes of the foregoing resolutions; and

RESOLVED, that any acts of any officer or officers of the Company and of any person or persons designated and authorized to act by any officer of the Company, which acts would have been authorized by the foregoing resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved, and adopted as the acts of the Company.

Oregon
Kate Brown, Governor

Department of Consumer and Business Services
Insurance Division
350 Winter St. NE
P.O. Box 14480
Salem, OR 97309-0405
503-947-7980
Fax: 503-378-4351
www.insurance.oregon.gov

April 13, 2015

Mr. Peter D. Ricoy, Attorney at Law
Schwabe, Williamson, & Wyatt
1211 SW 5th Ave. Suite 1900
Portland, OR 97403

Re: Form A filing involving the Centene Corporation's proposed acquisition of Trillium Community Health Plan, Inc.

Dear Mr. Ricoy:

Staff is continuing its review of the documents submitted related the Centene Corporation ("Centene") proposed acquisition of Trillium Community Health Plan, Inc. ("Trillium").

Please respond to the following items:

1. Please provide assurance that Centene delivered or mailed to Trillium a statement containing the information required by ORS 732.521(1). The statement mailed was required to be sent by certified mail, return receipt requested.

2. Please provide a Form 10-K for Centene for the period ending December 31, 2014.

3. Please provide assurance that Centene will provide additional funding to Trillium, if necessary, for Trillium to maintain an RBC level of not less than 300% and a premium to surplus ratio below 10:1.

4. Please confirm whether a May 14, 2015, hearing date is acceptable to your client.

5. As we discussed during our telephone call on Friday, please provide additional information regarding the planned employment for current Trillium employees following six months of the Effective Time of the proposed transaction.

6. [redacted]

7. Please provide a Word version of the Agreement and Plan of Merger to facilitate the Division's drafting of the order regarding the proposed transaction. This document will only be used for this purpose and will be considered confidential.

8. Please confirm that Centene received a draft copy of the Trillium examination report as of December 31, 2013.

Please respond to each of the above items within 14 days from the date of this letter.

Please let me know if you have any questions or require further informatition.

Sincerely,

Russell Latham
Chief Examiner
Manager of Financial Regulation
Oregon Insurance Division
(503)947-7220
Arussell.latham@state.or.us

LIST OF EXHIBITS

1. Exhibit A — Centene's Subsidiaries and Affiliates
2. Exhibit B — Centene's Directors and Executive Officers
3. Exhibit C* — NAIC Biographical Affidavits
4. Exhibit D* — Merger Agreement
5. Exhibit E* — Stockholder Support Agreement
6. Exhibit F — Financial Statements

* Centene requests confidential treatment for Exhibit C as exempt from public disclosure pursuant to ORS 192.501(28), ORS 192.502(2), and ORS 192.502(4). Centene requests confidential treatment for Exhibit D and Exhibit E as exempt from public disclosure pursuant to ORS 192.501(2) and ORS 192.502(4).

Organizational Chart

Centene Corporation	DE
Centene Management Company LLC	WI
CMC Real Estate Co. LLC	DE
Centene Center LLC	DE
CMC Hanley, LLC	MO
Cantina Laredo Clayton, LP	DE
GPT Acquisition LLC	DE
Clayton Property Investment LLC	DE
Bankers Reserve Life Insurance Company of Wisconsin	WI
Health Plan Real Estate Holding, Inc. (17%)	MO
CenCorp Health Solutions, Inc.	DE
Cenphiny Mgmt, LLC	DE
NurseWise Holdings LLC	DE
NurseWise LP	DE
Nurse Response, Inc.	DE
Bridgeway Health Solutions, LLC	DE
Bridgeway Health Solutions of Arizona, LLC	AZ
Nurtur Health, Inc.	DE
Family Care & Workforce Diversity Consultants LLC d/b/a Worklife Innovations	CT
Wellness By Choice, LLC	NY
Cenpatico Behavioral Health, LLC	CA
Cenpatico Behavioral Health of TX, Inc.	TX
CBHSP Arizona, Inc.	AZ
Integrated Mental Health Mgmt, LLC	TX
Integrated Mental Health Services	TX
Cenpatico Behavioral Health of Arizona, LLC	AZ
Cenpatico of Louisiana, Inc.	LA
OptiCare Managed Vision, Inc.	DE
OptiCare Vision Insurance Co, Inc.	SC
AECC Total Vision Health Plan of Texas, Inc.	TX
OptiCare Vision Company, Inc.	DE
Ocucare Systems, Inc.	FL
Total Vision, Inc.	DE
Dental Health & Wellness, Inc.	DE
Dental Health & Wellness of Louisiana, Inc.	LA
Peach State Health Plan, Inc.	GA
Health Plan Real Estate Holding, Inc. (21%)	MO
Buckeye Community Health Plan, Inc.	OH
Health Plan Real Estate Holding, Inc. (13%)	MO
Absolute Total Care, Inc.	SC
Health Plan Real Estate Holding, Inc. (1%)	MO
Coordinated Care Corporation d/b/a Managed Health Services	IN
Coordinated Care of Washington, Inc.	WA
Health Plan Real Estate Holding, Inc. (15%)	MO
Managed Health Services Insurance Corp	WI
Health Plan Real Estate Holding, Inc. (2%)	MO
Hallmark Life Insurance Co	AZ
Celtic Group, Inc.	DE
Celtic Insurance Company	IL
Novasys Health, Inc.	DE
CeltiCare Health Plan Holdings LLC	DE
CeltiCare Health Plan of Massachusetts, Inc.	MA
Superior HealthPlan, Inc.	TX
Health Plan Real Estate Holding, Inc. (21%)	MO
LSM Holdco, Inc.	DE
Lifeshare Management Group, LLC	NH
Healthy Louisiana Holdings LLC	DE
Louisiana Healthcare Connections, Inc.	LA
Magnolia Health Plan Inc.	MS
CCTX Holdings, LLC	DE
Centene Holdings, LLC	DE

Centene Company of Texas, LP	TX
US Script, Inc.	DE
LBB Industries, Inc.	TX
RX Direct, Inc.	TX
US Script IPA, LLC	NY
IlliniCare Health Plan, Inc.	IL
Health Plan Real Estate Holding, Inc. (5%)	MO
Sunshine Health Holding LLC	FL
Sunshine State Health Plan, Inc.	FL
Access Health Solutions LLC	FL
Kentucky Spirit Health Plan, Inc.	KY
Healthy Missouri Holding, Inc.	MO
Home State Health Plan, Inc.	MO
Health Plan Real Estate Holding, Inc. (5%)	MO
Sunflower State Health Plan, Inc.	KS
Casenet LLC	DE
Granite State Health Plan, Inc.	NH
Centurion Group, Inc.	DE
Centurion LLC	DE
Centurion of Virginia, LLC	VA
Centurion of Vermont, LLC	VT
Centurion of Pennsylvania, LLC	PA
Centurion of Tennessee, LLC	TN
Massachusetts Partnership for Correctional Healthcare, LLC	MA
Centurion of Idaho, LLC	ID
Centurion of Michigan, LLC	MI
Centurion of Minnesota, LLC	MN
Centurion of Missouri, LLC	MO
Centurion of West Virginia, LLC	WV
MHS Travel & Charter, Inc.	WI
Health Care Enterprises, LLC	DE
California Health and Wellness Plan	CA
Bridgeway Advantage Solutions, Inc.	AZ
Specialty Therapeutic Care Holdings, LLC	DE
Specialty Therapeutic Care, GP, LLC	TX
Specialty Therapeutic Care, LP	TX
AcariaHealth, Inc.	DE
AcariaHealth Pharmacy #14, Inc.	CA
AcariaHealth Pharmacy #11, Inc.	TX
AcariaHealth Pharmacy #12, Inc.	NY
AcariaHealth Pharmacy #13, Inc.	CA
AcariaHealth Pharmacy, Inc.	CA
HomeScripts, LLC	MI
U.S. Medical Management Holdings, Inc.	DE
Phoenix Home Health Care Holdings, Inc.	DE
U.S. Medical Management, LLC (4%)	DE
Pinnacle Home Care Holdings, Inc.	DE
U.S. Medical Management, LLC (1%)	DE
ComfortBrook Hospice Holdings, Inc.	DE
U.S. Medical Management, LLC (1%)	DE
U.S. Medical Management, LLC (14%)	DE
U.S. Medical Management, LLC (48%)	DE
RMED, LLC	FL
Heritage Home Hospice, LLC	MI
Rapid Respiratory Services, LLC	DE
Grace Hospice of Austin, LLC	MI
Seniorcorps Pensinsula, LLC	VA
ComfortBrook Hospice, LLC	OH
R&C Healthcare, LLC	TX
Comfort Hospice of Texas, LLC	MI
A N J, LLC	TX
Grace Hospice of San Antonio, LLC	MI
Pinnacle Senior Care of Missouri, LLC	MI

Grace Hospice of Grand Rapids, LLC	MI
Country Style Health Care, LLC	TX
Grace Hospice of Indiana, LLC	MI
Phoenix Home Health Care, LLC	DE
Grace Hospice of Virginia, LLC	MI
Traditional Home Health Services, LLC	TX
Comfort Hospice of Missouri, LLC	MI
Family Nurse Care, LLC	MI
Grace Hospice of Colorado, LLC	MI
Family Nurse Care II, LLC	MI
Grace Hospice of Wisconsin, LLC	MI
Family Nurse Care of Ohio, LLC	MI
Hospice DME Company, LLC	MI
Pinnacle Senior Care of Wisconsin, LLC	WI
Pinnacle Home Care, LLC	TX
USMM Accountable Care Network, LLC	DE
USMM Accountable Care Partners, LLC	DE
USMM Accountable Care Solutions, LLC	DE
North Florida Health Services, Inc.	FL
Prefontaine Merger Sub, Inc.	DE
MHS Consulting International, Inc.	DE
PRIMEROSALUD, S.L.	ESP

Organizational

Name of Parent, Subsidiaries or Affiliates	Domiciliary Location	Type of Organization	Relationship to Reporting Entity	Directly Controlled By	Type of Control	If Control is Ownership Provide %	Ultimate Controlling Person
Centene Corporation	DE	Corporation	Upstream Direct Parent	Shareholders/Board of Directors	Shareholders/ Board of Directors	100.00	Shareholders/ Board of Directors
Centene Management Company LLC	WI	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
CMC Real Estate Co. LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Centene Management Company LLC	Ownership	100.00	Centene Corporation
Centene Center LLC	DE	Limited Liability Company	Non-Insurance Affiliate	CMC Real Estate Co. LLC	Ownership	100.00	Centene Corporation
CMC Hanley, LLC	MO	Limited Liability Company	Non-Insurance Affiliate	CMC Real Estate Co. LLC	Ownership	100.00	Centene Corporation
Cantina Laredo Clayton, LP	DE	Limited Partnership	Non-Insurance Affiliate	CMC Real Estate Co. LLC	Ownership	51.00	Centene Corporation
GPT Acquisition LLC	DE	Limited Liability Company	Non-Insurance Affiliate	CMC Real Estate Co. LLC	Ownership	100.00	Centene Corporation
Clayton Property Investment LLC	DE	Limited Liability Company	Non-Insurance Affiliate	CMC Real Estate Co. LLC	Ownership	100.00	Centene Corporation
Bankers Reserve Life Insurance Company of Wisconsin	WI	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
CenCorp Health Solutions, Inc.	DE	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Cenphiny Mgmt, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	CenCorp Health Solutions, Inc.	Ownership	1.00	Centene Corporation
NurseWise Holdings LLC	DE	Limited Liability Company	Non-Insurance Affiliate	CenCorp Health Solutions, Inc.	Ownership	99.00	Centene Corporation
NurseWise LP	DE	Limited Partnership	Non-Insurance Affiliate	NurseWise Holdings LLC	Ownership	100.00	Centene Corporation
Nurse Response, Inc.	DE	Corporation	Non-Insurance Affiliate	NurseWise Holdings LLC	Ownership	100.00	Centene Corporation
Bridgeway Health Solutions, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	CenCorp Health Solutions, Inc.	Ownership	100.00	Centene Corporation
Bridgeway Health Solutions of Arizona, LLC	AZ	Limited Liability Company	Non-Insurance Affiliate	Bridgeway Health Solutions, LLC	Ownership	100.00	Centene Corporation
Nurtur Health, Inc.	DE	Corporation	Non-Insurance Affiliate	CenCorp Health Solutions, Inc.	Ownership	100.00	Centene Corporation
Family Care & Workforce Diversity Consultants LLC d/b/a Worklife Innovations	CT	Limited Liability Company	Non-Insurance Affiliate	Nurtur Health, Inc.	Ownership	100.00	Centene Corporation
Wellness By Choice, LLC	NY	Limited Liability Company	Non-Insurance Affiliate	Family Care & Workforce Diversity Consultants LLC d/b/a Worklife Innovations	Ownership	100.00	Centene Corporation
Cenpatico Behavioral Health, LLC	CA	Limited Liability Company	Non-Insurance Affiliate	CenCorp Health Solutions, Inc.	Ownership	100.00	Centene Corporation
Cenpatico Behavioral Health of TX, Inc.	TX	Corporation	Insurance Affiliate	Cenpatico Behavioral Health, LLC	Ownership	100.00	Centene Corporation
CBHSP Arizona, Inc.	AZ	Corporation	Non-Insurance Affiliate	Cenpatico Behavioral Health, LLC	Ownership	100.00	Centene Corporation
Cenpatico of Louisiana, Inc.	LA	Corporation	Insurance Affiliate	Cenpatico Behavioral Health, LLC	Ownership	100.00	Centene Corporation
Integrated Mental Health Mgmt, LLC	TX	Limited Liability Company	Non-Insurance Affiliate	Cenpatico Behavioral Health, LLC	Ownership	100.00	Centene Corporation
Integrated Mental Health Services	TX	Corporation	Non-Insurance Affiliate	Cenpatico Behavioral Health, LLC	Ownership	100.00	Centene Corporation
Cenpatico Behavioral Health of Arizona, LLC	AZ	Limited Liability Company	Insurance Affiliate	Cenpatico Behavioral Health, LLC	Ownership	100.00	Centene Corporation
OptiCare Managed Vision, Inc.	DE	Corporation	Non-Insurance Affiliate	CenCorp Health Solutions, Inc.	Ownership	100.00	Centene Corporation
OptiCare Vision Insurance Co, Inc.	SC	Corporation	Non-Insurance Affiliate	OptiCare Managed Vision, Inc.	Ownership	100.00	Centene Corporation
AECC Total Vision Health Plan of Texas, Inc.	TX	Corporation	Insurance Affiliate	OptiCare Managed Vision, Inc.	Ownership	100.00	Centene Corporation
OptiCare Vision Company, Inc.	DE	Corporation	Non-Insurance Affiliate	OptiCare Managed Vision, Inc.	Ownership	100.00	Centene Corporation
Ocucare Systems, Inc.	FL	Corporation	Non-Insurance Affiliate	OptiCare Managed Vision, Inc.	Ownership	100.00	Centene Corporation
Total Vision, Inc.	DE	Corporation	Non-Insurance Affiliate	OptiCare Managed Vision, Inc.	Ownership	100.00	Centene Corporation
Dental Health & Wellness, Inc.	DE	Corporation	Non-Insurance Affiliate	CenCorp Health Solutions, Inc.	Ownership	100.00	Centene Corporation
Dental Health & Wellness of Louisiana, Inc.	LA	Corporation	Non-Insurance Affiliate	Dental Health & Wellness, Inc.	Ownership	100.00	Centene Corporation
Peach State Health Plan, Inc.	GA	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Buckeye Community Health Plan, Inc.	OH	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Absolute Total Care, Inc.	SC	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Coordinated Care Corporation d/b/a Managed Health Services	IN	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Coordinated Care of Washington, Inc.	WA	Corporation	Insurance Affiliate	Coordinated Care Corporation d/b/a Managed Health Services	Ownership	100.00	Centene Corporation
Managed Health Services Insurance Corp	WI	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Hallmark Life Insurance Co	AZ	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Celtic Group, Inc.	DE	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Celtic Insurance Company	IL	Corporation	Insurance Affiliate	Celtic Group, Inc.	Ownership	100.00	Centene Corporation
Novasys Health, Inc.	DE	Corporation	Non-Insurance Affiliate	Celtic Group, Inc.	Ownership	100.00	Centene Corporation
CeltiCare Health Plan Holdings LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Celtic Group, Inc.	Ownership	100.00	Centene Corporation
CeltiCare Health Plan of Massachusetts, Inc.	MA	Corporation	Insurance Affiliate	CeltiCare Health Plan Holdings LLC	Ownership	100.00	Centene Corporation
Superior HealthPlan, Inc.	TX	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Healthy Louisiana Holdings LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Louisiana Healthcare Connections, Inc.	LA	Corporation	Insurance Affiliate	Healthy Louisiana Holdings LLC	Ownership	100.00	Centene Corporation
LSM Holdco, Inc.	DE	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Lifeshare Management Group, LLC	NH	Limited Liability Company	Non-Insurance Affiliate	LSM Holdco, Inc.	Ownership	49.00	Centene Corporation
Magnolia Health Plan Inc.	MS	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation

Organizational

Name of Parent, Subsidiaries or Affiliates	Domiciliary Location	Type of Organization	Relationship to Reporting Entity	Directly Controlled By	Type of Control	If Control is Ownership Provide %	Ultimate Controlling Person
CCTX Holdings, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	1.00	Centene Corporation
Centene Holdings, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	99.00	Centene Corporation
Centene Company of Texas, LP	TX	Limited Partnership	Non-Insurance Affiliate	Centene Holdings, LLC	Ownership	100.00	Centene Corporation
US Script, Inc.	DE	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
LBB Industries, Inc.	TX	Corporation	Non-Insurance Affiliate	US Script, Inc.	Ownership	100.00	Centene Corporation
RX Direct, Inc.	TX	Corporation	Non-Insurance Affiliate	US Script, Inc.	Ownership	100.00	Centene Corporation
US Script IPA, LLC	NY	Limited Liability Company	Non-Insurance Affiliate	US Script, Inc.	Ownership	100.00	Centene Corporation
IlliniCare Health Plan, Inc.	IL	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Sunshine Health Holding LLC	FL	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Sunshine State Health Plan, Inc.	FL	Corporation	Insurance Affiliate	Sunshine Health Holding LLC	Ownership	100.00	Centene Corporation
Access Health Solutions LLC	FL	Limited Liability Company	Non-Insurance Affiliate	Sunshine Health Holding LLC	Ownership	100.00	Centene Corporation
Kentucky Spirit Health Plan, Inc.	KY	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Healthy Missouri Holdings, Inc.	MO	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	95.00	Centene Corporation
Home State Health Plan, Inc.	MO	Corporation	Insurance Affiliate	Healthy Missouri Holdings, Inc.	Ownership	100.00	Centene Corporation
Sunflower State Health Plan, Inc.	KS	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Casanet LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	82.20	Centene Corporation
Granite State Health Plan, Inc.	NH	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Centurion Group, Inc.	DE	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Centurion LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Centurion Group, Inc.	Ownership	51.00	Centene Corporation
Centurion of Virginia, LLC	VA	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
Centurion of Vermont, LLC	VT	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
Centurion of Pennsylvania, LLC	PA	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
Centurion of Tennessee, LLC	TN	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
Massachusetts Partnership for Correctional Healthcare, LLC	MA	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
Centurion of Idaho, LLC	ID	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
Centurion of Michigan, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
Centurion of Minnesota, LLC	MN	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
Centurion of Missouri, LLC	MO	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
Centurion of West Virginia, LLC	WV	Limited Liability Company	Non-Insurance Affiliate	Centurion LLC	Ownership	100.00	Centene Corporation
MHS Travel & Charter, Inc.	WI	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Health Care Enterprises, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
California Health and Wellness Plan	CA	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Bridgeway Advantage Solutions, Inc.	AZ	Corporation	Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Specialty Therapeutic Care Holdings, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Specialty Therapeutic Care, GP, LLC	TX	Limited Liability Company	Non-Insurance Affiliate	Specialty Therapeutic Care Holdings, LLC	Ownership	100.00	Centene Corporation
Specialty Therapeutic Care, LP	TX	Limited Partnership	Non-Insurance Affiliate	Specialty Therapeutic Care Holdings, LLC	Ownership	99.99	Centene Corporation
AcariaHealth, Inc.	DE	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
AcariaHealth Pharmacy #14, Inc.	CA	Corporation	Non-Insurance Affiliate	AcariaHealth, Inc.	Ownership	100.00	Centene Corporation
AcariaHealth Pharmacy #11, Inc.	TX	Corporation	Non-Insurance Affiliate	AcariaHealth, Inc.	Ownership	100.00	Centene Corporation
AcariaHealth Pharmacy #12, Inc.	NY	Corporation	Non-Insurance Affiliate	AcariaHealth, Inc.	Ownership	100.00	Centene Corporation
AcariaHealth Pharmacy #13, Inc.	CA	Corporation	Non-Insurance Affiliate	AcariaHealth, Inc.	Ownership	100.00	Centene Corporation
AcariaHealth Pharmacy, Inc.	CA	Corporation	Non-Insurance Affiliate	AcariaHealth, Inc.	Ownership	100.00	Centene Corporation
Health Plan Real Estate Holding, Inc.	MO	Corporation	Non-Insurance Affiliate	Home State Health Plan, Inc.	Ownership	5.00	Centene Corporation
Health Plan Real Estate Holding, Inc.	MO	Corporation	Non-Insurance Affiliate	Absolute Total Care, Inc.	Ownership	1.00	Centene Corporation
Health Plan Real Estate Holding, Inc.	MO	Corporation	Non-Insurance Affiliate	Peach State Health Plan, Inc.	Ownership	21.00	Centene Corporation
Health Plan Real Estate Holding, Inc.	MO	Corporation	Non-Insurance Affiliate	Superior HealthPlan, Inc.	Ownership	21.00	Centene Corporation
Health Plan Real Estate Holding, Inc.	MO	Corporation	Non-Insurance Affiliate	IlliniCare Health Plan, Inc.	Ownership	5.00	Centene Corporation
Health Plan Real Estate Holding, Inc.	MO	Corporation	Non-Insurance Affiliate	Bankers Reserve Life Insurance Company of Wisconsin	Ownership	17.00	Centene Corporation
Health Plan Real Estate Holding, Inc.	MO	Corporation	Non-Insurance Affiliate	Managed Health Services Insurance Corp	Ownership	2.00	Centene Corporation
Health Plan Real Estate Holding, Inc.	MO	Corporation	Non-Insurance Affiliate	Buckeye Community Health Plan, Inc.	Ownership	13.00	Centene Corporation
Health Plan Real Estate Holding, Inc.	MO	Corporation	Non-Insurance Affiliate	Coordinated Care Corporation d/b/a Managed Health Services	Ownership	15.00	Centene Corporation
HomeScripts, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
U.S. Medical Management Holdings, Inc.	DE	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
Phoenix Home Health Care Holdings, Inc.	DE	Corporation	Non-Insurance Affiliate	U.S. Medical Management Holdings, Inc.	Ownership	100.00	Centene Corporation
U.S. Medical Management, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Phoenix Home Health Care Holdings, Inc.	Ownership	4.00	Centene Corporation

Organizational

Name of Parent, Subsidiaries or Affiliates	Domiciliary Location	Type of Organization	Relationship to Reporting Entity	Directly Controlled By	Type of Control	If Control is Ownership Provide %	Ultimate Controlling Person
Pinnacle Home Care Holdings, Inc.	DE	Corporation	Non-Insurance Affiliate	U.S. Medical Management Holdings, Inc.	Ownership	100.00	Centene Corporation
U.S. Medical Management, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Pinnacle Home Care Holdings, Inc.	Ownership	1.00	Centene Corporation
ComfortBrook Hospice Holdings, Inc.	DE	Corporation	Non-Insurance Affiliate	U.S. Medical Management Holdings, Inc.	Ownership	100.00	Centene Corporation
U.S. Medical Management, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	ComfortBrook Hospice Holdings, Inc.	Ownership	1.00	Centene Corporation
U.S. Medical Management, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management Holdings, Inc.	Ownership	14.00	Centene Corporation
U.S. Medical Management, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	48.00	Centene Corporation
RMED, LLC	FL	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Heritage Home Hospice, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Rapid Respiratory Services, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Grace Hospice of Austin, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Seniorcorps Pensinsula, LLC	VA	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
ComfortBrook Hospice, LLC	OH	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
R&C Healthcare, LLC	TX	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Comfort Hospice of Texas, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
A N J, LLC	TX	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Grace Hospice of San Antonio, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Pinnacle Senior Care of Missouri, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Grace Hospice of Grand Rapids, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Country Style Health Care, LLC	TX	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Grace Hospice of Indiana, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Phoenix Home Health Care, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Grace Hospice of Virginia, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Traditional Home Health Services, LLC	TX	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Comfort Hospice of Missouri, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Family Nurse Care, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Grace Hospice of Colorado, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Family Nurse Care II, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Grace Hospice of Wisconsin, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Family Nurse Care of Ohio, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Hospice DME Company, LLC	MI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Pinnacle Senior Care of Wisconsin, LLC	WI	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Pinnacle Home Care, LLC	TX	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
USMM Accountable Care Network, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
USMM Accountable Care Partners, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
USMM Accountable Care Solutions, LLC	DE	Limited Liability Company	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
North Florida Health Services, Inc.	FL	Corporation	Non-Insurance Affiliate	U.S. Medical Management, LLC	Ownership	100.00	Centene Corporation
Prefontaine Merger Sub, Inc.	DE	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
MHS Consulting International, Inc.	DE	Corporation	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation
PRIMEROSALUD, S.L.	ESP	Limited Liability Company	Non-Insurance Affiliate	Centene Corporation	Ownership	100.00	Centene Corporation

Rauch Ella

From: Fischer David H <david.h.fischer@state.or.us>
Sent: Tuesday, January 27, 2015 8:30 AM
To: KEELING Ryan W
Subject: Agate partnership with Centene

Hi Ryan, just checking in if you all are tracking on the acquisition/partnership Trillium(Agate)has agreed to with Centene, a national firm working both Medicare and Medicaid contracts? Per my contact, the change could come as soon as April or as late as 3rd Quarter, 2015..it may be helpful to understand your review process of the change as we review it for CCO contracting, etc..appreciate your thoughts..thanks

Rauch Ella

From: FISCHER DAVID H
Sent: Tuesday, February 10, 2015 5:46 AM
To: KEELING Ryan W * DCBS

Thanks Ryan, have a great week..

From: KEELING Ryan W * DCBS [mailto:Ryan.W.Keeling@oregon.gov]
Sent: Monday, February 09, 2015 3:05 PM
To: Fischer David H
Subject: RE: Agate partnership with Centene

Hi David,
I wanted to let you know that we did receive the Form A filing for the acquisition of Agate, Inc., the owners of Trillium Health Plans, by Centene on Friday February 6th. We are still waiting on the Form A payment to begin processing the application, and to officially recognize it as "filed".

At this point in time, we expect to review the filing for completeness and provide a response to the company within the next two weeks. We will then begin the process to review the filing in more detail. We expect that we will work in conjunction with you on this process.

The Commissioner has indicated that we expect to hold a public hearing on this transaction, and would fully expect that we will work with OHA on the specific arrangements of the hearing and coordinate participation and involvement in the hearing process.

If you have any questions about this, please let me know.

Ryan

Ryan Keeling, CFE
Chief Financial Analyst/Assistant Manager of Financial & Producer Regulation
Oregon Department of Consumer & Business Services – Insurance Division
www.insurance.oregon.gov
(503) 947-7271 • (503) 378-4351
ryan.w.keeling@oregon.gov

From: KEELING Ryan W * DCBS
Sent: Tuesday, January 27, 2015 9:14 AM
To: FISCHER DAVID H
Subject: RE: Agate partnership with Centene

Hi David,
At this point in time, we cannot provide comment on this.

If there is to be an acquisition, it would require a Form A filing with our Division, which would take some time for a complete review. Also, the statutes regarding a Form A transaction do require that the effective date of the transaction cannot be sooner than 60 days after the approval of the transaction. This time frame is in essence a "cooling off" period, that means that the transaction cannot be completed until 60 days after our

approval. A transaction of this nature will normally take about 180 days to complete, giving us about 90 days for review, update and resolution of issues found, 30 days for a public hearing and comment period, and then the 60 day waiting period. Based on the time of year, that may be a pretty ambitious timeline for our review period.

We would welcome working with you on a transaction of this type, and can discuss this with you if you want to try to coordinate any processes and reviews with your group.

http://phx.corporate-ir.net/phoenix.zhtml?c=130443&p=irol-newsArticle_Print&ID=2010249

Please let me know if you have any questions,
Ryan

From: Fischer David H [mailto:david.h.fischer@state.or.us]
Sent: Tuesday, January 27, 2015 8:30 AM
To: KEELING Ryan W
Subject: Agate partnership with Centene

Hi Ryan, just checking in if you all are tracking on the acquisition/partnership Trillium(Agate)has agreed to with Centene, a national firm working both Medicare and Medicaid contracts? Per my contact, the change could come as soon as April or as late as 3rd Quarter, 2015..it may be helpful to understand your review process of the change as we review it for CCO contracting, etc..appreciate your thoughts..thanks

Rauch Ella

From: Fischer David H <david.h.fischer@state.or.us>
Sent: Thursday, February 19, 2015 5:56 AM
To: KEELING Ryan W
Subject: FW: Trillium Change of Ownership...
Attachments: 20150218153640034.pdf

Didn't know if you've seen this..thanks

From: BITTEL Jennifer
Sent: Wednesday, February 18, 2015 3:44 PM
To: Fischer David H; LAMON Michael; HURST Tammy
Subject: Trillium Change of Ownership...

The attached document was on my desk today and references a contract that you have worked on in the past. Not sure if this will change anything in CSTAT, but please let me know if you need the original or any changes made on my part right now.

Thank you!

Jennifer

STOEL RIVES LLP
ATTORNEYS AT LAW

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BARBARA L. NAY
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February 11, 2015

BY CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Office of Contracts & Procurement
DHS
250 Winter Street NE, Room 306
Salem, Oregon 97301

Re: Notification of Change of Ownership

To whom it may concern:

On behalf of our client, Trillium Community Health Plan, Inc. ("**Trillium**"), we are providing notice of a change of ownership pursuant to Section 17(a), Exhibit B -- Part 8 of the Amended and Restated Health Plan Services Contract (Contract #143121-4) between Trillium and the State of Oregon, acting by and through its Oregon Health Authority, ("**OHA**"), dated as of January 1, 2015 (the "**OHA Contract**"). This letter shall also serve to disclose each person or corporation with an ownership or control interest of Trillium as of the Closing of the transactions contemplated by the Merger Agreement (as such terms are defined below) in accordance with 42 C.F.R. § 455.104(b) and Section 16, Exhibit B -- Part 8 of the OHA Contract.

I. Change of Ownership.

As advised in the Form A filing submitted by Centene Corporation ("**Centene**") to the Oregon Department of Consumer and Business Services ("**DCBS**") on February 6, 2015 Agate Resources, Inc. ("**Agate**") has entered into the Agreement and Plan of Merger (the "**Merger Agreement**"), dated January 25, 2015, with Centene, Prefontaine Merger Sub, Inc. ("**Merger Sub**") and James Dalton, as the Stockholder Representative. Pursuant to the Merger Agreement, Centene proposes to acquire control of Agate 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. Trillium, an Oregon corporation and an Oregon domiciled Health Care Service Contractor, is a direct and indirect wholly owned subsidiary of Agate.

Because the Merger involves the transfer of more than 50% of the equity interest in a corporation controlling Trillium (Agate), the Merger will be a "change in ownership" under Section 17, Exhibit B -- Part 8 of the OHA Contract. Trillium is therefore providing notice of the change of ownership to OHA.

We note that the Merger will not result in the transfer, subcontracting, assignment or sale of Trillium's contractual or ownership interests. Trillium will remain available to provide OHA with its expertise, experience, judgment, representations and certifications following the Merger. This Merger, therefore, does not require OHA approval pursuant to Section 17(d), Exhibit B -- Part 8. The Merger is subject to review by DCBS.

Following the Merger, Trillium will have access to the Medicaid managed care expertise of Centene. Centene's history of operating successful, high quality Medicaid managed care plans will improve Trillium's existing operations. Centene operates risk-based managed care plans in 20 states and, as of 2013, coordinated care for more than 2.7 million at-risk managed care members. Despite its size, Centene takes a localized approach to managing its health plans that enables Centene to facilitate its members' access to high quality, culturally sensitive healthcare services. Its systems and procedures have been designed to address community-specific challenges through outreach, education, transportation and other member support activities. Centene complements this localized approach with a centralized infrastructure of support functions such as finance, information systems and claims processing, which reduces general and administrative expenses and improves provider and member services.

The Merger will allow Trillium to improve the services it provides to its members and will help solidify the success of Oregon's coordinated care organization model. Centene and Trillium expect the Merger to close in the third quarter of this year, subject to applicable regulatory approvals.

II. Disclosure of ownership and control interest pursuant to 42 C.F.R. § 455.104(b).

Pursuant to Section 16(b), Exhibit B -- Part 8 of the OHA Contract, please find enclosed the disclosures required by 42 C.F.R. § 455.104(b). To the best of our knowledge, such disclosures will be accurate as of the closing of the transactions contemplated by the Merger Agreement (the "**Closing**").

Trillium and Centene would be pleased to answer any questions you may have about the Merger or the disclosures provided herein.

Very truly yours,

[redacted]

Barbara L. Nay

DHS
Oregon Department
of Human Services

Provider Enrollment Disclosure Statement of Ownership and Control Interest

for Entities, Agencies, Facilities and Organizations

Individual Providers or Individuals in a Group of Practitioners: Do not use this form. Instead, use the DHS 3973 (Disclosure Statement for Individuals).

PURPOSE

The primary use of the Disclosure of Ownership and Controlling Interest Statement is to comply with 42 CFR Part 455 Subpart B and OAR 410-120-1260 (6)(c) and to facilitate monitoring of providers and other persons who have been sanctioned by the U.S. Department of Health and Human Services (DHHS) Centers for Medicare and Medicaid Services (CMS), DHHS Office of Inspector General, the Oregon Health Authority (OHA) and/or the Oregon Department of Human Services (DHS).

- Payment cannot be made to any entity in which these providers serve as employees, administrators, operators, or in any other capacity.
- Payment will not be made for any services furnished by, at the medical direction of, or on the prescription of the provider, on or after the effective date of exclusion.

We believe this disclosure statement will assist participating providers in their efforts to ensure that they do not do business with parties currently excluded from participation in federal and state health care programs.

Completion and submission of this form is a condition of participation under any of Oregon's medical assistance or public assistance programs or as a condition of approval or renewal of a contractor agreement between the disclosing entity (Provider) and the appropriate division of OHA under any of the above-titled programs. Failure to submit requested information may result in a refusal by OHA/DHS to enroll the provider for encounter purposes or to enter into a provider agreement or contract with any such entity, agency, facility or organization or in termination of existing contracts.

(a) ***Who must provide disclosures.*** The Medicaid agency must obtain disclosures from disclosing entities, fiscal agnets, and managed care entities.

(b) ***What disclosures must be provided.*** The Medicaid agency must require that disclosing entities, fiscal agents, and managed care entities provide the following disclosures:

(1)(i) The name and address of each person (individual or corporation) with an ownership or control interest in the disclosing entity, fiscal agent, or managed care entity or in any subcontractor which the disclosing entity has direct or indirect ownership of 5 percent or more. The address for corporate entities must include as applicable primary business address, every business location, and P.O Box addresses if any.

(ii) Date of birth and Social Security Number of all individuals subject to disclosure.

(iii) Other tax identification number (in the case of a corporation) with an ownership or control interest in the disclosing entity (or fiscal agent or managed care entity) or in any subcontractor in which the disclosing entity (or fiscal agent or managed care entity) has a 5 percent or more interest.

(2) Whether the person (individual or corporation) with an ownership or control interest in the disclosing entity (or fiscal agent or managed care entity) is related to another person with ownership or control interest in the disclosing entity as a spouse, parent, child, or sibling; or whether the person (individual or corporation) with an ownership or control interest in any subcontractor in which the disclosing entity (or fiscal agent or managed care entity) has a 5 percent or more interest is related to another person with ownership or control interest in the disclosing entity as a spouse, parent, child, or sibling.

(3) The name of any other disclosing entity (or fiscal agent or managed care entity) in which an owner of the disclosing entity (or fiscal agent or managed care entity) has an ownership or control interest.

(4) The name, address, date of birth, and Social Security Number of any managing employee of the disclosing entity (or fiscal agent or managed care entity).

(c) ***When the disclosures must be provided.***

(1) Disclosures from providers or disclosing entities. Disclosure from any provider or disclosing entity is due at any of the following times:

(i) *Upon the provider or disclosing entity submitting a Medicaid provider application.*
(ii) Upon the provider or disclosing entity executing the provider enrollment agreement
(iii) Within 35 days upon being requested by the Medicaid agency or during the re-validation of enrollment process under 42 CFR 455.414.
(iv) Within 35 days after any change in ownership of the disclosing entity.

(2) Disclsoures from fiscal agents. Disclosures from fiscal agents are due at any of the following times:

(i) *Upon the fiscal agent submitting the proposal in accordance with the State's procurement process*
(ii) *Upon the fiscal agent executing the contract with the State.*
(iii) *Upon renewal or extension of the contract.*
(iv) *Within 35 days after any change in ownership of the fiscal agent.*

(3) Disclosures from managed care entities. Disclosures from managed care entities (MCO's, PHP'S, PAHP's, and HIO's), except PCCMs are due at any of the following times:

(i) Upon the managed care entity submitting the proposal in accordance with the State's procurement process.
(ii) Upon the managed care entity executing the contract with the State.
(iii) Upon renewal or extension of the contract,
(iv) Within 35 days after any change in ownership of the managed care entity.

(4) Disclosures from PCCM's. PCCMs will comply with disclosure requirements under paragraph (c((1) of this section.

(d) *To whom must the disclosures be provided?* All disclosures must be provided to the Medicaid agency.

(e) *Consequences for failure to provide required disclosures.* Federal financial participation (FFP) is not available in payments made to a disclosing entity that fails to disclose ownership or control information as required by this section.

(i) Keep copies of all these requests and the responses to them;

(ii) Make them available to the Secretary or the Medicaid agency upon request; and

(iii) Advise the Medicaid agency when there is no response to a request.

(b) ***Time and manner of disclosure.*** (1) Any disclosing entity that is subject to periodic survey and certification of its compliance with Medicaid standards must supply the information specified in paragraph (b) of this section within 35 days to the State survey agency at the time it is surveyed. If the survey agency is not the Medicaid agency, the survey agency must promptly furnish the information to the Medicaid agency.

(5) Any disclosing entity that is not subject to periodic survey and certification and has not supplied the information specified in paragraph (b) of this section to the Medicaid or surveying agency within the prior 12-month period, must submit the information to the Medicaid agency before entering into a contract or agreement to participate in the program. The Medicaid agency must promptly furnish any negative compliance findings to the HHS Secretary.

(6) Updated information must be furnished to the State surveying Agency or Medicaid agency within 35 days of a written request or at recertification, contract renewals or if any of this information changes.

(a) *Provider agreements and fiscal agent contracts.* A Medicaid agency shall not approve a provider agreement or a contract with a fiscal agent, and must terminate an existing agreement or contract, if the provider or fiscal agent fails to disclose ownership or control information as required by this section.

(b) *Denial of Federal financial participation (FFP). (1)* FFP is not available in expenditures for services furnished by providers who fail to comply with a request made by the surveying agency or the Medicaid agency under paragraph (b) of this section.

(2) FFP will be denied in expenditures for services furnished during the period beginning on the day following the date the information was due to the Secretary or the Medicaid agency and ending on the day before the date on which the information was supplied.

INSTRUCTIONS

The following instructions are designed to clarify certain questions on the form. Instructions are listed in order of question for easy reference. See 42 CFR 455.100 for additional definitions. No instructions have been given for questions considered self-explanatory.

IT IS ESSENTIAL THAT ALL APPLICABLE QUESTIONS BE ANSWERED ACCURATELY AND THAT ALL INFORMATION BE CURRENT. Answer **all** questions as of the current date. If additional space is needed, attach a sheet referencing the part and question being completed.

Part 1: Identifying Information	
A.	Specify name of the Provider entity, agency, facility or organization submitting the Provider Enrollment Application and Agreement.
B.	Specify in what capacity the entity is doing business. For example: The name of trade or corporation under which they are doing business. This name must match the license name, if applicable.
C.	Federal Employer Identification Number (EIN). Enter Provider's nine-digit employer identification number (EIN) assigned by the IRS in the following format: XX-XXXXXXX and DOB. • An EIN is used to identify the accounts of employers and certain others who have no employees. • For more information about an EIN, please check https://www.irs.gov for "Employer Identification Numbers" or "EIN". Whenever this Disclosure Statement requests an employer identification number (EIN) about an individual or entity, it has the same meaning.
D.	Check the entity type that best describes the structure of your organization. • "Government" or "Tribal" Agencies or Organizations If a Federal, State, county, city or other level of government, or an Indian tribe, will be legally and financially responsible for Medicaid payments received (including any potential overpayments), the name of that government or Indian tribe should be reported as an owner. In this Disclosure Statement, the provider should identify as having "Ownership or control interests" the key authorized officials of the government or tribal organization responsible for management decisions of the provider with the authority to legally and financially bind the provider/government or tribal agency or organization to the laws, regulations, and program instructions of the Medicaid program.

Part 2: Ownership and Control Interests. Use the following definitions to identify the individuals you should enter in parts **A, B and D** of this section.

Agent means any person who has been delegated the authority to obligate or act on behalf of a provider. "Controlling interest" is defined as the operational direction or management of a disclosing entity which may be maintained by any or all of the following devices; the ability or authority, expressed or reserved to amend or change the corporate identity (i.e. joint venture agreement, unincorporated business status) of the disclosing entity; the ability or authority to nominate or name members of the Board of Directors or Trustees of the disclosing entity; the ability or authority, expressed or reserved to amend or change the by-laws, constitution or other operating or management direction of the disclosing entity; the right to control any or all of the assets or other property of the disclosing entity upon the sale or dissolution of that entity; the ability or authority, expressed or reserved to control the sale of any or all of the assets to encumber such assets by way of mortgage or other indebtedness, to dissolve the entity or to arrange for the sale or transfer of the disclosing entity to new ownership or control. In order to

determine percentage of ownership, mortgage, deed of trust, note, or other obligation, the percentage of interest owned in the obligation is multiplied by the percentage of the disclosing entity's assets used to secure the obligation. For example, if A owns 10 percent of a note secured by 60 percent of the provider's assets, A's interest in the provider's assets equates to 6 percent and must be reported. Conversely, if B owns 40 percent of a note secured by 10 percent of the provider's assets, B's interest in the provider's assets equates to 4 percent and need not be reported.

"Direct ownership interest" is defined as the possession of stock, equity in capital or any interest in the profits of the disclosing entity. *See* 42 CFR 455.102 to calculate ownership or control percentages.

Disclosing entity means a Medicaid provider (other than an individual practitioner or group of practitioners), or a fiscal agent.

Other disclosing entity means any other Medicaid disclosing entity and any entity that does not participate in Medicaid, but is required to disclose certain ownership and control information because of participation in any of the programs established under title V, XVIII, or XX of the Act. This includes:

(a) Any hospital, skilled nursing facility, home health agency, independent clinical laboratory, renal disease facility, rural health clinic, or health maintenance organization that participates in Medicare (title XVIII);

(b) Any Medicare intermediary or carrier; and

(c) Any entity (other than an individual practitioner or group of practitioners) that furnishes, or arranges for the furnishing of, health-related services for which it claims payment under any plan or program established under title V or title XX of the Act.

Fiscal agent means a contractor that processes or pays vendor claims on behalf of the Medicaid agency.

Group of practitioners means two or more health care practitioners who practice their profession at a common location (whether or not they share common facilities, common supporting staff, or common equipment).

Health insuring organization (HIO) has the meaning specified in s438.2.

Indirect ownership interest means an ownership interest in an entity that has an ownership interest in the disclosing entity. This term includes an ownership interest in any entity that has an indirect ownership interest in the disclosing entity.

Managed care entity (MCE) means managed care organizations (MCOs), PIHPs, PAHPs, PCCMs, and HIOs.

Managing employee means a general manager, business manager, administrator, director, or other individual who exercises operational or managerial control over, or who directly or indirectly conducts the day-to-day operation of an institution, organization, or agency.

Ownership interest means the possession of equity in the capital, the stock, or the profits of the disclosing entity.

Person with an ownership or control interest means a person or corporation that—

(a) Has an ownership interest totaling 5 percent or more in a disclosing entity;

(b) Has an indirect ownership interest equal to 5 percent or more in a disclosing entity;

(c) Has a combination of direct and indirect ownership interests equal to 5 percent or more in a disclosing entity;

(d) Owns an interest of 5 percent or more in any mortgage, deed of trust, note, or other obligation secured by the disclosing entity if that interest equals at least 5 percent of the value of the property or assets of the disclosing entity;

(e) Is an officer or director of a disclosing entity that is organized as a corporation; or

(f) Is a partner in a disclosing entity that is organized as a partnership.

Prepaid ambulatory health plan (PAHP) has the meaning specified in s 438.2.

Prepaid inpatient healthplan (PIHP) has the meaning specified in s 438.2.

Primary care case manager (PCCM) has the meaning specified in 438.2.

Significant business transaction means any business transaction or series of transactions that, during any one fiscal year, exceed the lesser of $25,000 and 5 percent of a provider's total operating expenses.

Subcontractor means—

(a) An individual, agency, or organization to which a disclosing entity has contracted or delegated some of its management functions or responsibilities of providing medical care to its patients; or

(b) An individual, agency, or organization with which a fiscal agent has entered into a contract, agreement, purchase order, or lease (or leases of real property) to obtain space, supplies, equipment, or services provided under the Medicaid agreeement.

Supplier means an individual, agency, or organization from which a provider purchases goods and services used in carrying out its responsibilities under Medicaid (e.g., a commercial laundry, a manufacturer of hospital beds, or a pharmaceutical firm).

Detailed Instructions (for pages 4 through 6)

Termination means –

(1) For a-

(i) Medicaid or CHIP provider, a State Medicaid program or CHIP has taken an action to revoke the provider's billing privileges, and the provider has exhausted all applicable appeal rights or the timeline for appeal has expired; and,

(ii) Medicare provider, supplier or eligible professional, the Medicare program has revoked the provider or supplier's billing privileges, and the provider has exhausted all applicable appeal rights or the timeline for appeal has expired.

(2)(i) In all three programs, there is no expectation on the part of the provider or supplier or the State or Medicare program that the revocation is temporary.

(ii) The provider, supplier, or eligible professional will be required to reenroll with the applicable program if they wish billing privileges to be reinstated.

(3) The requirement for termination applies in cases where providers, suppliers, or eligible professionals were terminated or had their billing privileges revoked for cause which may include, but is not limited to-

(i) Fraud;
(ii) Integrity; or
(iii) Quality.

Wholly owned supplier means a supplier whose total ownership interest is held by a provider or by a person, persons, or other entity with an ownership or control interest in a provider.

Part 3: Criminal Offenses. This section asks about criminal offenses and exclusions. Complete this section for any of the individuals listed in Part 2 of this form.

Part 4: Status Changes: Respond to all applicable questions.

D.	• "Management company" is defined as any organization that operates and names a business on behalf of the owner of that business with the owner retaining ultimate legal responsibility for operation of the facility.
F.	• A "chain affiliate" is any freestanding health care facility that is either owned, controlled or operated under lease or contract by an organization consisting of two or more freestanding health care facilities organized within or across State lines which is under the ownership or through any other device, control and direction of a common party. Chain affiliates include

Detailed Instructions (for pages 4 through 6)

	such facilities whether public, private, charitable or proprietary. They also include subsidiary organizations and holding corporations. Provider-based facilities such as hospital-based home health agencies are not considered chain affiliates.

Part 5: Board of Directors: For organizations that are corporations, this section asks for information about each person on the Board of Directors.

Provider Enrollment Disclosure Statement of Ownership and Control Interest

for Entities, Agencies, Facilities and Organizations

1. Identifying Information

A. Name of Provider Entity, Facility or Organization
Trillium Community Health Plan, Inc.

Street Address:
1800 Millrace Dr.

Telephone number:
541-485-2155

B. DBA Name registered with Oregon Secretary of State, if any:

C. Federal Employer Identification Number (EIN), Social Security Numer (SSN) and Date of Birth
DOB: 42-1694349

Attach a copy of the IRS confirmation letter showing your Tax ID number and the associated name. DHS will also accept a copy of your Federal Tax Deposit Coupon (Form 941-V).

D. Check the entity type that best describes the structure of the enrolling provider entity, agency, facility or organization: Check **only one** box.

☒ For-profit Corporation ☐ Non-profit Corporation ☐ Partnership
☐ Government-owned ☐ Sole Proprietorship ☐ Tribal-owned

2. Ownership or control interests

A. List the name, SSN, DOB and address for individuals and the EINs for organizations having direct or indirect ownership or controlling interest in the provider entity (see instructions for definition of ownership and controlling interest) and all officers, agents, , management and ownership individuals and entities.

Name	Title	Address	EIN	Entity Type*	SSN	DOB
Agate Resources, Inc		1800 Millrace Dr. Eugene OR, 97403	20-0483299	4		

Lane Independent Practice Association		1800 Millrace Dr. Eugene OR, 97403	93-1198219	4		
Centene Corporation		7700 Forsyth Boulevard St. Louis, Missouri 63105	42-1406317	4		
Prefontaine Merger Sub, Inc.		7700 Forsyth Boulevard St. Louis, Missouri 63105	47-3073377	4		

***Entity Type:** In the "Entity Type" field, enter one of the codes listed below for each individual listed.
1: Sole proprietorship
2: Partnership
3: Unincorporated Associations
4: Corporation
5: Government or tribal
6: Other (specify):

B. List the name, address and employer identification number of each person or entity with an ownership or controlling interest **in any subcontractor** in which the disclosing entity has direct or indirect ownership of 5 percent or more.

Name	Title	Address	TIN	Percentage	SSN	DOB

C. List those persons named in A or B that are related to each other (spouse, parent, child, sibling, or other family members by marriage or otherwise).

Name	Relationship	Address	SSN	DOB

D. List the name, address, EIN and DHS provider number of any other disclosing entity in which a person with an ownership or controlling interest in the disclosing entity also has an ownership or control interest of at least 5% or more.

For example, are any owners of the disclosing entity also owners of Medicare or Medicaid facilities? (Example, co-owners, partnership.)

Name	Address	EIN	DHS Provider Number	SSN	DOB

3. Criminal Offenses

A. List the name, title, and address for any person or entity with an ownership or control interest in the disclosing entity, or is an agent or managing employee of the disclosing entity that has been convicted of a criminal offense related to that person's or entity's involvement in any program under Medicare, Medicaid or the Title XX services program.

Name	SSN	DOB	Title	Address

B. List the name, title, and address of any individual or entity with an ownership or controlling interest in the disclosing entity that has been suspended or debarred from participation in Medicare, Medicaid or Title XX program.

Name	SSN	DOB	Title	Address

Status Changes

A. Has there been a change in ownership or control within the last year?

☒ No ☐ Yes If Yes, give date:

B. Do you anticipate any change of ownership or control within the year?

☐ No ☒ Yes If Yes, when?: The change of ownership will occur at least 60 days after Centene Corporation receives approval from the Oregon Insurance Division of its Form A, allowing it to proceed with the transactions contemplated by the Merger Agreement referenced in the "Remarks" section below.

C. Do you anticipate filing for bankruptcy within a year?

☒ No ☐ Yes If Yes, when?:

D. Is this facility is operated by a management company or leased in whole or in part by another organization? Has there been a change in management within the past year?

☐ No ☐ Yes If Yes, give date of change in operations:

Name, address, EIN, SSN and DOB of new management organization:

E Has there been a change in Administrator, Director of Nursing or Medical Director within the last year? *If "yes", please check box below and list date.*

☐ Administrator ☐ Director of Nursing ☐ Medical Director Date:

Name, SSN, DOB of new Administrator, Director of Nursing or Medicaid Director:

F. Is this facility chain-affiliated? If yes, list name, address of Corporation and EIN.

Company Name	EIN	Address

If the answer to (F) is No, was the facility ever affiliated with a chain? If yes, list name, address of Corporation and EIN.

Company Name	EIN	Address

G. Have you increased your bed capacity by 10% or more or by 10 beds, whichever is greater, within the last two years?

☐ No ☐ Yes

If Yes, when? Current beds Prior beds

5. Board of Directors & Managing Employees

If the disclosing entity is a corporation (for example, for profit, non-profit, limited liability, or other corporate form), list the name, title, and address of the Directors and senior managers.

Name	SSN	DOB	Title	[redacted]
Leo Cytrynbaum	[redacted]		Director	
Melissa Edwards			Director	
Tod Hayes			Vice President	
Richard Finkelstein			Director	

Dan Hutton	[redacted]	Director	[redacted]
Mark Meyers		Director	
Jordan Papé		Treasurer	
Thomas Wuest		President	
James D. Torrey		Director	
Management Name			
Terry W. Coplin		CEO	
David L. Cole		CFO	
Patrice Korjenek		COO	

PROVIDER SIGNATURE

Knowingly and willfully failing to fully and accurately disclose the information requested may result in denial of a request to enroll or contract, or if the Provider already is enrolled, a termination of its agreement or contract.

By signing this Disclosure Statement, you hereby certify and swear under penalty of perjury that (a) you have knowledge concerning the information above, and (b) the information above is true and accurate. You agree to inform DHS or its designee, in writing, within 30 days of any changes or if additional information becomes available.

[redacted]

REMARKS

Provide any additional information concerning any item or statement on this Disclosure Statement.

To the best of our knowledge, this disclosure is accurate as of the closing of the transactions contemplated by the Agreement and Plan of Merger, dated January 25, 2015, by and between Trillium Community Health Plan, Inc., Centene Corporation, Prefontaine Merger Sub, Inc., and James Dalton, as the Stockholder Representative. This merger is subject to review by the Oregon Department of Consumer and Business Services.

Privacy Policy and Disclosure Notice

This privacy policy and disclosure notice explains the use and disclosure of information about providers and the authority and purposes for which taxpayer identification numbers, including Social Security Numbers (SSNs) and Date of Births, may be requested and used in connection with Provider enrollment and the administration of DHS medical assistance programs. Any information provided in connection with provider enrollment will be used to verify eligibility to participate as a provider and for purposes of the administration of the program. Any information may also be provided to the Oregon Secretary of State, the Oregon Department of Justice including the Medicaid Fraud Unit, or other state or local agencies as appropriate, the Internal Revenue Service, U.S. DHHS Centers for Medicare and Medicaid Services or Office of the Inspector General, or other authorized federal authority. Disclosures for other purposes must be authorized by law, including but not limited to the Oregon Public Records Act. For more information about access to information maintained by the department, contact the Provider Services Unit.

The Department limits its request for and use of taxpayer identification numbers, including SSNs and DOBs, to those purposes authorized by law and as described in this notice. The Oregon Consumer Identity Theft Protection Act permits DHS to collect and use SSNs to the extent authorized by federal or state law.

Providers must submit the provider's SSN (for individuals) or a federal employer identification number (EIN) for entities or other federal taxpayer identification number, whichever is required for tax reporting purposes on an IRS Form 1099. Billing providers must submit the performing provider's SSN (for individuals) or a federal employer identification number (EIN) for entities or other federal taxpayer identification number, in connection with payments made to or on behalf of the performing provider. Providing this number is mandatory to be eligible to enroll as a provider with the Department of Human Services, pursuant to 42 CFR 433.37, the federal tax laws at 26 USC 6041, and OAR 407-120-0320 and 410-141-0120 for purposes of the administration of tax laws and the administration of this program for internal verification and administrative purposes including but not limited to identifying the provider for payment and collection activities. Taxpayer identification numbers for the provider, and individuals or entities other than the provider, are also subject to mandatory disclosure for purposes of the Disclosure of Ownership and Control Interest Statement, as authorized by OAR 407-120-0320(5)(c) and OAR 410-141-0120.

Failure to submit the requested taxpayer identification number(s) may result in a denial of enrollment as a provider and issuance of the provider number, or denial of continued enrollment as a provider and deactivation of all provider numbers used by the provider to obtain reimbursement from DHS or for

encounter purposes.

Complete and return this form with the following forms and any requested documentation:

- DHS 3972 (Provider Enrollment Request)
- DHS 3975 (Provider Enrollment Agreement)
- Required Provider Enrollment Attachment (if applicable)

Send all completed provider enrollment material to:

DMAP Provider Enrollment
500 Summer St NE, E44
Salem OR 97301-1079

Rauch Ella

From: Fischer David H <david.h.fischer@state.or.us>
Sent: Thursday, February 19, 2015 12:22 PM
To: KEELING Ryan W * DCBS
Cc: ROSS Donald; FRITSCHE JEFFREY P
Subject: RE: Trillium Change of Ownership...

Great, thanks

From: KEELING Ryan W * DCBS [mailto:Ryan.W.Keeling@oregon.gov]
Sent: Thursday, February 19, 2015 9:10 AM
To: Fischer David H
Subject: RE: Trillium Change of Ownership...

Thank you for sending that. We do have the Form A acquisition, and are going to be our "recognition" letter for its receipt. As soon as we have a chance to review this, I hope to work with you to get a review of this, and establish a time line for the review. We do expect to hold a hearing for the change of control, which we would most likely hold in conjunction with OHA.

From: Fischer David H [mailto:david.h.fischer@state.or.us]
Sent: Thursday, February 19, 2015 5:56 AM
To: KEELING Ryan W
Subject: FW: Trillium Change of Ownership...

Didn't know if you've seen this..thanks

From: BITTEL Jennifer
Sent: Wednesday, February 18, 2015 3:44 PM
To: Fischer David H; LAMON Michael; HURST Tammy
Subject: Trillium Change of Ownership...

The attached document was on my desk today and references a contract that you have worked on in the past. Not sure if this will change anything in CSTAT, but please let me know if you need the original or any changes made on my part right now.

Thank you!

Jennifer

Rauch Ella

From: Ricoy, Peter D. <PRicoy@SCHWABE.com>
Sent: Monday, March 16, 2015 9:05 PM
To: KEELING Ryan W * DCBS
Cc: FJELDHEIM Brian M * DCBS; LATHAM ARussell * DCBS

Ryan:

Thanks very much for meeting with us Friday, and for your follow up email. We've asked the company to put together the pro-forma in the manner you have requested, and will follow up shortly. We also expect to follow up, hopefully tomorrow, on the list of documents that are exempt from public disclosure and redacted copies of the agreements.

Thanks again for all your help,
-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
1211 SW 5th Ave., Ste. 1900, Portland, OR 97204
Direct: 503-796-2973 | Fax: 503-796-2900 | Email: pricoy@schwabe.com
Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
Legal advisors for the future of your business®
www.schwabe.com

From: KEELING Ryan W * DCBS [mailto:Ryan.W.Keeling@oregon.gov]
Sent: Monday, March 16, 2015 2:45 PM
To: Ricoy, Peter D.
Cc: FJELDHEIM Brian M * DCBS; LATHAM ARussell * DCBS
Subject: FW: Correspondence Regarding Additional Documents for Form A Filing

Hi Peter,

We were just reviewing the Pro-forma financial statements that you provide in Item #2. These pro-forma financial statements are not provided in the UCAA application format that we would require, and does not include the projected RBC calculation. Could you please provide the pro-forma financial statements in the UCAA format? Also, can you let me know what the proposed dividend would have on these projections?

Thank you,
Ryan

Ryan Keeling, CFE
Chief Financial Analyst/Assistant Manager of Financial & Producer Regulation
Oregon Department of Consumer & Business Services – Insurance Division
www.insurance.oregon.gov
(503) 947-7271 • (503) 378-4351
ryan.w.keeling@oregon.gov

Please be aware that our email extension has changed to: @oregon.gov

From: Ricoy, Peter D. [mailto:PRicoy@SCHWABE.com]
Sent: Monday, March 09, 2015 8:07 AM
To: 'FJELDHEIM Brian M * DCBS (brian.m.fjeldheim@state.or.us)'
Cc: LATHAM ARussell * DCBS
Subject: Correspondence Regarding Additional Documents for Form A Filing

Dear Mr. Fjeldheim:

Thank you for your letter requesting additional information related to the "Form A" we filed on behalf of Centene Corporation. I'm attaching to this email 6 documents:

1. Final ownership details/stock register for Agate;
2. Pro-forma financial statements for Trillium, to include Balance Sheet data, for three years following the transaction date;
3. Copies of board resolutions certified by the corporate secretary of Centene authorizing the proposed transaction;
4. Copies of board resolutions certified by the corporate secretary of Agate authorizing the proposed transaction; and
5. Estimated consideration to be paid to each registered owner of Agate.
6. My Cover Letter to You

As explained in the cover letter, we request that the Division treat as confidential items #1, #2, and #5 under ORS 192.501(2) and ORS 192.502(4).

If you need me to deliver any of these materials to you by paper form, please let me know and I will be happy to arrange for a messenger to send this to you immediately. Finally, if you would please confirm that you received this email, I'd greatly appreciate it.

Thanks very much for your review of this filing. If you have any questions or would like to discuss any aspect of the transaction, please feel free to give me a call.

-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
1211 SW 5th Ave., Ste. 1900, Portland, OR 97204
Direct: 503-796-2973 | Fax: 503-796-2900 | Email: pricoy@schwabe.com
Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
Legal advisors for the future of your business®
www.schwabe.com

---

required that satisfies applicable IRS regulations, for a tax opinion appropriate for avoidance of federal tax law penalties, please contact a Schwabe attorney to arrange a suitable engagement for that purpose.

Rauch Ella

From: Ricoy, Peter D. <PRicoy@SCHWABE.com>
Sent: Tuesday, March 17, 2015 6:03 PM
To: LATHAM ARussell * DCBS; FJELDHEIM Brian M * DCBS
Cc: KEELING Ryan W * DCBS
Attachments: FORM A, Final 2-6-2015.DOCX; Stockholder Support Agreement -- Redacted (3-13-15)_(35402565_1).pdf; Merger Agreement (Execution Version - Redacted)_(35395845_4).pdf

Dear Russell and Brian:

Thank you very much for the meeting on Friday and your work on the "Form A" filing for Centene. We appreciate the opportunity to work with the Oregon Insurance Division.

The following is a list of "Form A" materials we have submitted that are entitled to confidentiality protections under Oregon law. In other words, we believe all of the following are exempt from public disclosure:

Confidential and Exempt from Public Disclosure:

From the Original Form A Filing Submitted February 6, 2015

- Exhibit C (Biographical Affidavits)
- Exhibit D (Merger Agreement)*
- Exhibit E (Stockholders Support Agreement)*

From the Supplemental Filing Submitted March 9, 2015:

- Item 1 – Agate Stock & Option Ownership Details
- Item 2 – Proforma Financials
- Item 5 – Estimated Consideration

* With regard to the agreements, we have created reacted versions of the agreements, and are attaching those to this email. However, the unredacted versions submitted with the "Form A" filings are exempt from public disclosure.

Not Confidential, and Subject to Public Disclosure:

Treating the above as confidential would leave all of the following as subject to public disclosure:

From the Original Form A Filing Submitted February 6, 2015

- My cover letter
- Form A Narrative
- Exhibit A List of Centene's Subsidiaries & Affiliates
- Exhibit B List of Centene's Directors and Executive Officers
- Exhibit F Financial Statements

From the Supplemental Filing Submitted March 9, 2015:

- Secretary's Certificate for Centene, Approving Transaction

- Secretary's Certificate for Agate, Approving Transaction

From this Email (Submitted Today, March 17, 2015):

- Merger Agreement (Redacted)
- Stockholders Support Agreement (Redacted)

Also, at the meeting you requested a "Word" version of the "Form A" narratives, which I am attaching to this email. I hope that is helpful. If you have any other questions, please feel free to let me know or give me a call.

Thanks very much,

-Peter

PETER D. RICOY | Attorney
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Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
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www.schwabe.com

Rauch Ella

From: Ricoy, Peter D. <PRicoy@SCHWABE.com>
Sent: Wednesday, March 18, 2015 9:28 AM
To: KEELING Ryan W * DCBS; LATHAM ARussell * DCBS; FJELDHEIM Brian M * DCBS

Of course, Ryan, thanks again to you and your team for your help with this.

-Peter

PETER D. RICOY | Attorney
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Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
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www.schwabe.com

From: KEELING Ryan W * DCBS [mailto:Ryan.W.Keeling@oregon.gov]
Sent: Wednesday, March 18, 2015 9:03 AM
To: Ricoy, Peter D.; Russell Latham (arussell.latham@state.or.us); FJELDHEIM Brian M * DCBS
Subject: RE: Public Records Request Follow Up

Peter,
Thank you for providing these.
Ryan

From: Ricoy, Peter D. [mailto:PRicoy@SCHWABE.com]
Sent: Tuesday, March 17, 2015 6:03 PM
To: Russell Latham (arussell.latham@state.or.us); FJELDHEIM Brian M * DCBS
Cc: KEELING Ryan W * DCBS
Subject: Public Records Request Follow Up

Dear Russell and Brian:

Thank you very much for the meeting on Friday and your work on the "Form A" filing for Centene. We appreciate the opportunity to work with the Oregon Insurance Division.

The following is a list of "Form A" materials we have submitted that are entitled to confidentiality protections under Oregon law. In other words, we believe all of the following are exempt from public disclosure:

Confidential and Exempt from Public Disclosure:

From the Original Form A Filing Submitted February 6, 2015

- Exhibit C (Biographical Affidavits)
- Exhibit D (Merger Agreement)*
- Exhibit E (Stockholders Support Agreement)*

From the Supplemental Filing Submitted March 9, 2015:

- Item 1 – Agate Stock & Option Ownership Details
- Item 2 – Proforma Financials
- Item 5 – Estimated Consideration

* With regard to the agreements, we have created reacted versions of the agreements, and are attaching those to this email. However, the unredacted versions submitted with the "Form A" filings are exempt from public disclosure.

Not Confidential, and Subject to Public Disclosure:

Treating the above as confidential would leave all of the following as subject to public disclosure:

From the Original Form A Filing Submitted February 6, 2015

- My cover letter
- Form A Narrative
- Exhibit A List of Centene's Subsidiaries & Affiliates
- Exhibit B List of Centene's Directors and Executive Officers
- Exhibit F Financial Statements

From the Supplemental Filing Submitted March 9, 2015:

- Secretary's Certificate for Centene, Approving Transaction
- Secretary's Certificate for Agate, Approving Transaction

From this Email (Submitted Today, March 17, 2015):

- Merger Agreement (Redacted)
- Stockholders Support Agreement (Redacted)

Also, at the meeting you requested a "Word" version of the "Form A" narratives, which I am attaching to this email. I hope that is helpful. If you have any other questions, please feel free to let me know or give me a call.

Thanks very much,

-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
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www.schwabe.com

avoidance of federal tax law penalties, please contact a Schwabe attorney to arrange a suitable engagement for that purpose.

Rauch Ella

From: FJELDHEIM Brian M * DCBS
Sent: Wednesday, March 18, 2015 10:27 AM
To: KEELING Ryan W * DCBS
Subject: Centene Plan of Merger
Attachments: INS-13-LNI3@cbs.state.or.us_20150318_112233.pdf

Brian Fjeldheim, AFE
Financial Analyst
Oregon Insurance Division
E-mail: Brian.M.Fjeldheim@oregon.gov
Phone: (503) 947-7207

-----Original Message-----
From: INS-13-LNI3@cbs.state.or.us [mailto:INS-13-LNI3@cbs.state.or.us] On Behalf Of INS-13-LNI3@
Sent: Wednesday, March 18, 2015 11:23 AM
To: FJELDHEIM Brian M * DCBS
Subject: Scanned image from INS-13-LNI3

Reply to: INS-13-LNI3@cbs.state.or.us <INS-13-LNI3@cbs.state.or.us> Device Name: INS-13-LNI3 Device Model: MX-M503N
Location: Insurance

File Format: PDF MMR(G4)
Resolution: 200dpi x 200dpi

Attached file is scanned image in PDF format.
Use Acrobat(R)Reader(R) or Adobe(R)Reader(R) of Adobe Systems Incorporated to view the document.
Adobe(R)Reader(R) can be downloaded from the following URL:
Adobe, the Adobe logo, Acrobat, the Adobe PDF logo, and Reader are registered trademarks or trademarks of Adobe Systems Incorporated in the United States and other countries.

http://www.adobe.com/

From: Ricoy, Peter D. [mailto:PRicoy@SCHWABE.com]
Sent: Monday, March 16, 2015 9:05 PM
To: KEELING Ryan W * DCBS
Cc: FJELDHEIM Brian M * DCBS; LATHAM ARussell * DCBS
Subject: RE: Correspondence Regarding Additional Documents for Form A Filing

Ryan:

Thanks very much for meeting with us Friday, and for your follow up email. We've asked the company to put together the pro-forma in the manner you have requested, and will follow up shortly. We also expect to follow up, hopefully tomorrow, on the list of documents that are exempt from public disclosure and redacted copies of the agreements.

Thanks again for all your help,
-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
1211 SW 5th Ave., Ste. 1900, Portland, OR 97204
Direct: 503-796-2973 | Fax: 503-796-2900 | Email: pricoy@schwabe.com
Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
Legal advisors for the future of your business®
www.schwabe.com

From: KEELING Ryan W * DCBS [mailto:Ryan.W.Keeling@oregon.gov]
Sent: Monday, March 16, 2015 2:45 PM
To: Ricoy, Peter D.
Cc: FJELDHEIM Brian M * DCBS; LATHAM ARussell * DCBS
Subject: FW: Correspondence Regarding Additional Documents for Form A Filing

Hi Peter,

We were just reviewing the Pro-forma financial statements that you provide in Item #2. These pro-forma financial statements are not provided in the UCAA application format that we would require, and does not include the projected RBC calculation. Could you please provide the pro-forma financial statements in the UCAA format? Also, can you let me know what the proposed dividend would have on these projections?

Thank you,
Ryan

Ryan Keeling, CFE
Chief Financial Analyst/Assistant Manager of Financial & Producer Regulation
Oregon Department of Consumer & Business Services – Insurance Division
www.insurance.oregon.gov
(503) 947-7271 • (503) 378-4351
ryan.w.keeling@oregon.gov

Please be aware that our email extension has changed to: @oregon.gov

From: Ricoy, Peter D. [mailto:PRicoy@SCHWABE.com]
Sent: Monday, March 09, 2015 8:07 AM
To: 'FJELDHEIM Brian M * DCBS (brian.m.fjeldheim@state.or.us)'
Cc: LATHAM ARussell * DCBS
Subject: Correspondence Regarding Additional Documents for Form A Filing

Dear Mr. Fjeldheim:

Thank you for your letter requesting additional information related to the "Form A" we filed on behalf of Centene Corporation. I'm attaching to this email 6 documents:

1. Final ownership details/stock register for Agate;
2. Pro-forma financial statements for Trillium, to include Balance Sheet data, for three years following the transaction date;
3. Copies of board resolutions certified by the corporate secretary of Centene authorizing the proposed transaction;
4. Copies of board resolutions certified by the corporate secretary of Agate authorizing the proposed transaction; and
5. Estimated consideration to be paid to each registered owner of Agate.
6. My Cover Letter to You

As explained in the cover letter, we request that the Division treat as confidential items #1, #2, and #5 under ORS 192.501(2) and ORS 192.502(4).

If you need me to deliver any of these materials to you by paper form, please let me know and I will be happy to arrange for a messenger to send this to you immediately. Finally, if you would please confirm that you received this email, I'd greatly appreciate it.

Thanks very much for your review of this filing. If you have any questions or would like to discuss any aspect of the transaction, please feel free to give me a call.

-Peter

PETER D. RICOY | Attorney
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Legal advisors for the future of your business®
www.schwabe.com

avoidance of federal tax law penalties, please contact a Schwabe attorney to arrange a suitable engagement for that purpose.

Rauch Ella

From: Ricoy, Peter D. <PRicoy@SCHWABE.com>
Sent: Thursday, March 19, 2015 1:04 PM
To: KEELING Ryan W * DCBS
Cc: LATHAM ARussell * DCBS; FJELDHEIM Brian M * DCBS

Thanks, Ryan. I'll check into this and get right back to you.

-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
1211 SW 5th Ave., Ste. 1900, Portland, OR 97204
Direct: 503-796-2973 | Fax: 503-796-2900 | Email: pricoy@schwabe.com
Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
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www.schwabe.com

From: KEELING Ryan W * DCBS [mailto:Ryan.W.Keeling@oregon.gov]
Sent: Thursday, March 19, 2015 9:12 AM
To: Ricoy, Peter D.
Cc: Russell Latham (arussell.latham@state.or.us); FJELDHEIM Brian M * DCBS
Subject: RE: Public Records Request Follow Up

Hi Peter,

I reviewed the redacted file with our public information person, and we have a couple of concerns about the redacted information. The information in question was:

"with the exception of page 80 (the heading on Section 8.8 was also redacted), page 83 section 8.1(c) (no heading), and they took out large sections of the table of contents. Have they shared their reasoning for removing sections of the table of contents?

Could you please provide an explanation for why you have removed the headings on page 80 and 83, and also why the information was redacted from the table of contents? While the details of information is most likely considered to be proprietary and not subject to disclosure, it would be our understanding that the table of contents and the headings would not provide any proprietary information and should be disclosed.

Thank you,
Ryan

Ryan Keeling, CFE
Chief Financial Analyst/Assistant Manager of Financial & Producer Regulation
Oregon Department of Consumer & Business Services – Insurance Division
www.insurance.oregon.gov
(503) 947-7271 • (503) 378-4351
ryan.w.keeling@oregon.gov

Please be aware that our email extension has changed to: @oregon.gov

From: Ricoy, Peter D. [mailto:PRicoy@SCHWABE.com]
Sent: Wednesday, March 18, 2015 9:28 AM
To: KEELING Ryan W * DCBS; Russell Latham (arussell.latham@state.or.us); FJELDHEIM Brian M * DCBS
Subject: RE: Public Records Request Follow Up

Of course, Ryan, thanks again to you and your team for your help with this.

-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
1211 SW 5th Ave., Ste. 1900, Portland, OR 97204
Direct: 503-796-2973 | Fax: 503-796-2900 | Email: pricoy@schwabe.com
Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
Legal advisors for the future of your business®
www.schwabe.com

From: KEELING Ryan W * DCBS [mailto:Ryan.W.Keeling@oregon.gov]
Sent: Wednesday, March 18, 2015 9:03 AM
To: Ricoy, Peter D.; Russell Latham (arussell.latham@state.or.us); FJELDHEIM Brian M * DCBS
Subject: RE: Public Records Request Follow Up

Peter,
Thank you for providing these.
Ryan

From: Ricoy, Peter D. [mailto:PRicoy@SCHWABE.com]
Sent: Tuesday, March 17, 2015 6:03 PM
To: Russell Latham (arussell.latham@state.or.us); FJELDHEIM Brian M * DCBS
Cc: KEELING Ryan W * DCBS
Subject: Public Records Request Follow Up

Dear Russell and Brian:

Thank you very much for the meeting on Friday and your work on the "Form A" filing for Centene. We appreciate the opportunity to work with the Oregon Insurance Division.

The following is a list of "Form A" materials we have submitted that are entitled to confidentiality protections under Oregon law. In other words, we believe all of the following are exempt from public disclosure:

Confidential and Exempt from Public Disclosure:

From the Original Form A Filing Submitted February 6, 2015

- Exhibit C (Biographical Affidavits)
- Exhibit D (Merger Agreement)*
- Exhibit E (Stockholders Support Agreement)*

From the Supplemental Filing Submitted March 9, 2015:

- Item 1 – Agate Stock & Option Ownership Details

- Item 2 – Proforma Financials
- Item 5 – Estimated Consideration

* With regard to the agreements, we have created reacted versions of the agreements, and are attaching those to this email. However, the unredacted versions submitted with the "Form A" filings are exempt from public disclosure.

Not Confidential, and Subject to Public Disclosure:

Treating the above as confidential would leave all of the following as subject to public disclosure:

From the Original Form A Filing Submitted February 6, 2015

- My cover letter
- Form A Narrative
- Exhibit A List of Centene's Subsidiaries & Affiliates
- Exhibit B List of Centene's Directors and Executive Officers
- Exhibit F Financial Statements

From the Supplemental Filing Submitted March 9, 2015:

- Secretary's Certificate for Centene, Approving Transaction
- Secretary's Certificate for Agate, Approving Transaction

From this Email (Submitted Today, March 17, 2015):

- Merger Agreement (Redacted)
- Stockholders Support Agreement (Redacted)

Also, at the meeting you requested a "Word" version of the "Form A" narratives, which I am attaching to this email. I hope that is helpful. If you have any other questions, please feel free to let me know or give me a call.

Thanks very much,

-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
1211 SW 5th Ave., Ste. 1900, Portland, OR 97204
Direct: 503-796-2973 | Fax: 503-796-2900 | Email: pricoy@schwabe.com
Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
Legal advisors for the future of your business®
www.schwabe.com

Rauch Ella

From: FJELDHEIM Brian M * DCBS
Sent: Friday, March 20, 2015 4:28 PM
To: KEELING Ryan W * DCBS
Subject: FW: Withdrawal of notice of dividend
Attachments: Ltr to Laura Cali, Insurance Commissioner re withdrawal of notice of div....pdf

Brian Fjeldheim, AFE
Financial Analyst
Oregon Insurance Division
E-mail: Brian.M.Fjeldheim@oregon.gov
Phone: (503) 947-7207

From: Brauser, Jason [mailto:jason.brauser@stoel.com]
Sent: Friday, March 20, 2015 4:18 PM
To: FJELDHEIM Brian M * DCBS; LATHAM ARussell * DCBS
Cc: Nay, Barbara; Terry Coplin (tcoplin@trilliumchp.com); David L. Cole - Agate Resources, Inc. (dcole@trilliumchp.com)
Subject: Withdrawal of notice of dividend

Russell and Brian,

Please see the attached letter regarding the withdrawal of Trillium Community Health Plan, Inc.'s notice of dividend. A hard copy is being sent to Ms. Cali by UPS for Monday delivery.

I will be on vacation next week. If you have any questions, please contact Barbara Nay at (503) 294-9643.

Regards,
Jason

Jason M. Brauser | Partner
STOEL RIVES LLP | 900 SW Fifth Avenue, Suite 2600 | Portland, OR 97204
Direct: (503) 294-9607 | Mobile: (503) 201-4787 | Fax: (503) 220-2480
jason.brauser@stoel.com | Bio | vCard | www.stoel.com

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Portland, Oregon 97204
main 503.224.3380
fax 503.220.2480
www.stoel.com

JASON M. BRAUSER
Direct (503) 294-9607
jason.brauser@stoel.com

March 20, 2015

BY UPS OVERNIGHT

Ms. Laura N. Cali
Insurance Commissioner
Oregon Department of Consumer and Business Services
Insurance Division
350 Winter Street NE
Salem, OR 97301-3883

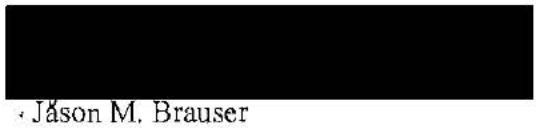
Re: Notice of Dividend

Dear Ms. Cali:

As discussed during a telephone conference today between Terry Coplin and the Oregon Insurance Division, Trillium Community Health Plan, Inc. ("Trillium") hereby withdraws the notice of dividend pursuant to ORS 732.554 and OAR 836-027-0170 enclosed with my letter to you dated March 13, 2015. Trillium reserves the right to file a new notice at a later date.

If you have any questions, please do not hesitate to contact me or Barbara Nay directly. Ms. Nay's telephone number is (503) 294-9643 and her email address barbara.nay@stoel.com.

Very truly yours,



Jason M. Brauser

JMB:lbk

cc: Russell Latham (by email)
Brian Fjeldheim (by email)
Terry Coplin (by email)
David Cole (by email)
Barbara Nay

Rauch Ella

From:	FJELDHEIM Brian M * DCBS
Sent:	Monday, April 27, 2015 12:31 PM
To:	MOHRMAN David S * DCBS
Cc:	KEELING Ryan W * DCBS; LATHAM ARussell * DCBS
Subject:	Public hearing notice - Trillium Community Health Plans & Centene Corporation
Attachments:	Trillium - Notice of Public Hearing Final (v5) 4.21.15.docx

Hi David,

We recently finalized approval of a public hearing notice for Centene Corporation's acquisition of Trillium Community Health Plans. I spoke with Ryan and he asked that I forward the public notice to you to post on the Division's external website. Please let me know if there is anything else you need from me.

Thanks,

Brian

Brian Fjeldheim, AFE
Financial Analyst
Oregon Insurance Division
E-mail: Brian.M.Fjeldheim@oregon.gov
Phone: (503) 947-7207

Notice of Public Hearing

Before the Insurance Commissioner
of the State of Oregon
Department of Consumer and Business Services

In the matter of the Acquisition of Control of
Trillium Community Health Plan, Inc., by
Centene Corporation

6:00 p.m. to 7:00 p.m.
Thursday, May 14, 2015

Eugene Hilton – Wilder Room
66 E 6th Ave, Eugene, OR 97401

Trillium Community Health Plan, Inc. is an Oregon corporation and an Oregon domiciled Health Care Service Contractor, and is controlled by Agate Resources, Inc., an Oregon corporation. Centene Corporation, a publicly traded Delaware corporation, has entered into an agreement with Agate to acquire control of Agate through a merger of a wholly owned subsidiary of Centene with and into Agate, with Agate as the surviving corporation in 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. The purpose of the hearing is to permit public comment on the proposed merger.

A copy of the Form A filed by Centene describing the merger is available on the Insurance Division's web site at the following link:

http://www.oregon.gov/DCBS/insurance/insurers/regulation/Documents/acquisitions-mergers/trillium-centene_form-a.pdf

The hearing record will remain open until 5:00 p.m., Thursday, May, 21, 2015. Written comments must be RECEIVED by the Insurance Division by the deadline. Written comments may be submitted via e-mail to arussell.latham@oregon.gov or by mail to Russell Latham, Financial Regulation Section, Oregon Insurance Division, P.O. Box 14480, Salem, OR 97309-0405.

Rauch Ella

From: Ricoy, Peter D. <PRicoy@SCHWABE.com>
Sent: Thursday, March 26, 2015 2:07 PM
To: KEELING Ryan W * DCBS
Cc: LATHAM ARussell * DCBS; FJELDHEIM Brian M * DCBS

Thanks very much, Ryan. We will get you the information and follow up.

-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
1211 SW 5th Ave., Ste. 1900, Portland, OR 97204
Direct: 503-796-2973 | Fax: 503-796-2900 | Email: pricoy@schwabe.com
Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
Legal advisors for the future of your business®
www.schwabe.com

From: KEELING Ryan W * DCBS [mailto:Ryan.W.Keeling@oregon.gov]
Sent: Thursday, March 26, 2015 10:29 AM
To: Ricoy, Peter D.
Cc: LATHAM ARussell * DCBS; FJELDHEIM Brian M * DCBS
Subject: Form A Filing

Hi Peter,

I wanted to let you know that the attached letter was placed in our outgoing mail today.

Please let me know if you have any questions,
Ryan

Ryan Keeling, CFE
Chief Financial Analyst/Assistant Manager of Financial & Producer Regulation
Oregon Department of Consumer & Business Services – Insurance Division
www.insurance.oregon.gov
(503) 947-7271 • (503) 378-4351
ryan.w.keeling@oregon.gov

Please be aware that our email extension has changed to: @oregon.gov

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contains advice relating to federal taxes, cannot be used for the purpose of avoiding penalties that may be imposed under federal tax law. Any tax advice that is expressed in this message is limited to the tax issues addressed in this message. If advice is required that satisfies applicable IRS regulations, for a tax opinion appropriate for avoidance of federal tax law penalties, please contact a Schwabe attorney to arrange a suitable engagement for that purpose.

Rauch Ella

From: Ricoy, Peter D. <PRicoy@SCHWABE.com>
Sent: Monday, March 23, 2015 5:41 PM
To: LATHAM ARussell * DCBS; FJELDHEIM Brian M * DCBS; KEELING Ryan W * DCBS
Attachments: Merger Agreement (Execution Version Redacted 3-23-2015).PDF; Trillium Pro-Forma NAIC Format Without Dividend.PDF; Trillium Pro-forma NAIC Format with Dividend.PDF

Dear Russell, Ryan, and Brian:

Thank you for your continuing review of the Form A filing for Centene Corporation. In response to your requests, please find attached to this email three pdf documents:

1. **Updated Redacted Copy of Merger Agreement.** This updated redacted copy of the Merger Agreement removes the redactions related to the table of contents and section headings.

2. **Pro-Forma for Trillium in NAIC Format, Assuming No Dividend.** This document shows the pro-forma in NAIC format, assuming no dividend. This document is a trade secret and exempt from public disclosure.

3. **Pro-Forma for Trillium in NAIC Format, Assuming Dividend.** This document shows the pro-forma assuming a dividend is paid. This document is a trade secret and exempt from public disclosure.

Please let me know if you have any other questions on this or any other matters related to the "Form A" filing. As always, we appreciate the opportunity to work with you on this matter.

-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
1211 SW 5th Ave., Ste. 1900, Portland, OR 97204
Direct: 503-796-2973 | Fax: 503-796-2900 | Email: pricoy@schwabe.com
Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
Legal advisors for the future of your business®
www.schwabe.com

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and/or shred the materials and any attachments and are hereby notified that any disclosure, copying or distribution of this communication, or the taking of any action based on it, is strictly prohibited. Thank you.

Rauch Ella

From: KEELING Ryan W * DCBS <Ryan.W.Keeling@oregon.gov>
Sent: Thursday, March 26, 2015 3:57 PM
To: LAIDLER Deanna P
Subject: RE: Talking points for tomorrow's Trillium call
Attachments: FORM A Final 2-6-2015.docx; Trillium Centene Plan of Merger.pdf

Deanna,

Here they are again. Let me know if you can't get them, and I'll see if we can find another avenue.

Ryan

From: Laidler Deanna P [mailto:deanna.p.laidler@state.or.us]
Sent: Thursday, March 26, 2015 3:55 PM
To: KEELING Ryan W * DCBS
Subject: RE: Talking points for tomorrow's Trillium call

Ryan –

Can you resend the documents? My email will not let me open, copy or save either document...

Deanna

From: KEELING Ryan W * DCBS [mailto:Ryan.W.Keeling@oregon.gov]
Sent: Thursday, March 26, 2015 2:21 PM
To: LAIDLER Deanna P; LATHAM ARussell * DCBS
Subject: RE: Talking points for tomorrow's Trillium call

Hi Deanna,
Here is a copy of the Form A, as well as the Plan of Merger Agreement, that will actually govern the transaction.

Let me know if you have any questions in regards to this,
Ryan

From: Laidler Deanna P [mailto:deanna.p.laidler@state.or.us]
Sent: Thursday, March 26, 2015 2:17 PM
To: LATHAM ARussell * DCBS; KEELING Ryan W * DCBS
Subject: RE: Talking points for tomorrow's Trillium call

Russell and Ryan –

Do you have a copy of the Form A that I can review?

Deanna

From: LATHAM ARussell * DCBS [mailto:ARussell.Latham@oregon.gov]
Sent: Thursday, March 19, 2015 5:42 PM

496

To: CALI Laura N * DCBS; KEEN TK * DCBS; KEELING Ryan W * DCBS; FJELDHEIM Brian M * DCBS; LAIDLER Deanna P
Subject: Talking points for tomorrow's Trillium call

All,

Please see attached.

Russell Latham
Chief Examiner
Manager of the Financial Regulation Section
Oregon Insurance Division
503-947-7220
Arussell.latham@state.or.us

Rauch Ella

From: Ricoy, Peter D. <PRicoy@SCHWABE.com>
Sent: Friday, April 17, 2015 11:30 AM
To: LATHAM ARussell * DCBS
Cc: FJELDHEIM Brian M * DCBS; KEELING Ryan W * DCBS

Russell:

Thanks so much for taking the time to provide me with the information about providing notice for the public hearing for the "Form A". Based on our conversation, here is my understanding:

- **Hearing Date.** The meeting will be scheduled in or around Eugene on May 14, 205 from 6:00 to 8:00.
- **Hearing Venue and Set Up.** The meeting facility will accommodate up to 100 people. The room will be set up with three tables at the front. The Insurance Division will sit in the middle facing the audience, and representatives from Centene and Trillium will be at tables facing the audience on either side of the Insurance Division. We will arrange for microphones (and speakers) for the Division, Centene, Trillium, and audience members. We will arrange for a screen and a projector. I understand the Insurance Division will bring its own recording equipment.
- **Meeting Agenda / Flow.** I understand the general agenda to be as follows: (1) the Division will open the meeting, (2) Centene will give a 5-10 minute presentation about the transaction, (3) Trillium will give a 5-10 minute presentation, (4) the Division will explain the criteria the Division will use to evaluate the transaction, (5) the Division will open it up to attendees to give any comments, and (6) the Division will bring the meeting to a close.
- **Newspaper Notice.** We will arrange for hearing notice to be placed in the Register Guard starting 3 weeks in advance of the hearing, and then twice per week until the hearing date. Thus, we are targeting one notice on or approximately April 23, two notices during the week of April 27, two notices during the week of May 4, and one notice during the week of May 11. We will submit the notice for your approval.
- **Policyholder Notice.** We will arrange for notices to policyholders on or approximately April 23 (3 weeks in advance of the hearing.) We will not plan to include notice to Oregon Health Plan members (as they are not policyholders, unless we hear otherwise from you). We will submit the policyholder notice for your approval in advance.

If anything I've written doesn't seem correct, please let me know.

Thanks again for your time this morning.
-Peter

PETER D. RICOY | Attorney
SCHWABE, WILLIAMSON & WYATT
1211 SW 5th Ave., Ste. 1900, Portland, OR 97204
Direct: 503-796-2973 | Fax: 503-796-2900 | Email: pricoy@schwabe.com
Assistant: April Lee | Direct: 503-796-2999 | arlee@schwabe.com
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To comply with IRS regulations, we are required to inform you that this message, if it contains advice relating to federal taxes, cannot be used for the purpose of avoiding penalties that may be imposed under federal tax law. Any tax advice that is expressed in this message is limited to the tax issues addressed in this message. If advice is required that satisfies applicable IRS regulations, for a tax opinion appropriate for avoidance of federal tax law penalties, please contact a Schwabe attorney to arrange a suitable engagement for that purpose.

SCHWABE, WILLIAMSON & WYATT®
ATTORNEYS AT LAW

Pacwest Center, 1211 SW 5th Ave., Suite 1900, Portland, OR 97204 | Phone 503.222.9981 | Fax 503.796.2900 | www.schwabe.com

April 17, 2015

VIA E-MAIL (ARUSSELL.LATHAM@STATE.OR.US)

Russell Latham
Manager/Chief Examiner
Oregon Insurance Division
350 Winter St NE Room 440
P.O. Box 14480
Salem, OR 97309-0405

Re: Responses to Questions Concerning Centene Corporation's "Form A" Filing
Our File No.: 126360-191828

Dear Mr. Latham:

Thank you for your continuing review of Centene Corporation's "Form A" filing for Centene's proposed acquisition of Trillium Community Health Plan, Inc. This letter responds to the questions you presented to me in your letter dated April 13, 2015.

ISSUE

Please provide assurance that Centene delivered or mailed to Trillium a statement containing the information required by ORS 732.521(1). The statement mailed was required to be sent by certified mail, return receipt requested.

RESPONSE

This confirms that on Friday, February 6, 2015, the same day that Centene submitted the Form A to the Insurance Division, Centene concurrently delivered a copy to Trillium's representative in satisfaction of the requirement.

ISSUE

Please provide a Form 10-K for Centene for the period ending December 31, 2014.

RESPONSE

Please find Centene's 2014 10K attached.

ISSUE

Please provide assurance that Centene will provide additional funding to Trillium, if necessary, for Trillium to maintain an RBC level of not less than 300% and a premium to surplus ratio below 10:1.

RESPONSE

Centene believes that it will be able to successfully operate Trillium such that in due course Trillium will achieve the RBC level and premium-to-surplus ratio desired by the Insurance Division. This belief is backed by Centene's deep experience in successfully managing insurance subsidiaries across several states at more than adequate reserve levels in a manner that appropriately protects policyholders. Further, the projections provided to the Insurance Division indicate an expectation that Trillium will be operating at an RBC level of approximately 300% in just a few months after closing. While Centene is not offering a funding guarantee, Centene plans to continue to operate Trillium in accord with the requirements of Oregon Insurance Law and according to the same standards that are applied to other insurance companies operating in Oregon.

ISSUE

Please confirm whether a May 14, 2015, hearing date is acceptable to your client.

RESPONSE

Centene and Trillium have confirmed that May 14, 2015 will work as a public hearing date. We would appreciate if the OID will take all steps necessary to provide an approval on, or prior to May 29, 2015. Centene and Trillium are in the process of securing a space for the meeting to occur from 6-8pm PDT in Eugene, OR.

ISSUE

As we discussed during our telephone call on Friday, please provide additional information regarding the planned employment for current Trillium employees following six months of the Effective Time of the proposed transaction.

RESPONSE

Centene maintains a localized approach which includes Call Center, Medical Management, Contracting, Compliance, and Operations. The parties are still in the process of determining the long term organizational plans for Trillium.

[redacted]

ISSUE

Please provide a Word version of the Agreement and Plan of Merger to facilitate the Division's drafting of the order regarding the proposed transaction. This document will only be used for this purpose and will be considered confidential.

RESPONSE

We are attaching a copy of the Word version of the agreement to the email that contained this letter.

ISSUE

Please confirm that Centene received a draft copy of the Trillium examination report as of December 31, 2013.

RESPONSE

Centene confirms that on April 6, 2015 they received a draft copy of the Trillium examination as of December 31, 2013.

We trust these responses adequately address your questions, but please let us know if we can provide you with any additional information. Thank you again for your work on this matter.

[redacted]
Peter D. Ricoy [redacted]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

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: 001-31826

Centene Corporation

(Exact name of registrant as specified in its charter)

Delaware	**42-1406317**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
7700 Forsyth Boulevard St. Louis, Missouri	**63105**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.001 Par Value	**New York Stock Exchange**
Title of Each Class	Name of Each Exchange on Which Registered

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Each Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was require to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ (do not check if a smaller reporting company) Smaller reporting company ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the last reported sale price of the common stock on the New York Stock Exchange on June 30, 2014, was $4.4 billion.

As of February 20, 2015, the registrant had 118,820,237 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2015 annual meeting of stockholders are incorporated by reference in Part III, Items 10, 11, 12, 13 and 14.

CENTENE CORPORATION
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of current or historical fact, contained in this filing are forward-looking statements. We have attempted to identify these statements by terminology including "believe," "anticipate," "plan," "expect," "estimate," "intend," "seek," "target," "goal," "may," "will," "should," "can," "continue" and other similar words or expressions in connection with, among other things, any discussion of future operating or financial performance. In particular, these statements include statements about our market opportunity, our growth strategy, competition, expected activities and future acquisitions, investments and the adequacy of our available cash resources. These statements may be found in the various sections of this filing, including those entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," Part I, Item 1A. "Risk Factors," and Part I, Item 3 "Legal Proceedings." Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions.

All forward-looking statements included in this filing are based on information available to us on the date of this filing and we undertake no obligation to update or revise the forward-looking statements included in this filing, whether as a result of new information, future events or otherwise, after the date of this filing. Actual results may differ from projections or estimates due to a variety of important factors, including:

- our ability to accurately predict and effectively manage health benefits and other operating expenses and reserves;
- competition;
- membership and revenue projections;
- timing of regulatory contract approval;
- changes in healthcare practices;
- changes in federal or state laws or regulations, including the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder;
- changes in expected contract start dates;
- changes in expected closing dates, estimated purchase price and accretion for acquisitions;
- inflation;
- foreign currency fluctuations;
- provider and state contract changes;
- new technologies;
- advances in medicine;
- reduction in provider payments by governmental payors;
- major epidemics;
- disasters and numerous other factors affecting the delivery and cost of healthcare;
- the expiration, cancellation or suspension of our Medicare or Medicaid managed care contracts by federal or state governments;
- the outcome of pending legal proceedings;
- availability of debt and equity financing, on terms that are favorable to us; and
- general economic and market conditions.

Item 1A "Risk Factors" of Part I of this filing contains a further discussion of these and other important factors that could cause actual results to differ from expectations. We disclaim any current intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Due to these important factors and risks, we cannot give assurances with respect to our future premium levels or our ability to control our future medical costs.

PART I

ITEM 1. *Business.*

OVERVIEW

We are a diversified, multi-national healthcare enterprise that provides programs and services to government sponsored healthcare programs, focusing on under-insured and uninsured individuals. We provide member-focused services through locally based staff by assisting in accessing care, coordinating referrals to related health and social services and addressing member concerns and questions. We also provide education and outreach programs to inform and assist members in accessing quality, appropriate healthcare services. We believe our local approach, including member and provider services, enables us to provide accessible, quality, culturally-sensitive healthcare coverage to our communities. Our health management, educational and other initiatives are designed to help members best utilize the healthcare system to ensure they receive appropriate, medically necessary services and effective management of routine, severe and chronic health problems, resulting in better health outcomes. We combine our decentralized local approach for care with a centralized infrastructure of support functions such as finance, information systems and claims processing.

We operate in two segments: Managed Care and Specialty Services. Our Managed Care segment provides health plan coverage to individuals through government subsidized programs, including Medicaid, the State Children's Health Insurance Program (CHIP), Long Term Care (LTC), Foster Care, dual-eligible individuals (Duals) and the Supplemeutal Security Income Program, also known as the Aged, Blind or Disabled Program, or collectively ABD. Beginning in 2014, our Managed Care segment also provides health plan coverage to individuals covered through federally-facilitated and state-based Health Insurance Marketplaces (HIM). Our Specialty Services segment consists of our specialty companies offering diversified healthcare services and products to state programs, correctional facilities, healthcare organizations, employer groups and other commercial organizations, as well as to our own subsidiaries. For the year euded December 31, 2014, our Managed Care and Specialty Services segments accounted for 89% and 11%, respectively, of our total external premium and service revenues.

Our subsidiary, Kentucky Spirit Health Plan (KSHP), ceased serving members in Kentucky as of July 6, 2013. Accordingly, the results of operations for KSHP are classified as discontinued operations for all periods presented in our consolidated financial statements. The following discussion and analysis, with the exception of cash flow information, is presented in the context of continuing operations unless otherwise identified.

Our managed care membership totaled 4.1 million as of December 31, 2014. For the year ended December 31, 2014, our premium and service revenues and net earnings from continuing operations attributable to Centene were $15.7 billion and $268 million, respectively, and our total cash flow from operations was $1.2 billion.

On February 2, 2015, the Board of Directors declared a two-for-one split of Centene's common stock in the form of a 100% stock dividend distributed February 19, 2015 to stockholders of record on February 12, 2015. All share, per share and stock price information presented in this Form 10-K has beeu adjusted for the two-for-one stock split.

Our initial health plan commenced operations in Wisconsin in 1984. We were organized in Wisconsin in 1993 as a holding company for our initial health plan and reincorporated in Delaware in 2001. Our corporate office is located at 7700 Forsyth Boulevard, St. Louis, Missouri 63105, and our telephone number is (314) 725-4477. Our stock is publicly traded on the New York Stock Exchange under the ticker symbol "CNC."

INDUSTRY

We provide our services primarily through Medicaid, CHIP, LTC, Foster Care, ABD, Medicare and other state and federal programs for the uninsured. The federal Centers for Medicare and Medicaid Services, or CMS, estimated the total Medicaid and CHIP market was approximately $421 billion in 2012, and estimate the market

will grow to $919 billion by 2023. According to the most recent information provided by the Kaiser Commission on Medicaid and the Uninsured, Medicaid spending increased by 10.2% in fiscal 2014 and states appropriated an increase of 14.3% for Medicaid in fiscal 2015 budgets.

Established in 1965, Medicaid is the largest publicly funded program in the United States, and provides health insurance to low-income families and individuals with disabilities. Authorized by Title XIX of the Social Security Act, Medicaid is an entitlement program funded jointly by the federal and state governments and administered by the states. The majority of funding is provided at the federal level. Each state establishes its own eligibility standards, benefit packages, payment rates and program administration within federal standards. As a result, there are 56 Medicaid programs—one for each U.S. state, each U.S. territory and the District of Columbia. Eligibility is based on a combination of household income and assets, often determined by an income level relative to the federal poverty level. Historically, children have represented the largest eligibility group. Many states have selected Medicaid managed care as a means of delivering quality healthcare and controlling costs. We refer to these states as mandated managed care states.

Established in 1972, and authorized by Title XVI of the Social Security Act, ABD covers low-income persons with chronic physical disabilities or behavioral health impairments. ABD beneficiaries represent a growing portion of all Medicaid recipients. In addition, ABD recipients typically utilize more services because of their critical health issues.

The Balanced Budget Act of 1997 created CHIP to help states expand coverage primarily to children whose families earned too much to qualify for Medicaid, yet not enough to afford private health insurance. Some states include the parents of these children in their CHIP programs. Costs related to the largest eligibility group, children, are primarily composed of pediatrics and family care. These costs tend to be more predictable than those associated with other healthcare issues which predominantly affect the adult population.

A portion of Medicaid beneficiaries are dual-eligible, low-income seniors and people with disabilities who are enrolled in both Medicaid and Medicare. According to the Kaiser Commission on Medicaid and the Uninsured, there were approximately 9.6 million dual-eligible enrollees in 2014. These dual-eligible members may receive assistance from Medicaid for Medicaid benefits, such as nursing home care and/or assistance with Medicare premiums and cost sharing. Dual-eligibles also use more services due to their tendency to have more chronic health issues. We serve dual-eligibles through our ABD and LTC programs and through Medicare Special Needs Plans.

While Medicaid programs have directed funds to many individuals who cannot afford or otherwise maintain health insurance coverage, they did not initially address the inefficient and costly manner in which the Medicaid population tends to access healthcare. Medicaid recipients in non-managed care programs typically have not sought preventive care or routine treatment for chronic conditions, such as asthma and diabetes. Rather, they have sought healthcare in hospital emergency rooms, which tends to be more expensive. As a result, many states have found that the costs of providing Medicaid benefits have increased while the medical outcomes for the recipients remained unsatisfactory.

We expect that continued pressure on state Medicaid budgets will cause public policy to recognize the value of managed care as a means of delivering improved health outcomes for Medicaid beneficiaries and effectively controlling costs. A growing number of states have mandated that their Medicaid recipients enroll in managed care plans. Other states are considering moving to a mandated managed care approach. As a result, we believe a significant market opportunity exists for managed care organizations with operations and programs focused on the distinct socio-economic, cultural and healthcare needs of the uninsured population and the Medicaid, CHIP, LTC, Foster Care and ABD populations.

In March 2010, the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Affordability Reconciliation Act collectively referred to as the Affordable Care Act (ACA), were enacted. While the constitutionality of the ACA was subsequently challenged in a number of legal actions, in June 2012, the Supreme Court upheld the constitutionality of the ACA, with one limited exception relating to the Medicaid expansion provision. The Supreme Court held that states could not be required to expand Medicaid and

risk losing all federal money for their existing Medicaid programs. Under the ACA, Medicaid coverage was expanded to all individuals under age 65 with incomes up to 138% of the federal poverty level beginning January 1, 2014, subject to the states' elections. The federal government will pay the entire costs for Medicaid coverage for newly eligible beneficiaries for three years, from 2014 through 2016. In 2017, the federal share declines to 95%; in 2018 it is 94%; in 2019 it is 93%; and it will be 90% in 2020 and subsequent years. States may delay Medicaid expansion after 2014.

Health Insurance Marketplaces are a key component of the ACA and provide an opportunity for individuals and small businesses to obtain health insurance. States have the option of operating their own Marketplace or partnering with the federal government. States choosing neither option will default to a federally-facilitated Marketplace. Premium and cost-sharing subsidies are available to make coverage more affordable and access to Marketplaces is limited to U.S. citizens and legal immigrants. Insurers are required to offer a minimum level of benefits with three levels of coverage that vary based on premiums and out-of-pocket costs. Premium subsidies are provided to families without access to other coverage and with incomes between 100-400% of the federal poverty level to help them purchase insurance through the Marketplaces. These subsidies are offered on a sliding scale basis. The Congressional Budget Office (CBO) anticipates that coverage through the exchanges will increase substantially over time as more people respond to subsidies and to penalties for failure to obtain coverage. CBO projects coverage through the exchanges to increase to an average of 13 million in 2015, 24 million in 2016, and 25 million in each year between 2017 and 2024.

OUR COMPETITIVE STRENGTHS

Our multi-national managed care approach is based on the following key attributes:

- *Strong Historic Operating Performance.* We have increased revenues as we have grown in existing markets, expanded into new markets and broadened our product offerings. We entered the Wisconsin market in 1984 as a single health plan and have grown to serve 21 states. Our operating performance has been demonstrated by the following:

	2014	2013	% Change 2013 - 2014
Total membership	4,060,900	2,879,800	41%
Premium and service revenues ($ in millions)	$ 15,667	$ 10,526	49%
Diluted earnings per share	$ 2.23	$ 1.43	56%
Total operating cash flow ($ in millions)	$ 1,223	$ 382	220%

For the year ended December 31, 2014, premium and service revenues of $15,667 million represented a five year Compound Annual Growth Rate (CAGR) of 32% and diluted earnings per share of $2.23 represented a five year CAGR of 18%.

- *Innovative Technology and Scalable Systems.* The ability to access data and translate it into meaningful information is essential to operating across a multi-state service area in a cost-effective manner. Our centralized information systems support our core processing functions under a set of integrated databases and are designed to be both replicable and scalable to accommodate organic growth and growth from acquisitions. We continue to enhance our systems in order to leverage the platform we have developed for our existing states for configuration into new states or health plan acquisitions. Our predictive modeling technology enables our medical management operations to proactively case and disease manage specific high risk members. It can recommend medical care opportunities using a mix of company defined algorithms and evidence based medical guidelines. Interventions are determined by the clinical indicators, the ability to improve health outcomes, and the risk profile of members. Our integrated approach helps to assure that consistent sources of claim and member information are provided across all of our health plans. Our membership and claims processing system is capable of expanding to support additional members in an efficient manner.

- *Expertise in Government Sponsored Programs.* For more than 30 years, we have developed a specialized government services expertise that has helped us establish and maintain relationships with members, providers and state governments. We have implemented programs developed to achieve savings for state governments and improve medical outcomes for members by reducing inappropriate emergency room use, inpatient days and high cost interventions, as well as by managing care of chronic illnesses. We work with state agencies in order to maximize the effectiveness of their programs. Our approach is to accomplish this while maintaining adequate levels of provider compensation and protecting our profitability.

- *Diversified Business Lines.* We continue to broaden our service offerings to address areas that we believe have been traditionally under-served by Medicaid managed care organizations. In addition to our Medicaid and Medicaid-related managed care services, our service offerings include behavioral health management, care management software, correctional healthcare services, dental benefits management, HIM, in-home health services, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services. Through the utilization of a multi-business line approach, we are able to improve the quality of care, improve outcomes, diversify our revenues and help control our medical costs.

- *Localized Approach with Centralized Support Infrastructure.* We take a localized approach to managing our subsidiaries, including provider and member services. This approach enables us to facilitate access by our members to high quality, culturally sensitive healthcare services. Our systems and procedures have been designed to address these community-specific challenges through outreach, education, transportation and other member support activities. For example, our community outreach programs work with our members and their communities to promote health and self-improvement through employment and education on how best to access care. We complement this localized approach with a centralized infrastructure of support functions such as finance, information systems and claims processing, which allows us to minimize general and administrative expenses and to integrate and realize synergies from acquisitions. We believe this combined approach allows us to efficiently integrate new business opportunities in both Medicaid and specialty services while maintaining our local accountability and improved access.

- *Quality and Innovation.* Our innovative medical management programs focus on improving quality of care in areas that have the greatest impact on our members. We concentrate on serving the whole person to impact outcomes and costs. We recognize the importance of member-focused delivery of quality managed care services and have developed award winning education and outreach programs including the CentAccount program, Start Smart For Your Baby, and MemberConnections.

OUR BUSINESS STRATEGY

Our objective is to become the leading multi-national healthcare enterprise focusing on the uninsured and under-insured population through government sponsored healthcare initiatives. We intend to achieve this objective by implementing the following key components of our strategy:

- *Increase Penetration of Existing State Markets.* We seek to continue to increase our Medicaid membership in states in which we currently operate through alliances with key providers, outreach efforts, development and implementation of community-specific products and acquisitions. For example, in 2014, we expanded our health plan in Florida with an expanded Medicaid managed care contract.

- *Diversify Business Lines.* We seek to broaden our business lines into areas that complement our existing business to enable us to grow and diversify our revenue. We are constantly evaluating new opportunities for expansion both domestically and abroad. For instance, in 2014, we acquired U.S. Medical Management, a management services organization and provider of in-home health services for high acuity populations. We employ a disciplined acquisition strategy that is based on defined criteria

including internal rate of return, accretion to earnings per share, market leadership and compatibility with our information systems. We engage our executives in the relevant operational units or functional areas to ensure consistency between the diligence and integration process.

- *Address Emerging State Needs.* We work to assist the states in which we operate in addressing the operating challenges they face. We seek to assist the states in balancing premium rates, benefit levels, member eligibility, policies and practices, provider compensation and minimizing fraud and abuse. By helping states structure an appropriate level and range of Medicaid, CHIP and specialty services, we seek to ensure that we are able to continue to provide those services on terms that achieve targeted gross margins, provide an acceptable return and grow our business.
- *Develop and Acquire Additional Markets.* We continue to leverage our experience to identify and develop new domestic and international markets by seeking both to acquire existing business and to build our own operations. Domestically, we focus expansion in states where Medicaid recipients are mandated to enroll in managed care organizations because we believe member enrollment levels are more predictable in these states. In addition, we focus on states where managed care programs can help address states' financial needs. For example, in 2013, we began managing care for Medicaid members in California, Kansas and New Hampshire. In 2014, we entered the international market with our investment in Ribera Salud, a Spanish health management group.
- *Leverage Established Infrastructure to Enhance Operating Efficiencies.* We intend to continue to invest in infrastructure to further drive efficiencies in operations and to add functionality to improve the service provided to members and other organizations at a low cost. Information technology, or IT, investments complement our overall efficiency goals by increasing the automated processing of transactions and growing the base of decision-making analytical tools. Our centralized functions and common systems enable us to add members and markets quickly and economically.
- *Maintain Operational Discipline.* We seek to operate in markets that allow us to meet our internal metrics including membership growth, plan size, market leadership and operating efficiency. We use multiple techniques to monitor and reduce our medical costs, including on-site hospital review by staff nurses and involvement of medical management in significant cases. Our executive dashboard is utilized to quickly identify cost drivers and medical trends. Our management team regularly evaluates the financial impact of proposed changes in provider relationships, contracts, changes in membership and mix of members, potential state rate changes and cost reduction initiatives. We may divest contracts or health plans in markets where the state's Medicaid environment, over a long term basis, does not allow us to meet our targeted performance levels. For example, as a result of lower than anticipated financial performance, in July 2013, we terminated our Kentucky Medicaid managed care contract with the Commonwealth of Kentucky.

We have subsidiaries offering healthcare services in each state we serve. The table below provides summary data for the state markets we currently serve:

State	Local Plan Name	First Year of Operations Under the Company	Counties Served at December 31, 2014	Managed Care Membership at December 31, 2014
Arizona	Bridgeway Health Solutions	2006	6	7,000
Arizona	Cenpatico of Arizona	2005	8	197,000
Arkansas	Arkansas Health and Wellness Solutions	2014	75	38,400
California	California Health and Wellness	2013	19	163,900
Florida	Sunshine Health	2009	67	425,700
Georgia	Peach State Health Plan	2006	159	389,100
Illinois	IlliniCare Health	2011	12	87,800
Indiana	Managed Health Services	1995	92	197,700
Kansas	Sunflower State Health Plan	2013	105	143,300
Louisiana	Louisiana Healthcare Connections	2012	64	152,900
Massachusetts	CeltiCare Health	2009	14	37,900
Massachusetts	Massachusetts Partnership for Correctional Healthcare	2013	N/A	10,500
Minnesota	Centurion of Minnesota	2014	N/A	9,500
Mississippi	Magnolia Health	2011	82	108,700
Missouri	Home State Health	2012	54	71,000
New Hampshire	New Hampshire Healthy Families	2013	10	62,700
Ohio	Buckeye Health Plan	2004	88	280,100
South Carolina	Absolute Total Care	2007	46	109,700
Tennessee	Centurion of Tennessee	2013	N/A	21,000
Texas	Superior HealthPlan	1999	254	971,000
Vermont	Centurion Managed Care	2015	N/A	—
Washington	Coordinated Care	2012	35	194,400
Wisconsin	MHS Health Wisconsin	1984	51	83,200
Total at-risk membership				3,762,500
Non-risk membership				298,400
Total				4,060,900

Substantially all of our revenue is derived from operations within the United States and its territories, and all of the Company's long lived assets are based in the Uuited States and its territories. We generally receive a fixed premium per member per month pursuant to our state contracts. Our medical costs have a seasonality component due to cyclical illness, for example cold and flu season, resulting in higher medical expenses beginning iu the foutth quarter and continuing throughout the first quarter of the following year. Our managed care subsidiaries in Texas and Florida had revenues from their respective state governments that each exceeded 10% of our consolidated total reveuues in 2014.

MANAGED CARE

Benefits to States

Our ability to establish and maintain a leadership position in the markets we serve results primarily from our demonstrated success in providing quality care while reducing and managing costs, and from our specialized

programs in working with state governments. Among the benefits we are able to provide to the states with which we contract are:

- *Significant cost savings and budget predictability compared to state paid reimbursement for services.* We bring experience relating to quality of care improvement methods, utilization management procedures, an efficient claims payment system, and provider performance reporting, as well as managers and staff experienced in using these key elements to improve the quality of and access to care. We generally receive a contracted premium on a per member basis and are responsible for the medical costs and as a result, provide budget predictability.
- *Data-driven approaches to balance cost and verify eligibility.* We seek to ensure effective outreach procedures for new members, then educate them and ensure they receive needed services as quickly as possible. Our IT department has created mapping/translation programs for loading membership and linking membership eligibility status to all of Centene's snbsystems. We utilize predictive modeling technology to proactively case and disease manage specific high risk members. In addition, we have developed Centelligence, our enterprise data warehouse system to provide a seamless flow of data across our organization, enabling providers and case managers to access information, apply analytical insight and make informed decisions.
- *Establishment of realistic and meaningful expectations for quality deliverables.* We have collaborated with state agencies in redefining benefits, eligibility requirements and provider fee schedules with the goal of maximizing the number of individuals covered through Medicaid.
- *Managed care expertise in government subsidized programs.* Our expertise in Medicaid has helped us establish and maintain strong relationships with our constituent communities of members, providers and state governments. We provide access to services through local providers and staff that focus on the cultural norms of their individual communities. To that end, systems and procedures have been designed to address community-specific challenges through outreach, education, transportation and other member support activities.
- *Improved quality and medical outcomes.* We have implemented programs developed to improve the quality of healthcare delivered to our members including Start Smart for your Baby, Living Well With Sickle Cell and The CentAccount Program.
- *Timely payment of provider claims.* We are committed to ensuring that our information systems and claims payment systems meet or exceed state requirements. We continuously endeavor to update our systems and processes to improve the timeliness of our provider payments.
- *Provider outreach and programs.* Our health plans have adopted a physician-driven approach where network providers are actively engaged in developing and implementing healthcare delivery policies and strategies. We prepare provider comparisons on a severity adjusted basis. This approach is designed to eliminate unnecessary costs, improve services to members and simplify the administrative burdens placed on providers.
- *Responsible collection and dissemination of utilization data.* We gather utilization data from multiple sources, allowing for an integrated view of our members' utilization of services. These sources include medical, vision and behavioral health claims and encounter data, pharmacy data, dental vendor claims and authorization data from the authorization and case management system utilized by us to coordinate care.
- *Timely and accurate reporting.* Our information systems have reporting capabilities which have been instrumental in identifying the need for new and/or improved healthcare and specialty programs. For state agencies, our reporting capability is important in demonstrating an auditable program.
- *Fraud and abuse prevention.* We have several systems in place to help identify, detect and investigate potential waste, abuse and fraud including pre and post payment review software. We collaborate with state and federal agencies and assist with investigation requests. We use nationally recognized standards to benchmark our processes.

Member Programs and Services

We recognize the importance of member-focused delivery of quality managed care services. Our locally-based staff assists members in accessing care, coordinating referrals to related health and social services and addressing member concerns and questions. While covered healthcare benefits vary from state to state, our health plans generally provide the following services:

- primary and specialty physician care
- inpatient and outpatient hospital care
- emergency and urgent care
- prenatal care
- laboratory and x-ray services
- home health and durable medical equipment
- behavioral health and substance abuse services
- 24-hour nurse advice line
- transportation assistance
- vision care
- dental care
- immunizations
- prescriptions and limited over-the-counter drugs
- specialty pharmacy
- therapies
- social work services
- care coordination

We also provide the following education and outreach programs to inform, assist and incentivize members in accessing quality, appropriate healthcare services in an efficient manner. Many of these programs have been recognized with awards for their excellence in education, outreach and/or case management techniques including Case In Point, Hermes Awards, U.S. Environmental Protection Agency and National Health Information Awards.

- *Start Smart For Your Baby,* or Start Smart, is our award winning prenatal and infant health program designed to increase the percentage of pregnant women receiving early prenatal care, reduce the incidence of low birth weight babies, identify high-risk pregnancies, increase participation in the federal Women, Infant and Children program, prevent hospital admissions in the first year of life and increase well-child visits.
- *Connections Plus* is a cell phone program developed for high-risk members who have limited or no access to a safe, reliable telephone. This program seeks to eliminate lack of safe, reliable access to a telephone as a barrier to coordinating care, thus reducing avoidable adverse events such as inappropriate emergency room utilization, hospital admissions and premature birth.
- *MemberConnections* is a community face-to-face outreach and education program designed to create a link between the member and the provider and help identify potential challenges or risk elements to a member's health, such as nutritional challenges and health education shortcomings.
- *The ScriptAssist for Hepatitis C Adherence Program* seeks to empower patients towards Hepatitis C virus treatment success through a series of telephonic interventions. Goals of the program include preventing premature treatment discontinuation due to medication side effects and access to therapy. NurseWise clinicians and AcariaHealth patient care coordinators collaborate throughout a patient's treatment course to ensure appropriate therapy management and regimen access.
- *Health Initiatives for Children* is aimed at educating child members on a variety of health topics. In order to empower and educate children, we have partnered with a nationally recognized children's author to develop our own children's book series on topics such as obesity prevention and healthy eating, asthma, diabetes, foster care, the ills of smoking, anti-bullying and heart health.
- *Health Initiatives for Teens* is aimed at empowering, educating and reinforcing life skills with our teenage members. We have developed an educational series that addresses health issues, dealing with chronic diseases including diabetes and asthma, as well as teen pregnancy.
- *Living Well with Sickle Cell* is our innovative program that assists with coordination of care for our sickle cell members. Our program ensures that sickle cell members have established a medical home and work on strategies to reduce unnecessary emergency room visits through proper treatment to control symptoms and chronic complications, as well as promote self-management.

- *My Route for Health* is our adult educational series used with our case management and disease management programs. The topics of this series include how to manage asthma, COPD, diabetes, heart disease and HIV.
- *Nurtur Diabetes Program* is an innovative program that is a collaboration with our life and health management subsidiary, Nurtur, and our health plans that targets diabetic patients and educates them on their disease state.
- *Community Health Record,* our patient-centric electronic database, collects patient demographic data, clinician visit records, dispensed medications, vital sign history, lab results, allergy charts, and immunization data. Providers can directly input additional or updated patient data and documentation into the database. All information is accessible anywhere, anytime to all authorized users, including health plan staff, greatly facilitating coordinated care among providers.
- *The CentAccount Program* offers members financial incentives for performing certain healthy behaviors. The incentives are delivered through a restricted-use prepaid debit card. This incentive-based approach effectively increases the utilization of preventive services while strengthening the relationships between members and their primary care providers.
- *The Asthma Management Program* integrates a hands-on approach with a flexible outreach methodology that can be customized to suit different age groups and populations affected by asthma. Working through Nurtur, we provide proactive identification of members, stratification into appropriate levels of intervention including home visits, culturally sensitive education, and robust outcome reporting. The program also includes aggressive care coordination to ensure patients have basic services such as transportation to the doctor, electricity to power the nebulizer, and a clean, safe home environment.
- *Fluvention* is an outreach program aimed at educating members on preventing the transmission of the influenza virus by encouraging members to get the seasonal influenza vaccines and take everyday precautions to prevent illness.
- *Preventive Care Programs* are designed to educate our members on the benefits of Early and Periodic Screening, Diagnosis and Treatment, or EPSDT, services. We have a systematic program of communicating, tracking, outreach, reporting and follow-through that promotes state EPSDT programs.
- *Life and Health Management Programs* are designed to help members understand their disease and treatment plans and improve their wellness in a cost effective manner. These programs address medical conditions that are common within the Medicaid population such as asthma, diabetes and pregnancy.

Providers

For each of our service areas, we establish a provider network consisting of primary and specialty care physicians, hospitals and ancillary providers. As of December 31, 2014, we contracted with over 59,000 primary care physicians, 178,000 specialty care physicians and 2,000 hospitals.

Our network of primary care physicians is a critical component in care delivery, management of costs and the attraction and retention of new members. Primary care physicians include family and general practitioners, pediatricians, internal medicine physicians and obstetricians and gynecologists. Specialty care physicians provide medical care to members generally upon referral by the primary care physicians. Specialty care physicians include, but are not limited to, orthopedic surgeons, cardiologists and otolaryngologists. We also provide education and outreach programs to inform and assist members in accessing quality, appropriate healthcare services.

Our health plans facilitate access to healthcare services for our members primarily through contracts with our providers. Our contracts with primary and specialty care physicians and hospitals usually are for one to two-year periods and renew automatically for successive one-year terms, but generally are subject to termination by either party upon 90 to 120 days prior written notice. In the absence of a contract, we typically pay providers at state Medicaid reimbursement levels. We pay hospitals under a variety of methods, including fee-for-service,

capitation arrangements, per diems, diagnostic related grouping and case rates. We pay physicians under a fee-for-service, capitation arrangement, or risk-sharing performance-based arrangement. In addition, we are governed by state prompt payment policies.

- Under our fee-for-service contracts with physicians, particularly specialty care physicians, we pay a negotiated fee for covered services. This model is characterized as having no financial risk for the physician. In addition, this model requires management oversight because our total cost may increase as the units of services increase or as more expensive services replace less expensive services. We have prior authorization procedures in place that are intended to make sure that certain high cost diagnostic and other services are medically appropriate.
- Under our capitated contracts, primary care physicians are paid a monthly fee for each of our members assigned to his or her practice for all ambulatory care. In return for this payment, these physicians provide all primary care and preventive services, including primary care office visits and EPSDT services, and are at risk for all costs associated with such services. If these physicians also provide non-capitated services to their assigned members, they may receive payment under fee-for-service arrangements at standard Medicaid rates.
- Under risk-sharing performance-based arrangements, physicians are paid under a capitated or fee-for-service arrangement. The arrangement, however, contains provisions for additional bonus to the physicians or reimbursement from the physicians based upon cost and quality measures.

We work with physicians to help them operate efficiently by providing financial and utilization information, physician and patient educational programs and disease and medical management programs. Our programs are also designed to help the physicians coordinate care outside of their offices.

We believe our collaborative approach with physicians gives us a competitive advantage in entering new markets. Our physicians serve on local committees that assist us in implementing preventive care programs, managing costs and improving the overall quality of care delivered to our members, while also simplifying the administrative burdens on our providers. This approach has enabled us to strengthen our provider networks through improved physician recruitment and retention that, in turn, have helped to increase our membership base. The following are among the services we provide to support physicians:

- *Customized Utilization Reports* provide certain of our contracted physicians with information that enables them to run their practices more efficiently and focuses them on specific patient needs. For example, quarterly detail reports update physicians on their status within their risk pools. Equivalency reports provide physicians with financial comparisons of capitated versus fee-for-service arrangements.
- *Case Management Support* helps the physician coordinate specialty care and ancillary services for patients with complex conditions and direct members to appropriate community resources to address both their health and socio-economic needs.
- *Web-based Claims and Eligibility Resources* have been implemented to provide physicians with on-line access to perform claims and eligibility inquiries.

Our contracted physicians also benefit from several of the services offered to our members, including the MemberConnections, EPSDT case management and health management programs. For example, the MemberConnections staff facilitates doctor/patient relationships by connecting members with physicians, the EPSDT programs encourage routine checkups for children with their physicians and the health management programs assist physicians in managing their patients with chronic disease.

Where appropriate, our health plans contract with our specialty services organizations to provide services and programs such as behavioral health management, care management software, dental benefits management, in-home health services, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services. When necessary, we also contract with third-party providers on a negotiated fee arrangement for physical therapy, home healthcare, dental, diagnostic laboratory tests, x-ray examinations, transportation, ambulance services and durable medical equipment.

Quality Management

Our medical management programs focus on improving quality of care in areas that have the greatest impact on our members. We employ strategies, including health management and complex case management, that are adjusted for implementation in our individual markets by a system of physician committees chaired by local physician leaders. This process promotes physician participation and support, both critical factors in the success of any clinical quality improvement program.

We have implemented specialized information systems to support our medical quality management activities. Information is drawn from our data warehouse, clinical databases and our membership and claims processing system to identify opportunities to improve care and to track the outcomes of the interventions implemented to achieve those improvements. Some examples of these intervention programs include:

- appropriate leveling of care for neonatal intensive care unit hospital admissions, other inpatient hospital admissions, and observation admissions, in accordance with Interqual criteria
- tightening of our pre-authorization list and more stringent review of durable medical equipment and injectibles
- Emergency room program designed to collaboratively work with hospitals to steer non-emergency care away from the costly emergency room setting (through patient education, on-site alternative urgent care settings, etc.)
- increase emphasis on case management and clinical rounding where case managers are nurses or social workers who are employed by the health plan to assist selected members with the coordination of healthcare services in order to meet a member's specific healthcare needs
- incorporation of disease management, which is a comprehensive, multidisciplinary, collaborative approach to chronic illnesses such as asthma and diabetes
- Start Smart For Your Baby, a prenatal case management program aimed at helping women with high-risk pregnancies deliver full-term, healthy infants
- Pharmacy treatment compliance programs are driven by clinical policy and focus on identifying the appropriate medication in the correct dose, delivered in the most efficient format and utilized for the correct duration.

We provide reporting on a regular basis using our data warehouse. State and Health Employer Data and Information Set, or HEDIS, reporting constitutes the core of the information base that drives our clinical quality performance efforts. This reporting is monitored by Plan Quality Improvement Committees and our corporate medical management team.

In an effort to ensure the quality of our provider networks, we undertake to verify the credentials and background of our providers using standards that are supported by the National Committee for Quality Assurance, or NCQA.

It is our objective to provide access to the highest quality of care for our members. As a validation of that objective, we often pursue accreditation by independent organizations that have been established to promote healthcare quality. The NCQA Health Plan Accreditation and URAC Health Plan Accreditation programs provide unbiased, third party reviews to verify and publicly report results on specific quality care metrics. While we have achieved or are pursuing accreditation for all of our plans, accreditation is only one measure of our ability to provide access to quality care for our members. We currently have 15 health plans and four specialty companies with NCQA accreditation.

SPECIALTY SERVICES

Our specialty services are a key component of our healthcare enterprise and complement our core Managed Care business. Specialty services diversify our revenue stream, provide higher quality health outcomes to our membership and others, and assist in controlling costs. Our specialty services are provided primarily through the following businesses:

- *Behavioral Health Management.* Cenpatico manages behavioral healthcare for members via a contracted network of providers. Cenpatico works with providers to determine the best services to help people overcome mental illness and lead productive lives. Our networks feature a full range of services and levels of care to help people with mental illness reach their recovery and wellness goals. In addition, we operate school-based programs that focus on students with special needs and also provide speech and other therapy services.
- *Care Management Software.* Casenet is a software provider of innovative care management solutions that automate the clinical, administrative and technical components of care management programs, which is available for sale to third parties and used by our health plans.
- *Correctional Healthcare Services.* Centurion, our joint venture subsidiary with MHM Services Inc., provides comprehensive healthcare services to individuals incarcerated in Massachusetts, Minnesota, and Tennessee state correctional facilities. Beginning in February 2015, Centurion also began operating under a new contract with the State of Vermont, Department of Corrections.
- *Dental Benefits Management.* Dental Health & Wellness is a dental benefit manager dedicated to improving oral health through a contracted network of dental healthcare providers.
- *In-Home Health Services.* U.S. Medical Management, our majority owned subsidiary acquired in January 2014, provides in-home health services for high acuity populations.
- *Life and Health Management.* Nurtur specializes in implementing life and health management programs that encourage healthy behaviors, promote healthier workplaces, improve workforce and societal productivity and reduce healthcare costs. Health risk appraisals, biometric screenings, online and telephonic wellness programs, disease management and work-life/employee assistance services are areas of focus. Nurtur uses telephonic health and work/life balance coaching, in-home and online interaction and informatics processes to deliver effective clinical outcomes, enhanced patient-provider satisfaction and lower overall healthcare cost.
- *Managed Vision.* OptiCare administers routine and medical surgical eye care benefits via its own contracted national network of eye care providers. OptiCare clients include Medicaid, Medicare, and commercial health plans, as well as employer groups. OptiCare has been providing vision network services for over 25 years and offers a variety of plan designs to meet the individual needs of its clients and members.
- *Pharmacy Benefits Management.* US Script offers progressive pharmacy benefits management services that are specifically designed to improve quality of care while containing costs. This is achieved through a low cost strategy that helps optimize clients' pharmacy benefits. Services include claims processing, pharmacy network management, benefit design consultation, drug utilization review, formulary and rebate management, mail order pharmacy services, and patient and physician intervention.
- *Specialty Pharmacy.* AcariaHealth offers comprehensive specialized pharmacy benefit services for complex diseases, including Cystic Fibrosis, Hemophilia, Hepatitis C, Iufertility, Multiple Sclerosis, Oncology and Rheumatoid Arthritis. AcariaHealth offers specialized care management services in these disease states and enhances the patient care offering, collaboration with providers and the capture of relevant data to measure patient outcomes. AcariaHealth connects patients, physicians, payers and manufacturers to their specialty pharmacy needs.

- *Telehealth Services.* NurseWise provides a toll-free nurse triage line 24 hours per day, 7 days per week, 52 weeks per year. Our members call one number and reach bilingual customer service representatives and nursing staff who provide health education, triage advice and offer continuous access to health plan functions. Additionally, our representatives verify eligibility, confirm primary care provider assignments and provide benefit and network referral coordination for members and providers after business hours. Our staff can arrange for urgent pharmacy refills, transportation and qualified behavioral health professionals for crisis stabilization assessments.

CORPORATE COMPLIANCE

Our Corporate Ethics and Compliance Program provides controls by which we assure that our values are reflected in everything we do, further enhancing operations, improving access to quality care and safeguarding against fraud and abuse.

Two standards by which corporate compliance programs in the healthcare industry are measured are the Federal Organizational Sentencing Guidelines and Compliance Program Guidance series issued by the Department of Health and Human Services' Office of the Inspector General, or OIG. Our program contains each of the seven elements suggested by the Sentencing Guidelines and the OIG guidance. These key components are:

- written standards of conduct
- designation of a corporate compliance officer and compliance committee
- effective training and education
- effective lines for reporting and communication
- enforcement of standards through well publicized disciplinary guidelines and actions
- internal monitoring and auditing
- prompt response to detected offenses and development of corrective action plans

The goal of the program is to build a culture of ethics and compliance, which is assessed periodically using a diagnostic survey to measure the integrity of the organization. Our internal Corporate Compliance intranet site, accessible to all employees, contains our Business Ethics and Conduct Policy (Code of Conduct), Compliance Program description and resources for employees to report concerns or ask questions. If needed, employees have access to the contact information for the members of our Board of Directors' Audit Committee to report concerns. Our Ethics and Compliance Helpline is a toll-free number and web-based reporting tool operated by a third party independent of the Company and allows employees or other persons to report suspected incidents of misconduct, fraud, abuse or other compliance violations anonymously. Furthermore, the Board of Directors reviews an ethics and compliance report on a quarterly basis.

COMPETITION

We continue to face varying and increasing levels of competition as we expand in our existing service areas or enter new markets. Federal regulations require at least two competitors in each service area. Healthcare reform may cause a number of commercial managed care organizations to decide to enter or exit the Medicaid market.

In our business, our principal competitors for state contracts, members and providers consist of the following types of organizations:

- *Medicaid Managed Care Organizations* focus on providing healthcare services to Medicaid recipients. These organizations consist of national and regional organizations, as well as not-for-profits and smaller organizations that operate in one city or state and are owned by providers, primarily hospitals.
- *National and Regional Commercial Managed Care Organizations* have Medicaid members in addition to members in private commercial plans. Some of these organizations offer a range of specialty services including pharmacy benefits management, behavioral health management, health management, and nurse triage call support centers.

- *Primary Care Case Management Programs* are programs established by the states through contracts with primary care providers. Under these programs, physicians provide primary care services to Medicaid recipients, as well as limited medical management oversight.
- *Accountable Care Organizations* are groups of doctors, hospitals, and other health care providers, who come together to give coordinated high quality care to their patients.

We compete with other managed care organizations and specialty companies for state contracts. In order to grant a contract, state governments consider many factors. These factors include quality of care, financial requirements, an ability to deliver services and establish provider networks and infrastructure. In addition, our specialty companies also compete with other providers, such as disease management companies, individual health insurance companies, and pharmacy benefits managers for non-governmental contracts.

We also compete to enroll new members and retain existing members. People who wish to enroll in a managed healthcare plan or to change healthcare plans typically choose a plan based on the quality of care and services offered, ease of access to services, a specific provider being part of the network and the availability of supplemental benefits.

We also compete with other managed care organizations to enter into contracts with physicians, physician groups and other providers. We believe the factors that providers consider in deciding whether to contract with us include existing and potential member volume, reimbursement rates, medical management programs, speed of reimbursement and administrative service capabilities. See "Risk Factors—Competition may limit our ability to increase penetration of the markets that we serve."

REGULATION

Our operations are regulated at both state and federal levels. Government regulation of the provision of healthcare products and services is a changing area of law that varies from jurisdiction to jurisdiction. Regulatory agencies generally have discretion to issue regulations and interpret and enforce laws and rules. Changes in applicable laws and rules also may occur periodically.

Our regulated subsidiaries are licensed to operate as health maintenance organizations, third party administrators, utilization review organizations, pharmacies, direct care providers and/or insurance companies in their respective states. In each of the jurisdictions in which we operate, we are regulated by the relevant insurance, health and/or human services departments, departments of insurance, boards of pharmacy and other health care providers, and departments of health that oversee the activities of managed care organizations providing or arranging to provide services to Medicaid, Medicare and Health Insurance Marketplace commercial enrollees.

The process for obtaining authorization to operate as a managed care organization and provider organizations is complex and requires us to demonstrate to the regulators the adequacy of the health plan's organizational structure, financial resources, utilization review, quality assurance programs, complaint procedures, provider network and procedures for covering emergency medical conditions. Under both state managed care organization statutes and insurance laws, our health plan subsidiaries, as well as our applicable specialty companies, must comply with minimum statutory capital and other financial solvency requirements, such as deposit and surplus requirements. Insurance regulations may also require prior state approval of acquisitions of other managed care organization businesses and the payment of dividends, as well as notice for loans or the transfer of funds. Our subsidiaries are also subject to periodic state and federal reporting requirements. In addition, each health plan and individual health care provider must meet criteria to secure the approval of state regulatory authorities before implementing operational changes, including the development of new product offerings and, in some states, the expansion of service areas.

States have adopted a number of regulations that may affect our business and results of operations. These regulations in certain states include:

- premium taxes or similar assessments
- stringent prompt payment laws
- disclosure requirements regarding provider fee schedules and coding procedures
- programs to monitor and supervise the activities and financial solvency of provider groups

We are regulated as an insurance holding company and are subject to the insurance holding company acts of the states in which our insurance company and HMO subsidiaries are domiciled. These acts contain certain reporting requirements as well as restrictions on transactions between an insurer or HMO and its affiliates. These holding company laws and regulations generally require insurance companies and HMOs within an insurance holding company system to register with the insurance department of each state where they are domiciled and to file with those states' insurance departments reports describing capital structure, ownership, financial condition, intercompany transactions and general business operations. In addition, depending on the size and nature of the transaction, there are various notice and reporting requirements that generally apply to transactions between insurance companies and HMOs and their affiliates within an insurance holding company structure. Some insurance holding company laws and regulations require prior regulatory approval or, in certain circumstances, prior notice of certain material intercompany transfers of assets as well as certain transactions between insurance companies, HMOs, their parent holding companies and affiliates. Among other provisions, state insurance and HMO laws may restrict the ability of our regulated subsidiaries to pay dividends.

Additionally, the holding company acts of the states in which our subsidiaries are domiciled restrict the ability of any person to obtain control of an insurance company or HMO without prior regulatory approval. Under those statutes, without such approval or an exemption, no person may acquire any voting security of an insurance holding company, which controls an insurance company or HMO, or merge with such a holding company, if as a result of such transaction such person would "control" the insurance holding company. "Control" is generally defined as the direct or indirect power to direct or cause the direction of the management and policies of a company and is presumed to exist if a person directly or indirectly owns or controls 10% or more of the voting securities of a company.

Our pharmacies must be licensed to do business as pharmacies in the states in which they are located. Our pharmacies must also register with the U.S. Drug Enforcement Administration and individual state controlled substance authorities to dispense controlled substances. In many of the states where our pharmacies deliver pharmaceuticals, there are laws and regulations that require out-of-state mail order pharmacies to register with that state's board of pharmacy or similar regulatory body. These states generally permit the pharmacy to follow the laws of the state in which the mail order pharmacy is located, although some states require that we also comply with certain laws in that state.

Our health care providers must be licensed to practice medicine and do business as care providers in the state which they are located. In addition, they must be in good standing with the applicable medical board, board of nursing or applicable entity. Furthermore, they cannot be excluded from participation at both state and federal level. Our facilities are periodically reviewed by state departments of health and other regulatory agencies to ensure the environment is safe to provide care.

State and Federal Contracts

In addition to being a licensed insurance company or health maintenance organization, in order to be a Medicaid managed care organization in each of the states in which we operate, we must operate under a contract with the state's Medicaid agency. States generally use either a formal proposal process, reviewing a number of bidders, or award individual contracts to qualified applicants that apply for entry to the program. We receive monthly payments based on specified capitation rates determined on an actuarial basis. These rates differ by membership category and by state depending on the specific benefits and policies adopted by each state. In addition, several of our Medicaid contracts require us to maintain Medicare Advantage special needs plans, which are regulated by CMS, for dual eligible individuals.

Our state and federal contracts and the regulatory provisions applicable to us generally set forth the requirements for operating in the Medicaid and Medicare sectors, including provisions relating to:

- eligibility, enrollment and dis-enrollment processes
- covered services
- eligible providers
- subcontractors
- record-keeping and record retention
- periodic financial and informational reporting
- quality assurance
- accreditation
- health education and wellness and prevention programs
- timeliness of claims payment
- financial standards
- safeguarding of member information
- fraud and abuse detection and reporting
- grievance procedures
- organization and administrative systems

A health plan or individual health insurance provider's compliance with these requirements is subject to monitoring by state regulators and by CMS. A health plan is also subject to periodic comprehensive quality assurance evaluations by a third-party reviewing organization and generally by the insurance department of the jurisdiction that licenses the health plan. A health plan or individual health insurance provider must also submit reports to various regulatory agencies, including quarterly and annual statutory financial statements and utilization reports.

The table below sets forth the terms of our contracts and provides details regarding related renewal or extension and termination provisions. The contracts are subject to termination for cause, an event of default or lack of funding.

Contract	Expiration Date	Renewal or Extension
Arizona – Behavioral Health	September 30, 2015	(1)
Arizona – LTC	September 30, 2015	Renewable for one additional one-year term.
Arizona – Special Needs Plan (Medicare)	December 31, 2015	Renewable annually for successive 12-month periods.
California – Medicaid & ABD	October 31, 2018	Renewable up to three additional one-year terms.
Florida – Medicaid, ABD, LTC & Foster Care	December 31, 2018	Renewable through the state's recertification process.
Florida – CHIP	September 30, 2015	May be extended for one additional one-year term.
Florida – Special Needs Plan (Medicare)	December 31, 2015	Renewable annually for successive 12-month periods.
Georgia – Medicaid & CHIP	June 30, 2015	Renewable for one additional one-year term.
Georgia – Special Needs Plan (Medicare)	December 31, 2015	Renewable annually for successive 12-month periods.
Illinois – ABD & LTC	April 30, 2016	May be extended for up to five additional years.
Illinois – Duals	December 31, 2015	Renewable for two additional one-year terms.
Illinois – Medicaid	June 30, 2019	May be extended for up to five additional years.
Indiana – Medicaid, CHIP & Hybrid (Healthy Indiana Plan)	December 31, 2015	Renewable for one additional one-year term.
Kansas – Medicaid, ABD, CHIP, LTC & Foster Care	December 31, 2015	Renewable for two additional one-year terms.
Louisiana – Medicaid, CHIP, ABD & Foster Care	January 31, 2018	May be extended for up to two additional one-year terms.
Massachusetts – Correctional Healthcare Services	June 30, 2018	Renewable for two additional one-year terms.
Massachusetts – Medicaid	September 30, 2015	May be extended for five additional one-year terms.

(1) The current contract expires September 2015. In December 2014, the Arizona Department of Health Services/Division of Behavioral Health Services awarded the Southern Arizona Integrated RBHA contract to our Arizona subsidiary, Cenpatico Integrated Care. The contract is expected to have an initial three-year term with two additional two-year renewal options for a potential maximum length of seven years, and is expected to commence in the fourth quarter of 2015.

Contract	Expiration Date	Renewal or Extension
Minnesota – Correctional Healthcare Services	June 30, 2016	May be extended for up to two and a half additional years.
Mississippi – Medicaid, ABD & Foster Care	June 30, 2017	May be extended for up to two additional one-year terms.
Mississippi – CHIP	June 30, 2015	Renewable through the state's reprocurement process.
Missouri – Medicaid, CHIP & Foster Care	June 30, 2015	Renewable through the state's reprocurement process.
New Hampshire – Medicaid, CHIP, Foster Care & ABD	June 30, 2015	Renewable for one additional two-year term.
Ohio – Duals	December 31, 2015	Renewable for two additional one-year terms.
Ohio – Medicaid, CHIP & ABD	June 30, 2015	Renewable annually for successive 12-month periods.
Ohio – Special Needs Plan (Medicare)	December 31, 2015	Renewable annually for successive 12-month periods.
South Carolina – Medicaid & ABD	June 30, 2016	Renewable through the state's recertification process.
South Carolina – Duals	December 31, 2017	Renewable through the state's recertification process.
Tennessee – Correctional Healthcare Services	August 31, 2016	Renewable through the state's reprocurement process.
Texas – ABD Dallas Expansion	August 31, 2015	May be extended for up to three additional years.
Texas – ABD MRSA	August 31, 2017	May be extended for up to five additional years.
Texas – CHIP Rural Service Area	August 31, 2015	May be extended for up to three additional years.
Texas – Foster Care	August 31, 2015	Renewable through the state's reprocurement process.
Texas – Medicaid, CHIP & ABD	August 31, 2015	May be extended for up to four and a half additional years.
Texas – Duals	December 31, 2015	May be renewed for three additional one-year terms.
Texas – Special Needs Plan (Medicare)	December 31, 2015	Renewable annually for successive 12-month periods.
Vermont – Correctional Healthcare Services	January 31, 2018	May be extended for up to two additional one-year terms.
Washington – Medicaid, CHIP, Foster Care & ABD	December 31, 2015	Renewable through the state's reprocurement process.
Wisconsin – Medicaid, CHIP & ABD	December 31, 2015	Renewable through the state's recertification process every two years.
Wisconsin – Network Health Plan Subcontract	December 31, 2017	Renews automatically for successive three-year terms.
Wisconsin – Special Needs Plan (Medicare)	December 31, 2015	Renewable annually for successive 12-month periods.

Marketplace Contracts

In 2014, we began operating under federally facilitated Marketplace contracts with CMS in Florida, Georgia, Indiana, Mississippi, Ohio and Texas. In 2015, we began operating under additional federally facilitated Marketplace contracts in Illinois and Wisconsin. The federally facilitated contracts expire annually and are renewable upon mutual consent.

In 2014, we also began operating under two state based Marketplace contracts in Massachusetts and Washington that expire annually. The Massachusetts contract has been extended to December 31, 2015 and may be extended for up to one additional one-year term. The Washington contract has been extended through December 31, 2015 and is renewable annually through the state's recertification process. In addition, we began operating under a state based Marketplace contract with the Arkansas Department of Human Services Division of Medical Services and the Arkansas Insurance Department to participate in the Medicaid expansion model that Arkansas has adopted (referred to as the "private option") in January 2014. This contract expires December 31, 2015 and may be extended for subsequent and consecutive one-year terms.

HIPAA Omnibus Rule and HITECH

In 1996, Congress enacted the Health Insurance Portability and Accountability Act, or HIPAA. We are subject to various federal and state laws and rules regarding the use and disclosure of confidential member information, including HIPAA and the Gramm-Leach-Bliley Act. HIPAA is designed to improve the portability and continuity of health insurance coverage, simplify the administration of health insurance through standard transactions and ensure the privacy and security of individual health information. Among the main requirements of HIPAA are the Administrative Simplification provisions which include: standards for processing health insurance claims and related transactions (Transactions Standards); requirements for protecting the privacy and limiting the use and disclosure of medical records and other personal health information (Privacy Rule); and standards and specifications for safeguarding personal health information which is maintained, stored or transmitted in electronic format (Security Rule). The Health Information Technology for Economic and Clinical Health (HITECH) Act amended certain provisions of HIPAA and introduced new data security obligations for covered entities and their business associates. HITECH also mandated individual notifications in instances of a data breach, provided enhanced penalties for HIPAA violations, and granted enforcement authority to states' Attorneys General in addition to the HHS Office of Civil Rights. The HIPAA Omnibus Rule is based on the changes under the HITECH Acts and the Genetic Information Nondiscrimination Act of 2008 (GINA) which clarifies that genetic information is protected under the HIPAA Privacy Rule and prohibits most health plans from using or disclosing genetic information for underwriting purposes. This Omnibus rule enhances the privacy protections and strengthens the government's ability to enforce the law. The preemption provisions of HIPAA provide that the federal standards will not preempt state laws that are more stringent than the related federal requirements.

The Privacy and Security Rules and HITECH/Omnibus enhancements establish requirements to protect the privacy of medical records and safeguard personal health information maintained and used by healthcare providers, health plans, healthcare clearinghouses, and their business associates.

The Security Rule requires healthcare providers, health plans, healthcare clearinghouses, and their business associates to implement administrative, physical and technical safeguards to ensure the privacy and confidentiality of health information when it is electronically stored, maintained or transmitted. The HITECH Act and Omnibus Rule established a federal requirement for notification when the security of protected health information is breached. In addition, there are state laws that have been adopted to provide for, among other things, private rights of action for breaches of data security and mandatory notification to persons whose identifiable information is obtained without authorization.

The requirements of the Transactions Standards apply to certain healthcare related transactions conducted using "electronic media." Since "electronic media" is defined broadly to include "transmissions that are physically moved from one location to another using portable data, magnetic tape, disk or compact disk media," many communications are considered to be electronically transmitted. Under HIPAA, health plans and providers are required to have the capacity to accept and send all covered transactions in a standardized electronic format. Penalties can be imposed for failure to comply with these requirements. The transaction standards have been modified to version 5010 to prepare for the implementation of the ICD-10 coding system. We are planning for an expected transition to ICD-10 in October 2015.

We have implemented processes, policies and procedures to comply with HIPAA, HITECH and the Omnibus Rule, including administrative, technical and physical safeguards to prevent against electronic data breach. We provide education and training for employees specifically designed to help prevent any unauthorized use or access to health information and enhance the reporting of suspected breaches. In addition, our corporate privacy officer and health plan privacy officials handle privacy complaints and serve as resources to employees to address questions or concerns they may have. We periodically review our privacy and security procedures and conduct risk assessments to ensure we promptly identify gaps in our processes.

Other Fraud and Abuse Laws

Investigating and prosecuting healthcare fraud and abuse continues to be a top priority for state and federal law enforcement entities. The focus of these efforts has been directed at participants in public government healthcare programs such as Medicare and Medicaid. The laws and regulations relating to fraud and abuse and the requirements applicable to health plans and providers participating in these programs are complex and regularly changing and compliance with them may require substantial resources. We are constantly looking for ways to improve our waste, fraud and abuse detection methods. While we have both prospective and retrospective processes to identify abusive patterns and fraudulent billing, we continue to increase our capabilities to proactively detect inappropriate billing prior to payment.

EMPLOYEES

As of December 31, 2014, we had approximately 13,400 employees. None of our employees are represented by a union. We believe our relationships with our employees are positive.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth information regarding our executive officers, including their ages, at February 15, 2015:

Name	Age	Position
Michael F. Neidorff	72	Chairman, President and Chief Executive Officer
K. Rone Baldwin	56	Executive Vice President, Insurance Group Business Unit
Carol E. Goldman	57	Executive Vice President and Chief Administrative Officer
Jesse N. Hunter	39	Executive Vice President, Chief Business Development Officer
Donald G. Imholz	62	Executive Vice President, Operations and Chief Information Officer
William N. Scheffel	61	Executive Vice President, Chief Financial Officer and Treasurer
Jeffrey A. Schwaneke	39	Senior Vice President, Corporate Controller and Chief Accounting Officer
Keith H. Williamson	62	Executive Vice President, General Counsel and Secretary

Michael F. Neidorff. Mr. Neidorff has served as our Chairman and Chief Executive Officer since May 2004. From May 1996 to May 2004, Mr. Neidorff served as President, Chief Executive Officer and as a member of our Board of Directors. Mr. Neidorff also serves as a director of Brown Shoe Company, Inc., a publicly-traded footwear company with global operations.

K. Rone Baldwin. Mr. Baldwin has served as our Executive Vice President, Insurance Group Business Unit since December 2012. Prior to joining Centene, he served as Executive Vice President and Business Leader of Group Insurance Business, which included both group health and ancillary product lines, for Guardian Life Insurance Company, which he joined in 2006.

Carol E. Goldman. Ms. Goldman is our Executive Vice President and Chief Administrative Officer and has served in that capacity since June 2007.

Jesse N. Hunter. Mr. Hunter has served as our Executive Vice President, Chief Business Development Officer since December 2012. From February 2012 to December 2012, he served as our Executive Vice President, Operations. He previously served as our Executive Vice President, Corporate Development from April 2008 to February 2012.

Donald G. Imholz. Mr. Imholz is our Executive Vice President, Operations and Chief Information Officer and has served in that capacity since September 2008.

William N. Scheffel. Mr. Scheffel is our Executive Vice President, Chief Financial Officer and Treasurer and has served in that capacity since May 2009.

Jeffrey A. Schwaneke. Mr. Schwaneke is our Senior Vice President, Corporate Controller and has served in that capacity since July 2008 and has been our Chief Accounting Officer since September 2008.

Keith H. Williamson. Mr. Williamson has served as our Executive Vice President, General Counsel and Secretary since November 2012. He served as Senior Vice President and General Counsel from November 2006 to November 2012.

Available Information

We are subject to the reporting and information requirements of the Securities Exchange Act of 1934, as amended (Exchange Act) and, as a result, we file periodic reports and other information with the Securities and Exchange Commission, or SEC. We make these filings available on our website free of charge, the URL of which is http://www.centene.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains a website (http://www.sec.gov) that contains our annual, quarterly and current reports and other information we file electronically with the SEC. You can read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1850, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Information on our website does not constitute part of this Annual Report on Form 10-K.

ITEM 1A. ***Risk Factors.***

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

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

Reductions in funding or changes to eligibility requirements for government sponsored healthcare programs in which we participate could substantially affect our financial position, results of operations and cash flows.

The majority of our revenues come from government subsidized healthcare programs including Medicaid, Medicare, CHIP, LTC, ABD, Foster Care and Health Insurance Marketplace premiums. The base premium rate paid for each program differs, depending on a combination of factors such as defined upper payment limits, a member's health status, age, gender, county or region and benefit mix. Since Medicaid was created in 1965, the federal government and the states have shared the costs, with the federal share curreutly averaging around 57%.

Future levels of funding and premium rates may be affected by continuing government efforts to contain healthcare costs and may further be affected by state and federal budgetary constraints. Governments periodically consider reducing or reallocating the amount of money they spend for Medicaid, Medicare, CHIP, LTC, ABD and Foster Care. Adverse economic conditions may continue to put pressures on state budgets as tax and other state revenues decrease while the population that is eligible to participate in these programs increases, creating more need for funding. We anticipate this will require government agencies to find funding alternatives, which may result in reductions in funding for programs, contraction of covered benefits, and limited or no premium rate increases or premium rate decreases. A reduction (or less than expected increase), a protracted delay, or a change in allocation methodology in government funding for these programs, as well as termination of the contract for the convenience of the government, may materially and adversely affect our results of operations, financial position and cash flows.

Additionally, changes in these programs could reduce the number of persons enrolled in or eligible for these programs or increase our administrative or healthcare costs under these programs. Recent legislation generally requires that eligibility levels be maintained, but this could cause states to reduce reimbursement or reduce benefits in order for states to afford to maintain eligibility levels. If any state in which we operate were to decrease premiums paid to us or pay us less than the amount necessary to keep pace with our cost trends, it could have a material adverse effect on our results of operations, financial position and cash flows.

Lastly, if a federal government shutdown were to occur for a prolonged period of time, federal government payment obligations, including its obligations under Medicaid, Medicare, CHIP, LTC, ABD, Foster Care and the new Health Insurance Marketplaces, may be delayed. If the federal government fails to make payments under these programs on a timely basis, our business could suffer, and our financial position, results of operations or cash flows may be materially affected.

Failure to accurately estimate and price our medical expenses or effectively manage our medical costs or related administrative costs could negatively affect our financial position, results of operations or cash flows.

Our profitability, to a significant degree, depends on our ability to estimate and effectively manage expenses related to health benefits through our ability to contract favorably with hospitals, physicians and other healthcare providers. For example, our Medicaid revenue is often based on bids submitted before the start of the initial contract year. If our actual medical expense exceeds our estimates, our health benefits ratio, or our expenses related to medical services as a percentage of premium revenue, would increase and our profits would decline. 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 utilization of healthcare services, hospital and pharmaceutical costs, major epidemics or pandemics, new medical technologies, pharmaceutical compounds and other external factors, including general economic conditions such as inflation and unemployment levels, are beyond our control and could reduce our ability to accurately predict and effectively control the costs of providing health benefits.

Our medical expense includes claims reported but not paid, estimates for claims incurred but not reported, and estimates for the costs necessary to process unpaid claims at the end of each period. Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as claims receipts and payment information as well as inpatient acuity information becomes available. As more complete information becomes available, we adjust the amount of the estimate, and include the changes in estimates in medical expense in the period in which the changes are identified. However, we still cannot be sure that our medical claims liability estimate is adequate or that adjustments to the estimate will not unfavorably impact our results of operations.

Additionally, when we commence operations in a new state, region or product, we have limited information with which to estimate our medical claims liability. For a period of time after the inception of the new business, we base our estimates on state-provided historical actuarial data and limited actual incurred and received claims and inpatient acuity information. The addition of new categories of individuals who are eligible under new legislation may pose the same difficulty in estimating our medical claims liability. Similarly, we may face difficulty in estimating our medical claims liability in 2015 for the relatively new and evolving Health Insurance Marketplaces.

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. If it is determined that our estimates are significantly different than actual results, our results of operations and financial position could be adversely affected. In addition, if there is a significant delay in our receipt of premiums, our business operations, cash flows, or earnings could be negatively impacted.

The implementation of the Health Reform Legislation and other reforms could materially and adversely affect our results of operations, financial position and cash flows.

In March 2010, the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Affordability Reconciliation Act, collectively referred to as the Affordable Care Act (ACA), were

enacted. While the constitutionality of the ACA was generally upheld by the Supreme Court in 2012, the Court determined that states could not be required to expand Medicaid and risk losing all federal money for their existing Medicaid programs.

Under the ACA, Medicaid coverage was expanded to all individuals under age 65 with incomes up to 138% of the federal poverty level beginning January 1, 2014, subject to each states' election. The federal government will pay the entire costs for Medicaid coverage for newly eligible beneficiaries for three years (2014 through 2016). Beginning in 2017, the federal share begins to decline, ending at 90% for 2020 and subsequent years. As of August 28, 2014, 27 states and the District of Columbia have expanded Medicaid eligibility or will be doing so in 2014, and additional states continue to discuss expansion. The ACA also maintained CHIP eligibility standards through September 2019.

The ACA required the establishment of Health Insurance Marketplaces for individuals and small employers to purchase health insurance coverage commencing in January 2014. Open enrollment for coverage in 2015 began on November 15, 2014 and continued until February 15, 2015. The ACA required insurers participating on the Health Insurance Marketplaces to offer a minimum level of benefits and included guidelines on setting premium rates and coverage limitations.

Our ability to adequately price products offered in the Health Insurance Marketplaces may have a negative impact on our results of operations, financial position and cash flow. We may be adversely selected by individuals who will have a higher acuity level than the anticipated pool of participants. In addition, the risk corridor, reinsurance and risk adjustment ("three Rs") provisions of the ACA established to reduce risk for insurers may not be effective in appropriately mitigating the financial risks related to the Marketplace product. Further, the reinsurance and risk corridor components may not be adequately funded. Any variation from our expectations regarding acuity, enrollment levels, adverse selection, the three Rs, or other assumptions utilized in setting adequate premium rates could have a material adverse effect on our results of operations, financial position and cash flows.

Our attempts to diversify our business lines through participation in Health Insurance Marketplaces established by the federal government, or "Federally-Facilitated Marketplaces," may be impacted if the United States Supreme Court determines that the Internal Revenue Service may not extend tax-credit subsidies to health insurance coverage purchased through Federally-Facilitated Marketplaces. Individuals who would have otherwise received a tax-credit subsidy may choose not to enroll for coverage through a Federally-Facilitated Marketplace if the Supreme Court makes this determination and other changes are not made by the states to remedy this.

The U.S. Department of Health and Human Services (HHS) has stated that it will consider a limited number of premium assistance demonstration proposals from States that want to privatize Medicaid expansion. States must provide a choice between at least two qualified health plans and offer very similar benefits as those available in the newly created Health Insurance Marketplaces. Arkansas became the first state to obtain federal approval to use Medicaid funding to purchase private insurance for low-income residents and we began operations under the program beginning January 1, 2014.

The ACA imposes an annual insurance industry assessment of $8.0 billion starting in 2014, and $11.3 billion in each of 2015 and 2016, with increasing annual amounts thereafter. Such assessments are not deductible for income tax purposes. The fee will be allocated based on health insurers' premium revenues in the previous year. Each health insurer's fee is calculated by multiplying its market share by the annual fee. Market share is based on commercial, Medicare, and Medicaid premium revenue. Not-for-profit insurers may have a competitive advantage since they are exempt from paying the fee if they receive at least 80% of their premium revenue from Medicare, Medicaid, and CHIP, and other not-for-profit insurers are allowed to exclude 50% of their premium revenue from the fee calculation. If this federal premium assessment is imposed as enacted, and if we are not reimbursed by the states for the cost of the federal premium assessment (including the associated tax impact), or if we are unable to otherwise adjust our business model to address this new assessment, our results of operations, financial position and cash flows may be materially adversely affected.

There are numerous steps required to implement the legislation, including the promulgation of a substantial number of new and potentially more onerous federal regulations. Further, various health insurance reform proposals are also emerging at the state level. Because of the unsettled nature of these reforms and numerous steps required to implement them, we cannot predict what additional health insurance requirements will be implemented at the federal or state level, or the effect that any future legislation or regulation will have on our business or our growth opportunities. Although we believe the legislation may provide us with significant opportunities to grow our business, the enacted reforms, as well as future regulations and legislative changes, may in fact have a material adverse effect on our results of operations, financial position or liquidity. If we fail to effectively implement our operational and strategic initiatives with respect to the implementation of healthcare reform, or do not do so as effectively as our competitors, our results of operations may be materially adversely affected.

Our business activities are highly regulated and new laws or regulations or changes in existing laws or regulations or their enforcement or application 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. In addition, the managed care industry has received negative publicity that has led to increased legislation, regulation, review of industry practices and private litigation in the commercial sector. In each of the jurisdictions in which we operate, we are regulated by the relevant insurance, health and/or human services departments that oversee the activities of managed care organizations providing or arranging to provide services to Medicaid, Medicare and Health Insurance Marketplace enrollees. For example, our health plan subsidiaries, as well as our applicable specialty companies, must comply with minimum statutory capital and other financial solvency requirements, such as deposit and surplus requirements.

The frequent enactment of, changes to, or interpretations of laws and regulations 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; restrict revenue and enrollment growth; increase our healthcare and administrative costs; impose additional capital and surplus requirements; and increase or change our liability to members in the event of malpractice by our contracted providers. In addition, changes in political party or administrations at the state, federal or country level may change the attitude towards healthcare programs.

Additionally, the taxes and fees paid to federal, state and local governments may increase due to several factors, including: enactment of, changes to, or interpretations of tax laws and regulations, audits by governmental authorities, geographic expansions into higher taxing jurisdictions and the effect of expansions into international markets.

Our contracts with states may require us to maintain a minimum health benefits ratio (HBR) or may require us to share profits in excess of certain levels. In certain circumstances, our plans may be required to return premium back to the state in the event profits exceed established levels or HBR does not meet the minimum requirement. Other states may require us to meet certain performance and quality metrics in order to maintain our contract or receive additional or full contractual revenue.

The governmental healthcare programs in which we participate are subject to the satisfaction of certain regulations and performance standards. For example, under Health Reform Legislation, Congress authorized CMS and the states to implement managed care demonstration programs to serve dually eligible beneficiaries to improve the coordination of their care. Participation in these demonstration programs is subject to CMS approval and the satisfaction of conditions to participation, including meeting certain performance requirements. Our inability to improve or maintain adequate quality scores and star ratings to meet government performance requirements or to match the performance of our competitors could result in limitations to our participation in or exclusion from these or other government programs. Specifically, several of our Medicaid contracts require us to maintain a Medicare health plan. Although we strive to comply with all existing regulations and to meet performance standards applicable to our business, failure to meet these requirements could result in financial fines and penalties. Also, states may not allow us to continue to participate in their government programs, or we

may fail to win procurements to participate in such programs which could materially and adversely affect our results of operations, financial position and cash flows.

In addition, as a result of the expansion of our businesses and operations conducted in foreign countries, we face political, economic, legal, compliance, regulatory, operational and other risks and exposures that are unique and vary by jurisdiction. These foreign regulatory requirements with respect to, among other items, environmental, tax, licensing, intellectual property, privacy, data protection, investment, capital, management control, labor relations, and fraud and corruption regulations are different than those faced by our domestic businesses. In addition, we are subject to U.S. laws that regulate the conduct and activities of U.S.-based businesses operating abroad, such as the Foreign Corrupt Practices Act. Our failure to comply with laws and regulations governing our conduct outside the United States or to successfully navigate international regulatory regimes that apply to us could adversely affect our ability to market our products and services, which may have a material adverse effect on our business, financial condition and results of operations.

Our businesses providing pharmacy benefit management (PBM) and specialty pharmacy services face regulatory and other risks and uncertainties which could materially and adversely affect our results of operations, financial position and cash flows.

We provide PBM and specialty pharmacy services through our US Script and AcariaHealth businesses. Each business is subject to federal and state laws that govern the relationships of the business with pharmaceutical manufacturers, physicians, pharmacies, customers and consumers. They also conduct business as a mail order pharmacy and specialty pharmacy, which subjects them to extensive federal, state and local laws and regulations. In addition, federal and state legislatures regularly consider new regulations for the industry that could materially and adversely affect current industry practices, including the receipt or disclosure of rebates from pharmaceutical companies, the development and use of formularies, and the use of average wholesale prices.

Our PBM and specialty pharmacy businesses would be materially and adversely affected by an inability to contract on favorable terms with pharmaceutical manufacturers and other suppliers, and could face potential claims in connection with purported errors by our mail order or specialty pharmacies, including in connection with the risks inherent in the authorization, compounding, packaging and distribution of pharmaceuticals and other healthcare products. Disruptions at any of our mail order or specialty pharmacies due to an event that is beyond our control could affect our ability to process and dispense prescriptions in a timely manner and could materially and adversely affect our results of operations, financial position and cash flows.

If any of our government contracts are terminated or are not renewed or we receive an adverse review, audit or investigation, our business will suffer.

We provide managed care programs and selected services to individuals receiving benefits under governmental assistance programs. We provide those healthcare services under contracts with regulatory entities in the areas in which we operate. Our government contracts are generally intended to run for three years and may be extended for additional years if the contracting entity or its agent elects to do so. When our contracts expire, they may be opened for bidding by competing healthcare providers, and there is no guarantee that our contracts will be renewed or extended. Competitors may buy their way into the market by submitting bids with lower pricing. Further, our government contracts contain certain provisions regardiug eligibility, enrollment and dis-enrollment processes for covered services, eligible providers, periodic financial and informational reporting, quality assurance, timeliness of claims payment and agreement to maintain a Medicare plan in the state and financial standards and are subject to cancellation if we fail to perform in accordance with the standards set by regulatory agencies.

We are also subject to various reviews, audits and investigations to verify our compliance with the terms of our contracts with various governmental agencies and applicable laws and regulations. Any adverse review, audit or investigation could result in: cancellation of our contracts; refunding of amounts we have been paid pursuant to our contracts; imposition of fines, penalties and other sanctions on us; loss of our right to participate in various programs; increased difficulty in selling our products and services; or loss of one or more of our licenses.

If any of our government contracts are terminated, not renewed, renewed on less favorable terms, or not renewed on a timely basis, or we have an adverse review, audit or investigation, our business will suffer, our goodwill could be impaired and our financial position, results of operations or cash flows may be materially affected.

Ineffectiveness of state-operated systems and subcontractors could adversely affect our business.

Our health plans rely on other state-operated systems or subcontractors to qualify, solicit, educate and assign eligible members into managed care plans. The effectiveness of these state operations and subcontractors can have a material effect on a health plan's enrollment in a particular month or over an extended period. When a state implements new programs to determine eligibility, new processes to assign or enroll eligible members into health plans, or chooses new subcontractors, there is an increased potential for an unanticipated impact on the overall number of members assigned to managed care plans.

Our investment portfolio may suffer losses which could materially and adversely affect our results of operations or liquidity.

We maintain a significant investment portfolio of cash equivalents and short term and long term investments in a variety of securities, which are subject to general credit, liquidity, market and interest rate risks and will decline in value if interest rates increase or one of the issuers' credit ratings is reduced. As a result, we may experience a reduction in value or loss of liquidity of our investments, which may have a negative adverse effect on our results of operations, liquidity and financial condition.

Execution of our growth strategy may increase costs or liabilities, or create disruptions in our business.

Our growth strategy includes the acquisition of health plans participating in government sponsored healthcare programs and specialty services businesses, contract rights and related assets of other health plans both in our existing service areas and in new markets and start-up operations in new markets or new products in existing markets. Although we review the records of companies or businesses we plan to acquire, it is possible that we could assume unanticipated liabilities or adverse operating conditions, or an acquisition may not perform as well as expected or may not achieve timely profitability. We also face the risk that we will not be able to effectively integrate acquisitions into our existing operations effectively without substantial expense, delay or other operational or financial problems and we may need to divert more management resources to integration than we planned.

In connectiou with start-up operations, we may incur significant expenses prior to commencement of operations and the receipt of revenue. 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 administer a state contract and process claims. We may experience delays in operational start dates. As a result of these factors, start-up operations may decrease our profitability. In addition, we are planning to expand our business internationally and we will be subject to additional risks, including, but not limited to, political risk, an unfamiliar regulatory regime, currency exchange risk and exchange controls, cultural and language differences, foreign tax issues, and different labor laws and practices.

If we are unable to effectively execute our growth strategy, our future growth will suffer and our results of operations could be harmed.

If competing managed care programs are unwilling to purchase specialty services from us, we may not be able to successfully implement our strategy of diversifying our business lines.

We are seeking to diversify our business lines into areas that complement our government sponsored health plan business in order to grow our revenue stream and balance our dependence on risk reimbursement. In order to diversify our business, we must succeed in selling the services of our specialty subsidiaries not only to our managed care plans, but to programs operated by third-parties. Some of these third-party programs may compete with us in some markets, and they therefore may be unwilling to purchase specialty services from us. In any event, the offering of these services will require marketing activities that differ significantly from the manner in which we seek to increase revenues from our government sponsored programs. Our ineffectiveness in marketing specialty services to third-parties may impair our ability to execute our business strategy.

Adverse credit market conditions may have a material adverse effect on our liquidity or our ability to obtain credit on acceptable terms.

The securities and credit markets have been experiencing extreme volatility and disruption over the past several years. The availability of credit, from virtually all types of lenders, has at times been restricted. In the event we need access to additional capital to pay our operating expenses, fund subsidiary surplus requirements, make payments on or refinance our indebtedness, pay capital expenditures, or fund acquisitions, our ability to obtain such capital may be limited and the cost of any such capital may be significant, particularly if we are unable to access our existing credit facility.

Our access to additional financing will depend on a variety of factors such as prevailing economic and credit market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, and perceptions of our financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms or at all.

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. As part of normal operations, we may make requests for 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, the funds available to us would be limited, which could harm our ability to implement our business strategy.

We derive a majority of our premium revenues from operations in a limited number of states, and our financial position, results of operations or cash flows would be materially affected by a decrease in premium revenues or profitability in any one of those states.

Operations in a limited number of states have accounted for most of our premium revenues to date. If we were unable to continue to operate in any of our current states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenue and profitability to change suddenly and unexpectedly depending on legislative or other governmental or regulatory actions and decisions, economic conditions and similar factors in those states. For example, states we currently serve may bid out their Medicaid program through a request for proposal process. Our inability to continue to operate in any of the states in which we operate could 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 networks, 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. In addition, the impact of healthcare reform legislation and potential growth in our segment may attract new competitors.

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 complementary industries, such as the hospital, physician, pharmaceutical, medical device and health information systems businesses. To the extent that competition intensifies in any market that we serve, our ability to retain or increase members and providers, or maintain or increase our revenue growth, pricing flexibility and control over medical cost trends may be adversely affected.

If we are unable to maintain relationships with our provider networks, our profitability may be harmed.

Our profitability depends, in large part, upon our ability to contract at competitive prices with hospitals, physicians and other healthcare providers. Our provider arrangements with our primary care physicians,

specialists and hospitals generally may be canceled by either party without cause upon 90 to 120 days prior written notice. We cannot provide any assurance that we will be able to continue to renew our existing contracts or enter into new contracts on a timely basis or under favorable terms enabling us to service our members profitably. Healthcare providers with whom we contract may not properly manage the costs of services, maintain financial solvency or avoid disputes with other providers. Any of these events could have a material adverse effect on the provision of services to our members and our operations.

In any particular market, physicians and other healthcare providers could refuse to contract, demand higher payments, or take other actions that could result in higher medical costs or difficulty in meeting regulatory or accreditation requirements. In some markets, certain healthcare providers, particularly hospitals, physician/ hospital organizations or multi-specialty physician groups, may have significant market positions or near monopolies that could result in diminished bargaining power on our part. In addition, accountable care organizations, practice management companies, which aggregate physician practices for administrative efficiency and marketing leverage, and other organizational structures that physicians, hospitals and other healthcare providers choose may change the way in which these providers interact with us and may change the competitive landscape. Such organizations or groups of healthcare providers may compete directly with us, which could adversely affect our operations, and our results of operations, financial position and cash flows by impacting our relationships with these providers or affecting the way that we price our products and estimate our costs, which might require us to incur costs to change our operations. Provider networks may consolidate, resulting in a reduction in the competitive environment. In addition, if these providers refuse to contract with us, use their market position to negotiate contracts unfavorable to us or place us at a competitive disadvantage, our ability to market products or to be profitable in those areas could be materially and adversely affected.

From time to time healthcare providers assert or threaten to assert claims seeking to terminate non-cancelable agreements due to alleged actions or inactions by us. In addition, we are aware that other managed care organizations have been snbject to class action suits by healthcare providers with respect to claim payment procedures, and we may be subject to similar suits. Regardless of whether any suits 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. If we are unable to retain our current provider contract terms or enter into new provider contracts timely or on favorable terms, our profitability may be harmed.

We may be unable to attract, retain or effectively manage the succession of key personnel.

We are highly dependent on our ability to attract and retain qualified personnel to operate and expand our business. We would be adversely impacted if we are unable to adequately plan for the succession of our executives and senior management. While we have succession plans in place for members of our executive and senior management team, these plans do not guarantee that the services of our executive and senior management team will continue to be available to us. Our ability to replace any departed members of our executive and 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 managed care and specialty services industry with the breadth of skills and experience required to operate and successfully expand a business such as ours. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these personnel. If we are unable to attract, retain and effectively manage the succession plans for key personnel, executives and senior management, our business and financial position, results of operations or cash flows could be harmed.

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 healthcare 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 and regulatory requirements. 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, 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, inclnding acts of nature, such as earthquakes or fires, or acts of terrorists.

From time to time, we may become involved in costly and time-consuming litigation and other regulatory proceedings, which require significant attention from our management.

We are a defendant from time to time in lawsuits and regulatory actions relating to our business, including, without limitation, medical malpractice claims. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on our business and financial position, results of operations or cash flows. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are costly and time consuming and require significant attention from our management, and could therefore harm our business and financial position, results of operations or cash flows.

An impairment charge with respect to our recorded goodwill and intangible assets could have a material impact on our results of operations.

We periodically evaluate our goodwill and other intangible assets to determine whether all or a portion of their carrying values may be impaired, in which case a charge to earnings may be necessary. Changes in business strategy, government regulations or economic or market conditions have resulted and may result in impairments of our goodwill and other intangible assets at any time in the future. Our judgments regarding the existence of impairment indicators are based on, among other things, legal factors, market conditions, and operational performance. For example, the non-renewal of our health plan contracts with the state in which they operate may be an indicator of impairment. If an event or events occur that would cause us to revise our estimates and assumptions used in analyzing the value of our goodwill and other intangible assets, such revisiou could result in a non-cash impairment charge that could have a material impact on our results of operations in the period in which the impairment occurs.

If we fail to comply with applicable privacy, security, and data laws, regulations and standards, including with respect to third-party service providers that utilize sensitive personal information on our behalf, our business, reputation, results of operations, financial position and cash flows could be materially and adversely affected.

As part of our normal operations, we collect, process and retain confidential member information. We are subject to various federal and state laws and rules regarding the use and disclosure of confidential member information, including the Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act and the Gramm-Leach-Bliley Act, which require us to protect the privacy of medical records and safeguard personal health information we maintain and use. Despite our best attempts to maintain adherence to information privacy and security best practices as well as compliance with applicable laws and rules, our facilities and systems, and those of our third party service providers, may be vulnerable to privacy or security breaches, acts of vandalism or theft, malware, misplaced or lost data including paper or electronic media, programming and/or human errors or other similar events. In the past, we have had data breaches resulting in disclosure of confidential or protected health information that have not resulted in any material financial loss or penalty to date. However, future data breaches could require us to expend significant resources to remediate any damage, interrupt our operations and damage our reputation, subject us to state or federal agency review and could also result in enforcement actions, material fines and penalties, litigation or other actions which could have a material adverse effect on our business, reputation and results of operations, financial position and cash flows.

Many of our businesses are also subject to the Payment Card Industry Data Security Standard, which is a multifaceted security standard that is designed to protect credit card account data as mandated by payment card industry entities.

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, including civil and, in some instances, criminal penalties for failure to comply with specific standards relating to the privacy, security and electronic transmission of protected health information. The HITECH Act expanded the scope of these provisions by mandating individual notification in instances of breaches of protected health information, providing enhanced penalties for HIPAA violations, and granting enforcement authority to states' Attorneys General in addition to the HHS Office for Civil Rights. It is possible that Congress may enact additional legislation in the future to increase penalties and to create a private right of action under HIPAA, which could entitle patients to seek monetary damages for violations of the privacy rules. In addition, HHS has announced that it will continue its audit program to assess HIPAA compliance efforts by covered entities with a focus on security risk assessments. Although we are not aware of HHS plans to audit any of our covered entities, an audit resulting in findings or allegations of noncompliance could have a material adverse effect on our results of operations, financial position and cash flows.

Under HIPAA, health plans are required to have the capacity to accept and send all covered transactions in a standardized electronic format. Penalties can be imposed for failure to comply with these requirements. The transaction standards have been modified to version 5010 to prepare for the implementation of the ICD-10 coding system. While we have prepared for the transition to ICD-10 in October 2015, if unforeseen circumstances arise, it is possible that we could be exposed to investigations and allegations of noncompliance. In addition, if some providers continue to use ICD-9 codes on claims after October 1, 2015, we may have to reject such claims, which may lead to claim resubmissions, increased call volume and provider and customer dissatisfaction. Further, providers may use ICD-10 codes differently than they used ICD-9 codes in the past, which could result in higher costs and reimbursement levels, or lost revenues under risk adjustment. During the transition to ICD-10, certain claims processing and payment information we have historically used to establish our reserves may not be reliable or available in a timely manner. As a result, implementation of ICD 10 may have a material adverse effect on our results of operations, financial position and cash flows.

A failure in or breach of our operational or security systems or infrastructure, or those of third parties with which we do business, including as a result of cyber attacks, could have an adverse effect on our business.

Information security risks have significantly increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct our operations, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state agents. Our operations rely on the secure processing, transmission and storage of confidential, proprietary and other information in our computer systems and networks.

Security breaches may arise from external or internal threats. External breaches include hacking personal information for financial gain, attempting to cause harm to our operations, or intending to obtain competitive information. We experience attempted external hacking or malicious attacks on a regular basis. We maintain a rigorous system of preventive and detective controls through our security programs; however, our prevention and detection controls may not prevent or identify all such attacks. Internal breaches may result from inappropriate security access to confidential information by rogue employees, consultants or third party service providers. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential member information, financial data, competitively sensitive information, or other proprietary data, whether by us or a third party, could have a material adverse effect on our business reputation, financial condition, cash flows, or results of operations.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We own our corporate office headquarters buildings and land located in St. Louis, Missouri. We generally lease space in the states where our health plans, specialty companies and claims processing facilities operate. We are required by various insurance and regulatory authorities to have offices in the service areas where we provide benefits. We believe our current facilities are adequate to meet our operational needs for the foreseeable future.

Item 3. ***Legal Proceedings.***

On July 5, 2013, the Company's subsidiary, Kentucky Spirit Health Plan, Inc. (Kentucky Spirit), terminated its contract with the Commonwealth of Kentucky (the Commonwealth). Kentucky Spirit believes it had a contractual right to terminate the contract and filed a lawsuit in Franklin Circuit Court seeking a declaration of this right. The Commonwealth has alleged that Kentucky Spirit's exit constitutes a material breach of contract. The Commonwealth seeks to recover substantial damages and to enforce its rights under Kentucky Spirit's $25 million performance bond. On July 3, 2014, the Commonwealth's attorneys asserted in a letter to the Cabinet for Health and Family Services that the Commonwealth's expenditures due to Kentucky Spirit's departure range from $28 million to $40 million plus interest, and that the associated CMS expenditures range from $92 million to $134 million. Kentucky Spirit disputes the Commonwealth's alleged damages, and is pursuing its own litigation claims for damages against the Commonwealth.

On February 6, 2015, the Kentucky Court of Appeals affirmed a Franklin Circuit Court ruling that Kentucky Spirit does not have a contractual right to terminate the contract early. The Court of Appeals also found that the contract's liquidated damages provision "is applicable in the event of a premature termination of the Contract term." Kentucky Spirit intends to seek Kentucky Supreme Court review of the finding that its departure constituted a breach of contract. The Commonwealth may seek review of the ruling that the liquidated damages provision is applicable in the event of a premature termination.

Kentucky Spirit also filed a lawsuit in April 2013, amended in October 2014, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches. On December 9, 2014, the Franklin Circuit Court denied the Commonwealth's motion for partial summary judgment on Kentucky Spirit's damages claims. Discovery is proceeding on those claims.

The resolution of the Kentucky litigation matters may result in a range of possible outcomes. If Kentucky Spirit prevails on its claims, it would be entitled to damages. If the Commonwealth prevails, a liability to the Commonwealth could be recorded. The Company is unable to estimate the ultimate outcome resulting from the Kentucky litigation. As a result, the Company has not recorded any receivable or any liability for potential damages under the contract as of December 31, 2014. While uncertain, the ultimate resolution of the pending litigation could have a material effect on the financial position, cash flow or results of operations of the Company in the period it is resolved or becomes known.

Excluding the Kentucky matters discussed above, the Company is also routinely subjected to legal proceedings in the normal course of business. While the ultimate resolution of such matters in the normal course of business is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position, results of operations or cash flows.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market for Common Stock; Dividends

Our common stock has been traded and quoted on the New York Stock Exchange under the symbol "CNC" since October 16, 2003. On February 2, 2015, the Board of Directors declared a two-for-one split of Centene's common stock in the form of a 100% stock dividend distributed February 19, 2015 to stockholders of record on February 12, 2015. All share, per share and stock price information presented in this Form 10-K has been adjusted for the two-for-one stock split. The high and low prices, as reported by the NYSE, are set forth below for the periods indicated.

	2015 Stock Price (through February 20, 2015)		2014 Stock Price		2013 Stock Price	
	High	Low	High	Low	High	Low
First Quarter	$61.00	$51.73	$33.18	$28.44	$24.28	$20.29
Second Quarter			38.84	27.56	26.37	21.07
Third Quarter			41.99	35.49	32.52	26.01
Fourth Quarter			54.24	37.53	33.92	27.06

As of February 20, 2015, there were 55 holders of record of our common stock.

We have never declared any cash dividends on our capital stock and currently anticipate that we will retain any future earnings for the development, operation and expansion of our business.

Issuer Purchases of Equity Securities

On October 26, 2009, the Company's Board of Directors extended the Company's stock repurchase program. The program authorizes the repurchase of up to 8,000,000 shares of the Company's common stock from time to time on the open market or through privately negotiated transactions. We have 3,335,448 available shares remaining under the program for repurchases as of December 31, 2014. No duration has been placed on the repurchase program. The Company reserves the right to discontinue the repurchase program at any time. During the year ended December 31, 2014, we did not repurchase any shares through this publicly announced program.

Issuer Purchases of Equity Securities
Fourth Quarter 2014

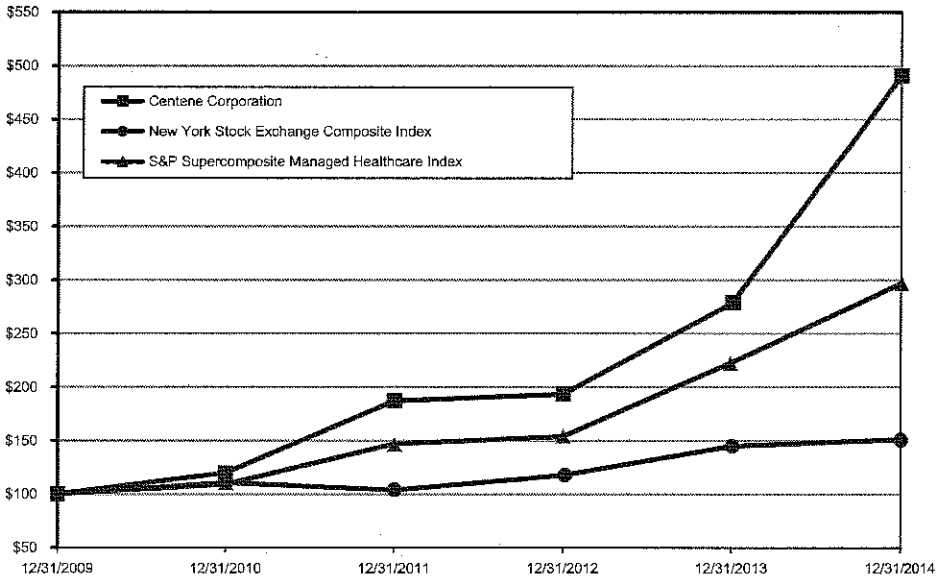
Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[2]
October 1 – October 31, 2014	9,808	$41.04	—	3,335,448
November 1 – November 30, 2014	3,726	49.20	—	3,335,448
December 1 – December 31, 2014	446,728	49.98	—	3,335,448
Total	460,262	$49.78	—	3,335,448

(1) Shares acquired represent shares relinquished to the Company by certain employees for payment of taxes or option cost upon vesting of restricted stock units or option exercise.

(2) Our Board of Directors adopted a stock repurchase program which allows for repurchases of up to a remaining amount of 3,335,448 shares. No duration has been placed on the repurchase program.

Stock Performance Graph

The graph below compares the cumulative total stockholder return on our common stock for the period from December 31, 2009 to December 31, 2014 with the cumulative total return of the New York Stock Exchange Composite Index and the Standard & Poor's Supercomposite Managed Healthcare Index over the same period. The graph assumes an investment of $100 on December 31, 2009 in our common stock (at the last reported sale price on such day), the New York Stock Exchange Composite Index and the Standard & Poor's Supercomposite Managed Healthcare Index and assumes the reinvestment of any dividends.



	December 31,					
	2009	2010	2011	2012	2013	2014
Centene Corporation	$100.00	$119.64	$186.97	$193.58	$278.38	$490.37
New York Stock Exchange Composite Index	100.00	110.84	104.07	117.52	144.75	150.86
S&P Supercomposite Managed Healthcare Index	100.00	109.51	146.70	153.82	223.21	296.87
Centene Corporation closing stock price	$ 10.59	$ 12.67	$ 19.80	$ 20.50	$ 29.48	$ 51.93
Centene Corporation annual shareholder return	7.4%	19.6%	56.3%	3.5%	43.8%	76.2%

In accordance with the rules of the SEC, the information contained in the Stock Performance Graph on this page shall not be deemed to be "soliciting material," or to be "filed" with the SEC or subject to the SEC's Regulation 14A, or to the liabilities of Section 18 of the Exchange Act, except to the extent that Centene specifically requests that the information be treated as soliciting material or specifically incorporates it by reference into a document filed under the Securities Act, or the Exchange Act.

Item 6. *Selected Financial Data*

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and related notes and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K. The assets, liabilities and results of operations of Kentucky Spirit Health Plan and University Health Plans have been classified as discontinued operations for all periods presented.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(In millions, except share data)				
Revenues:					
Premium	$ 14,198	$ 10,153	$ 7,569	$ 4,948	$ 4,192
Service	1,469	373	113	104	92
Premium and service revenues	15,667	10,526	7,682	5,052	4,284
Premium tax and health insurer fee	893	337	428	159	164
Total revenues	16,560	10,863	8,110	5,211	4,448
Expenses:					
Medical costs	12,678	8,995	6,781	4,191	3,584
Cost of services	1,280	327	88	78	64
General and administrative expenses	1,314	931	677	578	478
Premium tax expense	698	333	428	161	165
Health insurer fee expense	126	—	—	—	—
Impairment loss	—	—	28	—	—
Total operating expenses	16,096	10,586	8,002	5,008	4,291
Earnings from operations	464	277	108	203	157
Other income (expense):					
Investment and other income	28	19	35	13	15
Debt extinguishment costs	—	—	—	(8)	—
Interest expense	(35)	(27)	(20)	(20)	(18)
Earnings from continuing operations, before income tax expense	457	269	123	188	154
Income tax expense	196	107	47	71	60
Earnings from continuing operations, net of income tax expense	261	162	76	117	94
Discontinued operations, net of income tax expense (benefit) of $1, $2, $(48), $(4), and $4, respectively	3	4	(87)	(9)	4
Net earnings (loss)	264	166	(11)	108	98
(Earnings) loss attributable to noncontrolling interests	7	(1)	13	3	(3)
Net earnings attributable to Centene Corporation	$ 271	$ 165	$ 2	$ 111	$ 95
Amounts attributable to Centene Corporation common shareholders:					
Earnings from continuing operations, net of income tax expense	$ 268	$ 161	$ 89	$ 120	$ 91
Discontinued operations, net of income tax expense (benefit)	3	4	(87)	(9)	4
Net earnings	$ 271	$ 165	$ 2	$ 111	$ 95
Net earnings (loss) per common share attributable to Centene Corporation:					
Basic:					
Continuing operations	$ 2.30	$ 1.49	$ 0.86	$ 1.20	$ 0.93
Discontinued operations	0.03	0.03	(0.84)	(0.09)	0.04
Basic earnings per common share	$ 2.33	$ 1.52	$ 0.02	$ 1.11	$ 0.97
Diluted:					
Continuing operations	$ 2.23	$ 1.43	$ 0.83	$ 1.15	$ 0.90
Discontinued operations	0.02	0.04	(0.81)	(0.09)	0.04
Diluted earnings per common share	$ 2.25	$ 1.47	$ 0.02	$ 1.06	$ 0.94
Weighted average number of common shares outstanding:					
Basic	116,345,764	108,253,090	103,018,732	100,397,908	97,509,894
Diluted	120,360,212	112,494,346	107,428,750	104,948,476	100,895,776

	December 31,				
	2014	2013	2012	2011	2010
			(In millions)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents[1]	$1,546	$ 974	$ 746	$ 494	$ 434
Investments and restricted deposits[1]	1,557	941	727	653	640
Total assets	5,838	3,529	2,774	2,190	1,944
Medical claims liability[1]	1,723	1,112	815	519	457
Long term debt[1]	888	666	535	348	328
Total stockholders' equity	1,743	1,243	954	936	797

[1] From continuing operations.

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this filing. The discussion contains forward-looking statements that involve known and unknown risks and uncertainties, including those set forth under Part I, Item 1A. "Risk Factors" of this Form 10-K.

OVERVIEW

In 2013, we classified the operations for Kentucky Spirit Health Plan (KSHP) as discontinued operations for all periods presented in our consolidated financial statements. The following discussion and analysis, with the exception of cash flow information, is presented in the context of continuing operations unless otherwise identified.

On February 2, 2015, the Board of Directors declared a two-for-one split of Centene's common stock in the form of a 100% stock dividend distributed February 19, 2015 to stockholders of record on February 12, 2015. All share, per share and stock price information presented in this Form 10-K has been adjusted for the two-for-one stock split.

Our financial performance for 2014 is summarized as follows:

- Year-end managed care membership of 4.1 million, an increase of 1.2 million members, or 41% over 2013.
- Premium and service revenues of $15.7 billion, representing 48.8% growth year over year.
- Health Benefits Ratio of 89.3%, compared to 88.6% in 2013.
- General and Administrative expense ratio of 8.4%, compared to 8.8% in 2013.
- Total operating cash flows of $1.2 billion, or 4.6 times net earnings.
- Diluted net earnings per share of $2.23, compared to $1.43 in 2013.

The following items contributed to our revenue and membership growth over the last two years:

- *AcariaHealth.* In April 2013, we completed the acquisition of AcariaHealth, a specialty pharmacy company.
- *California.* In November 2013, our California subsidiary, California Health and Wellness (CHW), began operating under a new contract with the California Department of Health Care Services to serve Medicaid beneficiaries in 18 rural counties under the state's Medi-Cal Managed Care Rural Expansion program and Medi-Cal beneficiaries in Imperial County. In January 2014, CHW also began serving members under the state's Medicaid expansion program.
- *Centurion.* Centurion is a joint venture between Centene and MHM Services Inc. In July 2013, Centurion began operating under a new contract with the Department of Corrections in Massachusetts to provide compreheusive healthcare services to individuals incarcerated in Massachusetts state correctional facilities. In September 2013, Centurion began operating under a new contract to provide healthcare services to individuals incarcerated in Tennessee state correctional facilities. In January 2014, Centurion began operating under a new agreement with the Minnesota Department of Corrections to provide managed healthcare services to offenders in the state's correctional facilities.
- *Florida.* In August 2013, our Florida subsidiary, Sunshine Health, began operating under a contract in 10 of 11 regions with the Florida Agency for Health Care Administration to serve members of the Medicaid managed care Long Term Care (LTC) program. Enrollment began in August 2013 and was implemented by region through March 2014.

  In May 2014, Sunshine Health also began operating under a new contract in 9 of 11 regions of the Managed Medical Assistance (MMA) program. The MMA program includes TANF recipients as well as ABD and dual- eligible members. In addition, we began operating as the sole provider under a new statewide contract for the Child Welfare Specialty Plan (Foster Care). Enrollment for both the MMA program and Foster Care began in May 2014 and was implemented by region through August 2014.

- *Health Insurance Marketplaces (HIM).* In January 2014, we began serving members enrolled in Health Insurance Marketplaces in certain regions of nine states: Arkansas, Florida, Georgia, Indiana, Massachusetts, Mississippi, Ohio, Texas and Washington.
- *Illinois.* In March 2014, our Illinois subsidiary, IlliniCare Health, began operating under a new contract as part of the Illinois Medicare-Medicaid Alignment Initiative serving dual-eligible members in Cook, DuPage, Lake, Kane, Kankakee and Will counties (Greater Chicago region).

  In July 2014, IlliniCare Health began operating under a new contract with the Cook County Health and Hospitals System to perform third party administrative services to members enrolled in the CountyCare program, as well as care coordination, behavioral health, vision care and pharmacy benefit management services.

  In September 2014, IlliniCare Health began serving additional Medicaid members under the state's Medicaid and Medicaid expansion programs.
- *Louisiana.* In July 2014, we completed the transaction whereby Community Health Solutions of America, Inc. (CHS) assigned its contract with the Louisiana Department of Health and Hospitals under the Bayou Health Shared Savings Program to our subsidiary, Louisiana Healthcare Connections (LHC).
- *Massachusetts.* In January 2014, our CeltiCare Health subsidiary began operating under a new contract with the Massachusetts Executive Office of Health and Human Services to participate in the Medicaid expansion MassHealth CarePlus program in all five regions.
- *Mississippi.* In July 2014, our Mississippi subsidiary, Magnolia Health, began operating as one of two contractors under a new statewide managed care contract serving members enrolled in the Mississippi Coordinated Access Network program. Program expansion began in December 2014.
- *New Hampshire.* In December 2013, our subsidiary, New Hampshire Healthy Families, began operating under a new contract with the Department of Health and Human Services to serve Medicaid beneficiaries. In addition, Medicaid expansion began in late 2014.
- *Ohio.* In July 2013, our Ohio subsidiary, Buckeye Health Plan (Buckeye), began operating under a new and expanded contract with Ohio Department of Medicaid (ODM) to serve Medicaid members statewide through Ohio's three newly aligned regions (West, Central/Southeast, and Northeast). Buckeye also began serving members under the ABD Children program in July 2013. In January 2014, Buckeye began serving members under the state's Medicaid expansion program.

  In May 2014, Buckeye began operating under a new contract with the ODM and the Centers for Medicare and Medicaid Services to serve Medicaid members in a dual-eligible demonstration program in three of seven regions: Northeast (Cleveland), Northwest (Toledo) and West Central (Dayton). This three-year program, which is part of the Integrated Care Delivery System expansion, serves those who have both Medicare and Medicaid eligibility. Enrollment began in May 2014 and implementation was completed in July 2014.
- *Texas.* In September 2014, we began operating under a new contract with the Texas Health and Human Services Commission to expand our operations and serve STAR+PLUS members in two Medicaid Rural Service Areas. We also began providing expanded coverage in September 2014 under our STAR+PLUS contracts to provide acute care services for intellectually and developmentally disabled members.
- *U.S. Medical Management.* In January 2014, we acquired a majority interest in U.S. Medical Management, LLC, a management services organization and provider of in-home health services for high acuity populations.
- *Washington.* In January 2014, our subsidiary, Coordinated Care, began serving additional Medicaid members under the state's Medicaid expansion program.

In addition, in July 2014, we completed an investment accounted for under the equity method for the purchase of a noncontrolling interest in Ribera Salud S.A. (Ribera Salud), a Spanish health management group. Centene is a joint shareholder with Ribera Salud's remaining investor, Banco Sabadell S.A.

We expect the following items to contribute to our future growth potential:

- We expect to realize the full year benefit in 2015 of business commenced during 2014 in Florida, Illinois, Louisiana, Mississippi, New Hampshire, Ohio, and Texas as discussed above.
- In February 2015, LHC began operating under a new contract with the Louisiana Department of Health and Hospitals to serve Bayou Health (Medicaid) beneficiaries. Members previously served under the shared savings program were transitioned to the at-risk program on February 1, 2015.
- In February 2015, our South Carolina subsidiary, Absolute Total Care, began operating under a new contract with the South Carolina Department of Health and Human Services and the Centers for Medicare and Medicaid Services to serve dual-eligible members as part of the state's dual demonstration program.
- In February 2015, our Indiana subsidiary, Managed Health Services, began operating under an expanded contract with the Indiana Family & Social Services Administration to provide Medicaid services under the state's Healthy Indiana Plan 2.0 program.
- In February 2015, Centurion began operating under a new contract with the State of Vermont Department of Corrections to provide comprehensive correctional healthcare services.
- In January 2015, we signed a definitive agreement to acquire Agate Resources, Inc., a diversified holding company that offers an array of healthcare products and services to Oregon residents. The transaction is expected to close in the third quarter of 2015, subject to customary closing conditions, including Oregon regulatory approval.
- In January 2015, Magnolia Health began operating under a new contract with the State of Mississippi to provide services under the Children's Health Insurance Program (CHIP).
- In January 2015, we expanded our participation in Health Insurance Marketplaces to include members in certain regions of Illinois and Wisconsin.
- In December 2014, our subsidiary, Cenpatico of Arizona, in partnership with University of Arizona Health Plan, was selected by the Arizona Department of Health Services/Division of Behavioral Health Services to be the Regional Behavioral Health Authority for the new southern geographic service area. The new contract is expected to commence in the fourth quarter of 2015.
- In December 2014, Managed Health Services, was selected by the Indiana Family & Social Services Administration to begin contract negotiations to serve its ABD Medicaid enrollees who will qualify for the new Hoosier Care Connect Program. The contract is expected to commence in the first half of 2015.
- In May 2014, our Texas subsidiary, Superior HealthPlan, was selected by the Texas Health and Human Services Commission with the Centers for Medicare and Medicaid Services to serve dual-eligible members in three counties to provide integrated and coordinated care for individuals who are eligible for both Medicare and Medicaid. Operations are expected to commence in the first quarter of 2015.
- In February 2014, the Texas Health and Human Service commission expanded our STAR+PLUS contracts to include nursing facility benefits. The additional coverage is expected to commence in the first quarter of 2015.
- In December 2013, we signed a definitive agreement to purchase a majority stake in Fidelis SecureCare of Michigan, Inc. (Fidelis), a subsidiary of Fidelis SeniorCare, Inc. The transaction is expected to close in the first half of 2015, subject to certain closing conditions including regulatory approvals, and will include cash payments contingent on the performance of the plan. Fidelis was selected by the Michigan Department of Community Health to provide integrated healthcare services to members who are dually eligible for Medicare and Medicaid in Macomb and Wayne counties. Enrollment is expected to commence in the first half of 2015.

MEMBERSHIP

From December 31, 2012 to December 31, 2014, we increased our managed care membership by 1.5 million, or 57%. The following table sets forth our membership by state for our managed care organizations:

	December 31,		
	2014	2013	2012
Arizona	204,000	163,700	181,400
Arkansas	38,400	—	—
California	163,900	97,200	—
Florida	425,700	222,000	214,000
Georgia	389,100	318,700	313,700
Illinois	87,800	22,300	18,000
Indiana	197,700	195,500	204,000
Kansas	143,300	139,900	—
Louisiana	152,900	152,300	165,600
Massachusetts	48,400	22,600	21,500
Minnesota	9,500	—	—
Mississippi	108,700	78,300	77,200
Missouri	71,000	59,200	59,600
New Hampshire	62,700	33,600	—
Ohio	280,100	173,200	157,800
South Carolina	109,700	91,900	90,100
Tennessee	21,000	20,700	—
Texas	971,000	935,100	949,900
Washington	194,400	82,100	57,200
Wisconsin	83,200	71,500	72,400
Total at-risk membership	3,762,500	2,879,800	2,582,400
Non-risk membership	298,400	—	—
Total	4,060,900	2,879,800	2,582,400

At December 31, 2014, we served 201,300 Medicaid members in Medicaid expansion programs in California, Illinois, Massachusetts, New Hampshire, Ohio and Washington included in the table above.

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

	December 31,		
	2014	2013	2012
Medicaid	2,754,900	2,054,700	1,877,100
CHIP & Foster Care	222,700	275,100	235,200
ABD, Medicare & Duals	392,700	305,300	274,600
Health Insurance Marketplaces	74,500	—	—
Hybrid Programs	18,900	19,000	29,100
LTC	60,800	37,800	8,500
Behavioral Health	197,000	156,600	157,900
Correctional Healthcare Services	41,000	31,300	—
Total at-risk membership	3,762,500	2,879,800	2,582,400
Non-risk membership	298,400	—	—
Total	4,060,900	2,879,800	2,582,400

The following table identifies the Company's dual-eligible membership by line of business. The membership tables above include these members.

	December 31,		
	2014	2013	2012
ABD	118,300	71,700	62,600
LTC	35,900	28,800	7,700
Medicare	10,400	6,500	5,100
Total	164,600	107,000	75,400

From December 31, 2013 to December 31, 2014 our membership increased as a result of:

- product and geographic expansions in Florida and Illinois;
- the assignment of members in Louisiana under the CHS transaction;
- the commencement of Medicaid expansion programs in California, Illinois, Massachusetts, New Hampshire, Ohio, and Washington;
- the commencement of Health Insurance Marketplaces in certain regions of nine states: Arkansas, Florida, Georgia, Indiana, Massachusetts, Mississippi, Ohio, Texas and Washington;
- product expansions in Mississippi and Texas;
- growth in South Carolina; and
- the commencement of a correctional healthcare service contract in Minnesota.

From December 31, 2012 to December 31, 2013 our membership increased as a result:

- operations commencing in California, Kansas and New Hampshire;
- geographic expansion in Ohio;
- growth in Washington; and,
- the commencement of correctional healthcare services contracts in Massachusetts and Tennessee.

RESULTS OF OPERATIONS

The following discussion and analysis is based on our consolidated statements of operations, which reflect our results of operations for each of the three years ended December 31, 2014, prepared in accordance with generally accepted accounting principles in the United States ($ in millions, except per share data):

	2014	2013	2012	% Change 2013-2014	% Change 2012-2013
Premium	$14,198	$10,153	$7,569	39.8%	34.1%
Service	1,469	373	113	293.8%	230.1%
Premium and service revenues	15,667	10,526	7,682	48.8%	37.0%
Premium tax and health insurer fee	893	337	428	165.0%	(21.3)%
Total revenues	16,560	10,863	8,110	52.4%	33.9%
Medical costs	12,678	8,995	6,781	40.9%	32.7%
Cost of services	1,280	327	88	291.4%	271.6%
General and administrative expenses	1,314	931	677	41.1%	37.5%
Premium tax expense	698	333	428	109.6%	(22.2)%
Health insurer fee expense	126	—	—	n.m.	n.m.
Impairment loss	—	—	28	n.m.	n.m.
Earnings from operations	464	277	108	67.5%	156.5%
Investment and other income, net	(7)	(8)	15	12.5%	(153.3)%
Earnings from continuing operations, before income tax expense	457	269	123	69.9%	118.7%
Income tax expense	196	107	47	83.2%	127.7%
Earnings from continuing operations, net of income tax	261	162	76	61.1%	113.2%
Discontinued operations, net of income tax expense (benefit) of $1, $2, and $(48), respectively	3	4	(87)	(25.0)%	104.6%
Net earnings (loss)	264	166	(11)	59.0%	n.m.
(Earnings) loss attributable to noncontrolling interests	7	(1)	13	n.m.	n.m.
Net earnings attributable to Centene Corporation	$ 271	$ 165	$ 2	64.2%	n.m.
Amounts attributable to Centene Corporation common shareholders:					
Earnings from continuing operations, net of income tax expense	$ 268	$ 161	$ 89	66.5%	80.9%
Discontinued operations, net of income tax expense	3	4	(87)	(25.0)%	104.6%
Net earnings	$ 271	$ 165	$ 2	64.2%	n.m.
Diluted earnings (loss) per common share attributable to Centene Corporation:					
Continuing operations	$ 2.23	$ 1.43	$ 0.83	55.9%	72.3%
Discontinued operations	0.02	0.04	(0.81)	(50.0)%	104.9%
Total diluted earnings per common share	$ 2.25	$ 1.47	$ 0.02	53.1%	n.m.

n.m.: not meaningful.

Revenues and Revenue Recognition

Our health plans generate revenues primarily from premiums we receive from the states in which we operate. We generally receive a fixed premium per member per month pursuant to our state contracts. We generally receive premium payments and recognize premium revenue during the month in which we are obligated to provide services to our members. In some instances, our base premiums are subject to an adjustment, or risk score, based on the acuity of our membership. Generally, the risk score is determined by the state analyzing submissions of processed claims data to determine the acuity of our membership relative to the entire state's membership. Some contracts allow for additional premiums associated with certain supplemental services provided such as maternity deliveries.

Our contracts with states may require us to maintain a minimum health benefits ratio or may require us to share profits in excess of certain levels. In certain circumstances, our plans may be required to return premium to the state in the event profits exceed established levels. We recognize reductions in revenue in the current period for these programs. Other states may require us to meet certain performance and quality metrics in order to receive additional or full contractual revenue. For performance-based contracts, we do not recognize revenue subject to refund until data is sufficient to measure performance.

Revenues are recorded based on membership and eligibility data provided by the states, which is adjusted on a monthly basis by the states for retroactive additions or deletions to membership data. These eligibility adjustments are estimated monthly and subsequently adjusted in the period known. We continuously review and update those estimates as new information becomes available. It is possible that new information could require us to make additional adjustments, which could be significant, to these estimates.

Our specialty services generate revenues under contracts with state programs, healthcare organizations, and other commercial organizations, as well as from our own subsidiaries. Revenues are recognized when the related services are provided or as ratably earned over the covered period of services.

Premium and service revenues collected in advance are recorded as unearned revenue. Premium and service revenues 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 of the collectibility of these accounts. As we generally receive payments during the month in which services are provided, the allowance is typically not significant in comparison to total revenues and does not have a material impact on the presentation of our financial condition or results of operations.

Some states enact premium taxes, similar assessments and provider and hospital pass-through payments, collectively, premium taxes, and these taxes are recorded as a component of revenues as well as operating expenses. Additionally, our insurance subsidiaries are subject to the Affordable Care Act annual Health Insurer Fee (HIF). The Company recognizes revenue associated with the HIF on a straight line basis when we have binding agreements for the reimbursement of the fee, including the "gross-up" to reflect the HIFs non-tax deductible nature. We exclude the HIF and premium taxes from our key ratios as we believe they are a pass-through of costs and not indicative of our operating performance. Collectively, this revenue is recorded as Premium Tax and HIF revenue in the consolidated statement of operations.

The Centers for Medicare and Medicaid Services (CMS) deploys a risk adjustment model that retroactively apportions Medicare premiums paid according to health severity and certain demographic factors. The model pays more for members whose medical history indicates they have certain medical conditions. Under this risk adjustment methodology, CMS calculates the risk adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient, physician treatment settings as well as prescription drug events. The Company estimates the amount of risk adjustment based upon the diagnosis and pharmacy data submitted and expected to be submitted to CMS and records revenues on a risk adjusted basis.

Operating Expenses

Medical Costs

Medical costs include payments to physicians, hospitals, and other providers for healthcare and specialty services claims. Medical costs also include estimates of medical expenses incurred but not yet reported, or IBNR, and estimates of the cost to process unpaid claims. We use our judgment to determine the assumptions to be used in the calculation of the required IBNR estimate. The assumptions we consider include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza, provider contract changes, changes to Medicaid fee schedules, and the incidence of high dollar or catastrophic claims.

Our development of the IBNR estimate is a continuous process which we monitor and refine on a monthly basis as claims receipts and payment information becomes available. As more complete information becomes available, we adjust the amount of the estimate, and include the changes in estimates in medical expense in the period in which the changes are identified.

Additionally, we contract with independent actuaries to review our estimates on a quarterly basis. The independent actuaries provide us with a review letter that includes the results of their analysis of our medical claims liability. We do not solely rely on their report to adjust our claims liability. We utilize their calculation of our claims liability only as additional information, together with management's judgment, to determine the assumptions to be used in the calculation of our liability for medical costs.

While we believe our IBNR estimate is appropriate, it is possible future events could require us to make significant adjustments for revisions to these estimates. Accordingly, we cannot assure you that medical costs will not materially differ from our estimates.

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately estimate costs incurred. The Health Benefits Ratio, or HBR, represents medical costs as a percentage of premium revenues (excluding Premium Tax and Health Insurer Fee revenues) and reflects the direct relationship between the premium received and the medical services provided.

Cost of Services

Cost of services expense includes the pharmaceutical costs associated with our pharmacy benefit manager and specialty pharmacy's external revenues and certain direct costs to support the functions responsible for generation of our service revenues. These expenses consist of the salaries and wages of the professionals who provide the services and associated expenses.

General and Administrative Expenses

General and administrative expenses, or G&A, primarily reflect wages and benefits, including stock compensation expense, and other administrative costs associated with our health plans, specialty companies and centralized functions that support all of our business units. Our major centralized functions are finance, information systems and claims processing. G&A expenses also include business expansion costs, such as wages and benefits for administrative personnel, contracting costs, and information technology buildouts, incurred prior to the commencement of a new contract or health plan.

The G&A expense ratio represents G&A expenses as a percentage of premium and service revenues, and reflects the relationship between revenues earned and the costs necessary to earn those revenues.

Health Insurer Fee

The Health Insurer Fee reflects the annual fee mandated by the Affordable Care Act (ACA) to health insurers. The fee is determined based on our premium revenues in the previous year. Each health insurer's fee is

calculated by multiplying its market share by the annual fee. Market share is based on commercial, Medicare, and Medicaid premium revenue.

Other Income (Expense)

Other income (expense) consists principally of investment income from cash and investments, earnings in equity method investments, and interest expense on debt.

Discontinued Operations

Our subsidiary, Kentucky Spirit Health Plan (KSHP), ceased serving Medicaid members in Kentucky as of July 6, 2013. Accordingly, the results of operations for KSHP are classified as discontinued operations for all periods presented in our consolidated financial statements. The following discussion and analysis is presented primarily in the context of continuing operations unless otherwise identified.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Premium and Service Revenues

Premium and service revenues increased 48.8% in the year ended December 31, 2014 over the corresponding period in 2013 as a result of expansions in Florida, Ohio, Washington, Texas and Illinois, growth in the AcariaHealth business, the addition of the California and New Hampshire operations and our participation in the Health Insurance Marketplaces. During the year ended December 31, 2014, we received premium rate adjustments which yielded an approximate net 1% composite increase across all of our markets.

Operating Expenses

Medical Costs

The table below depicts the HBR for our membership by member category for the year ended December 31,:

	2014	2013
Medicaid, CHIP, Foster Care & HIM	86.3%	87.5%
ABD, LTC and Medicare	93.5	90.4
Specialty Services	85.5	85.4
Total	89.3	88.6

The consolidated HBR for the year ended December 31, 2014, of 89.3% was an increase of 70 basis points over the comparable period in 2013. The increase compared to last year is primarily attributable to an increase in complex care membership over the prior year.

Cost of Services

Cost of services increased by $953 million in the year ended December 31, 2014, compared to the corresponding period in 2013. This was primarily due to the acquisition of and growth in our AcariaHealth business as well as the acquisition of U.S. Medical Management.

General & Administrative Expenses

General and administrative expenses, or G&A, increased by $383 million in the year ended December 31, 2014, compared to the corresponding period in 2013. This was primarily due to expenses for additional staff and facilities to support our membership growth.

The consolidated G&A expense ratio for the years ended December 31, 2014 and 2013 was 8.4% and 8.8%, respectively. The year over year decrease in the G&A ratio reflects the leveraging of expenses over higher revenues in 2014, offset by the acquisition of U.S. Medical Management and start up of Health Insurance Marketplaces which operate at higher G&A ratios.

Health Insurer Fee

During the year ended December 31, 2014, we recorded $126 million of non-deductible expense for the Affordable Care Act (ACA) annual health insurer fee. As of December 31, 2014, we have received signed agreements representing 99% of the total revenue associated with the reimbursement of the ACA insurer fee including the related gross-up for the associated income tax effects. As a result, we recorded $195 million in Premium Tax and Health Insurer Fee revenue associated with the reimbursement of the fee.

Other Income (Expense)

The following table summarizes the components of other income (expense) for the year ended December 31, ($ in millions):

	2014	2013
Investment income	$ 22	$ 18
Earnings from equity method investments	6	1
Interest expense	(35)	(27)
Other income (expense), net	$ (7)	$ (8)

The increase in investment income in 2014 reflects an increase in investment balances over 2013 and improved performance of certain equity investments. Interest expense increased during the year ended December 31, 2014 by $8 million reflecting the issnance of an additional $300 million in Senior Notes in April 2014 and a higher level of borrowings under our revolving credit agreement.

Income Tax Expense

Our effective tax rate for the year ended December 31, 2014 was 42.9% compared to 39.8% in 2013. The increase is due to the non-deductibility of the health insurer fee which increased our effective tax rate. This was partially offset by a reduction of tax expense associated with the compensation deduction limitation. During 2014, the IRS issued final regulations related to the compensation deduction limitation applicable to certain health insurance providers. As a result, we no longer believe the deduction limitation applies for 2013 and 2014. Accordingly, we reversed previously recorded tax expense of $14 million for prior years resulting in a decrease in the effective tax rate which offset the health insurer fee impact.

Segment Results

The following table summarizes our operating results by segment for the year ended December 31, ($ in millions):

	2014	2013	% Change 2013-2014
Premium and Service Revenues			
Managed Care	$13,946	$ 9,782	42.6%
Specialty Services	4,800	2,932	63.7%
Eliminations	(3,079)	(2,188)	(40.7)%
Consolidated Total	$15,667	$10,526	48.8%
Earnings from Operations			
Managed Care	$ 353	$ 198	78.3%
Specialty Services	111	79	40.5%
Consolidated Total	$ 464	$ 277	67.5%

Managed Care

Premium and service revenues increased 42.6% in the year ended December 31, 2014, primarily as a result of expansions in Florida, Ohio, Washington, Mississippi, Texas and Illinois, the addition of the California and New Hampshire operations and our participation in the Health Insurance Marketplaces. Earnings from operations increased $155 million in the year ended December 31, 2014, primarily reflecting growth in the business.

Specialty Services

Premium and service revenues increased 63.7% in the year ended December 31, 2014, resulting from growth in our AcariaHealth business, increased services associated with membership growth in the Managed Care segment, the addition of three Centurion contracts and the acquisition of U.S. Medical Management. Earnings from operations increased $32 million in the year ended December 31, 2014, primarily reflecting growth in the AcariaHealth business as well as favorable performance in our legacy individual health bnsmess.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues

Premium and service revenues increased 37.0% in the year ended December 31, 2013 over the corresponding period in 2012 as a result of the Texas, Mississippi, Louisiana and Florida expansions, pharmacy carve-ins in Texas and Lonisiana, the additions of the Kansas, Missouri, Washington, California and New Hampshire contracts, commencement of the correctional healthcare contracts in Massachusetts and Tennessee, rate increases in several of our markets and the acquisition of AcariaHealth. During the year ended December 31, 2013, we received premium rate adjustments which yielded a net 2.7% composite increase across all of our markets.

Operating Expenses

Medical Costs

The table below depicts the HBR for our membership by member category for the year ended December 31,:

	2013	2012
Medicaid, CHIP & Foster Care	87.5%	88.8%
ABD, LTC and Medicare	90.4	90.7
Specialty Services	85.4	92.0
Total	88.6	89.6

The consolidated HBR for the year ended December 31, 2013, of 88.6% was a decrease of 100 basis points over the comparable period in 2012. The 2013 HBR reflects performance improvement in Texas and our individual insurance business from 2012.

Costs of Services

Cost of services increased by $239 million in the year ended December 31, 2013, compared to the corresponding period in 2012. This was primarily due to the additional volume resulting from the acquisition of AcariaHealth.

General and Administrative Expenses

General and administrative expenses, or G&A, increased by $254 million in the year ended December 31, 2013, compared to the corresponding period in 2012. This was primarily due to expenses for additional staff and facilities to support our membership growth, AcariaHealth transaction costs, as well as performance based compensation.

The consolidated G&A expense ratio for the years ended December 31, 2013 and 2012 was 8.8% and 8.8%, respectively. The G&A expense ratio reflects an increase in performance based compensation expense in 2013 as well as AcariaHealth transaction costs, offset by the benefits of leveraging of expenses over higher revenue in 2013 and our efforts to control costs.

Impairment Loss

During 2012, an impairment analysis of our subsidiary, Celtic Insurance Company, resulted in goodwill and intangible asset impairments of $28 million. The impaired identifiable intangible assets of $2 million and goodwill of $26 million were reported under the Specialty Services segment; $27 million of the impairment loss was not deductible for income tax purposes.

Investment and Other Income, Net

The following table summarizes the components of other income (expense) for the year ended December 31, ($ in millions):

	2013	2012
Investment income	$ 18	$ 15
Earnings from equity method investments	1	1
Gain on sale of investments	—	1
Gain on sale of investment in convertible note	—	18
Interest expense	(27)	(20)
Other income (expense), net	$ (8)	$ 15

Investment income. The increase in investment income in 2013 primarily reflects an increase in investment balances over 2012.

Gain on sale of investments. During 2012, we recognized $1 million in net gains primarily as a result of the liquidation of $76 million of investments held by the Georgia health plan in order to meet short term liquidity needs due to delays in premium receipts from the state.

Gain on sale of investment in convertible note. During 2012, we executed an agreement with a third party borrower whereby the borrower agreed to pay us total consideration of $50 million for retirement of $30 million of outstanding notes and equity ownership conversion features in certain Medicaid and Medicare related businesses. As a result, we recorded a pre-tax gain of $18 million in other income representing the fair value of the total consideration in excess of the carrying value of the loans on the balance sheet.

Interest expense. Interest expense increased during the year ended December 31, 2013 by $7 million reflecting the addition of $175 million of Senior Notes in the fourth quarter of 2012.

Income Tax Expense

Our effective tax rate for 2013 was 39.8% compared to 38.2% in 2012. The increase in the income tax rate over 2012 resulted from a tax benefit in 2012 resulting from the clarification by a state taxing authority regarding a state income tax calculation, partially offset by a non-deductible goodwill impairment in 2012.

Segment Results

The following table summarizes our operating results by segment for the year ended December 31, (in millions):

	2013	2012	% Change 2012-2013
Premium and Service Revenues			
Managed Care	$ 9,782	$ 7,212	35.6%
Specialty Services	2,932	2,107	39.2%
Eliminations	(2,188)	(1,637)	(33.7)%
Consolidated Total	$10,526	$ 7,682	37.0%
Earnings from Operations			
Managed Care	$ 198	$ 63	214.3%
Specialty Services	79	45	75.6%
Consolidated Total	$ 277	$ 108	156.5%

Managed Care

Premium and service revenues increased 35.6% in the year ended December 31, 2013, due to the Texas, Mississippi, Louisiana and Florida expansions, pharmacy carve-ins in Texas and Louisiana, the additions of the California, Kansas, Missouri, New Hampshire and Washington contracts and rate increases in several of our markets. Earnings from operations increased $135 million in the year ended December 31, 2013, primarily due to improvements in the performance of the Texas business from 2012.

Specialty Services

Premium and service revenues increased 39.2% in the year ended December 31, 2013, due to the carve-in of pharmacy services in Texas and Louisiana, growth in our Medicaid segment and the associated services provided to this increased membership, the acquisition of AcariaHealth and the additions of the Centurion contracts in Massachusetts and Tennessee. Earnings from operations increased $34 million in the year ended December 31, 2013. This reflects improvement in our individual health insurance business in 2013 and the impact of a $28 million impairment loss in 2012 in our individual insurance business.

LIQUIDITY AND CAPITAL RESOURCES

Shown below is a condensed schedule of cash flows for the years ended December 31, 2014, 2013 and 2012, used in the discussion of liquidity and capital resources ($ in millions).

	Year Ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	$1,223	$ 382	$ 279
Net cash used in investing activities	(848)	(342)	(188)
Net cash provided by financing activities	198	154	179
Effect of exchange rate changes on cash and cash equivalents	(1)	—	—
Net increase in cash and cash equivalents	$ 572	$ 194	$ 270

Cash Flows Provided by Operating Activities

Normal operations are funded primarily through operating cash flows and borrowings under our revolving credit facility.

Cash flows from operating activities for 2014 increased $841 million, or 220% compared to 2013 due to an increase in medical claims liabilities resulting from the growth in the business as well as an increase in accounts payable and accrued expenses resulting from an increase in payables associated with various programs requiring a return of premium to state customers in certain circumstances.

Cash flows from operating activities for 2013 increased $103 million, or 37% compared to 2012 due to an iucrease in net earnings between years and growth in our business. Additionally, incentive compensation accruals increased from 2012 due to the performance of the Company.

Cash flows from operations in each year were impacted by the timing of payments we receive from our states. States may prepay the following month premium payment, which we record as unearned revenue, or they may delay our premium payment, which we record as a receivable. We typically receive capitation payments monthly, however the states in which we operate may decide to adjust their payment schedules which could positively or negatively impact our reported cash flows from operating activities in any given period.

The reimbursement of the HIF from our state customers may be settled as a separate payment or monthly in combination with our other premium payments. The vast majority of our state customers are settling the reimbursement through a separate payment after verification of each state's portion of our HIF, resulting in an increase in Premium aud Related Receivables at December 31, 2014. During 2014, we paid the 2014 annual HIF invoice totaling $126 million. The table below details the impact to cash flows from operations from the timing of payments from our states ($ in millions).

	Year Ended December 31,		
	2014	2013	2012
Increase in premium and related receivables	$(463)	$(143)	$(117)
Increase in unearned revenue	129	3	25
Net decrease in operating cash flow	$(334)	$(140)	$ (92)

Cash Flows Used in Investing Activities

Investing activities used cash of $848 million for the year ended December 31, 2014, and $342 million in the comparable period in 2013. Cash flows used in investing activities in 2014 primarily consisted of additions to the investment portfolio of our regulated snbsidiaries, including transfers from cash and cash equivalents to long term investments, the acquisition of U.S. Medical Management and CHS, an equity investment in Ribera Salud and capital expenditures.

During 2014, we acquired 68% of U.S. Medical Management for $213 million in total consideration. The transaction was financed through a combination of Centene common stock as well as $80 million of cash. We also completed a transaction with CHS for initial cash consideration of $56 million as well as common stock. Additionally, we purchased a noncontrolling interest in Ribera Salud S.A. (Ribera Salud), a Spanish health management group for $17 million.

Cash flows used in investing activities in 2013 primarily consisted of additions to the investment portfolio of our regulated subsidiaries, inclnding transfers from cash and cash equivalents to long term investments, the acquisition of AcariaHealth and capital expenditures. We completed the acquisition of AcariaHealth for $142 million in total consideration. The transaction was financed through a combination of Centene common stock as well as $67 million of cash. During 2012, onr investing activities primarily related to additions to the investment portfolio of our regulated subsidiaries and capital expenditures.

Our investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets within our guidelines. Net cash provided by and used in investing activities will fluctuate from year to year dne to the timing of investment purchases, sales and maturities. As of December 31, 2014, our investment portfolio consisted primarily of fixed-income securities with an average duration of 2.7 years. These securities generally are actively traded in secondary markets and the reported fair market value is determined based on recent trading activity, recent trading activity in similar securities and other observable inputs. Our

investment guidelines comply with the regulatory restrictions enacted in each state. We had unregulated cash and investments of $85 million at December 31, 2014, compared to $45 million at December 31, 2013.

We spent $103 million, $68 million and $82 million in 2014, 2013 and 2012, respectively, on capital expenditures for system enhancements, and market expansions.

Cash Flows Provided by Financing Activities

Our financing activities provided cash of $198 million, $154 million and $179 million in 2014, 2013 and 2012, respectively. Financing activities in 2014, 2013 and 2012 are discussed below.

2014 In April 2014, pursuant to a shelf registration statement, we issued $300 million 4.75% Senior Notes due May 15, 2022 at par. Interest is paid semi-annually in May and November. In connection with the issuance, we entered into $300 million notional amount of interest rate swap agreements (2014 Swap Agreements) that are scheduled to expire May 15, 2022. Under the 2014 Swap Agreements, we receive a fixed rate of 4.75% and pay a variable rate of LIBOR plus 2.27% adjusted quarterly, which allows us to adjust the $300 million Notes to a floating rate. We do not hold or issue any derivative instrument for trading or speculative purposes.

2013 During 2013, our financing activities primarily related to borrowings under our revolving credit facility, the sale of $15 million of common stock to fund the escrow account for the acquisition of AcariaHealth and the repayment of a mortgage note.

In May 2013, we entered into a new unsecured $500 million revolving credit facility and terminated our previous $350 million revolving credit facility. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. The agreement has a maturity date of June 1, 2018, provided it will mature 90 days prior to the maturity date of the 5.75% Senior Notes due 2017 if such notes are not refinanced (or extended) or certain financial conditions are not met, including carrying $100 million of unrestricted cash on deposit.

2012 In November 2012, pursuant to a shelf registration statement, we issued an additional $175 million of non-callable 5.75% Senior Notes due June 1, 2017 at a premium to yield 4.29%. The indenture governing the $175 million Add-on Notes contains non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio. Interest is paid semi-annually in June and December. We used the net proceeds from the offering to make capital contributions to our regulated subsidiaries.

Liquidity Metrics

The $500 million revolving credit agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, maximum debt-to-EBITDA ratios and minimum tangible net worth. We are required not to exceed a maximum debt-to-EBITDA ratio of 3.0 to 1.0. As of December 31, 2014, we had $75 million in borrowings outstanding under our revolving credit facility, and we were in compliance with all covenants. As of December 31, 2014, there were no limitations on the availability under the revolving credit agreement as a result of the debt-to-EBITDA ratio.

We had outstanding letters of credit of $30 million as of December 31, 2014, which were not part of our revolving credit facility. We also had letters of credit for $58 million (valued at the December 31, 2014 conversion rate), or €48 million, representing our proportional share of the letters of credit issued to support Ribera Salud's outstanding debt which are a part of the revolving credit facility. Collectively, the letters of credit bore interest at 1.73% as of December 31, 2014. In addition, we had outstanding surety bonds of $142 million as of December 31, 2014.

The indenture governing our Senior Notes contains non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio.

At December 31, 2014, we had working capital, defined as current assets less current liabilities, of $134 million, as compared to $241 million at December 31, 2013. We manage our short term and long term investments with the goal of ensuring that a sufficient portion is held in investments that are highly liquid and can be sold to fund short term requirements as needed.

At December 31, 2014, our debt to capital ratio, defined as total debt divided by the sum of total debt and total equity, was 33.9%, compared to 35.0% at December 31, 2013. Excluding the $70 million non-recourse mortgage note, our debt to capital ratio was 32.1% as of December 31, 2014, compared to 32.4% at December 31, 2013. We utilize the debt to capital ratio as a measure, among others, of our leverage and financial flexibility.

We have a stock repurchase program authorizing us to repurchase up to 8 million shares of common stock from time to time on the open market or through privately negotiated transactions. We have 3 million available shares remaining under the program for repurchases as of December 31, 2014. No duration has been placed on the repurchase program. We reserve the right to discontinue the repurchase program at any time. We did not make any repurchases under this plan during 2014, 2013 or 2012.

During the year ended December 31, 2014, 2013 and 2012, we received dividends of $50 million, $18 million, and $29 million, respectively, from our regulated subsidiaries.

2015 Expectations

In January 2015, we issued an additional $200 million 4.75% Senior Notes ($200 million Add-on Notes) at par. The $200 million Add-on Notes were offered as additional debt securities under an indenture dated as of April 29, 2014, pursuant to which we previously issued $300 million aggregate principal amount of 4.75% Senior Notes due 2022. In connection with the January 2015 issuance, we entered into interest rate swap agreements for a notional amount of $200 million at a floating rate of interest based on the three month LIBOR plus 2.88%. Gains and losses due to changes in the fair value of the interest rate swap will completely offset changes in the fair value of the hedged portion of the underlying debt and will be recorded as an adjustment to the $200 million Add-on Notes.

As previously discussed, in January 2015, we announced a definitive agreement to acquire Agate Resources, Inc. The transaction is expected to close during the third quarter of 2015. Also, in January 2015, we acquired LiveHealthier, a provider of technology and service-based health management solutions.

In January 2015, we sold 25% of our ownership in Celtic Insurance Company. No gain or loss was recognized on the sale of the ownership interest. Celtic Insurance Company is included in the Specialty Services segment. Under the terms of the agreement, we entered into a put agreement with the noncontrolling interest holder to purchase the noncontrolling interest at a later date.

We expect to make net capital contributions to our insurance subsidiaries of approximately $630 million during 2015 associated with our growth and spend approximately $120 million in additional capital expenditures primarily associated with system enhancements and market expansions. These capital contributions are expected to be funded by unregulated cash flow generation iu 2015, borrowings on our revolving credit facility and the $200 million Add-on Notes.

In July 2014, the Company completed a transaction whereby CHS assigned its contract with the Louisiana Department of Health and Hospitals under the Bayou Health Shared Savings Program to the Company's subsidiary, Louisiana Healthcare Connections (LHC). The Company may pay additional cash consideration up to $28.2 million based on membership retained by LHC in the first quarter of 2015.

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 general operations and capital expenditures for at least 12 months from the date of this filing.

CONTRACTUAL OBLIGATIONS

The following table summarizes future contractual obligations. These obligations contain estimates and are subject to revision under a number of circumstances. Our debt consists of borrowings from our senior notes, credit facility, mortgages and capital leases. The purchase obligations consist primarily of software purchases and

maintenance contracts. The contractual obligations and estimated period of payment over the next five years and beyond are as follows (in millions):

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Medical claims liability	$1,723	$1,723	$ —	$ —	$ —
Debt and interest	1,086	47	505	117	417
Redeemable Noncontrolling Interest	148	—	148	—	—
Operating lease obligations	252	45	89	56	62
Purchase obligations	57	32	18	6	1
Other long term liabilities[1]	—	—	—	—	—
Total	$3,266	$1,847	$ 760	$ 179	$ 480

[1] Our Consolidated Balance Sheet as of December 31, 2014, includes $158 million of other long term liabilities. This consists primarily of long term deferred income taxes, liabilities under our deferred compensation plan, and reserves for uncertain tax positions. These liabilities have been excluded from the table above as the timing and/or amount of any cash payment is uncertain.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

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

Our subsidiaries are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which we operate. As of December 31, 2014, our subsidiaries had aggregate statutory capital and surplus of $1,699 million, compared with the required minimum aggregate statutory capital and surplus requirements of $851 million. During the year ended December 31, 2014, we contributed $401 million of statutory capital to our subsidiaries. We estimate our Risk Based Capital, or RBC, percentage (including KSHP) to be in excess of 350% of the Authorized Control Level.

The National Association of Insurance Commissioners has adopted rules which set minimum risk-based capital requirements for insurance companies, managed care organizations and other entities bearing risk for healthcare coverage. As of December 31, 2014, each of our health plans was in compliance with the risk-based capital requirements enacted in those states.

RECENT ACCOUNTING PRONOUNCEMENTS

For this information, refer to Note 2, *Summary of Significant Accounting Policies*, in the Notes to the Consolidated Financial Statements, included herein.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with GAAP. Our significant accounting policies are more fully described in Note 2, *Summary of Significant Accounting Policies,* to our consolidated financial statements included elsewhere herein. Our accounting policies regarding medical claims liability and intangible assets are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management. As a result, they are subject to

an inherent degree of uncertainty. We have reviewed these critical accounting policies and related disclosures with the Audit Committee of our Board of Directors.

Medical Claims Liability

Our medical claims liability includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. We estimate our medical claims liability using actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. These actuarial methods consider factors such as historical data for payment patterns, cost trends, product mix, seasonality, utilization of healthcare services and other relevant factors.

Actuarial Standards of Practice generally require that the medical claims liability estimates be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. In many situations, the claims amounts ultimately settled will be different than the estimate that satisfies the Actuarial Standards of Practice. We include in our IBNR an estimate for medical claims liability under moderately adverse conditions which represents the risk of adverse deviation of the estimates in our actuarial method of reserving.

We use our judgment to determine the assumptions to be used in the calculation of the required estimates. The assumptions we consider when estimating IBNR include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza, provider contract changes, changes to fee schedules, and the incidence of high dollar or catastrophic claims.

We apply various estimation methods depending on the claim type and the period for which claims are being estimated. For more recent periods, incurred non-inpatient claims are estimated based on historical per member per month claims experience adjusted for known factors. Incurred hospital inpatient claims are estimated based on known inpatient utilization data and prior claims experience adjusted for known factors. For older periods, we utilize an estimated completion factor based on our historical experience to develop IBNR estimates. The completion factor is an actuarial estimate of the percentage of claims incurred during a given period that have been received or adjudicated as of the reporting period to the estimate of the total ultimate incurred costs. When we commence operations in a new state or region, we have limited information with which to estimate our medical claims liability. See "Risk Factors—Failure to accurately predict our medical expenses could negatively affect our financial position, results of operations or cash flows." These approaches are consistently applied to each period presented.

Additionally, we contract with independent actuaries to review our estimates on a quarterly basis. The independent actuaries provide us with a review letter that includes the results of their analysis of our medical claims liability. We do not solely rely on their report to adjust our claims liability. We utilize their calculation of our claims liability only as additional information, together with management's judgment, to determine the assumptions to be used in the calculation of our liability for claims.

Our development of the medical claims liability estimate is a continuous process which we monitor and refine on a monthly basis as additional claims receipts and payment information becomes available. As more complete claims information becomes available, we adjust the amount of the estimates, and include the changes in estimates in medical costs in the period in which the changes are identified. In every reporting period, our operating results include the effects of more completely developed medical claims liability estimates associated with previously reported periods. We consistently apply our reserving methodology from period to period. As additional information becomes known to us, we adjust our actuarial models accordingly to establish medical claims liability estimates.

The paid and received completion factors, claims per member per month and per diem cost trend factors are the most significant factors affecting the IBNR estimate. The following table illustrates the sensitivity of these

factors and the estimated potential impact on our operating results caused by changes in these factors based on December 31, 2014 data:

Completion Factors:[1]		Cost Trend Factors:[2]	
(Decrease) Increase in Factors	Increase (Decrease) in Medical Claims Liabilities	(Decrease) Increase in Factors	Increase (Decrease) in Medical Claims Liabilities
	(in millions)		(in millions)
(2.0)%	$ 182	(2.0)%	$(54)
(1.5)	135	(1.5)	(40)
(1.0)	90	(1.0)	(27)
(0.5)	45	(0.5)	(14)
0.5	(44)	0.5	14
1.0	(88)	1.0	27
1.5	(131)	1.5	41
2.0	(174)	2.0	54

[1] Reflects estimated potential changes in medical claims liability caused by changes in completion factors.
[2] Reflects estimated potential changes in medical claims liability caused by changes in cost trend factors for the most recent periods.

While we believe our estimates are appropriate, it is possible future events could require us to make significant adjustments for revisions to these estimates. For example, a 1% increase or decrease in our estimated medical claims liability would have affected net earnings by $11 million for the year ended December 31, 2014, excluding the effect of any return of premium, risk corridor, or minimum medical loss ratio programs. The estimates are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our providers and information available from other outside sources.

The change in medical claims liability is summarized as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Balance, January 1,	$ 1,112	$ 815	$ 519
Incurred related to:			
Current year	12,820	9,073	6,836
Prior years	(142)	(78)	(55)
Total incurred	12,678	8,995	6,781
Paid related to:			
Current year	11,122	7,975	6,025
Prior years	945	723	460
Total paid	12,067	8,698	6,485
Balance, December 31,	$ 1,723	$ 1,112	$ 815
Days in claims payable[1]	44.2	42.4	38.5

[1] Days in claims payable is a calculation of medical claims liability at the end of the period divided by average expense per calendar day for the fourth quarter of each year.

Medical claims are usually paid within a few months of the member receiving service from the physician or other healthcare provider. As a result, the liability generally is described as having a "short-tail," which causes less than 5% of our medical claims liability as of the end of any given year to be outstanding the following year. We believe that substantially all the development of the estimate of medical claims liability as of December 31, 2014 will be known by the end of 2015.

Changes in estimates of incurred claims for prior years are primarily attributable to reserving under moderately adverse conditions. In addition, claims processing initiatives yielded increased claim payment recoveries and coordination of benefits related to prior year dates of service. Changes in medical utilization and cost trends and the effect of medical management initiatives may also contribute to changes in medical claim liability estimates. While we have evidence that medical management initiatives are effective on a case by case basis, medical management initiatives primarily focus on events and behaviors prior to the incurrence of the medical event and generation of a claim. Accordingly, any change in behavior, leveling of care, or coordination of treatment occurs prior to claim generation and as a result, the costs prior to the medical management initiative are not known by us. Additionally, certain medical management initiatives are focused on member and provider education with the intent of inflnencing behavior to appropriately align the medical services provided with the member's acuity. In these cases, determining whether the medical management initiative changed the behavior cannot be determined. Becanse of the complexity of our business, the number of states in which we operate, and the volume of claims that we process, we are unable to practically quantify the impact of these initiatives on our changes in estimates of IBNR.

The following are examples of medical management initiatives that may have contributed to the favorable development through lower medical utilization and cost trends:

- Appropriate leveling of care for neonatal intensive care unit hospital admissions, other inpatient hospital admissions, and observation admissions, in accordance with Interqual or other criteria.
- Management of our pre-authorization list and more stringent review of durable medical equipment and injectibles.
- Emergency room program designed to collaboratively work with hospitals to steer non-emergency care away from the costly emergency room setting (through patient education, on-site alternative urgent care settings, etc.)
- Increase emphasis on case management and clinical rounding where case managers are nurses or social workers who are employed by the health plan to assist selected patients with the coordination of healthcare services in order to meet a patient's specific healthcare needs.
- Incorporation of disease management which is a comprehensive, multidisciplinary, collaborative approach to chronic illnesses such as asthma.
- Prenatal and infant health programs utilized in our *Start Smart For Your Baby* outreach service.

Goodwill and Intangible Assets

We have made several acquisitions that have resulted in our recording of intangible assets. These intangible assets primarily consist of customer relationships, purchased contract rights, provider contracts, trade names and goodwill. At December 31, 2014, we had $754 million of goodwill and $120 million of other intangible assets.

Intangible assets are amortized using the straight-line method over the following periods:

Intangible Asset	Amortization Period
Purchased contract rights	5 – 15 years
Provider contracts	4 – 15 years
Customer relationships	3 – 15 years
Trade names	7 – 20 years

Our management evaluates whether events or circumstances have occurred that may affect the estimated useful life or the recoverability of the remaining balance of goodwill and other identifiable intangible assets. If the events or circumstances indicate that the remaiuing balance of the intangible asset or goodwill may be impaired, the potential impairment will be measured based upon the difference between the carrying amount of the intangible asset or goodwill and the fair value of such asset. Our management must make assumptions and estimates, such as the discount factor, future utility and other internal and external factors, in determiniug the

estimated fair values. While we believe these assumptions and estimates are appropriate, other assumptions and estimates could be applied and might produce significantly different results.

Goodwill is reviewed annually during the fourth quarter for impairment. In addition, an impairment analysis of intangible assets would be performed based on other factors. These factors include significant changes in membership, state funding, medical contracts and provider networks and contracts.

We first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. We generally do not calculate the fair value of a reporting unit unless we determine, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. However, in certain circumstances, such as recent acquisitions, we may elect to perform a quantitative assessment without first assessing qualitative factors.

The fair value of all reporting units with material amounts of goodwill was substantially in excess of the carrying value as of our annual impairment testing date, with the exception of the U.S. Medical Management reporting unit that was acquired in the current year without excess fair value on the acquisition date. The fair value of the U.S. Medical Management reporting unit was in excess of the carrying value as of our annual impairment testing date.

ITEM 7A. ***Quantitative and Qualitative Disclosures About Market Risk.***

INVESTMENTS AND DEBT

As of December 31, 2014, we had short term investments of $177 million and long term investments of $1,380 million, including restricted deposits of $100 million. The short term investments generally consist of highly liquid securities with maturities between three and 12 months. The long term investments consist of municipal, corporate and U.S. Treasury securities, government sponsored obligations, life insurance contracts, asset backed securities and equity securities and have maturities greater than one year. Restricted deposits consist of investments required by various state statutes to be deposited or pledged to state agencies. Due to the nature of the states' requirements, these investments are classified as long term regardless of the contractual maturity date. Substantially all of our investments are subject to interest rate risk and will decrease in value if market rates increase. Assuming a hypothetical and immediate 1% increase in market interest rates at December 31, 2014, the fair value of our fixed income investments would decrease by approximately $35 million. Declines in interest rates over time will reduce our investment income.

We entered into interest rate swap agreements for a notional amount of $550 million with creditworthy financial institutions to manage the impact of market interest rates on interest expense. Our swap agreements convert a portion of our interest expense from fixed to variable rates to better match the impact of changes in market rates on our variable rate cash equivalent investments. As a result, the fair value of $550 million of our long term debt varies with market interest rates. Assuming a hypothetical and immediate 1% increase in market interest rates at December 31, 2014, the fair value of our debt would decrease by approximately $25 million. An increase in interest rates decreases the fair value of the debt and conversely, a decrease in interest rates increases the value.

For a discussion of the interest rate risk that our investments are subject to, see "Risk Factors–Risks Related to Our Business–Our investment portfolio may suffer losses from reductions in market interest rates and changes in market conditions which could materially and adversely affect our results of operations or liquidity."

INFLATION

The inflation rate for medical care costs has been higher than the inflation rate for all items. 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 our state savings initiatives and 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. Additionally, our contracts with states require actuarially sound premiums that include healthcare cost trend.

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.

Item 8. ***Financial Statements and Supplementary Data***

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Centene Corporation:

We have audited the accompanying consolidated balance sheets of Centene Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centene Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Centene Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

St. Louis, Missouri
February 23, 2015

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents of continuing operations	$ 1,546	$ 974
Cash and cash equivalents of discontinued operations	64	64
Total cash and cash equivalents	1,610	1,038
Premium and related receivables	912	429
Short term investments	177	102
Other current assets	324	217
Other current assets of discontinued operations	11	14
Total current assets	3,034	1,800
Long term investments	1,280	792
Restricted deposits	100	47
Property, software and equipment, net	445	395
Goodwill	754	348
Intangible assets, net	120	49
Other long term assets	80	60
Long term assets of discontinued operations	25	38
Total assets	$ 5,838	$ 3,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims liability	$ 1,723	$ 1,112
Accounts payable and accrued expenses	751	338
Return of premium payable	236	38
Unearned revenue	168	38
Current portion of long term debt	5	3
Current liabilities of discontinued operations	17	30
Total current liabilities	2,900	1,559
Long term debt	888	666
Other long term liabilities	158	60
Long term liabilities of discontinued operations	1	1
Total liabilities	3,947	2,286
Commitments and contingencies		
Redeemable noncontrolling interest	148	—
Stockholders' equity:		
Common stock, $.001 par value; authorized 200,000,000 shares; 124,274,864 issued and 118,433,416 outstanding at December 31, 2014, and 117,346,430 issued and 110,638,478 outstanding at December 31, 2013	—	—
Additional paid-in capital	840	594
Accumulated other comprehensive loss	(1)	(3)
Retained earnings	1,003	732
Treasury stock, at cost (5,841,448 and 6,707,952 shares, respectively)	(98)	(89)
Total Centene stockholders' equity	1,744	1,234
Noncontrolling interest	(1)	9
Total stockholders' equity	1,743	1,243
Total liabilities and stockholders' equity	$ 5,838	$ 3,529

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

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share data)

	Year Ended December 31,		
	2014	2013	2012
Revenues:			
Premium	$ 14,198	$ 10,153	$ 7,569
Service	1,469	373	113
Premium and service revenues	15,667	10,526	7,682
Premium tax and health insurer fee	893	337	428
Total revenues	16,560	10,863	8,110
Expenses:			
Medical costs	12,678	8,995	6,781
Cost of services	1,280	327	88
General and administrative expenses	1,314	931	677
Premium tax expense	698	333	428
Health insurer fee expense	126	—	—
Impairment loss	—	—	28
Total operating expenses	16,096	10,586	8,002
Earnings from operations	464	277	108
Other income (expense):			
Investment and other income	28	19	35
Interest expense	(35)	(27)	(20)
Earnings from continuing operations, before income tax expense	457	269	123
Income tax expense	196	107	47
Earnings from continuing operations, net of income tax expense	261	162	76
Discontinued operations, net of income tax expense (benefit) of $1, $2, and $(48), respectively	3	4	(87)
Net earnings (loss)	264	166	(11)
(Earnings) loss attributable to noncontrolling interests	7	(1)	13
Net earnings attributable to Centene Corporation	$ 271	$ 165	$ 2
Amounts attributable to Centene Corporation common shareholders:			
Earnings from continuing operations, net of income tax expense	$ 268	$ 161	$ 89
Discontinued operations, net of income tax expense (benefit)	3	4	(87)
Net earnings	$ 271	$ 165	$ 2
Net earnings (loss) per common share attributable to Centene Corporation:			
Basic:			
Continuing operations	$ 2.30	$ 1.49	$ 0.86
Discontinued operations	0.03	0.03	(0.84)
Basic earnings per common share	$ 2.33	$ 1.52	$ 0.02
Diluted:			
Continuing operations	$ 2.23	$ 1.43	$ 0.83
Discontinued operations	0.02	0.04	(0.81)
Diluted earnings per common share	$ 2.25	$ 1.47	$ 0.02
Weighted average number of common shares outstanding:			
Basic	116,345,764	108,253,090	103,018,732
Diluted	120,360,212	112,494,346	107,428,750

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

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(In millions)

	Year Ended December 31,		
	2014	2013	2012
Net earnings (loss)	$ 264	$ 166	$ (11)
Reclassification adjustment, net of tax	—	(1)	(2)
Change in unrealized gain (loss) on investments, net of tax	3	(7)	1
Foreign currency translation adjustments, net of tax	(1)	—	—
Other comprehensive earnings (loss)	2	(8)	(1)
Comprehensive earnings (loss)	266	158	(12)
Comprehensive (earnings) loss attributable to the noncontrolling interest	7	(1)	13
Comprehensive earnings attributable to Centene Corporation	$ 273	$ 157	$ 1

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

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except share data)

	Centene Stockholders' Equity								
	Common Stock					Treasury Stock			
	$.001 Par Value Shares	Amt	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	$.001 Par Value Shares	Amt	Non controlling Interest	Total
Balance, December 31, 2011	107,173,452	$—	$ 422	$ 6	$ 565	5,444,216	$(57)	$ 1	$ 937
Comprehensive Earnings:									
Net earnings (loss)	—	—	—	—	2	—	—	(13)	(11)
Change in unrealized investment gain, net of ($0) tax	—	—	—	(1)	—	—	—	—	(1)
Total comprehensive earnings (loss)									(12)
Common stock issued for employee benefit plans	3,504,868	—	17	—	—	—	—	—	17
Common stock repurchases	—	—	—	—	—	575,608	(13)	—	(13)
Stock compensation expense	—	—	25	—	—	—	—	—	25
Excess tax benefits from stock compensation	—	—	11	—	—	—	—	—	11
Purchase of noncontrolling interest	—	—	(24)	—	—	—	—	12	(12)
Contribution from noncontrolling interest	—	—	—	—	—	—	—	1	1
Balance, December 31, 2012	110,678,320	$—	$ 451	$ 5	$ 567	6,019,824	$(70)	$ 1	$ 954
Comprehensive Earnings:									
Net earnings	—	—	—	—	165	—	—	1	166
Change in unrealized investment gain, net of $(4) tax	—	—	—	(8)	—	—	—	—	(8)
Total comprehensive earnings									158
Common stock issued for acquisition	3,433,380	—	75	—	—	—	—	—	75
Common stock issued for stock offering	685,280	—	15	—	—	—	—	—	15
Common stock issued for employee benefit plans	2,549,450	—	10	—	—	—	—	—	10
Common stock repurchases	—	—	—	—	—	688,128	(19)	—	(19)
Stock compensation expense	—	—	37	—	—	—	—	—	37
Excess tax benefits from stock compensation	—	—	6	—	—	—	—	—	6
Contribution from noncontrolling interest	—	—	—	—	—	—	—	7	7
Balance, December 31, 2013	117,346,430	$—	$ 594	$ (3)	$ 732	6,707,952	$(89)	$ 9	$ 1,243
Comprehensive Earnings:									
Net earnings (loss)	—	—	—	—	271	—	—	(1)	270
Change in unrealized investment loss, net of $1 tax	—	—	—	3	—	—	—	—	3
Foreign currency translation, net of ($0) tax	—	—	—	(1)	—	—	—	—	(1)
Total comprehensive earnings									272
Common stock issued for acquisitions	4,486,434	—	170	—	—	(1,492,738)	20	—	190
Common stock issued for employee benefit plans	2,442,000	—	9	—	—	—	—	—	9
Common stock repurchases	—	—	—	—	—	626,234	(29)	—	(29)
Stock compensation expense	—	—	48	—	—	—	—	—	48
Excess tax benefits from stock compensation	—	—	19	—	—	—	—	—	19
Reclassification to redeemable noncontrolling interest	—	—	—	—	—	—	—	(9)	(9)
Balance, December 31, 2014	124,274,864	$—	$ 840	$ (1)	$ 1,003	5,841,448	$(98)	$ (1)	$ 1,743

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

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net earnings (loss)	$ 264	$ 166	$ (11)
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	89	67	66
Stock compensation expense	48	37	25
Impairment loss	—	—	28
Gain on sale of investment in convertible note	—	—	(18)
Deferred income taxes	(42)	(2)	(14)
Changes in assets and liabilities			
Premium and related receivables	(463)	(143)	(117)
Other current assets	(5)	(80)	(37)
Other assets	(8)	(1)	3
Medical claims liabilities	609	172	360
Unearned revenue	129	3	25
Accounts payable and accrued expenses	506	152	(22)
Other operating activities	96	11	(9)
Net cash provided by operating activities	1,223	382	279
Cash flows from investing activities:			
Capital expenditures	(103)	(68)	(82)
Purchases of investments	(1,015)	(790)	(696)
Sales and maturities of investments	406	579	590
Investments in acquisitions, net of cash acquired	(136)	(63)	—
Net cash used in investing activities	(848)	(342)	(188)
Cash flows from financing activities:			
Proceeds from exercise of stock options	8	9	16
Proceeds from borrowings	1,875	180	400
Proceeds from stock offering	—	15	—
Payment of long term debt	(1,674)	(41)	(218)
Excess tax benefits from stock compensation	19	6	11
Common stock repurchases	(29)	(19)	(13)
Contribution from noncontrolling interest	6	8	1
Purchase of noncontrolling interest	—	—	(14)
Debt issue costs	(7)	(4)	(4)
Net cash provided by financing activities	198	154	179
Effect of exchange rate changes on cash and cash equivalents	(1)	—	—
Net increase in cash and cash equivalents	572	194	270
Cash and cash equivalents, beginning of period	1,038	844	574
Cash and cash equivalents, end of period	$ 1,610	$ 1,038	$ 844
Supplemental disclosures of cash flow information:			
Interest paid	$ 40	$ 30	$ 22
Income taxes paid	$ 237	$ 85	$ 43
Equity issued in connection with acquisitions	$ 190	$ 75	$ —

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

CENTENE CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Operations

Centene Corporation, or the Company, is a diversified, multi-national healthcare enterprise operating in two segments: Managed Care and Specialty Services. The Managed Care segment provides Medicaid and Medicaid-related health plan coverage to individuals through the government subsidized programs, including Medicaid, the State Children's Health Insurance Program (CHIP), Long Term Care (LTC), Foster Care, dual-eligible individuals (Duals) in Medicare Special Needs Plans and the Supplemental Security Income Program, also known as the Aged, Blind or Disabled Program, or collectively ABD and the Health Insurance Marketplace. The Specialty Services segment consists of our specialty companies offering auxiliary healthcare services and products to state programs, healthcare organizations, employer groups and other commercial organizations, as well as to our own subsidiaries.

On February 2, 2015, the Board of Directors declared a two-for-one split of Centene's common stock in the form of a 100% stock dividend distributed February 19, 2015 to stockholders of record on February 12, 2015. All share, per share and stock price information presented in this Form 10-K has been adjusted for the two-for-one stock split.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Centene Corporation and all majority owned subsidiaries and subsidiaries over which the Company exercises the power and control to direct activities significantly impacting financial performance. All material intercompany balances and transactions have been eliminated. The assets, liabilities and results of operations of Kentucky Spirit Health Plan are classified as discontinued operations for all periods presented.

Certain amounts in the consolidated financial statements have been reclassified to conform to the 2014 presentation. These reclassifications have no effect on net earnings or stockholders' equity as previously reported.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be predicted with certainty; accordingly, the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. The Company evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluation, as considered necessary. Actual results could differ from those estimates.

Cash and Cash Equivalents

Investments with original maturities of three months or less are considered to be cash equivalents. Cash equivalents consist of money market funds and bank certificates of deposit and savings accounts.

The Company maintains amounts on deposit with various financial institutions, which may exceed federally insured limits. However, management periodically evaluates the credit-worthiness of those institutions, and the Company has not experienced any losses on such deposits.

Investments

Short term investments include securities with maturities greater than three months to one year. Long term investments include securities with maturities greater than one year.

Short term and long term investments are generally classified as available for sale and are carried at fair value. Certain equity investments are recorded using the cost or equity method. Unrealized gains and losses on investments available for sale are excluded from earnings and reported in accumulated other comprehensive income, a separate component of stockholders' equity, net of income tax effects. Premiums and discounts are amortized or accreted over the life of the related security using the effective interest method. The Company monitors the difference between the cost and fair value of investments. Investments that experience a decline in value that is judged to be other than temporary are written down to fair value and a realized loss is recorded in investment and other income. To calculate realized gains and losses on the sale of investments, the Company uses the specific amortized cost of each investment sold. Realized gains and losses are recorded in investment and other income.

The Company uses the equity method to account for certain of its investment in entities that it does not control and for which it does not have the ability to exercise significant influence over operating and financial policies. These investments are recorded at the lower of their cost or fair value adjusted for the Company's proportionate share of their undistributed earnings or losses.

Restricted Deposits

Restricted deposits consist 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. The Company is required to annually adjust the amount of the deposit pledged to certain states.

Fair Value Measurements

In the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. Fair values are disclosed for all financial instruments, whether or not such values are recognized in the Consolidated Balance Sheets. Management obtains quoted market prices and other observable inputs for these disclosures. The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, premium and related receivables, unearned revenue, accounts payable and accrued expenses, and certain other current liabilities are carried at cost, which approximates fair value because of their short term nature.

The following methods and assumptions were used to estimate the fair value of each financial instrument:

- Available for sale investments and restricted deposits: The carrying amount is stated at fair value, based on quoted market prices, where available. For securities not actively traded, fair values were estimated using values obtained from independent pricing services or quoted market prices of comparable instruments.
- Senior unsecured notes: Estimated based on third-party quoted market prices for the same or similar issues.
- Variable rate debt: The carrying amount of our floating rate debt approximates fair value since the interest rates adjust based on market rate adjustments.
- Interest rate swap: Estimated based on third-party market prices based on the forward 3-month LIBOR curve.
- Contingent consideration: Estimate based on expected membership retained at contract commencement and per member purchase price in the acquisition agreement.

Property, Software and Equipment

Property, software and equipment are stated at cost less accumulated depreciation. Capitalized software includes certain costs incurred in the development of internal-use software, including external direct costs of

materials and services and payroll costs of employees devoted to specific software development. Depreciation is calculated principally by the straight-line method over estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the shorter of the expected useful life or the remaining term of the lease. Property, software and equipment are depreciated over the following periods:

Fixed Asset	Depreciation Period
Buildings and land improvements	3 – 40 years
Computer hardware and software	2 – 7 years
Furniture and equipment	3 – 10 years
Leasehold improvements	1 – 20 years

The carrying amounts of all long-lived assets are evaluated to determine if adjustment to the depreciation and amortization period or to the unamortized balance is warranted. Such evaluation is based principally on the expected utilization of the long-lived assets.

The Company retains fully depreciated assets in property and accumulated depreciation accounts until it removes them from service. In the case of sale, retirement, or disposal, the asset cost and related accumulated depreciation balance is removed from the respective account, and the resulting net amount, less any proceeds, is included as a component of earnings from operations in the consolidated statements of operations.

Goodwill and Intangible Assets

Intangible assets represent assets acquired in purchase transactions and consist primarily of customer relationships, purchased contract rights, provider contracts, trade names and goodwill. Intangible assets are amortized using the straight-line method over the following periods:

Intangible Asset	Amortization Period
Purchased contract rights	5 – 15 years
Provider contracts	4 – 15 years
Customer relationships	3 – 15 years
Trade names	7 – 20 years

The Company tests for impairment of intangible assets as well as long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset or asset group (hereinafter referred to as "asset group") may not be recoverable by comparing the sum of the estimated undiscounted future cash flows expected to result from use of the asset group and its eventual disposition to the carrying value. Such factors include, but are not limited to, significant changes in membership, state funding, state contracts and provider networks and contracts. If the sum of the estimated undiscounted future cash flows is less than the carrying value, an impairment determination is required. The amount of impairment is calculated by subtracting the fair value of the asset group from the carrying value of the asset group. An impairment charge, if any, is recognized within earnings from operations.

The Company tests goodwill for impairment using a fair value approach. The Company is required to test for impairment at least annually, absent a triggering event including a significant decline in operating performance that would require an impairment assessment. Absent any impairment indicators, the Company performs its goodwill impairment testing during the fourth quarter of each year. The Company recognizes an impairment charge for any amount by which the carrying amount of goodwill exceeds its implied fair value.

The Company first assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The Company generally does not calculate the fair value of a reporting unit unless it determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. However, in certain circumstances, such as recent acquisitions, the Company may elect to perform a quantitative assessment without first assessing qualitative factors.

If the two-step quantitative test is deemed necessary, the Company determines an appropriate valuation technique to estimate a reporting unit's fair value as of the testing date. The Company utilizes either the income approach or the market approach, whichever is most appropriate for the respective reporting unit. The income approach is based on an internally developed discounted cash flow model that includes many assumptions related to future growth rates, discount factors, future tax rates, etc. The market approach is based on financial multiples of comparable companies derived from current market data. Changes in economic and operating conditions impacting assumptions used in our analyses could result in goodwill impairment in future periods.

Medical Claims Liability

Medical claims liability includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. The Company estimates its medical claims liability using actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. These actuarial methods consider factors such as historical data for payment patterns, cost trends, product mix, seasonality, utilization of healthcare services and other relevant factors.

Actuarial Standards of Practice generally require that the medical claims liability estimates be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. In many situations, the claims amounts ultimately settled will be different than the estimate that satisfies the Actuarial Standards of Practice. The Company includes in its IBNR an estimate for medical claims liability under moderately adverse conditions which represents the risk of adverse deviation of the estimates in its actuarial method of reserving.

The Company uses its judgment to determine the assumptions to be used in the calculation of the required estimates. The assumptions it considers when estimating IBNR include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza, provider contract changes, changes to fee schedules, and the incidence of high dollar or catastrophic claims.

The Company's development of the medical claims liability estimate is a continuous process which it monitors and refines on a monthly basis as additional claims receipts and payment information becomes available. As more complete claims information becomes available, the Company adjusts the amount of the estimates, and includes the changes in estimates in medical costs in the period in which the changes are identified. In every reporting period, the operating results include the effects of more completely developed medical claims liability estimates associated with previously reported periods. The Company consistently applies its reserving methodology from period to period. As additional information becomes known, it adjusts the actuarial model accordingly to establish medical claims liability estimates.

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish medical costs. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be sufficient to cover the present value of future benefits, settlement and maintenance costs.

Revenue Recognition

The Company's health plans generate revenues primarily from premiums received from the states in which it operates health plans. The Company receives a fixed premium per member per month pursuant to its state contracts. The Company generally receives premium payments during the month it provides services and recognizes premium revenue during the period in which it is obligated to provide services to its members. In some instances, the Company's base premiums are subject to an adjustment, or risk score, based on the acuity of its membership. Generally, the risk score is determined by the State analyzing submissions of processed claims data to determine the acuity of the Company's membership relative to the entire state's Medicaid membership.

Some states enact premium taxes, similar assessments and provider pass-through payments, collectively premium taxes, and these taxes are recorded as a separate component of both revenues and operating expenses. Some contracts allow for additional premiums related to certain supplemental services provided such as maternity deliveries.

Revenues are recorded based on membership and eligibility data provided by the states, which is adjusted on a monthly basis by the states for retroactive additions or deletions to membership data. These eligibility adjustments are estimated monthly and subsequent adjustments are made in the period known. We continuously review and update those estimates as new information becomes available. It is possible that new information could require us to make additional adjustments, which could be significant, to these estimates.

The Company's specialty companies generate revenues under contracts with state programs, individuals, healthcare organizations and other commercial organizations, as well as from the Company's own subsidiaries. Revenues are recognized when the related services are provided or as ratably earned over the covered period of service.

Health Insurance Marketplace

The Affordable Care Act (ACA) established risk spreading premium stabilization programs effective January 1, 2014 for the Health Insurance Marketplace product. These programs, commonly referred to as the "three Rs," include a permanent risk adjustment program, a transitional reinsurance program, and a temporary risk corridor program. The Company's accounting policies for the programs are as follows:

Risk Adjustment

The permanent risk adjustment program established by the ACA transfers funds from qualified individual and small group insurance plans with below average risk scores to those plans with above average risk scores within each state. The Company estimates the receivable or payable under the risk adjustment program based on its estimated risk score compared to the state average risk score. The Company may record a receivable or payable as an adjustment to Premium revenue to reflect the year to date impact of the risk adjustment based on its best estimate. The Company expects to refine its estimate as new information becomes available. As of December 31, 2014, the Company recorded a payable of $44 million associated with risk adjustment.

Reinsurance

The ACA established a transitional three-year reinsurance program whereby the Company's claims costs incurred for qualified members will be reimbursed when they exceed a specific threshold ($45,000 with 80% coinsurance). When qualified member claims costs exceed the threshold, the Company is entitled to certain reimbursements from this program. The Company accounts for reinsurance recoveries as a reduction of Medical Costs based on each individual case that exceeds the reinsurance threshold established by the program. As of December 31, 2014, the Company recorded a receivable of $11 million associated with reinsurance.

Risk Corridor

The temporary, three-year risk corridor program established by the ACA applies to qualified individual and small group health plans operating both inside and outside of the Health Insurance Marketplace. The risk corridor program limits the Company's gains and losses in the Health Insurance Marketplace by comparing certain medical and administrative costs to a target amount and sharing the risk for allowable costs with the federal government. Allowable medical costs are adjusted for risk adjustment settlements, transitional reinsurance recoveries, and cost sharing reductions received from the federal government. The Company records a risk corridor receivable or payable as an adjustment to Premium Revenue on a year to date basis based on where its estimated annual costs fall within the risk corridor range. As of December 31, 2014, the Company recorded a payable of $9 million associated with risk corridor.

Minimum Medical Loss Ratio

Additionally, the ACA established a minimum annual medical loss ratio for the Health Insurance Marketplace. Each of the three R programs described above are taken into consideration to determine if the

Company's estimated annual medical costs are less than the minimum loss ratio and require an adjustment to Premium revenue to meet the minimum medical loss ratio. As of December 31, 2014, the Company recorded a payable of $6 million associated with minimum medical loss ratio.

Premium and Related Receivables and Unearned Revenue

Premium and service revenues collected in advance are recorded as unearned revenue. For performance-based contracts the Company does not recognize revenue subject to refund until data is sufficient to measure performance. Premiums and service revenues due to the Company are recorded as premium and related receivables and are recorded net of an allowance based on historical trends and management's judgment on the collectibility of these accounts. As the Company generally receives payments during the month in which services are provided, the allowance is typically not significant in comparison to total revenues and does not have a material impact on the presentation of the financial condition or results of operations. Activity in the allowance for uncollectible accounts for the years ended December 31, is summarized below ($ in millions):

	2014	2013	2012
Allowances, beginning of year	$ 1	$ 1	$ 1
Amounts charged to expense	8	3	1
Write-offs of uncollectible receivables	(4)	(3)	(1)
Allowances, end of year	$ 5	$ 1	$ 1

Significant Customers

Centene receives the majority of its revenues under contracts or subcontracts with state Medicaid managed care programs. The current contracts expire on various dates between January 31, 2015 and June 30, 2019. States where the aggregate annual contract value exceeded 10% of total annual revenues included Texas, where the percentage of the Company's total revenue was 25%, 37% and 40% for the years ended December 31, 2014, 2013, and 2012, respectively, and Florida where the percentage of the Company's total revenue was 14% for the year ended December 31, 2014.

Other Income (Expense)

Other income (expense) consists principally of investment income, interest expense and equity method earnings from investments. Investment income is derived from the Company's cash, cash equivalents, restricted deposits and investments. Interest expense relates to borrowings under the senior notes, interest rate swap, credit facilities, interest on capital leases and credit facility fees.

Income Taxes

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax law or tax rates is recognized in income in the period that includes the enactment date.

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. In determining if a deductible temporary difference or net operating loss can be realized, the Company considers future reversals of existing taxable temporary differences, future taxable income, taxable income in prior carryback periods and tax planning strategies.

Contingencies

The Company accrues for loss contingencies associated with outstanding litigation, claims and assessments for which it has determined it is probable that a loss contingency exists and the amount of loss can be reasonably

estimated. The Company expenses professional fees associated with litigation claims and assessments as incurred.

Stock Based Compensation

The fair value of the Company's employee share options and similar instruments are estimated using the Black-Scholes option-pricing model. That cost is recognized over the period during which an employee is required to provide service in exchange for the award. Excess tax benefits related to stock compensation are presented as a cash inflow from financing activities.

Foreign Currency Translation

The Company is exposed to foreign currency exchange risk through its equity method investment in Ribera Salud S.A. (Ribera Salud), a Spanish health management group whose functional currency is the Euro. The assets and liabilities of the Company's investment are translated into United States dollars at the balance sheet date. The Company translates its proportionate share of earnings using average rates during the year. The resulting foreign currency translation adjustments are recorded as a separate component of accumulated other comprehensive income.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09 "Revenue from Contracts with Customers." ASU 2014-09 will supersede existing revenue recognition standards with a single model unless those contracts are within the scope of other standards (e.g., an insurance entity's insurance contracts). Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 will become effective for annual and interim reporting periods beginning after December 15, 2016. The Company is currently evaluating the effect of the new revenue recognition guidance.

In April 2014, the FASB issued ASU 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 raises the threshold for reporting discontinued operations to a strategic business shift having a major effect on an entity's operations and financial results. The updates also added disclosures for disposals of business units qualifying for discontinued presentation, and for some dispositions that do not qualify as discontinued operations but are still considered individually significant components of the entity. ASU 2014-08 is effective prospectively for all disposals (except disposals classified as held for sale before the adoption date) or components initially classified as held for sale in periods beginning on or after December 15, 2014. Early adoption is permitted.

The Company has determined that there are no other recently issued accounting pronouncements that will have a material impact on its consolidated financial position, results of operations and cash flows.

3. Acquisitions and Noncontrolling Interest

Acquisitions

AcariaHealth. In April 2013, the Company acquired 100% of AcariaHealth, a specialty pharmacy company, for $142 million in total consideration. The transaction consideration was financed through a combination of $75 million of Centene common stock and $67 million of cash. The Company also sold 685,280 shares of common stock for $15 million related to funding the escrow account for the acquisition. The Company's allocation of fair value resulted in goodwill of $92 million and other identifiable intangible assets of $35 million. The goodwill is not deductible for income tax purposes. The acquisition is recorded in the Specialty Services segment.

Community Health Solutions of America, Inc. In July 2014, the Company completed a transaction whereby Community Health Solutions of America, Inc. assigned its contract with the Louisiana Department of Health and Hospitals under the Bayou Health Shared Savings Program to the Company's subsidiary, Louisiana Healthcare Connections (LHC).

The fair value of consideration of $134 million consists of the following: cash consideration of $56 million; Centene common stock (1,492,738 shares) issued at closing of $58 million, and; the present value of the estimated contingent consideration subject to membership retained by LHC in the first quarter of 2015 of $20 million. The estimated contingent consideration is a Level III fair value measurement. The contingent consideration will not exceed $28 million.

The Company's allocation of fair value resulted in goodwill of $125 million and other identifiable intangible assets of $9 million. Approximately 100% of the goodwill is deductible for income tax purposes. The acquisition is recorded in the Managed Care segment.

Ribera Salud, S.A. In July 2014, the Company purchased a noncontrolling interest in Ribera Salud S.A. (Ribera Salud), a Spanish health management group for $17 million. Centene is a 50% joint shareholder with Ribera Salud's remaining investor, Banco Sabadell S.A. The Company is accounting for its investment using the equity method of accounting. Any basis difference between the Company's share of underlying net assets and the purchase price will be attributable to certain intangible assets and will be accreted into earnings over their useful lives.

Upon closing, the Company executed letters of credit for $58 million (valued at the December 31, 2014 conversion rate), or €48 million, representing its proportional share of the letters of credit issued to support Ribera Salud's outstanding debt.

U.S. Medical Management. In January 2014, the Company acquired 68% of U.S. Medical Management, LLC (USMM), a management services organization and provider of in-home health services for high acuity populations, for $213 million in total consideration. The transaction consideration consisted of $133 million of Centene common stock and $80 million of cash.

The total fair value of 100% of USMM on the date of acquisition was $352 million ($213 million for the Company's interest and $139 million for the redeemable noncontrolling interest). The Company's allocation of fair value resulted in goodwill of $280 million and other identifiable intangible assets of $78 million. Approximately 45% of the goodwill is deductible for income tax purposes. The acquisition is recorded in the Specialty Services segment.

In connection with the acquisition, the Company entered into call and put agreements with the noncontrolling interest holder to purchase the noncontrolling interest at a later date. Under these agreements, the Company may purchase or be required to purchase up to the total remaining interests in USMM over a period beginning in 2015 and continuing through 2017. Under certain circumstances, the agreements may be extended through 2020. At the Company's sole option, up to 50% of the consideration to be issued for the purchase of the additional interests under these agreements may be funded with shares of the Company's common stock.

Noncontrolling Interest

The Company has consolidated subsidiaries where it maintains less than 100% ownership. The Company's ownership interest for each subsidiary as of December 31, are as follows:

	2014	2013	2012
Centurion	51%	51%	51%
Home State Health Plan	95%	95%	95%
U.S. Medical Management	68%	—	—

Net income attributable to Centene Corporation and transfers from (to) noncontrolling interest entities are as follows ($ in millions):

	Year Ended December 31,		
	2014	2013	2012
Net earnings attributable to Centene Corporation	$268	$161	$ 89
Transfers from (to) the noncontrolling interest:			
Decrease in equity for purchase of, distribution to and redemption of noncontrolling interest	—	—	(12)
Increase in equity for distributions from and consolidation of noncontrolling interest	—	7	1
Reclassification to redeemable noncontrolling interest	(9)	—	—
Net transfers from (to) noncontrolling interest	(9)	7	(11)
Changes from net earnings attributable to Centene Corporation and net transfers from (to) the noncontrolling interest	$259	$168	$ 78

Ownership changes are described in more detail below.

Home State Health Plan. In July 2012, the Company began operations as a 95% joint venture partner, operating under a new contract with the Office of Administration for Missouri to serve Medicaid beneficiaries iu the Eastern, Central, and Western Managed Care Regions of the state. The operating results of Home State Health Plan are included in the Company's Managed Care segment.

Louisiana Healthcare Connections. In February 2012, the Company began operations under a new contract in Louisiana through a joint venture subsidiary, Louisiana Healthcare Connections. The Company initially owned a 51% interest in the subsidiary and in October 2012, acquired the remaining noncontrolling interest for $10 million. The purchase price in excess of the noncontrolling interest was recorded to additional paid in capital. The operating results of Louisiana Healthcare Connections are included in the Company's Managed Care segment.

Redeemable Noncontrolling Interest

As a result of put option agreements, noncontrolling interest is considered redeemable and is classified in the Redeemable Noncontrolling Interest section of the consolidated balance sheets. Noncontrolling interest is initially measured at fair value using the binomial lattice model as of the acquisition date. The Company has elected to accrete changes in the redemption value through additional paid-in capital over the period from the date of issuance to the earliest redemption date following the effective interest method.

A reconciliation of the changes in the Redeemable Noncontrolling Interest is as follows ($ in millions):

Balance, December 31, 2013	$ —
Fair value of noncontrolling interest at acquisition	139
Contribution from noncontrolling interest	6
Reclassification to redeemable noncontrolling interest	9
Net losses attributable to noncontrolling interest	(6)
Balance, December 31, 2014	$148

Pro forma disclosures related to the acquisitions have been excluded as immaterial.

4. Discontinued Operations: Kentucky Spirit Health Plan

In October 2012, the Company notified the Kentucky Cabinet for Health and Family Services (Cabinet) that it was exercising a contractual right that it believes allowed the Company to terminate its Medicaid managed care contract with the Commonwealth of Kentucky (Commonwealth) effective July 5, 2013. As of July 6, 2013, our subsidiary, Kentucky Spirit Health Plan (KSHP), ceased serving Medicaid members in Kentucky. Refer to Note 17, *Contingencies*, in the Notes to the Consolidated Financial Statements for further information regarding litigation between the Company and the Cabinet.

Accordingly, the results of operations of KSHP are presented as discontinued operations for all periods presented. The assets, liabilities and results of operations of KSHP are classified as discontinued operations for all periods presented beginning in 2011. KSHP was previously reported in the Managed Care segment.

During the year ended December 31, 2014, the Company received $8 million of dividends from KSHP. KSHP had remaining statutory capital of approximately $80 million at December 31, 2014, which, subject to future dividends, will be transferred to unregulated cash upon regulatory approval.

Operating results for the discontinued operations are as follows ($ in millions):

	Year Ended December 31,		
	2014	2013	2012
Revenues	$ —	$ 248	$ 557
Earnings (loss) before income taxes	$ 4	$ 6	$ (134)
Net earnings (loss)	$ 3	$ 4	$ (87)

Assets and liabilities of the discontinued operations are as follows ($ in millions):

	December 31, 2014	December 31, 2013
Current assets	$ 75	$ 78
Long term investments and restricted deposits	25	38
Other assets	—	—
Assets of discontinued operations	$ 100	$ 116
Medical claims liability	$ 10	$ 27
Accounts payable and accrued expenses	7	3
Other liabilities	1	1
Liabilities of discontinued operations	$ 18	$ 31

5. Short term and Long term Investments, Restricted Deposits

Short term and long term investments and restricted deposits by investment type consist of the following ($ in millions):

	December 31, 2014				December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 393	$ 1	$ (2)	$ 392	$246	$—	$ (7)	$239
Corporate securities	556	2	(2)	556	294	3	(1)	296
Restricted certificates of deposit	6	—	—	6	6	—	—	6
Restricted cash equivalents	79	—	—	79	27	—	—	27
Municipal securities:								
General obligation	54	—	—	54	54	—	—	54
Pre-refunded	5	—	—	5	11	—	—	11
Revenue	101	1	—	102	69	—	—	69
Variable rate demand notes	14	—	—	14	29	—	—	29
Asset backed securities	180	—	—	180	139	—	—	139
Mortgage backed securities	84	1	—	85	34	—	—	34
Cost and equity method investments	68	—	—	68	22	—	—	22
Life insurance contracts	16	—	—	16	15	—	—	15
Total	$1,556	$ 5	$ (4)	$1,557	$946	$ 3	$ (8)	$941

The Company's investments are classified as available-for-sale with the exception of life insurance contracts and certain cost and equity method investments. The Company's investment policies are designed to provide liquidity, preserve capital and maximize total return on invested assets with the focus on high credit quality securities. The Company limits the size of investment in any single issuer other than U.S. treasury securities and obligations of U.S. government corporations and agencies. The Company's mortgage backed securities are issued by the Federal National Mortgage Association and carry guarantees by the U.S. government. As of December 31, 2014, 50% of the Company's investments in securities recorded at fair value that carry a rating by S&P or Moody's were rated AAA/Aaa, 62% were rated AA-/Aa3 or higher, and 90% were rated A-/A3 or higher. At December 31, 2014, the Company held certificates of deposit, life insurance contracts and cost and equity method investments which did not carry a credit rating.

The fair value of available-for-sale investments with gross unrealized losses by investment type and length of time that individual securities have been in a continuous unrealized loss position were as follows ($ in millions):

	December 31, 2014				December 31, 2013			
	Less Than 12 Months		12 Months or More		Less Than 12 Months		12 Months or More	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$—	$ 72	$ (2)	$180	$ (7)	$172	$ (1)	$27
Corporate securities	(2)	311	—	1	—	53	—	5
Municipal securities:								
General obligation	—	4	—	3	—	4	—	2
Revenue	—	16	—	3	—	28	—	—
Pre-refunded	—	—	—	1	—	—	—	—
Asset backed securities	—	70	—	10	—	38	—	—
Mortgage backed securities	—	18	—	—	—	34	—	—
Total	$ (2)	$491	$ (2)	$198	$ (7)	$329	$ (1)	$34

As of December 31, 2014, the gross unrealized losses were generated from 116 positions out of a total of 341 positions. The change in fair value of fixed income securities is a result of movement in interest rates subsequent to the purchase of the security.

For each security in an unrealized loss position, the Company assesses whether it intends to sell the security or if it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If the security meets this criterion, the decline in fair value is other-than-temporary and is recorded in earnings. The Company does not intend to sell these securities prior to maturity and it is not likely that the Company will be required to sell these securities prior to maturity; therefore, there is no indication of other than temporary impairment for these securities.

During the year ended December 31, 2014, the company recognized $6 million of income from equity method investments.

The contractual maturities of short term and long term investments and restricted deposits are as follows ($ in millions):

	December 31, 2014				December 31, 2013			
	Investments		Restricted Deposits		Investments		Restricted Deposits	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 176	$ 177	$ 92	$ 92	$102	$102	$41	$41
One year through five years	1,121	1,121	8	8	610	611	6	6
Five years through ten years	121	120	—	—	157	151	—	—
Greater than ten years	38	39	—	—	30	30	—	—
Total	$1,456	$1,457	$100	$100	$899	$894	$47	$47

Actual maturities may differ from contractual maturities due to call or prepayment options. Asset backed and mortgage backed securities are included in the one year through five years category, while cost and equity method investments and life insurance contracts are included in the five years through ten years category. The Company has an option to redeem at amortized cost substantially all of the securities included in the greater than ten years category listed above.

The Company continuously monitors investments for other-than-temporary impairment. Certain investments have experienced a decline in fair value due to changes in credit quality, market interest rates and/or general economic conditions. The Company recognizes an impairment loss for cost and equity method investments when evidence demonstrates that it is other-than-temporarily impaired. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment.

6. Fair Value Measurements

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon observable or unobservable inputs used to estimate the fair value. Level inputs are as follows:

Level Input:	Input Definition:
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following table summarizes fair value measurements by level at December 31, 2014, for assets and liabilities measured at fair value on a recurring basis ($ in millions):

	Level I	Level II	Level III	Total
Assets				
Cash and cash equivalents	$1,546	$ —	$—	$1,546
Investments available for sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 360	$ 17	$—	$ 377
Corporate securities	—	556	—	556
Municipal securities:				
General obligation	—	54	—	54
Pre-refunded	—	5	—	5
Revenue	—	102	—	102
Variable rate demand notes	—	14	—	14
Asset backed securities	—	180	—	180
Mortgage backed securities	—	85	—	85
Total investments	$ 360	$1,013	$—	$1,373
Restricted deposits available for sale:				
Cash and cash equivalents	$ 79	$ —	$—	$ 79
Certificates of deposit	6	—	—	6
U.S. Treasury securities and obligations of U.S. government corporations and agencies	15	—	—	15
Total restricted deposits	$ 100	$ —	$—	$ 100
Other long term assets:				
Interest rate swap agreements	$ —	$ 11	$—	$ 11
Total assets at fair value	$2,006	$1,024	$—	$3,030

The following table summarizes fair value measurements by level at December 31, 2013, for assets and liabilities measured at fair value on a recurring basis ($ in millions):

	Level I	Level II	Level III	Total
Assets				
Cash and cash equivalents	$ 974	$ —	$—	$ 974
Investments available for sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 213	$ 12	$—	$ 225
Corporate securities	—	296	—	296
Municipal securities:				
General obligation	—	54	—	54
Pre-refunded	—	11	—	11
Revenue	—	69	—	69
Variable rate demand notes	—	29	—	29
Asset backed securities	—	139	—	139
Mortgage backed securities	—	34	—	34
Total investments	$ 213	$644	$—	$ 857
Restricted deposits available for sale:				
Cash and cash equivalents	$ 27	$ —	$—	$ 27
Certificates of deposit	6	—	—	6
U.S. Treasury securities and obligations of U.S. government corporations and agencies	14	—	—	14
Total restricted deposits	$ 47	$ —	$—	$ 47
Other long term assets:				
Interest rate swap agreements	$ —	$ 10	$—	$ 10
Total assets at fair value	$1,234	$654	$—	$1,888

The Company periodically transfers U.S. Treasury securities and obligations of U.S. government corporations and agencies between Level I and Level II fair value measurements dependent upon the level of trading activity for the specific securities at the measurement date. The Company's policy regarding the timing of transfers between Level I and Level II is to measure and record the transfers at the end of the reporting period. At December 31, 2014, there were $14 million of transfers from Level I to Level II and $1 million of transfers from Level II to Level I. The Company utilizes matrix pricing services to estimate fair value for securities which are not actively traded on the measurement date. The Company designates these securities as Level II fair value measurements. The aggregate carrying amount of the Company's life insurance contracts and other non-majority owned investments, which approximates fair value, was $84 million and $37 million as of December 31, 2014 and December 31, 2013, respectively.

7. Property, Software and Equipment

Property, software and equipment consist of the following as of December 31 ($ in millions):

	2014	2013
Computer software	$ 198	$ 185
Building	208	206
Land	87	69
Computer hardware	88	69
Furniture and office equipment	70	53
Leasehold improvements	82	57
	733	639
Less accumulated depreciation	(288)	(244)
Property, software and equipment, net	$ 445	$ 395

As of December 31, 2014 and 2013, the Company had assets acquired under capital leases included above of $7 million and $6 million, net of accumulated amortization of $3 million and $2 million, respectively. Amortization on assets under capital leases charged to expense is included in depreciation expense. Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was $65 million, $52 million and $49 million, respectively.

8. Goodwill and Intangible Assets

The following table summarizes the changes in goodwill by operating segment ($ in millions):

	Managed Care	Specialty Services	Total
Balance as of December 31, 2012	$151	$105	$256
Acquisition	—	92	92
Balance as of December 31, 2013	151	197	348
Acquisition	125	281	406
Balance as of December 31, 2014	$276	$478	$754

Goodwill acquisitions were related to the acquisitions and finalization of fair value allocations discussed in Note 3, *Acquisitions and Noncontrolling Interest*. During 2012, an impairment analysis of our subsidiary, Celtic Insurance Company, resulted in goodwill and intangible asset impairments of $28 million. The impaired identifiable intangible assets of $2 million and goodwill of $26 million were reported under the Specialty Services segment; $27 million of the impairment loss was not deductible for income tax purposes.

Intangible assets at December 31, consist of the following ($ in millions):

			Weighted Average Life in Years	
	2014	2013	2014	2013
Purchased contract rights	$ 28	$ 22	7.5	7.5
Provider contracts	103	36	11.1	13.2
Customer relationships	15	13	7.1	8.0
Trade names	17	9	13.1	18.9
Intangible assets	163	80	10.3	11.1
Less accumulated amortization:				
Purchased contract rights	(14)	(14)		
Provider contracts	(14)	(4)		
Customer relationships	(12)	(11)		
Trade names	(3)	(2)		
Total accumulated amortization	(43)	(31)		
Intangible assets, net	$120	$ 49		

Amortization expense was $16 million, $6 million and $5 million for the years ended December 31, 2014, 2013 and 2012, respectively. Estimated total amortization expense related to intangible assets for each of the five succeeding fiscal years is as follows ($ in millions):

Year	Expense
2015	$16
2016	16
2017	13
2018	11
2019	11

9. Medical Claims Liability

The change in medical claims liability is summarized as follows ($ in millions):

	Year Ended December 31,		
	2014	2013	2012
Balance, January 1,	$ 1,112	$ 815	$ 519
Incurred related to:			
Current year	12,820	9,073	6,836
Prior years	(142)	(78)	(55)
Total incurred	12,678	8,995	6,781
Paid related to:			
Current year	11,122	7,975	6,025
Prior years	945	723	460
Total paid	12,067	8,698	6,485
Balance, December 31,	$ 1,723	$1,112	$ 815

Changes in estimates of incurred claims for prior years are primarily attributable to reserving under moderately adverse conditions. In addition, claims processing initiatives yielded increased claim payment recoveries and coordination of benefits related to prior year dates of service. Changes in medical utilization and cost trends and the effect of medical management initiatives may also contribute to changes in medical claim

liability estimates. While the Company has evidence that medical management initiatives are effective on a case by case basis, medical management initiatives primarily focus on events and behaviors prior to the incurrence of the medical event and generation of a claim. Accordingly, any change in behavior, leveling of care, or coordination of treatment occurs prior to claim generation and as a result, the costs prior to the medical management initiative are not known by the Company. Additionally, certain medical management initiatives are focused on member and provider education with the intent of influencing behavior to appropriately align the medical services provided with the member's acuity. In these cases, determining whether the medical management initiative changed the behavior cannot be determined. Because of the complexity of its business, the number of states in which it operates, and the volume of claims that it processes, the Company is unable to practically quantify the impact of these initiatives on its changes in estimates of IBNR.

The Company had reinsurance recoverables related to medical claims liability of $22 million and $10 million at December 31, 2014 and 2013, respectively, included in premium and related receivables.

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish medical costs. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be sufficient to cover the present value of future benefits, settlement and maintenance costs.

10. Debt

Debt consists of the following ($ in millions):

	December 31, 2014	December 31, 2013
$425 million 5.75% Senior notes, due June 1, 2017	$429	$431
$300 million 4.75% Senior notes, due May 15, 2022	300	—
Fair value of interest rate swap agreements	11	10
Senior notes	740	441
Revolving credit agreement	75	150
Mortgage notes payable	70	73
Capital leases	8	5
Total debt	893	669
Less current portion	(5)	(3)
Long term debt	$888	$666

Senior Notes

In April 2014, the Company issued $300 million of 4.75% Senior Notes due May 15, 2022 ($300 Million Notes) at par. In connection with the April 2014 issuance, the Company entered into interest rate swap agreements for a notioual amount of $300 million. Gains and losses due to changes in the fair value of the interest rate swap agreements completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $300 Million Notes.

The indentures governing both the $425 million and the $300 million notes contain non-financial and financial covenants, including requirements of a minimum fixed charge coverage ratio.

Interest Rate Swaps

The Company uses interest rate swap agreements to convert a portion of its interest rate exposure from fixed rates to floating rates to more closely align interest expense with interest income received on its cash equivalent and variable rate iuvestment balances. The Company has $550 million of notional amount of interest rate swap agreements consisting of $250 million which are scheduled to expire on June 1, 2017 and $300 million that are

scheduled to expire May 15, 2022. Under the Swap Agreements, the Company receives a fixed rate of interest and pays an average variable rate of the three month LIBOR plus 2.83% adjusted quarterly. At December 31, 2014, the weighted average rate was 3.06%.

The Swap Agreements are formally designated and qualify as fair value hedges and are recorded at fair value in the Consolidated Balance Sheet in other assets or other liabilities. Gains and losses due to changes in fair value of the interest rate swap agreements completely offset changes in the fair value of the hedged portion of the underlying debt. Therefore, no gain or loss has been recognized due to hedge ineffectiveness. Offsetting changes in fair value of both the interest rate swaps and the hedged portion of the underlying debt both were recognized in interest expense in the Consolidated Statement of Operations. The Company does not hold or issue any derivative instrument for trading or speculative purposes.

The fair values of the Swap Agreements as of December 31, 2014 were assets of approximately $11 million and are included in other long term assets in the Consolidated Balance Sheet. The fair value of the Swap Agreements excludes accrued interest and takes into consideration current interest rates and current likelihood of the swap counterparties' compliance with its contractual obligations.

Revolving Credit Agreement

In May 2013, the Company entered into an unsecured $500 million revolving credit facility. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. The agreement has a maturity date of June 1, 2018, provided it will mature 90 days prior to the maturity date of the Company's 5.75% Senior Notes due 2017 if such notes are not refinanced (or extended), certain financial conditions are not met, or the Company does not carry $100 million of unrestricted cash. As of December 31, 2014, the Company had $75 million of borrowings outstanding under the agreement with a weighted average interest rate of 1.91%.

The agreement contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios, maximum debt-to-EBITDA ratios and minimum tangible net worth. The Company is required to not exceed a maximum debt-to-EBITDA ratio of 3.0 to 1.0. As of December 31, 2014, there were no limitations on the availability under the revolving credit agreement as a result of the debt-to-EBITDA ratio.

Mortgage Notes Payable

The Company has a non-recourse mortgage note of $70 million at December 31, 2014 collateralized by its corporate headquarters building. The mortgage note is due January 1, 2021 and bears a 5.14% interest rate. The collateralized property had a net book value of $159 million at December 31, 2014.

Letters of Credit & Surety Bonds

The Company had outstanding letters of credit of $30 million as of December 31, 2014, which were not part of the revolving credit facility. As discussed in Note 3 *Acquisitions and Noncontrolling Interest*, the Company also had letters of credit for $58 million (valued at December 31, 2014 conversion rate), or €48 million, representing its proportional share of the letters of credit issued to support Ribera Salud's outstanding debt which are a part of the revolving credit facility. Collectively, the letters of credit bore interest at 1.73% as of December 31, 2014. The Company had outstanding surety bonds of $142 million as of December 31, 2014.

Aggregate maturities for the Company's debt are as follows ($ in millions):

2015	$ 5
2016	4
2017	429
2018	79
2019	4
Thereafter	357
Total	$878

The fair value of outstanding debt was approximately $901 million and $673 million at December 31, 2014 and 2013, respectively.

11. Stockholders' Equity

The Company has 10,000,000 authorized shares of preferred stock at $.001 par value. At December 31, 2014, there were no preferred shares outstanding.

The Company's Board of Directors has authorized a stock repurchase program for up to 8,000,000 shares of the Company's common stock from time to time on the open market or through privately negotiated transactions. No duration has been placed on the repurchase program. The Company has 3,335,448 available shares remaining under the program for repurchases as of December 31, 2014. The Company reserves the right to discontinue the repurchase program at any time. During the year ended December 31, 2014, the Company did not repurchase any shares through this publicly announced program.

As a component of the employee stock compensation plan, employees can use shares of stock which have vested to satisfy minimum statutory tax withholding obligations. As part of this plan, the Company repurchased 626,234 shares at an aggregate cost of $29 million in 2014 and 688,128 shares at an aggregate cost of $19 million in 2013. These shares are included in the Company's treasury stock.

In January 2014, the Company completed the acquisition of 68% of USMM and as a result, issued 4,486,434 shares of Centene common stock to the selling stockholders. Additionally, in July 2014, the Company completed a transaction whereby CHS assigned its contract with the Louisiana Department of Health and Hospitals to Centene's wholly owned subsidiary, LHC. The closing resulted in the issuance of 1,492,738 shares of Centene common stock.

In April 2013, the Company completed the acquisition of AcariaHealth and as a result, issued 3,433,380 shares of Centene common stock to the selling stockholders. Additionally, the Company filed an equity shelf registration statement related to funding the escrow account for the acquisition and sold 685,280 shares of Centene common stock for $15 million.

12. Statutory Capital Requirements and Dividend Restrictions

Various state laws require Centene's regulated subsidiaries to maintain minimum capital levels specified by each state and restrict the amount of dividends that may be paid without prior regulatory approval. At December 31, 2014 and 2013, Centene's subsidiaries, including Kentucky Spirit Health Plan, had aggregate statutory capital and surplus of $1,699 million and $1,280 million, respectively, compared with the required minimum aggregate statutory capital and surplus of $851 million and $686 million, respectively.

13. Income Taxes

The consolidated income tax expense consists of the following for the years ended December 31 ($ in millions):

	2014	2013	2012
Current provision:			
Federal	$ 225	$ 121	$ 47
State and local	13	6	(4)
Total current provision	238	127	43
Deferred provision	(42)	(20)	4
Total provision for income taxes	$ 196	$ 107	$ 47

The reconciliation of the tax provision at the U.S. Federal Statutory Rate to the provision for income taxes for the years ended December 31 is as follows ($ in millions):

	2014	2013	2012
Earnings from continuing operations, before income tax expense	$457	$269	$123
(Earnings) loss attributable to flow through noncontrolling interest	4	(1)	2
Earnings from continuing operations, less noncontrolling interest, before income tax expense	461	268	125
Tax provision at the U.S. federal statutory rate	162	94	44
State income taxes, net of federal income tax benefit	6	3	(2)
Nondeductible compensation	1	12	1
Benefit from reversal of prior years impact of 162(m)(6) regulations	(14)	—	—
ACA Health Insurer Fee	44	—	—
Nondeductible goodwill impairment	—	—	8
Other, net	(3)	(2)	(4)
Income tax expense	$196	$107	$ 47

The tax effects of temporary differences which give rise to deferred tax assets and liabilities are presented below for the years ended December 31 ($ in millions):

	2014	2013
Deferred tax assets:		
Medical claims liability	$ 27	$ 20
Accrued expenses	11	5
Net operating loss carryforward	21	16
Compensation accruals	53	31
Premium and related receivables	35	20
Other	9	16
Deferred tax assets	156	108
Valuation allowance	(12)	(8)
Net deferred tax assets	$144	$100
Deferred tax liabilities:		
Intangible assets	$ 25	$ 18
Prepaid assets	6	6
Depreciation and amortization	26	30
Other	4	2
Deferred tax liabilities	61	56
Net deferred tax assets	$ 83	$ 44

The Company's deferred tax assets include federal and state net operating losses, or NOLs. Accordingly, the total and annual deduction for those NOLs is limited by tax law. The federal NOLs of $5 million were all acquired in business combinations. The Company's federal NOLs expire between the years 2020 and 2033 and the state NOLs expire between the years 2015 and 2035. Valuation allowances are recorded for those NOLs the Company believes are more likely than not to expire unused. During 2014 and 2013, the Company recorded valuation allowance additions in the tax provision of $5 million and $1 million, respectively. The Company recorded valuation allowance reductions of $1 million during the years ended December 31, 2014 and 2013.

As of December 31, 2014 and 2013, the Company maintained reserves for uncertain tax positions of $4 million and $3 million, respectively, that may be challenged by a tax authority. The unrecognized federal tax benefits are related to returns open from 2012 to 2014. The Company files in numerous state jurisdictions with varying statutes of limitation. The unrecognized state tax benefits are related to returns open from 2009 to 2014.

In September 2014, the Internal Revenue Service issued final regulations related to the compensation deduction limitation applicable to certain health insurance issuers. The new regulations provided additional information regarding the definition of a health insurance issuer. Based on the final regulations, the Company no longer believes it is subject to the compensation deduction limitation in 2013 and 2014. As a result of this change in regulation, tax benefits of $14 million related to prior years were recorded during 2014.

14. Stock Incentive Plans

The Company's stock incentive plans allow for the granting of restricted stock or restricted stock unit awards and options to purchase common stock. Both incentive stock options and nonqualified stock options can be awarded under the plans. No option will be exercisable for longer than ten years after the date of grant. The plans have 4,208,558 shares available for future awards. Compensation expense for stock options and restricted stock unit awards is recognized on a straight-line basis over the vesting period, generally three to five years for stock options and 1 to 10 years for restricted stock or restricted stock unit awards. Certain restricted stock nnit awards contain performance-based as well as service-based provisions. Certain awards provide for accelerated vesting if there is a change in control as defmed in the plans. The total compensation cost that has been charged against income for the stock incentive plans was $48 million, $36 million and $25 million for the years ended Decemher 31, 2014, 2013 and 2012, respectively. The total income tax benefit recognized in the income statement for stock-based compensation arrangements was $17 million, $8 million and $9 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Option activity for the year ended December 31, 2014 is summarized below:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value ($ in millions)	Weighted Average Remaining Contractual Term
Outstanding as of December 31, 2013	1,894,390	$11.71		
Granted	—	—		
Exercised	(619,324)	10.77		
Forfeited	(8,000)	9.23	—	—
Outstanding as of December 31, 2014	1,267,066	$12.18	$50	2.2
Exercisable as of December 31, 2014	1,249,734	$12.08	$50	2.1

The fair valne of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2014[1]	2013	2012[1]
Expected life (in years)	—	5.1	—
Risk-free interest rate	—	0.8%	—
Expected volatility	—	48.1%	—
Expected dividend yield	—	—	—

[1] No options were awarded in the years ended December 31, 2014 and 2012.

For the year ended December 31, 2013, the Company used a projected expected life for each award granted based on historical experience of employees' exercise behavior. The expected volatility is primarily based on historical volatility levels. The risk-free interest rates are based on the implied yield currently available on U.S. Treasury instruments with a remaining term equal to the expected life.

Other information pertaining to option activity is as follows:

	Year Ended December 31,		
	2014[1]	2013	2012[1]
Weighted-average fair value of options granted	$ —	$ 9.52	$ —
Total intrinsic value of stock options exercised ($ in millions)	$ 17	$ 13	$ 24

[1] No options were awarded in the years ended December 31, 2014 and 2012.

A summary of the Company's non-vested restricted stock and restricted stock uuit shares as of December 31, 2014, and changes during the year ended December 31, 2014, is presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested balance as of December 31, 2013	4,179,186	$23.95
Granted	2,238,194	46.85
Vested	(1,953,094)	21.62
Forfeited	(114,272)	23.77
Non-vested balance as of December 31, 2014	4,350,014	$36.86

The total fair value of restricted stock and restricted stock units vested during the years ended December 31, 2014, 2013 and 2012, was $82 million, $49 million and $39 million, respectively.

As of December 31, 2014, there was $145 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans; that cost is expected to be recognized over a weighted-average period of 1.9 years.

The Company maintains an employee stock purchase plan and has issued 76,088 shares, 84,168 shares, and 95,226 shares in 2014, 2013 and 2012, respectively.

15. Retirement Plan

Centene has a defined contribution plan which covers substantially all employees who are at least twenty-one years of age. Under the plan, eligible employees may contribute a percentage of their base salary, subject to certain limitations. Centene may elect to match a portiou of the employee's contribution. Company expense related to matching contributions to the plan was $12 million, $9 million and $7 million during the years euded December 31, 2014, 2013 and 2012, respectively.

16. Commitments

Centene and its subsidiaries lease office facilities and various equipment under non-cancelable operating leases which may contain escalation provisions. The rental expense related to these leases is recorded on a straight-line basis over the lease term, including reut holidays. Tenant improvement allowances are recorded as a liability and amortized against rent expense over the term of the lease. Rent expense was $46 million, $31 million

and $28 million for the years ended December 31, 2014, 2013 and 2012, respectively. Annual non-cancelable minimum lease payments over the next five years and thereafter are as follows ($ in millions):

2015	$ 45
2016	49
2017	40
2018	30
2019	26
Thereafter	62
	$252

17. Contingencies

On July 5, 2013, the Company's subsidiary, Kentucky Spirit Health Plan, Inc. (Kentucky Spirit), terminated its contract with the Commonwealth of Kentucky (the Commonwealth). Kentucky Spirit believes it had a contractual right to terminate the contract and filed a lawsuit in Franklin Circuit Court seeking a declaration of this right. The Commonwealth has alleged that Kentucky Spirit's exit constitutes a material breach of contract. The Commonwealth seeks to recover substantial damages and to enforce its rights under Kentucky Spirit's $25 million performance bond. On July 3, 2014, the Commonwealth's attorneys asserted in a letter to the Cabinet for Health and Family Services that the Commonwealth's expenditures due to Kentucky Spirit's departure range from $28 million to $40 million plus interest, and that the associated CMS expenditures range from $92 million to $134 million. Kentucky Spirit disputes the Commonwealth's alleged damages, and is pursuing its own litigation claims for damages against the Commonwealth.

On February 6, 2015, the Kentucky Court of Appeals affirmed a Franklin Circuit Court ruling that Kentucky Spirit does not have a contractual right to terminate the contract early. The Court of Appeals also found that the contract's liquidated damages provision "is applicable in the event of a premature termination of the Contract term." Kentucky Spirit intends to seek Kentucky Supreme Court review of the finding that its departure constituted a breach of contract. The Commonwealth may seek review of the ruling that the liquidated damages provision is applicable in the event of a premature termination.

Kentucky Spirit also filed a lawsuit in April 2013, amended in October 2014, in Franklin Circuit Court seeking damages against the Commonwealth for losses sustained due to the Commonwealth's alleged breaches. On December 9, 2014, the Franklin Circuit Court denied the Commonwealth's motion for partial summary judgment on Kentucky Spirit's damages claims. Discovery is proceeding on those claims.

The resolution of the Kentucky litigation matters may result in a range of possible outcomes. If Kentucky Spirit prevails on its claims, it would be entitled to damages. If the Commonwealth prevails, a liability to the Commonwealth could be recorded. The Company is unable to estimate the ultimate outcome resulting from the Kentucky litigation. As a result, the Company has not recorded any receivable or any liability for potential damages under the contract as of December 31, 2014. While uncertain, the ultimate resolutiou of the pending litigation could have a material effect on the financial position, cash flow or results of operations of the Company in the period it is resolved or becomes known.

Exclnding the Kentucky matters discussed above, the Company is also routinely subjected to legal proceedings in the nonnal course of business. While the ultimate resolution of such matters in the normal course of business is uncertain, the Company does not expect the results of any of these matters individually, or in the aggregate, to have a material effect on its financial position, results of operatious or cash flows.

18. Earnings Per Share

The following table sets forth the calculation of basic and diluted net earnings per common share for the years ended December 31 ($ in millions, except per share data):

	2014	2013	2012
Earnings attributable to Centene Corporation:			
Earnings from continuing operations, net of tax	$ 268	$ 161	$ 89
Discontinued operations, net of tax	3	4	(87)
Net earnings	$ 271	$ 165	$ 2
Shares used in computing per share amounts:			
Weighted average number of common shares outstanding	116,345,764	108,253,090	103,018,732
Common stock equivalents (as determined by applying the treasury stock method)	4,014,448	4,241,256	4,410,018
Weighted average number of common shares and potential dilutive common shares outstanding	120,360,212	112,494,346	107,428,750
Net earnings per common share attributable to Centene Corporation:			
Basic:			
Continuing operations	$ 2.30	$ 1.49	$ 0.86
Discontinued operations	0.03	0.03	(0.84)
Basic earnings per common share	$ 2.33	$ 1.52	$ 0.02
Diluted:			
Continuing operations	$ 2.23	$ 1.43	$ 0.83
Discontinued operations	0.02	0.04	(0.81)
Diluted earnings per common share	$ 2.25	$ 1.47	$ 0.02

The calculation of diluted earnings per common share for 2014, 2013 and 2012 excludes the impact of 207,980 shares, 187,078 shares and 284,850 shares, respectively, related to anti-dilutive stock options, restricted stock and restricted stock units.

19. Segment Information

Centene operates in two segments: Managed Care and Specialty Services. The Managed Care segment consists of Centene's health plans including all of the functions needed to operate them. The Specialty Services segment consists of Centene's specialty companies offering auxiliary healthcare services and products.

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.

In January 2013, the Company reclassified the health plan in Arizona, which is primarily a LTC operation, to the Managed Care segment. As a result, the financial results of the Arizona health plan have been reclassified from the Specialty Services segment to the Managed Care segment for all periods presented.

Segment information as of and for the year ended December 31, 2014, follows ($ in millions):

	Managed Care	Specialty Services	Eliminations	Consolidated Total
Premium and service revenues from external customers	$13,886	$1,781	$ —	$15,667
Premium and service revenues from internal customers	60	3,019	(3,079)	—
Total premium and service revenues	13,946	4,800	(3,079)	15,667
Earnings from operations	353	111	—	464
Total assets	4,620	1,118	—	5,738

Segment information as of and for the year ended December 31, 2013, follows ($ in millions):

	Managed Care	Specialty Services	Eliminations	Consolidated Total
Premium and service revenues from external customers	$9,741	$ 785	$ —	$10,526
Premium and service revenues from internal customers	41	2,147	(2,188)	—
Total premium and service revenues	9,782	2,932	(2,188)	10,526
Earnings from operations	198	79	—	277
Total assets	2,817	596	—	3,413

Segment information as of and for the year ended December 31, 2012, follows ($ in millions):

	Managed Care	Specialty Services	Eliminations	Consolidated Total
Premium and service revenues from external customers	$7,125	$ 557	$ —	$7,682
Premium and service revenues from internal customers	87	1,550	(1,637)	—
Total premium and service revenues	7,212	2,107	(1,637)	7,682
Earnings from operations	63	45	—	108
Total assets	2,164	371	—	2,535

20. Quarterly Selected Financial Information

(In millions, except share data)
(Unaudited)

	For the Quarter Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Total revenues	$ 3,460	$ 4,023	$ 4,352	$ 4,725
Amounts attributable to Centene Corporation common shareholders:				
Earnings from continuing operations, net of income tax expense	$ 34	$ 47	$ 81	$ 106
Discontinued operations, net of income tax expense (benefit)	(1)	2	1	1
Net earnings	$ 33	$ 49	$ 82	$ 107
Net earnings per common share attributable to Centene Corporation:				
Basic:				
Continuing operations	$ 0.30	$ 0.41	$ 0.69	$ 0.90
Discontinued operations	(0.01)	0.01	0.01	0.01
Basic earnings per common share	$ 0.29	$ 0.42	$ 0.70	$ 0.91
Diluted:				
Continuing operations	$ 0.29	$ 0.39	$ 0.67	$ 0.87
Discontinued operations	(0.01)	0.02	0.01	0.01
Diluted earnings per common share	$ 0.28	$ 0.41	$ 0.68	$ 0.88

	For the Quarter Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Total revenues	$ 2,525	$ 2,611	$ 2,795	$ 2,932
Amounts attributable to Centene Corporation common shareholders:				
Earnings from continuing operations, net of income tax expense	$ 23	$ 41	$ 50	$ 48
Discontinued operations, net of income tax expense (benefit)	—	(1)	(1)	5
Net earnings	$ 23	$ 40	$ 49	$ 53
Net earnings (loss) per common share attributable to Centene Corporation:				
Basic:				
Continuing operations	$ 0.22	$ 0.38	$ 0.46	$ 0.43
Discontinued operations	—	(0.01)	(0.01)	0.05
Basic earnings per common share	$ 0.22	$ 0.37	$ 0.45	$ 0.48
Diluted:				
Continuing operations	$ 0.21	$ 0.36	$ 0.44	$ 0.42
Discontinued operations	—	(0.01)	(0.01)	0.04
Diluted earnings per common share	$ 0.21	$ 0.35	$ 0.43	$ 0.46

21. Condensed Financial Information of Registrant

Centene Corporation (Parent Company Only)
Condensed Balance Sheets
(In millions, except share data)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3	$ 3
Short term investments, at fair value (amortized cost $8 and $6, respectively)	8	6
Other current assets	378	125
Total current assets	389	134
Long term investments, at fair value (amortized cost $10 and $8, respectively)	10	8
Investment in subsidiaries	2,296	1,667
Other long term assets	38	32
Total assets	$ 2,733	$ 1,841
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 24	$ 5
Long term debt	815	591
Other long term liabilities	3	2
Total liabilities	842	598
Redeemable noncontrolling interest	148	—
Stockholders' equity:		
Common stock, $.001 par value; authorized 200,000,000 shares; 124,274,864 issued and 118,433,416 outstanding at December 31, 2014, and 117,346,430 issued and 110,638,478 outstanding at December 31, 2013	—	—
Additional paid-in capital	840	594
Accumulated other comprehensive loss	(1)	(3)
Retained earnings	1,003	732
Treasury stock, at cost (5,841,448 and 6,707,952 shares, respectively)	(98)	(89)
Total Centene stockholders' equity	1,744	1,234
Noncontrolling interest	(1)	9
Total stockholders' equity	1,743	1,243
Total liabilities and stockholders' equity	$ 2,733	$ 1,841

See notes to condensed financial information of registrant.

Centene Corporation (Parent Company Only)
Condensed Statements of Operations
(In millions, except share data)

	Year Ended December 31,		
	2014	2013	2012
Expenses:			
General and administrative expenses	$ 3	$ 4	$ 4
Other income (expense):			
Investment and other income	1	1	20
Interest expense	(30)	(23)	(16)
Earnings (loss) before income taxes	(32)	(26)	—
Income tax benefit	(8)	(15)	(10)
Net earnings (loss) before equity in subsidiaries	(24)	(11)	10
Equity in earnings from subsidiaries	285	173	66
Net earnings	261	162	76
(Earnings) loss attributable to noncontrolling interests	7	(1)	13
Net earnings attributable to Centene	268	161	89
Net earnings per share from continuing operations:			
Basic earnings per common share	$ 2.30	$ 1.49	$ 0.86
Diluted earnings per common share	$ 2.23	$ 1.43	$ 0.83
Weighted average number of shares outstanding:			
Basic	116,345,764	108,253,090	103,018,732
Diluted	120,360,212	112,494,346	107,428,750

See notes to condensed financial information of registrant.

Centene Corporation (Parent Company Only)
Condensed Statements of Cash Flows
(In millions)

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Cash provided by operating activities	$ 317	$ 302	$ 328
Cash flows from investing activities:			
Net dividends from and capital contributions to subsidiaries	(384)	(417)	(540)
Purchase of investments	(32)	(12)	(7)
Sales and maturities of investments	14	10	30
Acquisitions	(137)	(67)	—
Net cash used in investing activities	(539)	(486)	(517)
Cash flows from financing activities:			
Proceeds from borrowings	1,875	180	400
Payment of long term debt	(1,650)	(30)	(215)
Proceeds from exercise of stock options	8	9	16
Proceeds from stock offering	—	15	—
Common stock repurchases	(29)	(20)	(13)
Debt issue costs	(7)	(3)	(4)
Contributions from noncontrolling interest	6	8	1
Purchase of noncontrolling interest	—	—	(14)
Excess tax benefits from stock compensation	19	6	11
Net cash provided by financing activities	222	165	182
Net increase (decrease) in cash and cash equivalents	—	(19)	(7)
Cash and cash equivalents, beginning of period	3	22	29
Cash and cash equivalents, end of period	$ 3	$ 3	$ 22

See notes to condensed financial information of registrant.

Notes to Condensed Financial Information of Registrant

Note A – Basis of Presentation and Significant Acconnting Policies

The parent company only financial statements should be read in conjunction with Centene Corporation's audited consolidated financial statements and the notes to consolidated financial statements included in this Form 10-K.

The parent company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of the subsidiaries. The parent company's share of net income of its unconsolidated subsidiaries is included in income using the equity method of accounting. Certain unrestricted subsidiaries receive monthly management fees from our restricted subsidiaries. The management and service fees received by our unrestricted subsidiaries are associated with all of the functions required to manage the restricted subsidiaries including but not limited to salaries and wages for all personnel, rent, utilities, medical management, provider contracting, compliance, member services, claims processing, information technology, cash management, finance and accounting, and other services. The management fees are based on a percentage of the restricted subsidiaries revenue.

Due to our centralized cash management function, all cash flows generated by our unrestricted subsidiaries, including management fees, are transferred to the pareut company, primarily to repay borrowings on the parent company's revolving credit facility. The parent company may also utilize the cash flow to make acquisitions, fund capital contributions to subsidiaries and fund its operations. During the years ended December 31, 2014, 2013 and 2012, cash flows received by the parent from unrestricted subsidiaries was $341 million, $313 million, and $318 million and was included in cash flows from operating activities.

Certain amounts presented in the parent company only financial statements are eliminated in the consolidated financial statements of Centene Corporation.

Note B – Dividends

During 2014, 2013 and 2012, the Registrant received dividends from its subsidiaries totaling $54 million, $21 million and $29 million, respectively.

Note C – Other Current Assets

The parent company's other current assets include $359 million and $113 million of federal and state income tax receivables as of December 31, 2014 and 2013, respectively, primarily due to tax sharing agreements with its subsidiaries.

22. Snbseqnent Events

In January 2015, the Company issued an additional $200 million of 4.75% Senior Notes ($200 million Add-on Notes) at par. The $200 million Add-on Notes were offered as additional debt securities under an indenture dated as of April 29, 2014, pursuant to which the Company previously issued $300 million aggregate principal amount of 4.75% Senior Notes due 2022. In connection with the January 2015 issuance, the Company entered into interest rate swap agreements for a notional amount of $200 million at a floating rate of interest based on the three month LIBOR plus 2.88%. Gains and losses due to changes in the fair value of the interest rate swap will completely offset changes in the fair value of the hedged portion of the underlying debt and will be recorded as an adjustment to the $200 million Add-on Notes.

In January 2015, the Company sold 25% of our ownership in Celtic Insurance Company. No gain or loss was recognized on the sale of the ownership interest. Celtic Insurance Company is included in the Specialty Services segment. Under the terms of the agreemeut, the Company entered into a put agreement with the noncontrolling interest holder to purchase the noucontrolling interest at a later date.

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures.***

Evaluation of Disclosure Controls and Procedures — Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2014. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchauge Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasouable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-beuefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2014, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure coutrols and procedures were effective at the reasonable assurance level.

Management's Report on Internal Coutrol Over Financial Reporting — Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control — Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective at the reasonable assurance level as of December 31, 2014. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting — No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the year ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Centene Corporation:

We have audited Centene Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Centene Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Centene Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Centene Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 23, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

St. Louis, Missouri
February 23, 2015

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

(a) Directors of the Registrant

Information concerning our directors will appear in our Proxy Statement for our 2015 annual meeting of stockholders under "Proposal One: Election of Directors". This portion of the Proxy Statement is incorporated herein by reference.

(b) Executive Officers of the Registrant

Pursuant to General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K, information regarding our executive officers is provided in Item 1 of Part I of this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant."

Information concerning our executive officers' compliance with Section 16(a) of the Exchange Act will appear in our Proxy Statement for our 2015 annual meeting of stockholders under "Section 16(a) Beneficial Ownership Reporting Compliance." Information concerning our audit committee financial expert and identification of our audit committee will appear in our Proxy Statement for our 2015 annual meeting of stockholders under "Board of Directors Committees." Information concerniug our code of ethics will appear in our Proxy Statement for our 2015 annual meeting of stockholders under "Corporate Governance and Risk Management." These portions of our Proxy Statement are incorporated herein by reference.

(c) Corporate Governance

Information concerning certain corporate governance matters will appear in our Proxy Statement for our 2015 annual meeting of stockholders under "Corporate Governance and Risk Management." These portions of our Proxy Statement are incorporated herein by reference.

Item 11. ***Executive Compensation***

Information concerning executive compensation will appear in our Proxy Statement for our 2015 Annual Meeting of Stockholders under "Information About Executive Compensation." Information concerning Compensation Committee interlocks and insider participation will appear in the Proxy Statement for our 2015 Annual Meeting of Stockholders under "Compensation Committee Interlocks and Insider Participation." These portions of the Proxy Statement are incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information concerning the security ownership of certain beneficial owners and management and our equity compensation plans will appear in our Proxy Statement for our 2015 annual meeting of stockholders under "Information About Stock Ownership" and "Equity Compensation Plan Information." These portions of the Proxy Statement are incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information concerning director independence, certain relationships and related transactions will appear in our Proxy Statement for our 2015 annual meeting of stockholders under "Corporate Governance and Risk Management" and "Related Party Transactions." These portions of our Proxy Statement are incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

Information concerning principal accountant fees and services will appear in our Proxy Statement for our 2015 annual meeting of stockholders under "Proposal Two: Ratification of Appointment of Independent Registered Public Accounting Firm." This portion of our Proxy Statement is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) **Financial Statements and Schedules**

The following documents are filed under Item 8 of this report:

1. Financial Statements:

   Report of Independent Registered Public Accounting Firm

   Consolidated Balance Sheets as of December 31, 2014 and 2013

   Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012

   Consolidated Statements of Comprehensive Earnings for the years ended December 31, 2014, 2013 and 2012

   Consolidated Statements of Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012

   Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012

   Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

   None.

3. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this filing.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	FILED WITH THIS FORM 10-K	INCORPORATED BY REFERENCE [1]		
			FORM	FILING DATE WITH SEC	EXHIBIT NUMBER
3.1	Certificate of Incorporation of Centene Corporation		S-1	October 9, 2001	3.2
3.1a	Certificate of Amendment to Certificate of Incorporation of Centene Corporation, dated November 8, 2001		S-1/A	November 13, 2001	3.2a
3.1b	Certificate of Amendment to Certificate of Incorporation of Centene Corporation as filed with the Secretary of State of the State of Delaware		10-Q	July 26, 2004	3.1b
3.1c	Certificate of Amendment to Certificate of Incorporation of Centene Corporation as filed with the Secretary of State of the State of Delaware		S-3ASR	May 16, 2014	3.1c
3.2	By-laws of Centene Corporation, as amended effective as of February 2, 2015	X			
4.1	Indenture, dated May 27, 2011, among the Company and The Bank of New York Mellon Trust Company, N.A., relating to the Company's 5.75% Senior Notes due 2017 (including Form of Global Note as Exhibit A thereto)		8-K	May 27, 2011	4.1
4.2	Indenture, dated April 29, 2014, among the Company and The Bank of New York Mellon Trust Company, N.A., relating to the Company's 4.75% Senior Notes due 2022 (including Form of Global Note as Exhibit A thereto).		8-K	April 29, 2014	4.1
10.1*	1998 Stock Plan of Centene Corporation, shares which are registered on Form S-8 – File number 333-83190		S-1	October 9, 2001	10.10
10.2*	1999 Stock Plan of Centene Corporation, shares which are registered on Form S-8 – File Number 333-83190		S-1	October 9, 2001	10.11
10.3*	2000 Stock Plan of Centene Corporation, shares which are registered on Form S-8 – File Number 333-83190		S-1	October 9, 2001	10.12
10.4*	2002 Employee Stock Purchase Plan of Centene Corporation, shares which are registered on Form S-8 – File Number 333-90976		10-Q	April 29, 2002	10.5
10.4a*	First Amendment to the 2002 Employee Stock Purchase Plan		10-K	February 24, 2005	10.9a

EXHIBIT NUMBER	DESCRIPTION	FILED WITH THIS FORM 10-K	INCORPORATED BY REFERENCE [1]		
			FORM	FILING DATE WITH SEC	EXHIBIT NUMBER
10.4b*	Second Amendment to the 2002 Employee Stock Purchase Plan		10-K	February 24, 2006	10.10b
10.5*	Centene Corporation Amended and Restated 2003 Stock Incentive Plan, shares which are registered on Form S-8 – File Number 333-108467		8-K	April 30, 2010	10.1
10.6*	2012 Stock Plan of Centene Corporation, shares which are registered on Form S-8 – File Number 333-180976		DEF 14A	March 9, 2012	4
10.6a*	Amended and Restated 2012 Stock Incentive Plan, shares which are registered on Form S-8 – File Number 333-197737		8-K	April 22, 2014	10.1
10.7*	Centene Corporation Non-Employee Directors Deferred Stock Compensation Plan		10-Q	October 25, 2004	10.1
10.7a*	First Amendment to the Non-Employee Directors Deferred Stock Compensation Plan		10-K	February 24, 2006	10.12a
10.8*	Centene Corporation Employee Deferred Compensation Plan		10-K	February 22, 2010	10.10
10.09*	Centene Corporation 2007 Long-Term Incentive Plan		8-K	April 26, 2007	10.2
10.10*	Centene Corporation Short-Term Executive Compensation Plan		10-K	February 22, 2011	10.12
10.11*	Executive Employment Agreement between Centene Corporation and Michael F. Neidorff, dated November 8, 2004		8-K	November 9, 2004	10.1
10.11a*	Amendment No. 1 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-Q	October 28, 2008	10.2
10.11b*	Amendment No. 2 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-Q	April 28, 2009	10.2
10.11c*	Amendment No. 3 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-Q	October 23, 2012	10.2
10.11d*	Amendment No. 4 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		8-K	May 16, 2013	10.1

EXHIBIT NUMBER	DESCRIPTION	FILED WITH THIS FORM 10-K	INCORPORATED BY REFERENCE [1]		
			FORM	FILING DATE WITH SEC	EXHIBIT NUMBER
10.12*	Form of Executive Severance and Change in Control Agreement		10-Q	October 28, 2008	10.3
10.12a*	Amendment No. 1 to Form of Executive Severance and Change in Control Agreement		10-Q	October 23, 2012	10.3
10.13*	Form of Restricted Stock Unit Agreement		10-Q	October 28, 2008	10.4
10.14*	Form of Non-statutory Stock Option Agreement (Non-Employees)		8-K	July 28, 2005	10.3
10.15*	Form of Non-statutory Stock Option Agreement (Employees)		10-Q	October 28, 2008	10.5
10.16*	Form of Non-statutory Stock Option Agreement (Directors)		10-K	February 23, 2009	10.18
10.17*	Form of Incentive Stock Option Agreement		10-Q	October 28, 2008	10.6
10.18*	Form of Stock Appreciation Right Agreement		8-K	July 28, 2005	10.6
10.19*	Form of Restricted Stock Agreement		10-Q	October 25, 2005	10.8
10.20*	Form of Performance Based Restricted Stock Unit Agreement #1		10-Q	October 28, 2008	10.7
10.21*	Form of Performance Based Restricted Stock Unit Agreement #2		10-K	February 23, 2009	10.23
10.22*	Form of Long-Term Incentive Plan Agreement		8-K	February 7, 2008	10.1
10.23	Credit Agreement dated as of May 21, 2013 among Centene Corporation, the various financial institutions party hereto and Barclays Bank PLC		8-K	May 22, 2013	10.1
10.23a	Amended No. 1 to Amended and Restated Credit Agreement dated as of July 15, 2014 among Centene Corporation, the various financial institutions party hereto and Barclays Bank PLC.		10-Q	October 28, 2014	10.3
12.1	Computation of ratio of earnings to fixed charges	X			
21	List of subsidiaries	X			
23	Consent of Independent Registered Public Accounting Firm incorporated by reference in each prospectus constituting part of the Registration Statements on Form S-3 (File Numbers 333-197213, 333-196037, 333-193205, 333-187741, and 333-187652) and on Form S-8 (File Numbers 333-197737, 333-180976, 333-108467, 333-90976, and 333-83190)	X			

EXHIBIT NUMBER	DESCRIPTION	FILED WITH THIS FORM 10-K	INCORPORATED BY REFERENCE [1]		
			FORM	FILING DATE WITH SEC	EXHIBIT NUMBER
31.1	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)	X			
31.2	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)	X			
32.1	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Executive Officer)	X			
32.2	Certification Pursuant to 18 U.S.C. Section 1350 (Chief Financial Officer)	X			
101.1	XBRL Taxonomy Instance Document.	X			
101.2	XBRL Taxonomy Extension Schema Document.	X			
101.3	XBRL Taxonomy Extension Calculation Linkbase Document.	X			
101.4	XBRL Taxonomy Extension Definition Linkbase Document.	X			
101.5	XBRL Taxonomy Extension Label Linkbase Document.	X			
101.6	XBRL Taxonomy Extension Presentation Linkbase Document.	X			

[1] SEC File No. 001-31826 (for filings prior to October 14, 2003, the Registrant's SEC File No. was 000-33395).

* Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 February 23, 2015.

CENTENE CORPORATION

By: /s/ MICHAEL F. NEIDORFF
Michael F. Neidorff
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities as indicated, as of February 23, 2015.

Signature	Title
/s/ MICHAEL F. NEIDORFF **Michael F. Neidorff**	Chairman and Chief Executive Officer (principal executive officer)
/s/ WILLIAM N. SCHEFFEL **William N. Scheffel**	Executive Vice President and Chief Financial Officer (principal financial officer)
/s/ JEFFREY A. SCHWANEKE **Jeffrey A. Schwaneke**	Senior Vice President, Corporate Controller and Chief Accounting Officer (principal accounting officer)
/s/ ORLANDO AYALA **Orlando Ayala**	Director
/s/ ROBERT K. DITMORE **Robert K. Ditmore**	Director
/s/ FRED H. EPPINGER **Fred H. Eppinger**	Director
/s/ RICHARD A. GEPHARDT **Richard A. Gephardt**	Director
/s/ PAMELA A. JOSEPH **Pamela A. Joseph**	Director
/s/ JOHN R. ROBERTS **John R. Roberts**	Director
/s/ DAVID L. STEWARD **David L. Steward**	Director
/s/ TOMMY G. THOMPSON **Tommy G. Thompson**	Director

EXHIBIT 31.1

CERTIFICATION

I, Michael F. Neidorff, certify that:

1. I have reviewed this Annual Report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting priuciples;
   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.

Dated: February 23, 2015

/s/ MICHAEL F. NEIDORFF

Chairman, President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, William N. Scheffel, certify that:

1. I have reviewed this Annual Report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   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;

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 finaucial reportiug.

Dated: February 23, 2015

/s/ WILLIAM N. SCHEFFEL

Executive Vice President and Chief Financial Officer
(principal financial officer)

EXHIBIT 32.1

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

In connection with the Annual Report on Form 10-K of Centene Corporation (the Company) for the period ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Michael F. Neidorff, Chairman, 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 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.

Dated: February 23, 2015

/s/ MICHAEL F. NEIDORFF

Chairman, President and Chief Executive Officer
(principal executive officer)

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 Annual Report on Form 10-K of Centene Corporation (the Company) for the period ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, William N. Scheffel, Executive Vice President and Chief Financial 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 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.

Dated: February 23, 2015

/s/ WILLIAM N. SCHEFFEL

Executive Vice President and Chief Financial Officer
(principal financial officer)

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