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, 2017

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 smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “small reporting company”, and "emerging growth 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 ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, 2017, was $13.8 billion.

As of February 16, 2018, the registrant had 173,495,595 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2018 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
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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 intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we are including this statement for purposes of complying with these safe-harbor provisions. We have attempted to identify these statements by terminology including "believe," "anticipate," "plan," "expect," "estimate," "intend," "seek," "target," "goal," "may," "will," "would," "could," "should," "can," "continue" and other similar words or expressions (and the negative thereof) in connection with, among other things, any discussion of future operating or financial performance. In particular, these statements include without limitation statements about our market opportunity, growth strategy, competition, expected activities and future acquisitions, including our proposed acquisition of New York State Catholic Health Plan, Inc., d/b/a Fidelis Care New York (Fidelis Care) (Proposed Fidelis Acquisition or Fidelis Care Transaction), investments and the adequacy of our available cash resources. These statements may be found in the various sections of this filing, such as Part II, Item 7. *"Management's Discussion and Analysis of Financial Condition and Results of Operations,"* Part I, Item 3. *"Legal Proceedings,"* and Part I, Item 1A. *"Risk Factors."* 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. Except as may be otherwise required by law, 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. You should not place undue reliance on any forward-looking statements, as actual results may differ materially from projections, estimates, or other forward-looking statements due to a variety of important factors, including but not limited to:

- our ability to accurately predict and effectively manage health benefits and other operating expenses and reserves;
- competition;
- membership and revenue declines or unexpected trends;
- changes in healthcare practices, new technologies, and advances in medicine;
- increased healthcare costs;
- changes in economic, political or market conditions;
- changes in federal or state laws or regulations, including changes with respect to government healthcare programs as well as changes with respect to the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder that may result from changing political conditions;
- rate cuts or other payment reductions or delays by governmental payors and other risks and uncertainties affecting our government businesses;
- our ability to adequately price products on federally facilitated and state based Health Insurance Marketplaces;
- tax matters;
- disasters or major epidemics;
- the outcome of legal and regulatory proceedings;
- changes in expected contract start dates;
- provider, state, federal and other contract changes and timing of regulatory approval of contracts;
- the expiration, suspension, or termination of our or Fidelis Care's contracts with federal or state governments (including but not limited to Medicaid, Medicare, and TRICARE);
- the difficulty of predicting the timing or outcome of pending or future litigation or government investigations;
- challenges to our or Fidelis Care's contract awards;
- cyber-attacks or other privacy or data security incidents;
- the possibility that the expected synergies and value creation from acquired businesses, including, without limitation, the acquisition (Health Net Acquisition) of Health Net, Inc. (Health Net), and the Proposed Fidelis Acquisition, will not be realized, or will not be realized within the expected time period, including, but not limited to, as a result of any failure to obtain any regulatory, governmental or third party consents or approvals in connection with the Proposed Fidelis Acquisition (including any such approvals under the New York Non-For-Profit Corporation Law) or any conditions, terms, obligations or restrictions imposed in connection with the receipt of such consents or approvals;
- the exertion of management's time and our resources, and other expenses incurred and business changes required in connection with complying with the undertakings in connection with any regulatory, governmental or third party consents or approvals for the Health Net Acquisition;

- disruption caused by significant completed and pending acquisitions, including the Health Net Acquisition and the Proposed Fidelis Acquisition, making it more difficult to maintain business and operational relationships;
- the risk that unexpected costs will be incurred in connection with the completion and/or integration of acquisition transactions, including among others, the Health Net Acquisition and the Proposed Fidelis Acquisition;
- changes in expected closing dates, estimated purchase price and accretion for acquisitions;
- the risk that acquired businesses, including Health Net and Fidelis Care, will not be integrated successfully;
- the risk that the conditions to the completion of the Proposed Fidelis Acquisition may not be satisfied or completed on a timely basis, or at all;
- failure to obtain or receive any required regulatory approvals, consents or clearances for the Proposed Fidelis Acquisition, and the risk that, even if so obtained or received, regulatory authorities impose conditions on the completion of the transaction that could require the exertion of management's time and our resources or otherwise have an adverse effect on Centene;
- business uncertainties and contractual restrictions while the Proposed Fidelis Acquisition is pending, which could adversely affect our business and operations;
- change of control provisions or other provisions in certain agreements to which Fidelis Care is a party, which may be triggered by the completion of the Proposed Fidelis Acquisition;
- loss of management personnel and other key employees due to uncertainties associated with the Proposed Fidelis Acquisition;
- the risk that, following completion of the Proposed Fidelis Acquisition, the combined company may not be able to effectively manage its expanded operations;
- restrictions and limitations that may stem from the financing arrangements that the combined company will enter into in connection with the Proposed Fidelis Acquisition;
- our ability to achieve improvement in the Centers for Medicare and Medicaid Services (CMS) Star ratings and maintain or achieve improvement in other quality scores in each case that can impact revenue and future growth;
- availability of debt and equity financing, on terms that are favorable to us;
- inflation; and
- foreign currency fluctuations.

This list of important factors is not intended to be exhaustive. We discuss certain of these matters more fully, as well as certain other risk factors that may affect our business operations, financial condition and results of operations, in our filings with the Securities and Exchange Commission, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. 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. Due to these important factors and risks, we cannot give assurances with respect to our future performance, including without limitation our ability to maintain adequate premium levels or our ability to control our future medical costs.

Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures in this report as the Company believes that these figures are helpful in allowing investors to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently across periods. The Company uses the presented non-GAAP financial measures internally to allow management to focus on period-to-period changes in the Company's core business operations. Therefore, the Company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Specifically, the Company believes the presentation of non-GAAP financial information that excludes amortization of acquired intangible assets, acquisition related expenses, as well as other items, allows investors to develop a more meaningful understanding of the Company's performance over time. The tables below provide reconciliations of non-GAAP items (in millions, except per share data in dollars):

	Year Ended December 31,		
	2017	2016	2015
GAAP net earnings from continuing operations	$ 828	$ 559	$ 356
Amortization of acquired intangible assets	156	147	24
Acquisition related expenses	20	234	27
Penn Treaty assessment expense	56	—	—
Cost sharing reductions	22	—	—
Income Tax Reform	(125)	—	—
Charitable contribution (1)	40	50	—
California minimum medical loss ratio change	—	(195)	—
Debt extinguishment	—	11	—
Income tax effects of adjustments (2)	(108)	(79)	(20)
Adjusted net earnings from continuing operations	$ 889	$ 727	$ 387
GAAP diluted earnings per share (EPS) from continuing operations	$ 4.69	$ 3.41	$ 2.89
Amortization of acquired intangible assets (3)	0.56	0.57	0.11
Acquisition related expenses (4)	0.07	0.98	0.14
Penn Treaty assessment expense (5)	0.20	—	—
Cost sharing reductions (6)	0.08	—	—
Income Tax Reform	(0.71)	—	—
Charitable contribution (7)	0.14	0.19	—
California minimum medical loss ratio change (8)	—	(0.76)	—
Debt extinguishment (9)	—	0.04	—
Adjusted Diluted EPS from continuing operations	$ 5.03	$ 4.43	$ 3.14

(1) In connection with the favorable impact of the Tax Cuts and Jobs Act (Income Tax Reform) passed in late 2017 and the additional revenue associated with the California minimum medical loss ratio (MLR) change in 2016, the Company made charitable commitments to its foundation in 2017 and 2016, respectively.

(2) The income tax effects of adjustments are based on the effective income tax rates applicable to adjusted (non-GAAP) results. There is no additional income tax effect from Income Tax Reform.

(3) Amortization of acquired intangible assets per diluted share is net of an income tax benefit of $0.32, $0.33, and $0.08 for the years ended December 31, 2017, 2016 and 2015, respectively.

(4) Acquisition related expenses per diluted share are net of an income tax benefit of $0.04, $0.45 and $0.08 for the years ended December 31, 2017, 2016 and 2015, respectively.

(5) The Penn Treaty assessment expense per diluted share is net of an income tax benefit of $0.12 for the year ended December 31, 2017.

(6) The cost sharing reduction (CSR) expense per diluted share is net of an income tax benefit of $0.04 for the year ended December 31, 2017.

(7) The charitable contributions per diluted share are net of an income tax benefit of $0.09 and $0.11 for the years ended December 31, 2017 and 2016, respectively.

(8) The impact associated with the retroactive contract amendment received in the fourth quarter of 2016 that changed the minimum MLR calculation per diluted share is net of the income tax expense of $(0.43) for the year ended December 31, 2016.

(9) The debt extinguishment cost per diluted share is net of the income tax benefit of $0.03 for the year ended December 31, 2016.

	Year Ended December 31,		
	2017	2016	2015
GAAP selling, general and administrative expenses	$ 4,446	$ 3,676	$ 1,802
Acquisition related expenses	20	234	27
Penn Treaty assessment expense	56	—	—
Charitable contribution	40	50	—
Adjusted selling, general and administrative expenses	$ 4,330	$ 3,392	$ 1,775

	Year Ended December 31,	
	2017	2016
Net earnings from continuing operations attributable to Centene Corporation	$ 828	$ 559
Income tax expense	326	599
Interest expense	255	217
Depreciation and amortization	362	281
Non-cash stock compensation expense	135	148
Adjusted EBITDA (1)	$ 1,906	$ 1,804

(1) Adjusted EBITDA represents net earnings attributable to Centene Corporation excluding income tax expense, interest expense, depreciation, amortization (excluding senior note premium amortization) and non-cash compensation expense.

PART I
ITEM 1. ***Business***

OVERVIEW

We are a diversified, multi-national healthcare enterprise that provides a portfolio of services to government sponsored and commercial 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.

In September 2017, we signed a definitive agreement under which Fidelis Care will become our health plan in New York State. Under the terms of the agreement, we will acquire substantially all of the assets of Fidelis Care for $3.75 billion, subject to certain adjustments.

We operate in two segments: Managed Care and Specialty Services. Our Managed Care segment provides health plan coverage to individuals through government subsidized and commercial programs including Medicaid, the State Children’s Health Insurance Program (CHIP), Long-Term Services and Supports (LTSS), Medicare, Foster Care, Supplemental Security Income Program, also known as the Aged, Blind or Disabled, or collectively ABD, and Medicare-Medicaid Plans (MMP), which cover beneficiaries who are dually eligible for Medicare and Medicaid. In addition, our commercial operations, which include our members through the Health Insurance Marketplace, are included within the Managed Care segment. Our Specialty Services segment consists of our specialty companies offering diversified healthcare services and products to state programs, correctional facilities, healthcare organizations, employer groups, military service members and their families, and other commercial organizations, as well as to our own subsidiaries. For the year ended December 31, 2017, our Managed Care and Specialty Services segments accounted for 95% and 5%, respectively, of our total external revenues.

Our membership totaled 12.2 million as of December 31, 2017. For the year ended December 31, 2017, our total revenues and net earnings from continuing operations attributable to Centene were $48.4 billion and $828 million, respectively, and our total cash flow from operations was $1.5 billion.

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 a full spectrum of managed healthcare products and services, primarily through Medicaid (which includes CHIP, LTSS, Foster Care, ABD and MMP), Medicare, and commercial products. We currently have operations domestically and internationally.

Medicaid

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 mandatory 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 as a result of their health status.

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. 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.

LTSS is a Medicaid product that covers Institutional/Residential Care (Nursing Facilities, Intermediate Care Facilities) and Home and Community Based Services (HCBS) for beneficiaries requiring assistance with their activities of daily living, such as bathing, dressing and transferring. The most common HCBS services include personal care, adult day care, non-emergent transportation, home-delivered meals and personal emergency response systems. LTSS services are provided for individuals requiring nursing home level of care, receiving waiver services, or entitled to state Medicaid LTSS benefits. The largest group receiving LTSS, by spending, are older individuals and individuals with physical disabilities ($98 billion in 2015), followed by individuals with intellectual and developmental disabilities ($44 billion in 2015), those with serious mental illness and/or serious emotional disturbance ($9 billion in 2015) and other populations ($7 billion in 2015). States are increasingly turning to managed care as a solution to provide coordinated, holistic care to their LTSS beneficiaries. According to the National Association of States United for Aging and Disabilities, 20 states utilize some form of LTSS up from eight in 2004.

The majority of youth and children in foster care qualify for Medicaid, most commonly through Title IV-E of the Social Security Act, which provides funding to support safe and stable out-of-home care for children who are removed from their homes. The federal government has enacted legislation establishing guidelines and requirements for state child welfare agencies related to the health and well-being of children in foster care, including the provision of grants and technical assistance to enable states to meet these needs and make explicit connections with state Medicaid. In addition, the Affordable Care Act requires states to make former foster care children eligible for Medicaid until they reach the age of 26, provided that they turned 18 while in foster care, and were enrolled in Medicaid at that time.

CMS estimated the total Medicaid market was approximately $566 billion in 2016, and estimated the market will grow to $929 billion by 2025. Medicaid spending increased by 3.9% in 2016 and is projected to increase at an average annual rate of 5.7% between 2017 and 2025.

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 believe recognition of the value of managed care as a means of delivering improved health outcomes for Medicaid beneficiaries and effectively controlling costs will continue to strengthen. 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, LTSS, Foster Care and ABD populations.

Medicare

We contract with CMS under the Medicare Advantage program to provide Medicare Advantage products directly to Medicare beneficiaries as well as through employer and union groups. We provide or arrange healthcare benefits for services normally covered by Medicare, plus a broad range of healthcare benefits for services not covered by traditional Medicare, usually in exchange for a fixed monthly premium per member from CMS that varies based upon the county in which the member resides, demographic factors of the member such as age, gender and institutionalized status, and the health status of the member. Any benefits that are not covered by Medicare may result in an additional monthly premium charged to the enrollee or through portions of payments received from CMS that may be allocated to these benefits, according to CMS regulations and guidance. Many of our Medicare Advantage members pay no monthly premium to us for these additional benefits.

We provide a wide range of Medicare products, including Medicare Advantage plans with and without prescription drug coverage and Medicare supplement products that supplement traditional fee-for-service Medicare coverage. Our subsidiaries have a number of contracts with CMS under the Medicare Advantage program authorized under Title XVIII of the Social Security Act.

A portion of Medicare beneficiaries are dual-eligible, low-income seniors and people with disabilities who are enrolled in both Medicaid and Medicare. According to CMS, there were approximately 10.7 million dual-eligible enrollees in 2017. These dual-eligible members may receive assistance from Medicaid for benefits, such as nursing home care, HCBS, 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, LTSS, MMP and Medicare Advantage Dual Special Needs Plan lines of business.

CMS developed the Medicare Advantage Star ratings system to help consumers choose among competing plans, awarding between 1.0 and 5.0 stars to Medicare Advantage plans based on performance in certain measures of quality. The Star ratings are used by CMS to award quality bonus payments to Medicare Advantage plans. Beginning with the 2014 Star ratings (calculated in 2013), Medicare Advantage plans are required to achieve a minimum of 4.0 Stars to qualify for a quality bonus payment. The methodology and measures included in the Star ratings system can be modified by CMS annually and Star ratings thresholds are based on performance of Medicare Advantage plans nationally.

CMS estimated the total Medicare market was approximately $679 billion in 2016, and estimate the market will grow to approximately $1.3 trillion by 2025. Medicare spending increased 5.1% in fiscal 2016 and is projected to increase at an average annual rate of 7.3% between 2017 and 2025.

Commercial

We offer commercial healthcare products to individuals and large and small employer groups as well as products to individuals through the Health Insurance Marketplace. Our health maintenance organization (HMO) plans offer comprehensive benefits generally for a fixed fee or premium that does not vary with the extent or frequency of medical services actually received by the member. We offer HMO plans with differing benefit designs and varying levels of co-payments at different premium rates. These plans are offered generally through contracts with participating network physicians, hospitals and other providers. When an individual enrolls in one of our HMO plans, he or she selects a primary care physician (PCP) from among the physicians participating in our network. Our preferred provider organization (PPO) plans offer coverage for services received from any healthcare provider, with benefits generally paid at a higher level when care is received from a participating network provider. Coverage typically is subject to deductibles and copayments or coinsurance. Our point of service (POS) plans and our elect open access (EOA) plans blend the characteristics of HMO, PPO and indemnity plans. Members can have comprehensive HMO-style benefits for services received from participating network providers with lower copayments (particularly within the medical group), but also have coverage, generally at higher copayment or coinsurance levels or with coverage limitations, for services received outside the network. Our Exclusive Provider Organization (EPO) plans and Healthcare Service Plans (HSPs) similarly blend elements of traditional HMO and PPO plans.

In 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 (Medicaid Expansion). 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 paid the entire costs for Medicaid Expansion coverage for newly eligible beneficiaries from 2014 through 2016, and 95% of the costs in 2017. Assuming that the current program remains in effect unchanged, in 2018 the federal share is scheduled to decline to 94%; in 2019 it would be 93%; and it would be 90% in 2020 and subsequent years.

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 currently 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 coverage that varies 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.

International

We currently have a growing international presence in Spain and the United Kingdom. Our joint venture in Spain, Ribera Salud S.A. (Ribera Salud), is a health management group mainly operating in the health administrations concession sector. Ribera Salud also has other controlling and noncontrolling interests in Spain, Latin America, and Slovakia. In the United Kingdom, we own a controlling interest in The Practice (Group) Limited (TPG), one of the largest provider networks in the United Kingdom. TPG delivers medical and community based services in the primary care sector of the National Health Service (NHS), which is the publicly funded, national healthcare system for England.

OUR COMPETITIVE STRENGTHS

Our approach is based on the following key competitive strengths:

- *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.

- *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 29 states. Our operating performance has been demonstrated by the following:

	2017	2016	% Change 2016 - 2017
Total membership (in millions)	12.2	11.4	7%
Total revenues ($ in billions)	$ 48.4	$ 40.6	19%
Net earnings from continuing operations attributable to Centene Corporation ($ in millions)	$ 828	$ 559	48%
Diluted earnings per share (EPS)	$ 4.69	$ 3.41	38%
Adjusted Diluted EPS	$ 5.03	$ 4.43	14%
Adjusted EBITDA	$ 1,906	$ 1,804	6%

For the year ended December 31, 2017, total revenues of $48.4 billion produced a five year Compound Annual Growth Rate (CAGR) of 43%.

- *Financial Strength and Scale.* Our size and scale allow us to grow, diversify and invest in our businesses through strategic acquisitions and investments in technology and other resources that support our business and help us navigate the changing healthcare landscape.

- *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. We believe 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. We believe 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.

- *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, commercial programs, home-based primary care services, life and health management, vision benefits management, pharmacy benefits management, specialty pharmacy and telehealth services. With the acquisition of Health Net, we further broadened our service offerings in 2016, which added government-sponsored care under its federal contracts with the Department of Defense (DoD) and the U.S. Department of Veterans Affairs (VA), as well as Medicare Advantage. 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 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 selling, general and administrative (SG&A) 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, On.Demand Diabetes, Start Smart For Your Baby, and MemberConnections.

OUR BUSINESS STRATEGY

Key components of our current business strategy include:

- *Increase Penetration of Existing State Markets.* We seek to continue to increase our Medicaid, Medicare and Health Insurance Marketplace 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 2017, we began providing managed care services to MO HealthNet Managed Care beneficiaries under an expanded statewide contract. Also, in 2017, we expanded our Medicare Advantage footprint into four of our existing states. In 2018, we expanded Medicare Advantage further into nine of our existing states.

- *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 revenues. In 2017, we served managed care members in 27 states through approximately 300 product solutions. We are constantly evaluating new opportunities for expansion both domestically and abroad. For example, in 2016, we acquired Health Net, which broadened our service offerings and added government-sponsored care. 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, waste, and abuse. By helping states structure appropriate programs to cover a wide range of populations including Medicaid, CHIP, LTSS, ABD, Intellectual or Developmental Disabilities (IDD), behavioral health and specialty services, among others. 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 provide solutions to states looking to deliver the highest quality of care within their budgetary constraints. In 2016, we increased our ownership interest to 75% in The Practice (Group) Limited (TPG), one of the largest provider networks for NHS England. In 2017, we expanded into Maryland, Nebraska and Nevada. Also in 2017, we signed a definitive agreement under which Fidelis Care will become our health plan in New York State.

- *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 (IT) investments complement our overall efficiency goals by increasing the automated processing of transactions and growing the base of decision-making analytical tools. We believe that 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 environment, over a long-term basis, does not allow us to meet our targeted performance levels. For example, due to under performance, we exited the Arizona individual PPO business, effective January 1, 2017. In addition, in 2016, we took various rate and product design actions for 2017 to address issues and improve profitability in connection with certain lines of business acquired with the Health Net Acquisition.

Substantially all of our revenues are derived from operations within the United States and its territories, and all of our long-lived assets are based in the United States and its territories. We generally receive a fixed premium per member per month pursuant to our state contracts. Our managed care subsidiaries in California and Texas had revenues from their respective state governments that each exceeded 10% of our consolidated total revenues in 2017. In addition, the federal government is a significant customer to our Specialty Services segment due to our Federal Services business.

MANAGED CARE

Benefits to Customers

We feel that 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 subsystems. 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 to enhance the ability of providers to improve the quality of healthcare delivered to our members including On.Demand Diabetes, 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.

- *Care management for complex populations.* Through our experience with Medicaid populations and long-time presence in states with experience in long-term care for children and adolescents in the foster care system, we have developed care management, service coordination and crisis prevention/response programs that increase opportunities for successful outcomes for members. This experience has led to partnerships with specialized networks and community advocates as states transition to managed care programs for vulnerable and complex populations.

- *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, waste 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 customer to customer and program to program, 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-based primary care
- transportation assistance
- vision care
- dental care
- immunizations
- prescriptions and limited over-the-counter drugs
- specialty pharmacy
- provision of durable medical equipment
- behavioral health and substance abuse services
- 24-hour nurse advice line
- therapies
- social work services
- care coordination

We also provide a comprehensive set of education and outreach programs to inform, assist and incentivize members to access 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. These awards include 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 safe and reliable access to 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. Through its family of companies, Envolve 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, Chronic Obstructive Pulmonary Disease (COPD), diabetes, heart disease and HIV.

- *The Diabetes Management Program* is a robust holistic program designed to improve the quality of life for our members living with diabetes. The program employs advanced analytics to identify members and provide individualized diabetes-related education and health assessments, support with self-management, and assistance accessing care.

- *On.Demand Diabetes* is a diabetes management support product designed to eliminate diabetic supply waste while increasing compliance and improving health outcomes for members with diabetes. On.Demand provides cellular-enabled blood glucose meters and test strips to the testing diabetic population. On.Demand automatically monitors all member tests and provides an appropriate level of intervention in the event of dangerous glucose readings or member non-compliance. Additionally, On.Demand's proprietary algorithm analyzes each member's testing patterns and automatically replenishes testing supplies to ensure there are no gaps in the member's ability to effectively monitor their condition.

- *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. 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.

- *Readmission Reduction Program* utilizes a proprietary scoring methodology to evaluate members' risks on preventable readmissions. Members with higher risk scores are identified at the point of admission to an acute care setting, then concurrently managed during the in-patient stay, and followed up with post discharge outreach to provide effective transition of care.

- *Clinical Programs Library (CPL)* is a highly collaborative initiative that empowers partners across the organization to develop evidence based clinical programs to promote best practice information sharing, and to establish measurable outcomes for clinical studies. The CPL also serves as a repository of enterprise pilots and programs intended to improve the member's health outcomes.

- *Promotores Health Network (PHN)* is a volunteer-driven community health network designed to improve the community's health through health education specific to health conditions impacting their community and providing guidance and linkage to healthcare services and local resources. PHN provides face-to-face education to members where they live, shop, worship and congregate.

- *myStrength ("The health club for your mind")* is a web and mobile self-help resource to manage depression, anxiety, substance use, and chronic pain. myStrength empowers members to be active participants in their journey to becoming and staying mentally and physically healthy.

- *Opioid Risk Classification Algorithm (ORCA)* is designed to identify members at risk for an opioid abuse diagnosis based on a series of critical social and clinical indicators. Providers will leverage this risk score to flag members for case management and other appropriate interventions. High risk members identified by ORCA will receive educational outreach to provide evidenced-based resources to support pain addiction.

Providers

For each of our service areas, we establish a provider network consisting of primary and specialty care physicians, hospitals and ancillary providers. 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 three-year periods and renew automatically for successive one-year terms, but generally are subject to termination by either party upon prior written notice. In the absence of a contract, we typically pay providers at applicable state or federal reimbursement levels, depending on the product (e.g., Medicaid or Medicare). We pay providers under a variety of methods, including fee-for-service, capitation arrangements, and value-based arrangements.

- Under our fee-for-service contracts with providers, we pay a negotiated fee for covered services. This model is characterized as having no financial risk for the provider.

- Under our capitated contracts, providers can be paid a set amount for their services as outlined in their respective provider agreements. A provider group's financial instability or failure to pay secondary providers for services rendered could lead secondary providers to demand payment from us, even though we have made our regular capitated payments to the provider group. Depending on state law and the regulatory environment, it may be necessary for us to pay such claims.

- Under value-based arrangements, providers are paid under a capitated or fee-for-service arrangement. The arrangement, however, contains provisions for additional payments to the providers or reimbursement from the providers based upon cost and quality measures.

In addition, we maintain a network of qualified physicians, facilities, and ancillary providers in the prime service areas of our TRICARE contract. Services are provided on a fee-for-service basis. We also maintain a provider network in support of VA's Patient Centered Community Care (PC3) program.

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 rendered by other providers.

We believe our local and collaborative approach with physicians and other providers 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:

- *Provider Engagement Performance Tools and Processes* lead to measurable improvements in quality and health outcomes, healthcare costs, and member satisfaction. High quality and performance levels are important as our key customers are increasingly using performance-based measures to select and pay health plans. We have rolled out a suite of network performance tools for use by physicians and other providers which monitor the outcomes and care gaps of their individual patient panel. Our specialists meet with the providers to review their performance issues and recommend strategies for improvements in their patient panel outcomes. Our tools also allow the physician and others to see where they stand within their value-based contract.

- *Integrated Care Model* is member-centric and managed by one care manager assigned to a member who looks at the total care for the member in a holistic manner. This single care manager will coordinate all care for that member including behavioral health, medical health, and home-based primary care in accordance with an individualized, integrated care plan. This care manager also coordinates meetings with the member's integrated care team to assess and alter the care plan as needed. This results in better outcomes and improvement in member satisfaction.

- *Provider Portal* provides claims and eligibility research, prior authorizations, member panels, care gaps, patient analytics, and provider analytics meant to drive provider engagement and better patient outcomes. Performance is supplied via a secure, user-friendly web-based provider portal.

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, home-based primary care 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, which 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 programs include:

- use of nationally recognized Interqual or Milliman criteria to help ensure our members receive the right level of care in the most appropriate setting;
- pre-authorized high-risk mediation and services that are commonly over or inappropriately prescribed;
- member education and the provision of appropriate and easily accessed urgent care services to help members avoid unnecessary and costly emergency room visits and improve their healthcare experience;
- emphasis on care management and care coordination where clinicians, such as nurses and social workers who are employed to assist high-risk and other selected members with the coordination of healthcare services that meet their specific needs;
- disease management for chronic illnesses, such as asthma and diabetes through a comprehensive, multidisciplinary and collaborative approach;
- prenatal case management for women with high-risk pregnancies to help them deliver full, healthy infants; and
- pharmacy treatment compliance programs driven by evidence-based clinical policies and focused on identifying the appropriate medication in the correct dose, delivered in an 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 (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 and quality improvement teams.

In an effort to ensure the quality of our provider networks, we verify the credentials and background of our providers using standards that are supported by the National Committee for Quality Assurance (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 NCQA health plan accreditation in 19 of 22 eligible states.

CMS developed the Medicare Advantage Star ratings system to help consumers choose among competing plans, awarding between 1.0 and 5.0 stars to Medicare Advantage plans based on performance in certain measures of quality. For the 2018 Star rating (calculated in 2017 for the quality bonus payment in 2019), our California D-SNP, Oregon HMO, Oregon PPO, and Arizona D-SNP contracts received 4.0 out of 5.0 Stars. The California HMO, Ohio, Texas, and Wisconsin D-SNPs, and Oregon Trillium HMO contracts were measured at 3.5 Stars, and our Arizona HMO and Florida D-SNP contracts received 3.0 Stars. In addition, for the 2018 Star rating, we carry a 3.5 Star parent organization rating. We are currently appealing the 2018 Star rating.

SPECIALTY SERVICES

Our specialty services are a key component of our healthcare strategy and complement our core Managed Care business. Our provision of specialty services diversifies our revenue stream, enhances the quality of health outcomes for our members and others, and allows Centene to manage costs. Our Envolve brand brings together our extensive portfolio of specialty healthcare solutions. Envolve leverages our collective expertise in pharmacy solutions; health, triage, wellness and disease management; and vision and dental services, to provide integrated and comprehensive healthcare for members. Our specialty services are provided primarily as follows:

- *Pharmacy Solutions.* Envolve Pharmacy Solutions utilizes innovative, flexible solutions and customized care management. We offer traditional pharmacy benefits management as well as comprehensive specialized pharmacy benefit services through our specialty pharmacy, AcariaHealth. Our traditional pharmacy benefits management program 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 that we provide include claims processing, pharmacy network management, benefit design consultation, drug utilization review, formulary and rebate management, online drug management tools, mail order pharmacy services, home delivery services, analytics and clinical consulting and patient and physician intervention. AcariaHealth offers specialized care management services for complex diseases and enhances the patient care offering through collaboration with providers and the capture of relevant data to measure patient outcomes.

- *Health, Triage, Wellness, and Disease Management Services*. Envolve PeopleCare brings together our behavioral health, nurse advice, telehealth, and health, wellness and disease guidance programs, allowing for a focus on individual health management through education and empowerment. Our life and health management programs specialize to encourage healthy behaviors, promote healthier workplaces, improve workforce and societal productivity and reduce healthcare costs. We offer telehealth services where members engage with customer service representatives and nursing staff who provide health education and triage advice and offer continuous access to health plan functions. Our staff can arrange for urgent pharmacy refills, transportation and qualified behavioral health professionals for crisis stabilization assessments.

- *Vision and Dental Services.* Envolve Benefit Options coordinates benefits beyond traditional medical benefits to offer fully integrated vision and dental health services. Our vision benefit program administers routine and medical surgical eye care benefits through a contracted national network of eye care providers. Through the dental benefit, we are dedicated to improving oral health through a contracted network of dental healthcare providers.

- *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 used by our health plans and available for sale to third parties.

- *Correctional Healthcare Services.* Centurion, our joint venture subsidiary with MHM Services Inc., provides comprehensive healthcare services to individuals incarcerated in Florida, Massachusetts, Minnesota, Mississippi, New Mexico, Tennessee and Vermont state correctional facilities.

- *Home-based Primary Care.* U.S. Medical Management (USMM) provides home-based primary care services for high acuity populations and participates as an Accountable Care Organization (ACO) through the CMS Medicare Shared Savings Program.

- *Integrated Long-Term Care.* LifeShare provides home and community-based support for people with intellectual and developmental disabilities, children in the child welfare system and people of all ages and abilities, with a focus on those that are often marginalized by society. In addition, LifeShare operates school-based programs that focus on students with special needs.

- *Management Services.* Envolve provides comprehensive management services for managed care organizations and partners with organizations to offer coordinated healthcare services and programs to their members.

- *Federal Services*. Health Net Federal Services (HNFS) has a Managed Support Contract in the West Region for the DoD TRICARE program. The services that are provided are structured as cost reimbursement arrangements for healthcare costs plus administrative fees received in the form of fixed prices, fixed unit prices, and contingent fees and payments based on various incentives and penalties. We provide administrative services to Military Health System eligible beneficiaries, which includes eligible active duty service members and their families, retired service members and their families, survivors of retired service members and qualified former spouses. HNFS also supports the PC3 program, which provides eligible veterans coordinated, timely access to care through a comprehensive network of non-VA providers who meet VA quality standards when a local VA medical center cannot readily provide the care. Additionally, our wholly owned subsidiary, MHN Government Services, is party to a MFLC contract that was awarded by the DoD to implement, administer and monitor the non-medical counseling MFLC program.

We currently have NCQA accreditation and URAC accreditation for several of our specialty companies.

CORPORATE COMPLIANCE

Our Ethics and Compliance program assists the organization in developing effective internal controls that promote prevention and detection of fraud, waste and abuse and resolution of instances of conduct that do not conform to federal and state law and private payor healthcare program requirements, as well as our own ethics and business policies. Responsibilities also include the ongoing maintenance of our privacy program and oversight of the Health Insurance Portability and Accountability Act (HIPAA) as they pertain to us and our business units from a compliance, business, and technical perspective.

Three standards by which corporate compliance programs in the healthcare industry are measured are the Federal Organizational Sentencing Guidelines, the CMS Chapter Guidance and the Compliance Program Guidance series issued by the Department of Health and Human Services' Office of the Inspector General (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 compliance officers and compliance committees;
- effective training and education;
- effective lines for reporting and communication;
- enforcement of standards through well publicized disciplinary guidelines and actions;
- internal monitoring and auditing; and
- prompt response to detected offenses and development of corrective action plans.

The goal of our program is to build a culture of ethics and compliance, which is assessed periodically to measure the values and engagement of the organization. Our 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 our Board of Directors' Audit Committee Chairman 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, waste, abuse or other compliance violations anonymously. Furthermore, the Board of Directors has established a Corporate Compliance committee that, among other things, reviews ethics and compliance reports on a quarterly basis.

COMPETITION

We operate in a highly competitive environment in an industry subject to ongoing significant changes resulting from the ACA, business consolidations, new strategic alliances, market pressures, and regulatory and legislative reform including but not limited to the federal and state healthcare reform legislation described under the heading "Regulation." In addition, changes to the political environment may drive additional changes to the competitive landscape.

In our business, our principal competitors for customers, members, and providers consist of the following types of organizations:

- *Medicaid Managed Care Organizations* that 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* that have Medicaid and Medicare 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* that are 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* that consist of groups of doctors, hospitals, and other healthcare 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, federal, and commercial contracts. In addition, the impact of the ACA and potential growth in our segment may attract new competitors including technology companies, new joint ventures, financial services firms, consulting firms and other non-traditional competitors. Before granting a contract, state and federal government agencies consider many factors. These factors include quality of care, financial condition, stability and resources and established or scalable infrastructure with a demonstrated ability to deliver services and establish adequate provider networks. Our specialty companies 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 believe that the principal competitive features affecting our ability to retain and increase membership include the range and prices of benefit plans offered, size and quality of provider network, quality of service, responsiveness to customer demands, financial stability, comprehensiveness of coverage, diversity of product offerings, market presence and reputation. The relative importance of each of these factors and the identity of our key competitors varies by market and product. We believe that we compete effectively against other healthcare industry participants.

We also compete with other managed care organizations in establishing provider networks. When contracting with various health plans, we believe that providers consider 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.”

The relative importance of each of the aforementioned competitive factors and the identity of our key competitors varies by market, including by geography and by product.

REGULATION

Our operations are comprehensively regulated at local, 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. States have implemented National Association of Insurance Commissioners (NAIC) model regulations, requiring governance practices and risk and solvency assessment reporting. States have adopted these or similar measures to enhance regulations relating to corporate governance and internal controls of HMOs and insurance companies. We are required to maintain a risk management framework and file reports with state insurance regulators.

Regulatory agencies generally have substantial discretion to issue regulations and interpret and enforce laws and rules. Changes in the regulatory environment and applicable laws and rules also may occur periodically, including in connection with changes in political party or administration at the state and federal or national levels. For example, the current administration and certain members of Congress have indicated that they may continue to pursue significant amendments to the ACA. Even if the ACA is not amended or repealed, the current administration could propose changes impacting implementation of the ACA. The ultimate content and timing of any legislation enacted under the current administration that would affect the ACA remains uncertain.

The ACA transformed the U.S. healthcare system through a series of complex initiatives. Some of the ACA's most significant provisions include the imposition of significant fees, assessments and taxes, including the non-deductible tax (technically called a "fee") on health insurers based on prior year net premiums written (the "health insurer fee" or "HIF"); the establishment of federally-facilitated and state-based Health Insurance Marketplaces where individuals and small groups may purchase health coverage; the implementation of certain premium stabilization programs designed to apportion risk amongst insurers; and the optional Medicaid Expansion. State and federal regulators have continued to provide additional guidance and specificity to the ACA, and we continue to monitor this new information and evaluate its potential impact on our business. For a further discussion of the implementation of the ACA, as well as the potential repeal of, or changes to, the ACA, see the risk factor below entitled "The implementation of Health Reform Legislation, as well as potential repeal of or changes to Health Reform Legislation, could materially and adversely affect our results of operations, financial position and cash flows."

Our regulated subsidiaries are licensed to operate as health maintenance organizations (HMOs), preferred provider organizations (PPOs), 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 healthcare providers, and departments of health that oversee the activities of managed care organizations and health plans providing or arranging to provide services to enrollees.

The process for obtaining authorization to operate as a managed care organization, health insurance plan, pharmacy or 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, proper billing, complaint procedures, and an adequate provider network and procedures for covering emergency medical conditions. For example, 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 healthcare provider must meet criteria to secure the approval of state regulatory authorities before implementing certain operational changes, including without limitation changes to existing offerings, the development of new product offerings, certain organizational restructurings 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 imposed on us;
- stringent prompt payment laws requiring us to pay claims within a specified period of time;
- disclosure requirements regarding provider fee schedules and coding procedures; and
- programs to monitor and supervise the activities and financial solvency of provider groups.

Federal law has also implemented other health programs that are partially funded by the federal government, such as the Medicaid program. Our Medicaid programs are regulated and administered by various state regulatory bodies. Federal funding remains critical to the viability of these programs. Federal law permits the federal government to oversee and, in some cases, to enact, regulations and other requirements that must be followed by states with respect to these programs. Medicaid is administered at the federal level by CMS. Comprehensive legislation, specifically Title XVIII of the Social Security Act, governs our Medicare program. In addition, our Medicare contracts are subject to regulation by CMS. CMS has the right to audit Medicare contractors and the healthcare providers and administrative contractors who provide certain services on their behalf to determine the quality of care being rendered and the degree of compliance with CMS contracts and regulations.

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.

PPO regulation also varies by state and covers all or most of the subject area referred to above.

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 healthcare providers must be licensed to practice medicine and do business as care providers in the state in which they are located. In addition, they must be in good standing with the applicable medical board, board of nursing or other applicable entity. Furthermore, they cannot be excluded from participation at both the state and federal levels. Our facilities are periodically reviewed by state departments of health and other regulatory agencies to ensure the environment is safe to provide care.

We must also comply with laws and regulations related to the award, administration and performance of U.S. Government contracts. Government contract laws and regulations affect how we do business with our customers and, in some instances, impose added costs on our business. Money laundering is a method of attempting to conceal the origins of money gained through illegal activity and is itself a crime that can result in substantial criminal and civil sanctions including fines and imprisonment. To ensure compliance with anti-money laundering laws and regulations, it is our policy to conduct business only with legitimate customers and counterparties whose funds are derived from legitimate commercial activity. In addition, as a result of our international operations, we are also subject to the U.S. Foreign Corrupt Practices Act (FCPA) and similar worldwide anti-corruption laws, including the U.K. Bribery Act of 2010, which generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. A violation of specific laws and regulations by us and/or our agents could result in, among other things, the imposition of fines and penalties on us, changes to our business practices, the termination of our contracts or debarment from bidding on contracts.

State and Federal Contracts

In addition to being a licensed insurance company or HMO, in order to be a Medicaid managed care organization in each of the states in which we operate, we generally must operate under a contract with the state's Medicaid agency. States generally either use a formal proposal process, reviewing a number of bidders, or award individual contracts to qualified applicants that apply for entry to the program. Under these state Medicaid program contracts, 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 within the state. We also contract with states to provide healthcare services to correctional facilities.

We provide Medicare Advantage, Dual Eligible Special Needs Plans (D-SNPs), and Medicare-Medicaid Plans (MMP) which are provided under contracts with CMS and subject to federal regulation regarding the award, administration and performance of such contracts. CMS also has the right to audit our performance to determine our compliance with these contracts, as well as other CMS regulations and the quality of care we provide to Medicare beneficiaries under these contracts. We additionally provide behavioral and other healthcare services to correctional systems under contracts in certain states which are also subject to state regulation.

Our government contracts include government-sponsored managed care and administrative services contracts through the TRICARE program, the Department of Defense Military and Family Life Counseling program, the U.S. Department of Veterans Affairs Patient Centered Community Care program and certain other healthcare-related government contracts.

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, waste 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.

Our health plans operate through individual state contracts, generally with an initial term of one to five years. The contracts often have renewal or extension terms or are renewable through the state's reprocurement process. The contracts generally are subject to termination for cause, an event of default or lack of funding, among other things.

Marketplace Contracts

We operate in 15 states under federally-facilitated and state-based Marketplace contracts with CMS that expire annually. In 2018, we began operating under Marketplace contracts in Kansas, Missouri and Nevada. We expect to begin operating under a Marketplace contract in New York, pending the closing of the Fidelis Care Transaction.

We operate under a 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 "Arkansas Works"). We also operate under a contract with the New Hampshire Department of Health and Human Services to participate in the Medicaid expansion model that New Hampshire has adopted (referred to as the “Premium Assistance Program”).

Privacy Regulations

We are subject to various international, federal, state and local laws and rules regarding the use, security and disclosure of protected health information, personal information, and other categories of confidential or legally protected data that our businesses handle. Such laws and rules include, without limitation, the Health Insurance Portability and Accountability Act (HIPAA), the Federal Trade Commission Act, the Gramm-Leach-Bliley Financial Modernization Act of 1999 (Gramm-Leach-Bliley Act), state privacy and security laws such as the California Confidentiality of Medical Information Act and the California Online Privacy Protection Act. Privacy and security laws and regulations often change due to new or amended legislation, regulations or administrative interpretation. A variety of state and federal regulators enforce these laws, including but not limited to the U.S. Department of Health and Human Services (HHS), the Federal Trade Commission, state attorneys general and other state regulators.

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 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 enhanced 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 Generals in addition to the HHS Office for Civil Rights. The HIPAA Omnibus Rule further enhanced the changes under the HITECH Acts and the Genetic Information Nondiscrimination Act of 2008 (GINA) which clarified that genetic information is protected under HIPAA 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. These regulations also establish significant criminal penalties and civil sanctions for non-compliance. 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 established 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 electronically stored, maintained or transmitted. The HITECH Act and Omnibus Rule enhanced 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 were modified on October 1, 2015 with the implementation of the ICD-10 coding system.

In addition, we process and maintain personal card data, particularly in connection with our Marketplace business. As a result, we must maintain compliance with the Payment Card Industry (PCI) Data Security Standard, which is a multifaceted security standard intended to optimize the security of credit, debit and cash card transactions and protect cardholders against misuse of their personal information.

Other Fraud, Waste and Abuse Laws

Investigating and prosecuting healthcare fraud, waste and abuse continues to be a top priority for state and federal law enforcement entities. The focus of these efforts has been directed at Medicare, Medicaid, Health Insurance Marketplace and commercial products. The fraud, waste and abuse laws include the federal False Claims Act, which prohibits the known filing of a false claim or the known use of false statements to obtain payment from the federal government. Many states have false claim act statutes that closely resemble the federal False Claims Act. The laws and regulations relating to fraud, waste and abuse and the requirements applicable to health plans and providers participating in these programs are complex and change regularly. Compliance with these laws 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, 2017, we had approximately 33,700 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 16, 2018:

Name	Age	Position
Michael F. Neidorff	75	Chairman and Chief Executive Officer
Christopher D. Bowers	62	Executive Vice President, Markets
Cynthia J. Brinkley	58	President and Chief Operating Officer
Mark J. Brooks	48	Executive Vice President and Chief Information Officer
Jesse N. Hunter	42	Executive Vice President and Chief Strategy Officer
Christopher R. Isaak	51	Senior Vice President, Corporate Controller and Chief Accounting Officer
Jeffrey A. Schwaneke	42	Executive Vice President, Chief Financial Officer and Treasurer
Keith H. Williamson	65	Executive Vice President, General Counsel and Secretary

Michael F. Neidorff. Mr. Neidorff has served as our Chairman and Chief Executive Officer since November 2017. From May 2004 to November 2017, he served as Chairman, President and Chief Executive Officer. From May 1996 to May 2004, he served as President, Chief Executive Officer and as a member of our Board of Directors.

Christopher D. Bowers. Mr. Bowers has served as our Executive Vice President of Markets since November 2016. From March 2007 to November 2016, he served as our Senior Vice President of Health Plans.

Cynthia J. Brinkley. Ms. Brinkley has served as our President and Chief Operating Officer since November 2017. From January 2016 to November 2017, she served as Executive Vice President, Global Corporate Development. From November 2014 to January 2016, she served as Executive Vice President, International Operations and Business Integration. Prior to joining Centene, she served as Vice President of Global Human Resources at General Motors from 2011 to 2013.

Mark J. Brooks. Mr. Brooks has served as our Executive Vice President and Chief Information Officer since November 2017. From April 2016 to November 2017, he served as Senior Vice President and Chief Information Officer. Prior to joining Centene, he served as the Chief Information Officer at Health Net from 2012 to 2016.

Jesse N. Hunter. Mr. Hunter has served as our Executive Vice President and Chief Strategy Officer since November 2017. From January 2016 to November 2017, he served as Executive Vice President, Products. From December 2012 to January 2016, he served as Executive Vice President, Chief Business Development Officer. From February 2012 to December 2012, he served as our Executive Vice President, Operations.

Christopher R. Isaak. Mr. Isaak has served as our Senior Vice President, Corporate Controller and Chief Accounting Officer since April 2016. Prior to joining Centene, he served as Vice President, Corporate Controller at TTM Technologies from 2015 to 2016 and Vice President, Corporate Controller at Viasystems Group, Inc. from 2006 to 2015 and served as Chief Accounting Officer from 2010 to 2015.

Jeffrey A. Schwaneke. Mr. Schwaneke has served as our Executive Vice President, Chief Financial Officer and Treasurer since March 2016. From July 2008 to March 2016, he served as our Senior Vice President, Corporate Controller and served as our Chief Accounting Officer from September 2008 to March 2016.

Keith H. Williamson. Mr. Williamson has served as our Executive Vice President, General Counsel and Secretary since 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. Unless the context otherwise requires, the terms the "Company," "we," "us," "our" or similar terms and "Centene" (i) prior to the closing of the Proposed Fidelis Acquisition, refer to Centene Corporation, together with its consolidated subsidiaries, without giving effect to the Proposed Fidelis Acquisition, and (ii) upon and after the closing of the Proposed Fidelis Acquisition, refer to us, after giving effect to the Proposed Fidelis Acquisition.

Reductions in funding, changes to eligibility requirements for government sponsored healthcare programs in which we participate and any inability on our part to effectively adapt to changes to these programs 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, TRICARE, VA, CHIP, LTSS, ABD, Foster Care and Health Insurance Marketplace premiums. Under most programs, 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 for this program, with the federal share currently averaging around 57%. We are therefore exposed to risks associated with U.S. and state government contracting or participating in programs involving a government payor, including but not limited to the general ability of the federal and/or state government to terminate contracts with it, in whole or in part, without prior notice, for convenience or for default based on performance; potential regulatory or legislative action that may materially modify amounts owed; and our dependence upon Congressional or legislative appropriation and allotment of funds and the impact that delays in government payments could have on our operating cash flow and liquidity. For example, 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, TRICARE, VA, CHIP, LTSS, ABD and Foster Care. Furthermore, Medicare remains subject to the automatic spending reductions imposed by the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012 ("sequestration"), subject to a 2% cap. In addition, reductions in defense spending could have an adverse impact on certain government programs in which we currently participate by, among other things, terminating or materially changing such programs, or by decreasing or delaying payments made under such programs. 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 remains steady or 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. In addition, if a federal government shutdown were to occur for a prolonged period of time, federal government payment obligations, including its obligations under Medicaid, Medicare, TRICARE, VA, CHIP, LTSS, ABD, Foster Care and the Health Insurance Marketplaces, may be delayed. Similarly, if state government shutdowns were to occur, state payment obligations may be delayed. If the federal or state governments fail 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.

Payments from government payors may be delayed in the future, which, if extended for any significant period of time, could have a material adverse effect on our results of operations, financial position, cash flows or liquidity. In addition, delays in obtaining, or failure to obtain or maintain, governmental approvals, or moratoria imposed by regulatory authorities, could adversely affect our revenues or membership, increase costs or adversely affect our ability to bring new products to market as forecasted. Other changes to our government programs could affect our willingness or ability to participate in any of these programs or otherwise have a material adverse effect on our business, financial condition or results of operations.

Finally, 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. For example, maintaining current eligibility levels 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.

Our Medicare programs are subject to a variety of risks that could adversely impact our financial results.

If we fail to design and maintain programs that are attractive to Medicare participants; if our Medicare operations are subject to negative outcomes from program audits, sanctions or penalties; if we do not submit adequate bids in our existing markets or any expansion markets; if our existing contracts are terminated; or if we fail to maintain or improve our quality Star ratings, our current Medicare business and our ability to expand our Medicare operations could be materially and adversely affected, negatively impacting our financial performance. As previously announced, CMS recently published Medicare Star ratings for the 2018 rating year. The achievement of Star ratings of four or higher for the 2018 rating year qualifies Medicare Advantage plans for quality bonus payments in 2019. The results from CMS indicate that Health Net of California, Inc.'s Medicare Advantage plan (H0562) will move to a 3.5 Star rating from a 4.0 Star rating for the 2018 rating year. The effect of this Star rating change will lower our parent Star rating for the 2018 rating year from 4.0 stars to 3.5 stars and, therefore, our plans that use the parent rating as well as the Medicare Advantage plan (H0562) will not be eligible for the quality bonus payments in 2019. These lowered Star ratings for the 2018 rating year for the Medicare Advantage plan (H0562) and the Company may reduce the attractiveness of the affected plans and our other offerings to members, reduce revenue from the affected plan and impact our Medicare expansion efforts, which are a strategic focus for the Company. We continue to evaluate the potential impact of the lowered ratings on our revenues and expansion efforts in 2019. There are also specific additional risks under Title XVIII, Part D of the Social Security Act associated with our provision of Medicare Part D prescription drug benefits as part of our Medicare Advantage plan offerings. These risks include potential uncollectibility of receivables, inadequacy of pricing assumptions, inability to receive and process information and increased pharmaceutical costs, as well as the underlying seasonality of this business, and extended settlement periods for claims submissions. Our failure to comply with Part D program requirements can result in financial and/or operational sanctions on our Part D products, as well as on our Medicare Advantage products that offer no prescription drug coverage.

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 and cash flows.

Our profitability, to a significant degree, depends on our ability to estimate and effectively manage expenses related to health benefits through, among other things, 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 (HBR), or our expenses related to medical services as a percentage of premium revenues, would increase and our profits would decline. Because of the narrow margins of our health plan business, relatively small changes in our HBR 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, disasters, the potential effects of climate change, major epidemics, pandemics or newly emergent viruses, new medical technologies, new pharmaceutical compounds, increases in provider fraud and other external factors, including general economic conditions such as inflation and unemployment levels, are generally beyond our control and could reduce our ability to accurately predict and effectively control the costs of providing health benefits. In addition, the 2018 marketplace for individual products may continue to be less stable than in previous years because, among other things, other health plans have changed or stopped offering their Health Insurance Marketplace products in the states we expect to serve in 2018 or have announced plans to change their Health Insurance Marketplace product offerings in 2018. Also, member behavior could be influenced by the repeal of the ACA's individual mandate in the Tax Cuts and Jobs Act of 2017 (TCJA), and further uncertainty surrounding other potential changes to the Patient Protection and Affordable Care Act and the accompanying Health Care and Education Affordability Reconciliation Act, collectively referred to as Affordable Care Act (ACA).

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. Given the uncertainties inherent in such estimates, there can be no assurance that our medical claims liability estimate will be adequate, and any adjustments to the estimate may unfavorably impact our results of operations and may be material.

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 government-provided historical actuarial data and limited actual incurred and received claims and inpatient acuity information. The addition of new categories of eligible individuals as well as evolving Health Insurance Marketplace plans may pose difficulty in estimating our medical claims liability.

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 ACA, as well as potential repeal of or changes to the ACA, could materially and adversely affect our results of operations, financial position and cash flows.

In March 2010, the ACA was enacted. While the constitutionality of the ACA was generally upheld by the Supreme Court in 2012, the Court determined that states could elect to opt out of the Medicaid expansion portion of ACA without 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 pays 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 December 31, 2017, 32 states and the District of Columbia have expanded Medicaid eligibility, 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. The ACA also 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. On December 22, 2017, the TCJA was signed, repealing the individual mandate requirement of the ACA beginning in 2019. This change and other potential changes involving the functioning of the Health Insurance Marketplaces as a result of new legislation, regulation or executive action, could impact our business and results of operations.

Any failure to adequately price products offered or reduction in products offered in the Health Insurance Marketplaces may have a negative impact on our results of operations, financial position and cash flow. Among other things, due to the repeal of the individual mandate in the TCJA, we may be adversely selected by individuals who have higher acuity levels than those individuals who selected us in the past and healthy individuals may decide to opt out of the pool altogether. In addition, the risk corridor, reinsurance and risk adjustment ("three Rs") provisions of the ACA established to apportion risk amongst insurers may not be effective in appropriately mitigating the financial risks related to the Marketplace product. Further, the three Rs may not be adequately funded. Moreover, changes in the competitive marketplace over time may exacerbate the uncertainty in these relatively new markets. For example, competitors seeking to gain a foothold in the changing market may introduce pricing that we may not be able to match, which may adversely affect our ability to compete effectively. Competitors may also choose to exit the market altogether or otherwise suffer financial difficulty, which could adversely impact the pool of potential insured, require us to increase premium rates or result in funding issues under the three Rs. These potential exits and other continued volatility in this market may be further exacerbated by the conclusion of the risk corridor and reinsurance programs as of January 1, 2017. Our continued success in the exchanges is dependent on our ability to successfully respond to these changes in the market over time. Any significant 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.

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 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. As of December 31, 2017, seven states had approved Section 1115 waivers to implement the ACA's Medicaid expansion in ways that extend beyond the flexibility provided by the federal law.

The ACA imposed an annual insurance industry assessment of $8.0 billion in 2014, and $11.3 billion in each of 2015 and 2016, with increasing annual amounts thereafter. The health insurer fee payable in 2017 was suspended by the Consolidated Appropriations Act for fiscal year 2016. However, the $14.3 billion payment resumes in 2018 for the fiscal year 2017. Such assessments are not deductible for federal and most state income tax purposes. The fee is 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 revenues. 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 revenues from Medicare, Medicaid, and CHIP, and other not-for-profit insurers are allowed to exclude 50% of their premium revenues from the fee calculation. 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 regulators required for continued implementation of the ACA, including the promulgation of a substantial number of new and potentially more onerous federal regulations. For example, in April 2016, CMS issued final regulations that revised existing Medicaid managed care rules by establishing a minimum MLR standard for Medicaid of 85% and strengthening provisions related to network adequacy and access to care, enrollment and disenrollment protections, beneficiary support information, continued service during beneficiary appeals, and delivery system and payment reform initiatives, among others. If we fail to effectively implement or appropriately adjust 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.

In addition, *House v. Hargan (previously v. Burwell, et al., and v. Price, et al.)* , the suit that was brought by House Republicans, was settled in December 2017. The new administration's decision to stop the cost sharing subsidies rendered further challenge to the cost sharing subsidy payments unnecessary. While 2018 premium rates for Health Insurance Marketplace were set without factoring in the cost sharing subsidy payments from the federal government, the new administration's decision to end payments could affect our earnings.

Changes to, or repeal of, portions or the entirety of the ACA, could materially and adversely affect our business and financial position, results of operations or cash flows. Even if the ACA is not amended or repealed, the new administration could propose changes impacting implementation of the ACA, which could materially and adversely affect our financial position or operations. However, the ultimate content, timing or effect of any potential future legislation enacted under the new administration cannot be predicted.

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. Such negative publicity may adversely affect our stock price and damage our reputation in various markets.

In each of the jurisdictions in which we operate, we are regulated by the relevant insurance, health and/or human services or government departments that oversee the activities of managed care organizations providing or arranging to provide services to Medicaid, Medicare, Health Insurance Marketplace enrollees or other beneficiaries. 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 and result in changes to the existing legislative or regulatory environment.

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 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 the ACA, 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 or other governmental entities 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, including through our Envolve Pharmacy Solutions product. These businesses are subject to federal and state laws that govern the relationships of the business with pharmaceutical manufacturers, physicians, pharmacies, customers and consumers. We also conduct business as a mail order pharmacy and specialty pharmacy, which subjects these businesses 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, including with respect to the pricing of new specialty and generic drugs. In addition, our PBM and specialty pharmacy businesses 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 on favorable terms or at all, or if we receive an adverse finding or review resulting from an audit or investigation, our business may be adversely affected.

A substantial portion of our business relates to the provision of managed care programs and selected services to individuals receiving benefits under governmental assistance or entitlement programs. We provide these and other healthcare services under contracts with government entities in the areas in which we operate. Our government contracts are generally intended to run for a fixed number of years and may be extended for an additional specified number of years if the contracting entity or its agent elects to do so. When our contracts with the government 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. Even if our responsive bids are successful, the bids may be based upon assumptions or other factors which could result in the contracts being less profitable than we had anticipated. Further, our government contracts contain certain provisions regarding 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, among other things, 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, as well as compliance with applicable laws and regulations. Any adverse review, audit or investigation could result in, among other things: 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; loss of one or more of our licenses; lowered quality Star ratings; or require changes to the way we do business. In addition, under government procurement regulations and practices, a negative determination resulting from a government audit of our business practices could result in a contractor being fined, debarred and/or suspended from being able to bid on, or be awarded, new government contracts for a period of time.

If any of our government contracts are terminated, not renewed, renewed on less favorable terms, or not renewed on a timely basis, or if we receive an adverse finding or review resulting from an audit or investigation, our business and reputation may be adversely impacted, our goodwill could be impaired and our financial position, results of operations or cash flows may be materially affected.

We contract with independent third party vendors and service providers who provide services to us and our subsidiaries or to whom we delegate selected functions. Violations of, or noncompliance with, laws and regulations governing our business by such third parties, or governing our dealings with such parties, could, among other things, subject us to additional audits, reviews and investigations and other adverse effects.

Ineffectiveness of state-operated systems and subcontractors could adversely affect our business.

A number of 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 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, without limitation, the acquisition and expansion 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 connection with start-up operations and system migrations, 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.

In the past, the securities and credit markets have experienced extreme volatility and disruption. 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 sufficient additional financing on favorable terms, within an acceptable time, 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 those states or if our current operations in any portion of one of those states were significantly curtailed, our revenues could decrease materially. Our reliance on operations in a limited number of states could cause our revenues 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 open the bidding for their Medicaid program to other health insurers 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, as well as technology companies, new joint ventures, financial services firms, consulting firms and other non-traditional competitors. In addition, the administration of the ACA has the potential to shift the competitive landscape in our segment.

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, as a result of industry consolidation or otherwise, 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, among other things. 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. 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. In addition, from time to time, we may be subject to class action or other lawsuits by healthcare providers with respect to claim payment procedures or similar matters. For example, our wholly owned subsidiary, Health Net Life Insurance Company (“HNL”), is and may continue to be subject to such disputes with respect to HNL’s payment levels in connection with the processing of out-of-network provider reimbursement claims for the provision of certain substance abuse related services. HNL expects to vigorously defend its claims payment practices. Nevertheless, in the event HNL receives an adverse finding in any related legal proceeding or from a regulator, or is otherwise required to reimburse providers for these claims at rates that are higher than expected or for claims HNL otherwise believes are unallowable, our financial condition and results of operations may be materially adversely affected. In addition, regardless of whether any such lawsuits 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, under such circumstances we may incur significant expenses and may be unable to operate our business effectively.

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 do not appropriately integrate, maintain, enhance 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, including 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.

From time to time we are a defendant in lawsuits and regulatory actions and are subject to investigations relating to our business, including, without limitation, medical malpractice claims, claims by members alleging failure to pay for or provide healthcare, claims related to non-payment or insufficient payments for out-of-network services, claims alleging bad faith, investigations regarding our submission of risk adjuster claims, putative securities class actions, and claims related to the imposition of new taxes, including but not limited to claims that may have retroactive application. 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 and/or cash flows and may affect our reputation. 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 revision 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 of 1996 (HIPAA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act of 2009 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. Certain 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. Despite our best attempts to maintain adherence to information privacy and security best practices as well as compliance with applicable laws, rules and contractual requirements, 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 or other forms of cyber-attack, 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.

In addition, HIPAA broadened the scope of fraud and abuse laws applicable to healthcare companies. 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. Additionally, HHS continued its auditing program in 2016 to assess compliance efforts by covered entities and business associates. Through a second phase of audits, which commenced for covered entities in July 2016, HHS focused on a review of policies and procedures adopted and employed by covered entities and their business associates to meet selected standards and implementation specifications of the HIPAA Privacy, Security, and Breach Notification Rules. 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.

If we fail to comply with the extensive federal and state fraud and abuse laws, our business, reputation, results of operations, financial position and cash flows could be materially and adversely affected.

We, along with all other companies involved in public healthcare programs are the subject of fraud and abuse investigations from time to time. The regulations and contractual requirements applicable to participants in these public sector programs are complex and subject to change. Violations of fraud and abuse laws applicable to us could result in civil monetary penalties, criminal fines and imprisonment, and/or exclusion from participation in Medicaid, Medicare, TRICARE, VA and other federal healthcare programs and federally funded state health programs. Fraud and abuse prohibitions encompass a wide range of activities, including kickbacks for referral of members, incorrect and unsubstantiated billing or billing for unnecessary medical services, improper marketing and violations of patient privacy rights. These fraud and abuse laws include the federal False Claims Act, which prohibits the known filing of a false claim or the known use of false statements to obtain payment from the federal government and the federal anti-kickback statute, which prohibits the payment or receipt of remuneration to induce referrals or recommendations of healthcare items or services. Many states have false claim act and anti-kickback statutes that closely resemble the federal False Claims Act and the federal anti-kickback statute. In addition, the Deficit Reduction Act of 2005 encouraged states to enact state-versions of the federal False Claims Act that establish liability to the state for false and fraudulent Medicaid claims and that provide for, among other things, claims to be filed by *qui tam* relators. Federal and state governments have made investigating and prosecuting healthcare fraud and abuse a priority. In the event we fail to comply with the extensive federal and state fraud and abuse laws, our business, reputation, results of operations, financial position and cash flows could be materially and adversely affected.

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 or interruption 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 on a timely basis, or at all. 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.

The market price of our common stock may decline as a result of significant acquisitions.

The market price of our common stock is generally subject to volatility, and there can be no assurances regarding the level or stability of our share price at any time. The market price of our common stock may decline as a result of acquisitions if, among other things, we are unable to achieve the expected growth in earnings, or if the operational cost savings estimates in connection with the integration of acquired businesses with ours are not realized, or if the transaction costs related to the acquisitions and integrations are greater than expected. The market price also may decline if we do not achieve the perceived benefits of the acquisitions as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the acquisitions on our financial position, results of operations or cash flows is not consistent with the expectations of financial or industry analysts.

We may be unable to successfully integrate our business with Health Net and realize the anticipated benefits of the acquisition.

We completed the acquisition of Health Net on March 24, 2016. The success of the acquisition of Health Net will depend, in part, on our ability to successfully combine the businesses of the Company and Health Net and realize the anticipated benefits, including synergies, cost savings, growth in earnings, innovation and operational efficiencies, from the combination. If we are unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits may not be realized fully or at all, or may take longer to realize than expected and the value of our common stock may be harmed.

The integration of Health Net's business with our existing business is a complex, costly and time-consuming process. We have not previously completed a transaction comparable in size or scope to the acquisition of Health Net. The integration of the two companies may result in material challenges, including, without limitation:

- the diversion of management's attention from ongoing business concerns and performance shortfalls as a result of the devotion of management's attention to the integration;
- managing a larger combined company;
- maintaining employee morale and retaining key management and other employees;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- coordinating geographically separate organizations;
- unanticipated issues in integrating information technology, communications and other systems;
- unanticipated changes in federal or state laws or regulations, including changes with respect to government healthcare programs, the ACA and any regulations enacted thereunder; and
- unforeseen expenses or delays associated with the acquisition and/or integration.

Many of these factors will be outside of our control and any one of them could result in delays, increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially affect our financial position, results of operations and cash flows.

We have incurred substantial expenses related to the completion of the acquisition of Health Net and are incurring substantial expenses related to the integration of Health Net.

We are in the process of integrating a large number of processes, policies, procedures, operations, technologies and systems, including sales, pricing, and marketing, among other things. In addition, the businesses of Centene and Health Net will continue to maintain a presence in St. Louis, Missouri and Woodland Hills, California, respectively. The substantial majority of these costs will be non-recurring expenses related to the acquisition (including financing of the acquisition), facilities and systems consolidation costs. We may incur additional costs to maintain employee morale and to retain key employees. We are also incurring transaction fees and costs related to formulating integration plans for the combined business, and the execution of these plans may lead to additional unanticipated costs. These incremental transaction and acquisition related costs may exceed the savings we expect to achieve from the elimination of duplicative costs and the realization of other efficiencies related to the integration of the businesses, particularly in the near term and in the event there are material unanticipated costs.

Our future results may be adversely impacted if we do not effectively manage our expanded operations following the completion of our acquisition of Health Net.

The size of our business following the acquisition of Health Net is significantly larger than the size of either our or Health Net's respective businesses prior to the acquisition. Our ability to successfully manage the expanded business will depend, in part, upon management's ability to design and implement strategic initiatives that address the increased scale and scope of the combined business with its associated increased costs and complexity. We will also have to manage our expanded operations in compliance with certain undertakings with regulators that were agreed to in connection with the approval of the acquisition. These undertakings require significant investments by us, may restrict or impose additional material costs on our future operations and strategic initiatives in certain geographies, and subject us to various enforcement mechanisms. There can be no assurances that we will be successful in managing our expanded operations or that we will realize the expected growth in earnings, operating efficiencies, cost savings and other benefits.

We have substantial indebtedness outstanding and may incur additional indebtedness in the future. Such indebtedness could reduce our agility and may adversely affect our financial condition.

As of December 31, 2017, we had consolidated indebtedness of approximately $4,699 million. We may further increase our indebtedness in the future. This increased indebtedness and higher debt-to-equity ratio will have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing borrowing costs.

Among other things, our revolving credit facility requires us to comply with various covenants that impose restrictions on our operations, including our ability to incur additional indebtedness, create liens, pay dividends, make investments or other restricted payments, sell or otherwise dispose of substantially all of our assets and engage in other activities. Our revolving credit facility also requires us to comply with a maximum leverage ratio and a minimum fixed charge coverage ratio. These restrictive covenants could limit our ability to pursue our business strategies. In addition, any failure by us to comply with these restrictive covenants could result in an event of default under the revolving credit facility and, in some circumstances, under the indentures governing our notes, which, in any case, could have a material adverse effect on our financial condition.

The Proposed Fidelis Acquisition may not occur, and if it does, it may not be accretive and may cause dilution to our earnings per share, which may negatively affect the market price of our common stock.

Although we currently anticipate that the Proposed Fidelis Acquisition will occur and will be accretive to earnings per share (on an adjusted earnings basis that is not pursuant to GAAP) from and after the Proposed Fidelis Acquisition, this expectation is based on assumptions about our and Fidelis Care's business and preliminary estimates, which may change materially. As a result, should the Proposed Fidelis Acquisition occur, certain other amounts to be paid in connection with the Proposed Fidelis Acquisition may cause dilution to our earnings per share or decrease or delay the expected accretive effect of the Proposed Fidelis Acquisition and cause a decrease in the market price of our common stock. The Proposed Fidelis Acquisition may not occur as a result. In addition, we could also encounter additional transaction-related costs or other factors such as the failure to realize all of the benefits anticipated in the Proposed Fidelis Acquisition, including cost and revenue synergies. All of these factors could cause dilution to our earnings per share or decrease or delay the expected accretive effect of the Proposed Fidelis Acquisition and cause a decrease in the market price of our common stock.

The Proposed Fidelis Acquisition is subject to conditions, some or all of which may not be satisfied, or completed on a timely basis, if at all. Failure to complete the Proposed Fidelis Acquisition could have material adverse effects on our business.

The completion of the Proposed Fidelis Acquisition is subject to a number of conditions, including, among others, the receipt of certain regulatory approvals, which make the completion and timing of the completion of the Proposed Fidelis Acquisition uncertain. Also, either we or Fidelis Care may terminate the asset purchase agreement if the Proposed Fidelis Acquisition has not been consummated by July 1, 2018 (or September 1, 2018 if the extension is exercised), except that this right to terminate the asset purchase agreement will not be available to any party whose failure to fulfill any obligation under the asset purchase agreement has been the cause of or resulted in the failure of the Proposed Fidelis Acquisition to be consummated on or before that date.

If the Proposed Fidelis Acquisition is not completed, our ongoing business may be materially adversely affected and, without realizing any of the benefits that we could have realized had the Proposed Fidelis Acquisition been completed, we will be subject to a number of risks, including the following:

- the market price of our common stock could decline;
- if the asset purchase agreement is terminated and our board of directors (Board) seeks another business combination, our stockholders cannot be certain that we will be able to find a party willing to enter into any transaction on terms equivalent to or more attractive than the terms that we and Fidelis Care have agreed to in the asset purchase agreement;
- time and resources committed by our management to matters relating to the Proposed Fidelis Acquisition could otherwise have been devoted to pursuing other beneficial opportunities;
- we may experience negative reactions from the financial markets or from our customers or employees; and
- we will be required to pay our costs relating to the Proposed Fidelis Acquisition, such as legal, accounting, financial advisory and printing fees, whether or not the Proposed Fidelis Acquisition is completed.

In addition, if the Proposed Fidelis Acquisition is not completed, we could be subject to litigation related to any failure to complete the Proposed Fidelis Acquisition or related to any enforcement proceeding commenced against us to perform our obligations under the asset purchase agreement. If any such risk materializes, it could adversely impact our ongoing business.

Similarly, delays in the completion of the Proposed Fidelis Acquisition could, among other things, result in additional transaction costs, loss of revenue or other negative effects associated with uncertainty about completion of the Proposed Fidelis Acquisition and cause us not to realize some or all of the benefits that we expect to achieve if the Proposed Fidelis Acquisition is successfully completed within its expected timeframe. We cannot assure you that the conditions to the closing of the Proposed Fidelis Acquisition will be satisfied or waived or that the Proposed Fidelis Acquisition will be consummated.

Centene and Fidelis Care are each subject to business uncertainties and contractual restrictions while the proposed acquisition is pending, which could adversely affect the business and operations of us or the combined company.

In connection with the pendency of the Proposed Fidelis Acquisition, it is possible that some customers, suppliers and other persons with whom we or Fidelis Care has a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with us or Fidelis Care, as the case may be, as a result of the Proposed Fidelis Acquisition, which could negatively affect our current or the combined company's future revenues, earnings and cash flows, as well as the market price of our common stock, regardless of whether the Proposed Fidelis Acquisition is completed.

Under the terms of the asset purchase agreement, Fidelis Care is subject to certain restrictions on the conduct of its business prior to completing the Proposed Fidelis Acquisition, which may adversely affect its ability to execute certain of its business strategies, including the ability in certain cases to enter into or amend contracts, acquire or dispose of assets, incur indebtedness or incur capital expenditures. Such limitations could adversely affect Fidelis Care's business and operations prior to the completion of the Proposed Fidelis Acquisition.

Each of the risks described above may be exacerbated by delays or other adverse developments with respect to the completion of the Proposed Fidelis Acquisition.

The Proposed Fidelis Acquisition is subject to the receipt of approvals, consents or clearances from regulatory authorities that may impose conditions that could have an adverse effect on us or the combined company or, if not obtained, could prevent completion of the Proposed Fidelis Acquisition.

Before the Proposed Fidelis Acquisition may be completed, any approvals, consents or clearances required in connection with the Proposed Fidelis Acquisition must have been obtained, in each case, under applicable law, including pursuant to the insurance laws, not-for-profit laws and, in some instances, state healthcare laws. In deciding whether to grant the required regulatory approval, consent or clearance, the relevant governmental entities will consider the effect of the Proposed Fidelis Acquisition on competition within their relevant jurisdiction. The terms and conditions of the approvals, consents and clearances that are granted may impose requirements, limitations or costs or place restrictions on the conduct of the combined company's business. Under the asset purchase agreement, we have agreed with Fidelis Care to use our reasonable best efforts to obtain such approvals, consents and clearances and therefore may be required to comply with conditions or limitations imposed by governmental authorities, except that (i) we may not be required to agree to any term, limitation, restriction or requirement that, individually or in the aggregate, (a) would have or could reasonably be expected to have a material and adverse effect on the financial condition, results of operations or business of us or Fidelis Care, in each case, as currently conducted, (b) would or could reasonably be expected to have a material and adverse effect on any lines or types of business, in the aggregate, in which we or Fidelis Care shall be permitted to engage or (c) would have or could reasonably be expected to have a material and adverse effect on the overall benefits that we reasonably expect to derive from the consummation of the Proposed Fidelis Acquisition and (ii) Fidelis Care may not be required to agree to any term, limitation, restriction or requirement that, individually or in the aggregate, would have or could reasonably be expected to have a material and adverse effect on the overall benefits that Fidelis Care reasonably expects to derive from the consummation of the Proposed Fidelis Acquisition.

In addition, regulators may impose conditions, terms, obligations or restrictions in connection with their approval of or consent to the Proposed Fidelis Acquisition, and such conditions, terms, obligations or restrictions may delay completion of the Proposed Fidelis Acquisition or impose additional material costs on or materially limit the revenues of the combined company following the completion of the Proposed Fidelis Acquisition. Regulators may impose such conditions, terms, obligations or restrictions, and, if imposed, such conditions, terms, obligations or restrictions may delay or lead to the abandonment of the Proposed Fidelis Acquisition.

Uncertainties associated with the Proposed Fidelis Acquisition may cause a loss of management personnel and other key employees, which could adversely affect the future business and operations of the combined company.

We and Fidelis Care are each dependent on the experience and industry knowledge of their officers and other key employees to execute their business plans. The combined company's success after the completion of the Proposed Fidelis Acquisition will depend in part upon the ability of each of us and Fidelis Care to retain key management personnel and other key employees. Prior to completion of the Proposed Fidelis Acquisition, current and prospective employees of each of us and Fidelis Care may experience uncertainty about their roles within the combined company following the completion of the Proposed Fidelis Acquisition, which may have an adverse effect on the ability of each of us and Fidelis Care to attract or retain key management and other key personnel. In addition, no assurance can be given that the combined company will be able to attract or retain key management personnel and other key employees of each of us and Fidelis Care to the same extent that we and Fidelis Care have previously been able to attract or retain their own employees.

Completion of the Proposed Fidelis Acquisition may trigger change in control or other provisions in certain agreements to which Fidelis Care is a party, which may have an adverse impact on the combined company's business and results of operations.

The completion of the Proposed Fidelis Acquisition may trigger change in control and other provisions in certain agreements to which Fidelis Care is a party. If we are unable to negotiate waivers of those provisions with Fidelis Care, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if we are able to negotiate waivers with Fidelis Care, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to Fidelis Care or the combined company. Any of the foregoing or similar developments may have an adverse impact on the combined company's business and results of operations.

The combined company may be unable to successfully integrate our business with the assets acquired in the Proposed Fidelis Acquisition and realize the anticipated benefits of the Proposed Fidelis Acquisition.

The success of the Proposed Fidelis Acquisition will depend, in part, on the combined company's ability to successfully combine our business and the assets acquired in the Proposed Fidelis Acquisition, and realize the anticipated benefits, including synergies, cost savings, innovation and operational efficiencies, from the combination. If the combined company is unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits may not be realized fully or at all, or may take longer to realize than expected and the value of its common stock may be harmed. Additionally, rating agencies may take negative actions against the combined company.

The Proposed Fidelis Acquisition involves the integration of certain assets of Fidelis Care with our existing business, which is expected to be a complex, costly and time-consuming process. The integration may result in material challenges, including, without limitation:

- the diversion of management's attention from ongoing business concerns and performance shortfalls at one or both of the companies as a result of the devotion of management's attention to the Proposed Fidelis Acquisition;
- managing a larger combined company;
- maintaining employee morale and retaining key management and other employees;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- coordinating geographically separate organizations;
- unanticipated issues in integrating information technology, communications and other systems;
- unanticipated changes in federal or state laws or regulations, including the ACA and any regulations enacted thereunder;
- decreases in premiums paid under government sponsored healthcare programs by any state in which the combined company operates; and
- unforeseen expenses or delays associated with the Proposed Fidelis Acquisition.

Many of these factors will be outside of the combined company's control and any one of them could result in delays, increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially affect the combined company's financial position, results of operations and cash flows.

The integration of Fidelis Care with our business may result in unforeseen expenses, and the anticipated benefits of the integration plan may not be realized. These integration matters could have an adverse effect on (i) each of us and Fidelis Care during this transition period and (ii) the combined company for an undetermined period after completion of the Proposed Fidelis Acquisition. In addition, any actual cost savings of the Proposed Fidelis Acquisition could be less than anticipated.

The future results of the combined company may be adversely impacted if the combined company does not effectively manage its expanded operations following the completion of the Proposed Fidelis Acquisition.

Following the completion of the Proposed Fidelis Acquisition, the size of the combined company's business will be significantly larger than the current size of our business. The combined company's ability to successfully manage this expanded business will depend, in part, upon management's ability to design and implement strategic initiatives that address not only the integration of two discrete companies, but also the increased scale and scope of the combined business with its associated increased costs and complexity. The combined company may not be successful or may not realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the Proposed Fidelis Acquisition.

The combined company is expected to incur substantial expenses related to the completion of the Proposed Fidelis Acquisition and the integration of our business with Fidelis Care.

The combined company is expected to incur substantial expenses in connection with the completion of the Proposed Fidelis Acquisition and the integration of our business with substantially all of the assets of Fidelis Care. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including purchasing, accounting and finance, sales, payroll, pricing, revenue management, marketing and benefits. In addition, our businesses and Fidelis Care will continue to maintain a presence in St. Louis, Missouri and New York, New York, respectively. The substantial majority of these costs will be non-recurring expenses related to the Proposed Fidelis Acquisition (including financing of the Proposed Fidelis Acquisition), facilities and systems consolidation costs. The combined company may incur additional costs to maintain employee morale and to retain key employees. We will also incur transaction fees and costs related to formulating integration plans for the combined business, and the execution of these plans may lead to additional unanticipated costs. Additionally, as a result of the Proposed Fidelis Acquisition, rating agencies may take negative actions with regard to the combined company's credit ratings, which may increase the combined company's costs in connection with the financing of the Proposed Fidelis Acquisition. These incremental transaction and acquisition related costs may exceed the savings the combined company expects to achieve from the elimination of duplicative costs and the realization of other efficiencies related to the integration of the businesses, particularly in the near term and in the event there are material unanticipated costs.

We will incur additional indebtedness to finance the Proposed Fidelis Acquisition.

In connection with the Proposed Fidelis Acquisition, we expect to incur approximately $1.6 billion in additional indebtedness, assuming we do not use the option to fund up to $500 million of the acquisition consideration in our common stock and assuming we issue approximately $2.3 billion of new equity. The combined company will have consolidated indebtedness of approximately $6.3 billion, which is greater than our current indebtedness prior to the Proposed Fidelis Acquisition. The increased indebtedness of the combined company in comparison to ours on a historical basis could adversely affect us in a number of ways, including:

- affecting our ability to pay or refinance its debts as they become due during adverse economic, financial market and industry conditions;
- requiring us to use a larger portion of its cash flow for debt service, reducing funds available for other purposes;
- causing us to be less able to take advantage of business opportunities, such as acquisition opportunities, and to react to changes in market or industry conditions;
- increasing our vulnerability to adverse economic, industry or competitive developments;
- affecting our ability to obtain additional financing;
- decreasing our profitability and/or cash flow;
- causing us to be disadvantaged compared to competitors with less leverage;
- resulting in a downgrade in our credit rating or any of our indebtedness or our subsidiaries which could increase the cost of further borrowings; and
- limiting our ability to borrow additional funds in the future to fund working capital, capital expenditures and other general corporate purposes.

The financing arrangements that the combined company will enter into in connection with the Proposed Fidelis Acquisition may, under certain circumstances, contain restrictions and limitations that could significantly impact the combined company's ability to operate its business.

We intend to incur additional indebtedness in connection with the Proposed Fidelis Acquisition. We expect that the agreements governing the indebtedness incurred in connection with the Proposed Fidelis Acquisition will contain covenants that, among other things, may, under certain circumstances, place limitations on the dollar amounts paid or other actions relating to:

- payments in respect of, or redemptions or acquisitions of, debt or equity issued by the combined company or its subsidiaries, including the payment of dividends on our common stock;
- incurring additional indebtedness;
- incurring guarantee obligations;
- paying dividends;

- creating liens on assets;
- entering into sale and leaseback transactions;
- making investments, loans or advances;
- entering into hedging transactions;
- engaging in mergers, consolidations or sales of all or substantially all of their respective assets; and
- engaging in certain transactions with affiliates.

In addition, the combined company will be required to maintain a minimum amount of excess availability as set forth in these agreements.

The combined company's ability to maintain minimum excess availability in future periods will depend on its ongoing financial and operating performance, which in turn will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond the combined company's control. The ability to comply with this covenant in future periods will also depend on the combined company's ability to successfully implement its overall business strategy and realize contemplated synergies.

Various risks, uncertainties and events beyond the combined company's control could affect its ability to comply with the covenants contained in its debt agreements. Failure to comply with any of the covenants in its existing or future financing agreements could result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit lenders to accelerate the maturity of indebtedness under these agreements and to foreclose upon any collateral securing such indebtedness. Under these circumstances, the combined company might not have sufficient funds or other resources to satisfy all of its obligations. In addition, the limitations imposed by financing agreements on the combined company's ability to incur additional indebtedness and to take other actions might significantly impair its ability to obtain other financing.

We have obtained commitment letters for the senior unsecured budge loan facility. However, neither the definitive loan documents, nor the terms of any debt financing in lieu of such bridge financing, have been finalized.

Future issuances and sales of additional shares of preferred or common stock, including shares issued in connection with the Proposed Fidelis Acquisition, could reduce the market price of our shares of common stock.

Subject to market conditions, we intend to fund the purchase price for the Proposed Fidelis Acquisition with $2.3 billion of new equity, including shares paid as consideration. Any such issuances and sales of our preferred or common stock could have the effect of depressing the market price for our common stock. Further, any sale of shares to finance a portion of the purchase price for the Proposed Fidelis Acquisition will be subject to market conditions and could be negatively impacted by a decline in the market price for our common stock. In addition, in the future we may issue additional securities to raise capital or in connection with acquisitions. We often acquire interests in other companies by using a combination of cash and our common stock or just our common stock. Further, shares of preferred stock may be issued from time to time in one or more series as our Board may from time to time determine each such series to be distinctively designated. The issuance of any such preferred stock could materially adversely affect the rights of holders of our common stock. Any of these events may dilute your ownership interest in our company and have an adverse impact on the price of our common stock.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

We own our corporate office headquarters buildings and land located in St. Louis, Missouri, which is used by each of our reportable segments. 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 and expansion plans are adequate to meet our operational needs for the foreseeable future.

Item 3. *Legal Proceedings*

A description of the legal proceedings to which we and our subsidiaries are a party is contained in Note 18 to the consolidated financial statements included in Part II of this Annual Report on Form 10-K, and is incorporated herein by reference.

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. The high and low prices, as reported by the NYSE, are set forth below for the periods indicated.

	2018 Stock Price (through February 16, 2018)		2017 Stock Price		2016 Stock Price	
	High	Low	High	Low	High	Low
First Quarter	$ 112.42	$ 97.61	$ 73.23	$ 56.00	$ 68.42	$ 47.36
Second Quarter			85.80	69.20	71.53	55.60
Third Quarter			98.72	79.06	75.57	63.37
Fourth Quarter			104.65	83.56	67.41	50.00

As of February 16, 2018, there were 1,083 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

In 2009, our Board of Directors extended our stock repurchase program. The program authorizes the repurchase of up to 8 million shares of our 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, 2017. No duration has been placed on the repurchase program. We reserve the right to discontinue the repurchase program at any time. During the year ended December 31, 2017, we did not repurchase any shares through this publicly announced program.

Issuer Purchases of Equity Securities
Fourth Quarter 2017
(shares in thousands)

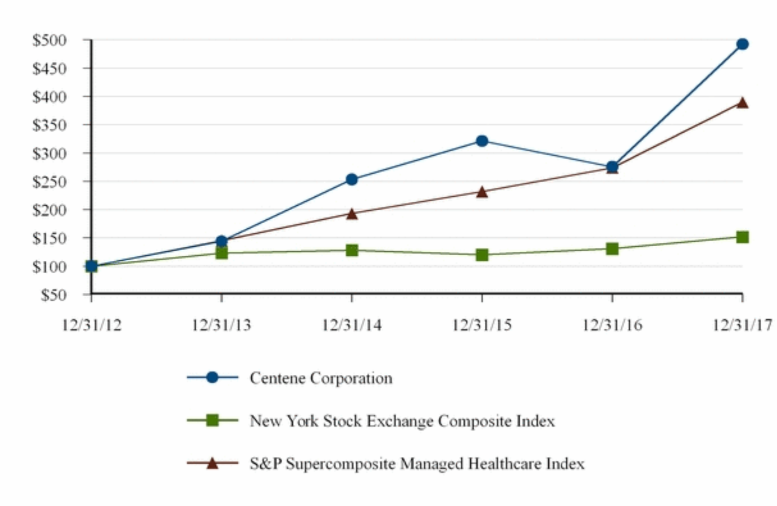
Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
October 1 – October 31, 2017	6	$ 91.63	—	3,335
November 1 – November 30, 2017	12	93.24	—	3,335
December 1 – December 31, 2017	456	100.36	—	3,335
Total	474	$ 100.07	—	3,335

(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 million 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, 2012 to December 31, 2017 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, 2012 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,					
	2012	2013	2014	2015	2016	2017
Centene Corporation	$ 100.00	$ 143.80	$ 253.32	$ 321.02	$275.66	$ 492.10
New York Stock Exchange Composite Index	100.00	123.18	128.37	120.13	130.95	151.70
S&P Supercomposite Managed Healthcare Index	100.00	145.12	193.00	231.69	273.88	389.61
Centene Corporation closing stock price	$ 20.50	$ 29.48	$ 51.93	$ 65.81	$ 56.51	$ 100.88
Centene Corporation annual shareholder return	3.5%	43.8%	76.2%	26.7%	(14.1)%	78.5%

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. Information presented herein is from continuing operations only and excludes the discontinued operations of Kentucky Spirit.

	Year Ended December 31,				
(From Continuing Operations)	**2017**	**2016**	**2015**	**2014**	**2013**
	(In millions, except share data in dollars and membership data)				
Income Statement Data:					
Total Revenues	$ 48,382	$ 40,607	$ 22,760	$ 16,560	$ 10,863
Earnings from continuing operations, net of income tax expense	$ 828	$ 559	$ 356	$ 268	$ 161
Per Share Data:					
Net income attributable to Centene from continuing operations:					
Basic	$ 4.80	$ 3.50	$ 2.99	$ 2.30	$ 1.49
Diluted	$ 4.69	$ 3.41	$ 2.89	$ 2.23	$ 1.43
Other Information (unaudited):					
Health benefits ratio (1)	87.3%	86.5%	88.9%	89.3%	88.6%
Selling, general and administrative expense ratio (2)	9.7%	9.8%	8.5%	8.3%	8.8%
Membership	12,207,100	11,441,800	5,107,900	4,060,900	2,879,800
Consolidated Balance Sheet Data:					
Cash and cash equivalents, Investments and Restricted deposits	$ 10,050	$ 9,118	$ 3,978	$ 3,167	$ 1,915
Total assets	21,855	20,197	7,339	5,824	3,519
Medical claims liability	4,286	3,929	2,298	1,723	1,112
Long-term debt	4,695	4,651	1,216	874	655
Total stockholders' equity	6,864	5,909	2,168	1,743	1,243

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(1) Health benefits ratio represents medical costs as a percentage of premium revenue.

(2) Selling, general and administrative (SG&A) expense ratio represents SG&A expenses as a percentage of premium and service revenues.

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.

EXECUTIVE OVERVIEW

General

We are a diversified, multi-national healthcare enterprise that provides services to government sponsored and commercial 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.

Results of operations depend on our ability to manage expenses associated with health benefits (including estimated costs incurred) and selling, general and administrative (SG&A) costs. We measure operating performance based upon two key ratios. The health benefits ratio (HBR) represents medical costs as a percentage of premium revenues, excluding premium tax and health insurer fee revenues that are separately billed, and reflects the direct relationship between the premium received and the medical services provided. The SG&A expense ratio represents SG&A costs as a percentage of premium and service revenues, excluding premium tax and health insurer fee revenues that are separately billed.

In 2013, we classified the operations for Kentucky Spirit as discontinued operations for all periods presented in our consolidated financial statements. Management's discussion and analysis, with the exception of cash flow information, is presented in the context of continuing operations unless otherwise identified.

Fidelis Care Transaction

In September 2017, we signed a definitive agreement under which New York State Catholic Health Plan, Inc., d/b/a Fidelis Care New York (Fidelis Care), will become our health plan in New York State upon closing. Under the terms of the agreement, we will acquire substantially all of the assets of Fidelis Care for $3.75 billion, subject to certain adjustments. This transaction is expected to close in the second quarter of 2018, subject to various closing conditions and receipt of New York regulatory approvals, including approvals under the New York Not-for-Profit Corporation Law. In October 2017, we announced the early termination of the waiting period required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Subject to market conditions, we expect to fund the transaction with approximately $2.3 billion of new equity, including share consideration, and approximately $1.6 billion of new long-term debt.

Regulatory Trends and Uncertainties

In October 2017, the President signed an executive order allowing trade associations and other groups to establish health plans exempt from certain ACA requirements, which may be sold across state lines. Also, in October 2017, the Trump Administration announced that the federal government would stop funding cost sharing reduction (CSR) subsidies. Additionally, a deal was subsequently reached by bipartisan Senators to restore CSR payments for two years in exchange for more ACA state flexibility. There are no guarantees the deal will reach the Senate floor for vote. The lack of CSR payments from the Federal Government for the fourth quarter of 2017 resulted in expense of $0.08 per diluted share included in our 2017 earnings. The limited impact is the result of payments received through September 30, 2017 in our various states being nearly sufficient to cover our full year CSR expectations. For 2018, all of our states have approved premium rates that assumed no CSR funding. Despite the removal of the CSRs, individuals below 400% of the federal poverty level (our target market) will still have access to subsidies through the Advance Premium Tax Credit (APTC). We continue to believe we have both the capacity and capability to successfully navigate industry changes to the benefit of our members, customers and shareholders.

In December 2017, the Tax Cuts and Jobs Act (Income Tax Reform) was signed into law by the President. The modified tax code includes a lower corporate tax rate and changes to certain credits and deductions, including the limitations to the deductibility of interest expense. The enactment of Income Tax Reform resulted in a benefit of $0.71 per diluted share to our 2017 earnings related to the adjustment of the income tax rate on our net deferred tax liabilities. In addition, the Income Tax Reform bill repealed the individual mandate requirement of the ACA beginning in 2019.

For additional information regarding regulatory trends and uncertainties, see Part I, Item 1 *"Business - Regulation"* and Item 1A, "*Risk Factors*."

2017 Highlights

Our financial performance for 2017 is summarized as follows:

- Year-end managed care membership of 12.2 million, an increase of 765,300 members, or 7% over 2016.
- Total revenues of $48.4 billion, representing 19% growth year-over-year.
- HBR of 87.3% for 2017, compared to 86.5% for 2016.
- SG&A expense ratio of 9.7% for 2017, compared to 9.8% for 2016.
- Adjusted SG&A expense ratio of 9.5% for 2017, compared to 9.0% for 2016.
- Operating cash flows of $1,489 million, or 1.8 times net earnings, for 2017.
- Diluted EPS of $4.69 for 2017, compared to $3.41 for 2016.
- Adjusted Diluted EPS of $5.03 for 2017, compared to $4.43 for 2016.

On March 24, 2016, we acquired all of the issued and outstanding shares of Health Net, a publicly traded managed care organization that delivers healthcare services through health plans and government-sponsored managed care plans. Due to the size of this acquisition, one of the primary drivers of the year-over-year variances discussed throughout this section is related to the acquisition of Health Net.

A reconciliation from GAAP diluted EPS to Adjusted Diluted EPS is highlighted below, and additional detail is provided above under the heading "*Non-GAAP Financial Presentation*":

	Year Ended December 31,	
	2017	2016
GAAP diluted EPS from continuing operations	$ 4.69	$ 3.41
Amortization of acquired intangible assets	0.56	0.57
Acquisition related expenses	0.07	0.98
Penn Treaty assessment expense	0.20	—
Cost sharing reductions	0.08	—
Income Tax Reform	(0.71)	—
Charitable contribution	0.14	0.19
California minimum MLR change	—	(0.76)
Debt extinguishment	—	0.04
Adjusted Diluted EPS from continuing operations	$ 5.03	$ 4.43

The following items contributed to our revenue and membership growth:

- *Arizona*. In January 2017, we continued our participation as a qualified health plan issuer in the Arizona Health Insurance Marketplace and exited the Health Net preferred provider organization offerings in Arizona.
- *Centurion*. In April 2016, Centurion began providing correctional healthcare services for the Florida Department of Corrections in three regions. In June 2016, Centurion began operating under two new contracts with the State of New Mexico Corrections Department to provide correctional medical healthcare services and pharmacy services. In June 2017, Centurion began operating under an expanded contract to provide correctional healthcare services for the Florida Department of Corrections in South Florida, expanding our services statewide.

- *Health Insurance Marketplace*. In January 2017, we added over 500,000 new members across our Health Insurance Marketplace service areas.

- *Health Net.* On March 24, 2016, we acquired all of the issued and outstanding shares of Health Net for approximately $6.0 billion, including the assumption of debt. This strategic acquisition broadened our service offerings, providing expansion in both Medicaid and Medicare programs. This acquisition provided further diversification across our markets and products through the addition of commercial products and government-sponsored care under federal contracts with the Department of Defense (DoD) and the U.S. Department of Veteran's Affairs (VA), as well as Medicare Advantage. Health Net's operations are primarily concentrated in the states of California, Arizona, Oregon, and Washington.

- *Louisiana*. In July 2016, Louisiana Healthcare Connections began serving Medicaid expansion members.

- *Maryland.* In July 2017, our specialty solutions subsidiary, Envolve, Inc., began providing health plan management services for Medicaid operations in Maryland.

- *Missouri.* In May 2017, our Missouri subsidiary, Home State Health, began providing managed care services to MO HealthNet Managed Care beneficiaries under an expanded statewide contract.

- *Nebraska*. In January 2017, our Nebraska subsidiary, Nebraska Total Care, began operating under a contract with the Nebraska Department of Health and Human Services' Division of Medicaid and Long-Term Care as one of three managed care organizations to administer its new Heritage Health Program for Medicaid, ABD, CHIP, Foster Care and LTSS enrollees.

- *Nevada.* In July 2017, our Nevada subsidiary, SilverSummit Healthplan, began serving Medicaid recipients enrolled in Nevada's Medicaid managed care program.

- *New Hampshire*. In January 2016, we began serving members enrolled in the federally facilitated Health Insurance Marketplace in the State of New Hampshire. In January 2016, we started operating under a contract with the New Hampshire Department of Health and Human Services to participate in the Medicaid expansion model that New Hampshire has adopted (referred to as the “Premium Assistance Program”).

- *Texas.* In November 2016, our Texas subsidiary, Superior HealthPlan, Inc., began operating under a new contract with the Texas HHSC to serve STAR Kids Medicaid population in seven delivery areas, more than any other successful bidder.

- *Washington*. In April 2016, our Washington subsidiary, Coordinated Care of Washington, began operating as the sole contractor with the Washington State Health Care Authority to provide foster care services through the Apple Health Foster Care contract.

The growth items listed above are partially offset by the following items:

- In Georgia and Indiana, we were recently successful in reprocuring contracts. However, the Medicaid programs were expanded to include additional insurers, which has reduced our market share. In addition, we are no longer serving LTSS members in Arizona.

We expect the following items to contribute to our revenue or future growth potential:

- We expect to realize the full year benefit in 2018 of business commenced during 2017 in Florida, Maryland, Missouri and Nevada, as discussed above.

- In February 2018, our Arkansas subsidiary, Arkansas Total Care began managing a Medicaid special needs population comprised of people with high behavioral health needs and individuals with developmental/intellectual disabilities. Arkansas Total Care will assume full-risk on this population beginning in January 2019.

- In January 2018, our New Mexico subsidiary, Western Sky Community Care, was awarded a statewide contract in New Mexico for the Centennial Care 2.0 Program. The new contract is expected to commence membership operations in January 2019.

- In January 2018, our Illinois subsidiary, IlliniCare Health, began operating under a state-wide contract for the Medicaid Managed Care Program including children who are in need through the Department of Children and Family Services (DCFS)/Youth in Care by the Illinois Department of Healthcare and Family Services (HFS). Implementation dates vary by region and will be fully implemented statewide by April 2018. Foster Care will be implemented by July 2018.

- In January 2018, we expanded our offerings in the 2018 Health Insurance Marketplace. We entered Kansas, Missouri and Nevada, and expanded our footprint in the following six existing markets: Florida, Georgia, Indiana, Ohio, Texas, and Washington.

- In January 2018, we expanded our offerings in Medicare. We entered Arkansas, Indiana, Kansas, Louisiana, Missouri, Pennsylvania, South Carolina, and Washington and expanded our footprint in Ohio.

- In January 2018, our subsidiary, Health Net Federal Services, began operating under the TRICARE West Region contract to provide administrative services to Military Health System eligible beneficiaries.

- In January 2018, our Washington subsidiary, Coordinated Care of Washington, began providing managed care services to Apple Health's Fully Integrated Managed Care (FIMC) beneficiaries in the North Central Region.

- In January 2018, our Pennsylvania subsidiary, Pennsylvania Health & Wellness, began serving enrollees in the Community HealthChoices program. Contract commencement dates vary by zone and will be fully implemented statewide by January 2020.

- In September 2017, we signed a definitive agreement under which Fidelis Care will become our health plan in New York State upon closing. Under the terms of the agreement, we will acquire substantially all of the assets of Fidelis Care for $3.75 billion, subject to certain adjustments. This transaction is expected to close in the second quarter of 2018, subject to various closing conditions and receipt of New York regulatory approvals, including approvals under the New York Not-for-Profit Corporation Law.

- In August 2017, Centurion was recommended for a contract award by the Tennessee Department of Correction to continue providing inmate health services. This contract is expected to commence in the third quarter of 2018.

- In June 2017, our Mississippi subsidiary, Magnolia Health, was selected by the Mississippi Division of Medicaid to continue serving Medicaid recipients enrolled in the Mississippi Coordinated Access Network (MississippiCAN). Pending regulatory approval, the new three-year agreement, which also includes the option of two one-year extensions, is expected to commence mid-2018.

- In January 2017, we signed a joint venture agreement with the North Carolina Medical Society, working in conjunction with the North Carolina Community Health Center Association, to collaborate on a patient-focused approach to Medicaid under the reform plan enacted in the State of North Carolina. The newly created health plan, Carolina Complete Health, was created to establish, organize and operate a physician-led health plan to provide Medicaid managed care services in North Carolina.

The future growth items listed above are partially offset by the following items:

- In January 2018, the State of California will no longer include costs for in-home support services (IHSS) in its Medicaid contracts. In June 2017, the governor approved the removal of these services from managed care and returned responsibility for the IHSS program costs back to the counties.

- In addition, we will no longer be serving Medicaid members in Massachusetts.

In October 2017, the Centers for Medicare and Medicaid Services (CMS) published updated Medicare Star quality ratings for the 2018 ratings year. The 2018 ratings year will affect quality bonus payments for Medicare Advantage plans in 2019. The results indicate that one of Health Net of California, Inc.'s Medicare Advantage plans (H0562) will move to a 3.5 Star rating from a 4.0 Star rating for the 2018 ratings year. The effect of this Star rating change would lower our parent Star rating for the 2018 ratings year from 4.0 Stars to 3.5 Stars. The reduction in the Star rating for Health Net California is the result of a 2015 program audit. Health Net California's underlying rating reflects 4.0 Star performance; however, CMS lowered a single measure (BAPP – Beneficiary Access and Performance Problem) because of a penalty associated with a plan audit in 2015, which caused a decline in the overall score to 3.5 Stars. While overall quality measures improved on a year-over-year basis, such improvement was insufficient to compensate for the lower BAPP measure. The penalty related to the 2015 program audit will only impact the 2018 ratings year and will not have a continuing impact on the Star ratings in future rating years. We are currently appealing. Our commitment to quality remains as strong as ever. We are working to evaluate and mitigate the potential impact on our revenues in 2019 as a result of the lowered 2018 rating and working to implement year-over-year quality improvements. We believe we will return to a 4.0 Star parent rating in future periods.

MEMBERSHIP

From December 31, 2015 to December 31, 2017, we increased our managed care membership by 7.1 million, or 139%. The following table sets forth our membership by state:

	December 31,		
	2017	**2016**	**2015**
Arizona	640,500	598,300	440,900
Arkansas	85,700	58,600	41,900
California	2,877,800	2,973,500	186,000
Florida	848,800	716,100	510,400
Georgia	483,600	488,000	408,600
Illinois	239,500	237,700	207,500
Indiana	304,500	285,800	282,100
Kansas	129,100	139,700	141,000
Louisiana	485,500	472,800	381,900
Massachusetts	43,000	48,300	61,500
Michigan	2,500	2,000	4,800
Minnesota	9,400	9,400	9,600
Mississippi	329,900	310,200	302,200
Missouri	269,400	105,700	95,100
Nebraska	79,700	—	—
Nevada	34,900	—	—
New Hampshire	74,800	77,400	71,400
New Mexico	7,100	7,100	—
Ohio	332,700	316,000	302,700
Oregon	205,200	217,800	98,700
South Carolina	117,800	122,500	104,000
Tennessee	22,200	21,700	20,000
Texas	1,233,500	1,072,400	983,100
Vermont	1,600	1,600	1,700
Washington	237,800	238,400	209,400
Wisconsin	70,200	73,800	77,100
Total at-risk membership	9,166,700	8,594,800	4,941,600
TRICARE eligibles	2,824,100	2,847,000	—
Non-risk membership	216,300	—	166,300
Total	12,207,100	11,441,800	5,107,900

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

	December 31, 2017	December 31, 2016	December 31, 2015
Medicaid:			
TANF, CHIP & Foster Care	5,807,300	5,630,000	3,763,400
ABD & LTSS	846,200	785,400	478,600
Behavioral Health	463,700	466,600	456,800
Total Medicaid	7,117,200	6,882,000	4,698,800
Commercial	1,558,300	1,239,100	146,100
Medicare & MMP (1)	333,700	334,300	37,400
Correctional	157,500	139,400	59,300
Total at-risk membership	9,166,700	8,594,800	4,941,600
TRICARE eligibles	2,824,100	2,847,000	—
Non-risk membership	216,300	—	166,300
Total	12,207,100	11,441,800	5,107,900

(1) Membership includes Medicare Advantage, Medicare Supplement, Special Needs Plans, and Medicare-Medicaid Plans (MMP).

The following table sets forth additional membership statistics, which are included in the membership information above:

	December 31, 2017	December 31, 2016	December 31, 2015
Dual-eligible (2)	474,500	441,400	204,800
Health Insurance Marketplace	959,600	537,200	146,100
Medicaid Expansion	1,091,500	1,080,500	449,000

(2) Membership includes dual-eligible ABD & LTSS and dual-eligible Medicare membership in the table above.

From December 31, 2016 to December 31, 2017, our membership increased as a result of:

- membership growth in our Health Insurance Marketplace service areas;
- the commencement of health plan management services for Medicaid operations in Maryland;
- an expanded statewide managed care contract in Missouri; and
- the commencement of new managed care contracts in Nebraska and Nevada.

From December 31, 2015 to December 31, 2016, our membership increased as a result of:

- the acquisition of Health Net;
- organic growth in many of our states, including Florida, Georgia, Oregon, and Texas;
- product and geographic expansions in Louisiana and Washington;
- market growth and additional penetration in the Health Insurance Marketplace, which included a private option Medicaid expansion in New Hampshire; and
- the commencement of correctional healthcare service contracts in Florida and New Mexico.

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, 2017, prepared in accordance with generally accepted accounting principles in the United States ($ in millions, except per share data in dollars):

	2017	2016	2015	% Change 2016-2017	% Change 2015-2016
Premium	$ 43,353	$ 35,399	$ 19,389	22 %	83 %
Service	2,267	2,180	1,876	4 %	16 %
Premium and service revenues	45,620	37,579	21,265	21 %	77 %
Premium tax and health insurer fee	2,762	3,028	1,495	(9)%	103 %
Total revenues	48,382	40,607	22,760	19 %	78 %
Medical costs	37,851	30,636	17,242	24 %	78 %
Cost of services	1,847	1,864	1,621	(1)%	15 %
Selling, general and administrative expenses	4,446	3,676	1,802	21 %	104 %
Amortization of acquired intangible assets	156	147	24	6 %	n.m.
Premium tax expense	2,883	2,563	1,151	12 %	123 %
Health insurer fee expense	—	461	215	(100)%	114 %
Earnings from operations	1,199	1,260	705	(5)%	79 %
Investment and other income (expense), net	(65)	(103)	(8)	37 %	n.m.
Earnings from continuing operations, before income tax expense	1,134	1,157	697	(2)%	66 %
Income tax expense	326	599	339	(46)%	77 %
Earnings from continuing operations, net of income tax	808	558	358	45 %	56 %
Discontinued operations, net of income tax expense (benefit)	—	3	(1)	(100)%	n.m.
Net earnings	808	561	357	44 %	57 %
(Earnings) loss attributable to noncontrolling interests	20	1	(2)	n.m.	(150)%
Net earnings attributable to Centene Corporation	$ 828	$ 562	$ 355	47 %	58 %
Amounts attributable to Centene Corporation common shareholders:					
Earnings from continuing operations, net of income tax expense	$ 828	$ 559	$ 356	48 %	57 %
Discontinued operations, net of income tax expense (benefit)	—	3	(1)	(100)%	n.m.
Net earnings	$ 828	$ 562	$ 355	47 %	58 %
Diluted earnings (loss) per common share attributable to Centene Corporation:					
Continuing operations	$ 4.69	$ 3.41	$ 2.89	38 %	18 %
Discontinued operations	—	0.02	(0.01)	n.m.	n.m.
Total diluted earnings per common share	$ 4.69	$ 3.43	$ 2.88	37 %	19 %

n.m.: not meaningful

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Total Revenues

Total revenues increased 19% in the year ended December 31, 2017, over the corresponding period in 2016, primarily as a result of a full year of Health Net's results, as well as the impact of growth in the Health Insurance Marketplace business in 2017 and expansions and new programs in many of our states in 2016 and 2017. This was partially offset by the moratorium of the health insurer fee in 2017, lower membership in the commercial business in California as a result of margin improvement actions taken in 2016, and lower specialty pharmacy revenues. As a result of the health insurer fee moratorium, which suspended the health insurance provider fee for the 2017 calendar year, we did not recognize health insurer fee revenue in 2017, compared to $531 million recognized in 2016. During the year ended December 31, 2017, we received Medicaid premium rate adjustments which yielded an approximate net 1% composite change across all of our markets.

Operating Expenses

Medical Costs

Results of operations depend on our ability to manage expenses associated with health benefits and to accurately estimate costs incurred. The 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.

The HBR for the year ended December 31, 2017 was 87.3%, an increase of 80 basis points over the comparable period in 2016. The increase compared to last year was primarily a result of the $195 million of revenue recognized in 2016 relating to the minimum MLR change in California, which reduced the 2016 HBR by 50 basis points, a premium rate reduction for California Medicaid Expansion effective July 1, 2017, an increase in flu related costs over 2016, and the impact of new or expanded health plans, which initially operate at a higher HBR. These increases were partially offset by growth in the Health Insurance Marketplace business, which operates at a lower HBR.

Cost of Services

Cost of services decreased by $17 million in the year ended December 31, 2017, compared to the corresponding period in 2016. This was primarily due to lower specialty pharmacy sales and decreased costs associated with our federal services business, partially offset by growth in our correctional business. The cost of service ratio for the year ended December 31, 2017 was 81.5%, compared to 85.5% in 2016. The decrease in the cost of service ratio is primarily due to decreased costs associated with our federal services business and the results of the shared savings programs in our home-based primary care business.

Selling, General and Administrative Expenses

SG&A increased by $770 million in the year ended December 31, 2017, compared to the corresponding period in 2016. This was primarily a result of:

- a full year of the Health Net business in our 2017 results;
- the impact of new programs in many of our states in 2016 and 2017;
- higher business expansion costs;
- additional expense recognized for our estimated share of the undiscounted guaranty association assessment resulting from the liquidation of Penn Treaty; and
- higher variable compensation expenses based on the performance of the business in 2017.

The increases above are partially offset by a decrease in acquisition related expenses of $214 million.

The SG&A expense ratio was 9.7% for the year ended December 31, 2017, compared to 9.8% for the year ended December 31, 2016. The decrease in the SG&A expense ratio was primarily attributable to lower acquisition related expenses, partially offset by higher business expansion costs over 2016, the Penn Treaty assessment and our results including a full year of the Health Net business, which operates at a higher SG&A expense ratio due to a greater mix of commercial and Medicare business.

The Adjusted SG&A expense ratio was 9.5% for the year ended December 31, 2017, compared to 9.0% for the year ended December 31, 2016. The increase in the Adjusted SG&A expense ratio was primarily attributable to higher business expansion costs over 2016 and a full year of the Health Net business in our 2017 results, which operates at a higher SG&A expense ratio due to a greater mix of commercial and Medicare business.

Health Insurer Fee Expense

As a result of the health insurer fee moratorium, which suspended the health insurance provider fee for the 2017 calendar year, we did not recognize health insurer fee expense for the year ended December 31, 2017, compared to $461 million recognized for the year ended December 31, 2016.

Other Income (Expense)

The following table summarizes the components of other income (expense) for the year ended December 31, ($ in millions):

	2017	2016
Investment income	$ 187	$ 109
Earnings from equity method investments	3	5
Interest expense	(255)	(217)
Other income (expense), net	$ (65)	$ (103)

The increase in investment income in 2017 reflects higher interest rates and investment balances over 2016, as well as interest income from the State of Illinois related to capitation payment delays. Interest expense increased during the year ended December 31, 2017 by $38 million due to an increase in net borrowings, primarily related to the issuance of an additional $2.4 billion in Senior Notes in February 2016 in connection with the financing of the Health Net transaction.

Income Tax Expense

For the year ended December 31, 2017, we recorded income tax expense of $326 million on pre-tax earnings of $1.1 billion, or an effective tax rate of 28.7%. The effective tax rate reflects the effect of Income Tax Reform and the health insurer fee moratorium. For the year ended December 31, 2017, we recorded lower income tax expense of $125 million related to the provisional effect of the income tax rate reduction, primarily represented as a reduction to our deferred income tax liabilities. For the year ended December 31, 2016, we recorded income tax expense of $599 million on pre-tax earnings of $1.2 billion, or an effective tax rate of 51.8%, which reflects the non-deductibility of the health insurer fee expense as well as the non-deductibility of certain acquisition related costs incurred in connection with the closing of our acquisition of Health Net.

Segment Results

The following table summarizes our consolidated operating results by segment for the year ended December 31, ($ in millions):

	2017	2016	% Change 2016-2017
Total Revenues			
Managed Care	$ 45,842	$ 38,382	19 %
Specialty Services	12,055	8,377	44 %
Eliminations	(9,515)	(6,152)	(55)%
Consolidated Total	$ 48,382	$ 40,607	19 %
Earnings from Operations			
Managed Care	$ 917	$ 1,077	(15)%
Specialty Services	282	183	54 %
Consolidated Total	$ 1,199	$ 1,260	(5)%

In January 2017, we reclassified Cenpatico Behavioral Health of Arizona, LLC and the related Cenpatico Integrated Care health plan from the Specialty Services segment to the Managed Care segment due to a reorganization of the Arizona management structure following the Health Net integration. As a result, the financial results of Cenpatico Behavioral Health of Arizona, LLC and the related Cenpatico Integrated Care health plan have been reclassified from the Specialty Services segment to the Managed Care segment for all periods presented.

Managed Care

Total revenues increased 19% in the year ended December 31, 2017, compared to the corresponding period in 2016, primarily as a result of a full year of the Health Net business in our 2017 results and growth, expansions or new programs in many of our states, particularly Arkansas, Florida, Georgia, Indiana, Louisiana, Missouri, Nebraska, Ohio, and Texas, partially offset by the health insurer fee moratorium. Earnings from operations decreased $160 million between years primarily as a result of the $195 million of revenue recognized in 2016 relating to the minimum MLR change in California, the health insurer fee moratorium in 2017, and new or expanded health plans, which initially operate at a higher HBR and incur start-up costs. These drivers were partially offset by $214 million of lower acquisition related expenses and growth in the Health Insurance Marketplace business.

Specialty Services

Total revenues increased 44% in the year ended December 31, 2017, compared to the corresponding period in 2016, resulting primarily from the a full year of the Health Net business in our 2017 results, the continued integration of Health Net into our specialty services, increased services associated with membership growth in the Managed Care segment, and growth in our correctional services and home-based primary care businesses. Earnings from operations increased $99 million between years primarily due to a full year of the Health Net business in our 2017 results.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Total Revenues

Total revenues increased 78% in the year ended December 31, 2016, over the corresponding period in 2015, primarily as a result of the acquisition of Health Net, growth in the Health Insurance Marketplace business, and the impact from expansions, acquisitions or new programs in many of our states in 2016 and 2015. During the year ended December 31, 2016, we received Medicaid premium rate adjustments which yielded a net 1% composite rate change across all of our markets.

Operating Expenses

Medical Costs

The HBR for the year ended December 31, 2016 was 86.5%, a decrease of 240 basis points over the comparable period in 2015. The decrease compared to last year is primarily attributable to the acquisition of Health Net, membership growth in Medicaid Expansion and Health Insurance Marketplace products, and improvement in HBR in the higher acuity populations. Also, in the fourth quarter, we recognized additional revenue relating to the retroactive contract amendment that changed the minimum MLR calculation under California's Medicaid expansion program, which reduced our 2016 HBR by 50 basis points.

Cost of Services

Cost of services increased by $243 million in the year ended December 31, 2016, compared to the corresponding period in 2015. This was primarily due to the acquisition of Health Net and growth in our correctional business, partially offset by lower pharmacy costs to external customers. The cost of service ratio for the year ended December 31, 2016 was 85.5%, compared to 86.4% in 2015. The decrease is primarily due to the acquisition of Health Net, which operates at a lower cost of service ratio.

Selling, General and Administrative Expenses

SG&A increased by $1.9 billion in the year ended December 31, 2016, compared to the corresponding period in 2015. This was primarily due to the acquisition of Health Net, acquisition related expenses, restructuring and integration costs, and the impact from expansions, acquisitions, or new programs in many of our states in 2016 and 2015. During the year ended December 31, 2016, we recorded approximately $234 million of Health Net acquisition related expenses, which reduced our diluted earnings per share by $0.98. During the year ended December 31, 2015, we recorded approximately $27 million of Health Net acquisition related expenses, which reduced our diluted earnings per share by $0.14. We also recorded expense of $50 million in 2016 for contribution commitments to our charitable foundation.

The SG&A expense ratio was 9.8% for the year ended December 31, 2016 compared to 8.5% for the year ended December 31, 2015. The Adjusted SG&A expense ratio was 9.0% for the year ended December 31, 2016 compared to 8.3% for the year ended December 31, 2015. The increase in the SG&A expense ratio is primarily attributable to the addition of the Health Net business, which operates at a higher SG&A expense ratio due to a higher mix of commercial and Medicare business.

Other Income (Expense)

The following table summarizes the components of other income (expense) for the year ended December 31, ($ in millions):

	2016	2015
Investment income	$ 109	$ 27
Earnings from equity method investments	5	8
Interest expense	(217)	(43)
Other income (expense), net	$ (103)	$ (8)

The increase in investment income in 2016 reflects an increase in investment balances over 2015, primarily due to the acquisition of Health Net. Interest expense increased during the year ended December 31, 2016 by $174 million primarily reflecting the issuance of an additional $2,400 million in Senior Notes in February 2016 in connection with the financing of the Health Net transaction. Interest expense also increased due to the issuance of an additional $500 million in Senior Notes in June 2016, the assumption of Health Net's $400 million in Senior Notes, and the issuance of the $1,200 million in Senior Notes in November 2016. These increases were partially offset by the redemption of the Centene $425 million 5.75% Senior Notes and the Health Net $400 million 6.375% Senior Notes in November 2016 and December 2016, respectively. In addition, we incurred $11 million associated with the early redemption of the Centene 5.75% Senior Notes due 2017 and the Health Net 6.375% Senior Notes due 2017, which was recorded in interest expense.

Income Tax Expense

For the year ended December 31, 2016, we recorded income tax expense of $599 million on pre-tax earnings of $1.2 billion, or an effective tax rate of 51.8%. For the year ended December 31, 2015, we recorded income tax expense of $339 million on pre-tax earnings of $697 million, or an effective tax rate of 48.6%. The effective tax rate is higher than the applicable statutory rate primarily as a result of the non-deductibility of the health insurer fee expense, limitations on the deductibility of compensation, and the non-deductibility of certain acquisition related costs incurred in connection with the acquisition of Health Net.

Segment Results

As previously discussed, Cenpatico Behavioral Health of Arizona, LLC and the related Cenpatico Integrated Care health plan were reclassified to the Managed Care segment in January 2017. The following table summarizes our consolidated operating results by segment for the year ended December 31, ($ in millions) and reflects the above change:

	2016	2015	% Change 2015-2016
Total Revenues			
Managed Care	$ 38,382	$ 20,966	83 %
Specialty Services	8,377	6,757	24 %
Eliminations	(6,152)	(4,963)	(24)%
Consolidated Total	$ 40,607	$ 22,760	78 %
Earnings from Operations			
Managed Care	$ 1,077	$ 531	103 %
Specialty Services	183	174	5 %
Consolidated Total	$ 1,260	$ 705	79 %

Managed Care

Total revenues increased 83% in the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily as a result of the acquisition of Health Net and expansions or new programs in many of our states, particularly California, Florida, Georgia, Indiana, Louisiana, Mississippi, Oregon, Texas, and Washington. Earnings from operations increased $546 million between years primarily reflecting the acquisition of Health Net and product and geographical expansions in many of our states.

Specialty Services

Total revenues increased 24% in the year ended December 31, 2016, compared to the year ended December 31, 2015, resulting primarily from the acquisition of Health Net, growth in our behavioral health and correctional services businesses, and increased services associated with membership growth in the Managed Care segment. Earnings from operations increased $9 million in the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to an increase in earnings related to our pharmacy benefits management and correctional services businesses and the Health Net acquisition, partially offset by lower earnings in our specialty pharmacy and home-based primary care businesses, as well as increased utilization in several specialty services businesses.

LIQUIDITY AND CAPITAL RESOURCES

Shown below is a condensed schedule of cash flows for the years ended December 31, 2017, 2016 and 2015, used in the discussion of liquidity and capital resources ($ in millions).

	Year Ended December 31,		
	2017	2016	2015
Net cash provided by operating activities	$ 1,489	$ 1,851	$ 658
Net cash used in investing activities	(1,265)	(2,397)	(813)
Net cash (used in) provided by financing activities	(82)	2,717	305
Effect of exchange rate changes on cash and cash equivalents	—	(1)	—
Net increase in cash and cash equivalents	$ 142	$ 2,170	$ 150

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 2017 were $1.5 billion, or 1.8 times net earnings, compared to $1.9 billion in 2016. The cash provided by operations in 2017 was primarily due to net earnings, an increase in medical claims liabilities resulting from growth in the Health Insurance Marketplace business and the commencement of the Nebraska and Nevada health plans.

Cash flows from operating activities for 2016 was $1.9 billion, compared to $658 million in 2015. Cash provided by operations in 2016 was primarily due to net earnings, an increase in accounts payable and accrued expenses and medical claims liabilities, and a decrease in other assets and premium and trade receivables. Additionally, cash provided by operations in 2016 was increased by approximately $445 million due to the timing of cash receipts shortly following the acquisition date. The cash provided by operations in 2015 was primarily related to net earnings and an increase in medical claims liabilities resulting from growth in the business, partially offset by increases in premium and trade receivables.

Cash flows from operations in each year were impacted by the timing of payments we received 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.

	Year Ended December 31,		
	2017	2016	2015
(Increase) decrease in premium and trade receivables	$ (50)	$ 74	$ (360)
Increase (decrease) in unearned revenue	19	43	(27)
Net increase (decrease) in operating cash flow	$ (31)	$ 117	$ (387)

Cash Flows Used in Investing Activities

Investing activities used cash of $1.3 billion for the year ended December 31, 2017, $2.4 billion in 2016, and $813 million in 2015. Cash flows used in investing activities in 2017 primarily consisted of net additions to the investment portfolio of our regulated subsidiaries, including transfers from cash and cash equivalents to long-term investments, and capital expenditures.

We spent $422 million and $306 million in the year ended December 31, 2017 and 2016, respectively, on capital expenditures for system enhancements and market and corporate headquarters expansions.

As of December 31, 2017, our investment portfolio consisted primarily of fixed-income securities with a weighted average duration of 3.3 years. We had unregulated cash and investments of $310 million at December 31, 2017, compared to $264 million at December 31, 2016. Unregulated cash and investments include equity method investments and company owned life insurance contracts.

Cash flows used in investing activities in 2016 primarily consisted of our acquisition of Health Net, net additions to the investment portfolio of our regulated subsidiaries, including transfers from cash and cash equivalents to long-term investments, and capital expenditures. In March 2016, we acquired Health Net for approximately $5,990 million, including the assumption of $703 million of debt. The total consideration for the acquisition was $5,287 million, consisting of Centene common shares valued at $3,038 million, $2,247 million in cash, and $2 million related to the fair value adjustment to stock based compensation associated with pre-combination service.

Cash flows used in investing activities in 2015 primarily consisted of additions to the investment portfolio of our regulated subsidiaries, including transfers from cash and cash equivalents to long-term investments and capital expenditures.

Cash Flows (Used in) Provided by Financing Activities

Our financing activities used cash of $82 million in 2017, compared to providing cash of $2.7 billion and $305 million in 2016 and 2015, respectively. Financing activities in 2017, 2016 and 2015 are discussed below.

2017

During 2017, our net financing activities primarily related to common stock repurchases resulting from stock relinquished to us by employees for payment of taxes upon vesting of restricted stock units and the purchase of noncontrolling interest, partially offset by increased borrowings on our revolving credit agreement. In December 2017, we amended and increased our $1,000 million unsecured revolving credit facility (Revolving Credit Facility) to $1,500 million.

2016

During 2016, our financing activities primarily related to the proceeds from the issuance of Senior Notes in February 2016 associated with the Health Net acquisition, the issuance of additional Senior Notes in June 2016 and November 2016, partially offset by the redemption of our 5.75% Senior Notes due 2017, the redemption of our 6.375% Senior Notes due 2017, and the repayment of amounts outstanding under our Revolving Credit Facility.

In February 2016, our wholly owned unrestricted subsidiary (Escrow Issuer) issued $1,400 million of 5.625% Senior Notes ($1,400 Million Notes) at par due 2021 and $1,000 million of 6.125% Senior Notes ($1,000 Million Notes) at par due 2024. We used the net proceeds of the offering, together with borrowings under the our new $1,000 million revolving credit facility and cash on hand, to fund the cash consideration for the Health Net acquisition and to pay acquisition and offering related fees and expenses. In connection with the February 2016 issuance, we entered into interest rate swap agreements for notional amounts of $600 million and $1,000 million, at floating rates of interest based on the three month LIBOR plus 4.22% and the three month LIBOR plus 4.44%, respectively. Gains and losses due to changes in the fair value of the interest rate swaps completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $1,400 Million Notes and $1,000 Million Notes.

In connection with the closing of the Health Net acquisition on March 24, 2016, our then-existing unsecured $500 million revolving credit facility was terminated and simultaneously replaced with the Revolving Credit Facility. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate.

In June 2016, we issued an additional $500 million of 4.75% Senior Notes due 2022 at a premium to yield 4.41% ($500 Million Add-on Notes). The $500 Million Add-on Notes were offered as additional debt securities under the indenture governing the $500 million of 4.75% Senior Notes issued April 2014. We used the net proceeds of the offering to repay amounts outstanding under our Revolving Credit Facility and to pay offering related fees and expenses.

In November 2016, we issued $1,200 million of 4.75% Senior Notes due 2025 ($1,200 Million Notes). We used the net proceeds to redeem our $425 million of 5.75% Senior Notes due 2017 and Health Net's $400 million of 6.375% Senior Notes due 2017, to repay amounts outstanding under our Revolving Credit Facility, to pay related fees and expenses and for general purposes.

2015

During 2015, our financing activities primarily related to the proceeds from the issuance of Senior Debt and an additional $150 million of borrowings on our revolving credit facility. In January 2015, we issued an additional $200 million of 4.75% Senior Notes due May 15, 2022 at par (Add on Notes). In connection with the January 2015 issuance, we entered into interest rate swap agreements for a notional amount of $200 million (2015 Swap Agreements) that are scheduled to expire on May 15, 2022. Under the 2015 Swap Agreements, we receive a fixed rate of 4.75% and pay a variable rate of LIBOR plus a spread adjusted quarterly, which allows us to adjust the $200 million Notes to a floating rate. We do not hold or issue any derivative instrument for trading or speculative purposes.

Liquidity Metrics

In December 2017, we amended and increased our $1,000 million revolving credit facility to $1,500 million. The agreement has a maturity date of December 14, 2022. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. The credit agreement underlying our Revolving Credit Facility contains non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios and maximum debt-to-EBITDA ratios. We are required to not exceed a maximum debt-to-EBITDA ratio of 3.5 to 1.0. As of December 31, 2017, we had $150 million in borrowings outstanding under our revolving credit facility, and we were in compliance with all covenants. As of December 31, 2017, 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 $77 million as of December 31, 2017, which were not part of our revolving credit facility. We also had letters of credit for $45 million (valued at the December 31, 2017 conversion rate), or €38 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 weighted interest of 1.31% as of December 31, 2017. In addition, we had outstanding surety bonds of $404 million as of December 31, 2017.

The indentures governing our various maturities of senior notes contain non-financial and financial covenants of Centene Corporation, including requirements of a minimum fixed charge coverage ratio. As of December 31, 2017, we were in compliance with all covenants.

In October 2017, we executed a $200 million non-recourse construction loan to fund the expansion of our corporate headquarters. The loan bears interest based on the one month LIBOR plus 2.70% and matures in April 2021 with an optional one-year extension. The agreement contains financial and non-financial covenants aligning with our revolving credit agreement. We have guaranteed completion of the construction project associated with the loan. As of December 31, 2017, we had no borrowing outstanding under the loan. We expect to begin drawing on the construction loan in 2018.

In February 2017 and in connection with the November 2016 issuance of $1,200 Million Notes, we entered into interest rate swap agreements for a notional amount of $600 million, at floating rates of interest based on the one month LIBOR plus 2.53%. Gains and losses due to the changes in the fair value of the interest rate swaps completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $1,200 Million Notes.

At December 31, 2017, we had working capital, defined as current assets less current liabilities, of a negative $629 million, compared to a negative $258 million at December 31, 2016. 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, 2017, our debt to capital ratio, defined as total debt divided by the sum of total debt and total equity, was 40.6%, compared to 44.1% at December 31, 2016. Excluding the $61 million non-recourse mortgage note, our debt to capital ratio was 40.3% as of December 31, 2017, compared to 43.7% at December 31, 2016. 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, 2017. 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 2017, 2016 or 2015.

During the year ended December 31, 2017, 2016 and 2015, we received dividends of $312 million, $121 million, and $11 million, respectively, from our regulated subsidiaries.

2018 Expectations

In the second quarter of 2018, we expect to complete the Proposed Fidelis Acquisition, for approximately $3.75 billion. In connection with the upcoming closing of the acquisition, we expect to issue approximately $2.3 billion of new equity and approximately $1.6 billion of new debt. The proceeds of the debt issuance will be held in escrow until the closing of the Proposed Fidelis Acquisition.

During 2018, we expect to make net capital contributions to our insurance subsidiaries of approximately $325 million associated with our growth and spend approximately $706 million in additional capital expenditures primarily associated with system enhancements and market and corporate headquarters expansions. These amounts are expected to be funded by unregulated cash flow generation and borrowings on our Revolving Credit Facility. However, from time to time we may elect to raise additional funds for these and other purposes, either through issuance of debt or equity, the sale of investment securities or otherwise, as appropriate. Also, we may strategically pursue refinancing opportunities to extend maturities and/or improve terms of our indebtedness if we believe such opportunities are favorable to us.

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, Revolving 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	$ 4,286	$ 4,286	$ —	$ —	$ —
Debt and interest	6,217	276	564	2,962	2,415
Operating lease obligations	793	169	287	182	155
Purchase obligations	246	148	49	33	16
Other long-term liabilities (1)	—	—	—	—	—
Total	$ 11,542	$ 4,879	$ 900	$ 3,177	$ 2,586

(1) Our Consolidated Balance Sheet as of December 31, 2017, includes $952 million of other long-term liabilities. This consists primarily of long-term deferred income taxes, liabilities under our deferred compensation plan, reserves for uncertain tax positions and retirement benefit obligations. These liabilities have been excluded from the table above as the timing and/or amount of any cash payment is uncertain.

Commitments

In addition, in connection with obtaining regulatory approval of the Health Net acquisition from the California Department of Insurance and the California Department of Managed Health Care, we committed to certain undertakings (the Undertakings). The Undertakings included, among other items, operational commitments around premiums, dividend restrictions, minimum Risk Based Capital (RBC) levels, local offices, growth, accreditation, HEDIS scores and other quality measures, network adequacy, certifications, investments and capital expenditures. Specifically, we agreed to, among other things:

- invest an additional $30 million through the California Organized Investment Network over the five years following completion of the acquisition;
- build a service center in an economically distressed community in California, investing $200 million over 10 years and employing at least 300 people;
- contribute $65 million to improve enrollee health outcomes ($10 million over five years), support locally-based consumer assistance programs ($5 million over five years) and strengthen the healthcare delivery system ($50 million over five years), of which the present value of $61 million was expensed in the year ended December 31, 2016 and classified as SG&A expenses in the Consolidated Statements of Operations; and

- invest $75 million of its investment portfolio in vehicles supporting California's healthcare infrastructure.

The undertakings require significant investments by us, may restrict or impose additional material costs on our future obligations and strategic initiatives in certain geographies, and subject us to various enforcement mechanisms.

REGULATORY CAPITAL AND DIVIDEND RESTRICTIONS

Our operations are conducted through our subsidiaries. As managed care organizations, most of our subsidiaries are subject to state regulations and other requirements 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 regulated 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, 2017, our subsidiaries had aggregate statutory capital and surplus of $5,153 million, compared with the required minimum aggregate statutory capital and surplus requirements of $2,251 million. During the year ended December 31, 2017, we contributed $26 million of net statutory capital to our subsidiaries. For our subsidiaries that file with the National Association of Insurance Commissioners (NAIC), we estimate our RBC percentage to be in excess of 350% of the Authorized Control Level.

Under the California Knox-Keene Health Care Service Plan Act of 1975, as amended ("Knox-Keene"), certain of our California subsidiaries must comply with tangible net equity (TNE) requirements. Under these Knox-Keene TNE requirements, actual net worth less unsecured receivables and intangible assets must be more than the greater of (i) a fixed minimum amount, (ii) a minimum amount based on premiums or (iii) a minimum amount based on healthcare expenditures, excluding capitated amounts. In addition, certain of our California subsidiaries have made certain undertakings to the DMHC to restrict dividends and loans to affiliates, to the extent that the payment of such would reduce such entities' TNE below the required amount as specified in the undertaking.

The NAIC 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, 2017, each of our health plans was in compliance with the risk-based capital requirements enacted in those states.

As a result of the above requirements and other regulatory requirements, certain of our subsidiaries are subject to restrictions on their ability to make dividend payments, loans or other transfers of cash to their parent companies. Such restrictions, unless amended or waived or unless regulatory approval is granted, limit the use of any cash generated by these subsidiaries to pay our obligations. The maximum amount of dividends that can be paid by our insurance company subsidiaries without prior approval of the applicable state insurance departments is subject to restrictions relating to statutory surplus, statutory income and unassigned surplus. As of December 31, 2017, the amount of capital and surplus or net worth that was unavailable for the payment of dividends or return of capital to us was $2,251 million in the aggregate.

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 intangible assets, medical claims liability and revenue recognition 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.

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. We allocate the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the fair value of consideration transferred over the fair value of the net assets acquired is recorded as goodwill. Goodwill is generally attributable to the value of the synergies between the combined companies and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. At December 31, 2017, we had $4,749 million of goodwill and $1,398 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
Developed technologies	5 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 remaining 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 determining 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.

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 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 and 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, 2017 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)
(1.00)%	$ 257	(1.00)%	$ (65)
(0.75)	192	(0.75)	(49)
(0.50)	128	(0.50)	(33)
(0.25)	64	(0.25)	(16)
0.25	(63)	0.25	16
0.50	(127)	0.50	33
0.75	(189)	0.75	49
1.00	(252)	1.00	65

(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 $31 million for the year ended December 31, 2017, excluding the effect of any return of premium, risk corridor, or minimum MLR 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,		
	2017	2016	2015
Balance, January 1,	$ 3,929	$ 2,298	$ 1,723
Reinsurance recoverable	5	—	—
Balance, January 1, net	3,924	2,298	1,723
Acquisitions	—	1,482	79
Incurred related to:			
Current year	38,225	30,946	17,471
Prior years	(374)	(310)	(229)
Total incurred	37,851	30,636	17,242
Paid related to:			
Current year	34,196	28,532	15,279
Prior years	3,311	1,960	1,467
Total paid	37,507	30,492	16,746
Balance, December 31, net	4,268	3,924	2,298
Reinsurance recoverable	18	5	—
Balance, December 31,	$ 4,286	$ 3,929	$ 2,298
Days in claims payable (1)	41	42	44

(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, 2017 will be known by the end of 2018.

Changes in estimates of incurred claims for prior years are primarily attributable to reserving under moderately adverse conditions. Additionally, as a result of minimum HBR and other return of premium programs, approximately $1 million, $39 million and $47 million of the "Incurred related to: Prior years" was recorded as a reduction to premium revenues in 2017, 2016 and 2015, respectively. Further, 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 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 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.).
- Increased 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.

Revenue Recognition

Our health plans generate revenues primarily from premiums received from the states in which we operate health plans. We generally receive a fixed premium per member per month pursuant to our state contracts and recognize premium revenues during the period in which we are obligated to provide services to our members at the amount reasonably estimable. In some instances, our 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 our membership relative to the entire state's Medicaid membership. We estimate the amount of risk adjustment based upon the processed claims data submitted and expected to be submitted to CMS and record revenues on a risk adjusted basis. Some contracts allow for additional premiums related to certain supplemental services provided such as maternity deliveries.

Our contracts with states may require us to maintain a minimum HBR 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 estimate the effect of these programs and recognize reductions in revenue in the current period. 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 subsequent adjustments are made in the period known. We continuously review and updates 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 Medicare Advantage contracts are with CMS. CMS deploys a risk adjustment model which apportions premiums paid to all health plans according to health severity and certain demographic factors. The CMS risk adjustment model pays more for members whose medical history would indicate that they are expected to have higher medical costs. 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. We and the healthcare providers collect, compile and submit the necessary and available diagnosis data to CMS within prescribed deadlines. We estimate risk adjustment revenues based upon the diagnosis data submitted and expected to be submitted to CMS and record revenues on a risk adjusted basis.

Our specialty services generate revenues under contracts with state and federal 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. We recognize revenue related to administrative services under the TRICARE government-sponsored managed care support contract on a straight-line basis over the option period, when the fees become fixed and determinable. The TRICARE contract includes various performance-based incentives and penalties. For each of the incentives or penalties, we adjust revenue accordingly based on the amount that it has earned or incurred at each interim date and are legally entitled to in the event of a contract termination.

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. Additionally, our insurance subsidiaries are subject to the Affordable Care Act annual HIF. If we are able to negotiate reimbursement of portions of these premium taxes or the HIF, we recognize revenue associated with the HIF on a straight-line basis when we have binding agreements for such reimbursements, including the “gross-up” to reflect the HIFs non-tax deductible nature. Collectively, this revenue is recorded as premium tax and health insurer fee revenue in the Consolidated Statements of Operations.

ITEM 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

INVESTMENTS AND DEBT

As of December 31, 2017, we had short-term investments of $531 million and long-term investments of $5,447 million, including restricted deposits of $135 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, 2017, the fair value of our fixed income investments would decrease by approximately $187 million. Declines in interest rates over time will reduce our investment income.

We have interest rate swap agreements for a notional amount of $2,700 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 $2,700 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, 2017, the fair value of our debt would decrease by approximately $123 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 – Our investment portfolio may suffer losses 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 overall 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, an increase in the expected rate of inflation for healthcare costs 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

To the stockholders and board of directors
Centene Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Centene Corporation and subsidiaries (the "Company") as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017, 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) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 20, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2005.

St. Louis, Missouri
February 20, 2018

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except shares in thousands and per share data in dollars)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,072	$ 3,930
Premium and trade receivables	3,413	3,215
Short-term investments	531	505
Other current assets	687	715
Total current assets	8,703	8,365
Long-term investments	5,312	4,545
Restricted deposits	135	138
Property, software and equipment, net	1,104	797
Goodwill	4,749	4,712
Intangible assets, net	1,398	1,545
Other long-term assets	454	95
Total assets	$ 21,855	$ 20,197
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Medical claims liability	$ 4,286	$ 3,929
Accounts payable and accrued expenses	4,165	3,763
Return of premium payable	549	614
Unearned revenue	328	313
Current portion of long-term debt	4	4
Total current liabilities	9,332	8,623
Long-term debt	4,695	4,651
Other long-term liabilities	952	869
Total liabilities	14,979	14,143
Commitments and contingencies		
Redeemable noncontrolling interests	12	145
Stockholders' equity:		
Preferred stock, $.001 par value; authorized 10,000 shares; no shares issued or outstanding at December 31, 2017 and December 31, 2016	—	—
Common stock, $.001 par value; authorized 400,000 shares; 180,379 issued and 173,437 outstanding at December 31, 2017, and 178,134 issued and 171,919 outstanding at December 31, 2016	—	—
Additional paid-in capital	4,349	4,190
Accumulated other comprehensive loss	(3)	(36)
Retained earnings	2,748	1,920
Treasury stock, at cost (6,942 and 6,215 shares, respectively)	(244)	(179)
Total Centene stockholders' equity	6,850	5,895
Noncontrolling interest	14	14
Total stockholders' equity	6,864	5,909
Total liabilities, redeemable noncontrolling interests and stockholders' equity	$ 21,855	$ 20,197

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 per share data in dollars)

	Year Ended December 31,		
	2017	**2016**	**2015**
Revenues:			
Premium	$ 43,353	$ 35,399	$ 19,389
Service	2,267	2,180	1,876
Premium and service revenues	45,620	37,579	21,265
Premium tax and health insurer fee	2,762	3,028	1,495
Total revenues	48,382	40,607	22,760
Expenses:			
Medical costs	37,851	30,636	17,242
Cost of services	1,847	1,864	1,621
Selling, general and administrative expenses	4,446	3,676	1,802
Amortization of acquired intangible assets	156	147	24
Premium tax expense	2,883	2,563	1,151
Health insurer fee expense	—	461	215
Total operating expenses	47,183	39,347	22,055
Earnings from operations	1,199	1,260	705
Other income (expense):			
Investment and other income	190	114	35
Interest expense	(255)	(217)	(43)
Earnings from continuing operations, before income tax expense	1,134	1,157	697
Income tax expense	326	599	339
Earnings from continuing operations, net of income tax expense	808	558	358
Discontinued operations, net of income tax expense (benefit)	—	3	(1)
Net earnings	808	561	357
(Earnings) loss attributable to noncontrolling interests	20	1	(2)
Net earnings attributable to Centene Corporation	$ 828	$ 562	$ 355
Amounts attributable to Centene Corporation common shareholders:			
Earnings from continuing operations, net of income tax expense	$ 828	$ 559	$ 356
Discontinued operations, net of income tax expense (benefit)	—	3	(1)
Net earnings	$ 828	$ 562	$ 355
Net earnings (loss) per common share attributable to Centene Corporation:			
Basic:			
Continuing operations	$ 4.80	$ 3.50	$ 2.99
Discontinued operations	—	0.02	(0.01)
Basic earnings per common share	$ 4.80	$ 3.52	$ 2.98
Diluted:			
Continuing operations	$ 4.69	$ 3.41	$ 2.89
Discontinued operations	—	0.02	(0.01)
Diluted earnings per common share	$ 4.69	$ 3.43	$ 2.88

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,		
	2017	**2016**	**2015**
Net earnings	$ 808	$ 561	$ 357
Reclassification adjustment, net of tax	(2)	(2)	—
Change in unrealized gain (loss) on investments, net of tax	28	(22)	(4)
Defined benefit pension plan net gain arising during the period, net of tax	1	1	—
Foreign currency translation adjustments	6	(3)	(5)
Other comprehensive earnings (loss)	33	(26)	(9)
Comprehensive earnings	841	535	348
Comprehensive (earnings) loss attributable to the noncontrolling interests	20	1	(2)
Comprehensive earnings attributable to Centene Corporation	$ 861	$ 536	$ 346

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

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except shares in thousands and per share data in dollars)

	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, 2014	124,275	$ —	$ 840	$ (1)	$ 1,003	5,841	$ (98)	$ (1)	$ 1,743
Net earnings	—	—	—	—	355	—	—	—	355
Other comprehensive earnings (loss), net of ($3) tax	—	—	—	(9)	—	—	—	—	(9)
Common stock issued for acquisitions	—	—	8	—	—	(248)	4	—	12
Common stock issued for employee benefit plans	2,580	—	12	—	—	—	—	—	12
Common stock repurchases	—	—	—	—	—	919	(53)	—	(53)
Stock compensation expense	—	—	71	—	—	—	—	—	71
Excess tax benefits from stock compensation	—	—	25	—	—	—	—	—	25
Contribution from noncontrolling interest	—	—	—	—	—	—	—	11	11
Reclassification to redeemable noncontrolling interest	—	—	—	—	—	—	—	1	1
Balance, December 31, 2015	126,855	$ —	$ 956	$ (10)	$ 1,358	6,512	$ (147)	$ 11	$ 2,168
Net earnings	—	—	—	—	562	—	—	1	563
Other comprehensive earnings (loss), net of ($14) tax	—	—	—	(26)	—	—	—	—	(26)
Common stock issued for acquisitions	48,218	—	3,074	—	—	(1,375)	31	—	3,105
Common stock issued for employee benefit plans	3,061	—	12	—	—	—	—	—	12
Common stock repurchases	—	—	—	—	—	1,078	(63)	—	(63)
Stock compensation expense	—	—	148	—	—	—	—	—	148
Contribution from noncontrolling interest	—	—	—	—	—	—	—	2	2
Balance, December 31, 2016	178,134	$ —	$ 4,190	$ (36)	$ 1,920	6,215	$ (179)	$ 14	$ 5,909
Net earnings	—	—	—	—	828	—	—	—	828
Other comprehensive earnings, net of $15 tax	—	—	—	33	—	—	—	—	33
Common stock issued for employee benefit plans	2,245	—	11	—	—	—	—	—	11
Common stock repurchases	—	—	—	—	—	727	(65)	—	(65)
Stock compensation expense	—	—	135	—	—	—	—	—	135
Purchase of noncontrolling interest	—	—	13	—	—	—	—	—	13
Balance, December 31, 2017	180,379	$ —	$ 4,349	$ (3)	$ 2,748	6,942	$ (244)	$ 14	$ 6,864

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, 2017	2016	2015
Cash flows from operating activities:			
Net earnings	$ 808	$ 561	$ 357
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	361	278	111
Stock compensation expense	135	148	71
Debt extinguishment costs	—	(7)	—
Deferred income taxes	(108)	92	(17)
Gain on contingent consideration	(1)	(5)	(44)
Goodwill and intangible adjustment	—	—	38
Changes in assets and liabilities			
Premium and trade receivables	(50)	74	(360)
Other assets	(146)	167	(102)
Medical claims liabilities	359	145	536
Unearned revenue	19	43	(27)
Accounts payable and accrued expenses	53	402	39
Other long-term liabilities	68	(61)	51
Other operating activities, net	(9)	14	5
Net cash provided by operating activities	1,489	1,851	658
Cash flows from investing activities:			
Capital expenditures	(422)	(306)	(150)
Purchases of investments	(2,704)	(2,450)	(1,321)
Sales and maturities of investments	1,899	1,656	669
Investments in acquisitions, net of cash acquired	(50)	(1,297)	(18)
Other investing activities, net	12	—	7
Net cash used in investing activities	(1,265)	(2,397)	(813)
Cash flows from financing activities:			
Proceeds from borrowings	1,400	8,946	1,925
Payment of long-term debt	(1,353)	(6,076)	(1,583)
Common stock repurchases	(65)	(63)	(53)
Purchase of noncontrolling interest	(66)	(14)	—
Debt issuance costs	(3)	(76)	(4)
Other financing activities, net	5	—	20
Net cash (used in) provided by financing activities	(82)	2,717	305
Effect of exchange rate changes on cash and cash equivalents	—	(1)	—
Net increase in cash and cash equivalents	142	2,170	150
Cash and cash equivalents, beginning of period	3,930	1,760	1,610
Cash and cash equivalents, end of period	$ 4,072	$ 3,930	$ 1,760
Supplemental disclosures of cash flow information:			
Interest paid	$ 237	$ 165	$ 55
Income taxes paid	$ 496	$ 556	$ 328
Equity issued in connection with acquisitions	$ —	$ 3,105	$ 12

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 health plan coverage to individuals through government subsidized programs, including Medicaid, the State Children's Health Insurance Program (CHIP), Long-Term Services and Supports (LTSS), Foster Care, Medicare-Medicaid Plans (MMP), which cover beneficiaries who are dually eligible for Medicare and Medicaid, and the Supplemental Security Income Program, also known as the Aged, Blind or Disabled Program (ABD), Medicare, and the Health Insurance Marketplace. The Company also offers a variety of individual, small group, and large group commercial healthcare products, both to employers and directly to members in the Managed Care segment. The Specialty Services segment consists of our specialty companies offering auxiliary healthcare services and products to state programs, correctional facilities, healthcare organizations, employer groups and other commercial organizations, as well as to our own subsidiaries. The Specialty Service segment also includes the Government Contracts business which includes the Company's government-sponsored managed care support contract with the U.S. Department of Defense (DoD) under the TRICARE program, the Military Family and Life Counseling (MFLC) contract with the DoD, and other healthcare related government contracts, including the Patient Centered Community Care (PC3) contract with the U.S. Department of Veterans Affairs (VA).

2. Summary of Significant Accounting Policies

Basis of Presentation

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 (Kentucky Spirit) are classified as discontinued operations for all periods presented.

In January 2017, the Company reclassified Cenpatico Behavioral Health of Arizona, LLC and the related Cenpatico Integrated Care health plan from the Specialty Services segment to the Managed Care segment due to a reorganization of the Arizona management structure following the Health Net integration. As a result, the financial results of Cenpatico Behavioral Health of Arizona, LLC and the related Cenpatico Integrated Care health plan have been reclassified from the Specialty Services segment to the Managed Care segment for all periods presented.

Certain amounts in the consolidated financial statements and notes have been reclassified to conform to the 2017 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 (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 its evaluation, as considered necessary. Actual results could differ from those estimates.

Business Combinations

Business combinations are accounted for using the acquisition method of accounting. The Company allocates the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The excess of the fair value of consideration transferred over the fair value of the net assets acquired is recorded as goodwill. Goodwill is generally attributable to the value of the synergies between the combined companies and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset.

The Company uses its best estimates and assumptions to value assets acquired and liabilities assumed at the acquisition date; however, these estimates are sometimes preliminary and, in some instances, all information required to value the assets acquired and liabilities assumed may not be available or final as of the end of a reporting period subsequent to the business combination. If the accounting for the business combination is incomplete, provisional amounts are recorded. The provisional amounts are updated during the period determined, up to one year from the acquisition date. The Company includes the results of operations of acquired businesses in the Company's consolidated results prospectively from the date of acquisition.

Acquisition related expenses and post-acquisition restructuring costs are recognized separately from the business combination and are expensed as incurred.

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, 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 its investments in entities that it does not control but has 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 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 trade receivables, medical claims liability, accounts payable and accrued expenses, unearned revenue, and certain other current assets and 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: Estimated based on expected achievement of metrics included in the acquisition agreement considering circumstances that exist as of the acquisition date.

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	5 - 40 years
Computer hardware and software	2 - 7 years
Furniture and equipment	3 - 10 years
Land improvements	3 - 20 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 purchased contract rights, provider contracts, customer relationships, trade names, developed technologies 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
Developed technologies	5 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, which could include 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 generally receives a fixed premium per member per month pursuant to its state contracts and recognizes premium revenues during the period in which it is obligated to provide services to its members at the amount reasonably estimable. 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. The Company estimates the amount of risk adjustment based upon the processed claims data submitted and expected to be submitted to Centers for Medicare and Medicaid Services (CMS) and records revenues on a risk adjusted basis. Some contracts allow for additional premiums related to certain supplemental services provided such as maternity deliveries.

The Company's 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 to the state in the event profits exceed established levels. We estimate the effect of these programs and recognize reductions in revenue in the current period. 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 subsequent adjustments are made in the period known. The Company continuously reviews and updates 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 Medicare Advantage contracts are with CMS. CMS deploys a risk adjustment model which apportions premiums paid to all health plans according to health severity and certain demographic factors. The CMS risk adjustment model pays more for members whose medical history would indicate that they are expected to have higher medical costs. 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 and the healthcare providers collect, compile and submit the necessary and available diagnosis data to CMS within prescribed deadlines. The Company estimates risk adjustment revenues based upon the diagnosis data submitted and expected to be submitted to CMS and records revenues on a risk adjusted basis.

The Company's specialty services generate revenues under contracts with state and federal 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. The Company recognizes revenue related to administrative services under the TRICARE government-sponsored managed care support contract for the DoD's TRICARE program on a straight-line basis over the option period, when the fees become fixed and determinable. The TRICARE contract includes various performance-based incentives and penalties. For each of the incentives or penalties, the Company adjusts revenue accordingly based on the amount that it has earned or incurred at each interim date and are legally entitled to in the event of a contract termination.

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. Additionally, the Company's insurance subsidiaries are subject to the Affordable Care Act annual health insurer fee (HIF), absent a HIF moratorium. If the Company is able to negotiate reimbursement of portions of these premium taxes or the HIF, it recognizes revenue associated with the HIF on a straight-line basis when we have binding agreements for such reimbursements, including the “gross-up” to reflect the HIFs non-tax deductible nature. Collectively, this revenue is recorded as premium tax and health insurer fee revenue in the Consolidated Statements of Operations.

Affordable Care Act

The Affordable Care Act (ACA) established risk spreading premium stabilization programs effective January 1, 2014. 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. Additionally, the ACA established a minimum annual medical loss ratio (MLR) and cost sharing reductions. Each of the three R programs 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 revenues to meet the minimum MLR.

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 revenues 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.

Reinsurance

The ACA established a transitional 2014 to 2016 three-year reinsurance program whereby the Company’s claims costs incurred for qualified members will be reimbursed when they exceed a specific threshold. For the 2016 benefit year, qualified member claims that exceeded $90,000 entitled the Company to reimbursement from the programs at 50% coinsurance. 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.

Risk Corridor

The temporary 2014 to 2016 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 revenues on a year to date basis based on where its estimated annual costs fall within the risk corridor range.

Minimum Medical Loss Ratio

Additionally, the ACA established a minimum annual MLR 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 revenues to meet the minimum MLR.

Cost Sharing Reductions (CSRs)

The ACA directs issuers to reduce the Company's members' cost sharing for essential health benefits for individuals with Federal Poverty Levels (FPLs) between 100% and 250% who are enrolled in a silver tier product; eliminate cost sharing for Indians/Alaska Natives with an FPL less than 300% and eliminate cost sharing for Indians/Alaska Natives regardless of FPL level when services are provided by an Indian Health Service. In order to compensate issuers for reduced cost sharing provided to enrollees, CMS pays an advance CSR payment to the Company each month based on the Company’s certification data provided at the time of the qualified health plan application. After the close of the benefit year, the Company is required to provide CMS with data on the value of the CSRs provided to enrollees based on either a ‘simplified’ or ‘standard’ approach. A reconciliation will occur in order to calculate the difference between the Company’s CSR advance payments received and the value of CSRs provided to enrollees. This reconciliation will produce either a payable or receivable to/from CMS. The Company has elected the standard methodology approach. In October 2017, the Trump Administration issued an executive order that immediately ceased payments of CSRs to issuers.

Premium and Trade 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 trade 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. Amounts receivable under federal contracts are comprised primarily of contractually defined billings, accrued contract incentives under the terms of the contract and amounts related to change orders for services not originally specified in the contract.

Activity in the allowance for uncollectible accounts for the years ended December 31, is summarized below ($ in millions):

	2017	2016	2015
Allowances, beginning of year	$ 29	$ 10	$ 5
Amounts charged to expense	35	33	12
Write-offs of uncollectible receivables	(40)	(14)	(7)
Allowances, end of year	$ 24	$ 29	$ 10

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 February 28, 2018 and December 31, 2022. Customers where the aggregate annual contract revenues exceeded 10% of total annual revenues included the State of California, where the percentage of the Company's total revenue was 18%, 21% and 3% for the years ended December 31, 2017, 2016 and 2015, respectively; the State of Florida, where the percentage of the Company's total revenue was 14% for the year ended December 31, 2015; and the State of Texas, where the percentage of the Company's total revenue was 12%, 13% and 22% for the years ended December 31, 2017, 2016 and 2015, respectively.

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 swaps, 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 for the year ended December 31, 2015 and as a cash inflow from operating activities for the years ended December 31, 2017 and 2016 due to the prospective adoption of employee share-based payment guidance in 2016. The Company accounts for forfeitures when they occur.

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.

Recently Adopted Accounting Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standard Update (ASU) which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The Company early adopted the new guidance in the fourth quarter of 2017. The new guidance did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In August 2017, the FASB issued an ASU which amends the hedge accounting model to enable entities to better align the economics of risk management activities and financial reporting. In addition, the new standard enhances the understandability of hedge results and simplifies the application of hedge accounting in certain situations. The new guidance is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The new guidance is not expected to have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

In March 2017, the FASB issued an ASU which changes the period over which premiums on callable debt securities are amortized. The new standard requires the premiums on callable debt securities to be amortized to the earliest call date rather than to the contractual maturity date of the instrument. The new guidance more closely aligns the amortization period of premiums to expectations incorporated in the market pricing on the underlying securities. The new guidance is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The new guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In January 2017, the FASB issued an ASU simplifying the test for goodwill impairment. The amendments in this ASU eliminate Step 2 from the goodwill impairment test. Thus, an entity will no longer be required to compare the implied fair value of a reporting unit’s goodwill to its carrying amount. Instead, under the new guidance, an entity should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the fair value. The impairment charge should be limited to the total amount of goodwill allocated to that reporting unit. Under the new guidance, an entity still has the option to first perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The new standard is effective for an entity’s annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. The new guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In November 2016, the FASB issued an ASU clarifying the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. Therefore, amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard is effective for annual periods beginning after December 15, 2017, including interim periods within those annual reporting periods. Early adoption is permitted, including adoption in an interim period. The new guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In March 2016, the FASB issued an ASU which requires entities to measure equity investments at fair value and recognize any change in fair value in net income. The standard does not apply to equity methods that result in consolidation of the investee and those accounted for under the equity method. The standard also requires entities to record changes in instrument-specific credit risk for financial liabilities measured under the fair value option in other comprehensive income, early adoption is permitted for this component of the new standard. Companies are required to record a cumulative-effect adjustment to the statement of financial position as of the beginning of the fiscal year in which the guidance is adopted, with the exception of amendments related to equity investments without readily determinable fair values, which will be applied prospectively to all investments that exist as of the date of adoption. The Company adopted the new guidance in the first quarter of 2018. The new guidance is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In February 2016, the FASB issued an ASU which introduces a lessee model that requires the majority of leases to be recognized on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in Accounting Standards Codification 606, the FASB's new revenue recognition standard, and addresses other concerns related to the current lessee model. The standard also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. It is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The new standard presently requires a modified retrospective transition approach, with application, including disclosures, in all comparative periods presented. The FASB has proposed an amendment to the new guidance that allows companies the option of using the effective date of the new standard as the date of initial application. The Company is currently evaluating the effect of the new lease guidance.

In May 2014, the FASB issued an ASU which supersedes 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. The guidance is effective for annual and interim periods beginning after December 15, 2017. The Company adopted the new guidance in the first quarter of 2018 using the modified retrospective approach with a cumulative-effect increase to retained earnings of approximately $17 million. The Company also elected the practical expedient of applying the new guidance only to contracts that are not completed as of the date of initial application. The majority of the Company's revenues are derived from insurance contracts and are excluded from the new standard. The new guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

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 or cash flows.

3. Health Net

On March 24, 2016, the Company acquired all of the issued and outstanding shares of Health Net, a publicly traded managed care organization that delivers healthcare services through health plans and government-sponsored managed care plans. The transaction was valued at approximately $5,990 million, including the assumption of $703 million of outstanding debt. The acquisition allows the Company to offer a more comprehensive and scalable portfolio of solutions and provides opportunity for additional growth across the combined company's markets.

The total consideration for the acquisition was $5,287 million, consisting of Centene common shares valued at $3,038 million (based on Centene's stock price of $62.70), $2,247 million in cash, and $2 million related to the fair value adjustment to stock based compensation associated with pre-combination service. Each Health Net share was converted into 0.622 of a validly issued, fully paid, non-assessable share of Centene common stock and $28.25 in cash. In total, 48,449 thousand shares of Centene common stock were issued in connection with the transaction. The cash portion of the acquisition consideration was funded through the issuance of long-term debt as further discussed in Note 11, *Debt*. For the years ended December 31, 2017, 2016 and 2015, the Company also recognized acquisition related expenses of $7 million, $234 million, $27 million respectively, related to the Health Net acquisition, which were recorded in selling, general and administrative (SG&A) expense in the Consolidated Statements of Operations.

The acquisition of Health Net has been accounted for as a business combination using the acquisition method of accounting which requires assets acquired and liabilities assumed to be recognized at fair value as of the acquisition date. The valuation of all the assets acquired and liabilities assumed was finalized in the fourth quarter of 2016.

The Company's allocation of the fair value of assets acquired and liabilities assumed as of the acquisition date of March 24, 2016, is as follows ($ in millions):

Assets Acquired and Liabilities Assumed		
Cash and cash equivalents	$	956
Premium and trade receivables [(a)]		1,890
Short-term investments		74
Other current assets		524
Long-term investments		2,037
Restricted deposits		30
Property, software and equipment, net		41
Intangible assets [(b)]		1,530
Other long-term assets		136
Total assets acquired		7,218
Medical claims liability [(c)]		1,482
Borrowings under revolving credit facility		285
Accounts payable and accrued expenses [(c)] [(d)]		2,297
Return of premium payable		435
Unearned revenue		130
Long-term deferred tax liabilities [(e)]		311
Long-term debt [(f)]		418
Other long-term liabilities		432
Total liabilities assumed		5,790
Total identifiable net assets		1,428
Goodwill [(g)]		3,859
Total assets acquired and liabilities assumed	$	5,287

Significant fair value adjustments are noted as follows:

(a) The fair value of premium and trade receivables approximated their historical cost, with the exception of the risk corridor receivable associated with the Health Insurance Marketplace. The fair value of the risk corridor receivable was estimated at $9 million.

(b) The identifiable intangible assets acquired are to be measured at fair value as of the completion of the acquisition. The fair value of intangible assets is determined primarily using variations of the "income approach," which is based on the present value of the future after-tax cash flows attributable to each identified intangible asset. Other valuation methods, including the market approach and cost approach, were also utilized in estimating the fair value of certain intangible assets. The Company determined the fair value of intangibles to be $1,530 million with a weighted average life of 12 years. Intangible assets include purchased contract rights, provider contracts, trade names and developed technologies.

(c) Medical claims liability and accounts payable and accrued expenses include $160 million of reserves associated with substance abuse rehabilitation claims primarily related to periods prior to the acquisition date.

(d) Accounts payable and accrued expenses include approximately $253 million related to premium deficiency reserves based on cost trends existing prior to the acquisition date. The premium deficiency reserves are primarily associated with losses in the individual commercial business, largely in California, unfavorable performance in the Arizona commercial business as well as unfavorable performance in the Medicare business primarily in Oregon and Arizona.

(e) The deferred tax liabilities are presented net of $365 million of deferred tax assets.

(f) Debt is required to be measured at fair value under the acquisition method of accounting. The fair value of Health Net's $400 million Senior Notes assumed in the acquisition was $418 million. The $18 million increase was initially being amortized as a reduction to interest expense over the remaining life of the debt; however, in November 2016, this debt was redeemed. See further discussion in Note 11, *Debt.*

(g) The acquisition resulted in $3,859 million of goodwill related primarily to buyer specific synergies expected from the acquisition and the assembled workforce of Health Net. This goodwill is not deductible for income tax purposes. The Company assigned $3,643 million of goodwill to the Managed Care segment and $216 million of goodwill to the Specialty Services segment.

The fair values and weighted average useful lives for identifiable intangible assets acquired are as follows:

	Fair Value	Weighted Average Useful Life (in years)
Purchased contract rights	$ 1,095	13
Provider contracts	181	11
Trade names	150	10
Developed technologies	104	5
Total intangible assets acquired	$ 1,530	12

Statement of Operations

From the acquisition date through December 31, 2016, the Company's Consolidated Statements of Operations include total Health Net revenues of $13,454 million. It is impracticable to determine the effect on net income resulting from the Health Net acquisition for the year ended December 31, 2016, as the Company immediately integrated Health Net into its ongoing operations.

Unaudited Pro Forma Financial Information

The unaudited pro forma total revenues for the year ended December 31, 2016 were $44,280 million. The following table presents supplemental pro forma information for the year ended December 31, 2015 ($ in millions, except per share data).

	December 31, 2015
Total revenues	$ 38,826
Net earnings attributable to Centene Corporation	$ 245
Diluted earnings per share	$ 1.43

The pro forma results do not reflect any anticipated synergies, efficiencies, or other cost savings of the acquisition. Accordingly, the unaudited pro forma financial information is not indicative of the results if the acquisition had been completed on January 1, 2015 and is not a projection of future results. It is impracticable for the Company to determine the pro forma earnings information for the year ended December 31, 2016 due to the nature of obtaining that information as the Company immediately integrated Health Net into its ongoing operations.

The unaudited pro forma financial information reflects the historical results of Centene and Health Net adjusted as if the acquisition had occurred on January 1, 2015, primarily for the following:

- additional interest income associated with adjusting the amortized cost of Health Net's investment portfolio to fair value;
- elimination of historical Health Net intangible asset amortization expense and addition of amortization expense based on the current values of identifiable intangible assets;
- adjustments to premium revenues related to the risk corridor receivables associated with the Health Insurance Marketplace to align with Centene's accounting policies;
- interest expense associated with financing the acquisition and amortization of the fair value adjustment to Health Net's debt;
- additional stock compensation expense related to the amortization of the fair value increase to Health Net rollover stock awards.

- increased tax expense due to the assumption that Centene would be subject to the IRS Regulation 162(m)(6) beginning in 2015; and
- elimination of acquisition related costs.

Restructuring Related Charges

In connection with the Health Net acquisition, the Company undertook a restructuring plan as a result of the integration of Health Net's operations into its business, resulting in a reduction in workforce beginning in 2016 and expected to continue through early 2017. The restructuring related costs are classified as SG&A expenses in the Consolidated Statements of Operations. Changes in the restructuring liability for the years ended December 31, 2016 and 2017 were as follows ($ in millions):

	Employee Termination Costs	Stock Based Compensation	Total
Total accrued restructuring costs as of December 31, 2015	$ —	$ —	$ —
Charges incurred	46	43	89
Paid/settled	(28)	(43)	(71)
Total accrued restructuring costs as of December 31, 2016	$ 18	$ —	$ 18
Charges incurred	4	3	7
Paid/Settled	(20)	$ (3)	(23)
Total accrued restructuring costs as of December 31, 2017	$ 2	$ —	$ 2

The Company recorded employee termination costs of $46 million and $4 million for the years ended December 31, 2016 and 2017, respectively, and stock based compensation of $43 million and $3 million for the years ended December 31, 2016 and 2017, respectively, in the Managed Care Segment. The Company does not expect to incur any further material employee termination or stock based compensation costs related to the acquisition.

Commitments

In connection with obtaining regulatory approval of the Health Net acquisition from the California Department of Insurance and the California Department of Managed Health Care, the Company committed to certain undertakings (the Undertakings). The Undertakings included, among other items, operational commitments around premiums, dividend restrictions, minimum Risk Based Capital (RBC) levels, local offices, growth, accreditation, HEDIS scores and other quality measures, network adequacy, certifications, investments and capital expenditures. Specifically, the Company agreed to, among other things:

- invest an additional $30 million through the California Organized Investment Network over the five years following completion of the acquisition;
- build a service center in an economically distressed community in California, investing $200 million over 10 years and employing at least 300 people;
- contribute $65 million to improve enrollee health outcomes ($10 million over five years), support locally based consumer assistance programs ($5 million over five years) and strengthen the healthcare delivery system ($50 million over five years), of which the present value of $61 million was expensed in the year ended December 31, 2016, and classified as SG&A expenses in the Consolidated Statements of Operations; and
- invest $75 million of its investment portfolio in vehicles supporting California's healthcare infrastructure.

4. Acquisitions and Noncontrolling Interest

Acquisitions

Fidelis Care Transaction. In September 2017, the Company signed a definitive agreement under which New York State Catholic Health Plan, Inc., d/b/a Fidelis Care New York (Fidelis Care), (Proposed Fidelis Acquisition or Fidelis Care Transaction) will become the Company's health plan in New York State. Under the terms of the agreement, the Company will acquire substantially all of the assets of Fidelis Care for $3.75 billion, subject to certain adjustments.

Foundation Care. On October 1, 2017, the Company acquired 80% of a national, full-service specialty pharmacy, providing service to patients with certain chronic respiratory and digestive conditions for $59 million. The fair value of consideration consists of initial cash consideration of $53 million, the present value of deferred consideration of $2 million to be paid out over a two year period, and the fair value of estimated contingent consideration of $4 million. The contingent consideration is based upon meeting certain one-year performance metrics and will not exceed $32 million.

The Company's preliminary allocation of fair value resulted in goodwill of $37 million (which is deductible for income tax purposes) and other identifiable intangible assets of $16 million. The Company has not finalized the allocation of the fair value of assets and liabilities. The acquisition is recorded in the Specialty Services segment.

USMM. In August 2017, the Company acquired the remaining 32% interest of U.S. Medical Management (USMM), a management services organization and provider of home-based primary care services for high acuity populations, for $86 million in total consideration. The transaction consideration consisted of $33 million of cash, $33 million of deferred consideration and $20 million related to the settlement of a receivable from the former noncontrolling interest holder.

Health Net. On March 24, 2016, the Company acquired all of the issued and outstanding shares of Health Net, a publicly traded managed care organization that delivers healthcare services through health plans and government-sponsored managed care plans. See Note 3, *Health Net*, for further discussion.

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:

	2017	2016	2015
Arkansas Total Care	74%	—%	—%
Celtic Insurance Company	100%	100%	75%
Cenpatico Integrated Care	80%	80%	80%
Centurion	51%	51%	51%
Foundation Care (1)	80%	—%	—%
Home State Health Plan	95%	95%	95%
The Practice (Group) Limited (TPG) (2)	75%	75%	49%
U.S. Medical Management (3)	100%	68%	68%

(1) In 2017, the Company purchased a controlling interest in Foundation Care for $59 million.
(2) In 2016, the Company purchased a controlling interest in TPG for $8 million.
(3) In 2017, the Company purchased the remaining interest in USMM for $86 million.

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, 2016	$	145
Noncontrolling interest purchased related to USMM		(115)
Contribution from noncontrolling interest		2
Net losses attributable to noncontrolling interests		(20)
Balance, December 31, 2017	$	12

Pro forma disclosures related to the acquisitions other than Health Net (see Note 3, *Health Net*) have been excluded as they were deemed to be immaterial.

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, 2017				December 31, 2016			
	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	$ 311	$ —	$ (2)	$ 309	$ 364	$ —	$ (1)	$ 363
Corporate securities	2,208	12	(10)	2,210	1,933	12	(13)	1,932
Restricted certificates of deposit	4	—	—	4	5	—	—	5
Restricted cash equivalents	17	—	—	17	6	—	—	6
Municipal securities	2,085	12	(10)	2,087	1,767	1	(35)	1,733
Asset-backed securities	437	1	(1)	437	317	1	(1)	317
Residential mortgage-backed securities	337	1	(6)	332	219	1	(5)	215
Commercial mortgage-backed securities	272	1	(2)	271	343	—	(5)	338
Equity method investments	176	—	—	176	163	—	—	163
Life insurance contracts	135	—	—	135	116	—	—	116
Total	$ 5,982	$ 27	$ (31)	$ 5,978	$ 5,233	$ 15	$ (60)	$ 5,188

The Company's investments are classified as available-for-sale with the exception of life insurance contracts and certain 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. As of December 31, 2017, 96% of the Company's investments in rated securities carry an investment grade rating by nationally recognized statistical rating organizations. At December 31, 2017, the Company held certificates of deposit, life insurance contracts and equity method investments which did not carry a credit rating.

The Company's residential mortgage-backed securities are primarily issued by the Federal National Mortgage Association, Government National Mortgage Association or Federal Home Loan Mortgage Corporation, which carry implicit or explicit guarantees of the U.S. government. The Company's commercial mortgage-backed securities are primarily senior tranches with a weighted average rating of AA+ and a weighted average duration of 4.0 years at December 31, 2017.

In January 2016, the Company completed a 19% investment in a data analytics business, and as a result, issued the selling stockholders 1.1 million shares of Centene common stock, valued at $68 million. The investment is being accounted for using the equity method of accounting due to the Company's significant influence of the business.

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, 2017				December 31, 2016			
	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	$ (1)	$ 222	$ (1)	$ 79	$ (1)	$ 215	$ —	$ 2
Corporate securities	(6)	1,044	(4)	185	(12)	1,020	(1)	39
Municipal securities	(7)	943	(3)	175	(35)	1,423	—	30
Asset-backed securities	(1)	228	—	28	(1)	101	—	18
Residential mortgage-backed securities	(1)	109	(5)	171	(5)	188	—	—
Commercial mortgage-backed securities	(1)	112	(1)	51	(5)	271	—	—
Total	$ (17)	$ 2,658	$ (14)	$ 689	$ (59)	$ 3,218	$ (1)	$ 89

As of December 31, 2017, the gross unrealized losses were generated from 1,979 positions out of a total of 3,475 positions. The change in fair value of fixed income securities is primarily 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 years ended December 31, 2017, 2016 and 2015, the Company recognized $3 million, $5 million and $8 million, respectively, 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, 2017				December 31, 2016			
	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	$ 474	$ 474	$ 48	$ 47	$ 500	$ 500	$ 91	$ 91
One year through five years	2,424	2,420	88	88	1,982	1,974	47	47
Five years through ten years	1,773	1,779	—	—	1,101	1,089	—	—
Greater than ten years	129	130	—	—	633	617	—	—
Asset-backed securities	1,046	1,040	—	—	879	870	—	—
Total	$ 5,846	$ 5,843	$ 136	$ 135	$ 5,095	$ 5,050	$ 138	$ 138

Actual maturities may differ from contractual maturities due to call or prepayment options. 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 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 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, 2017, 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	$ 4,072	$ —	$ —	$ 4,072
Investments available for sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 195	$ —	$ —	$ 195
Corporate securities	—	2,210	—	2,210
Municipal securities	—	2,087	—	2,087
Asset-backed securities	—	437	—	437
Residential mortgage-backed securities	—	332	—	332
Commercial mortgage-backed securities	—	271	—	271
Total investments	$ 195	$ 5,337	$ —	$ 5,532
Restricted deposits available for sale:				
Cash and cash equivalents	$ 17	$ —	$ —	$ 17
Certificates of deposit	4	—	—	4
U.S. Treasury securities and obligations of U.S. government corporations and agencies	114	—	—	114
Total restricted deposits	$ 135	$ —	$ —	$ 135
Other long-term assets:				
Interest rate swap agreements	$ —	$ 1	$ —	$ 1
Total assets at fair value	$ 4,402	$ 5,338	$ —	$ 9,740
Liabilities				
Other long-term liabilities:				
Interest rate swap agreements	$ —	$ 72	$ —	$ 72
Total liabilities at fair value	$ —	$ 72	$ —	$ 72

The following table summarizes fair value measurements by level at December 31, 2016, 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	$ 3,930	$ —	$ —	$ 3,930
Investments available for sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 221	$ 15	$ —	$ 236
Corporate securities	—	1,932	—	1,932
Municipal securities	—	1,733	—	1,733
Asset-backed securities	—	317	—	317
Residential mortgage-backed securities	—	215	—	215
Commercial mortgage-backed securities	—	338	—	338
Total investments	$ 221	$ 4,550	$ —	$ 4,771
Restricted deposits available for sale:				
Cash and cash equivalents	$ 6	$ —	$ —	$ 6
Certificates of deposit	5	—	—	5
U.S. Treasury securities and obligations of U.S. government corporations and agencies	127	—	—	127
Total restricted deposits	$ 138	$ —	$ —	$ 138
Other long-term assets:				
Interest rate swap agreements	$ —	$ 4	$ —	$ 4
Total assets at fair value	$ 4,289	$ 4,554	$ —	$ 8,843
Liabilities				
Other long-term liabilities:				
Interest rate swap agreements	$ —	$ 62	$ —	$ 62
Total liabilities at fair value	$ —	$ 62	$ —	$ 62

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, 2017, there were no transfers from Level I to Level II and $14 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 $311 million and $279 million as of December 31, 2017, and December 31, 2016, respectively.

7. Property, Software and Equipment

Property, software and equipment consist of the following as of December 31 ($ in millions):

	2017	2016
Land	$ 130	$ 113
Building	367	271
Computer software	542	377
Computer hardware	248	179
Furniture and office equipment	186	126
Leasehold improvements	221	173
	1,694	1,239
Less accumulated depreciation	(590)	(442)
Property, software and equipment, net	$ 1,104	$ 797

As of December 31, 2017 and 2016, the Company had assets acquired under capital leases included above of $5 million and $5 million, net of accumulated amortization of $5 million and $4 million, respectively. Amortization on assets under capital leases charged to expense is included in depreciation expense. Depreciation expense for the years ended December 31, 2017, 2016 and 2015 was $161 million, $101 million and $78 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, 2015	$ 361	$ 481	$ 842
Acquisitions and purchase accounting adjustments	3,657	216	3,873
Translation impact	(3)	—	(3)
Balance as of December 31, 2016	4,015	697	4,712
Acquisitions and purchase accounting adjustments	—	37	37
Balance as of December 31, 2017	$ 4,015	$ 734	$ 4,749

Goodwill was related to the acquisitions and fair value allocations discussed in Note 3, *Health Net* and Note 4, *Acquisitions and Noncontrolling Interest*.

Intangible assets at December 31, consist of the following ($ in millions):

			Weighted Average Life in Years	
	2017	2016	2017	2016
Purchased contract rights	$ 1,173	$ 1,171	12.6	12.6
Provider contracts	274	285	11.9	10.7
Customer relationships	22	22	8.2	8.2
Trade names	162	163	9.6	9.6
Developed technologies	109	110	5.0	5.0
Other Intangibles	7	—	2.8	—
Intangible assets	1,747	1,751	11.6	11.5
Less accumulated amortization:				
Purchased contract rights	(188)	(95)		
Provider contracts	(66)	(55)		
Customer relationships	(21)	(21)		
Trade names	(34)	(17)		
Developed technologies	(40)	(18)		
Total accumulated amortization	(349)	(206)		
Intangible assets, net	$ 1,398	$ 1,545		

Amortization expense was $156 million, $147 million and $24 million for the years ended December 31, 2017, 2016 and 2015, respectively. Estimated total amortization expense related to intangible assets for each of the five succeeding fiscal years is as follows ($ in millions):

Year	Expense
2018	$ 156
2019	156
2020	154
2021	134
2022	128

9. Medical Claims Liability

In January 2017, the Company reclassified Cenpatico Behavioral Health of Arizona, LLC and the related Cenpatico Integrated Care health plan from the Specialty Services segment to the Managed Care segment due to a reorganization of the Arizona management structure following the Health Net integration. As a result, the financial results of Cenpatico Behavioral Health of Arizona, LLC and the related Cenpatico Integrated Care health plan have been reclassified from the Specialty Services segment to the Managed Care segment for all periods presented. Due to this change in segment reporting, the Specialty Services segment now has an insignificant amount of medical claims liability and, therefore, disclosures related to medical claims liabilities have been aggregated and are presented on a consolidated basis.

The following table summarizes the change in medical claims liability ($ in millions):

	Year Ended December 31,		
	2017	2016	2015
Balance, January 1	$ 3,929	$ 2,298	$ 1,723
Less: reinsurance recoverable	5	—	—
Balance, January 1, net	3,924	2,298	1,723
Acquisitions	—	1,482	79
Incurred related to:			
Current year	38,225	30,946	17,471
Prior years	(374)	(310)	(229)
Total incurred	37,851	30,636	17,242
Paid related to:			
Current year	34,196	28,532	15,279
Prior years	3,311	1,960	1,467
Total paid	37,507	30,492	16,746
Balance at December 31, net	4,268	3,924	2,298
Reinsurance recoverable	18	5	—
Balance, December 31	$ 4,286	$ 3,929	$ 2,298

Reinsurance recoverables related to medical claims are included in premium and trade receivables. Changes in estimates of incurred claims for prior years are primarily attributable to reserving under moderately adverse conditions. Additionally, as a result of minimum HBR and other return of premium programs, approximately $1 million, $39 million, and $47 million of the “Incurred related to: Prior years” was recorded as a reduction to premium revenues in 2017, 2016, and 2015, respectively. Further, 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 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.

Information about incurred and paid claims development as of December 31, 2017 is included in the table below and is inclusive of claims incurred and paid related to the Health Net business prior and subsequent to the acquisition date. The claims development information for all periods preceding the most recent reporting period is considered required supplementary information. Incurred and paid claims development as of December 31, 2017 is as follows ($ in millions):

Cumulative Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance			
	For the Years Ended December 31,		
Claim Year	2015 (unaudited)	2016 (unaudited)	2017
2015	$ 30,619	$ 30,325	$ 30,310
2016		34,655	34,296
2017			38,225
		Total incurred claims	$ 102,831

Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance			
	For the Years Ended December 31,		
Claim Year	2015 (unaudited)	2016 (unaudited)	2017
2015	$ 27,664	$ 30,031	$ 30,297
2016		31,043	34,070
2017			34,196
		Total payment of incurred claims	$ 98,563
		Medical claims liability, net of reinsurance	$ 4,268

Incurred claims and allocated claim adjustment expenses, net of reinsurance, total IBNR plus expected development on reported claims and cumulative claims data as of December 31, 2017 are included in the following table and are inclusive of the acquired Health Net business. For claims frequency information summarized below, a claim is defined as the financial settlement of a single medical event in which remuneration was paid to the servicing provider. Total IBNR plus expected development on reported claims represents estimates for claims incurred but not reported, development on reported claims, and estimates for the costs necessary to process unpaid claims at the end of each period. We estimate our 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. Information is summarized as follows (in millions):

	December 31, 2017		
	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance	Total IBNR Plus Expected Development on Reported Claims	Cumulative Paid Claims
2015	$ 30,310	$ —	156.7
2016	34,296	48	179.1
2017	38,225	3,330	192.0

10. Affordable Care Act

The Affordable Care Act (ACA) established risk spreading premium stabilization programs effective January 1, 2014. 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. Additionally, the ACA established a minimum annual MLR and cost sharing reductions. Each of the three R programs 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 revenues to meet the minimum MLR.

During 2017, the Company recognized a $48 million net pre-tax benefit related to the reconciliation of the 2016 risk adjustment program, compared to a $51 million net pre-tax benefit in 2016 related to the reconciliation of the 2015 risk adjustment and reinsurance programs.

In October 2017, the Trump Administration issued an executive order that immediately ceased payments of CSRs to issuers. As a result of the executive order, the Company recorded a charge of $22 million in 2017 to reflect the uncertainty associated with the collectability of the CSR receivables.

The Company's receivables (payables) for each of these programs are as follows ($ in millions):

	December 31, 2017	December 31, 2016
Risk adjustment	$ (677)	$ (425)
Reinsurance	15	122
Risk corridor	6	(3)
Minimum MLR	(22)	(18)
Cost sharing reductions	(96)	(147)

11. Debt

Debt consists of the following ($ in millions):

	December 31, 2017	December 31, 2016
$1,400 million 5.625% Senior notes, due February 15, 2021	$ 1,400	$ 1,400
$1,000 million 4.75% Senior notes, due May 15, 2022	1,006	1,008
$1,000 million 6.125% Senior notes, due February 15, 2024	1,000	1,000
$1,200 million 4.75% Senior notes, due January 15, 2025	1,200	1,200
Fair value of interest rate swap agreements	(71)	(58)
Total senior notes	4,535	4,550
Revolving credit agreement	150	100
Mortgage notes payable	61	64
Capital leases and other	18	18
Debt issuance costs	(65)	(77)
Total debt	4,699	4,655
Less current portion	(4)	(4)
Long-term debt	$ 4,695	$ 4,651

Senior Notes

In December 2016, the Company redeemed the outstanding principal balance on the $400 million 6.375% Senior Notes, due June 1, 2017, plus applicable premium for early redemption and accrued and unpaid interest to the redemption date, for cash totaling $411 million. The Company recognized a loss on extinguishment of debt of $3 million on the redemption of these notes.

In November 2016, the Company redeemed the outstanding principal balance on the $425 million 5.75% Senior Notes due June 1, 2017, plus applicable premium for early redemption and accrued and unpaid interest to the redemption date, for cash totaling $447 million. The Company recognized a loss on extinguishment of debt of $10 million on the redemption of these notes. The Company also recognized a gain of $2 million on the termination of the $250 million interest rate swap agreement associated with these notes.

In November 2016, the Company issued $1,200 million in aggregate principal amount of 4.75% Senior Notes due 2025 ($1,200 Million Notes). The Company used the net proceeds of the offering to redeem its 5.75% Senior Notes due 2017 and Health Net Inc.'s 6.375% Senior Notes due 2017, to repay amounts outstanding under its Revolving Credit Facility, to pay related fees and expenses and for general corporate purposes.

In June 2016, the Company issued an additional $500 million in aggregate principal amount of 4.75% Senior Notes due 2022 ($500 Million Add-on Notes) at a premium to yield of 4.41%. The $500 Million Add-on Notes were offered as additional debt securities under the indenture governing the $500 million in aggregate principal amount of 4.75% Senior Notes issued in April 2014. The Company used the net proceeds of the offering to repay amounts outstanding under its Revolving Credit Facility and to pay offering related fees and expenses.

In February 2016, a wholly owned unrestricted subsidiary of the Company (Escrow Issuer) issued $1,400 million in aggregate principal amount of 5.625% Senior Notes ($1,400 Million Notes) at par due 2021 and $1,000 million in aggregate principal amount of 6.125% Senior Notes ($1,000 Million Notes) at par due 2024. In July 2016, the Company completed an exchange offer, whereby it offered to exchange all of the outstanding $1,400 Million Notes and the $1,000 Million Notes for identical securities that have been registered under the Securities Act of 1933. The Company used the net proceeds of the offering, together with borrowings under the Company's new $1,000 million revolving credit facility and cash on hand, primarily to fund the cash consideration for the Health Net acquisition, and to pay acquisition and offering related fees and expenses.

In connection with the February 2016 issuance, the Company entered into interest rate swap agreements for notional amounts of $600 million and $1,000 million, at floating rates of interest based on the three month LIBOR plus 4.22% and the three month LIBOR plus 4.44%, respectively. Gains and losses due to changes in the fair value of the interest rate swaps completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $1,400 Million Notes and $1,000 Million Notes.

In connection with the closing of the Health Net acquisition, the Company assumed the $400 million in aggregate principal amount of Health Net's 6.375% Senior Notes due 2017, recorded at acquisition date fair value of $418 million. These Senior Notes were redeemed in December 2016.

The indentures governing the $1,400 Million Notes, the $1,000 million of 4.75% Senior Notes due 2022, the $1,000 Million Notes and the $1,200 Million Notes contain restrictive covenants of Centene Corporation. At December 31, 2017, the Company was in compliance with all covenants.

Interest Rate Swaps

In February 2017 and in connection with the November 2016 issuance of the $1,200 Million Notes, the Company entered into interest rate swap agreements for a notional amount of $600 million, at floating rates of interest based on the one month LIBOR plus 2.53%. Gains and losses due to the changes in the fair value of the interest rate swaps completely offset changes in the fair value of the hedged portion of the underlying debt and are recorded as an adjustment to the $1,200 Million Notes.

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 investment balances. The following is a summary of the notional amounts and estimated fair values of the Company's interest rate swap agreements as of December 31, 2017 and 2016 ($ in millions):

Expiration Date	Notional Amount
February 15, 2021	$ 600
May 15, 2022	500
February 15, 2024	1,000
January 15, 2025	600
Total	$ 2,700

The fair value of the swap agreements shown above are recorded in other long-term assets and other long-term liabilities, respectively in the Consolidated Balance Sheets. Under the swap agreements, the Company receives a fixed rate of interest and pays an average variable rate of either the one or three month LIBOR plus 3.61% adjusted monthly or quarterly. At December 31, 2017, the weighted average rate was 4.99%.

The swap agreements are formally designated and qualify as fair value hedges and are recorded at fair value in the Consolidated Balance Sheets in other assets and/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 Statements of Operations. The Company does not hold or issue any derivative instrument for trading or speculative purposes.

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 December 2017, the Company amended and increased its unsecured $1,000 million revolving credit facility to $1,500 million. The agreement has a maturity date of December 14, 2022. Borrowings under the agreement bear interest based upon LIBOR rates, the Federal Funds Rate or the Prime Rate. As of December 31, 2017, the Company had $150 million of borrowings outstanding under the agreement with a weighted average interest rate of 4.75%, and the Company was in compliance with all covenants.

The revolving credit facility contains both non-financial and financial covenants, including requirements of minimum fixed charge coverage ratios and maximum debt-to-EBITDA ratios. The Company is required to not exceed a maximum debt-to-EBITDA ratio of 3.5 to 1.0 on and subsequent to December 31, 2017. As of December 31, 2017, there were no limitations on the availability under the revolving credit agreement as a result of the debt-to-EBITDA ratio.

In connection with the closing of the Health Net acquisition in March 2016, the Company's existing unsecured $500 million revolving credit facility was terminated and simultaneously replaced with a new $1,000 million unsecured revolving credit facility.

Also, upon the closing of the Health Net acquisition in 2016, the Company assumed, fully repaid $285 million in outstanding borrowings under, and terminated the existing Health Net revolving credit facility.

Construction Loan

In October 2017, the Company executed a $200 million non-recourse construction loan to fund the expansion of the Company's corporate headquarters. The loan bears interest based on the one month LIBOR plus 2.70% and matures in April 2021 with an optional one-year extension. The agreement contains financial and non-financial covenants aligning with the Company's revolving credit agreement. The Company has guaranteed completion of the construction project associated with the loan. As of December 31, 2017, the Company had no borrowings outstanding under the loan.

Mortgage Notes Payable

The Company has a non-recourse mortgage note of $61 million at December 31, 2017 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 $170 million at December 31, 2017.

Letters of Credit & Surety Bonds

The Company had outstanding letters of credit of $77 million as of December 31, 2017, which were not part of the revolving credit facility. The Company also had letters of credit for $45 million (valued at December 31, 2017 conversion rate), or €38 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 1.31% as of December 31, 2017. The Company had outstanding surety bonds of $404 million as of December 31, 2017.

Aggregate maturities for the Company's debt are as follows ($ in millions):

2018	$	4
2019		16
2020		4
2021		1,451
2022		1,151
Thereafter		2,203
Total	$	4,829

The fair value of outstanding debt was approximately $4,751 million and $4,676 million at December 31, 2017 and 2016, respectively.

12. Stockholders' Equity

The Company has 10,000 thousand authorized shares of preferred stock at $.001 par value. At December 31, 2017, there were no preferred shares outstanding.

The Company's Board of Directors has authorized a stock repurchase program for up to 8,000 thousand 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 thousand available shares remaining under the program for repurchases as of December 31, 2017. The Company reserves the right to discontinue the repurchase program at any time. During the year ended December 31, 2017, 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 statutory tax withholding obligations. As part of this plan, the Company repurchased 727 thousand shares at an aggregate cost of $65 million in 2017 and 1,078 thousand shares at an aggregate cost of $63 million in 2016. These shares are included in the Company's treasury stock.

In March 2016, the Company issued 48,449 thousand shares of Centene stock, with a fair value of approximately $3,038 million in connection with the Health Net acquisition.

In January 2016, the Company completed a 19% investment in a data analytics business and issued 1,144 thousand shares of Centene common stock to the selling stockholders. The investment is being accounted for using the equity method of accounting, due to the Company's significant influence on the business.

13. 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, 2017 and 2016, Centene's subsidiaries had aggregate statutory capital and surplus of $5,153 million and $4,529 million, respectively, compared with the required minimum aggregate statutory capital and surplus of $2,251 million and $2,259 million, respectively. As of December 31, 2017, the amount of capital and surplus or net worth that was unavailable for the payment of dividends or return of capital to the Company was $2,251 million in the aggregate.

14. Income Taxes

The consolidated income tax expense consists of the following for the years ended December 31 ($ in millions):

	2017	2016	2015
Current provision			
Federal	$ 421	$ 485	$ 332
State and local	14	22	26
Total current provision	435	507	358
Deferred provision	(109)	92	(19)
Total income tax expense	$ 326	$ 599	$ 339

The reconciliation of the tax provision at the U.S. federal statutory rate to income tax expense for the years ended December 31 is as follows ($ in millions):

	2017	2016	2015
Earnings from continuing operations, before income tax expense	$ 1,134	$ 1,157	$ 697
(Earnings) loss attributable to flow through noncontrolling interest	15	(8)	1
Earnings from continuing operations, less noncontrolling interest, before income tax expense	1,149	1,149	698
Tax provision at the U.S. federal statutory rate	402	402	244
State income taxes, net of federal income tax benefit	11	10	15
Nondeductible compensation	58	23	2
ACA Health Insurer Fee	—	162	75
Income Tax Reform	(125)	—	—
Other, net	(20)	2	3
Income tax expense	$ 326	$ 599	$ 339

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):

	2017	2016
Deferred tax assets:		
Medical claims liability	$ 46	$ 66
Nondeductible liabilities	41	39
Net operating loss and tax credit carryforwards	94	101
Compensation accruals	129	156
Premium and trade receivables	45	79
Other	11	14
Deferred tax assets	366	455
Valuation allowance	(81)	(86)
Net deferred tax assets	$ 285	$ 369
Deferred tax liabilities:		
Intangible assets	$ 342	$ 577
Prepaid assets	23	17
Fixed assets	84	65
Investments in joint ventures	20	11
Deferred revenue	26	—
Other	17	2
Deferred tax liabilities	512	672
Net deferred tax assets (liabilities)	$ (227)	$ (303)

Valuation allowances are provided when it is considered more likely than not that deferred tax assets will not be realized. The valuation allowances primarily relate to future tax benefits on certain federal, state and foreign net operating loss and tax credit carryforwards. The $5 million decrease in valuation allowance primarily relates to the effect of the tax rate change due to The Tax Cuts and Jobs Act (Income Tax Reform), which was passed in December 2017, offset partially by an increase due to losses from entities that file nonconsolidated federal tax returns.

Federal net operating loss carryforwards of $44 million expire beginning in 2020 through 2037; state net operating loss and tax credit carryforwards of $42 million expire beginning in 2018 through 2037. Substantially all of the non-U.S. tax loss carryforwards have indefinite carryforward periods.

The Company maintains a reserve for uncertain tax positions that may be challenged by a tax authority. A rollforward of the beginning and ending amount of uncertain tax positions, exclusive of related interest and penalties, is as follows:

	Year Ended December 31,	
	2017	2016
Gross unrecognized tax benefits, beginning of period	$ 102	$ 5
Gross increases:		
Current year tax positions	43	6
Prior year tax positions	113	93
Gross decreases:		
Prior year tax positions	—	(1)
Statute of limitation lapses	(1)	(1)
Gross unrecognized tax benefits, end of period	$ 257	$ 102

Uncertain tax positions increased $143 million to reflect the impact of a multi-year reserve for deductions related to domestic production activities. As of December 31, 2017, $225 million of unrecognized tax benefits would impact the Company's effective tax rate in future periods, if recognized. The Company believes it is reasonably possible that its liability for unrecognized tax benefits will decrease in the next twelve months by $8 million as a result of the expiration of statutes of limitations in certain jurisdictions.

The table above excludes interest, net of related tax benefits, which is treated as income tax expense (benefit) under the Company's accounting policy. For the year ended December 31, 2017, the Company recognized net interest expense and penalties related to uncertain positions of $4 million. The Company had $9 million and $5 million of accrued interest and penalties for uncertain tax positions as of December 31, 2017 and 2016, respectively.

The Company files tax returns for federal as well as numerous state tax jurisdictions. As of December 31, 2017, Health Net is under federal examination for tax years 2011 through its final return in 2016. Additionally, Centene's tax returns for years 2014 through 2016 are subject to federal examination.

Income Tax Reform

Income Tax Reform was enacted on December 22, 2017. Income Tax Reform reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax-deferred, and creates new taxes on foreign sourced earnings. As of December 31, 2017, the Company has not completed its accounting for the tax effects of enactment of Income Tax Reform; however, as described below, the Company has made a reasonable estimate of the effects on its existing deferred tax balances and the one-time transition tax. As a result of the enactment, the Company recognized a provisional tax benefit of $125 million, which is included as a component of income tax expense from continuing operations.

The Company remeasured deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is now 21% for federal tax purposes. However, the Company is still analyzing certain aspects of Income Tax Reform and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional tax benefit recorded related to the remeasurement of the Company's net deferred tax liability balance was $126 million.

The one-time transition tax is based on the Company's total post-1986 earnings and profits (E&P) for which the Company had previously deferred from U.S. income taxes. The Company recorded a provisional amount for the one-time transition tax liability for its foreign subsidiaries, resulting in an increase in income tax expense of $1 million.

15. 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 6,586 thousand 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 one to three years for restricted stock or restricted stock unit awards. Certain restricted stock unit awards contain performance-based as well as service-based provisions. Certain awards provide for accelerated vesting if there is a change in control as defined in the plans. In addition, the Company incorporated retirement provisions in our stock-based compensation agreements beginning in 2016. The total compensation cost that has been charged against income for the stock incentive plans was $135 million, $148 million and $71 million for the years ended December 31, 2017, 2016 and 2015, respectively. The total income tax benefit recognized in the income statement for stock-based compensation arrangements was $50 million, $67 million and $24 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Option activity for the year ended December 31, 2017 is summarized below (shares in thousands):

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value ($ in millions)	Weighted Average Remaining Contractual Term
Outstanding as of December 31, 2016	320	$ 17.44		
Granted	1	68.60		
Exercised	(178)	13.47		
Forfeited	(13)	62.86		
Outstanding as of December 31, 2017	130	$ 18.82	$ 11	2.7
Exercisable as of December 31, 2017	115	$ 13.75	$ 10	1.9

The fair value 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,		
	2017	2016	2015 (1)
Expected life (in years)	4.8	4.8	—
Risk-free interest rate	1.9%	1.6%	—
Expected volatility	37.5%	39.0%	—
Expected dividend yield	—	—	—

(1) No options were awarded in the year ended December 31, 2015.

For options granted in the year ended December 31, 2017, 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,		
	2017	2016	2015 (1)
Weighted-average fair value of options granted	$ 68.60	$ 59.94	$ —
Total intrinsic value of stock options exercised ($ in millions)	$ 12	$ 19	$ 28

(1) No options were awarded in the year ended December 31, 2015.

A summary of the Company's non-vested restricted stock and restricted stock unit shares as of December 31, 2017, and changes during the year ended December 31, 2017, is presented below (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Non-vested balance as of December 31, 2016	4,790	$ 55.75
Granted	1,412	95.13
Vested	(1,883)	58.10
Forfeited	(150)	20.40
Non-vested balance as of December 31, 2017	4,169	$ 69.30

The total fair value of restricted stock and restricted stock units vested during the years ended December 31, 2017, 2016 and 2015, was $174 million, $147 million and $112 million, respectively.

As of December 31, 2017, there was $254 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 2.2 years.

The Company maintains an employee stock purchase plan and issued 129 thousand shares, 118 thousand shares, and 87 thousand shares in 2017, 2016 and 2015, respectively.

16. 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 portion of the employee's contribution. Company expense related to matching contributions to the plan was $42 million, $37 million and $19 million during the years ended December 31, 2017, 2016 and 2015, respectively.

17. 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 rent holidays. Tenant improvement allowances are recorded as a liability and amortized against rent expense over the term of the lease. Rent expense was $171 million, $137 million and $64 million for the years ended December 31, 2017, 2016 and 2015, respectively. Annual non-cancelable minimum lease payments over the next five years and thereafter are as follows ($ in millions):

2018	$ 146
2019	153
2020	138
2021	116
2022	73
Thereafter	167
	$ 793

In connection with obtaining regulatory approval of the Health Net acquisition from the California Department of Insurance and the California Department of Managed Health Care, the Company committed to certain undertakings. See Note 3, *Health Net* for further details.

18. Contingencies

Overview

The Company records reserves and accrues costs for certain legal proceedings and regulatory matters to the extent that it determines an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. While such reserves and accrued costs reflect the Company's best estimate of the probable loss for such matters, the recorded amounts may differ materially from the actual amount of any such losses. In some cases, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made because of the inherently unpredictable nature of legal and regulatory proceedings, which may be exacerbated by various factors, including but not limited to, they may involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or legal uncertainties; involve disputed facts; represent a shift in regulatory policy; involve a large number of parties, claimants or regulatory bodies; are in the early stages of the proceedings; involve a number of separate proceedings and/or a wide range of potential outcomes; or result in a change of business practices.

As of the date of this report, amounts accrued for legal proceedings and regulatory matters were not material. However, it is possible that in a particular quarter or annual period the Company's financial condition, results of operations, cash flow and/or liquidity could be materially adversely affected by an ultimate unfavorable resolution of or development in legal and/or regulatory proceedings, including as described below. Except for the proceedings discussed below, the Company believes that the ultimate outcome of any of the regulatory and legal proceedings that are currently pending against it should not have a material adverse effect on financial condition, results of operations, cash flow or liquidity.

California

The Company's California subsidiary, Health Net of California, Inc. (Health Net California), has been named as a defendant in a California taxpayer action filed in Los Angeles County Superior Court, captioned as Michael D. Myers v. State Board of Equalization, et al., Los Angeles Superior Court Case No. BS158655. This action is brought under a California statute that permits an individual taxpayer to sue a governmental agency when the taxpayer believes the agency has failed to enforce governing law. Plaintiff contends that Health Net California, a California licensed Health Care Service Plan (HCSP), is an "insurer" for purposes of taxation despite acknowledging it is not an "insurer" under regulatory law. Under California law, "insurers" must pay a gross premiums tax (GPT), calculated as 2.35% on gross premiums. As a licensed HCSP, Health Net California has paid the California Corporate Franchise Tax (CFT), the tax generally paid by California businesses. Plaintiff contends that Health Net California must pay the GPT rather than the CFT. Plaintiff seeks a writ of mandate directing the California taxing agencies to collect the GPT, and seeks an order requiring Health Net California to pay GPT, interest and penalties for a period dating to eight years prior to the October 2015 filing of the complaint. This lawsuit is being coordinated with similar lawsuits filed against other entities. In September 2017, the Company filed a demurrer seeking to dismiss the complaint, and a motion to strike the allegations seeking retroactive relief. In January 2018, the Court held a hearing on the Company's demurrer. No decision has been issued yet. The Company intends to vigorously defend itself against these claims; however, this matter is subject to many uncertainties, and an adverse outcome in this matter could potentially have a materially adverse impact on our financial position, results of operations and cash flows.

Federal Securities Class Action

In November 2016, a putative federal securities class action was filed against the Company and certain of its executives in the U.S. District Court for the Central District of California. In March 2017, the court entered an order transferring the matter to the U.S. District Court for the Eastern District of Missouri. The plaintiffs in the lawsuit allege that the Company's accounting and related disclosures for certain liabilities acquired in the acquisition of Health Net violated federal securities laws. In July 2017, the lead plaintiff filed a Consolidated Class Action Complaint. The Company filed a motion to dismiss this complaint in September 2017. The Company denies any wrongdoing and is vigorously defending itself against these claims. Nevertheless, this matter is subject to many uncertainties and the Company cannot predict how long this litigation will last or what the ultimate outcome will be, and an adverse outcome in this matter could potentially have a materially adverse impact on our financial position and results of operations.

Additionally, in January 2018, a separate derivative action was filed on behalf of Centene Corporation against the Company and certain of its officers and directors in the United States District Court for the Eastern District of Missouri. Plaintiff purports to bring suit derivatively on behalf of the Company against certain officers and directors for violation of securities laws, breach of fiduciary duty, waste of corporate assets and unjust enrichment. The derivative complaint repeats many of the allegations in the federal securities class action described above and asserts that defendants made inaccurate or misleading statements, and/or failed to correct the alleged misstatements.

Medicare Parts C and D Matter

In December 2016, a Civil Investigative Demand (CID) was issued to Health Net by the United States Department of Justice regarding Health Net's submission of risk adjustment claims to CMS under Parts C and D of Medicare. The CID may be related to a federal qui tam lawsuit filed under seal in 2011 naming more than a dozen health insurers including Health Net. The lawsuit was unsealed in February 2017 when the Department of Justice intervened in the case with respect to one of the insurers (not Health Net). In subsequent pleadings, both the Department of Justice and the Relator excluded Health Net from the lawsuit. The Company is complying with the CID and will vigorously defend any lawsuits. At this point, it is not possible to determine what level of liability, if any, the Company may face as a result of this matter.

Veterans Administration Matter

In October 2017, a CID was issued to Health Net Federal Services, LLC (HNFS) by the United States Department of Justice. The CID seeks documents and interrogatory responses concerning whether HNFS submitted, or caused to be submitted, excessive, duplicative or otherwise improper claims to the U.S. Department of Veterans Affairs under a contract to arrange healthcare services for veterans. The contract began in late 2014. In 2016, modifications to the contract were made to allow for possible duplicate billings with a reconciliation period at the end of the contract term. The Company is complying with the CID and believes it has been meeting its contractual obligations. At this point, it is not possible to determine what level of liability, if any, the Company may face as a result of this matter.

Guaranty Fund Assessment

Under state guaranty association laws, certain insurance companies can be assessed for certain obligations to the policyholders and claimants of impaired or insolvent insurance companies that write the same line or similar lines of business. In 2009, the Pennsylvania Insurance Commissioner placed long-term care insurer Penn Treaty Network America Insurance Company and its subsidiary (Penn Treaty), neither of which is affiliated with the Company, in rehabilitation and petitioned a state court for approval to liquidate Penn Treaty. In March 2017, the court issued the final liquidation order, and as a result, during the twelve months ended December 31, 2017, the Company recognized $56 million representing its undiscounted estimated share of the guaranty association assessment as selling, general and administrative expenses.

Ambetter Class Action

In January 2018, a putative class action lawsuit was filed against the Company and certain subsidiaries in the U.S. District Court for the Eastern District of Washington. The complaint alleges that the Company failed to meet federal and state requirements for provider networks and directories with regard to its Ambetter policies, denied coverage and/or refused to pay for covered benefits, and failed to address grievances adequately, causing some members to incur unexpected costs. The Company intends to vigorously defend itself against these claims. Nevertheless, this matter is subject to many uncertainties and the Company cannot predict how long this litigation will last or what the ultimate outcome will be, and an adverse outcome in this matter could potentially have a materially adverse impact on our financial position and results of operations.

Miscellaneous Proceedings

Excluding the matters discussed above, the Company is also routinely subjected to legal and regulatory proceedings in the normal course of business. These matters can include, without limitation:

- periodic compliance and other reviews and investigations by various federal and state regulatory agencies with respect to requirements applicable to the Company's business, including, without limitation, those related to payment of out-of-network claims, submissions to CMS for risk adjustment payments or the False Claims Act, pre-authorization penalties, timely review of grievances and appeals, timely and accurate payment of claims, and the Health Insurance Portability and Accountability Act of 1996;

- litigation arising out of general business activities, such as tax matters, disputes related to healthcare benefits coverage or reimbursement, putative securities class actions and medical malpractice, privacy, real estate, intellectual property and employment-related claims;

- disputes regarding reinsurance arrangements, claims arising out of the acquisition or divestiture of various assets, class actions and claims relating to the performance of contractual and non-contractual obligations to providers, members, employer groups and others, including, but not limited to, the alleged failure to properly pay claims and challenges to the manner in which the Company processes claims, and claims alleging that the Company has engaged in unfair business practices.

Among other things, these matters may result in awards of damages, fines or penalties, which could be substantial, and/or could require changes to the Company's business. The Company intends to vigorously defend itself against the miscellaneous legal and regulatory proceedings to which it is currently a party; however, these proceedings are subject to many uncertainties. In some of the cases pending against the Company, substantial non-economic or punitive damages are being sought.

19. Earnings Per Share

The following table sets forth the calculation of basic and diluted net earnings (loss) per common share for the years ended December 31 ($ in millions, except shares in thousands and per share data in dollars):

	2017	2016	2015
Earnings (loss) attributable to Centene Corporation:			
Earnings from continuing operations, net of tax	$ 828	$ 559	$ 356
Discontinued operations, net of tax	—	3	(1)
Net earnings	$ 828	$ 562	$ 355
Shares used in computing per share amounts:			
Weighted average number of common shares outstanding	172,427	159,568	119,101
Common stock equivalents (as determined by applying the treasury stock method)	4,275	4,407	3,965
Weighted average number of common shares and potential dilutive common shares outstanding	176,702	163,975	123,066
Net earnings (loss) per common share attributable to Centene Corporation:			
Basic:			
Continuing operations	$ 4.80	$ 3.50	$ 2.99
Discontinued operations	—	0.02	(0.01)
Basic earnings per common share	$ 4.80	$ 3.52	$ 2.98
Diluted:			
Continuing operations	$ 4.69	$ 3.41	$ 2.89
Discontinued operations	—	0.02	(0.01)
Diluted earnings per common share	$ 4.69	$ 3.43	$ 2.88

The calculation of diluted earnings (loss) per common share for 2017, 2016 and 2015 excludes the impact of 53 thousand shares, 126 thousand shares and 7 thousand shares, respectively, related to anti-dilutive stock options, restricted stock and restricted stock units.

20. 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, the 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 2017, the Company reclassified Cenpatico Behavioral Health of Arizona, LLC and the related Cenpatico Integrated Care health plan from the Specialty Services segment to the Managed Care segment due to a reorganization of the Arizona management structure following the Health Net integration. As a result, the financial results of Cenpatico Behavioral Health of Arizona, LLC and the related Cenpatico Integrated Care 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, 2017, follows ($ in millions):

	Managed Care	Specialty Services	Eliminations	Consolidated Total
Total revenues from external customers	$ 45,798	$ 2,584	$ —	$ 48,382
Total revenues internal customers	44	9,471	(9,515)	—
Total revenues	$ 45,842	$ 12,055	(9,515)	$ 48,382
Earnings from operations	$ 917	$ 282	—	$ 1,199
Total assets	$ 19,959	$ 1,896	—	$ 21,855

Segment information as of and for the year ended December 31, 2016, follows ($ in millions):

	Managed Care	Specialty Services	Eliminations	Consolidated Total
Total revenues from external customers	$ 38,182	$ 2,425	$ —	$ 40,607
Total revenues internal customers	200	5,952	(6,152)	—
Total revenues	$ 38,382	$ 8,377	$ (6,152)	$ 40,607
Earnings from operations	$ 1,077	$ 183	$ —	$ 1,260
Total assets	$ 18,423	$ 1,774	$ —	$ 20,197

Segment information as of and for the year ended December 31, 2015, follows ($ in millions):

	Managed Care	Specialty Services	Eliminations	Consolidated Total
Total revenues from external customers	$ 20,865	$ 1,895	$ —	$ 22,760
Total revenues internal customers	101	4,862	(4,963)	—
Total revenues	$ 20,966	$ 6,757	$ (4,963)	$ 22,760
Earnings from operations	$ 531	$ 174	$ —	$ 705
Total assets	$ 6,327	$ 1,012	$ —	$ 7,339

21. Quarterly Selected Financial Information

Quarterly selected financial information for 2017 and 2016 is as follows:

(In millions, except per share data in dollars)
(Unaudited)

	For the Quarter Ended			
	March 31, 2017	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**
Total revenues	$ 11,724	$ 11,954	$ 11,898	$ 12,806
Amounts attributable to Centene Corporation common shareholders:				
Earnings from continuing operations, net of income tax expense	139	254	205	230
Discontinued operations, net of income tax expense	—	—	—	—
Net earnings	$ 139	$ 254	$ 205	$ 230
Net earnings per common share attributable to Centene Corporation:				
Basic:				
Continuing operations	$ 0.81	$ 1.47	$ 1.19	$ 1.33
Discontinued operations	—	—	—	—
Basic earnings per common share	$ 0.81	$ 1.47	$ 1.19	$ 1.33
Diluted:				
Continuing operations	$ 0.79	$ 1.44	$ 1.16	$ 1.30
Discontinued operations	—	—	—	—
Diluted earnings per common share	$ 0.79	$ 1.44	$ 1.16	$ 1.30

	For the Quarter Ended (1)			
	March 31, 2016	**June 30, 2016**	**September 30, 2016**	**December 31, 2016**
Total revenues	$ 6,953	$ 10,897	$ 10,846	$ 11,911
Amounts attributable to Centene Corporation common shareholders:				
Earnings (loss) from continuing operations, net of income tax expense	(15)	171	148	255
Discontinued operations, net of income tax expense (benefit)	(1)	(1)	(1)	6
Net earnings (loss)	$ (16)	$ 170	$ 147	$ 261
Net earnings (loss) per common share attributable to Centene Corporation:				
Basic:				
Continuing operations	$ (0.12)	$ 1.00	$ 0.87	$ 1.49
Discontinued operations	(0.01)	—	(0.01)	0.04
Basic earnings (loss) per common share	$ (0.13)	$ 1.00	$ 0.86	$ 1.53
Diluted:				
Continuing operations	$ (0.12)	$ 0.98	$ 0.84	$ 1.45
Discontinued operations	(0.01)	(0.01)	—	0.04
Diluted earnings (loss) per common share	$ (0.13)	$ 0.97	$ 0.84	$ 1.49

(1) The Company early adopted ASU 2016-09 during the fourth quarter of 2016. The ASU requires adjustments be reflected as of the beginning of the fiscal year of adoption and as a result, prior periods have been restated accordingly.

22. Condensed Financial Information of Registrant

Centene Corporation (Parent Company Only)
Condensed Balance Sheets
(In millions, except shares in thousands and per share data in dollars)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6	$ 5
Short-term investments, at fair value (amortized cost $2 and $1, respectively)	2	1
Other current assets	331	29
Total current assets	339	35
Long-term investments, at fair value (amortized cost $17 and $19, respectively)	17	19
Investment in subsidiaries	11,018	10,674
Other long-term assets	302	52
Total assets	$ 11,676	$ 10,780
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities	$ 100	$ 78
Long-term debt	4,624	4,573
Other long-term liabilities	76	75
Total liabilities	4,800	4,726
Redeemable noncontrolling interest	12	145
Stockholders' equity:		
Preferred stock, $.001 par value; authorized 10,000 shares; no shares issued or outstanding at December 31, 2017 and December 31, 2016	—	—
Common stock, $.001 par value; authorized 400,000 shares; 180,379 issued and 173,437 outstanding at December 31, 2017, and 178,134 issued and 171,919 outstanding at December 31, 2016	—	—
Additional paid-in capital	4,349	4,190
Accumulated other comprehensive loss	(3)	(36)
Retained earnings	2,748	1,920
Treasury stock, at cost (6,942 and 6,215 shares, respectively)	(244)	(179)
Total Centene stockholders' equity	6,850	5,895
Noncontrolling interest	14	14
Total stockholders' equity	6,864	5,909
Total liabilities, redeemable noncontrolling interests and stockholders' equity	$ 11,676	$ 10,780

See notes to condensed financial information of registrant.

Centene Corporation (Parent Company Only)
Condensed Statements of Operations
(In millions, except per share data in dollars)

	Year Ended December 31,		
	2017	**2016**	**2015**
Expenses:			
Selling, general and administrative expenses	$ 7	$ 10	$ 9
Gain on contingent consideration	(1)	(5)	(44)
Other income (expense):			
Investment and other income	2	2	(5)
Interest expense	(247)	(201)	(39)
Earnings (loss) before income taxes	(251)	(204)	(9)
Income tax benefit	(114)	(76)	(26)
Net earnings (loss) before equity in subsidiaries	(137)	(128)	17
Equity in earnings from subsidiaries	945	686	341
Net earnings	808	558	358
(Earnings) loss attributable to noncontrolling interests	20	1	(2)
Net earnings attributable to Centene	$ 828	$ 559	$ 356
Net earnings per share from continuing operations:			
Basic earnings per common share	$ 4.80	$ 3.50	$ 2.99
Diluted earnings per common share	$ 4.69	$ 3.41	$ 2.89

See notes to condensed financial information of registrant.

Centene Corporation (Parent Company Only)
Condensed Statements of Cash Flows
(In millions)

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Dividends from subsidiaries, return on investment	$ 292	$ 25	$ 11
Other operating activities, net	(132)	(71)	(29)
Net cash provided by (used in) operating activities	160	(46)	(18)
Cash flows from investing activities:			
Capital contributions to subsidiaries	(339)	(691)	(646)
Purchases of investments	(38)	(112)	(17)
Sales and maturities of investments	4	169	9
Dividends from subsidiaries, return of investment	28	100	3
Investments in acquisitions	(59)	(2,248)	(113)
Intercompany activities	322	(575)	463
Other investing activities, net	(1)	—	7
Net cash used in investing activities	(83)	(3,357)	(294)
Cash flows from financing activities:			
Proceeds from borrowings	1,400	8,934	1,925
Payment of long-term debt	(1,350)	(5,377)	(1,575)
Common stock repurchases	(65)	(63)	(53)
Debt issuance costs	—	(76)	(4)
Purchase of noncontrolling interest	(66)	(14)	—
Other financing activities, net	5	—	20
Net cash (used in) provided by financing activities	(76)	3,404	313
Net increase in cash and cash equivalents	1	1	1
Cash and cash equivalents, beginning of period	5	4	3
Cash and cash equivalents, end of period	$ 6	$ 5	$ 4

See notes to condensed financial information of registrant.

Notes to Condensed Financial Information of Registrant

Note A - Basis of Presentation and Significant Accounting 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, cash flows generated by our unrestricted subsidiaries are utilized by the parent company to the extent required, primarily to repay borrowings on the parent company's revolving credit facility, make acquisitions, fund capital contributions to subsidiaries and fund its operations.

In August 2016, the FASB issued an ASU which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The Company early adopted the new guidance in the fourth quarter of 2017. Certain amounts in the parent company only financial statements have been reclassified to conform to the 2017 presentation, reflecting this adoption and a reclassification of intercompany activities from operating to investing cash flows. These reclassifications have no effect on net earnings or stockholders' equity as previously reported.

Certain amounts presented in the parent company only financial statements are eliminated in the consolidated financial statements of Centene Corporation.

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, 2017. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange 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 reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control 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, 2017. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2017, 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, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the stockholders and board of directors
Centene Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Centene Corporation and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the "consolidated financial statements"), and our report dated February 20, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ KPMG LLP

St. Louis, Missouri
February 20, 2018

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 2018 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 2018 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 2018 annual meeting of stockholders under "Board of Directors Committees." Information concerning our code of ethics will appear in our Proxy Statement for our 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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, 2017 and 2016
    Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015
    Consolidated Statements of Comprehensive Earnings for the years ended December 31, 2017, 2016 and 2015
    Consolidated Statements of Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015
    Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015
    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
2.1		Asset Purchase Agreement, dated as of September 12, 2017, between Centene Corporation and New York State Catholic Health Plan, Inc. d/b/a Fidelis Care New York, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated September 12, 2017.		8-K	September 12, 2017	2.1
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
3.1d		Certificate of Amendment to Certificate of Incorporation of Centene Corporation as filed with the Secretary of State of the State of Delaware		8-K	October 26, 2015	3.1
3.2		By-laws of Centene Corporation, as amended effective as of February 5, 2018		8-K	February 9, 2018	3.1
4.1		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
4.2		Indenture, dated February 11, 2016, among Centene Escrow Corporation and The Bank of New York Mellon Trust Company, N.A., relating to the Company’s 5.625% Senior Notes due 2021 (including Form of Global Note as Exhibit A thereto)		8-K	February 11, 2016	4.1
4.3		Indenture, dated February 11, 2016, among Centene Escrow Corporation and The Bank of New York Mellon Trust Company, N.A., relating to the Company’s 6.125% Senior Notes due 2024 (including Form of Global Note as Exhibit A thereto)		8-K	February 11, 2016	4.2
4.4		Indenture, dated November 9, 2016, among Centene Escrow Corporation and The Bank of New York Mellon Trust Company, N.A., relating to the Company’s 4.75% Senior Notes due 2025 (including Form of Global Note as Exhibit A thereto)		8-K	November 9, 2016	4.1
10.1	*	2000 Stock Plan of Centene Corporation		S-1	October 9, 2001	10.12
10.2	*	2002 Employee Stock Purchase Plan, As Amended and Restated		10-K	February 22, 2016	10.4
10.3	*	Centene Corporation Amended and Restated 2003 Stock Incentive Plan		8-K	April 30, 2010	10.1
10.4	*	2012 Stock Incentive plan, as Amended		8-K	April 27, 2017	10.1

10.5	*	Amended and Restated Non-Employee Directors Deferred Stock Compensation Plan		10-Q	July 28, 2015	10.1
10.6	*	Amended and Restated Voluntary Nonqualified Deferred Compensation Plan	X			
10.7	*	Centene Corporation 2007 Long-Term Incentive Plan		8-K	April 26, 2007	10.2
10.8	*	Centene Corporation Short-Term Executive Compensation Plan		10-K	February 22, 2011	10.12
10.9	*	Executive Employment Agreement between Centene Corporation and Michael F. Neidorff, dated November 8, 2004		8-K	November 9, 2004	10.1
10.9a	*	Amendment No. 1 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-Q	October 28, 2008	10.2
10.9b	*	Amendment No. 2 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-Q	April 28, 2009	10.2
10.9c	*	Amendment No. 3 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		10-Q	October 23, 2012	10.2
10.9d	*	Amendment No. 4 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		8-K	May 16, 2013	10.1
10.9e	*	Amendment No. 5 to Executive Employment Agreement between Centene Corporation and Michael F. Neidorff		8-K	December 14, 2016	10.1
10.10	*	Form of Executive Severance and Change in Control Agreement		10-Q	October 28, 2008	10.3
10.10a	*	Amendment No. 1 to Form of Executive Severance and Change in Control Agreement		10-Q	October 23, 2012	10.3
10.10b	*	Amendment No. 2 to Form of Executive Severance and Change in Control Agreement		10-Q	April 28, 2015	10.1
10.11	*	Form of Non-statutory Stock Option Agreement (Non-Employees)		8-K	July 28, 2005	10.3
10.12	*	Form of Non-statutory Stock Option Agreement (Employees)		10-Q	October 28, 2008	10.5
10.13	*	Form of Non-statutory Stock Option Agreement (Directors)		10-K	February 23, 2009	10.18
10.14	*	Form of Incentive Stock Option Agreement		10-Q	October 28, 2008	10.6
10.15	*	Form of Stock Appreciation Right Agreement		8-K	July 28, 2005	10.6
10.16	*	Form of Restricted Stock Agreement		10-Q	October 25, 2005	10.8
10.17	*	Form of Restricted Stock Unit Agreement #1		10-K	February 22, 2016	10.13
10.18	*	Form of Restricted Stock Unit Agreement #2		10-K	February 21, 2017	10.20
10.19	*	Form of Performance Based Restricted Stock Unit Agreement #1		10-K	February 22, 2016	10.20
10.20	*	Form of Performance Based Restricted Stock Unit Agreement #2		10-K	February 22, 2016	10.21
10.21	*	Form of Performance Based Restricted Stock Unit Agreement #3		10-K	February 21, 2017	10.23

10.22	*	Form of Long-Term Incentive Plan Agreement #1		8-K	February 7, 2008	10.1
10.23	*	Form of Long-Term Incentive Plan Agreement #2		10-K	February 21, 2017	10.25
10.24		Credit Agreement, dated as of March 24, 2016, by and among Centene Corporation, the various financial institutions party thereto and Wells Fargo Bank, National Association		8-K	March 24, 2016	10.1
10.24a		Amended and Restated Credit Agreement, dated as of December 14, 2017, to the Credit Agreement dated as of March 24, 2016, among Centene Corporation, the lenders party thereto and Wells Fargo Bank, National Association	X			
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 333-209252 and 333-217636) and on Form S-8 (File Numbers 333-210376, 333-197737, 333-180976, 333-108467, 333-90976, 333-83190 and 333-217634)	X			
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.

Item 16. ***Form 10-K Summary***

None.

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 20, 2018.

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 20, 2018.

Signature	Title
/s/ Michael F. Neidorff **Michael F. Neidorff**	Chairman and Chief Executive Officer (principal executive officer)
/s/ Jeffrey A. Schwaneke **Jeffrey A. Schwaneke**	Executive Vice President and Chief Financial Officer (principal financial officer)
/s/ Christopher R. Isaak **Christopher R. Isaak**	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/ John R. Roberts **John R. Roberts**	Director
/s/ David L. Steward **David L. Steward**	Director
/s/ Tommy G. Thompson **Tommy G. Thompson**	Director

Exhibit 10.6

Fourth Amendment and Restatement of the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan

ARTICLE I
PURPOSE AND EFFECTIVE DATE

The purpose of the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan ("Plan") is to aid Centene Corporation and its subsidiaries in retaining and attracting executive employees by providing them with tax deferred savings opportunities. The Plan provides a select group of management and highly compensated employees within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended (ERISA), of Centene Corporation with the opportunity to elect to defer receipt of specified portions of compensation, and to have these deferred amounts treated as if invested in specified hypothetical investment benchmarks. The Plan is intended to conform to the requirements of Code §409A. A Participant's Account that was earned and vested prior to January 1, 2005, plus subsequent earnings thereon, shall not be subject to the terms of this Plan but shall be subject to the terms of the prior plan dated June 1, 2002. The Second Amendment and Restatement of the Plan shall be effective January 1, 2011. The Third Amendment and Restatement of the Plan shall be effective January 1, 2015. The Fourth Amendment and Restatement of the Plan shall be effective January 1, 2016.

ARTICLE II
DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

Section 2.01

Administrative Committee. "Administrative Committee" or the "Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee" means the Compensation Committee of the Board. "Administrative Committee" also refers to the Administrative Committee's "Designee" as defined in Section 2.13.

Section 2.02

Base Salary. "Base Salary" means the base rate of cash compensation paid by the Company to or for the benefit of a Participant for services rendered or labor performed while a Participant is employed by the Company, including base pay a Participant could have received in cash in lieu of (A) deferrals pursuant to Section 4.02 and (B) contributions made on his behalf to any qualified plan maintained by the Company or to any cafeteria plan under Section 125 of the Internal Revenue Code maintained by the Company.

Section 2.03

Base Salary Deferral. "Base Salary Deferral" means the amount of a Participant's Base Salary which the Participant elects to have withheld on a pre-tax basis from his Base Salary and credited to his Deferral Account pursuant to Section 4.02.

Section 2.04

Beneficiary. "Beneficiary" means the person, persons or entity designated by the Participant to receive any benefits payable under the Plan pursuant to Article VIII.

Section 2.05

Board. "Board" means the Board of Directors of Centene Corporation.

Section 2.06

Bonus Compensation. "Bonus Compensation" is defined in Section 2.20 as Incentive Compensation.

Section 2.07

Change of Control. For purposes of this Plan, a "Change in Control" shall be deemed to have occurred if any of the events set forth in any one of the following clauses shall occur: (A) any Person (as defined in section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as such term is modified in sections 13(d) and 14(d) of the Exchange Act), excluding a group of persons including Executive, is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Exchange Act), directly or indirectly, of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities; (B) individuals who, as of the date of this Agreement, constitute the Board (the "Incumbent Board"), cease for any reason to constitute a majority thereof (provided, however, that an individual becoming a director subsequent to the date of this Agreement whose election, or nomination for election by the Company's stockholders, was approved by at least a majority of the directors then comprising the Incumbent Board shall be included within the definition of Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual election contest (or such terms used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board); or (C) the stockholders of the Company consummate a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation.

Section 2.08

Code. "Code" shall mean the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation (including a proposed regulation) thereunder shall include any successor provisions or regulations.

Section 2.09

Company. "Company" means Centene Corporation, its successors, any subsidiary or affiliated organizations authorized by the Board or the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee to participate in the Plan and any organization into which or with which Centene Corporation may merge or consolidate or to which all or substantially all of its assets may be transferred.

Section 2.10

Deferral Account. "Deferral Account" means the account maintained on the books of the Administrative Committee for each Participant pursuant to Article VI.

Section 2.11

Deferral Period. "Deferral Period" is defined in Section 4.02.

Section 2.12

Deferred Amount. "Deferred Amount" is defined in Section 4.02.

Section 2.13

Designee. "Designee" shall mean the Company's senior human resources officers or other individuals to whom the Committee has delegated the authority to take action under the Plan. Wherever Committee is referenced in the plan, it shall be deemed to also refer to Designee.

Section 2.14

Disability. "Disability" means eligibility for disability benefits under the terms of the Company's Long-Term Disability Plan maintained by the Company.

Section 2.15

Eligible Compensation. "Eligible Compensation" means any Base Salary, Incentive Compensation, and/or Bonuses otherwise payable with respect to a Plan Year.

Section 2.16

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

Section 2.17

Form of Payment. "Form of Payment" means payment in one lump sum or in substantially equal annual installments of 2 to 15 years. If the Form of Payment is substantially equal annual installments, each installment shall constitute a separate payment for purposes of Code section 409A.

Section 2.18

Hardship Withdrawal. "Hardship Withdrawal" means the early payment of all or part of the balance in a Deferral Account(s) in the event of an Unforeseeable Emergency, as defined in Code section 409A(a)(2)(B)(ii), pursuant to Section 7.08.

Section 2.19

Hypothetical Investment Benchmark. "Hypothetical Investment Benchmark" shall mean the phantom investment benchmarks which are used to measure the return credited to a Participant's Deferral Account.

Section 2.20

Incentive Compensation. "Incentive Compensation" means the amount awarded to a Participant for a Plan Year under any incentive plan maintained by the Company.

Section 2.21

Incentive Deferral. "Incentive Deferral" means the amount of a Participant's Incentive Compensation which the Participant elects to have withheld on a pre-tax basis from his Incentive Compensation and credited to his account pursuant to Section 4.02.

Section 2.22

Specified Employee. "Specified Employee" means a "specified employee" within the meaning of Code section 409A(2)(8).

Section 2.23

Matching Contribution. "Matching Contribution" means the amount of annual matching contribution that the Company will make to the plan.

Section 2.24

Participant. "Participant" means any individual who is eligible or makes an election to participate in this Plan and who elects to participate by filing a Participation Agreement as provided in Article IV.

Section 2.25

Participation Agreement. "Participation Agreement" means an agreement filed by a Participant in accordance with Article IV.

Section 2.26

Plan Year. "Plan Year" means a twelve-month period beginning January 1 and ending the following December 31.

Section 2.27

Retirement. "Retirement" means retirement of a Participant from the Company after attaining age 65 or age 55 with at least 5 years of service (in accordance with the method of determining years of service adopted by the Company).

Section 2.28

Separation from Service. "Separation from Service" means a reduction in an employee's services (regardless whether performed as an employee or independent contractor) to a rate that is reasonably anticipated to be a permanent reduction in services to 20 percent or less of the average rate of services performed prior to such reduction. If an employee ceases or reduces services under a bona fide leave of absence, a Separation from Service occurs after the close of the 6-month anniversary of such leave, provided however that the Separation from Service shall be delayed to the extent that the employee has a statutory or contractual right to reemployment. Determination of whether a Separation from Service occurs shall be made in a manner that is consistent with the principles in Reg. 1.409A-1(h).

Section 2.29

Unforeseeable Emergency. "Unforeseeable Emergency" means severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

Section 2.30

Valuation Date. "Valuation Date" means the last day of each calendar month or such other date as the Administrative Committee in its sole discretion may determine.

ARTICLE III
ADMINISTRATION

Section 3.01

Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee and Administrative Committee Duties. This Plan shall be administered by the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee. A majority of the members of the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee shall constitute a quorum for the transaction of business. All resolutions or other action taken by the Administrative Committee shall be by a vote of a majority of its members present at any meeting or, without a meeting, by an instrument in writing signed by all its members. Members of the Administrative Committee may participate in a meeting of such committee by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting and waiver of notice of such meeting.

The Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee shall be responsible for the administration of this Plan and shall have all powers necessary to administer this Plan, including discretionary authority to determine eligibility for benefits and to decide claims under the terms of this Plan, except to the extent that any such powers are vested in any other person administering this Plan by the Administrative Committee. The Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee may from time to time establish rules for the administration of this Plan, and it shall have the exclusive right to interpret this Plan and to decide any matters arising in connection with the administration and operation of this Plan. All rules, interpretations and decisions of the Administrative Committee shall be conclusive and binding on the Company, Participants and Beneficiaries.

The Administrative Committee may delegate responsibility for performing certain administrative and ministerial functions under this Plan to certain employees of the Company or outside third parties. The Administrative Committee shall be responsible for determining issues related to eligibility, Hypothetical Investment Benchmarks, distribution of Deferred Amounts, determination of account balances, crediting of hypothetical earnings and debiting of hypothetical losses and of distributions, in service withdrawals, deferral elections and any other duties concerning the day-to day operation of this Plan. The Administrative Committee may designate one of its members as a Chairperson and may retain and supervise outside providers, third party administrators, record keepers and professionals (including in-house professionals) to perform any or all of the duties delegated to it hereunder.

Neither the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee nor a member of the Board shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or for anything done or omitted to be done in connection with this Plan. The Administrative Committee shall keep records of all of their respective proceedings and the Administrative Committee shall keep records of all payments made to Participants or Beneficiaries and payments made for expenses or otherwise.

The Company shall, to the fullest extent permitted by law, indemnify each director, officer or employee of the Company (including the heirs, executors, administrators and other personal representatives of such person), each member of the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of the Company or the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee.

Any expense incurred by the Company or the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee relative to the administration of this Plan shall be paid by the Company and/or may be deducted from the Deferral Accounts of the Participants as determined by the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee.

Section 3.02

Claim Procedure. If a Participant or Beneficiary makes a written request alleging a right to receive payments under this Plan or alleging a right to receive an adjustment in benefits being paid under this Plan, such actions shall be treated as a claim for benefits. All claims for benefits under this Plan shall be sent to the Administrative Committee. If the Administrative Committee determines that any individual who has claimed a right to receive benefits, or different benefits, under this Plan is not entitled to receive all or any part of the benefits claimed, the Administrative Committee shall inform the claimant in writing of such determination and the reasons therefore in terms calculated to be understood by the claimant. The notice shall be sent within 90 days of the claim unless the Administrative Committee determines that additional time, not exceeding 90 days, is needed and so notifies the Participant. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and shall describe any additional material or information that is necessary. Such notice shall, in addition, inform the claimant of the procedure that the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within 90 days thereafter submit in writing to the Administrative Committee a notice that the claimant contests the denial of his or her claim and desires a further review by the Administrative Committee. The Administrative Committee shall within 60 days thereafter review the claim and authorize the claimant to review pertinent documents and submit issues and comments relating to the claim to the Administrative Committee. Administrative Committee will render a final decision on behalf of the Company with specific reasons therefor in writing and will transmit it to the claimant within 60 days of the written request for review, unless the Chairperson of the Administrative Committee determines that additional time, not exceeding 60 days, is needed, and so notifies the Participant. If the Administrative Committee fails to respond to a claim filed in accordance with the foregoing within 60 days or any such extended period, the Company shall be deemed to have denied the claim.

ARTICLE IV
PARTICIPATION

Section 4.01

<u>Participation.</u> Participation in the Plan shall be limited to executives who (i) meet such eligibility criteria as the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee shall establish from time to time, and (ii) elect to participate in this Plan by filing a Participation Agreement with the Administrative Committee. A Participation Agreement must be filed prior to the December 31st immediately preceding the Plan Year for which it is effective. The Administrative Committee shall have the discretion to establish special deadlines regarding the filing of Participation Agreements for Participants if it determines that such deadlines conform to the requirements of Code section 409A.

Section 4.02

<u>Contents of Participation Agreement.</u> Subject to Article VII, each Participation Agreement shall set forth: (i) the amount of Eligible Compensation for the Plan Year or performance period to which the Participation Agreement relates that is to be deferred under the Plan (the "Deferred Amount"), expressed as either a dollar amount or a percentage of the Base Salary and Incentive Compensation for such Plan Year or performance period; provided, that the minimum Deferred Amount for any Plan Year or performance period shall not be less than 1%; (ii) the period after which payment of the Deferred Amount is to be made or begin to be made (the "Deferral Period"), which shall be the earlier of (A) a number of full years, not less than three, and (B) the period ending upon the Retirement or prior termination of employment of the Participant, and (iii) the form in which payments are to be made, which may be a lump sum or in substantially equal annual installments of 1 to 15 years.

Section 4.03

<u>Modification or Revocation of Election by Participant.</u> A Participant may not change the amount of his Base Salary Deferrals during a Plan Year. However, a Participant may discontinue a Base Salary Deferral election at any time by filing, on such forms and subject to such limitations and restrictions as the Administrative Committee may prescribe in its discretion, a revised Participation Agreement with the

Administrative Committee. If approved by the Administrative Committee, revocation shall take effect as of the first payroll period next following its filing. If a Participant discontinues a Base Salary Deferral election during a Plan Year, he will not be permitted to elect to make Base Salary Deferrals again until the later of the next Plan Year or 12 months from the date of discontinuance. In addition, the Deferral Period may be extended if an amended Participation Agreement is filed with the Administrative Committee at least one full calendar year before the Deferral Period (as in effect before such amendment) ends; provided, that only one such amendment may be filed with respect to each Participation Agreement. An extension on a Deferral Period will result in a delay of payment for a minimum of 5 years from the initial deferral period.

ARTICLE V
DEFERRED COMPENSATION

Section 5.01

Elective Deferred Compensation. The Deferred Amount of a Participant with respect to each Plan Year of participation in the Plan shall be credited by the Administrative Committee to the Participant's Deferral Account as and when such Deferred Amount would otherwise have been paid to the Participant. To the extent that the Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any state, Federal or local law, such amounts shall be taken out of other compensation eligible to be paid to the Participant that is not deferred under this Plan. However, if the Participant elects to defer a large percentage of Eligible Compensation and the election does not allow enough remaining compensation for required withholdings or deductions, the withholdings and deductions will be subtracted from the eligible compensation first, followed by deferral of the remaining eligible compensation.

Section 5.02

Vesting of Deferral Account. Except as provided in Section 7.03, a Participant shall be 100% vested in his/her Deferral Account at all times.

ARTICLE VI
MAINTENANCE AND INVESTMENT OF ACCOUNTS

Section 6.01

Maintenance of Accounts. Separate Deferral Accounts shall be maintained for each Participant. More than one Deferral Account may be maintained for a Participant as necessary to reflect (a) various Hypothetical Investment Benchmarks and/or (b) separate Participation Agreements specifying different Deferral Periods and/or forms of payment. A Participant's Deferral Account(s) shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan, and shall not constitute or be treated as a trust fund of any kind. The Administrative Committee shall determine the balance of each Deferral Account, as of each Valuation Date, by adjusting the balance of such Deferral Account as of the immediately preceding Valuation Date to reflect changes in the value of the deemed investments thereof, credits and debits pursuant to Section 5.01 and Section 6.02 and distributions pursuant to Article VII and conforms to Code section 409A with respect to such Deferral Account since the preceding Valuation Date.

Section 6.02

Hypothetical Investment Benchmarks. Each Participant shall be entitled to direct the manner in which his/her Deferral Accounts will be deemed to be invested, selecting among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee from time to time, and in accordance with such rules, regulations and procedures as the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferral Amounts are credited to his/her Deferral Accounts.

Section 6.03

Statement of Accounts. The Administrative Committee shall submit to each Participant quarterly statements of his/her Deferral Account(s), in such form as the Administrative Committee deems desirable, setting forth the balance to the credit of such Participant in his/her Deferral Account(s) as of the end of the most recently completed quarter.

ARTICLE VII
BENEFITS

Section 7.01

Time and Form of Payment. At the end of the Deferral Period for each Deferral Account, the Company shall pay to the Participant the balance of such Deferral Account at the time or times elected by the Participant in the applicable Participation Agreement; provided that if the Participant has elected to receive payments from a Deferral Account in a lump sum, the Company shall pay the balance in such Deferral Account (determined as of the most recent Valuation Date preceding the end of the Deferral Period) in a lump sum in cash as soon as practicable after the end of the Deferral Period. If the Participant has elected to receive payments from a Deferral Account in installments, the Company shall make annual cash only payments from such Deferral Account, each of which shall consist of an amount equal to (i) the balance of such Deferral Account as of the most recent Valuation Date preceding the payment date times (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining installments (including the installment being paid). The first such installment shall be paid as soon as practicable after the end of the Deferral Period and each subsequent installment shall be paid on or about the anniversary of such first payment. Each such installment shall be deemed to be made on a pro rata basis from each of the different deemed investments of the Deferral Account (if there is more than one such deemed investment).

Section 7.02

Matching Contribution. Each Participant who has reached his or her maximum deferral amount under the Centene Management Corporation Retirement Plan (the 401(k) Plan) for a Plan Year and who elects to make deferrals of Eligible Compensation to the Plan will receive a Matching Contribution equal to fifty percent (50%) of the first six percent (6%) of the Participant's Eligible Compensation being deferred to the Plan for such Plan Year (excluding deferrals to the Plan from the Participant's 2007 Cash Long Term Incentive Plan and stock based compensation), reduced by any matching contributions made by the Company to the Centene Management Corporation Retirement Plan for such Plan Year. For these purposes, the Participant will be treated as reaching his or her maximum deferral amount only if the Participant has deferred the maximum deferral amount under the terms of the Centene Management Corporation Retirement Plan for the Plan Year in issue, subject to applicable limitations in the Internal Revenue Code. The maximum deferral amount also includes catch-up deferrals for those Participants eligible to make catch-up deferrals. If the Participant has not reached the maximum deferral amount by the close of a calendar quarter in the applicable Plan Year, then he or she shall not receive any Matching Contributions under this Plan for such calendar quarter. In the calendar quarter in which the Participant reaches his or her maximum deferral amount, Matching Contributions, as defined above, shall be made for all deferrals made to this Plan for the current Plan Year. For any subsequent calendar quarters during the applicable Plan Year, Matching Contributions shall be made with respect to additional deferrals made to this Plan for such calendar quarter. The determination whether a Participant has reached his or her maximum deferral amount shall be made in the sole discretion of the Administrative Committee.

Section 7.03

Matching Contribution Vesting. Participants will vest in Matching Contributions as set forth under the Participant's 401(k) plan. The vesting schedule is:

Less than 1 year	0%
1 year	10%
2 years	30%
3 years	60%
4 years	80%
5 years	100%

Section 7.04

Retirement. Subject to Section 7.01 and Section 7.07 hereof, if a Participant has elected to have the balance of his/her Deferral Account distributed upon Retirement, the account balance of the Participant (determined as of the Valuation Date immediately following such Retirement) shall be distributed as soon as practicable following the Retirement in installments or a lump sum in accordance with the Plan and as elected in the Participant Agreement.

Section 7.05

In-Service Distributions. Subject to Section 7.01 and Section 7.07 hereof, if a Participant has elected to defer Eligible Compensation under the Plan for a stated number of years, the account balance of the Participant (determined as of the most recent Valuation Date immediately following such Deferral Period) shall be distributed

in installments or a lump sum in accordance with the Plan and as elected in the Participant Agreement.

Section 7.06

Other Than Retirement. Notwithstanding the provisions of Section 7.05 and Section 7.06 hereof and any Participation Agreement, if a Participant dies, has a Termination of Employment or Disability prior to Retirement and prior to receiving full payment of his/her Deferral Account(s), the Company shall pay the remaining balance (determined as of the Valuation Date immediately following such event) to the Participant or the Participant's Beneficiary or Beneficiaries (as the case may be) in a lump sum in cash only (notwithstanding Section 7.01 hereof) as soon as practicable following the occurrence of such event, unless the Administrative Committee in its sole discretion determines otherwise. Subject to Section 6.02 hereof, the amount distributable under the preceding sentence of this Section 7.06 shall be based on the Participant's investments elections. If a Participant terminates employment for any reason other than retirement, makes a Base Salary or Incentive Deferral from the final pay check, and the final pay check is paid after the Valuation Date, any distributions will be valued on the Valuation Date immediately following the final Base Salary or Incentive Deferral.

Section 7.07

Delay for Specified Employees. Notwithstanding this Article VII, if a Deferral Period ceases upon Separation from Service (other than for death or Disability), payments to a Participant who is a Specified Employee shall not be made until the close of the 6- month anniversary of such Separation from Service. If during such 6-month delay a Participant dies, payments shall be made pursuant to Section 7.06.

Section 7.08

Hardship Withdrawals. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to early payment of all or part of the balance in his/her Deferral Account(s) in the event of an Unforeseeable Emergency, in accordance with this Section 7.08. A distribution pursuant to this Section 7.07 may only be made to the extent reasonably needed to satisfy the Unforeseeable Emergency need, and may not be made if such need is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets to the extent such liquidation would not itself cause severe financial hardship, or (iii) by cessation of participation in the Plan. An application for an early payment under this Section 7.08 shall be made to the Administrative Committee in such form and in accordance with such procedures as the Administrative Committee shall determine from time to time. The determination of whether and in what amount and form a distribution will be permitted pursuant to this Section 7.08 shall be made by the Administrative Committee.

Section 7.09

Change of Control Election. In the event of a separation from service as a result of a Change of Control, the participant's account balance will be paid out as specified in their Change in Control election. This is a separate election from the Form of Payment election and this election applies to all plan years. The participant can elect to have the same distribution schedule as previously elected, a lump sum payment or installments over 2 to 15 years. The first such installment shall be paid as soon as practicable after the Change in Control and each subsequent installment shall be paid on or about the anniversary of such first payment. If there is no Change in Control election at the time a Change in Control occurs, the employee's previous elections will be the default. The participant can change their Change in Control election by making a written request to the Administrative Committee. The Administrative Committee will inform the claimant in writing of the determination of the request within 90 days of the receipt of the request.

Section 7.10

Withholding of Taxes. Notwithstanding any other provision of this Plan, the Company shall withhold from payments made hereunder any amounts required to be so withheld by any applicable law or regulation.

ARTICLE VIII
BENEFICIARY DESIGNATION

Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person, persons or entity as his Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by filing a written designation with the Administrative Committee, on such form and in accordance with such procedures as the Administrative Committee shall establish from time to time.

Section 8.02

No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's Beneficiary shall be deemed to be the Participant's estate.

ARTICLE IX
AMENDMENT AND TERMINATION OF PLAN

Section 9.01

Amendment. The Board or the Centene Corporation Voluntary Nonqualified Deferred Compensation Committee may at any time amend this Plan in whole or in part, provided, however, that no amendment shall be effective to decrease the balance in any Deferral Account as accrued at the time of such amendment, nor shall any amendment otherwise have a retroactive effect. Interpretation of the Plan by the Board or the Centene Corporation Voluntary Nonqualified Deferred Compensation Committee shall be made in a manner that is consistent with the intent that the Plan conform to the requirements of Code section 409A.

Section 9.02

Company's Right to Terminate. The Board or the Centene Corporation Voluntary Nonqualified Deferred Compensation Committee may at any time terminate the Plan with respect to future Participation Agreements. The Board or the Centene Corporation Voluntary Nonqualified Deferred Compensation Committee may also terminate the Plan in its entirety at any time for any reason, including without limitation if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of the Company, and upon any such termination, the Company shall immediately pay to each Participant in a lump sum the accrued balance in his Deferral Account (determined as of the most recent Valuation Date preceding the termination date). Such termination, however, shall be made in a manner that conforms to the requirements of Code section 409A.

ARTICLE X
MISCELLANEOUS

Section 10.01

Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201, 301 and 401 of ERISA. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

Section 10.02

No Assignability. Except as specifically set forth in the Plan with respect to the designation of Beneficiaries, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Section 10.03

Hypothetical Investment Benchmarks. (a) Each Participant shall be entitled to direct the manner in which his/her Deferral Accounts will be deemed to be invested, selecting among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee from time to time, and in accordance with such rules, regulations and procedures as the Centene Corporation Voluntary Nonqualified Deferred Compensation Plan Committee may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferral Amounts are credited to his/her Deferral Accounts.

Section 10.04

Validity and Severability. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction, shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.05

Governing Law. The validity, interpretation, construction and performance of this Plan shall in all respects be governed by the laws of the State of Missouri, without reference to principles of conflict of law, except to the extent preempted by federal law.

Section 10.06

Employment Status. This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation for the Participant to remain an employee of the Company or change the status of the Participant's employment or the policies of the Company and its affiliates regarding termination of employment.

Section 10.07

Underlying Incentive Plans and Programs. Nothing in this Plan shall prevent the Company from modifying, amending or terminating the compensation or the incentive plans and programs pursuant to which cash awards are earned and which are deferred under this Plan.

Section 10.08

Severance. Notwithstanding anything to the contrary herein the Centene Corporation Voluntary Nonqualified Deferred Compensation Committee may, in its sole and exclusive discretion, determine that the Deferral Account of a Participant who has incurred a Termination of Employment and who receives or will receive severance payments from the Company shall be paid in installments, at such intervals as the Centene Corporation Voluntary Nonqualified Deferred Compensation Committee may decide and within the constructs of Code Section 409A.

IN WITNESS WHEREOF, the Company has caused this Amendment and Restatement of the Plan to be executed by its duly authorized officer or representative.

CENTENE CORPORATION

By: /s/ H. Robert Sanders

H. Robert Sanders
Senior Vice President, Human Resources

APPENDIX A

MainStay VP U.S. Government Money Market - Initial Class

MFS Value Series - Initial Class

Fidelity VIP Index 500 Portfolio - Initial Class

Fidelity VIP Growth Portfolio - Initial Class

Fidelity VIP Contrafund Portfolio - Initial Class

Janus Aspen Enterprise Portfolio - Institutional Shares

T. Rowe Price New America Growth Portfolio

T. Rowe Price International Stock Portfolio

PIMCO VIT Total Return Portfolio - Administrative Class Shares

Janus Aspen Forty Portfolio - Institutional Shares

T. Rowe Price Blue Chip Growth Portfolio

Lord Abbett Series - Mid-Cap Stock Portfolio - Class VC

Voya Russell Mid Cap Index Portfolio - Initial Class

Delaware VIP Small Cap Value Series - Standard Class

Mainstay VP Eagle Small Cap Growth Portfolio - Initial Class

MainStay VP Small Cap Core - Initial Class

LVIP Baron Growth Opportunities Fund - Service Class

Mainstay VP Emerging Markets Equity - Initial Class

Moody’s Corporate Bond Average

Centene Corporation Common Stock

Exhibit 10.24a

CREDIT AGREEMENT

dated as of March 24, 2016,

as amended and restated as of December 14, 2017

among

CENTENE CORPORATION,
as the Company,

THE VARIOUS FINANCIAL INSTITUTIONS PARTY HERETO,
as Lenders,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent

WELLS FARGO SECURITIES, LLC,
BARCLAYS BANK PLC,
CITIBANK, N.A.
and
SUNTRUST ROBINSON HUMPHREY, INC.,
as Joint Lead Arrangers and Joint Bookrunners,

WELLS FARGO SECURITIES, LLC,
BARCLAYS BANK PLC,
CITIBANK, N.A.
and
SUNTRUST BANK,
as Co-Syndication Agents,

and

FIFTH THIRD BANK,
REGIONS BANK,
U.S. BANK NATIONAL ASSOCIATION,
and
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

as Co-Documentation Agents

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CREDIT AGREEMENT

This CREDIT AGREEMENT dated as of March 24, 2016, as amended and restated as of December 14, 2017 (this "Agreement"), is entered into among CENTENE CORPORATION (the "Company"), the financial institutions that are or may from time to time become parties hereto (together with their respective successors and assigns, the "Lenders") and WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent for the Lenders.

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

SECTION 1 DEFINITIONS.

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

"2021 Senior Notes" means the 5.625% Senior Notes of the Company due 2021 issued under the 2021 Senior Notes Indenture.

"2021 Senior Notes Indenture" means that certain Indenture, dated February 11, 2016, as supplemented by the First Supplemental Indenture thereto dated March 24, 2016, entered into by the Company in connection with the issuance of the 2021 Senior Notes, together with all instruments and other agreements entered into by the Company in connection therewith.

"2022 Senior Notes" means the 4.75% Senior Notes of the Company due 2022 issued under the 2022 Senior Notes Indenture.

"2022 Senior Notes Indenture" means that certain Indenture, dated April 29, 2014, entered into by the Company in connection with the issuance of the 2022 Senior Notes, together with all instruments and other agreements entered into by the Company in connection therewith.

"2024 Senior Notes" means the 6.125% Senior Notes of the Company due 2024 issued under the 2024 Senior Notes Indenture.

"2024 Senior Notes Indenture" means that certain Indenture, dated February 11, 2016, as supplemented by the First Supplemental Indenture thereto dated March 24, 2016, entered into by the Company in connection with the issuance of the 2024 Senior Notes, together with all instruments and other agreements entered into by the Company in connection therewith.

"2025 Senior Notes" means the 4.75% Senior Notes of the Company due 2025 issued under the 2025 Senior Notes Indenture.

"2025 Senior Notes Indenture" means that certain Indenture, dated November 9, 2016, entered into by the Company in connection with the issuance of the 2025 Senior Notes, together with all instruments and other agreements entered into by the Company in connection therewith.

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

"Acquisition Covenant Election" – see Section 11.12.

"Adjusted LIBO Rate" means, with respect to any LIBOR Borrowing in U.S. Dollars for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) obtained by dividing (a) the LIBO Rate for such Interest Period by (b) an amount equal to (i) one minus (ii) the Applicable Reserve Requirement.

"Administrative Agent" means Wells Fargo Bank, National Association, in its capacity as administrative agent for the Lenders hereunder and any successor thereto in such capacity.

"Affected Loan" – see Section 8.3.

"Affiliate" of any Person means (a) any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person, (b) any officer or director of such Person and (c) with respect to any Lender, any entity administered or managed by such Lender or an Affiliate or investment advisor thereof and which is engaged in making, purchasing, holding or otherwise investing in commercial loans.

"Agents" means each of the Administrative Agent, the Syndication Agents, the Documentation Agents and, solely for purposes of Section 14, the Joint Lead Arrangers.

"Agreement" – see the Preamble.

"Agreement Currency" – see Section 15.22.

"Alternative Currency" means (a) Canadian Dollars, Euros and Sterling and (b) each currency (other than U.S. Dollars and any currency described in clause (a)) approved in writing by the Lenders and the Issuing Lenders.

"Alternative Currency Sublimit" – see Section 2.1.1.

"Amendment and Restatement Agreement" means the Amendment and Restatement Agreement, dated as of December 14, 2017, among the Company, the lenders party thereto and the Administrative Agent.

"Anti-Corruption Laws" means all Laws of any jurisdiction applicable to the Company or any of its Subsidiaries or Unrestricted Subsidiaries from time to time concerning or relating to bribery or corruption.

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

Level	**Total Debt to EBITDA Ratio**	**LIBOR/ EURIBOR/CDOR Margin**	**Base Rate Margin**	**Facility Fee Rate**	**L/C Fee Rate**
I	Greater than or equal to 3.5:1	1.875%	0.875%	0.375%	1.875%
II	Greater than or equal to 3.0:1 but less than 3.5:1	1.750%	0.750%	0.250%	1.750%
III	Greater than or equal to 2.5:1 but less than 3.0:1	1.500%	0.500%	0.250%	1.500%
IV	Greater than or equal to 2.0:1 but less than 2.5:1	1.250%	0.250%	0.250%	1.250%
V	Greater than or equal to 1.5:1 but less than 2.0:1	1.000%	0.000%	0.250%	1.000%
VI	Less than 1.5:1	0.875%	0.000%	0.250%	0.875%

The LIBOR/EURIBOR/CDOR Margin, the Base Rate Margin, the Facility Fee Rate and the L/C Fee Rate shall be adjusted, to the extent applicable, on the fifth Business Day after the earlier of the date the Company provides or is required to provide the annual and quarterly financial statements and other information pursuant to Section 10.1.1 or 10.1.2, as applicable, and the related Compliance Certificate pursuant to Section 10.1.3. Notwithstanding anything contained in this paragraph to the contrary, (a) until the first delivery after the Restatement Effective Date of the quarterly financial statements and other information required under Section 10.1.2 and the related Compliance Certificate pursuant to Section 10.1.3, the LIBOR/EURIBOR/CDOR Margin, the Base Rate Margin, the Facility Fee Rate and the L/C Fee Rate shall be based on Level IV above, (b) if the Company fails to deliver such financial statements and Compliance Certificate in accordance with the provisions of Sections 10.1.1, 10.1.2 and 10.1.3, the LIBOR/EURIBOR/CDOR Margin, the Base Rate Margin, the Facility Fee Rate and the L/C Fee Rate shall be based upon Level I above beginning on the date the Company is notified in writing by the Administrative Agent that such financial statements and Compliance Certificate were not delivered when required until the fifth Business Day after such financial statements and Compliance Certificate are actually delivered, whereupon the Applicable Margin shall be determined by the then current Level and (c) no reduction to any Applicable Margin shall become effective at any time when an Event of Default or Unmatured Event of Default has occurred and is continuing. The Total Debt to EBITDA Ratio as used in the foregoing definition shall be calculated after giving effect to the Centene Plaza Subsidiary Exclusion.

"Applicable Reserve Requirement" means, at any time, for any LIBOR Loan, the maximum rate, expressed as a decimal, at which reserves (including any basic marginal, special, supplemental, emergency or other reserves) are required to be maintained with respect thereto against "Eurocurrency liabilities" (as such term is defined in Regulation D) under regulations issued from time to time by the FRB or other applicable banking regulator. Without limiting the effect of the foregoing, the Applicable Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which the applicable LIBO Rate or any other interest rate of a Loan is to be determined or (ii) any category of extensions of credit or other assets which include LIBOR Loans. A LIBOR Loan shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credit for proration, exceptions or offsets that may be available from time to time to the applicable Lender. The rate of interest on LIBOR Loans shall be adjusted automatically on and as of the effective date of any change in the Applicable Reserve Requirement.

"Approved Electronic Communications" means any notice, demand, communication, information, document or other material that any Loan Party provides to the Administrative Agent pursuant to any Loan Document or the transactions contemplated therein which is distributed to the Agents or to the Lenders or the Issuing Lenders by means of electronic communications pursuant to Section 15.2.2.

"Assignee" – see Section 15.5.1(a).

"Assignment Agreement" – see Section 15.5.1(a).

"Assignment Date" – see Section 15.5.1(b).

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

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy", as now and hereafter in effect, or any successor statute.

"Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Federal Funds Rate plus 0.50%, (b) the Prime Rate and (c) the Adjusted LIBO Rate that would be payable on such day for a LIBOR Loan in U.S. Dollars with a one-month Interest Period plus 1.00%. For the purposes of clause (c) above, the Adjusted LIBO Rate on any day shall be the applicable Screen Rate at the Specified Time on such day. Any change in the Base Rate due to a change in the Prime Rate, the Federal Funds Rate or the Adjusted LIBO Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Rate or the Adjusted LIBO Rate, as the case may be.

“Base Rate Loan” means any Loan or Borrowing which bears interest at or by reference to the Base Rate. Base Rate Loans may be denominated only in U.S. Dollars.

“Base Rate Margin” – see the definition of Applicable Margin.

“Borrowing” means (a) Revolving Loans of the same class, Type and currency made, converted or continued on the same date and, in the case of LIBOR Loans, EURIBOR Loans or CDOR Loans, as to which a single Interest Period is in effect or (b) a Swing Line Loan.

“Borrowing Minimum” means (a) in the case of a Borrowing of Revolving Loans denominated in U.S. Dollars, \$1,000,000, (b) in the case of a Borrowing of Revolving Loans denominated in Euro, €1,000,000, (c) in the case of a Borrowing of Revolving Loans denominated in Sterling, £1,000,000, (d) in the case of a Borrowing of Revolving Loans denominated in Canadian Dollars, C\$1,000,000 and (e) in the case of a Borrowing of Revolving Loans denominated in any other Alternative Currency, the smallest amount of such Alternative Currency that is an integral multiple of 1,000,000 units of such currency and that has a U.S. Dollar Equivalent of \$1,000,000 or more.

“Borrowing Multiple” means (a) in the case of a Borrowing of Revolving Loans denominated in U.S. Dollars, \$100,000, (b) in the case of a Borrowing of Revolving Loans denominated in Euro, €100,000, (c) in the case of a Borrowing of Revolving Loans denominated in Sterling, £100,000, (d) in the case of a Borrowing of Revolving Loans denominated in Canadian Dollars, C\$100,000 and (e) in the case of a Borrowing of Revolving Loans denominated in any other Alternative Currency, 100,000 units of such currency.

“Bridge Loans” means senior unsecured bridge loans of the Company incurred in lieu of the New Senior Notes.

“BSA” – see Section 10.4.

“Business Day” means any day other than a Saturday, Sunday or legal holiday on which banks in New York, New York are open for the conduct of their commercial banking business; provided that (a) when used in connection with a LIBOR Loan in any currency or a EURIBOR Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in deposits in such currency in the London interbank market, (b) when used in connection with a EURIBOR Loan, the term “Business Day” shall also exclude any day on which the TARGET payment system is not open for the settlement of payments in Euro and (c) when used in connection with a CDOR Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in deposits of Canadian Dollars in the Toronto interbank market and any day on which banks are not open for dealings in deposits in Canadian Dollars in the London interbank market.

“Canadian Dollars” or “C\$” means the lawful money of Canada.

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

“Capital Lease” means, with respect to any Person, any lease of (or other agreement conveying the right to use) any real or personal property by such Person that, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person (excluding any lease that would be required to be so recorded as a result of a change in GAAP after the Original Effective Date).

“Capital Securities” means, with respect to any Person, all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person’s capital, whether now outstanding or issued or acquired after the Restatement Effective Date, including common shares, preferred shares, membership interests in a limited liability company, limited or general partnership interests in a partnership, interests in a trust, interests in other unincorporated organizations or any other equivalent of such ownership interest, but excluding any debt securities convertible into such Capital Securities.

“Cash Collateralize” means to deliver cash collateral to the Administrative Agent to be held as cash collateral for outstanding Letters of Credit (in the case of a Letter of Credit denominated in an Alternative Currency, in an amount equal to 103% of the U.S. Dollar Equivalent of the Stated Amount of such Letter of Credit), pursuant to documentation satisfactory to the Administrative Agent and the applicable Issuing Lenders. Derivatives of such term have corresponding meanings.

“CDO Rate” means, with respect to any CDOR Loan for any Interest Period, the applicable Screen Rate as of the Specified Time on the Quotation Day.

“CDOR”, when used in reference to any Revolving Loan, refers to whether such Revolving Loan is bearing interest at a rate determined by reference to the CDO Rate.

“CDOR Loan” means any Revolving Loan which bears interest at a rate determined by reference to the CDO Rate. CDOR Loans may be denominated only in Canadian Dollars.

“Centene Plaza Debt” means any Debt of the Company or any of its Subsidiaries used solely to finance a Centene Plaza Project and extensions, renewals and refinancings of such Debt.

“Centene Plaza Project” means the development and construction of any multi-use project in Clayton or University City, Missouri by any Centene Plaza Subsidiary.

"Centene Plaza Subsidiary" means a Wholly-Owned Subsidiary that was, is or will be a developer of any Centene Plaza Project (and shall not engage in any other material activities) and designated as such in writing by the Company from time to time, including those entities listed on Schedule 1.1(d).

"Centene Plaza Subsidiary Exclusion" means an accounting convention in which, for any financial reporting or calculation subject thereto, (i) the Debt of any Centene Plaza Subsidiary shall be excluded, and the calculation shall be made net of the effect of such Debt, unless such Debt becomes fully recourse to any Loan Party or any of their assets, and (ii) the assets, liabilities, equity, income, expenses, cash flow and other results of operations of each Centene Plaza Subsidiary shall be excluded (unless such Debt becomes fully recourse to any Loan Party or any of their assets), as if each such Centene Plaza Subsidiary was unrelated to the Loan Parties and none of the Loan Parties held any Capital Securities of any such Centene Plaza Subsidiary.

"Change of Control" means any Person or Group (as defined by the SEC in Regulation 13-D) becomes the record or beneficial owner, directly or indirectly, of Capital Securities representing 35% or more of the voting power of the Company's outstanding Capital Securities having the power to vote or acquires the power to elect a majority of the board of directors of the Company.

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

"City Development Agreement" means that certain Amended and Restated Development Agreement for the Forsyth/Hanley Project Area dated as of June 1, 2009, by and between the City of Clayton, Missouri and CMC and recorded at Book 18416 Page 65 of the St. Louis County Recorder of Deeds, which City Development Agreement, with respect to the project, has been assigned to Centene Center LLC, as amended pursuant to that certain Assignment of Amended and Restated Development Agreement dated June 1, 2009 and recorded at Book 18416 Page 106 of the St. Louis County Recorder of Deeds.

"CMC" means CMC Real Estate Company, LLC, a Missouri limited liability company.

"Code" means the Internal Revenue Code of 1986.

"Commitment" means, as to any Lender, such Lender's commitment to make Loans, issue or participate in Letters of Credit and make or participate in Swing Line Loans, in each case under this Agreement. The initial amount of each Lender's commitment to make Loans is set forth on Annex A and the aggregate amount of the Commitments as of the Restatement Effective Date is $1,500,000,000.

"Commitment Increase" – see Section 2.1.2(a).

"Company" – see the Preamble.

"Compliance Certificate" means a Compliance Certificate which shall be in substantially the form of Exhibit B.

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

"Consolidated Net Income" means net income attributed to the Company and its Subsidiaries for any period under GAAP (but treating Unrestricted Subsidiaries as if they were not consolidated with the Company and otherwise eliminating all accounts of Unrestricted Subsidiaries).

"Consolidated Total Assets" means, at any date, total assets of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP (but treating Unrestricted Subsidiaries as if they were not consolidated with the Company and otherwise eliminating all accounts of Unrestricted Subsidiaries), as reflected in the consolidated financial statements of the Company most recently delivered to the Administrative Agent and the Lenders pursuant to Section 10.1.1 or 10.1.2 hereof or under the Existing Credit Agreement.

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

"Debt" of any Person means, without duplication, (a) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (b) all borrowed money of such Person, whether or not evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person as lessee under Capital Leases which have been or should be recorded as liabilities on a balance sheet of such Person in accordance with GAAP, (d) all obligations of such Person to pay the deferred purchase price of property or services (excluding trade accounts payable in the ordinary course of business), (e) all indebtedness secured by a Lien on the property of such Person, whether or not such indebtedness shall have been assumed by such Person; provided that if such Person has not assumed or otherwise become liable for such indebtedness, such indebtedness shall be measured at the fair market value of such property securing such indebtedness at the time of determination, (f) all obligations, contingent or otherwise, with respect to the face amount of all letters of credit (whether or not drawn), bankers' acceptances and similar obligations issued for the account of such Person (including the Letters of Credit), (g) all Hedging Obligations of such Person, (h) all obligations of such Person in respect of mandatory redemption or cash mandatory dividend or similar rights on all Disqualified Equity Interests of such Person, (i) all Guarantee Obligations of such Person with respect to Debt of others and (j) all Debt of any partnership of which such Person is a general partner, solely to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Debt expressly provide that such Person is not liable therefor.

"Default Rate" means an interest rate equal to 2% per annum in excess of the interest rate otherwise payable hereunder with respect to the applicable Loans (or, in the case of any such fees and other amounts, a rate which is 2% per annum in excess of the interest rate otherwise payable hereunder for Base Rate Loans that are Revolving Loans).

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of its Commitment within one Business Day of the date required to be funded by it hereunder, unless the subject of a good faith dispute, (b) has notified the Company, the Administrative Agent or any Lender in writing, or has otherwise indicated through a public statement, that it does not intend to comply with its funding obligations generally under agreements in which it commits to extend credit, (c) has failed, within three Business Days after receipt of a written request from the Administrative Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Commitments, (d) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three Business Days of the date when due, unless the subject of a good faith dispute, (e) has, or has a direct or indirect parent company that has, become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, custodian, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, custodian, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or (f) has, or has a direct or indirect parent company that has, become the subject of a Bail-In Action (as defined in Section 15.23); provided that (i) the Administrative Agent and the Company may declare (A) by joint notice to the Lenders that a Defaulting Lender is no longer a "Defaulting Lender" or (B) that a Lender is not a Defaulting Lender if in the case of both clauses (A) and (B) the Administrative Agent and the Company each determines, in its sole respective discretion, that (x) the circumstances that resulted in such Lender becoming a "Defaulting Lender" no longer apply or (y) it is satisfied that such Lender will continue to perform its funding obligations hereunder and (ii) a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of voting stock or any other equity interest in such Lender or a parent company thereof by a Governmental Authority or an instrumentality thereof so long as such ownership or acquisition of voting stock or any other equity interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender.

"Defaulting Revolving Lender" – see Section 2.6.

"Disqualified Equity Interests" means, with respect to any Person, any Capital Securities of such Person that, by their terms (or by the terms of any securities or other Capital

Securities into which they are convertible or for which they are exchangeable) or upon the happening of any event or condition, (i) mature or are mandatorily redeemable (other than solely for Capital Securities that are not otherwise Disqualified Equity Interests), pursuant to a sinking fund obligation or otherwise, (ii) are redeemable at the option of the holder thereof (other than solely for Capital Securities which are not otherwise Disqualified Equity Interests), in whole or in part, (iii) provide for scheduled payments or dividends in cash or (iv) are or become convertible into or exchangeable for Debt or any other Capital Securities that would constitute Disqualified Equity Interests, in each case, prior to the date that is 91 days after the Latest Maturity Date, except, in the case of clauses (i) and (ii), if as a result of a change of control or asset sale, so long as any rights of the holders thereof upon the occurrence of such a change of control or asset sale event are subject to the prior payment in full of all Obligations that are accrued and payable (other than contingent amounts not yet due), the cancellation or expiration of all Letters of Credit and the termination of the Commitments; provided that if such Capital Securities are issued pursuant to a plan for the benefit of the Company or its subsidiaries or by any such plan to employees, such Capital Securities shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by the Company or its subsidiaries in order to satisfy applicable statutory or regulatory obligations.

"District" means the transportation development district formed in connection with a Centene Plaza Project, created under Sections 238.000 to 238.275 R.S.Mo, as amended, and maintained pursuant to the District Development Agreement and the City Development Agreement.

"District Development Agreement" means that certain Transportation Development Agreement dated as of June 1, 2009, as amended by that certain First Amendment to Transportation Development Agreement dated as of April 20, 2010, by and between Centene Center LLC and the District.

"Documentation Agents" means Fifth Third Bank, Regions Bank, U.S. Bank National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd.

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

"EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent deducted in determining such Consolidated Net Income, (a) Interest Expense for such period, (b) income tax expense for such period, (c) depreciation and amortization for such period, (d) any extraordinary or non-cash charges and expenses for such period; provided that any cash payment made with respect to any non-cash charges and expenses added back in computing EBITDA for any prior period pursuant to this clause (d) (or that would have been added back had this Agreement been in effect during such prior period) shall be subtracted in computing EBITDA for the period in which such cash payment is made, (e) non-cash charges for such period associated with stock-based compensation expenses pursuant to the financial reporting guidance of the Financial Accounting Standards Board concerning stock-based compensation as in effect from time to time, (f) any non-recurring charges, costs, fees and expenses, (g) HN Transaction Costs (as defined in the Existing Credit Agreement) for such period and the Fidelis Transaction Costs for such period, (h) out-of-pocket fees and expenses for such period in connection with any proposed or actual issuance of any Debt or Capital Securities, or any proposed or actual Acquisitions, Investments, asset sales or dispositions permitted hereunder, (i) unrealized losses for such period attributable to the application of "mark to market" accounting in respect of Hedging Agreements and (j) payments of actual or prospective litigation, legal settlements, fines, judgments or orders and costs associated therewith or, if earlier, when accrued or expensed (provided that (x) any amounts added when accrued or expensed shall not be added again when paid and (y) upon any reversal of any amounts accrued or expensed, such amounts shall be deducted from EBITDA to the extent of such reversal), minus, to the extent added in determining such Consolidated Net Income, (i) any extraordinary or non-cash income for such period (including any income as a result of any premium deficiency reserve related to any health plan operated by the Company or any Subsidiaries), (ii) any non-cash gains for such period, (iii) any non-recurring gains for such period and (iv) any unrealized gains for such period attributable to the application of "mark to market" accounting in respect of Hedging Agreements. EBITDA shall be determined on a pro forma basis after giving effect to (a) all Acquisitions, Investments, asset sales and dispositions and incurrences and repayments of Debt made by the Company or any Subsidiary at any time during the applicable period, in each case as if such Acquisition, Investment, asset sale or disposition, or incurrence or repayment of Debt had occurred at the beginning of such period and (b) any reduction in costs and related adjustments that were directly attributable to any Acquisition, Investment, asset sale or disposition, incurrence or repayment of Debt or cost savings or restructuring initiative that occurred during such period (i) calculated on a basis that is consistent with Regulation S-X under the Securities Act of 1933 and (ii) such other adjustments which are reflective of actual or reasonably anticipated and factually supportable synergies and cost savings expected to be realized or achieved in the twenty-four months following such Acquisition, Investment, asset sale or disposition, incurrence or repayment of Debt or cost savings or restructuring initiative; provided, however, that for purposes of calculating EBITDA for any period, any such adjustments made pursuant to this clause (ii) shall not increase EBITDA by more than 20% of EBITDA for such period as calculated before giving effect to any such adjustments.

"Eligible Assignee" means any Person other than a natural Person that is (i) a Lender, an Affiliate of any Lender or a Related Fund (any two or more Related Funds being treated as a single Eligible Assignee for all purposes hereof) or (ii) a commercial bank, insurance company, investment or mutual fund or other entity that is an "accredited investor" (as defined in Regulation D under the Securities Act) and which extends credit or buys loans in the ordinary course of business; provided, that neither any Loan Party nor any Affiliate thereof (including any Unrestricted Subsidiary) shall be an Eligible Assignee.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for any violation of, or liability arising under, any Environmental Law, including any release or threatened release of any Hazardous Substance.

“Environmental Laws” means all Laws relating to any matter arising out of or relating to public or workplace health and safety, pollution or protection of the environment or natural resources, including to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, discharge, emission, release, threatened release, control or cleanup of any Hazardous Substance.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder.

“EURIBO Rate” means, with respect to any EURIBOR Loan for any Interest Period, the applicable Screen Rate as of the Specified Time on the Quotation Day; provided that, in the event that such Screen Rate is not available at such time, then the “EURIBO Rate” shall be the arithmetic mean (rounded up to four decimal places) of the rates quoted by two or more reference banks selected by the Administrative Agent in consultation with the Company to leading banks in the Banking Federation of the European Union for the offering of deposits in Euro and for a period comparable to such Interest Period as of such Specified Time on such Quotation Day; provided further that if such arithmetic mean of the rates quoted by such reference banks would be less than 0.0%, the “EURIBO Rate” shall for all purposes of this Agreement be 0.0%.

“EURIBOR”, when used in reference to any Loan or Borrowing denominated in Euro, refers to whether such Loan, or the Loans comprising such Borrowing, shall bear interest at a rate determined by reference to the EURIBO Rate.

“EURIBOR Loan” means a Loan bearing interest at a rate determined by reference to the EURIBO Rate.

“Eurocurrency Loan” means a LIBOR Loan or a EURIBOR Loan.

“Euros” and “€” mean the single currency of the Participating Member States.

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

“Excluded Taxes” means (a) taxes based upon, or measured by, the Lender’s or the Administrative Agent’s (or a branch of the Lender’s or the Administrative Agent’s) overall net income, overall net receipts or overall net profits, and franchise taxes, but, in each case, only to the extent such taxes are Other Connection Taxes or are imposed by a taxing authority (i) in a jurisdiction in which such Lender or the Administrative Agent is organized, (ii) in a jurisdiction which the Lender’s or the Administrative Agent’s principal office is located or (iii) in a jurisdiction in which such Lender’s or the Administrative Agent’s lending office (or branch) in respect of which payments under this Agreement are made is located; (b) in the case of a Lender, U.S. federal withholding taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than as a result of an assignment made at the request of the Company pursuant to Section 8.7(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 7.6, amounts with respect to such taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office; (c) taxes attributable to such Recipient's failure to comply with Section 7.6(d); and (d) any U.S. federal withholding taxes imposed under FATCA.

"Existing Credit Agreement" means the Credit Agreement dated as of March 24, 2016, as amended prior to the Restatement Effective Date, among the Company, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent.

"Extended Commitments" – see the definition of Extension Permitted Amendment.

"Extended Loans" – see the definition of Extension Permitted Amendment.

"Extending Lenders" – see Section 15.1.1(a).

"Extension Agreement" means an Extension Agreement, in form and substance reasonably satisfactory to the Administrative Agent, among the Company, the Administrative Agent and one or more Extending Lenders, effecting an Extension Permitted Amendment and such other amendments hereto and to the other Loan Documents as are contemplated by Section 15.1.1.

"Extension Offer" – see Section 15.1.1(a).

"Extension Permitted Amendment" means an amendment to this Agreement and the other Loan Documents, effected in connection with an Extension Offer pursuant to Section 15.1.1, providing for an extension of the Termination Date applicable to the Extending Lenders' Loans and/or Commitments of the applicable Extension Request Class (such Loans or Commitments being referred to as the "Extended Loans" or "Extended Commitments", as applicable) and, in connection therewith, (a) any increase or decrease in the rate of interest accruing on such Extended Loans, (b) any increase in the fees payable to, or the inclusion of new fees to be payable to, the Extending Lenders in respect of such Extension Offer or their Extended Loans or Extended Commitments, (c) such amendments to this Agreement and the other Loan Documents as shall be appropriate, in the reasonable judgment of the Administrative Agent, to provide the rights and benefits of this Agreement and other Loan Documents to each new "class" of loans and/or commitments resulting therefrom and (d) any additional amendments to the terms of this Agreement applicable to the applicable Loans and/or Commitments of the Extending Lenders that are (i) less favorable to such Extending Lenders than the terms of this Agreement prior to giving effect to such Extension Permitted Amendments (as determined in good faith by the Company) or (ii) applicable only to periods after the Latest Maturity Date (determined prior to giving effect to such Extension Permitted Amendment).

"Extension Request Class" – see Section 15.1.1(a).

"Facility Fee Rate" – see the definition of Applicable Margin.

"FATCA" means Sections 1471 through 1474 of the Code, as of the Original Effective Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any intergovernmental agreements with respect thereto.

"FCPA" – see Section 9.25(b).

"Federal Funds Rate" means for any day, the rate per annum (expressed, as a decimal, rounded upwards, if necessary, to the next higher 1/100 of 1.00%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the immediately preceding Business Day as so published on the next succeeding Business Day and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent, in its capacity as a Lender, on such day on such transactions as determined by the Administrative Agent; provided further that, if the Federal Funds Rate determined as provided above would be less than 0.0% per annum, then the Federal Funds Rate shall be deemed to be 0.0% per annum.

"Fidelis" means New York State Catholic Health Plan, Inc., d/b/a Fidelis Care New York, a New York not-for-profit corporation.

"Fidelis Acquisition" means, pursuant to the Fidelis Acquisition Agreement, the purchase by a newly formed, wholly-owned subsidiary of the Company of substantially all of the assets of Fidelis.

"Fidelis Acquisition Agreement" means the Asset Purchase Agreement, dated as of September 12, 2017, by and among the Company and Fidelis.

"Fidelis Transaction Costs" means the fees and expenses described in the definition of "Transactions".

"Fiscal Quarter" means a fiscal quarter of a Fiscal Year.

"Fiscal Year" means the fiscal year of the Company and its Subsidiaries, which period shall be the 12-month period ending on December 31 of each year. References to a Fiscal Year with a number corresponding to any calendar year (e.g., " Fiscal Year 2016" or "2016 Fiscal Year") refer to the Fiscal Year ending on December 31 of such calendar year.

"Fixed Charge Coverage Ratio" means, for any Computation Period, the ratio of (a) the total for such period of EBITDA minus the sum of income taxes paid in cash by the Loan Parties, all non-financed Capital Expenditures and cash dividends paid by the Company to (b) the sum for such period of (i) cash Interest Expense plus (ii) required payments of principal of Funded Debt (excluding the Revolving Loans and the payment of the 2017 Senior Notes (as defined in the Existing Credit Agreement), the 2021 Senior Notes, the 2022 Senior Notes, the 2024 Senior Notes and the 2025 Senior Notes, in each case at maturity) (but, for all purposes of this definition, treating Unrestricted Subsidiaries as if they were not consolidated with the Company and otherwise eliminating all accounts of Unrestricted Subsidiaries).

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

"Funded Debt" means Total Debt of the Company and its Subsidiaries, determined on a consolidated basis, that matures more than one year from the date of its creation (or is renewable or extendible, at the option of such Person, to a date more than one year from such date) (but, for all purposes of this definition, treating Unrestricted Subsidiaries as if they were not consolidated with the Company and otherwise eliminating all accounts of Unrestricted Subsidiaries).

"GAAP" means United States generally accepted accounting principles which are applicable to the circumstances as of the date of determination.

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

"Guarantee Obligation" means, with respect to any Person, each obligation and liability of such Person guaranteeing or having the economic effect of guaranteeing any Debt or other monetary obligation of any other Person in a manner, which directly or indirectly, including any obligations of such Person, directly or indirectly, (i) to purchase, repurchase, or otherwise acquire any indebtedness, obligation or liability of any other Person or any property or assets constituting security therefor, (ii) to advance or provide funds for the payment or discharge of any indebtedness, obligation or liability of any other Person (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, working capital or other financial condition of any other Person, (iii) to lease property or to purchase securities, property or services from such other Person with the purpose of assuring the owner of such indebtedness or monetary obligation of the ability of such other Person to make payment of the indebtedness or obligation, (iv) which induces the issuance of, or in connection with the issuance of, any letter of credit for the benefit of such other Person or (v) to assure a creditor against loss: provided that the term Guarantee Obligations shall not include endorsement of instruments in the course of collection or deposit. The amount of any Guarantee Obligation shall (subject to any limitation set forth herein) be deemed to be the outstanding principal amount (or maximum permitted principal amount, if larger) of the indebtedness, obligation or other liability guaranteed or supported thereby.

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

"Hedging Agreement" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedging agreement, foreign exchange contract, futures contract, option contract, synthetic cap and any other agreement or arrangement, each of which is designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

"Hedging Obligation" means, with respect to any Person, any liability (other than an accounting liability which is offset by a corresponding asset pursuant to shortcut method hedge accounting) of such Person under any Hedging Agreement.

"Increased Amount Date" – see Section 2.1.2(b).

"Incremental Commitments" – see Section 2.1.2(a).

"Incremental Lender" means any Lender or other financial institution with an Incremental Commitment.

"Incremental Term Loan" – see Section 2.1.2(a).

"Incremental Term Loan Amendment" – see Section 2.1.2(c).

"Incremental Revolving Loan" – see Section 2.1.2(e).

"Indemnified Liabilities" – see Section 15.16.

"Interest Expense" means for any period the consolidated interest expense of the Company and its Subsidiaries for such period (including all imputed interest on Capital Leases but excluding any amount not payable in cash during such period) and treating Unrestricted Subsidiaries as if they were not consolidated with the Company and otherwise eliminating all accounts of Unrestricted Subsidiaries.

"Interest Payment Date" means (a) with respect to any Base Rate Loan (other than a Swing Line Loan), the last day of each March, June, September and December, (b) with respect to any LIBOR, EURIBOR or CDOR Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a LIBOR, EURIBOR or CDOR Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that shall occur at an interval of three months' duration after the first day of such Interest Period and (c) with respect to any Swing Line Loan, the day that such Loan is required to be repaid.

"Interest Period" means, with respect to any LIBOR, EURIBOR or CDOR Borrowing, the period commencing on the date of such Borrowing and ending on the date one, two, three or six months or, if consented to by each Lender, twelve months, thereafter as selected by the Company pursuant to Section 2.2.2 or 2.2.3, as the case may be; provided that:

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

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

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

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

"Issuing Lender" means Wells Fargo Bank, National Association, Barclays Bank PLC (solely with respect to standby Letters of Credit), Citibank, N.A. and SunTrust Bank and any other Lender from time to time designated by the Company as an Issuing Lender with the consent of such Lender, in its sole discretion, and the Administrative Agent (such consent not to be unreasonably withheld or delayed), in each case in its capacity as an issuer of Letters of Credit hereunder, and their successors and assigns in such capacity.

"Joint Bookrunner" means Wells Fargo Securities, LLC, Barclays Bank PLC, Citibank, N.A. and SunTrust Robinson Humphrey, Inc., as joint bookrunners.

"Joint Lead Arranger" means Wells Fargo Securities, LLC, Barclays Bank PLC, Citibank, N.A. and SunTrust Robinson Humphrey, Inc., as joint lead arrangers.

"Judgment Currency" – see Section 15.22.

"Latest Maturity Date" means, at any time, the later of (i) the fifth anniversary of the Restatement Effective Date and (ii) the latest maturity date of any of any tranche of Incremental Term Loans outstanding at such time.

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

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

"L/C Exposure" means, at any time, the sum of (a) the U.S. Dollar Equivalent of the aggregate amount of all Letters of Credit that remains available for drawing at such time and (b) the U.S. Dollar Equivalent of the aggregate amount of all Letter of Credit disbursements that have not yet been reimbursed by or on behalf of the Company at such time. The L/C Exposure of any Lender at any time shall be its Pro Rata Share of the total L/C Exposure at such time, adjusted to give effect to any reallocation under Section 2.6(b) of the L/C Exposure of Defaulting Lenders in effect at such time.

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

"LCT Election" means the Company's election, by notice to the Administrative Agent, to exercise its right to designate any permitted Acquisition or Investment as a Limited Condition Transaction pursuant to the terms hereof.

"LCT Test Date" means the date on which the definitive agreement for an applicable Limited Condition Transaction is entered into.

"Lender" – see the Preamble. References to the "Lenders" shall include each Issuing Lender and the Swing Line Lender; for purposes of clarification only, to the extent that Wells Fargo Bank, National Association (or any successor Issuing Lender or successor Swing Line Lender) may have any rights or obligations in addition to those of the other Lenders due to its status as Issuing Lender or Swing Line Lender, as the case may be, its status as such will be specifically referenced.

"Lender Party" – see Section 15.16.

"Letter of Credit" means Letters of Credit issued by one or more Issuing Lenders pursuant to Section 2.1.3 but excluding any Outside Letters of Credit.

"Letter of Credit Commitment" means the obligation of an Issuing Lender to issue, and of the Lenders having a Commitment to participate in, Letters of Credit hereunder.

"Letter of Credit Sublimit" means, with respect to each Issuing Lender (a) the amount set forth opposite such Issuing Lender's name below:

Issuing Lender	Letter of Credit Sublimit
Wells Fargo Bank, National Association	$75,000,000
Barclays Bank PLC	$75,000,000
Citibank, N.A.	$75,000,000
SunTrust Bank	$75,000,000

or (b) in the case of any other Issuing Lender, such amount as may be agreed among such Issuing Lender, the Company and the Administrative Agent.

"Letter of Credit Usage" means, as at any date of determination, the sum of (i) the maximum aggregate amount which is, or at any time thereafter may become, available for drawing under all Letters of Credit then outstanding, and (ii) the aggregate amount of all drawings under Letters of Credit honored by any Issuing Lender and not theretofore reimbursed by or on behalf of the Company.

"Level" – see the definition of Applicable Margin.

"LIBO Rate" means, with respect to any LIBOR Loan denominated in any currency for any Interest Period, the applicable Screen Rate as of the Specified Time on the Quotation Day or such other rate as may be agreed by the Required Lenders; provided that, in the event that such Screen Rate is not available at such time, then the "LIBO Rate" shall be (a) the arithmetic mean (rounded up to four decimal places) of the rates quoted by two or more reference banks selected by the Administrative Agent in consultation with the Company to leading banks in the London interbank market for the offering of deposits in such currency and for a period comparable to such Interest Period as of such Specified Time on such Quotation Day or (b) if no such rates exist at such time, a successor or alternative index rate as the Administrative Agent may determine with the consent of the Borrower and the Required Lenders; provided further that if such arithmetic mean of the rates quoted by such reference banks would be less than 0.0%, the LIBO Rate shall for all purposes of this Agreement be 0.0%.

"LIBOR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, shall bear interest at a rate determined by reference to the LIBO Rate or the Adjusted LIBO Rate.

"LIBOR Loan" means any Loan or Borrowing which bears interest at a rate determined by reference to the Adjusted LIBO Rate or the LIBO Rate.

"LIBOR/EURIBOR/CDOR Margin" – see the definition of Applicable Margin.

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

"Limited Condition Transaction" means any Acquisition or Investment by the Company or one or more of the Subsidiaries permitted hereunder, the consummation of which is not conditioned on the availability of, or on obtaining, third party financing.

"Loan Documents" means this Agreement, the Notes, the Letters of Credit, the L/C Applications, any Incremental Term Loan Amendments, the Subordination Agreements and all documents, instruments and agreements delivered in connection with the foregoing from time to time.

"Loan Party" means the Company and each of its Subsidiaries (direct or indirect, whether now existing or hereafter created) separately, excluding any Dormant Subsidiary and any Unrestricted Subsidiary so long as it qualifies as a Dormant Subsidiary or an Unrestricted Subsidiary hereunder, as the case may be, and excluding each Centene Plaza Subsidiary, but specifically including those listed on Schedule 1.1(b); provided that (a) Centene Center LLC may become a Loan Party after the repayment in full of the NML Loan, (b) any Centene Plaza Subsidiary may become a Loan Party after the repayment in full of its applicable Centene Plaza Debt and (c) any Unrestricted Subsidiary may become a Loan Party pursuant to the definition of Unrestricted Subsidiary. The Company agrees that any Subsidiary which is a Dormant Subsidiary will automatically become a Loan Party hereunder without any further action if at any time such Subsidiary ceases to be a Dormant Subsidiary.

"Loan" or "Loans" means Revolving Loan or Revolving Loans and Swing Line Loan or Swing Line Loans.

"Local Time" means (a) with respect to any Loan, Borrowing or Letter of Credit denominated in U.S. Dollars, New York City time, (b) with respect to any Loan, Borrowing or Letter of Credit denominated in Canadian Dollars, Toronto time, and (c) with respect to any Loan, Borrowing or Letter of Credit denominated in any other currency, London time.

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

"Material Acquisition" means any Acquisition the aggregate consideration therefor (including Debt assumed in connection therewith, all obligations in respect of deferred purchase price (including obligations under any purchase price adjustment but excluding earnout or similar payments) and all other consideration payable in connection therewith (including payment obligations in respect of noncompetition agreements or other arrangements representing acquisition consideration)) exceeds $400,000,000.

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

"Material Debt" – see Section 13.1(b).

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

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

"Moody's" means Moody's Investor Services, Inc. and any successor thereto of its rating business.

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

"New Senior Notes" means senior unsecured notes of the Company (or a special purpose escrow subsidiary thereof prior to assumption by the Company) issued and sold to (a) provide a portion of the cash consideration payable for the Fidelis Acquisition and to consummate the other transactions contemplated by the Fidelis Acquisition Agreement, (b) pay fees, commissions and expenses in connection with the foregoing and (c) finance ongoing working capital requirements and other general corporate purposes.

"New Senior Notes Indenture" means that certain indenture entered into by the Company (or a special purpose escrow subsidiary thereof prior to assumption by the Company) in connection with the issuance of the New Senior Notes, together with all instruments and other agreements entered into by the Company (or a special purpose escrow subsidiary thereof prior to assumption by the Company) in connection therewith.

"NML Loan" means (a) a certain loan in the original principal amount of $80,000,000 from The Northwestern Mutual Life Insurance Company to Centene Center LLC secured by various collateral and (b) any Debt incurred by Centene Center LLC to refinance such loan; provided that the principal amount of such Debt does not exceed the amount of such Debt being refinanced.

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

"Note" means a promissory note substantially in the form of Exhibit A.

"Notice of Borrowing" – see Section 2.2.2.

"Notice of Conversion/Continuation" – see Section 2.2.3(b).

"Obligations" means all obligations (monetary (including post-petition interest, allowed or not) or otherwise) of any Loan Party under this Agreement and any other Loan Document including Attorney Costs and any reimbursement obligations of each Loan Party in respect of Letters of Credit, all in each case howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Original Effective Date" means March 24, 2016.

"Other Connection Taxes" means, with respect to any Lender or the Administrative Agent, taxes imposed as a result of a present or former connection between such Lender or the Administrative Agent and the jurisdiction imposing such taxes (other than a connection arising solely from such Lender or the Administrative Agent having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to, or enforced any Loan Document, or sold or assigned an interest in any Loan Document).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such taxes that are Other Connection Taxes imposed as a result of an assignment (other than an assignment made pursuant to Section 8.7).

"Outside Letter of Credit" means any secured or unsecured letter of credit issued by any institution (including any Lender) which is not subject to the L/C Fee Rate or any limitations or terms of this Agreement other than the Outside Letter of Credit Limitation.

"Outside Letter of Credit Limitation" means $300,000,000.

"Participating Member State" means any member state of the European Union that has the Euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

"participation" – see Section 2.3.2.

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

"Participant" – see Section 15.5.2.

"Participant Register" – see Section 15.5.2.

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Requires to Intercept and Obstruct Terrorism Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

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

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

"Platform" means IntraLinks/IntraAgency, SyndTrak or another relevant website or other information platform.

"Prime Rate" means, for any day, the rate of interest publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. The Administrative Agent or any other Lender may make commercial loans or other loans at rates of interest at, above or below the Prime Rate. Any change in such Prime Rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

"Principal Office" means for each of the Administrative Agent, the Swing Line Lender and each Issuing Lender, such Person's "Principal Office" as set forth on Annex B, or such other office or office of a third party or sub-agent, as appropriate, as such Person may from time to time designate in writing to the Company, the Administrative Agent and each Lender.

"Pro Rata Share" means:

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

(b) with respect to a Lender's obligation to make Term Loans, if at any time applicable, and receive payments of principal, interest, fees, costs, and expenses with respect thereto, (x) prior to the Term Loan Commitments being terminated or reduced to zero, the percentage obtained by dividing (i) such Lender's Term Loan Commitment, by (ii) the aggregate Term Loan Commitments of all Lenders and (y) from and after the time the Term Loan Commitments have been terminated or reduced to zero, the percentage obtained by dividing (i) the aggregate unpaid principal amount of such Lender's Term Loans by (ii) the aggregate unpaid principal amount of all Term Loans; and

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

"Quotation Day" means, in respect of (a) any Interest Period for Loans in U.S. Dollars or in any Alternative Currency (other than Euro, Sterling or Canadian Dollars), the day that is two Business Days prior to the first day of such Interest Period; (b) any Interest Period for Loans in Euro, the day which is two Target Operating Days prior to the first day of such Interest Period; and (c) any Interest Period for Loans in Sterling or Canadian Dollars, the first day of such Interest Period; in each case unless market practice changes for loans in the applicable currency priced by reference to rates quoted in the relevant interbank market, in which case the Quotation Day for such currency shall be determined by the Administrative Agent (in consultation with the Company) in accordance with market practice for such loans priced by reference to rates quoted in the relevant interbank market (and if quotations would normally be given by leading banks for such loans priced by reference to rates quoted in the relevant interbank market on more than one day, the Quotation Day shall be the last of those days).

"Real Estate Debt" means (a) any debt or obligations of the Company or any of its Subsidiaries in whole or in part secured by interests in real property, including the NML Loan and extensions, renewals and refinancings of such Debt and (b) any Guarantee Obligations of the Company with respect to the Debt of any Centene Plaza Subsidiary and extensions, renewals and refinancings of such Debt; provided that such Debt (with respect to which the Company has Guarantee Obligations) is used solely to finance or refinance a Centene Plaza Project.

"Real Estate Debt Documents" means the documents evidencing and securing Real Estate Debt.

"Refunded Swing Line Loans" – see Section 2.4(d).

"Refinancing Debt" – see Section 11.1(r).

"Register" – see Section 15.6.

"Regulation D" means Regulation D of the FRB.

"Regulation T" means Regulation T of the FRB.

"Regulation U" means Regulation U of the FRB.

"Regulation X" means Regulation X of the FRB.

"Related Fund" means, with respect to any Lender that is an investment fund, any other investment fund that invests in commercial loans and that is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Replacement Lender" – see Section 8.7(b).

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

"Required Lenders" means, at any time, Lenders who have Pro Rata Shares which exceed 50% as determined pursuant to clause (c) of the definition of "Pro Rata Share". For purposes of this definition, Required Lenders shall be determined by excluding all Loans and Commitments held or beneficially owned by a Defaulting Lender.

"Restatement Effective Date" has the meaning given to such term in the Amendment and Restatement Agreement.

"Restricted Payment" – see Section 11.3.

"Revaluation Date" means (a) with respect to any Loan denominated in an Alternative Currency, each of the following: (i) each date of a Borrowing of any such Loan, (ii) each date of a conversion or continuation of any such Loan pursuant to Sections 2.2.3, 8.2 and 8.3, (iii) each date of any payment of interest or principal with respect to any such Loan and (iv) such additional dates as the Administrative Agent shall determine or the Required Lenders shall require; and (b) with respect to any Letter of Credit denominated in an Alternative Currency, each of the following: (i) each date of issuance of such Letter of Credit, (ii) each date of an amendment of any such Letter of Credit having the effect of increasing the amount thereof, (iii) each date of any payment by any Issuing Lender under any such Letter of Credit and (iv) such additional dates as the Administrative Agent or an Issuing Lender shall determine or the Required Lenders shall require.

"Revolving Exposure" means, with respect to any Lender at any time, the sum of (a) the aggregate amount of the U.S. Dollar Equivalent of such Lender's Revolving Loans outstanding at such time, (b) such Lender's Swing Line Exposure at such time and (c) such Lender's L/C Exposure at such time.

"Revolving Loan" – see Section 2.1.1.

"Revolving Loan Availability" means the Commitments of all of the Lenders.

"Revolving Outstandings" means, at any time, the sum of (a) the aggregate principal amount of the U.S. Dollar Equivalent of all outstanding Revolving Loans, plus (b) the U.S. Dollar Equivalent of the Stated Amount of all Letters of Credit, plus (c) the aggregate outstanding amount of all Swing Line Loans.

"S&P" means Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. and any successor thereto of its rating business.

"Sanctions" means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State, or (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"Sanctioned Country" means, at any time, a country, region or territory which is itself the subject or target of comprehensive Sanctions (at the Restatement Effective Date, Crimea, Cuba, Iran, North Korea, Sudan and Syria).

"Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, or by the United Nations Security Council or the European Union, (b) any Person organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

"Screen Rate" means (a) in respect of the LIBO Rate for any Interest Period, a rate per annum equal to the London interbank offered rate as administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for deposits in the applicable currency (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period as displayed on the Reuters screen page that displays such rate (currently LIBOR01 or LIBOR02) (or, in the event such rate does not appear on a page of the Reuters screen, on the appropriate page of such other information service that publishes such rate as shall be selected by the Administrative Agent from time to time in its reasonable discretion), (b) in respect of the EURIBO Rate for any Interest Period, the percentage per annum determined by the Banking Federation of the European Union for such Interest Period as set forth on the Reuters screen page that displays such rate (currently EURIBOR01) (or, in the event such rate does not appear on a page of the Reuters screen, on the appropriate page of such other information service that publishes such rate as shall be selected by the Administrative Agent from time to time in its reasonable discretion) and (c) in respect of the CDO Rate for any Interest Period, the average rate for bankers acceptances with a tenor equal to the Interest Period as displayed on the Reuters screen page that displays such rate (currently

CDOR01) (or, in the event such rate does not appear on a page of the Reuters screen, on the appropriate page of such other information service that publishes such rate as shall be selected by the Administrative Agent from time to time in its reasonable discretion); provided that if the Screen Rate, determined as provided above, would be less than 0.0%, the Screen Rate shall for all purposes of this Agreement be 0.0%.

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

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

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" within the meaning of Rule 1-02 of the SEC's Regulation S-X.

"Solvent" means (i) the sum of the debt and liabilities (subordinated, contingent or otherwise) of the Company and its Subsidiaries, taken as a whole, does not exceed the fair value of the assets (at a fair valuation) of the Company and its Subsidiaries, taken as a whole; (ii) the present fair saleable value of the assets (at a fair valuation) of the Company and its Subsidiaries, taken as a whole, is greater than the amount that will be required to pay the probable liabilities of the Company and its Subsidiaries, taken as a whole, on their debts and other liabilities subordinated, contingent or otherwise as they become absolute and matured; (iii) the capital of the Company and its Subsidiaries, taken as a whole, is not unreasonably small in relation to the business of the Company and its Subsidiaries, taken as a whole, as conducted or contemplated as of the relevant date; and (iv) the Company and its Subsidiaries, taken as a whole, have not incurred and do not intend to incur, or believe that they will incur, debts or other liabilities (including current obligations and contingent liabilities) beyond their ability to pay such debt or other liabilities as they become due (whether at maturity or otherwise). For the purposes hereof, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Specified Time" means (a) with respect to the LIBO Rate, 11:00 a.m., London time, (b) with respect to the EURIBO Rate, 11:00 a.m., Frankfurt time, and (c) with respect to the CDO Rate, 10:00 a.m. Toronto time.

"Spot Rate" for a currency means the rate determined by the Administrative Agent or an Issuing Lender, as applicable, to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 10:00 A.M. New York City time on the date as of which the foreign exchange computation is made; provided that the Administrative Agent or an Issuing Lender may obtain such spot rate from another financial institution designated by the Administrative Agent or an Issuing Lender if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency.

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

"Sterling" and "£" mean the lawful currency of the United Kingdom.

"Subordinated Debt" means any Debt of any Loan Party that is by its terms subordinated in right of payment to any of the Obligations.

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

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

"Subsidiary" means, with respect to any Person, a corporation, partnership, limited liability company or other entity of which such Person owns, directly or indirectly, such number of outstanding Capital Securities as have more than 50% of the ordinary voting power for the election of directors or other managers of such corporation, partnership, limited liability company or other entity; provided, however, that Unrestricted Subsidiaries and the Charitable Foundations shall not be deemed to be Subsidiaries of the Company for any purpose of this Agreement or the other Loan Documents. Unless the context otherwise requires, each reference to Subsidiaries herein shall be a reference to Subsidiaries of the Company.

"Swing Line Commitment" means the obligation of the Swing Line Lender to make Swing Line Loans and of each Lender having a Commitment to participate in Swing Line Loans hereunder.

"Swing Line Exposure" means, at any time, the aggregate principal amount of all Swing Line Loans outstanding at such time. The Swing Line Exposure of any Lender at any time shall be the sum of (a) its Pro Rata Share of the aggregate principal amount of all Swing Line Loans outstanding at such time (excluding, in the case of the Swing Line Lender, Swing Line Loans made by it that are outstanding at such time to the extent that the other Lenders shall not have funded their participations in such Swing Line Loans), adjusted to give effect to any reallocation under Section 2.6(b) of the Swing Line Exposure of Defaulting Lenders in effect at such time, and (b) in the case the Swing Line Lender, the aggregate principal amount of all Swing Line Loans made by such Lender outstanding at such time to the extent that the other Lenders shall not have funded their participations in such Swing Line Loans.

"Swing Line Lender" means Wells Fargo Bank, National Association, in its capacity as the Swing Line Lender hereunder, together with its permitted successors and assigns in such capacity.

"Swing Line Loan" means a Loan made by the Swing Line Lender to the Company pursuant to Section 2.4.

"Swing Line Sublimit" means the lesser of (i) $150,000,000 and (ii) the aggregate unused amount of Commitments then in effect.

"Syndication Agents" means Wells Fargo Securities, LLC, Barclays Bank PLC, Citibank, N.A. and SunTrust Bank, as co-syndication agents.

"TARGET" means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) payment system (or, if such payment system ceases to be operative, such other payment system (if any) determined by the Administrative Agent to be a suitable replacement).

"Target Operating Day" means any day on which banks in London are open for general banking business and is not (a) a Saturday or Sunday or (b) any other day on which the TARGET is not operating (as determined by the Administrative Agent).

"Tax Abatement Documents" means those agreements listed on Schedule 1.1(c).

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

"Term Loan Commitment" – see Section 2.1.2(a).

"Termination Date" means the earlier to occur of (a) the date that is five years after the Restatement Effective Date and (b) such other date on which the Commitments terminate pursuant to Section 6 or Section 13.

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

Pension Plan is in "at risk" status within the meaning of Section 430(i) of the Code, or such Multiemployer Pension Plan is in "endangered status" or "critical status" within the meaning of Section 432(b) of the Code, or (g) a complete or partial withdrawal from a Multiemployer Pension Plan.

"Total Debt" means the sum of all Debt under clauses (a), (b) and (c) of the definition thereof and all unreimbursed obligations in respect of drawn letters of credit, bankers acceptances or similar instruments (but only to the extent not reimbursed within one Business day after such amount is due and payable), in each case of the Company and its Subsidiaries, determined on a consolidated basis (but treating Unrestricted Subsidiaries as if they were not consolidated with the Company and otherwise eliminating all accounts of Unrestricted Subsidiaries), excluding (a) Hedging Agreements and (b) Debt of the Company to Loan Parties and Debt of Loan Parties to the Company or to other Loan Parties.

"Total Debt to EBITDA Ratio" means, as of the last day of any Fiscal Quarter, the ratio of (a) (i) Total Debt as of such day less (ii) the lesser of (x) unrestricted cash and cash equivalents of the Company and its Subsidiaries as of such day in excess of $50,000,000 and (y) $500,000,000 to (b) EBITDA for the Computation Period ending on such day.

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

"Transactions" means (a) the execution, delivery and performance by the Company of the Loan Documents on the Restatement Effective Date, (b) the making of Loans hereunder on the Restatement Effective Date, (c) the use of the proceeds thereof, (d) the consummation of the Fidelis Acquisition and the other transactions contemplated by the Fidelis Acquisition Agreement to occur on or prior to the Restatement Effective Date and (e) the payment of the fees and expenses incurred in connection with the foregoing.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the LIBO Rate, the EURIBO Rate, the CDO Rate or the Base Rate.

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

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

"Unrestricted Subsidiary" means any Subsidiary organized or acquired directly or indirectly by the Company after the Original Effective Date that the Company designates as an "Unrestricted Subsidiary" by written notice to the Administrative Agent in accordance with Section 10.10. No Unrestricted Subsidiary may own any Capital Securities of a Subsidiary; provided that, so long as no Unmatured Event of Default or Event of Default shall have occurred and be continuing or would result therefrom, the Company may redesignate any Unrestricted Subsidiary as a "Subsidiary" by written notice to the Administrative Agent and by complying with the applicable provisions of Section 10.10. As of the Restatement Effective Date, there are no Unrestricted Subsidiaries.

"Unrestricted Subsidiary Reconciliation Statement" means, with respect to any consolidated balance sheet or statement of operations, stockholders' equity or cash flows of the Company and its consolidated Subsidiaries, such financial statement (in substantially the same form) prepared on the basis of consolidating the accounts of the Company and the Subsidiaries and treating Unrestricted Subsidiaries as if they were not consolidated with the Company and otherwise eliminating all accounts of Unrestricted Subsidiaries, together with an explanation of reconciliation adjustments in reasonable detail.

"U.S. Dollars" and the sign "$" mean lawful money of the United States of America.

"U.S. Dollar Equivalent" means, at any time, (a) with respect to any amount denominated in U.S. Dollars, such amount, and (b) with respect to any amount denominated in any Alternative Currency, the equivalent amount thereof in U.S. Dollars as determined by the Administrative Agent or the Issuing Lender, as the case may be, at such time on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of U.S. Dollars with such Alternative Currency.

"Withholding Certificate" – see Section 7.6(d).

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

1.2 Other Interpretive Provisions.

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

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

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

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

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

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

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

1.2.8 Unless otherwise specified herein, each reference herein to "Stated Amount", "stated amount", "undrawn amount", "face amount", "aggregate amount" or any other amount of any Letter of Credit shall be deemed to mean and be a reference to the U.S. Dollar Equivalent of the Stated Amount, stated amount, undrawn amount, face amount or such other amount of such Letter of Credit. For the avoidance of doubt, for purposes of calculating any fee set forth in Section 5.1, 5.2(a) or 5.2(b), the Stated Amount, the undrawn amount and the face amount of each Letter of Credit shall be the U.S. Dollar Equivalent of the Stated Amount, the undrawn amount and the face amount of such Letter of Credit. Without limiting the foregoing, for all purposes herein, including, the purposes of Sections 2.3.2, 2.3.3 and 2.3.4, the reimbursement for any payment or disbursement made by an Issuing Lender in an Alternative Currency in respect of any Letter of Credit shall be made in the same Alternative Currency or, in the event such Issuing Lender shall agree, in the U.S. Dollar Equivalent thereof as of the time of such reimbursement that is sufficient to reimburse such Issuing Lender in full for such payment or disbursement. Unless otherwise specified herein, each reference to any amount of any Revolving Loan shall be deemed to mean and be a reference to the U.S. Dollar Equivalent of such amount of such Revolving Loan. Without limiting the foregoing, for all purposes herein, including the purposes of Section 7.1, all payments by the Company hereunder with respect to principal and interest on Loans denominated in an Alternative Currency shall be made in the same Alternative Currency or, in the event the applicable Lender shall agree, in the U.S. Dollar Equivalent thereof as of the time of such payment that is sufficient for payment in full at such time. The Administrative Agent or each applicable Issuing Lender, as applicable with respect to Letters of Credit, shall determine the Spot Rates as of each Revaluation Date to be used for calculating U.S. Dollar Equivalent amounts of Loans or Revolving Outstandings. Such Spot Rates shall become effective as of such Revaluation Date and shall be the Spot Rates employed in converting any amounts between the applicable currencies until the next Revaluation Date to occur.

1.3 Limited Condition Transactions. Solely for the purpose of (i) measuring the relevant ratios and baskets with respect to the incurrence of any Debt or the making of any permitted Acquisition or other Investment or (ii) determining the occurrence of any Event of Default or Unmatured Event of Default, in each case, in connection with a Limited Condition Transaction, if the Company makes an LCT Election, the date of determination in determining whether any such incurrence of any Debt or the making of any permitted Acquisition or other Investment is permitted shall be deemed to be the LCT Test Date (provided that for the purpose of determining the occurrence of any Event of Default under Sections 13.1(a) or 13.1(c), such determination shall also be made at the time of the consummation of the Limited Condition Transaction), and if, after giving effect to the applicable Limited Condition Transaction and the other transactions to be entered into in connection therewith as if they had occurred as of such date of determination, ending prior to the LCT Test Date on a pro forma basis, the Company could have taken such action on the relevant LCT Test Date in compliance with any such ratio or basket, such ratio or basket shall be deemed to have been complied with. If the Company has made an LCT Election for any Limited Condition Transaction, then in connection with any subsequent calculation of any ratio or basket (but excluding, for the avoidance of doubt, for purposes of determining the Applicable Margin and determining compliance with Section 11.12) on or following the relevant LCT Test Date and prior to the earlier of (i) the date on which such Limited Condition Transaction is consummated or (ii) the date that the definitive agreement for such Limited Condition Transaction is terminated or expires without consummation of such Limited Condition Transaction, any such ratio or basket shall be calculated and tested on a pro forma basis assuming such Limited Condition Transaction and other transactions in connection therewith (including any incurrence of debt and the use of proceeds thereof) have been consummated.

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

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

2.1.1 Commitment. Each Lender with a Commitment severally agrees to make loans in U.S. Dollars or in one or more Alternative Currencies on a revolving basis ("Revolving Loans") on and after the Restatement Effective Date from time to time until the Termination Date in an amount equal to such Lender's Pro Rata Share of such aggregate amounts as the Company may request from all Lenders; provided that (i) the Revolving Outstandings will not at any time exceed the Revolving Loan Availability, (ii) the Revolving

Exposure of any Lender will not at any time exceed its Commitment and (iii) the U.S. Dollar Equivalent of Revolving Loans denominated in Alternative Currencies will not at any time exceed $300,000,000 (the "Alternative Currency Sublimit").

2.1.2 Increase in Commitment.

(a) The Company may, at its option any time after the Restatement Effective Date and before the Termination Date, seek to (i) increase the Commitments (any such increase, a "Commitment Increase") or (ii) establish one or more new term loan commitments ("Term Loan Commitments" and, together with any Commitment Increase, the "Incremental Commitments") of an existing tranche of term loans or a separate tranche of new term loans (any such term loans, the "Incremental Term Loans") upon written notice to the Administrative Agent; provided that, subject to the calculation adjustments set forth in Section 1.3 with respect to any Incremental Term Loans being incurred in connection with a Limited Condition Transaction, the aggregate principal amount of all Incremental Commitments shall not exceed the greater of (x) $500,000,000 and (y) such other amount such that after giving pro forma effect to the incurrence of such Incremental Commitments and the use of proceeds thereof (assuming that all amounts thereunder are drawn in full but without netting any of the proceeds thereof) the Total Debt to EBITDA Ratio would not exceed 3.50 to 1.00.

(b) Any such notice delivered to the Administrative Agent in connection with a Commitment Increase shall be delivered at a time when no Unmatured Event of Default or Event of Default has occurred and is continuing and shall specify (i) the amount of such Commitment Increase (which shall not be less than $10,000,000 or, if less, the maximum amount of Incremental Commitments remaining to be established hereunder) sought by the Company, (ii) the date (each, an "Increased Amount Date") on which the Company proposes that such Commitment Increase shall be effective, which shall be a date not less than ten Business Days after the date on which such notice is delivered to the Administrative Agent (unless otherwise agreed by the Administrative Agent in its sole discretion) and (iii) the identity of each Incremental Lender to whom the Company proposes any portion of such Commitment Increase be allocated and the amounts of such allocations. The Administrative Agent, subject to the consent of the Company, which shall not be unreasonably withheld, may allocate the Commitment Increase (which may be declined by any Lender (including in its sole discretion)) on either a ratable basis to the Lenders or on a non pro-rata basis to one or more Lenders and/or to other Eligible Assignees reasonably acceptable to each of the Administrative Agent, each Issuing Lender, the Swing Line Lender and the Company which have expressed a desire to accept the Commitment Increase. The Administrative Agent will then notify each existing Lender and Incremental Lender of such revised allocations of the Commitments, including the desired increase. No Commitment Increase shall become effective until each of the Incremental Lenders extending such Commitment Increase and the Company shall have delivered to the Administrative Agent a document in form reasonably satisfactory to the Administrative Agent pursuant to which any such Incremental Lender states the amount of its Commitment Increase and agrees to assume and accept the obligations and rights of a Lender hereunder, and the Company accepts such new Commitments.

(c) Any such notice delivered to the Administrative Agent in connection with Term Loan Commitments shall be delivered at a time when no Unmatured Event of Default or Event of Default has occurred and is continuing and shall specify (i) the amount of such Term Loan Commitments (which shall not be less than $25,000,000 or, if less, the maximum amount of Incremental Commitments remaining to be established hereunder) sought by the Company, (ii) the Increased Amount Date, which shall be a date not less than ten Business Days after the date on which such notice is delivered to the Administrative Agent (unless otherwise agreed by the Administrative Agent in its sole discretion) and (iii) the identity of each Incremental Lender. Each Incremental Lender, if not already a Lender hereunder, shall be an Eligible Assignee and reasonably acceptable to the Administrative Agent and no Lender shall be required to participate in any Incremental Term Loans. On or after such Increased Amount Date, the Company, the Administrative Agent and one or more Incremental Lenders may, and without the consent of any other Lender, amend this Agreement pursuant to an amendment agreement (an "Incremental Term Loan Amendment") setting forth, to the extent applicable, the following terms of such Incremental Term Loans: (A) whether such Incremental Term Loans will be part of an existing tranche of Incremental Term Loans or part of a new and separate tranche, (B) the maturity or termination date applicable to the Incremental Term Loans or Term Loan Commitments of such tranche, (C) any amortization applicable to the Incremental Term Loans of such tranche, (D) the interest rate or rates applicable to the Incremental Term Loans of such tranche, (E) the fees applicable to the Incremental Term Loans or Term Loan Commitments of such tranche, (F) any original issue discount applicable to Incremental Term Loans or Term Loan Commitments of such tranche, (G) the initial Interest Period or Interest Periods applicable to Incremental Term Loans or Term Loan Commitments of such tranche and (H) any voluntary or mandatory prepayment requirements or Term Loan Commitment reductions applicable to Incremental Term Loans or Term Loan Commitments of such tranche and any restrictions on the voluntary or mandatory prepayment or reduction of Incremental Term Loans or Term Loan Commitments of tranches established after such tranche (it being understood that any such mandatory prepayments may be applied to Term Loans prior to being applied to any Revolving Loans), and implementing such additional amendments to this Agreement as shall be appropriate to give effect to the foregoing terms and to provide the rights and benefits of this Agreement and other Loan Documents to the Incremental Term Loans of such tranche, and such amendment will be effective to amend this Agreement and the other Loan Documents on the terms set forth therein without the consent of any other Lender or the Swing Line Lender. Except as contemplated by the preceding sentence, the terms of any Incremental Term Loans established under this Section shall be the same as those of the Incremental Term Loans existing at the time such new Incremental Term Loans were made. Notwithstanding the foregoing, (1) except as provided in clauses (A) through (H) above, no Incremental Term Loan Amendment shall alter the rights of any Lender (other than the Incremental Lenders) in a manner that would not be permitted under Section 15.1 without the consent of such Lender unless such consent shall have been obtained and (2) no Incremental Term Loans shall (A) have a maturity date earlier than the Latest Maturity Date without the prior written consent of Lenders holding a majority of the principal amount of the Commitments or the Incremental Term Loans of any tranche maturing prior to such date, (B) have scheduled amortization of more than 5% of the original principal amount of such Incremental Term Loan per annum or (C) have mandatory prepayment terms other than customary mandatory prepayments from proceeds of assets sales and casualty events (with customary reinvestment rights), the incurrence of Debt not otherwise permitted hereunder and annual excess cash flow. The Administrative Agent shall promptly notify each Lender as to the effectiveness of each Incremental Term Loan Amendment.

(d) Notwithstanding the foregoing, no Incremental Commitments or Incremental Term Loans shall be made or established, and no Incremental Term Loan Amendment shall become effective, unless (i) no Unmatured Event of Default or Event of Default shall exist on such Increased Amount Date before or after giving effect to such Incremental Commitments or Incremental Term Loans (except in the case that the proceeds of any Incremental Term Loans are being used to finance a Limited Condition Transaction, in which case the standard will be no Event of Default or Unmatured Event of Default on the LCT Test Date and no Event of Default under Sections 13.1(a) or 13.1(c) at the time of the consummation of such Limited Condition Transaction); (ii) all other fees and expenses owing in respect of such increase to the Administrative Agent and the Lenders will have been paid; (iii) the Company shall be in pro forma compliance with each of the covenants set forth in Section 11.12 (giving effect, if applicable, to the provisos thereto) as of the last day of the most recently ended Fiscal Quarter (or, in the case that the proceeds of any Incremental Term Loan are being used to finance a Limited Condition Transaction, as of the last day of the most recently ended Fiscal Quarter prior to the applicable LCT Test Date) after giving effect to such Commitment Increase or Incremental Term Loans and other customary and appropriate pro forma adjustment events, including any Acquisitions or dispositions after the beginning of the relevant determination period but prior to or simultaneous with the borrowing of such Incremental Commitments or Incremental Term Loans, as the case may be, and provided that for purposes of calculating the Total Debt to EBITDA Ratio, any Commitment Increases that are drawn substantially simultaneous with the effectiveness of such Commitment Increase shall be given pro forma effect; and (iv) the Company shall deliver or cause to be delivered any legal opinions or other documents reasonably requested by the Administrative Agent in connection with any such transaction.

(e) Upon the making of any Incremental Term Loan or the effectiveness of any Incremental Commitment of any Incremental Lender that is not already a Lender pursuant to this Section, such Incremental Lender shall be deemed to be a “Lender” (and a Lender in respect of Loans of the applicable facility or tranche) hereunder, and henceforth shall be entitled to all the rights of, and benefits accruing to, Lenders (or Lenders in respect of the applicable facility or tranche) hereunder and shall be bound by all agreements, acknowledgements and other obligations of Lenders (or Lenders in respect of the applicable facility or tranche) hereunder. After giving effect to any Commitment Increase, all Loans and all such other credit exposure shall be held ratably by the Lenders in proportion to their respective Commitments, as revised to reflect the increase in the Commitments. The terms of any such Commitment Increase and the extensions of credit made pursuant thereto shall be identical to those of the other Commitments and the extensions of credit made pursuant thereto. Each Commitment Increase shall be deemed for all purposes a Commitment and each Loan made thereunder (an “Incremental Revolving Loan”) shall be deemed, for all purposes, a Revolving Loan. The Administrative Agent may elect or decline to arrange the increase in

Commitment sought by the Company but is under no obligation to arrange or consummate any such increase. The Company will cooperate with the Administrative Agent in such efforts.

2.1.3 L/C Commitment. Subject to Section 2.3.1, each Issuing Lender agrees to issue Letters of Credit, in each case containing such terms and conditions as are permitted by this Agreement and are reasonably satisfactory to the applicable Issuing Lender, at the request of and for the account of the Company from time to time on and after the Restatement Effective Date and before the scheduled Termination Date and, as more fully set forth in Section 2.3.2, each Lender agrees to purchase a participation in each such Letter of Credit; provided that (a) the aggregate Stated Amount of all Letters of Credit shall not at any time exceed $300,000,000, (b) the aggregate Stated Amount of all Letters of Credit outstanding with respect to any Issuing Lender shall not exceed such Issuing Lender's Letter of Credit Sublimit, (c) the Revolving Outstandings shall not at any time exceed Revolving Loan Availability, (d) the Revolving Exposure of any Lender shall not at any time exceed its Commitment, (e) each Letter of Credit shall be denominated in U.S. Dollars or an Alternative Currency, (f) the stated amount of each Letter of Credit shall not be less than the applicable Borrowing Minimum or a higher integral multiple of the applicable Borrowing Multiple or such lesser amount as is acceptable to the applicable Issuing Lender and (g) in no event shall any Letter of Credit have an expiration date later than the earlier of (1) five Business Days prior to the Termination Date and (2) the date which is one year from the date of issuance of such Letter of Credit; provided any Letter of Credit may provide for renewal thereof for additional periods of up to 12 months (which in no event shall extend beyond the date referred to in clause (1) above unless such Letter of Credit is Cash Collateralized or backstopped pursuant to arrangements reasonably acceptable to the relevant Issuing Lender, it being understood that if an Issuing Lender issues a Letter of Credit that extends beyond the date referred to in clause (1) above, each Lender's participation in such Letter of Credit will end on the Termination Date). In the event there is a Defaulting Lender, no Issuing Lender shall be required to issue, renew or extend any Letter of Credit to the extent (x) the Defaulting Lender's Pro Rata Share of Letter of Credit Commitment may not be reallocated pursuant to Section 2.6(b) or (y) such Issuing Lender has not otherwise entered into arrangements satisfactory to it and the Company to eliminate such Issuing Lender's risk with respect to the participation in Letters of Credit of the Defaulting Lender, including by Cash Collateralizing such Defaulting Lender's Pro Rata Share of the Letter of Credit Usage. Notwithstanding the foregoing, the Company and its Subsidiaries may obtain Outside Letters of Credit; provided that the aggregate outstanding amount of such Outside Letters of Credit does not exceed the Outside Letter of Credit Limitation.

2.1.4 Swing Line Loan Commitments. Subject to the terms and conditions hereof the Swing Line Lender agrees to make Swing Line Loans in U.S. Dollars to the Company on and after the Restatement Effective Date in an aggregate amount up to but not exceeding the Swing Line Sublimit; provided, that after giving effect to the making of any Swing Line Loan, in no event shall (x) the Revolving Outstandings exceed the Revolving Loan Availability then in effect or (y) the Revolving Exposure of any Lender exceed its Commitment; provided, further, that the Swing Line Lender shall not be obligated to make any Swing Line Loans (a) after the occurrence and during the continuation of an Unmatured Event of Default or Event of Default, (b) if it does not in good faith believe that all conditions under Section 12.3 to the making of such Swing Line Loan have been satisfied or waived by the Required Lenders or (c) if any of the Lenders is a Defaulting Lender but, in the case of this clause (c) only to the extent that the Defaulting Lender's participation in such Swing Line Loan may not be reallocated pursuant to Section 2.6(b) and other arrangements satisfactory to it and the Company to eliminate such Swing Line Lender's risk with respect to the Defaulting Lender's participation in such Swing Line Loan (including Cash Collateralization by the Company of such Defaulting Lender's pro rata share of the outstanding Swing Line Loans) have not been entered into. Amounts borrowed pursuant to this Section 2.1.4 may be repaid and reborrowed until the Termination Date. The Swing Line Lender's Commitment shall expire on the Termination Date and all Swing Line Loans and all other amounts owed hereunder with respect to the Swing Line Loans and the Commitments shall be paid in full no later than such date.

2.2 Revolving Loan Procedures.

2.2.1 Various Types of Revolving Loans. Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans of the same Type and currency, as the Company shall specify in the related notice of borrowing or conversion pursuant to Section 2.2.2 or 2.2.3. Subject to Sections 8.2 and 8.3, (i) each Borrowing denominated in U.S. Dollars (other than a Swing Line Loan) shall be comprised entirely of (A) LIBOR Loans or (B) Base Rate Loans, (ii) each Borrowing denominated in any Alternative Currency other than Euros or Canadian Dollars shall be comprised entirely of LIBOR Loans, (iii) each Borrowing denominated in Euros shall be comprised entirely of EURIBOR Loans, (iv) each Borrowing denominated in Canadian Dollars shall be comprised entirely of CDOR Loans and (v) each Swing Line Loan shall be a Base Rate Loan. Borrowings of more than one Type may be outstanding at the same time; provided that not more than fifteen different LIBOR, EURIBOR and CDOR Borrowings in the aggregate may be outstanding at any one time (unless the Administrative Agent agrees to a higher number in its sole discretion). All Borrowings, conversions and repayments of Revolving Loans shall be effected so that each Lender will have a ratable share (according to its Pro Rata Share) of all Types and Borrowings of Loans.

2.2.2 Borrowing Procedures. The Company shall give written notice (each such written notice, a "Notice of Borrowing") substantially in the form of Exhibit D to the Administrative Agent of each proposed Borrowing not later than (a) in the case of a Base Rate Borrowing, 12:00 P.M., Local Time, on the proposed date of the making of a Loan, (b) in the case of a LIBOR Borrowing denominated in U.S. Dollars, 12:00 P.M., Local Time, at least three Business Days prior to such proposed date and (c) in the case of any Borrowing denominated in an Alternative Currency, 12:00 P.M., Local Time, at least four Business Days prior to such proposed date. Each such notice shall be effective upon receipt by the Administrative Agent, shall be irrevocable, and shall specify the date, amount, Type and applicable currency of the Borrowing and, in the case of a LIBOR, EURIBOR or CDOR Borrowing, the initial Interest Period therefor. If no election as to the currency of a Borrowing is specified, then the requested Borrowing shall be denominated in U.S. Dollars. If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be a Base Rate Borrowing if denominated in U.S. Dollars, a EURIBOR Borrowing if denominated in Euros, a CDOR Borrowing if denominated in Canadian Dollars or a LIBOR Borrowing if denominated in an Alternative Currency other than Euro or Canadian Dollars. If no Interest Period is specified with respect to any requested LIBOR, EURIBOR or CDOR Borrowing, then the Company shall be deemed to have selected an Interest Period of one month's duration. Promptly upon receipt of such notice, the Administrative Agent shall advise each Lender thereof. Not later than 2:00 P.M., New York City time, on the proposed date of the making of a Loan, each Lender shall provide the Administrative Agent at the Principal Office specified by the Administrative Agent with immediately available funds covering such Lender's Pro Rata Share of such Borrowing in the applicable currency and, so long as the Administrative Agent has not received written notice that the conditions precedent set forth in Section 12 with respect to such Borrowing have not been satisfied, the Administrative Agent shall pay over the funds received by the Administrative Agent to the Company on such requested date. Each Borrowing shall be on a Business Day. Each Borrowing shall be in an aggregate principal amount of at least the applicable Borrowing Minimum and an integral multiple of at least the applicable Borrowing Multiple.

2.2.3 Conversion and Continuation Procedures.

(a) Subject to Section 2.2.1, the Company may, upon irrevocable written notice to the Administrative Agent in accordance with clause (b) below:

(i) elect, as of any Business Day, to convert any Revolving Loans denominated in U.S. Dollars (or any part thereof in an aggregate amount not less than the applicable Borrowing Minimum or a higher integral multiple equal to the applicable Borrowing Multiple) into Loans of another Type denominated in U.S. Dollars; provided that a LIBOR Loan may only be converted on the expiration of the Interest Period applicable to such LIBOR Loan unless the Company shall pay all amounts due hereunder in connection with any such conversion; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any LIBOR, EURIBOR or CDOR Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount not less than the applicable Borrowing Minimum or a higher integral multiple equal to the applicable Borrowing Multiple) for a new Interest Period; provided that if an Unmatured Event of Default or Event of Default shall have occurred and be continuing at the end of any Interest Period, (A) no outstanding Borrowing denominated in U.S. Dollars may be converted to or continued as a LIBOR Borrowing, (B) unless repaid, each LIBOR Borrowing denominated in U.S. Dollars shall be converted to a Base Rate Borrowing at the end of the Interest Period applicable thereto and (C) unless repaid, each LIBOR, EURIBOR and CDOR Borrowing denominated in an Alternative Currency shall be continued as a LIBOR, EURIBOR or CDOR Borrowing, as applicable, with an Interest Period of one month's duration.

(b) The Company shall give written notice (each such written notice, a "Notice of Conversion/Continuation") substantially in the form of Exhibit E to the Administrative Agent of each proposed conversion or continuation not later than (i) in the case of conversion into Base Rate Loans, 12:00 P.M., Local Time, three Business Days prior to the proposed date of such conversion, (ii) in the case of conversion into or continuation of LIBOR Loans denominated in U.S. Dollars, 12:00 P.M., Local Time, at least three Business Days prior to the proposed date of such conversion or continuation and (iii) in the case of continuation of Loans denominated in an Alternative Currency, 12:00 P.M., Local Time, at least four Business Days prior to the proposed date of such conversion or continuation, specifying in each case:

(i) the proposed date of conversion or continuation;

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

(iii) the Type of Revolving Loans resulting from the proposed conversion or continuation; and

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

(c) If upon the expiration of any Interest Period applicable to LIBOR Loans denominated in U.S. Dollars, the Company has failed to timely select a new Interest Period to be applicable to such LIBOR Loans, the Company shall be deemed to have elected to convert such LIBOR Loans into Base Rate Loans effective on the last day of such Interest Period. If upon the expiration of any Interest Period applicable to LIBOR, EURIBOR or CDOR Loans denominated in an Alternative Currency the Company has failed to timely select a new Interest Period to be applicable to such LIBOR, EURIBOR or CDOR Loans, such Loans shall be continued as LIBOR, EURIBOR or CDOR Loans, as applicable, in their original currency with an Interest Period of one month. Other than pursuant to Section 8.3, no Revolving Loans may be converted into or continued as Revolving Loans denominated in a different currency, but instead must be prepaid in the original currency of such Revolving Loans and reborrowed in the other currency.

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

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

2.3 Letter of Credit Procedures.

2.3.1 Notice of Issuance. The Company shall give notice to the Administrative Agent and the applicable Issuing Lender of the proposed issuance of each Letter of Credit on a Business Day which is at least three Business Days (or such lesser number of days as the Administrative Agent and the applicable Issuing Lender shall agree in any particular instance in their sole discretion) prior to the proposed date of issuance of such Letter of Credit. Each such notice shall be accompanied by an L/C Application, duly executed by the Company and in all respects satisfactory to the Administrative Agent and the applicable Issuing Lender, together with such other documentation as the Administrative Agent or the applicable Issuing Lender may request in support thereof, it being understood that each L/C Application shall specify, among other things, the date on which the proposed Letter of Credit is to be issued, the expiration date of such Letter of Credit (which shall be in accordance with Section 2.1.3) and whether such Letter of Credit is to be transferable in whole or in part. Any Letter of Credit outstanding after the scheduled Termination Date which is Cash Collateralized for the benefit of the applicable Issuing Lender shall be the sole responsibility of such Issuing Lender. So long as the applicable Issuing Lender has not received written notice that the conditions precedent set forth in Section 12 with respect to the issuance of such Letter of Credit have not been satisfied, such Issuing Lender shall issue such Letter of Credit on the requested issuance date. Each Issuing Lender shall promptly advise the Administrative Agent of the issuance of each Letter of Credit issued by such Issuing Lender and of any amendment thereto, extension thereof or event or circumstance changing the amount available for drawing thereunder. As of the Restatement Effective Date, all Letters of Credit outstanding under the Existing Credit Agreement shall be deemed to have been issued pursuant hereto, and from and after the Restatement Effective Date shall be subject to and governed by the terms and conditions hereof.

2.3.2 Participations in Letters of Credit. Concurrently with the issuance of each Letter of Credit, the applicable Issuing Lender shall be deemed to have sold and transferred to each Lender with a Commitment, and each such Lender shall be deemed irrevocably and unconditionally to have purchased and received from such Issuing Lender, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Pro Rata Share, in such Letter of Credit and the Company's reimbursement obligations with respect thereto. If the Company does not pay any reimbursement obligation when due, the Company shall be deemed to have immediately requested that the Lenders make a Revolving Loan which is a Base Rate Loan in a principal amount equal to such reimbursement obligations. The Administrative Agent shall promptly notify such Lenders of such deemed request and, subject to satisfaction or waiver of the conditions satisfied in Section 12.3, such Lender shall make available to the Administrative Agent its Pro Rata Share of such Loan. The proceeds of such Loan shall be paid over by the Administrative Agent to the applicable Issuing Lender for the account of the Company in satisfaction of such reimbursement obligations. For the purposes of this Agreement, the unparticipated portion of each Letter of Credit shall be deemed to be the applicable Issuing Lender's "participation" therein. Each Issuing Lender hereby agrees, upon request of the Administrative Agent or any Lender, to deliver to the Administrative Agent or such Lender a list of all outstanding Letters of Credit issued by such Issuing Lender, together with such information related thereto as the Administrative Agent or such Lender may reasonably request.

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

The Company's reimbursement obligations hereunder shall be irrevocable and unconditional under all circumstances, including (i) any lack of validity or enforceability of any Letter of Credit, this Agreement or any other Loan Document, (ii) the existence of any claim, set-off, defense or other right which any Loan Party may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, an Issuing Lender, any Lender or any other Person, whether in connection with any Letter of Credit, this Agreement, any other Loan Document, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between any Loan Party and the beneficiary named in any Letter of Credit), (iii) the validity, sufficiency or genuineness of any document which an Issuing Lender has determined complies on its face with the terms of the applicable Letter of Credit, even if such document should later prove to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein shall have been untrue or inaccurate in any respect, (iv) the surrender or impairment of any security for the performance or observance of any of the terms hereof or (v) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Company's obligations hereunder. Without limiting the foregoing, no action or omission whatsoever by the Administrative Agent or any Lender (excluding any Lender in its capacity as an Issuing Lender) under or in connection with any Letter of Credit or any related matters shall result in any liability of the Administrative Agent or any Lender to the Company, or relieve the Company of any of its obligations hereunder to any such Person.

2.3.4 Funding by Lenders to Issuing Lender. If an Issuing Lender makes any payment or disbursement under any Letter of Credit issued by such Issuing Lender and (a) the Company has not reimbursed such Issuing Lender in full for such payment or disbursement on the date immediately following the date of such payment or disbursement, (b) a Revolving Loan may not be made in accordance with Section 2.3.2, or (c) any reimbursement received by an Issuing Lender from the Company is or must be returned or rescinded upon or during any bankruptcy or reorganization of the Company or otherwise, each other Lender with a Commitment shall be obligated to pay to the Administrative Agent for the account of such Issuing Lender, in full or partial payment of the purchase price of its participation in such Letter of Credit, its Pro Rata Share of such payment or disbursement (but no such payment shall diminish the obligations of the Company under Section 2.3.3), and, upon notice from such Issuing Lender, the Administrative Agent shall promptly notify each other Lender thereof. Each other Lender irrevocably and unconditionally agrees to so pay to the Administrative Agent in immediately available funds for such Issuing Lender's account the amount of such other Lender's Pro Rata Share of such payment or disbursement. If and to the extent any Lender shall not have made such amount available to the Administrative Agent by 2:00 P.M., New York City time, on the Business Day on which such Lender receives notice from the Administrative Agent of such payment or disbursement (it being understood that any such notice received after noon, New York City time, on any Business Day shall be deemed to have been received on the next following Business Day), such Lender agrees to pay interest on such amount to the Administrative Agent for an Issuing Lender's account forthwith on demand, for each day from the date such amount was to have been delivered to the Administrative Agent to the date such amount is paid, at a rate per annum equal to (a) for the first three days after demand, the Federal Funds Rate from time to time in effect, and (b) thereafter, the Base Rate from time to time in effect. Any Lender's failure to make available to the Administrative Agent its Pro Rata Share of any such payment or disbursement shall not relieve any other Lender of its obligation hereunder to make available to the Administrative Agent such other Lender's Pro Rata Share of such payment, but no Lender shall be responsible for the failure of any other Lender to make available to the Administrative Agent such other Lender's Pro Rata Share of any such payment or disbursement.

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

2.3.6 Certain Conditions. Except as otherwise provided in Section 2.3.4 of this Agreement, no Lender shall have an obligation to make any Loan, or to permit the continuation of or any conversion into any LIBOR Loan, and no Issuing Lender shall have any obligation to issue any Letter of Credit, if an Event of Default or Unmatured Event of Default exists.

2.3.7 Indemnification. Without duplication of any obligation of the Company under Section 15.16 or 15.17, in addition to amounts payable as provided herein, the Company hereby agrees to protect, indemnify, pay and save harmless each Issuing Lender from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable legal counsel fees, expenses and disbursements of counsel) which an Issuing Lender may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit by an Issuing Lender, other than as a result of (1) the gross negligence or willful misconduct of such Issuing Lender or (2) the wrongful dishonor by such Issuing Lender of a proper demand for payment made under any Letter of Credit issued by it or (ii) the failure of an Issuing Lender to honor a drawing under any such Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority, in each case as determined by a final, non-appealable judgment of a court of competent jurisdiction.

2.3.8 Responsibility of Issuing Lenders With Respect to Requests for Drawings and Payments. In determining whether to honor any drawing under any Letter of Credit by the beneficiary thereof, each Issuing Lender shall be responsible only to examine the documents delivered under such Letter of Credit with reasonable care so as to ascertain whether they appear on their face to be in accordance with the terms and conditions of such Letter of Credit. As between the Company and each Issuing Lender, the Company assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued by such Issuing Lender by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, no Issuing Lender shall be responsible for: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (iv) errors in interpretation of technical terms; (v) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vi) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (vii) any consequences arising from causes beyond the control of such Issuing Lender, including any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority; none of the above shall affect or impair, or prevent the vesting of, any of such Issuing Lender's rights or powers hereunder. Without limiting the foregoing and in furtherance thereof, no action taken or omitted by an Issuing Lender under or in connection with the Letters of Credit or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall give rise to any liability on the part of such Issuing Lender to the Company. Notwithstanding anything to the contrary contained in this Section 2.3.8, the Company shall retain any and all rights it may have against an Issuing Lender for any liability arising solely out of the gross negligence or willful misconduct of such Issuing Lender, as determined by a final, non-appealable judgment of a court of competent jurisdiction.

2.4 Swing Line Loans.

(a) Swing Line Loans shall be made in U.S. Dollars in an aggregate minimum amount of $500,000 and integral multiples of $100,000 in excess of that amount.

(b) Whenever the Company desires that the Swing Line Lender make a Swing Line Loan, the Company shall deliver to the Administrative Agent a Notice of Borrowing no later than 3:00 P.M. (New York City time) on the proposed date of the making of such Swing Line Loan.

(c) The Swing Line Lender shall make the amount of its Swing Line Loan available to the Administrative Agent not later than 4:00 P.M., New York City time, on the applicable date of the making of such Swing Line Loan by wire transfer of same day funds in U.S. Dollars, at the Administrative Agent's Principal Office. Except as provided herein, upon satisfaction or waiver of the conditions precedent specified herein, the Administrative Agent shall make the proceeds of such Swing Line Loans available to the Company on the applicable date of the making of such Swing Line Loan by causing an amount of same day funds in U.S. Dollars equal to the proceeds of all such Swing Line Loans received by the Administrative Agent from the Swing Line Lender to be credited to the account of the Company at the Administrative Agent's Principal Office, or to such other account as may be designated in writing to the Administrative Agent by the Company.

(d) With respect to any Swing Line Loans which have not been voluntarily prepaid by the Company pursuant to Section 6.2.1 or repaid by the Company pursuant to Section 6.4(b), the Swing Line Lender may at any time in its sole and absolute discretion, deliver to the Administrative Agent (with a copy to the Company), no later than 11:00 A.M., New York City time, at least one Business Day in advance of the proposed date of the making of such Refunded Swing Line Loans (as defined below), a notice (which shall be deemed to be a Notice of Borrowing given by the Company) requesting that each Lender holding a Commitment make Revolving Loans that are Base Rate Loans to the Company on such date in an amount equal to the amount of such Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date such notice is given which the Swing Line Lender requests Lenders to prepay. Anything contained in this Agreement to the contrary notwithstanding, (1) the proceeds of such Revolving Loans made by the Lenders other than the Swing Line Lender shall be immediately delivered by the Administrative Agent to the Swing Line Lender (and not to the Company) and applied to repay a corresponding portion of the Refunded Swing Line Loans and (2) on the day such Revolving Loans are made, the Swing Line Lender's Pro Rata Share of the Refunded Swing Line Loans shall be deemed to be paid with the proceeds of a Revolving Loan made by the Swing Line Lender to the Company, and such portion of the Swing Line Loans deemed to be so paid shall no longer be outstanding as Swing Line Loans of the Swing Line Lender but shall instead constitute part of the Swing Line Lender's outstanding Revolving Loans to the Company. The Company hereby authorizes the Administrative Agent and the Swing Line Lender to charge the Company's accounts with the Administrative Agent and the Swing Line Lender (up to the amount available in each such account) in order to immediately pay the Swing Line Lender the amount of the Refunded Swing Line Loans to the extent the proceeds of such Revolving Loans made by Lenders, including the Revolving Loans deemed to be made by the Swing Line Lender, are not sufficient to repay in full the Refunded Swing Line Loans. If any portion of any such amount paid (or deemed to be paid) to the Swing Line Lender should be recovered by or on behalf of the Company from the Swing Line Lender in bankruptcy, by assignment for the benefit of creditors or otherwise, the loss of the amount so recovered shall be ratably shared among all Lenders in the manner contemplated by Section 7.5.

(e) If for any reason Revolving Loans are not made hereunder in an amount sufficient to repay any amounts owed to the Swing Line Lender in respect of any outstanding Swing Line Loans on or before the third Business Day after demand for payment thereof by the Swing Line Lender, each Lender holding a Commitment shall be deemed to, and hereby agrees to, have purchased a participation in such outstanding Swing Line Loans, and in an amount equal to its Pro Rata Share of the applicable unpaid amount together with accrued interest thereon. Upon one Business Days' notice from the Swing Line Lender, each Lender holding a Commitment shall deliver to the Swing Line Lender an amount equal to its respective participation in the applicable unpaid amount in same day funds at the Principal Office of the Swing Line Lender. In order to evidence such participation each Lender holding a Commitment agrees to enter into a participation agreement at the request of the Swing Line Lender in form and substance reasonably satisfactory to the Swing Line Lender. In the event any Lender holding a Commitment fails to make available to the Swing Line Lender the amount of such Lender's participation as provided in this paragraph, the Swing Line Lender shall be entitled to recover such amount on demand from such Lender together with interest thereon for three Business Days at the rate customarily used by the Swing Line Lender for the correction of errors among banks and thereafter at the Base Rate, as applicable.

(f) Notwithstanding anything contained herein to the contrary, each Lender's obligation to make Revolving Loans for the purpose of repaying any Swing Line Loans pursuant to the second preceding paragraph and each Lender's obligation to purchase a participation in any unpaid Swing Line Loans pursuant to the immediately preceding paragraph shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, any Loan Party or any other Person for any reason whatsoever; (B) the occurrence or continuation of an Unmatured Event of Default or Event of Default; (C) (i) a material adverse change in, or a material adverse effect upon, the financial condition, operations, assets, business, properties or prospects of the Loan Parties taken as a whole, (ii) a material impairment of the ability of any Loan Party to perform any of the Obligations under any Loan Document or (iii) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document; (D) any breach of this Agreement or any other Loan Document by any party thereto; or (E) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.5 Availability of Funds. Unless the Administrative Agent shall have been notified by any Lender prior to the applicable date of the making of a Loan or the issuing or renewal of a Letter of Credit that such Lender does not intend to make available to the Administrative Agent the amount of such Lender's Loan requested on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date and the Administrative Agent may, in its sole discretion, but shall not be obligated to, make available to the Company a corresponding amount on such date. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent, at the customary rate set by the Administrative Agent for the correction of errors among banks for three Business Days and thereafter at the Base Rate. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the

Company and the Company shall immediately pay such corresponding amount to the Administrative Agent together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent, at the rate payable hereunder for Base Rate Loans for such class of Loans. Nothing in this Section 2.5 shall be deemed to relieve any Lender from its obligation to fulfill its Commitment hereunder or to prejudice any rights that the Company may have against any Lender as a result of any default by such Lender hereunder.

2.6 Defaulting Lenders. Notwithstanding anything to the contrary contained in this Agreement, if any Swing Line Commitment or Letter of Credit Commitment exists at the time a Lender having a Commitment becomes a Defaulting Lender (such Lender, a "Defaulting Revolving Lender") then:

(a) such Defaulting Revolving Lender's right to approve or disapprove any amendment, waiver or consent with respect to this amendment shall be restricted as set forth in the definition of Required Lenders and Section 15.1;

(b) all or any part of such Swing Line Commitment and Letter of Credit Commitment shall be reallocated among the non-Defaulting Revolving Lenders in accordance with their respective Pro Rata Share of such Swing Line Commitment and/or Letter of Credit Commitment but only to the extent (i) the sum of the non-Defaulting Revolving Lenders' Pro Rata Shares of the sum, as at any date of determination, of (x) the aggregate principal amount of all Revolving Loans (other than Revolving Loans made for the purpose of reimbursing an Issuing Lender for any amount drawn under any Letter of Credit, but not yet so applied), (x) the aggregate principal amount of all outstanding Swing Line Loans and (z) the Letter of Credit Usage, plus such Defaulting Revolving Lender's Pro Rata Share of Revolving Exposure do not exceed the total of all non-Defaulting Revolving Lenders' Commitments and (ii) the conditions set forth in Section 12.3 are satisfied at such time; provided that the aggregate obligation of each non-Defaulting Revolving Lender to acquire, refinance or fund participations in Letters of Credit and Swing Line Loans shall not exceed the positive difference, if any, of (A) the Commitment of that non-Defaulting Lender minus (B) the sum of the aggregate outstanding principal amount of the Revolving Loans of such non-Defaulting Lender plus such non-Defaulting Lender's Pro Rata Share of the outstanding Swing Line Loans and Letter of Credit Usage;

(c) if the reallocation described in clause (a) above cannot, or can only partially, be effected, the Company shall (i) first, within one Business Day following notice by the Administrative Agent, prepay any outstanding Swing Line Loans to the extent the Swing Line Commitments related thereto have not been reallocated pursuant to clause (a) above and (ii) second, within five Business Days following notice by the Administrative Agent, Cash Collateralize such Defaulting Lender's Pro Rata Share of the Letter of Credit Commitment (after giving effect to any partial reallocation pursuant to clause (a) above) for so long as such Letter of Credit Commitment is outstanding;

(d) if the Letter of Credit Commitment of the non-Defaulting Revolving Lenders is reallocated pursuant to clause (a) above, then the fees payable to the Lenders pursuant to Section 5 solely in respect of the unfunded portion of such Lenders' Commitment shall be adjusted in accordance with such non-Defaulting Revolving Lenders' Pro Rata Shares; and

(e) If the Company, the Administrative Agent, the Swing Line Lender and each Issuing Lender agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swing Line Loans to be held pro rata by the Lenders in accordance with the Commitments (without giving effect to paragraph (b) above), whereupon, such Lender will cease to be a Defaulting Revolving Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Company while that Lender was a Defaulting Revolving Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Revolving Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Revolving Lender.

SECTION 3 EVIDENCING OF LOANS.

3.1 Notes. If so requested by any Lender by written notice to the Company (with a copy to the Administrative Agent), the Loans of each Lender shall be evidenced by a Note, with appropriate insertions, payable to such Lender in a face principal amount equal to such Lender's Commitment.

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

SECTION 4 INTEREST.

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

(a) in the case of Revolving Loans

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

(ii) at all times while such Loan is a LIBOR Loan, (A) in the case of a LIBOR Loan denominated in U.S. Dollars, at a rate per annum equal to the sum of the Adjusted LIBO Rate applicable to each Interest Period for such Loan plus the LIBOR/EURIBOR/CDOR Margin from time to time in effect and (B) in the case of a LIBOR Loan denominated in an Alternative Currency, at a rate per annum equal to the sum of the LIBO Rate applicable to each Interest Period for such Loan plus the LIBOR/EURIBOR/CDOR Margin from time to time in effect;

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

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

(b) in the case of Swing Line Loans, the sum of the Base Rate from time to time in effect plus the Base Rate Margin from time to time in effect;

provided that (i) if any amount payable by the Company under the Loan Documents is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws; and (ii) accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable on demand.

4.2 Interest Payment Dates. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date and at maturity. After maturity, and at any time an Event of Default exists, accrued interest on all Loans shall be payable on demand.

4.3 Setting and Notice of Rates. The applicable rate for each Interest Period shall be determined by the Administrative Agent, and notice thereof shall be given by the Administrative Agent promptly to the Company and each Lender. The Administrative Agent shall, upon written request of the Company or any Lender, deliver to the Company or such Lender a statement showing the computations used by the Administrative Agent in determining any applicable Adjusted LIBO Rate, LIBO Rate, EURIBO Rate or CDOR Rate hereunder.

4.4 Computation of Interest.

(a) Interest shall be computed for the actual number of days elapsed on the basis of a year of (a) 360 days for interest calculated at the LIBO Rate, EURIBO Rate or CDOR Rate and (b) 365/366 days for interest calculated at the Base Rate; provided that in the case of (i) Loans denominated in Sterling, interest shall be computed on the basis of a year of 365 days and (ii) Loans denominated in Alternative Currencies, other than Sterling, as to which customary market practice differs from the foregoing, interest shall be computed in accordance with such market practice. The applicable interest rate for each Base Rate Loan shall change simultaneously with each change in the Base Rate.

(b) Except as otherwise set forth herein, interest on each Loan (i) shall accrue on a daily basis and shall be payable in arrears on each Interest Payment Date with respect to interest accrued on and to each such Interest Payment Date; (ii) shall accrue on a daily basis and shall be payable in arrears upon any prepayment of such Loan, whether voluntary or mandatory, to the extent accrued on the amount being prepaid; and (iii) shall accrue on a daily basis and shall be payable in arrears at maturity of such Loan, including final maturity of such Loan; provided, that with respect to any voluntary prepayment of a Base Rate Loan, accrued interest shall instead be payable on the applicable Interest Payment Date.

(c) Each determination of an interest rate by the Administrative Agent shall be conclusive and binding upon the parties hereto, in the absence of demonstrable error.

SECTION 5 FEES.

5.1 Facility Fee. The Company agrees to pay to the Administrative Agent at its Principal Office for the account of each Lender a facility fee in U.S. Dollars, for the period from the Restatement Effective Date to the Termination Date, at the Facility Fee Rate in effect from time to time of such Lender's Pro Rata Share (as adjusted from time to time) of the Commitments (whether used or unused); provided, that (i) any facility fee accrued with respect to any of the unfunded Commitments of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall be payable by the Company so long as such facility fee shall otherwise have been due and payable by the Company prior to such time of such Lender becoming a Defaulting Lender, (ii) facility fees shall continue to accrue on the amount of the Commitment of a Defaulting Lender only to the extent of the Revolving Exposure of such Defaulting Lender and (iii) if a Lender continues to have any Revolving Exposure after its Commitment terminates, then facility fees shall continue to accrue on the daily amount of such Lender's Revolving Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Exposure. Facility fees shall be payable in arrears on the last day of each calendar quarter and on the Termination Date for any period then ending for which such facility fees shall not have previously been paid. The facility fee shall be computed for the actual number of days elapsed on the basis of a year of 360 days.

5.2 Letter of Credit Fees.

(a) The Company agrees to pay to the Administrative Agent at its Principal Office for the account of each Lender a letter of credit fee for each Letter of Credit equal to the L/C Fee Rate in effect from time to time of such Lender's Pro Rata Share (as adjusted from time to time) of the undrawn amount of such Letter of Credit (computed for the actual number of days elapsed on the basis of a year of 360 days). Such letter of credit fees shall be payable in arrears on the last Business Day of each calendar quarter and on the Termination Date (or such later date on which such Letter of Credit expires or is terminated) for the period from the date of the issuance of each Letter of Credit (or the last day on which the letter of credit fee was paid with respect thereto) to the date such payment is due or, if earlier, the date on which such Letter of Credit expired or was terminated.

(b) In addition, with respect to each Letter of Credit, the Company agrees to pay to each Issuing Lender, for its own account, (i) such fees and expenses as such Issuing Lender customarily requires in connection with the issuance, negotiation, processing and/or administration of letters of credit in similar situations and (ii) a letter of credit fronting fee of 0.125% per annum on the aggregate face amount of all outstanding Letters of Credit issued by such Issuing Lender. Such letter of credit fronting fee shall be payable in arrears on the last Business Day of each calendar quarter and on the Termination Date (or such later date on which such Letter of Credit expires or is terminated) for the period from the date of the issuance of each Letter of Credit (or the last day on which the letter of credit fee was paid with respect thereto) to the date such payment is due or, if earlier, the date on which such Letter of Credit expired or was terminated.

5.3 Administrative Agent's Fees. The Company agrees to pay to the Administrative Agent such agent's fees in the amounts and at times separately agreed upon.

SECTION 6 REDUCTION OR TERMINATION OF THE COMMITMENT; PREPAYMENTS.

6.1 Reduction or Termination of the Commitment.

6.1.1 Voluntary Reduction or Termination of the Commitment. The Company may from time to time on at least three Business Days' prior written notice received by the Administrative Agent (which shall promptly advise each Lender thereof) permanently reduce the Commitments to an amount not less than the Revolving Outstandings; provided that a notice of termination or reduction of the Commitments under this Section 6.1.1 may state that such notice is conditioned upon the occurrence of one or more events specified therein, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date). Any such reduction shall be in an amount not less than $1,000,000 or a higher integral multiple of $100,000. Concurrently with any reduction of the Commitments to zero, the Company shall pay all interest on the Loans, all facility fees and all letter of credit fees and shall Cash Collateralize in full all obligations arising with respect to the Letters of Credit.

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

6.2 Prepayments.

6.2.1 Voluntary Prepayments. The Company may from time to time prepay the Loans in whole or in part; provided that the Company shall give the Administrative Agent (which shall promptly advise each Lender) written notice thereof, which shall be substantially in the form of Exhibit F, not later than (i) with respect to Base Rate Loans, 12:00 P.M., Local Time, one Business Day prior to the proposed date of such prepayment, (ii) in the case of LIBOR Loans denominated in U.S. Dollars and Swing Line Loans, 12:00 P.M., Local Time, three Business Days prior to the proposed date of such prepayment and (iii) in the case of LIBOR Loans, EURIBOR Loans and CDOR Loans denominated in an Alternative Currency, 12:00 P.M., Local Time, four Business Days prior to the proposed date of such prepayment, which shall, in each case, be a Business Day, specifying the Loans to be prepaid and the date and amount of prepayment. Any such partial prepayment shall be in an amount equal to the applicable Borrowing Minimum or a higher integral multiple of the applicable Borrowing Multiple.

6.2.2 Mandatory Prepayments. If on any day (a) the Commitments are reduced pursuant to Section 6.1.2 or (b) due to fluctuations in currency exchange rates or any other reason, the Revolving Outstandings exceeds the Commitments, the Company shall immediately prepay Revolving Loans or Cash Collateralize the outstanding Letters of Credit, or do a combination of the foregoing, in an amount sufficient to eliminate such excess. If on any day the Administrative Agent or any Lender notifies the Company that the U.S. Dollar Equivalent of the aggregate principal amount of outstanding Revolving Loans denominated in an Alternative Currency exceeds an amount equal to 105% of the Alternative Currency Sublimit, within 5 Business Days after receipt of such notice, the Company shall prepay Revolving Loans denominated in an Alternative Currency in an aggregate amount such that, after giving effect to such prepayments, the U.S. Dollar Equivalent of the aggregate principal amount of outstanding Revolving Loans denominated in an Alternative Currency does not exceed the Alternative Currency Sublimit.

6.3 Manner of Prepayments. Each voluntary partial prepayment shall be in a principal amount of the applicable Borrowing Minimum or a higher integral multiple of the applicable Borrowing Multiple. Any partial prepayment of a Borrowing of LIBOR Loans, EURIBOR Loans or CDOR Loans shall be subject to Section 2.2.3(a). Any prepayment of a LIBOR Loan, EURIBOR Loan or CDOR Loan on a day other than the last day of an Interest Period therefor shall include interest on the principal amount being repaid and shall be subject to Section 8.4. Except as otherwise provided by this Agreement, all principal payments in respect of the Loans shall be applied first, to repay outstanding Swing Line Loans to the full extent thereof; second, to repay outstanding Base Rate Loans to the full extent thereof; and third, to repay outstanding LIBOR Loans, EURIBOR Loans and CDOR Loans in direct order of Interest Period maturities.

6.4 Repayments.

(a) The Revolving Loans of each Lender shall be paid in full and the Commitment shall terminate on the Termination Date.

(b) The Company shall repay each Swing Line Loan on the earlier to occur of (i) the date five Business Days after such Loan is made and (ii) the Termination Date.

(c) On or prior to the Termination Date, the Company shall terminate, Cash Collateralize or make such other arrangement as each applicable Issuing Lender shall reasonably agree with respect to each Letter of Credit that otherwise would remain outstanding as of the Termination Date.

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

7.1 Making of Payments. All payments of principal or interest on Loans denominated in U.S. Dollars, and of all fees, shall be made by the Company to the Administrative Agent in U.S. Dollars or, in the case of Loan denominated in an Alternative Currency, in such Alternative Currency, in each case in same day funds, without defense, setoff or counterclaim, free of any restriction or condition, at the Principal Office designated by the Administrative Agent not later than 12:00 P.M., New York City time, on the date due; and funds received after that hour shall be deemed to have been received by the Administrative Agent on the following Business Day. The Administrative Agent shall promptly remit to each Lender its share of all such payments received in collected funds by the Administrative Agent for the account of such Lender. All payments under Section 8.1 shall be made by the Company directly to the Lender entitled thereto without setoff, counterclaim or other defense.

7.2 Application of Certain Payments. So long as no Unmatured Event of Default or Event of Default has occurred and is continuing, voluntary and mandatory prepayments shall be applied as set forth in Sections 6.2 and 6.3. After the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Administrative Agent or any Lender shall be applied in the following order, and concurrently with each remittance to any Lender of its share of any such payment, the Administrative Agent shall advise such Lender as to the application of such payment: (i) first, to the payment of all fees, costs, expenses and indemnities of the Administrative Agent (in its capacity as such), including Attorney Costs, until paid in full; (ii) second, to the payment of all fees, costs, expenses and indemnities of the Lenders, pro-rata, until paid in full; (iii) third, to the payment of all of the Obligations consisting of accrued and unpaid interest owing to any Lender, pro-rata, until paid in full; (iv) fourth, to the payment of all Obligations consisting of principal owing to any Lender and unreimbursed disbursements under Letters of Credit owing to any Issuing Lender, pro-rata, until paid in full; (v) fifth, to the payment of the Administrative Agent an amount equal to all Obligations in respect of outstanding Letters of Credit to be held as cash collateral in respect of such obligations; (vi) sixth, to the payment of all other Obligations owing to each Lender, pro-rata, until paid in full; and (viii) seventh, to whomever may be lawfully entitled to receive such amounts, the amount of any remaining proceeds.

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

7.4 Setoff. The Company agrees that the Administrative Agent and each Lender have all rights of set-off and bankers' lien provided by applicable Law, in any currency, and in addition thereto, the Company agrees that at any time any Event of Default exists, the Administrative Agent and each Lender may apply to the payment of any Obligations of the Company hereunder, whether or not then due, any and all balances, credits, deposits, accounts or moneys of the Company then or thereafter with the Administrative Agent or such Lender.

7.5 Proration of Payments.

(a) If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of offset or otherwise, on account of (i) principal of or interest on any Loan, but excluding (x) any payment pursuant to Section 8.7 or 15.4 and (y) payments of interest on any Affected Loan) or (ii) its participation in any Letter of Credit or Swing Line Loans in excess of its applicable Pro Rata Share of payments and other recoveries obtained by all Lenders on account of principal of and interest on the Loans (or such participation) then held by them, then such Lender shall purchase from the other Lenders such participations in the Loans (or sub-participations in Letters of Credit) held by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of such recovery.

(b) All Loans shall be made, and all participations purchased, by Lenders simultaneously and proportionally to their respective Pro Rata Shares, it being understood that no Lender shall be responsible for any default by any other Lender in such other Lender's obligation to make a Loan requested hereunder or purchase a participation required hereby nor shall any Commitment of any Lender be increased or decreased as a result of a default by any other Lender in such other Lender's obligation to make a Loan requested hereunder or purchase a participation required hereby.

7.6 Taxes.

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

(ii) In addition, the Company shall pay any Other Taxes to the relevant taxing authority in accordance with applicable Law, or at the option of the Administrative Agent timely reimburse it for, Other Taxes.

(b) If the Company makes any payment hereunder or under any Loan Document in respect of which it is required by applicable Law to deduct or withhold any Taxes or Other Taxes, the Company shall increase the payment hereunder or under any such Loan Document such that after the reduction for the amount of Taxes or Other Taxes withheld (and any taxes withheld or imposed with respect to the additional payments required under this Section 7.6(b)), the amount paid to the Lenders or the Administrative Agent equals the amount that was payable hereunder or under any such Loan Document without regard to this Section 7.6(b). To the extent the Company withholds any Taxes or Other Taxes on payments hereunder or under any Loan Document, the Company shall pay the full amount deducted to the relevant taxing authority within the time allowed for payment under applicable Law and shall deliver to the Administrative Agent within thirty days after it has made payment to such authority a receipt issued by such authority (or other evidence satisfactory to the Administrative Agent) evidencing the payment of all amounts so required to be deducted or withheld from such payment.

(c) If any Lender or the Administrative Agent is required by Law to make any payments of any Taxes or Other Taxes on or in relation to any amounts received or receivable hereunder or under any other Loan Document, or any Tax is assessed against a Lender or the Administrative Agent with respect to amounts received or receivable hereunder or under any other Loan Document, the Company will indemnify such person against (i) such Taxes or Other Taxes (and any reasonable legal counsel fees and expenses associated with such Tax) and (ii) any Taxes or Other Taxes imposed as a result of the receipt of the payment under this Section 7.6(c), whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by relevant taxing authority. A certificate prepared in good faith as to the amount of such payment by such Lender or the Administrative Agent shall, absent manifest error, be final, conclusive, and binding on all parties.

(d) (i) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments made under any Loan Document shall deliver to the Company and the Administrative Agent, at the time or times reasonably requested by the Company or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Company or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Company or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Company or the Administrative Agent as will enable the Company or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

(i) Each Lender that is not a United States person within the meaning of Code Section 7701(a)(30) (a "Non-U.S. Participant") shall deliver to the

Company and the Administrative Agent on or prior to the Restatement Effective Date (or in the case of a Lender that is an Assignee, on the date of such assignment to such Lender) two accurate and complete signed copies of IRS Form W-8BEN, W-8BEN-E, W-8ECI, or W-8IMY (or any successor or other applicable form prescribed by the IRS), as applicable, certifying to such Lender's entitlement to a complete exemption from, or a reduced rate in, United States withholding tax on interest payments to be made hereunder or any Loan. If a Lender that is a Non-U.S. Participant is claiming a complete exemption from withholding on interest pursuant to Code Sections 871(h) or 881(c), the Lender shall deliver (along with two accurate and complete signed copies of IRS Form W-8BEN, or W-8BEN-E, as applicable) a certificate in form and substance reasonably acceptable to the Company and the Administrative Agent (any such certificate, a "Withholding Certificate"). In addition, each Lender that is a Non-U.S. Participant agrees that from time to time after the Restatement Effective Date, (or in the case of a Lender that is an Assignee, after the date of the assignment to such Lender), when a lapse in time or a change in circumstances renders the prior certificates hereunder obsolete or inaccurate, such Lender shall, to the extent permitted under applicable Law, deliver to the Company and the Administrative Agent two new and accurate and complete signed copies of IRS Form W-8BEN, W-8BEN-E, W-8ECI, or W-8IMY (or any successor or other applicable forms prescribed by the IRS), and if applicable, a new Withholding Certificate, to confirm or establish the entitlement of such Lender or the Administrative Agent to an exemption from, or reduction in, United States withholding tax on interest payments to be made hereunder or any Loan.

(ii) Each Lender that is not a Non-U.S. Participant shall provide two properly completed and duly executed copies of IRS Form W-9 (or any successor or other applicable form) to the Company and the Administrative Agent on or prior to the Restatement Effective Date (or in the case of a Lender that is an Assignee, on the date of such assignment to such Lender) certifying that such Lender is exempt from United States backup withholding tax. To the extent that a form provided pursuant to this Section 7.6(d)(iii) is rendered obsolete or inaccurate as result of a change in circumstances with respect to the status of a Lender, such Lender shall, to the extent permitted by applicable Law, deliver to the Company and the Administrative Agent revised forms necessary to confirm or establish the entitlement to such Lender's or Agent's exemption from United States backup withholding tax.

(iii) If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Company and the Administrative Agent at the time or times prescribed by Law and at such time or times reasonably requested by the Company or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Company or the Administrative Agent as may be necessary for the Company and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 7.6(d)(iv), "FATCA" shall include any amendments made to FATCA after the Original Effective Date.

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

(e) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any taxes as to which it has been indemnified pursuant to this Section 7.6 (including by the payment of additional amounts pursuant to this Section 7.6), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 7.6 with respect to the taxes giving rise to such refund), net of all reasonable out-of-pocket expenses (including taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (e) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the indemnified party in a less favorable net after-tax position than the indemnified party would have been in if the tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the indemnifying party or any other Person.

(f) Each party's obligations under this Section 7.6 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

SECTION 8 INCREASED COSTS; SPECIAL PROVISIONS FOR EUROCURRENCY LOANS AND CDOR LOANS.

8.1 Increased Costs.

(a) If, after the Restatement Effective Date, the adoption of, or any change in, any applicable Law, or any change in the interpretation or administration of any applicable Law by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency: (i) shall impose, modify or deem applicable any reserve (including any reserve imposed by the FRB), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Lender; (ii) shall impose on any Lender any other condition affecting its Eurocurrency Loans or CDOR Loans, its Note or its obligation to make Eurocurrency Loans or CDOR Loans or its participations in Letters of Credit or (iii) subject any Lender to any taxes (other than (A) Taxes on or in relation to any amounts received or receivable under Loan Documents, (B) Excluded Taxes and (C) Other Taxes) on its Loans, Loan principal, Letters of Credit, commitments or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; and the result of anything described in clauses (i), (ii) and (iii) above is to increase the cost to (or to impose a cost on) such Lender (or any lending office, as applicable, of such Lender) of making or maintaining any Eurocurrency Loan or CDOR Loan, or to reduce the amount of any sum received or receivable by such Lender (or its lending office, as applicable) under this Agreement or under its Note with respect thereto, then upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay directly to such Lender such additional amount as will compensate such Lender for such increased cost or such reduction, so long as such amounts have accrued on or after the day which is 180 days prior to the date on which such Lender first made demand therefor.

(b) If any Lender shall reasonably determine that any change in, or the adoption or phase-in of, any applicable Law regarding capital adequacy or liquidity, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or the compliance by any Lender or any Person controlling such Lender with any request or directive regarding capital adequacy or liquidity (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender’s or such controlling Person’s capital as a consequence of such Lender’s obligations hereunder or under any Letter of Credit to a level below that which such Lender or such controlling Person could have achieved but for such change, adoption, phase-in or compliance (taking into consideration such Lender’s or such controlling Person’s policies with respect to capital adequacy and liquidity) by an amount deemed by such Lender or such controlling Person to be material, then from time to time, upon demand by such Lender (which demand shall be accompanied by a statement setting forth the basis for such demand and a calculation of the amount thereof in reasonable detail, a copy of which shall be furnished to the Administrative Agent), the Company shall pay to such Lender such additional amount as will compensate such Lender or such controlling Person for such reduction so long as such amounts have accrued on or after the day which is 180 days prior to the date on which such Lender first made demand therefor.

For purposes of this Section 8.1, (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules, regulations, orders, requests, guidelines or directives thereunder or issued in connection therewith and (b) all requests, rules, guidelines or directives promulgated by the Bank of International settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case, pursuant to Basel III, shall in each case be deemed to have been adopted and gone into effect after the Restatement Effective Date, regardless of the date enacted, adopted or issued.

8.2 Basis for Determining Interest Rate Inadequate or Unfair.

If:

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

(b) the Required Lenders advise the Administrative Agent that the LIBO Rate, EURIBO Rate or CDOR Rate, as applicable, as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of maintaining or funding Eurocurrency Loans or CDOR Loans, as applicable, for such Interest Period (taking into account any amount to which such Lenders may be entitled under Section 8.1) or that the making or funding of Eurocurrency Loans or CDOR Loans has become impracticable as a result of an event occurring after the Restatement Effective Date which in the opinion of such Lenders materially affects such Loans; then the Administrative Agent shall promptly notify the other parties thereof and, so long as such circumstances shall continue, (i) no Lender shall be under any obligation to make or convert any Base Rate Loans into LIBOR Loans and (ii) on the last day of the current Interest Period for each Eurocurrency Loan and CDOR Loan, such Loan shall, unless then repaid in full, (i) in the case of Loans in U.S. Dollars, be automatically converted into Base Rate Loans on the last day of the then-current Interest Period with respect thereto and (ii) in the case of Loans in any Alternative Currency, at the option of the Company, either (x) be repaid on the last day of the then-current Interest Period with respect thereto or (y) be converted into Base Rate Loans denominated in U.S. Dollars on the last day of the then-current Interest Period with respect thereto, at the Spot Rate in effect on such day.

8.3 Changes in Law Rendering Eurocurrency Loans Unlawful. If any change in, or the adoption of any new, Law, or any change in the interpretation of any applicable Law by any Governmental Authority charged with the administration thereof, should make it (or in the good faith judgment of any Lender cause a substantial question as to whether it is) unlawful for any Lender to make, maintain or fund Eurocurrency Loans, then such Lender shall promptly notify each of the other parties hereto and, so long as such circumstances shall continue, (a) such Lender shall have no obligation to make Eurocurrency Loans or convert any Base Rate Loan into a LIBOR Loan (but shall make Base Rate Loans concurrently with the making of Eurocurrency Loans or conversion of Base Rate Loans into LIBOR Loans, by the Lenders which are not so affected, in each case in an amount equal to the amount of Eurocurrency Loans, as applicable, which would be made or converted into by such Lender at such time in the absence of such circumstances) and (b) on the last day of the current Interest Period for each Eurocurrency Loan, as applicable of such Lender (or, in any event, on such earlier date as may be required by the relevant Law or interpretation), such Eurocurrency Loan shall, unless then repaid in full, (i) in the case of Loans in U.S. Dollars, be automatically converted into Base Rate Loans on the last day of the then-current Interest Period with respect thereto and (ii) in the case of Loans in any Alternative Currency, at the option of the Company, either (x) be repaid on the last day of the then-current Interest Period with respect thereto or (y) be converted into Base Rate Loans denominated in U.S. Dollars on the last day of the then-current Interest Period with respect thereto, at the Spot Rate in effect on such day. Each Base Rate Loan made by a Lender which, but for the circumstances described in the foregoing sentence, would be a Eurocurrency Loan (an "Affected Loan") shall remain outstanding for the period corresponding to the Borrowing of Eurocurrency Loans of which such Affected Loan would be a part absent such circumstances.

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

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

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

8.7 Mitigation of Circumstances; Replacement of Lenders.

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

(b) If the Company becomes obligated to pay additional amounts to any Lender pursuant to Section 7.6 or 8.1, or any Lender gives notice of the occurrence of any circumstances described in Section 8.2 or 8.3, the Company may designate another bank which is acceptable to the Administrative Agent and each Issuing Lender in their reasonable discretion (such other bank being called a "Replacement Lender") to purchase the Loans of such Lender and such Lender's rights hereunder, without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding principal amount of the Loans payable to such Lender plus any accrued but unpaid interest on such Loans and all accrued but unpaid fees owed to such Lender and any other amounts payable to such Lender under this Agreement, and to assume all the obligations of such Lender hereunder provided (i) in the case of any assignment resulting from a claim for payment under Section 7.6 or 8.1, such assignment will result in a reduction in such payments, (ii) such assignment does not conflict with applicable law and (iii) in the case of any assignment resulting from a Lender becoming a non-consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent. Upon such purchase and assumption (pursuant to an Assignment Agreement), such Lender shall no longer be a party hereto or have any rights hereunder (other than rights with respect to indemnities and similar rights applicable to such Lender prior to the date of such purchase and assumption) and shall be relieved from all obligations to the Company hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender hereunder.

8.8 Conclusiveness of Statements. Determinations and statements of any Lender or the Administrative Agent pursuant to Section 8.1, 8.2, 8.3 or 8.4 shall be conclusive absent demonstrable error. Lenders may use reasonable averaging and attribution methods in determining compensation under Sections 8.1 and 8.4.

SECTION 9 REPRESENTATIONS AND WARRANTIES.

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

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

9.2 Authorization; No Conflict. (a) The execution, delivery and performance by each Loan Party of each Loan Document to which it is a party has been duly authorized by all necessary action on the part of each Loan Party that is party thereto and each such Loan Document has been duly executed and delivered by each such Loan Party party thereto. (b) The execution, delivery and performance by each Loan Party of each Loan Document to which it is a party, and the borrowings by the Company hereunder, do not and will not (i) require any consent or approval of, filing with or notice to, any Governmental Authority or any other Person (other than any consent or approval which has been obtained or filing or notice which has been made, and, in each case, which is in full force and effect), (ii) conflict with (A) any provision of Law, (B) the charter, by-laws or other organizational documents of any Loan Party or (C) any agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon any Loan Party or any of their respective properties, except with respect to clauses (A) or (C) to the extent such conflict would not have a Material Adverse Effect or (iii) require, or result in, the creation or imposition of any Lien on any asset of any Loan Party.

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

9.4 [Reserved].

9.5 No Material Adverse Change. Since December 31, 2016, there has been no event or condition that has had or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

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

9.7 Ownership of Properties; Liens. Except as identified on Schedule 1.1(c), each Loan Party owns good and, in the case of real property, marketable title to all of the properties and assets, real and personal, tangible and intangible, of any nature whatsoever which are material to its business (including patents, trademarks, trade names, service marks and copyrights) which it purports to own or which are reflected in its financial statements (except for personal property sold in the ordinary course of business after the date of such financial statements), free and clear of all Liens, charges and claims (including pending or, to the best of the Company's knowledge, threatened infringement claims with respect to patents, trademarks, service marks, copyrights and the like) except as permitted by Section 11.2.

9.8 Equity Ownership; Subsidiaries. All issued and outstanding Capital Securities of each Loan Party and each Centene Plaza Subsidiary are duly authorized and validly issued, fully paid, non-assessable, and free and clear of all Liens, and such securities were issued in compliance with all applicable state and Federal Laws concerning the issuance of securities. Schedule 9.8 describes each Subsidiary of the Company and each Subsidiary of each Loan Party as of the Restatement Effective Date and identifies the ownership of each Subsidiary. As of the Restatement Effective Date, except as identified on Schedule 9.8, the Company has no Subsidiaries that are not Wholly-Owned Subsidiaries. As of the Restatement Effective Date, except as identified on Schedule 9.8, there are no pre-emptive or other outstanding rights, options, warrants, conversion rights or other similar agreements or understandings for the purchase or acquisition of any Capital Securities of any Loan Party.

9.9 Pension Plans.

(a) The Unfunded Liability of all Pension Plans does not in the aggregate exceed 20% of the Total Plan Liability for all such Pension Plans. Each Pension Plan complies in all material respects with all applicable requirements of Law and regulations. No failure to make contributions under Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan has occurred with respect to any Pension Plan, sufficient to give rise to a Lien under Section 303(k) of ERISA, or otherwise to have a Material Adverse Effect. There are no pending or, to the knowledge of the Company, threatened, claims, actions, investigations or lawsuits against any Pension Plan, any fiduciary of any Pension Plan, or the Company or other any member of the Controlled Group with respect to a Pension Plan or a Multiemployer Pension Plan which could reasonably be expected to have a Material Adverse Effect. Neither the Company nor any other member of the Controlled Group has engaged in any prohibited transaction (within the meaning of Section 4975 of the Code or Section 406 of ERISA) in connection with any Pension Plan or Multiemployer Pension Plan which would subject that Person to any material liability. Within the past five years, neither the Company nor any other member of the Controlled Group has engaged in a transaction which resulted in a Pension

Plan with an Unfunded Liability being transferred out of the Controlled Group, which could reasonably be expected to have a Material Adverse Effect. No Termination Event has occurred or is reasonably expected to occur which could reasonably be expected to have a Material Adverse Effect.

(b) All contributions (if any) have been made to any Multiemployer Pension Plan that are required to be made by the Company or any other member of the Controlled Group under the terms of the plan or of any collective bargaining agreement or by applicable Law; neither the Company nor any other member of the Controlled Group has withdrawn or partially withdrawn from any Multiemployer Pension Plan, incurred any withdrawal liability with respect to any such plan or received notice of any claim or demand for withdrawal liability or partial withdrawal liability from any such plan, and no condition has occurred which, if continued, could result in a withdrawal or partial withdrawal from any such plan; and neither the Company nor any other member of the Controlled Group has received any notice that any Multiemployer Pension Plan is in endangered or critical status (within the meaning of Section 432 of the Code or Section 305 of ERISA), that increased contributions may be required to avoid a reduction in plan benefits or the imposition of any excise tax, that any such plan is or has been funded at a rate less than that required under Section 412 of the Code, that any such plan is or may be terminated, or that any such plan is or may become insolvent.

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

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

9.12 Taxes. Each Loan Party has timely filed all Tax returns and reports required by Law to have been filed by it and has paid all Taxes and governmental charges due and payable with respect to such return, except any such Taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books or where the failure to file could not reasonably be expected to have a Material Adverse Effect. The Loan Parties have made adequate reserves on their books and records in accordance with GAAP for all Taxes that have accrued but which are not yet due and payable. No Loan Party has participated in any transaction that relates to a year of the taxpayer (which is still open under the applicable statute of limitations) which is a "listed transaction" within the meaning of Section 6707A(c)(2) of the Code and Treasury Regulation Section 1.6011-4(b)(2) (irrespective of the date when the transaction was entered into).

9.13 Solvency, etc. On the Restatement Effective Date, and immediately prior to and after giving effect to the issuance of each Letter of Credit and each borrowing hereunder and the use of the proceeds thereof, the Company and the other Loan Parties on a consolidated basis, are Solvent.

9.14 Environmental Matters. Each Loan Party complies and at all times has complied with all Environmental Laws, except such non-compliance which could not (if enforced in accordance with applicable Law) reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect. Each Loan Party has obtained, and maintained in good standing, all licenses, permits, authorizations, registrations and other approvals required under any Environmental Law for their respective operations, and for their reasonably anticipated future operations, and each Loan Party is in compliance with all terms and conditions thereof, except where the failure to do so could not reasonably be expected to result in material liability to any Loan Party, or, either individually or in the aggregate, in a Material Adverse Effect. No Loan Party and no properties or operations of any Loan Party is subject to, and no Loan Party reasonably anticipates the issuance of, any written order from or agreement with any Governmental Authority, and no Loan Party and no properties or operations of any Loan Party is subject to any pending, or to the Company's knowledge threatened litigation, arbitration, investigation or other proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Substance, except with respect to orders, agreements, litigation, arbitration, investigations or other proceedings that could not reasonably be expected to result in material liability to any Loan Party, or, either individually or in the aggregate, in a Material Adverse Effect. There are no Hazardous Substances or other environmental conditions or circumstances existing with respect to any property currently owned, leased or operated by any Loan Party or, to the Company's knowledge, any other location (including any site at which the Company has disposed or arranged for the disposal of Hazardous Substances) or relating to any release or threatened release of any Hazardous Substance, which would reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect.

9.15 Insurance. Set forth on Schedule 9.15 is a complete and accurate summary of the property and casualty insurance program of the Loan Parties as of the Restatement Effective Date (including the names of all insurers, policy numbers, expiration dates, amounts and types of coverage, deductibles and self-insured retention). Each Loan Party and its properties are insured with financially sound and reputable insurance companies which are not Affiliates of the Loan Parties, in such amounts (after giving effect to self-insurance), with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where such Loan Parties operate.

9.16 Real Property. Set forth on Schedule 9.16 is a complete and accurate list, as of the Restatement Effective Date, of the addresses of all real property owned by any Loan Party.

9.17 Information. All information heretofore or contemporaneously herewith furnished in writing by any Loan Party to the Administrative Agent or any Lender for purposes of or in connection with this Agreement and the transactions contemplated hereby is, and all written information hereafter furnished by or on behalf of any Loan Party to the Administrative

Agent or any Lender pursuant hereto or in connection herewith (in each case, other than projections, other forward-looking information and information of a general economic or general industry nature) will be, true and accurate in every material respect on the date as of which such information is dated or certified, and none of such information is or will be incomplete by omitting to state any material fact necessary to make such information not misleading in light of the circumstances under which made. All financial projections concerning the Company and the other Loan Parties heretofore or contemporaneously herewith furnished in writing by any Loan Party to the Administrative Agent or any Lender for purposes of or in connection with this Agreement and the transactions contemplated hereby are, and all such financial projections hereafter furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender pursuant hereto or in connection herewith will be, prepared in good faith with a reasonable basis for the assumptions and the conclusions reached therein and on a basis consistent with the Company's historical financial data (it being recognized by the Administrative Agent and the Lenders that (w) financial projections are as to future events and are not to be viewed as facts, (x) financial projections are subject to significant uncertainties and contingencies, many of which are beyond any Loan Parties' control, (y) no assurance can be given that any particular financial projections will be realized and (z) actual results during the period or periods covered by any such financial projections may differ significantly from the projected results and such differences may be material).

9.18 Intellectual Property. Each Loan Party owns and possesses or has a license or other right to use all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights, copyrights, license and other intellectual property rights as are necessary for the conduct of the businesses of the Loan Parties, and does not infringe upon any rights of any other Person which could reasonably be expected to have a Material Adverse Effect.

9.19 Labor Matters. Except as set forth on Schedule 9.19, no Loan Party is subject to any labor or collective bargaining agreement. There are no existing or, to the Company's knowledge, threatened strikes, lockouts or other labor disputes involving any Loan Party that singly or in the aggregate could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of the Loan Parties are not in violation of the Fair Labor Standards Act or any other applicable Law dealing with such matters except any violation which could not reasonably be expected to have a Material Adverse Effect.

9.20 No Default. No Event of Default or Unmatured Event of Default exists or would result from the incurrence by any Loan Party of any Debt hereunder or under any other Loan Document.

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

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

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

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

9.25 PATRIOT Act; OFAC; Sanctions and Anti-Corruption and Anti-Money Laundering Laws.

(a) PATRIOT Act. To the extent applicable, each of the Company and its Subsidiaries and Unrestricted Subsidiaries is in compliance in all material respects with the Patriot Act.

(b) Other Laws. The Company and its Subsidiaries and Unrestricted Subsidiaries are in compliance, in all material respects, with Anti-Corruption Laws, including, for the avoidance of doubt, the United States Foreign Corrupt Practices Act of 1977, as amended (the "FCPA") and the UK Bribery Act 2010.

(c) Sanctions. The Company has implemented and maintains in effect policies and procedures reasonably designed to ensure compliance by the Company and its Subsidiaries and Unrestricted Subsidiaries and their respective directors and officers, and to the knowledge of the Company, their respective employees with Anti-Corruption Laws and applicable Sanctions, and the Company and its Subsidiaries and Unrestricted Subsidiaries and, to the knowledge of the Company, their respective officers, employees and directors, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects and are not knowingly engaged in any activity that would reasonably be expected to result in any Loan Party being designated as a Sanctioned Person. None of the Company or its Subsidiaries and Unrestricted Subsidiaries or, to the knowledge of Company or such Subsidiary or Unrestricted Subsidiary, any of their respective directors, officers, employees or agents is a Sanctioned Person. No Loan or Letter of Credit, use of proceeds or other transaction contemplated by this Agreement will violate any applicable Sanctions.

(d) Use of Proceeds. No part of the proceeds of the Loans or Letters of Credit will be used by the Company or its Subsidiaries or Unrestricted Subsidiaries, directly or, to the knowledge of the Company, indirectly, (i) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of Anti-Corruption Laws, (ii) in violation of Sanctions or (iii) in violation of Anti-Corruption Laws or other applicable anti-terrorism Laws and anti-money laundering Laws, including, for the avoidance of doubt, the Patriot Act.

SECTION 10 AFFIRMATIVE COVENANTS.

From and after the Restatement Effective Date and until the expiration or termination of the Commitments and thereafter until all Obligations hereunder and under the other Loan Documents are paid in full (other than contingent amounts not yet due) and all Letters of Credit have been terminated, expired or Cash Collateralized, the Company agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will:

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

10.1.1 Annual Report. Promptly when available and in any event within ninety days after the end of each Fiscal Year a copy of the annual audit report of the Company and its Subsidiaries for such Fiscal Year, including therein consolidated balance sheets and statements of earnings and cash flows of the Company and its Subsidiaries as at the end of such Fiscal Year, certified without adverse reference to going concern value and without qualification by independent auditors of recognized standing selected by the Company and reasonably acceptable to the Administrative Agent, together with a written statement from such accountants to the effect that in making the examination necessary for the signing of such annual audit report by such accountants, nothing came to their attention that caused them to believe that the Company was not in compliance with any provision of Section 11.1, 11.3 or 11.12 of this Agreement insofar as such provision relates to accounting matters or, if something has come to their attention that caused them to believe that the Company was not in compliance with any such provision, describing such non-compliance in reasonable detail; provided that the Company shall be deemed to have delivered and certified the information required in this Section 10.1.1 to the extent, and on the date, that such information is posted at the Company's website on the internet at www.centene.com, at www.sec.gov, or at such other website identified by the Company, in all cases so long as (i) such website is accessible by the Administrative Agent and the Lenders without charge and (ii) the Company shall promptly deliver paper copies of any such information to the Administrative Agent or any of the Lenders upon request.

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

10.1.3 Compliance Certificates. On or prior to the date that each annual audit report is required to be furnished pursuant to Section 10.1.1 and each set of quarterly statements is required to be furnished pursuant to Section 10.1.2, a duly completed compliance certificate in the form of Exhibit B, with appropriate insertions, dated the date of such annual report or such quarterly statements and signed by a Senior Officer of the Company, containing (i) a certification of such Senior Officer that the financial statements accompanying such compliance certificate have been prepared in accordance with GAAP applied consistently throughout the periods covered thereby and with prior periods (except as disclosed therein), (ii) a computation of each of the financial ratios and restrictions set forth in Section 11.12 and to the effect that such officer has not become aware of any Event of Default or Unmatured Event of Default that has occurred and is continuing or, if there is any such event, describing it and the steps, if any, being taken to cure it, (iii) to the extent the Company shall cease to file regular, periodic reports with the SEC, a written statement of the Company's management setting forth a discussion of the Company's financial condition, changes in financial condition and results of operations and (iv) at any time when there are any Unrestricted Subsidiaries, a completed Unrestricted Subsidiary Reconciliation Statement signed by a Senior Officer of the Company stating that such reconciliation statement accurately reflects all adjustments necessary to treat the Unrestricted Subsidiaries as if they were not consolidated with the Company and to otherwise eliminate all accounts of the Unrestricted Subsidiaries and reflects no other adjustment from the related GAAP financial statement (except as otherwise disclosed in such reconciliation statement). The computations in each Compliance Certificate shall be made after giving effect to the Centene Plaza Subsidiary Exclusion, and shall demonstrate the calculation of the Centene Plaza Subsidiary Exclusion and the effect thereof on Company's financial statements in form and detail satisfactory to the Administrative Agent.

10.1.4 Reports to the SEC and to Shareholders. Promptly upon the filing or sending thereof, copies of all regular, periodic or special reports of any Loan Party filed with the SEC; copies of all registration statements of any Loan Party filed with the SEC (other than on Form S-8); and copies of all proxy statements or other communications made to security holders generally; provided that the Company shall be deemed to have delivered and certified the information required in this Section 10.1.4 to the extent, and on the date, that such information is posted at the Company's website on the internet at www.centene.com, at www.sec.gov, or at such other website identified by the Company, in all cases so long as (i) such website is accessible by the Administrative Agent and the Lenders without charge and (ii) the Company shall promptly deliver paper copies of any such information to the Administrative Agent or any of the Lenders upon request.

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

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

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

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

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

10.1.6 Budgets. As soon as practicable, and in any event not later than sixty days after the commencement of each Fiscal Year, a budget for such Fiscal Year for the Company and its Subsidiaries in form and detail satisfactory to the Administrative Agent. The budget shall be presented both before and after giving effect to the Centene Plaza Subsidiary Exclusion.

10.1.7 Unrestricted Subsidiaries. Substantially contemporaneously with each designation of a Subsidiary as an "Unrestricted Subsidiary" and each redesignation of an Unrestricted Subsidiary as a "Subsidiary", written notice of such designation or redesignation, as applicable.

10.1.8 Other Information. Promptly from time to time, such other information concerning the Company or any of its Subsidiaries as any Lender or the Administrative Agent may reasonably request.

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

10.3 Maintenance of Property; Insurance.

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

(b) Maintain, and cause each other Loan Party to maintain, with responsible insurance companies, such insurance coverage as may be required by any Law or court decree or order applicable to it and such other insurance, to such extent and against such hazards and liabilities, as is customarily maintained by companies similarly situated.

10.4 Compliance with Laws; Payment of Taxes and Liabilities. (a) Comply, and cause each other Loan Party to comply with all applicable Laws (including Environmental Laws), except where failure to comply could not reasonably be expected to have a Material Adverse Effect; (b) without limiting clause (a) above, comply, and cause each other Subsidiary and Unrestricted Subsidiary to comply, with all applicable Bank Secrecy Act ("BSA") and anti-money laundering Laws, (c) maintain in effect and enforce policies and procedures reasonably designed to ensure compliance by the Company and its Subsidiaries and Unrestricted Subsidiaries and their respective directors, officers and employees with Anti-Corruption Laws and applicable Sanctions and (e) pay, and cause each other Loan Party to pay, prior to delinquency, all Taxes and other governmental charges against it, as well as claims of any kind which, if unpaid, could become a Lien on any of its property; provided that the foregoing shall not require any Loan Party to pay any such Tax or charge so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall set aside on its books adequate reserves with respect thereto in accordance with GAAP.

10.5 Maintenance of Existence, Material Licenses, etc. Maintain and preserve, and (subject to Section 11.4) cause each other Loan Party to maintain and preserve, (a) to the extent such concept is applicable in the relevant jurisdiction, its existence and good standing in the jurisdiction of its organization, and its qualification to do business and good standing in each jurisdiction where the nature of its business makes such qualification necessary (other than such jurisdictions in which the failure to be qualified or in good standing could not reasonably be expected to have a Material Adverse Effect), and (b) all Material Licenses of such Loan Party.

10.6 Use of Proceeds. Use the proceeds of the Loans, and the Letters of Credit to (w) finance ongoing working capital requirements and for other general corporate purposes of the Company and its subsidiaries, (x) pay acquisition consideration in connection with the Fidelis Acquisition, (y) prepay existing indebtedness of Fidelis and its subsidiaries and (z) pay Fidelis Transaction Costs; and not use or permit any proceeds of any Loan to be used, either directly or, to the knowledge of the Company, indirectly, (a) for the purpose, whether immediate, incidental or ultimate, of "purchasing or carrying" any Margin Stock or (b)(i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country in violation of Sanctions or (iii) in any other manner that would result in the violation of any Sanctions applicable to any party hereto.

10.7 Employee Benefit Plans.

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

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

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

10.8 Environmental Matters. If any release or threatened release of Hazardous Substances shall occur or shall have occurred on any real property or any other assets of any Loan Party for which the Company could be held liable pursuant to applicable Environmental Law, the Company shall, or shall cause the applicable Loan Party or shall make commercially reasonable efforts to cause the other responsible party to, undertake the prompt containment and removal of such Hazardous Substances and the remediation of such real property or other assets as necessary to comply with all Environmental Laws and to preserve the value of such real property or other assets except to the extent such non-compliance would not reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, the Company shall, and shall cause each other Loan Party or shall make commercially reasonable efforts to cause the other responsible party to, comply with any all requirements of any Governmental Authority relating to the performance of activities in response to the release or threatened release of a Hazardous Substance except to the extent such non-compliance would not reasonably be expected to have a Material Adverse Effect.

10.9 Credit Ratings. At all times use commercially reasonable efforts to maintain a public corporate credit rating from S&P and a public corporate family rating from Moody's, in each case in respect of the Company.

10.10 Designation of Restricted and Unrestricted Subsidiaries. The Company may at any time after the Restatement Effective Date designate any Subsidiary as an Unrestricted Subsidiary or any Unrestricted Subsidiary as a "Subsidiary"; provided that (a) immediately before and after such designation, no Unmatured Event of Default or Event of Default shall have occurred and be continuing or would result from such designation, (b) immediately after giving effect to such designation, the Company shall be in compliance on a pro forma basis with the covenants set forth in Section 11.12 (giving effect, if applicable, to the provisos thereto) recomputed as of the last day of the most recently ended Fiscal Quarter of the Company in respect of which financial statements have been delivered under Section 10.1.1 or 10.1.2, and the Company shall have delivered to the Administrative Agent a certificate of a Senior Officer setting forth reasonably detailed calculations demonstrating compliance with this clause (b), and (c) no Subsidiary may be designated as an Unrestricted Subsidiary if it is a "restricted subsidiary" or a "guarantor" (or any similar designation) for any Material Debt. The designation of any Subsidiary as an Unrestricted Subsidiary shall constitute an Investment by the parent company of such Subsidiary therein under Section 11.9 at the date of designation in an amount equal to the net book value of such parent company's investment therein. The designation of any Unrestricted Subsidiary as a "restricted subsidiary" shall constitute the incurrence at the time of designation of any Debt or Liens of such Subsidiary, and the making of an Investment by such Subsidiary in any Investments of such Subsidiary, in each case existing at such time.

SECTION 11 NEGATIVE COVENANTS.

From and after the Restatement Effective Date and until the expiration or termination of the Commitments and thereafter until all Obligations hereunder and under the other Loan Documents are paid in full (other than contingent amounts not yet due) and all Letters of Credit have been terminated, expired or Cash Collateralized, the Company agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will:

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

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

(b) Real Estate Debt, together with any Debt of any Centene Plaza Subsidiary (including Centene Plaza Debt), the aggregate amount of which at any one time outstanding when taken together with any Investments made pursuant to Section 11.9(a)(iv) does not exceed an amount equal to 90% of the amount of the fair market value of the property securing such Real Estate Debt;

(c) Debt which is unsecured; provided that (i) after giving effect thereto on a pro forma basis, the Company and the other Loan Parties shall be in compliance with a Total Debt to EBITDA Ratio not greater than the applicable ratio set forth in Section 11.12.2 (giving effect, if applicable, to the provisos thereto) as of the last day of the most recently ended Computation Period, (ii) no Unmatured Event of Default or Event of Default shall have occurred and be continuing on the date of incurrence of such Debt or could reasonably be expected to occur as a result thereof, (iii) the documents governing such Debt do not contain covenants (including quantitative covenants and financial covenants) which are, taken as a whole, more restrictive in any material respect than the covenants contained in this Agreement, (iv) the final maturity of such Debt shall be no earlier than ninety days after the Latest Maturity Date and (v) the weighted average life to maturity of such Debt shall not be shorter than the weighted average life to maturity of any Loans or Commitments outstanding as of the time of the issuance thereof; provided that clauses (iii), (iv) and (v) shall not apply to any bridge facility on customary terms if the long-term indebtedness that such bridge facility is to be converted into satisfies such clauses.

(d) Subordinated Debt which is unsecured; provided that (i) after giving effect thereto on a pro forma basis, the Company and the other Loan Parties shall be in compliance with a Total Debt to EBITDA Ratio not greater than the applicable ratio set forth in Section 11.12.2 (giving effect, if applicable, to the provisos thereto) as of the last day of the most recently ended Computation Period, (ii) no Unmatured Event of Default or Event of Default shall have occurred and be continuing on the date of incurrence of such Debt or could reasonably be expected to occur as a result thereof, (iii) the documents governing such Subordinated Debt shall not contain covenants (including quantitative covenants and financial covenants) which are more restrictive in any material respect, taken as a whole, than the covenants contained in this Agreement, (iv) the final maturity of such Subordinated Debt shall be no earlier than ninety days after the Latest Maturity Date and (v) the weighted average life to maturity of such Subordinated Debt shall not be shorter than the weighted average life to maturity of any Loans or Commitments outstanding as of the time of the issuance thereof;

(e) Hedging Obligations incurred for bona fide hedging purposes and not for speculation and Debt incurred in the ordinary course of business in respect of netting services, overdraft protections and otherwise in connection with deposit accounts;

(f) (i) the 2021 Senior Notes, the 2022 Senior Notes, the 2024 Senior Notes and the 2025 Senior Notes outstanding on the Restatement Effective Date, (ii) the New Senior Notes and the Bridge Loans; provided that the aggregate principal amount at any one time outstanding under this clause (ii) shall not exceed $3,750,000,000 in the aggregate, and (iii) Debt described on Schedule 11.1;

(g) Debt under Capital Leases for capital assets or purchase money Debt whose aggregate cost if purchased would not exceed 1.50% of Consolidated Total Assets at the time of incurrence;

(h) Guarantee Obligations of the Company which do not exceed $300,000,000 in the aggregate at any time outstanding;

(i) Guarantee Obligations arising with respect to customary indemnification obligations in favor of sellers, adjustment of purchase price or similar obligations or from guaranties or letters of credit, surety bonds, performance bonds or similar obligations securing the performance of the Company or any Loan Party pursuant to such agreements, in each case in connection with Acquisitions permitted under Section 11.4 and purchasers in connection with dispositions permitted under Section 11.4;

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

(k) (i) Debt of any Loan Party to the Company which results from an Investment made by the Company in such Loan Party pursuant to, and permitted by, Section 11.9(b) and (ii) Debt of any Loan Party to another Loan Party which results from an Investment made by such Loan Party in such other Loan Party pursuant to, and permitted by Section 11.9(a)(i);

(l) Debt in respect of Outside Letters of Credit in an aggregate principal amount not to exceed $300,000,000;

(m) Debt of the Company or any other Loan Party (excluding Guarantee Obligations) in an aggregate amount at any one time outstanding not to exceed 3.00% of Consolidated Total Assets at the time of incurrence;

(n) assumed Debt of any Person that becomes a Loan Party after the Restatement Effective Date; provided that (i) on a pro forma basis after giving effect to the incurrence of such Debt, the Company will be in compliance with the financial covenant in Section 11.12.2 (giving effect, if applicable, to the provisos thereto) as of the last day of the most recently ended Computation Period, (ii) such Debt exists at the time such Person becomes a Loan Party and is not created in contemplation or in connection with such Person becoming a Loan Party, (iii) neither the Company nor any Loan Party that was not an obligor with respect to such Debt prior to such Person becoming a Loan Party shall become an obligor for such Debt; and (iv) such Debt shall not be secured by a Lien on any property of the Company or any Loan Party that did not secure such Debt prior to such Person becoming a Loan Party (except for proceeds and the products thereof and, in the case of multiple financings of equipment provided by any lender, other equipment financed by such lender);

(o) Debt of any Loan Party (other than any letter of credit) (i) pursuant to tenders, statutory obligations, bids, leases, governmental contracts, trade contracts, surety, stay, customs, appeal, performance or return of money bonds or other similar obligations incurred in the ordinary course of business and (ii) in respect of surety bonds, performance bonds or similar instruments to support any of the foregoing items;

(p) Debt of any Loan Party (other than any letter of credit, but including obligations in respect of bank guaranties, surety bonds, performance bonds or similar instruments with respect to such Debt) incurred by such Loan Party in respect of workers compensation claims, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, vacation pay, health, disability or other employee benefits;

(q) Debt representing the deferred purchase price of property (including intellectual property) or services, including earn-out obligations, purchase price adjustments, escrow arrangements or other arrangements representing deferred payments incurred in connection with any Acquisition permitted or consented to hereunder; and

(r) provided that no Unmatured Event of Default or Event of Default shall have occurred and is continuing or would result therefrom, the incurrence or issuance by the Company or any other Loan Party of Debt which serves to extend, replace, refund, renew, defease or refinance any Debt incurred as permitted under clauses (f), (g), (m) and (n) of this Section 11.1 or any Debt issued to so extend, replace, refund, renew, defease or refinance such Debt ("Refinancing Debt"); provided, however, that, (i) the final maturity date of such Refinancing Debt shall be no earlier than ninety days after the Latest Maturity Date, (ii) the weighted average life to maturity of such Refinancing Debt shall not be shorter than the weighted average life to maturity of the Debt being extended, replaced, refunded, renewed, defeased or refinanced, (iii) to the extent such Refinancing Debt extends, replaces, refunds, renews, defeases or refinances Debt subordinated or pari passu to the Obligations, such Refinancing Debt is subordinated or pari passu to the Obligations at least to the same extent (as determined in good faith by the board of directors of the Company) as the Debt being extended, replaced, refunded, renewed, defeased or refinanced and (iv) such Refinancing Debt shall be in an amount not greater than the amount of the Debt being extended, replaced, refunded, renewed, defeased or refinanced plus an additional amount incurred to pay reasonable premiums (including tender premiums) outstanding and unpaid interest and reasonable fees and expenses incurred in connection therewith; provided, further, however, that to the extent that any Debt incurred under clauses (g) or (m) is refinanced pursuant to this clause (r), then the aggregate outstanding principal amount of such Refinancing Debt shall be deemed to utilize the related basket under the applicable clause on a dollar-for-dollar basis (it being understood that an Unmatured Event of Default or Event of Default shall be deemed not to have occurred solely to the extent that the incurrence of such Refinancing Debt would cause the permitted amount under such Section to be exceeded and such excess shall be permitted hereunder).

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

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

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

(c) Liens described on Schedule 11.2 as of the Restatement Effective Date and any replacement, extension or renewal thereof upon or in the same property subject thereto arising out of the extension, renewal or replacement of the Debt secured thereby (without increase in the amount thereof (other than on account of any accrued but unpaid interest, fees and premium payable by the terms of such Debt thereon));

(d) (i) subject to the limitation set forth in Section 11.1(b), Liens that constitute purchase money security interests on any property (including mortgage liens on real property) securing debt incurred for the purpose of financing all or any part of the cost of acquiring such property, provided that any such Lien attaches to such property within twenty days of the acquisition thereof and attaches solely to the property so acquired and any improvements thereon or proceeds from the disposition thereof, and the replacement, extension or renewal of any Lien permitted by this clause (i) upon or in the same property subject thereto arising out of the extension, renewal or replacement of the Debt secured thereby (without increase in the amount thereof (other than on account of any accrued but unpaid interest, fees and premium payable by the terms of such Debt thereon)); (ii) subject to the limitations set forth in Section 11.1(g), Liens arising in connection with Capital Leases (and attaching only to the property subject to such Capital Leases and any improvements thereon or proceeds from the disposition thereof); and (iii) Liens attaching to the real property constituting a Centene Plaza Project to secure the Centene Plaza Debt;

(e) attachments, appeal bonds, judgments and other similar Liens for sums not exceeding an amount equal to (A) 2.00% of Consolidated Total Assets at the time of incurrence in the aggregate minus (B) the aggregate amount of outstanding Liens incurred pursuant to clause (s) below; provided the execution or other enforcement of such Liens incurred pursuant to this clause (e) are effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

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

(g) Liens arising under the Loan Documents;

(h) Liens securing Debt permitted by Section 11.1(e);

(i) Liens securing Debt permitted by Section 11.1(l) in an aggregate principal amount not exceeding $300,000,000;

(j) Liens securing Debt permitted by Section 11.1(m) in an aggregate principal amount not exceeding 1.50% of Consolidated Total Assets at the time of incurrence;

provided that the final maturity of such Debt shall be no earlier than ninety days after the Latest Maturity Date;

(k) Liens securing Debt permitted by Section 11.1(m) in an aggregate principal amount not exceeding 1.50% of Consolidated Total Assets at the time of incurrence;

(l) Liens of a Person at the time such Person becomes a Loan Party, provided that such Liens were not created in contemplation of the applicable Person becoming a Loan Party and do not extend to any assets other than those of the Person acquired, merged into or consolidated with a Loan Party or acquired by a Loan Party (except for proceeds and the products thereof and, in the case of multiple financings of equipment provided by any lender, other equipment financed by such lender) and to the extent the obligations secured thereby constitute Debt, such Debt is permitted under Section 11.1(n);

(m) Liens in connection with the sale or transfer of any assets in a transaction permitted hereunder, customary rights and restrictions contained in agreements relating to such sale or transfer pending the completion thereof;

(n) Liens securing, in the case of any joint venture, any put and call arrangements related to its Capital Securities set forth in its organizational documents or any related joint venture or similar agreement;

(o) any interest or title of a lessor under any lease or sublease entered into by the Company or any Loan Party in the ordinary course of its business and other statutory and common law landlords' Liens under leases;

(p) any interest or title of a licensor under any license or sublicense entered into by the Company or any Loan Party as a licensee or sublicensee (A) existing on the Restatement Effective Date or (B) in the ordinary course of its business;

(q) any interest or title of a licensor or lessor under any licenses, sublicenses, leases or subleases granted to other Persons permitted hereunder;

(r) Liens evidenced by the filing of precautionary UCC financing statements (or any similar precautionary filings) relating solely to operating leases of personal property entered into in the ordinary course of business;

(s) Liens on earnest money deposits of cash or cash equivalents, escrow arrangements or similar arrangements made by the Company or any Subsidiary in connection with any letter of intent or purchase agreement for an Acquisition permitted by Section 11.4 or other Investment permitted pursuant to Section 11.9; and

(t) other Liens securing obligations in an aggregate principal amount not to exceed an amount equal to (A) 1.50% of Consolidated Total Assets at the time of incurrence minus (B) the aggregate amount of outstanding Liens incurred pursuant to clause (e) above.

11.3 Restricted Payments. Not, and not permit any other Loan Party to, (a) make any distribution to any holders of its Capital Securities (except for dividends or distributions from a Subsidiary to a domestic Wholly-Owned Subsidiary of the Company or to the Company and dividends or distributions from a Subsidiary ratably to any non-Wholly-Owned Subsidiary of the Company), (b) purchase or redeem any of its Capital Securities, (c) pay any management fees or similar fees to any of its equityholders or any Affiliate thereof, (d) make any redemption, prepayment, defeasance, repurchase or any other payment in respect of any Subordinated Debt, (e) make any contribution to, donation to, loan to, investment in, or any other transfer of funds or property to any Charitable Foundation or (f) set aside funds for any of the foregoing (items (a) through (f) above, collectively, "Restricted Payments"). Notwithstanding the foregoing, so long as no Unmatured Event of Default or Event of Default has occurred and is continuing or could reasonably be expected to occur as a result thereof, (i) the Company may make a distribution to holders of its Capital Securities in the form of stock of the Company, (ii) in lieu of fractional shares in association with a stock dividend or exercise of warrants, options or other securities exchangeable into Capital Securities of the Company, the Company may pay cash dividends in an aggregate amount not exceeding $75,000,000 in any Fiscal Year, (iii) the Company may make any Restricted Payment so long as, immediately prior to giving effect to such Restricted Payment, Total Debt to EBITDA as of the last day of the Computation Period most recently ended is less than 3.50:1.00, (iv) the Company may make any Restricted Payments not otherwise permitted hereby in an aggregate amount not to exceed $200,000,000 in any calendar year (with unused amounts for any year being carried over to the next succeeding year, but not to any subsequent year, and the permitted amount for each year shall be used prior to any amount carried over from the previous year), (v) the Company may make other Restricted Payments to repurchase Capital Securities of the Company upon the exercise of stock options if such Capital Securities represent a portion of the exercise price of such options, so long as substantially concurrently with such Restricted Payment, the Company applies the proceeds of such Restricted Payment to repurchase such Capital Securities, (vi) the Company make any payment on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Capital Securities in the Company or any option, warrant or other right to acquire any such Capital Securities pursuant to and in accordance with stock incentive plans or other employee benefit plans for directors, officers or employees of the Company and the Loan Parties and (vii) Subordinated Debt may be refinanced to the extent permitted by Section 11.1. In addition, notwithstanding the foregoing, the Company or any other Loan Party may make contributions to a Charitable Foundation so long as (I) no Unmatured Event of Default or Event of Default has occurred and is continuing or could reasonably be expected to occur as a result thereof, (II) such contribution could not reasonably be expected to have a Material Adverse Effect, (III) such contributions are treated for accounting purposes by the Company as an expense and deducted in the calculation of Consolidated Net Income (and EBITDA) and (IV) such Charitable Foundation is exempt from taxation pursuant to Section 501(c)(3) of the Code.

11.4 Mergers, Consolidations, Sales. Not, and not permit any other Loan Party to, (a) be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or any Capital Securities of any class of, or any partnership or joint venture interest in, any other Person, except for Investments otherwise permitted by

Section 11.9, (b) sell, transfer, convey or lease all or substantially all of its assets (including the sale of all or substantially all of the Capital Securities of any Subsidiary) except (i) for sales of inventory and obsolete equipment in the ordinary course of business or (ii) so long as no Unmatured Event of Default or Event of Default has occurred and is continuing, after giving effect thereto on a pro forma basis, the Company and the other Loan Parties shall be in compliance with a Total Debt to EBITDA Ratio not greater than the applicable ratio set forth in Section 11.12.2 (giving effect, if applicable, to the provisos thereto) as of the last day of the most recently ended Computation Period (other than a sale, transfer, conveyance or lease of all or substantially all of the assets of the Loan Parties, taken as a whole) or (c) sell or assign with or without recourse any receivables, except that the restrictions set forth in clauses (a)-(c) above shall not apply to (i) the Fidelis Acquisition, (ii) any merger, consolidation, sale, transfer, conveyance, lease or assignment of or by (A) any Subsidiary into the Company (provided that the Company shall be the continuing or surviving entity), (B) any Subsidiary into any domestic Subsidiary (provided that if such Subsidiary has provided a guarantee of the Obligations, the continuing or surviving entity shall also provide a guarantee of the Obligations) or (C) any foreign Subsidiary into any other foreign Subsidiary; (iii) any such purchase or other acquisition by the Company or any domestic Subsidiary of the assets or Capital Securities of any Subsidiary and by any foreign Subsidiary of the assets or Capital Securities of any other foreign Subsidiary; (iv) any Loan Party (other than the Company) may liquidate, dissolve or wind-up if the Company determines in good faith that such liquidation or dissolution is in the best interests of the Company and is not materially disadvantageous to the Lenders and no Unmatured Event of Default or Event of Default has occurred and is continuing or would result therefrom; (v) the discount or sale, in each case without recourse and in the ordinary course of business, of past due receivables arising in the ordinary course of business, but only in connection with the compromise or collection thereof consistent with customary industry practice (and not as part of any bulk sale or financing of receivables), (vi) Investments made in accordance with Section 11.9, (vii) Liens incurred in compliance with Section 11.2 and (vii) any Acquisition by the Company or any Subsidiary where:

(A) the Acquisition is of a Person in a line of business which is similar or complementary to the lines of business of the Loan Parties as of the Restatement Effective Date;

(B) immediately before and after giving effect to such Acquisition, no Event of Default shall exist or would result of such Acquisition;

(C) immediately after giving effect to such Acquisition, the Company is in pro forma compliance with all the financial ratios and restrictions set forth in Section 11.12 (giving effect, if applicable, to the provisos thereto) as of the last day of the most recently ended Computation Period; and

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

The condition contained in clause (C) above will not apply to an Acquisition if the total consideration paid (including the fair market value of any property conveyed and including deferred consideration) for such Acquisition does not exceed $400,000,000.

11.5 Modification of Organizational Documents. Not permit the charter, by-laws or other organizational documents of the Company or any of its Subsidiaries to be amended or modified in any way unless in all cases, such amendment or modification is not reasonably likely to have a Material Adverse Effect.

11.6 Transactions with Affiliates. Not, and not permit any other Loan Party to, enter into, or cause, suffer or permit to exist any transaction, arrangement or contract with any of its Affiliates (other than the Company or any Loan Party); provided, however, that (i) the Company and the other Loan Parties may engage in such transactions pursuant to the reasonable requirements of its business on terms which are not materially less favorable than are obtainable from any Person which is not one of its Affiliates, (ii) the Company and its Subsidiaries may declare or make Restricted Payments permitted by Section 11.3, (iii) the Loan Parties and the Subsidiaries may adopt, enter into, maintain and perform their obligations under customary employment, compensation, severance or indemnification plans and arrangements for current or former directors, officers, employees and consultants of the Company and the Loan Parties entered into in the ordinary course of business, (iv) the Company may grant stock options or similar rights to directors, officers, employees and consultants of the Company or any Loan Party and (v) contributions made to a Charitable Foundation as permitted under Section 11.3.

11.7 Inconsistent Agreements. Not, and not permit any other Loan Party to, enter into any agreement containing any provision which would (a) be violated or breached by any borrowing by the Company hereunder or by the performance by any Loan Party of any of its Obligations hereunder or under any other Loan Document, (b) prohibit any Loan Party from granting a Lien on any of its assets to the Administrative Agent and the Lenders or (c) create or permit to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (i) pay dividends or make other distributions to the Company or any other Subsidiary, or pay any Debt owed to the Company or any other Subsidiary, (ii) make loans or advances to any Loan Party or (iii) transfer any of its assets or properties to any Loan Party, other than: (A) customary restrictions and conditions contained in agreements relating to the sale of all or a substantial part of the assets of any Subsidiary pending such sale, provided that such restrictions and conditions apply only to the Subsidiary to be sold and such sale is permitted hereunder, (B) restrictions or conditions imposed by any agreement relating to purchase money Debt, Capital Leases and other secured Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Debt or that expressly permits Liens for the benefit of the Administrative Agent and the Lenders with respect to the Loans and the Obligations under the Loan Documents on a senior basis without the requirement that such holders of such Debt be secured by Liens on an equal and ratable, or junior, basis, (C) customary provisions in leases and other contracts restricting the assignment thereof, (D) restrictions and conditions imposed by law, (E) restrictions and conditions binding on any person in existence at the time such person first became a Loan

Party, so long as such restrictions or conditions were not entered into in contemplation of such person becoming a Loan Party, (F) solely in the case of clauses (b) and (c)(iii), restrictions and conditions imposed by the 2021 Senior Notes Indenture, the 2022 Senior Notes Indenture, the 2024 Senior Notes Indenture, the 2025 Senior Notes Indenture, the New Senior Notes Indenture, the credit agreement in respect of any Bridge Loans and any other Debt issued in reliance on Sections 11.1(c) and 11.1(d) (and in the case of the New Senior Notes Indenture, the credit agreement in respect of any Bridge Loans and any other Debt issued in reliance on Sections 11.1(c) and 11.1(d), to the extent such restrictions and conditions are not materially more restrictive, taken as a whole, than any restrictions and conditions contained in the 2021 Senior Notes Indenture, the 2022 Senior Notes Indenture, the 2024 Senior Notes Indenture and the 2025 Senior Notes Indenture), (G) solely in the case of clauses (b) and (c)(iii), the Real Estate Debt Documents and the Tax Abatement Documents; provided that any negative pledge relates solely to the property securing such Debt, (H) solely in the case of clause (b), customary restrictions that arise in connection with any Liens in favor of any holder of Debt permitted under Section 11.2 but solely to the extent any negative pledge relates to the property secured by such Lien or that expressly permits Liens for the benefit of the Administrative Agent and the Lenders with respect to the Loans and the Obligations under the Loan Documents on a senior basis without the requirement that such holders of such Debt be secured by Liens on an equal and ratable, or junior, basis, (I) customary provisions in partnership agreements, limited liability company organizational governance documents, joint venture agreements and other similar agreements (other than in respect of any Wholly-Owned Subsidiary) entered into in the ordinary course of business that restrict the transfer of ownership interests in such partnership, limited liability company, joint venture or similar Person, (J) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business and (K) restrictions and conditions imposed by any amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing of any contract, instrument or obligation referred to in clauses (A) through (K) above; provided that such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing is, in the good faith judgment of the Company, not materially more restrictive with respect to such restrictions taken as a whole than those in existence prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

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

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

(a) Investments (i) by any Loan Party other than the Company in any other Loan Party, (ii) by the Company or any other Loan Party consisting solely of the incurrence of Debt to the extent permitted by Sections 11.1(b), (iii) by the Company or any other

Loan Party consisting of (A) Debt instruments issued by the District and held by the Company or any other Loan Party as of the date hereof and (B) the purchase of Debt instruments issued by the District (or similar new district) after the Restatement Effective Date in an aggregate amount not to exceed $75,000,000 and (iv) by any Loan Party in a Centene Plaza Subsidiary, the proceeds of which are used to repay or purchase any Debt that would otherwise be permitted to be incurred by such Loan Party under Section 11.1(b);

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

(c) Investments which comply with the Company's investment policy attached hereto as Schedule 11.9, which investment policy may be updated from time to time with the consent of the Administrative Agent (provided, that notwithstanding the Company's investment policy, (i) Investments in venture capital funds shall not be permitted to the extent they exceed 10% of the aggregate amount of cash, cash equivalents and investments of the Loan Parties as reflected on the Company's consolidated financial statements and determined in accordance with GAAP in the aggregate across all health plans and (ii) Investments in transportation development district bonds relating to a Centene Plaza Project shall not be permitted except to the extent they are expressly permitted by Section 11.9(a)(iii));

(d) Investments to consummate Acquisitions permitted by Section 11.4;

(e) other Investments of the Company or any other Loan Party (including in Unrestricted Subsidiaries) in an aggregate amount at any one time outstanding not to exceed 1.50% of Consolidated Total Assets at the time of such Investment; provided that no Unmatured Event of Default or Event of Default has occurred and is continuing on the date of such Investment or could reasonably be expected to occur as a result thereof;

(f) Guarantee Obligations constituting Debt permitted by Section 11.1;

(g) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business;

(h) Investments made as a result of the receipt of non-cash consideration from a disposition of any asset permitted hereunder;

(i) Investments in the form of Hedging Obligations permitted by Section 11.1;

(j) payroll, travel and similar advances to directors, officers and employees of the Company or the Loan Parties that are made in the ordinary course of business in an aggregate amount at any one time outstanding not to exceed $20,000,000;

(k) Investments to the extent the consideration paid therefor consists of Capital Securities of the Company (other than Disqualified Equity Interests); and

(l) Investments held by a Subsidiary acquired after the Restatement Effective Date or of a Person merged or consolidated with or into the Company or a Subsidiary after the Restatement Effective Date, to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger or consolidation and were in existence on the date of such acquisition, merger or consolidation;

(m) Investments consisting of Guarantee Obligations of the Company or any Subsidiary in respect of leases of the Company or any subsidiary (other than obligations with respect to Capital Leases) or of other obligations not constituting Debt, in each case entered into in the ordinary course of business;

(n) Investments in any Federal Home Loan Bank required to be made in connection with the incurrence of Debt pursuant to Section 11.1(m); and

(o) other Investments so long as (i) immediately prior to, and after giving pro forma effect to such Investment, Total Debt to EBITDA as of the last day of the Computation Period most recently ended would be less than 3.50 to 1.00 and (ii) no Unmatured Event of Default or Event of Default has occurred and is continuing on the date of such Investments or could reasonably be expected to occur as a result thereof.

11.10 Restriction of Amendments to Certain Documents. Not amend or otherwise modify, or waive any rights under, any Subordinated Debt Documents to the extent such amendment, modification or waiver would be materially adverse to the Lenders.

11.11 Fiscal Year. Not change its Fiscal Year.

11.12 Financial Covenants.

11.12.1 Fixed Charge Coverage Ratio. Not permit the Fixed Charge Coverage Ratio for any Computation Period to be less than 1.50 to 1.00. In each Computation Period, the Fixed Charge Coverage Ratio shall be calculated after giving effect to the Centene Plaza Subsidiary Exclusion.

11.12.2 Total Debt to EBITDA Ratio. Not permit the Total Debt to EBITDA Ratio for any Computation Period ending after the Restatement Effective Date to exceed 3.50 to 1.00 (it being understood that in each Computation Period, the Total Debt to EBITDA Ratio shall be calculated after giving effect to the Centene Plaza Subsidiary Exclusion); provided that in lieu of the foregoing, at the election of the Company by notice to the Administrative Agent (which election may be made not more than three times (including the Fidelis Acquisition)) (any such election, an "Acquisition Covenant Election"), for any such date occurring on or after a Material Acquisition or the Fidelis Acquisition, on or prior to the last day of the fourth full Fiscal Quarter of the Company after the consummation of such Material Acquisition or the Fidelis Acquisition, the Company will not permit the Total Debt to EBITDA

Ratio as of such date (including, without limitation, the last day of the most recently ended Computation Period) to exceed 4.00 to 1.00; provided further that in the event the Company makes or is deemed to make an Acquisition Covenant Election, no additional Acquisition Covenant Election may be made until the end of the fifth full Fiscal Quarter after the first such Acquisition Covenant Election is made or deemed made; provided further that an Acquisition Covenant Election shall be deemed made in connection with the Fidelis Acquisition.

11.13 Guaranties. Not permit any of its Subsidiaries (other than a special purpose escrow vehicle formed to incur the New Senior Notes) to incur Debt, or deliver a guaranty in respect of any Debt incurred, under the 2021 Senior Notes, the 2022 Senior Notes, the 2024 Senior Notes, the 2025 Senior Notes, the New Senior Notes, the Bridge Loans or pursuant to Sections 11.1(c), (d) or (f), unless such Subsidiary (other than a special purpose escrow vehicle formed to incur the New Senior Notes) provides an equal and ratable guaranty in respect of the Obligations.

11.14 Exceptions. Notwithstanding anything else contained herein (i) the Tax Abatement Documents shall not be deemed to be Capital Leases and (ii) the obligations of the Company or any of its Subsidiaries to pay rent as set forth on Schedule 11.14 shall not be deemed to be Guarantee Obligations.

SECTION 12 CONDITIONS OF LENDING, ETC.

12.1 [Reserved].

12.2 [Reserved].

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

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

(a) the representations and warranties of each Loan Party set forth in this Agreement and the other Loan Documents shall be true and correct in all material respects with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date); provided that (x) to the extent any such representation or warranty is already qualified by materiality or material adverse effect, such representation or warranty shall be true and correct in all respects and (y) in the case of any Incremental Term Loan incurred to finance any Limited Condition Transaction, such representations and warranties may be limited to customary "specified representations" to the extent agreed by the Lenders providing such Incremental Term Loans; and

(b) other than with respect to any Incremental Term Loan to finance a Limited Condition Transaction, no Event of Default or Unmatured Event of Default shall have then occurred and be continuing.

SECTION 13 EVENTS OF DEFAULT AND THEIR EFFECT.

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

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

(b) Default under Other Debt. Any default shall occur under the terms applicable to any Debt of the Company or any of its Subsidiaries individually or in an aggregate amount (for all such Debt so affected and including undrawn committed or available amounts and amounts owing to all creditors under any combined or syndicated credit arrangement) exceeding $250,000,000 (any such Debt, "Material Debt"), or under the terms applicable to the 2021 Senior Notes, the 2022 Senior Notes, the 2024 Senior Notes, the 2025 Senior Notes, the New Senior Notes or the Bridge Loans and such default shall accelerate the maturity of such Debt (including the 2021 Senior Notes, the 2022 Senior Notes, the 2024 Senior Notes, the 2025 Senior Notes, the New Senior Notes or the Bridge Loans) or permit, after the expiration of any applicable grace period provided in the applicable agreement or instrument evidencing or governing such Debt, the holder or holders thereof, or any trustee or agent for such holder or holders, to cause such Debt (including the 2021 Senior Notes, the 2022 Senior Notes, the 2024 Senior Notes, the 2025 Senior Notes, the New Senior Notes or the Bridge Loans) to become due and payable (or require the Company or any of its Subsidiaries to purchase or redeem such Debt (including the 2021 Senior Notes, the 2022 Senior Notes, the 2024 Senior Notes, the 2025 Senior Notes, the New Senior Notes or the Bridge Loans) or post cash collateral in respect thereof) prior to its expressed maturity.

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

(d) Non-Compliance with Loan Documents. (i) Failure of any Loan Party to perform or comply with any term or condition contained in Section 10.1.5(a), Section 10.5(a) (solely with respect to the Company and solely with respect to its existence and good standing), Section 10.6 or Section 11 or (ii) any Loan Party shall default in the performance of or compliance with any term contained herein or any of the other Loan Documents, other than any such term referred to in any other section of this Section 13, and such default shall not have been remedied or waived within thirty days after the earlier of (A) receipt by the Company of notice from the Administrative Agent or any Lender of such default and (B) a Senior Officer of any Loan Party having obtained knowledge of such default.

(e) Representations; Warranties. Any representation or warranty made by any Loan Party herein or any other Loan Document is breached or is false or misleading in any material respect when made or deemed made, or any schedule, certificate, financial statement, report, notice or other writing furnished by any Loan Party to the Administrative Agent or any Lender in connection herewith is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified or, to the extent any such representation or warranty is already qualified by materiality or material adverse effect, such representation or warranty shall be false or misleading in any respect on the date as of which the facts there set forth are stated or certified.

(f) Judgments. Any one or more judgments or orders is entered against the Company or any of its Subsidiaries or any attachment or other levy is made against the property of the Company or any of its Subsidiaries with respect to any claim or claims involving in the aggregate liabilities (not paid or fully covered by insurance, less the amount of deductibles satisfactory to the Administrative Agent and the Lenders on the Restatement Effective Date) greater than $250,000,000, and, in the case of a judgment or order, such judgment or order becomes final and non-appealable or if timely appealed is not fully bonded and collection thereof stayed pending the appeal.

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

(h) Change of Control. A Change of Control shall occur.

13.2 Effect of Event of Default. If any Event of Default described in Section 13.1(c) shall occur in respect of the Company, the Commitments shall immediately terminate and the Loans and all other Obligations hereunder shall become immediately due and payable and the Company shall become immediately obligated to Cash Collateralize all Letters of Credit, all without presentment, demand, protest or notice of any kind; and, if any other Event of Default shall occur and be continuing, the Administrative Agent may (and, upon the written request of the Required Lenders shall) declare the Commitments to be terminated in whole or in part and/or declare all or any part of the Loans and all other Obligations hereunder to be due and payable and/or demand that the Company immediately Cash Collateralize all or any Letters of Credit, whereupon the Commitments shall immediately terminate (or be reduced, as applicable) and/or the Loans and other Obligations hereunder shall become immediately due and payable (in whole or in part, as applicable) and/or the Company shall immediately become obligated to Cash Collateralize the Letters of Credit (all or any, as applicable), all without presentment, demand, protest or notice of any kind. The Administrative Agent shall promptly advise the Company of any such declaration, but failure to do so shall not impair the effect of such declaration. Any cash collateral delivered hereunder shall be held by the Administrative Agent (without liability for interest thereon) and applied to the Obligations arising in connection with any drawing under a Letter of Credit. After the expiration or termination of all Letters of Credit, such cash collateral shall be applied by the Administrative Agent to any remaining Obligations hereunder and any excess shall be delivered to the Company or as a court of competent jurisdiction may elect.

SECTION 14 AGENTS.

14.1 Appointment of Agents. Wells Fargo Bank, National Association, is hereby appointed the Administrative Agent hereunder and under the other Loan Documents and each Lender hereby authorizes Wells Fargo Bank, National Association, to act as the Administrative Agent in accordance with the terms hereof and the other Loan Documents. Wells Fargo Securities, LLC, Barclays Bank PLC, Citibank, N.A. and SunTrust Bank are hereby appointed the Syndication Agents and each Lender hereby authorizes Wells Fargo Securities, LLC, Barclays Bank PLC, Citibank, N.A. and SunTrust Bank to act as the Syndication Agents in accordance with the terms hereof and the other Loan Documents. Fifth Third Bank, Regions Bank, U.S. Bank National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd. are hereby appointed the Documentation Agents hereunder and under the other Loan documents and each Lender hereby authorizes Fifth Third Bank, Regions Bank, U.S. Bank National Association and The Bank of Tokyo-Mitsubishi UFJ, Ltd. to act as the Documentation Agents in accordance with the terms hereof and the other Loan Documents. Each Agent hereby agrees to act in its capacity as such upon the express conditions contained herein and the other Loan Documents, as applicable. The provisions of this Section 14 (other than as expressly provided herein) are solely for the benefit of the Agents and the Lenders and no Loan Party shall have any rights as a third party beneficiary of any of the provisions of this Section 14 (other than as expressly provided herein). In performing its functions and duties hereunder, each Agent shall act solely as an agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for the Company or any of its Subsidiaries. Each of the Syndication Agents and the Documentation Agents, without consent of or notice to any party hereto, may assign any and all of its rights or obligations hereunder to any of its Affiliates. Notwithstanding any other provision of this Agreement or any provision of any other Loan Document, each of the Joint Lead Arrangers, the Syndication Agents, the Documentation Agents and the Joint Bookrunners are named as such for recognition purposes only, and in their respective capacities as such shall have no duties, responsibilities or liabilities with respect to this Agreement or any other Loan Document; it being understood and agreed that each of the Joint Lead Arrangers, the Syndication Agents, the Documentation Agents and the Joint Bookrunners shall be entitled to all indemnification and reimbursement rights in favor of the Agents provided herein and in the other Loan Documents and all of the other benefits of this Section 14. Without limitation of the foregoing, neither the Joint Lead Arrangers, the Syndication Agents, the Documentation Agents nor the Joint Bookrunners in their respective capacities as such shall, by reason of this Agreement or any other Loan Document, have any fiduciary relationship in respect of any Lender, Loan Party or any other Person.

14.2 Powers and Duties. Each Lender irrevocably authorizes each Agent to take such action on such Lender's behalf and to exercise such powers, rights and remedies hereunder and under the other Loan Documents as are specifically delegated or granted to such Agent by the terms hereof and thereof, together with such powers, rights and remedies as are reasonably incidental thereto. Each Agent may exercise such powers, rights and remedies and perform such duties by or through its agents or employees. No Agent shall have, by reason hereof or any of the other Loan Documents, a fiduciary relationship or other implied duties in respect of any Lender; and nothing herein or any of the other Loan Documents, expressed or implied, is intended to or shall be so construed as to impose upon any Agent any obligations in respect hereof or any of the other Loan Documents except as expressly set forth herein or therein. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement and in the other Loan Documents with reference to any Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under the agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

14.3 General Immunity.

14.3.1 No Responsibility for Certain Matters. No Agent shall be responsible to any Lender for the execution, effectiveness, genuineness, validity, enforceability, collectability or sufficiency hereof or any other Loan Document, or for any representations, warranties, recitals or statements made herein or therein or made in any written or oral statements or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made by any Agent to the Lenders or by or on behalf of any Loan Party or to any Agent or Lender in connection with the Loan Documents and the transactions contemplated thereby or for the financial condition or business affairs of any Loan Party or any other Person liable for the payment of any Obligations, nor shall any Agent be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Loan Documents or as to the use of the proceeds of the Loans or as to the existence or possible existence of any Event of Default or Unmatured Event of Default or as to the satisfaction of any condition set forth in Section 12 or elsewhere herein (other than to confirm receipt of items expressly required to be delivered to such Agent) or to inspect the properties, books or records of the Company or any of its Subsidiaries or to make any disclosures with respect to the foregoing.

Anything contained herein to the contrary notwithstanding, the Administrative Agent shall not have any liability arising from confirmations of the amount of outstanding Loans or the Letter of Credit Usage or the component amounts thereof.

14.3.2 Exculpatory Provisions. No Agent nor any of its officers, partners, directors, employees or agents shall be liable to the Lenders (i) for any action taken or omitted by any Agent (A) under or in connection with any of the Loan Documents or (B) with the consent or at the request of the Required Lenders (or, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement) except to the extent caused by such Agent's gross negligence or willful misconduct, as determined by a final, non-appealable judgment of a court of competent jurisdiction or (ii) for any failure of any Loan Party to perform its obligations under this Agreement or any other Loan Document. No Agent shall, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose or be liable for the failure to disclose, any information relating to the Company or any of its Affiliates that is communicated to or obtained by such Agent or any of its Affiliates in any capacity. Each Agent shall be entitled to refrain from any act or the taking of any action (including the failure to take an action) in connection herewith or any of the other Loan Documents or from the exercise of any power, discretion or authority vested in it hereunder or thereunder unless and until such Agent shall have received instructions in respect thereof from the Required Lenders (or such other Lenders as may be required to give such instructions under Section 15.1) and, upon receipt of such instructions from the Required Lenders (or such other Lenders, as the case may be), such Agent shall be entitled to act or (where so instructed) refrain from acting, or to exercise such power, discretion or authority, in accordance with such instructions and shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose such Agent to liability or that is contrary to any Loan Document or applicable Law. Without prejudice to the generality of the foregoing, (i) each Agent shall be entitled to rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it to be genuine and correct and to have been given, signed or sent by the proper Person or Persons, and shall be entitled to rely and shall be protected in relying on opinions and judgments of attorneys (who may be attorneys for the Company and its Subsidiaries), accountants, experts and other professional advisors selected by it; and (ii) no Lender shall have any right of action whatsoever against any Agent as a result of such Agent acting or (where so instructed) refraining from acting hereunder or any of the other Loan Documents in accordance with the instructions of Required Lenders (or such other Lenders as may be required to give such instructions under Section 15.1).

14.3.3 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers under this Agreement or under any other Loan Document by or through any one or more sub-agents appointed by it. Each of the Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Affiliates. The exculpatory, indemnification and other provisions of this Section 14.3 and of Section 14.6 shall apply to any of the Affiliates of the Administrative Agent and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as the Administrative Agent. All of the rights, benefits, and privileges (including the exculpatory and indemnification provisions) of this Section 14.3 and of Section 14.6 shall apply to any such sub-agent and to the Affiliates of any such sub-agent, and shall apply to their respective activities as sub-agent as if such sub-agent and Affiliates were named herein. Notwithstanding anything herein to the contrary, with respect to each sub-agent appointed by the Administrative Agent, (i) such sub-agent shall be a third party beneficiary under this Agreement with respect to all such rights, benefits and privileges (including exculpatory rights and rights to indemnification) and shall have all of the rights and benefits of a third party beneficiary, including an independent right of action to enforce such rights, benefits and privileges (including exculpatory rights and rights to indemnification) directly, without the consent or joinder of any other Person, against any or all of Loan Parties and the Lenders, (ii) such rights, benefits and privileges (including exculpatory rights and rights to indemnification) shall not be modified or amended without the consent of such sub-agent and (iii) such sub-agent shall only have obligations to the Administrative Agent and not to any Loan Party, Lender or any other Person and no Loan Party, Lender or any other Person shall have any rights, directly or indirectly, as a third party beneficiary or otherwise, against such sub-agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

14.3.4 <u>Notice of Unmatured Event of Default or Event of Default.</u> No Agent shall be deemed to have knowledge of any Unmatured Event of Default or Event of Default unless and until written notice describing such Unmatured Event of Default or Event of Default is given to such Agent by a Loan Party or a Lender. In the event that the Administrative Agent shall receive such a notice, the Administrative Agent shall give notice thereof to the Lenders; provided that failure to give such notice shall not result in any liability on the part of the Administrative Agent.

14.4 <u>Agents Entitled to Act as Lender.</u> The agency hereby created shall in no way impair or affect any of the rights and powers of, or impose any duties or obligations upon, any Agent in its individual capacity as a Lender hereunder. With respect to its participation in the Loans and the Letters of Credit, each Agent shall have the same rights and powers hereunder in its capacity as a Lender as any other Lender and may exercise the same as if it were not performing the duties and functions delegated to it hereunder, and the term "Lender" shall, unless the context clearly otherwise indicates, include each Agent in its individual capacity. Any Agent and its Affiliates may accept deposits from, lend money to, own securities of, and generally engage in any kind of banking, trust, financial advisory or other business with the Company or any of its Affiliates as if it were not performing the duties specified herein, and may accept fees and other consideration from the Company for services in connection herewith and otherwise without having to account for the same to Lenders. The Lenders acknowledge that pursuant to such activities, the Agents or their Affiliates may receive information regarding any Loan Party or any Affiliate of any Loan Party (including information that may be subject to confidentiality obligations in favor of such Loan Party or such Affiliate) and acknowledge that the Agents and their Affiliates shall be under no obligation to provide such information to them.

14.5 Lenders' Representations, Warranties and Acknowledgment.

(a) Each Lender represents and warrants that it has made its own independent investigation of the financial condition and affairs of the Company and its Subsidiaries in connection with the making of Loans or the issuing or renewal of a Letter of Credit hereunder and that it has made and shall continue to make its own appraisal of the creditworthiness of the Company and its Subsidiaries. No Agent shall have any duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Lenders or to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter, and no Agent shall have any responsibility with respect to the accuracy of or the completeness of any information provided to Lenders.

(b) Each Lender, by delivering its signature page to the Amendment and Restatement Agreement or an Assignment Agreement, as applicable, shall be deemed to have acknowledged receipt of, and consented to and approved, each Loan Document and each other document required to be approved by any Agent, Required Lenders or Lenders, as applicable on the Restatement Effective Date or as of the date of funding of such Incremental Term Loans or providing such Commitment Increase.

14.6 Right to Indemnity. Each Lender, in proportion to its Pro Rata Share, severally agrees to indemnify each Agent, Issuing Lender and Swing Line Lender, to the extent that such Agent, Issuing Lender or Swing Line Lender shall not have been reimbursed by any Loan Party (and without limiting its obligation to do so), for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including legal counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Agent, Issuing Lender or Swing Line Lender in exercising its powers, rights and remedies or performing its duties hereunder or under the other Loan Documents or otherwise in its capacity as such Agent in any way relating to or arising out of this Agreement or the other Loan Documents; provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's, Issuing Lender's or Swing Line Lender's, as applicable, gross negligence or willful misconduct, as determined by a final, non-appealable judgment of a court of competent jurisdiction. If any indemnity furnished to any Agent, Issuing Lender or Swing Line Lender, for any purpose shall, in the opinion of such Agent, Issuing Lender or Swing Line Lender, as applicable, be insufficient or become impaired, such Agent, Issuing Lender or Swing Line Lender, as applicable, may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished; provided, that in no event shall this sentence require any Lender to indemnify any Agent, Issuing Lender or Swing Line Lender against any liability, obligation, loss, damage, penalty, action, judgment, suit, cost, expense or disbursement in excess of such Lender's Pro Rata Share thereof; and provided, further, that this sentence shall not be deemed to require any Lender to indemnify any Agent, Issuing Lender or Swing Line Lender against any liability, obligation, loss, damage, penalty, action, judgment, suit, cost, expense or disbursement described in the proviso in the immediately preceding sentence.

14.7 Successor Administrative Agent, Issuing Lender and Swing Line Lender.

(a) The Administrative Agent shall have the right to resign at any time by giving prior written notice thereof to the Lenders and the Company. The Administrative Agent shall have the right to appoint a financial institution to act as the Administrative Agent hereunder, subject to the reasonable satisfaction of the Company and the Required Lenders, and the Administrative Agent's resignation shall become effective on the earlier of (i) the acceptance of such successor Administrative Agent by the Company and the Required Lenders or (ii) the thirtieth day after such notice of resignation. Upon any such notice of resignation, if a successor Administrative Agent has not already been appointed by the retiring Administrative Agent, the Required Lenders shall have the right, upon five Business Days' notice to the Company, to appoint a successor Administrative Agent. If neither the Required Lenders nor the Administrative Agent has appointed a successor Administrative Agent, then the Required Lenders shall be deemed to have succeeded to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor Administrative Agent, that successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall promptly transfer to such successor Administrative Agent all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Administrative Agent under the Loan Documents, whereupon such retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as the Administrative Agent, the provisions of this Section 14 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent hereunder.

(b) Any resignation of Wells Fargo Bank, National Association, or its successor as the Administrative Agent pursuant to this Section 14.7 shall also constitute the resignation of Wells Fargo Bank, National Association, or its successor as an Issuing Lender and the Swing Line Lender, and any successor Administrative Agent appointed pursuant to this Section shall, upon its acceptance of such appointment, become a successor Issuing Lender and the successor Swing Line Lender for all purposes hereunder. In such event the Company shall prepay any outstanding Swing Line Loans made by the retiring Administrative Agent in its capacity as Swing Line Lender.

14.8 Withholding Taxes. To the extent required by any applicable Law, the Administrative Agent may withhold from any payment to any Lender an amount equivalent to any applicable withholding tax. If the Internal Revenue Service or any other Governmental Authority asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender because the appropriate form was not delivered or was not properly executed or because such Lender failed to notify the Administrative Agent of a change in circumstance which rendered the exemption from, or reduction of, withholding tax ineffective or for any other reason, such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including any penalties or interest and together with all expenses (including Attorney Costs and out-of-pocket expenses) incurred.

14.9 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under the Bankruptcy Code or other applicable Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered, by intervention in such proceeding or otherwise (a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders (including Attorney Costs) allowed in such judicial proceeding and (b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same. Any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent. Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of such Person or in any such proceeding.

SECTION 15 GENERAL.

15.1 Waiver; Amendments. No delay on the part of the Administrative Agent or any Lender in the exercise of any right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by any of them of any right, power or remedy preclude other or further exercise thereof, or the exercise of any other right, power or remedy. Except as contemplated by Section 2.1.2(c) or 15.1.1, no amendment, modification or waiver of, or consent with respect to, any provision of this Agreement or the other Loan Documents shall in any event be effective unless the same shall be in writing and acknowledged by Lenders having an aggregate Pro Rata Shares of not less than the aggregate Pro Rata Shares expressly designated herein with respect thereto or, in the absence of such designation as to any provision of this Agreement, by the Required Lenders, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment, modification, waiver or consent shall (a) extend or increase the Commitment of any Lender without the written consent of such Lender, (b) extend the date scheduled for payment of any principal (excluding mandatory prepayments) of or interest on the Loans or any fees payable hereunder without the written consent of each Lender directly affected thereby, (c) reduce the principal amount of any Loan, the rate of interest thereon or any fees payable hereunder (except for periodic adjustments of interest rates and fees based on a change in applicable Level as expressly provided herein), without the consent of each Lender directly affected thereby, (d) change the definition of Required Lenders or any provision of this Section 15.1, or reduce the aggregate Pro Rata Share required to effect an amendment, modification, waiver or consent, without, in each case, the written consent of all Lenders; (e) change Section 7.5 in a manner that would alter the *pro rata* sharing of payments required thereby without the written consent of each Lender directly affected thereby or (f) release any guarantor from its guarantee of the Obligations without the written consent of each Lender. No provision of Section 14 or other provision of this Agreement affecting the Administrative Agent in its capacity as such shall be amended, modified or waived without the consent of the Administrative Agent. No provision of this Agreement relating to the rights or duties of an Issuing Lender in its capacity as such shall be amended, modified or waived without the consent of such Issuing Lender. No provision of this Agreement relating to the rights or duties of the Swing Line Lender in its capacity as such, shall be amended, modified or waived without the consent of the Swing Line Lender.

15.1.1 Extension Offers.

(a) The Company may on one or more occasions after the Restatement Effective Date, by written notice to the Administrative Agent, make one or more offers (each, an "Extension Offer") to all the Lenders of one or more classes (each class subject to such an Extension Offer, an "Extension Request Class") to enter into one or more Extension Permitted Amendments pursuant to procedures reasonably specified by the Administrative Agent and reasonably acceptable to the Company. Such notice shall set forth (i) the terms and conditions of the requested Extension Permitted Amendment(s) and (ii) the date on which such Extension Permitted Amendment(s) are requested to become effective (which shall not be less than 5 Business Days nor more than 30 Business Days after the date of such notice, unless otherwise agreed to by the Administrative Agent). Extension Permitted Amendments shall become effective only with respect to the Loans and Commitments of the Lenders of the Extension Request Class that accept the applicable Extension Offer (such Lenders, the "Extending Lenders") and, in the case of any Extending Lender, only with respect to such Lender's Loans and Commitments of such Extension Request Class as to which such Lender's acceptance has been made. The Company shall have the right to withdraw any Extension Offer upon written notice to the Administrative Agent in the event that the aggregate amount of Loans and Commitments of the Extending Lenders is less than the aggregate amount specified by the Company in the Extension Offer to be extended.

(b) An Extension Permitted Amendment shall be effected pursuant to an Extension Agreement executed and delivered by the Company, each applicable Extending Lender and the Administrative Agent; provided that no Extension Permitted Amendment shall become effective unless (i) no Unmatured Event of Default shall have occurred and be continuing on the date of effectiveness thereof, (ii) on the date of effectiveness thereof, the representations and warranties of each Loan Party set forth in the Loan Documents shall be true and correct (A) in the case of the representations and warranties qualified as to materiality, in all respects, and (B) otherwise, in all material respects, in each case on and as of such date, except in the case of any such representation and warranty that specifically relates to an earlier date, in which case such representation and warranty shall be so true and correct on and as of such earlier date, and (iii) the Company shall have delivered to the Administrative Agent such customary legal opinions, board resolutions, secretary's certificates, officer's certificates and other customary documents as shall reasonably be requested by the Administrative Agent in connection therewith. The Administrative Agent shall promptly notify each Lender as to the effectiveness of each Extension Agreement. Each Extension Agreement may, without the consent of any Lender other than the applicable Extending Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the opinion of the Administrative Agent, to give effect to the provisions of this Section, including any amendments necessary to treat the applicable Loans and/or Commitments of the accepting Lenders as a new "class" of loans and/or commitments hereunder; provided that, except as otherwise agreed to by each Issuing Lender and the Swing Line Lender, (i) the allocation of the participation exposure with respect to any then-existing or subsequently issued or made Letter of Credit or Swing Line Loan as between the commitments of such new "class" and the remaining Commitments shall be made on a ratable basis as between the commitments of such new "class" and the remaining Commitments and (ii) the Termination Date, as such term is used in reference to Letters of Credit or Swing Line Loans, may not be extended without the prior written consent of each Issuing Lender and the Swing Line Lender, as applicable.

15.2 Notices.

15.2.1 Notices Generally. Except as otherwise provided in Sections 2.2.2 and 2.2.3, all notices hereunder shall be in writing (including facsimile transmission) and shall be sent to the applicable party at (i) in the case of the Company, the Administrative Agent, any Issuing Lender or the Swing Line Lender, its address shown on Annex B or at such other address as such party may, by written notice received by the other parties, have designated as its address for such purpose or (ii) in the case of any Lender, its address specified in an administrative questionnaire in the form supplied by the Administrative Agent. Notices sent by facsimile transmission shall be deemed to have been given when sent; notices sent by mail shall be deemed to have been given three Business Days after the date when sent by registered or certified mail, postage prepaid; and notices sent by hand delivery or overnight courier service shall be deemed to have been given when received.

15.2.2 Electronic Communications.

(a) Notices and other communications to Lenders and the Issuing Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites, including the Platform) pursuant to procedures approved by the Administrative Agent; provided, that the foregoing shall not apply to notices to any Lender or any Issuing Lender pursuant to Article II if such Lender or such Issuing Lender, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Section by electronic communication. The Administrative Agent or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided, further, that approval of such procedures may be limited to particular notices or communications. Unless the

Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided, that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(b) Each Loan Party understands that the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution and agrees and assumes the risks associated with such electronic distribution.

(c) The Platform and any Approved Electronic Communications are provided "as is" and "as available". None of the Agents nor any of their respective officers, directors, employees, agents, advisors or representatives (the "Agent Affiliates") warrant the accuracy, adequacy or completeness of the Approved Electronic Communications or the Platform and each expressly disclaims liability for errors or omissions in the Platform and the Approved Electronic Communications. No warranty of any kind, express, implied or statutory, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects is made by the Agent Affiliates in connection with the Platform or the Approved Electronic Communications. Each party hereto agrees that no Agent has any responsibility for maintaining or providing any equipment, software, services or any testing required in connection with any Approved Electronic Communication or otherwise required for the Platform. In no event shall any Agent nor any of the Agent Affiliates have any liability to any Loan Party, any Lender or any other Person for damages of any kind, whether or not based on strict liability and including direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Loan Party's or any Agent's transmission of communications through the internet.

(d) Each Loan Party, each Lender, each Issuing Lender and each Agent agrees that the Administrative Agent may, but shall not be obligated to, store any Approved Electronic Communications on the Platform in accordance with the Administrative Agent's customary document retention procedures and policies.

(e) All uses of the Platform shall be governed by and subject to, in addition to this Section 15.2, separate terms and conditions posted or referenced in such Platform and related agreements executed by the Lenders and their Affiliates in connection with the use of such Platform.

15.3 Computations. All accounting terms not specifically or completely defined herein shall be construed in conformity with GAAP. No change in GAAP after the Restatement

Effective Date will affect the computation of any financial ratio or requirement set forth in any Loan Document; provided that in the event of any such change that would affect such computations, either the Company or the Required Lenders may request that the Administrative Agent and the Company negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders and the Company); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Company shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

15.4 Costs, Expenses and Taxes. The Company agrees to pay on written demand all reasonable and documented out-of-pocket costs and expenses of the Administrative Agent (including Attorney Costs and any taxes) in connection with the preparation, execution, syndication, delivery and administration (including the costs of Intralinks (or other similar service), if applicable) of this Agreement, the other Loan Documents and all other documents provided for herein or delivered or to be delivered hereunder or in connection herewith (including any amendment, supplement or waiver to any Loan Document), whether or not the transactions contemplated hereby or thereby shall be consummated, and all reasonable out-of-pocket costs and expenses (including Attorney Costs and any taxes) incurred by the Administrative Agent and each Lender after an Event of Default in connection with the collection of the Obligations or the enforcement of this Agreement, the other Loan Documents or any such other documents or during any workout, restructuring or negotiations in respect thereof; provided that Attorney Costs shall be limited to the reasonable and documented out-of-pocket fees, disbursements and other charges of one counsel to the Administrative Agent and the Lenders (taken as a whole) or all indemnified parties (taken as a whole), as the case may be, and, if reasonably necessary, a single local counsel for the Administrative Agent and the Lenders (taken as a whole) or all indemnified parties (taken as a whole), as the case may be, in each relevant jurisdiction and with respect to each relevant specialty, and in the case of an actual or perceived conflict of interest, one additional counsel in each relevant jurisdiction to the affected indemnified parties similarly situated and taken as a whole). In addition, the Company agrees to pay, and to save the Administrative Agent and the Lenders harmless from all liability for, any fees of the Company's auditors in connection with any reasonable exercise by the Administrative Agent and the Lenders of their rights pursuant to Section 10.2.

15.5 Assignments; Participations.

15.5.1 Assignments. (a) Any Lender may at any time assign all or any portion of such Lender's Loans and Commitments (i) to any Person meeting the criteria of clause (i) of the definition of the term of "Eligible Assignee" upon the giving of notice to the Company and the Administrative Agent and upon such Person being consented to by each Issuing Lender (such consent not to be unreasonably withheld or delayed); and (ii) to any Person meeting the criteria of clause (ii) of the definition of the term of "Eligible Assignee" upon such Person (except in the case of assignments made by or to any Joint Bookrunner or any of its Affiliates) being consented to by each of the Company, the Administrative Agent, each Issuing Lender and the Swing Line Lender (such consents not to be (x) unreasonably withheld or delayed or (y) in the case of the Company, required at any time an Event of Default under clauses (a) or (c) of Section 13.1 has occurred and is continuing).

Any such assignment (other than to another Lender, an Affiliate of a Lender or an approved fund) shall be in an amount of an integral multiple of $5,000,000 (or lesser amounts if agreed by the Company and the Administrative Agent) or, if less, the remaining Commitments and Loans held by the assigning Lender. The Company and the Administrative Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned to such Person (an "Assignee") until the Administrative Agent shall have received and accepted an effective assignment agreement in substantially the form of Exhibit C hereto (an "Assignment Agreement") executed, delivered and fully completed by the applicable parties thereto and a processing fee of $3,500 (except that no such registration and processing fee shall be payable in the case of an assignee which is already a Lender or is an Affiliate of a Lender or a Person under common management with a Lender). Any attempted assignment not made in accordance with this Section 15.5.1 shall be treated as the sale of a participation under Section 15.5.2. The Company shall be deemed to have granted its consent to any assignment requiring its consent hereunder unless the Company has expressly objected to such assignment within five Business Days after notice thereof.

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

(b) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section 15.5.1 shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

15.5.2 Participations. Any Lender may at any time sell to one or more Persons (other than a natural Person, a Loan Party or an Affiliate of a Loan Party) participating interests in its Loans, Commitments or other interests hereunder (any such Person, a “Participant”). In the event of a sale by a Lender of a participating interest to a Participant, (a) such Lender’s obligations hereunder shall remain unchanged for all purposes, (b) the Company and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations hereunder and (c) all amounts payable by the Company shall be determined as if such Lender had not sold such participation and shall be paid directly to such Lender. No Participant shall have any direct or indirect voting rights hereunder except with respect to any event described in Section 15.1 expressly requiring the unanimous vote of all Lenders or, as applicable, all affected Lenders. The Company agrees that if amounts outstanding under this Agreement are due and payable (as a result of acceleration or otherwise), each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement and with respect to any Letter of Credit to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; provided that such right of set-off shall be subject to the obligation of each Participant to share with the Lenders, and the Lenders agree to share with each Participant, as provided in Section 7.5. The Company also agrees that each Participant shall be entitled to the benefits of Section 7.6 or Section 8 as if it were a Lender (provided that on the date of the sale of participation no Participant shall be entitled to any greater compensation pursuant to Section 7.6 or Section 8 than would have been paid to the participating Lender on such date if no participation had been sold and that each Participant complies with Section 7.6(d) as if it were an Assignee). Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Company (and such agency being solely for tax purposes), maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant’s interest in the Loans or other obligations under the Loan Documents (the “Participant Register”); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant’s interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as the Administrative Agent) shall have no responsibility for maintaining a Participant Register.

15.5.3 Resignation as Issuing Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time any Issuing Lender assigns all of its Commitment (excluding its commitment to issue Letters of Credit) and Loans pursuant to Section 15.5.1, the applicable Issuing Lender may, upon 30 days' prior written notice to the Company and the Administrative Agent, resign as Issuing Lender. In such event, the Company shall be entitled to appoint a Lender who agrees to be a successor Issuing Lender hereunder.

If an Issuing Lender ceases to be an Issuing Lender pursuant to this Section 15.5.3, it shall retain all the rights, powers, privileges and duties of an Issuing Lender hereunder with respect to all Letters of Credit outstanding as of the effective date of such Issuing Lender's resignation and all L/C Exposure with respect thereto (including the right to require the Lenders to make Base Rate Loans pursuant to Section 2.3.2 and to fund participations in unreimbursed disbursements under Letters of Credit pursuant to Section 2.3.4).

15.6 Register. The Administrative Agent, acting solely for this purpose as an agent of the Company (and such agency being solely for tax purposes), shall maintain at its Principal Office a copy of each Assignment Agreement delivered and accepted by it and register (the "Register") for the recordation of names and addresses of the Lenders and the Commitment of, and principal amounts (and related interest amounts) owing to, each Lender from time to time and whether such Lender is the original Lender or the Assignee. No assignment shall be effective unless and until the Assignment Agreement is accepted and registered in the Register. All records of transfer of a Lender's interest in the Register shall be conclusive, absent manifest error, as to the ownership of the interests in the Loans. The Administrative Agent shall not incur any liability of any kind with respect to any Lender with respect to the maintenance of the Register. The Register shall be available for inspection by the Company or any Lender (with respect to any entry relating to such Lender's Loans) at any reasonable time and from time to time upon reasonable prior notice.

15.7 Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAW OF THE STATE OF NEW YORK.

15.8 Confidentiality. As required by federal law and the Administrative Agent's policies and practices, the Administrative Agent may need to obtain, verify, and record certain customer identification information and documentation in connection with opening or maintaining accounts, or establishing or continuing to provide services. The Administrative Agent and each Lender (which term shall, for the purposes of this Section 15.8, include each Issuing Lender) agree to maintain, using efforts the Administrative Agent or such Lender applies to maintain the confidentiality of its own confidential information, as confidential all information provided to them by any Loan Party, except that the Administrative Agent and each Lender may disclose such information (a) to its Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of the Administrative Agent, such Lender or such Affiliate on a "need to know" basis (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to any assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 15.8 (and any such assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any federal or state regulatory authority or examiner, or any insurance industry association, or as reasonably believed by the Administrative Agent or such Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of the Administrative Agent's or such Lender's counsel, is required by Law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any litigation to which the Administrative Agent or such Lender is a party; (f) to any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender; (g) to any Affiliate of the Administrative Agent or each Issuing Lender (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (h) on a confidential basis to (i) any rating agency in connection with rating the Company or its Subsidiaries or the facilities provided for in this Agreement or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the facilities provided for in this Agreement; or (i) that ceases to be confidential through no fault of the Administrative Agent or any Lender or any of their Affiliates. Notwithstanding the foregoing, the Company consents to the publication by the Administrative Agent or any Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement, and the Administrative Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

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

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

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

15.12 [Reserved].

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

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

15.15 Customer Identification – USA Patriot Act Notice. Each Lender and Wells Fargo Bank, National Association (for itself and not on behalf of any other party), hereby notifies the Loan Parties that, pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 10756, signed into law October 26, 2001 (the "Act"), it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Loan Parties and other information that will allow such Lender or Wells Fargo Bank, National Association, as applicable, to identify the Loan Parties in accordance with the Act.

15.16 Indemnification by the Company. IN CONSIDERATION OF THE EXECUTION AND DELIVERY OF THIS AGREEMENT BY THE ADMINISTRATIVE AGENT, EACH ISSUING LENDER AND THE LENDERS AND THE AGREEMENT TO EXTEND THE COMMITMENTS PROVIDED HEREUNDER, THE COMPANY HEREBY AGREES TO INDEMNIFY, EXONERATE AND HOLD THE ADMINISTRATIVE AGENT, EACH JOINT LEAD ARRANGER, EACH ISSUING LENDER, EACH LENDER AND EACH OF THE OFFICERS, DIRECTORS, EMPLOYEES, AFFILIATES AND AGENTS OF THE ADMINISTRATIVE AGENT, EACH JOINT LEAD ARRANGER, EACH ISSUING LENDER, AND EACH LENDER (EACH A "LENDER PARTY") FREE AND HARMLESS FROM AND AGAINST ANY AND ALL ACTIONS, CAUSES OF ACTION, SUITS, LOSSES, LIABILITIES, PENALTIES, DAMAGES AND EXPENSES INCURRED BY ANY LENDER PARTY OR ASSERTED AGAINST ANY LENDER PARTY BY ANY PERSON (INCLUDING THE COMPANY OR ANY OTHER LOAN PARTY), INCLUDING ATTORNEY COSTS (LIMITED TO ONE COUNSEL IN EACH APPLICABLE JURISDICTION AND WITH RESPECT TO EACH RELEVANT SPECIALTY AND, IN THE CASE OF AN ACTUAL OR PERCEIVED CONFLICT OF INTEREST, ONE ADDITIONAL COUNSEL IN EACH RELEVANT JURISDICTION TO EACH AFFECTED LENDER PARTY SIMILARLY SITUATED) (COLLECTIVELY, THE "INDEMNIFIED LIABILITIES"), AS A RESULT OF, OR ARISING OUT OF, OR RELATING TO (A) ANY

TENDER OFFER, MERGER, PURCHASE OF CAPITAL SECURITIES, PURCHASE OF ASSETS OR OTHER SIMILAR TRANSACTION FINANCED OR PROPOSED TO BE FINANCED IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, WITH THE PROCEEDS OF ANY OF THE LOANS, OR ANY REFINANCING, (B) THE USE, HANDLING, RELEASE, THREATENED RELEASE, EMISSION, DISCHARGE, TRANSPORTATION, STORAGE, TREATMENT OR DISPOSAL OF ANY HAZARDOUS SUBSTANCE AT ANY PROPERTY OWNED OR LEASED BY THE COMPANY OR ANY OF ITS SUBSIDIARIES OR UNRESTRICTED SUBSIDIARIES, (C) ANY VIOLATION OF ANY ENVIRONMENTAL LAWS BY ANY LOAN PARTY OR UNRESTRICTED SUBSIDIARY WITH RESPECT TO CONDITIONS AT ANY PROPERTY OWNED OR LEASED BY THE COMPANY OR ANY OF ITS SUBSIDIARIES OR UNRESTRICTED SUBSIDIARIES OR THE OPERATIONS CONDUCTED THEREON, (D) THE INVESTIGATION, CLEANUP OR REMEDIATION OF OFFSITE LOCATIONS AT WHICH THE COMPANY OR ANY OF ITS SUBSIDIARIES OR UNRESTRICTED SUBSIDIARIES OR THEIR RESPECTIVE PREDECESSORS ARE ALLEGED TO HAVE DIRECTLY OR INDIRECTLY DISPOSED OF HAZARDOUS SUBSTANCES, (E) ANY OTHER ENVIRONMENTAL CLAIM RELATING TO THE COMPANY OR ANY OF ITS SUBSIDIARIES OR UNRESTRICTED SUBSIDIARIES OR (F) THE EXECUTION, DELIVERY, PERFORMANCE OR ENFORCEMENT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT BY ANY OF THE LENDER PARTIES, EXCEPT FOR ANY SUCH INDEMNIFIED LIABILITIES ARISING ON ACCOUNT OF (I) THE APPLICABLE LENDER PARTY’S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL, NONAPPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION OR (II) ANY DISPUTE SOLELY AMONG THE LENDER PARTIES NOT ARISING OUT OF ANY ACT OR OMISSION BY THE COMPANY OR ANY OF ITS AFFILIATES (OTHER THAN A JOINT LEAD ARRANGER OR AN AGENT ACTING IN THEIR CAPACITIES AS SUCH). IF AND TO THE EXTENT THAT THE FOREGOING UNDERTAKING MAY BE UNENFORCEABLE FOR ANY REASON, THE COMPANY HEREBY AGREES TO MAKE THE MAXIMUM CONTRIBUTION TO THE PAYMENT AND SATISFACTION OF EACH OF THE INDEMNIFIED LIABILITIES WHICH IS PERMISSIBLE UNDER APPLICABLE LAW.

15.17 Nonliability of Lenders. The relationship between the Company on the one hand and the Lenders and the Administrative Agent on the other hand shall be solely that of borrower and lender. Neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Company or any of its subsidiaries arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Loan Parties, on the one hand, and the Administrative Agent and the Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor. Neither the Administrative Agent nor any Lender undertakes any responsibility to the Company or any of its subsidiaries to review or inform the Company or any of its subsidiaries of any matter in connection with any phase of the Company or any of its subsidiaries’ business or operations. The Company agrees, on behalf of itself and each of its subsidiaries, that neither the Administrative Agent nor any Lender shall have liability to the Company or any of its subsidiaries (whether sounding in tort, contract or otherwise) for losses suffered by the

Company or any of its subsidiaries in connection with, arising out of, or in any way related to the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. The Administrative Agent, the Lenders and their respective Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Company and its Affiliates, and neither the Administrative Agent or any Lender has any obligation to disclose any of such interests to the Company or its Affiliates. **NO PARTY HERETO SHALL BE LIABLE FOR ANY DAMAGES ARISING FROM THE USE BY OTHERS OF ANY INFORMATION OR OTHER MATERIALS OBTAINED THROUGH INTRALINKS OR OTHER SIMILAR INFORMATION TRANSMISSION SYSTEMS IN CONNECTION WITH THIS AGREEMENT, NOR SHALL ANY PARTY HERETO HAVE ANY LIABILITY WITH RESPECT TO, AND EACH PARTY (AND THE COMPANY ON BEHALF OF ITSELF AND EACH OTHER LOAN PARTY), HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE FOR ANY SPECIAL, PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ARISING OUT OF ITS ACTIVITIES IN CONNECTION HEREWITH OR THEREWITH (WHETHER BEFORE OR AFTER THE RESTATEMENT EFFECTIVE DATE); PROVIDED THE FOREGOING SHALL NOT LIMIT THE COMPANY'S INDEMNIFICATION OBLIGATIONS SET FORTH IN SECTION 15.16.** The Company acknowledges that it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party. No joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Company or any of its subsidiaries and the Lenders.

15.18 Forum Selection and Consent to Jurisdiction. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, SHALL BE BROUGHT AND MAINTAINED EXCLUSIVELY IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE ADMINISTRATIVE AGENT FROM ENFORCING A JUDGMENT IN ANY OTHER JURISDICTION. EACH PARTY HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE. EACH PARTY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. EACH PARTY HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION

BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

15.19 Waiver of Jury Trial. EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT, EACH JOINT LEAD ARRANGER AND EACH LENDER HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY NOTE, ANY OTHER LOAN DOCUMENT AND ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY LENDING RELATIONSHIP EXISTING IN CONNECTION WITH ANY OF THE FOREGOING, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

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

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

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

15.21 Survival of Representation, Warranties and Agreements. All representations, warranties and agreements made herein shall survive the execution and delivery hereof of the making of any Loan or the issuance or renewal of any Letter of Credit. Notwithstanding anything herein or implied by law to the contrary, the agreements of each Loan Party set forth in Sections 8.1, 15.4 and 15.16 and the agreements of the Lenders set forth in Sections 7.5, 14.3.2, 14.6 and 14.9 shall survive repayment of the Obligations, cancellation of any Notes, expiration or termination of the Letters of Credit and the reimbursement of any amounts drawn thereunder and termination of this Agreement.

15.22 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or any other Loan Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent, a Lender or an Issuing Lender, as applicable, could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Company in respect of any such sum due from it to the Administrative Agent or any Lender or Issuing Lender hereunder or under the other Loan Documents shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of this Agreement (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Lender or Issuing Lender, as the case may be, of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent or such Lender or Issuing Lender, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Administrative Agent or any Lender or Issuing Lender from the Company in the Agreement Currency, the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Lender or Issuing Lender, as the case may be, against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Administrative Agent or any Lender or Issuing Lender in such currency, the Administrative Agent or such Lender or Issuing Lender, as the case may be, agrees to return the amount of any excess to the Company.

15.23 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among the parties hereto, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

(c) The following terms shall for purposes of this Section have the meanings set forth below:

"Bail-In Action" means, as to any EEA Financial Institution, the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of such EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clause (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any member state of the European Union, Iceland, Liechtenstein and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Exhibit 12.1

Centene Corporation
Computation of ratio of earnings to fixed charges
($ in millions)

	Year Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Earnings:					
Pre-tax earnings from continuing operations	$ 1,134	$ 1,157	$ 697	$ 457	$ 269
Addback:					
Fixed charges	311	262	65	50	37
Add (Subtract):					
Noncontrolling interest	20	1	(2)	7	(1)
Total earnings	$ 1,465	$ 1,420	$ 760	$ 514	$ 305
Fixed Charges:					
Interest expense	$ 255	$ 217	$ 43	$ 35	$ 27
Interest component of rental payments (1)	56	45	22	15	10
Total fixed charges	$ 311	$ 262	$ 65	$ 50	$ 37
Ratio of earnings to fixed charges	4.7	5.4	11.7	10.3	8.2

(1) Estimated at 33% of rental expense as a reasonable approximation of the interest factor.

Exhibit 21

List of Subsidiaries

Absolute Total Care, Inc., a South Carolina corporation
AcariaHealth Pharmacy #11, Inc., a Texas corporation
AcariaHealth Pharmacy #12, Inc., a New York corporation
AcariaHealth Pharmacy #13, Inc., a California corporation
AcariaHealth Pharmacy #14, Inc., a California corporation
AcariaHealth Pharmacy, Inc., a California corporation
AcariaHealth, Inc., a Delaware corporation
Access Health Solutions, LLC, a Florida LLC
Agate Resources, Inc., an Oregon corporation
Ambetter of Magnolia, Inc., a Mississippi corporation
Ambetter of Peach State Inc., a Georgia corporation
Arkansas Health & Wellness Health Plan, Inc., an Arkansas corporation
Arkansas Total Care, Inc., an Arkansas corporation
Arkansas Total Care Holding Company, LLC, a Delaware LLC
Bankers Reserve Life Insurance Company of Wisconsin, a Wisconsin corporation
Bridgeway Health Solutions of Arizona, Inc., an Arizona corporation
Buckeye Community Health Plan, Inc., an Ohio corporation
California Health and Wellness Plan, a California corporation
Cantina Laredo Clayton, LP, a Delaware limited partnership
Casenet S.R.O., a Czech Republic S.R.O.
Casenet, LLC, a Delaware LLC
CBHSP Arizona, Inc., an Arizona corporation
Celtic Group, Inc., a Delaware corporation
Celtic Insurance Company, an Illinois corporation
CeltiCare Health Plan of Massachusetts, Inc., a Massachusetts corporation
Cenpatico Behavioral Health of Arizona, LLC, an Arizona LLC
Cenpatico Behavioral Health, LLC, a California LLC
Cenpatico of Arizona Inc., an Arizona corporation
Centene Acquisition Corporation, a New York corporation
Centene Center, LLC, a Delaware LLC
Centene Center I, LLC, a Delaware LLC
Centene Center II, LLC, a Delaware LLC
Centene Center III, LLC, a Delaware LLC
Centene Company of New York, LLC, a New York LLC
Centene Company of Texas, LP, a Texas limited partnership
Centene Management Company, LLC, a Wisconsin LLC
Centene UK Limited, an English and Welsh private company
Centurion Correctional Healthcare of Massachusetts, LLC, a Massachusetts LLC
Centurion Group, Inc., a Delaware corporation
Centurion of Florida, LLC, a Florida LLC
Centurion of Minnesota, LLC, a Minnesota LLC
Centurion of Mississippi, LLC, a Mississippi LLC
Centurion of Tennessee, LLC, a Tennessee LLC
Centurion of Vermont, LLC, a Vermont LLC
Centurion, LLC, a Delaware LLC
Clayton Property Investment, LLC, a Delaware LLC

CMC Hanley, LLC, a Missouri LLC
CMC Real Estate Company, LLC, a Delaware LLC
Comfort Hospice of Missouri, LLC, a Michigan LLC
Comfort Hospice of Texas, LLC, a Michigan LLC
ComfortBrook Hospice, LLC, an Ohio LLC
Coordinated Care Corporation, an Indiana corporation
Coordinated Care of Washington, Inc., a Washington corporation
Country Style Health Care, LLC, a Texas LLC
Drummonds Medical Limited, an English and Welsh private company
Envolve Benefits Options, Inc., a Delaware corporation
Envolve Captive Insurance Company, Inc., a South Carolina corporation
Envolve Dental, Inc., a Delaware corporation
Envolve Dental of Florida, Inc., a Florida corporation
Envolve Dental of Texas, Inc., a Texas corporation
Envolve Dental IPA of New York, Inc., a New York corporation
Envolve Holdings, Inc., a Delaware corporation
Envolve, Inc., a Delaware corporation
Envolve - New York, Inc., a New York corporation
Envolve PeopleCare, Inc., a Delaware corporation
Envolve Pharmacy IPA, LLC, a New York LLC
Envolve Pharmacy Solutions, Inc., a Delaware corporation
Envolve Total Vision, Inc., a Delaware corporation
Envolve Vision Benefits, Inc., a Delaware corporation
Envolve Vision, Inc., a Delaware corporation
Envolve Vision of Florida, Inc., a Florida corporation
Envolve Vision of Texas, Inc., a Texas corporation
Family Nurse Care II, LLC, a Michigan LLC
Family Nurse Care of Ohio, LLC, a Michigan LLC
Family Nurse Care, LLC, a Michigan LLC
FH Assurance Company, a Cayman Islands corporation
FH Surgery Centers Inc., a California corporation
FH Surgery Limited, Inc., a California corporation
Foundation Care, LLC, a Missouri LLC
Foundation Health Facilities, Inc., a California corporation
GPT Acquisition, LLC, a Delaware LLC
Grace Hospice of Austin, LLC, a Michigan LLC
Grace Hospice of Grand Rapids, LLC, a Michigan LLC
Grace Hospice of Illinois, LLC, an Illinois LLC
Grace Hospice of Indiana, LLC, a Michigan LLC
Grace Hospice of San Antonio, LLC, a Michigan LLC
Grace Hospice of Virginia, LLC, a Michigan LLC
Grace Hospice of Wisconsin, LLC, a Michigan LLC
Granite State Health Plan, Inc., a New Hampshire corporation
Greater Sacramento Surgery Center LP, a California limited partnership
Hallmark Life Insurance Company, an Arizona corporation
Health Care Enterprises, LLC, a Delaware LLC
Health Net Access, Inc., an Arizona corporation
Health Net Community Solutions, Inc., a California corporation
Health Net Community Solutions of Arizona, Inc., an Arizona corporation
Health Net Federal Services, LLC, a Delaware LLC

Health Net Health Plan of Oregon, Inc., an Oregon corporation
Health Net, Inc., a Delaware corporation
Health Net Life Insurance Company, a California corporation
Health Net Life Reinsurance Company, a Cayman Islands corporation
Health Net of Arizona Administrative Services, Inc., an Arizona corporation
Health Net of Arizona, Inc., an Arizona corporation
Health Net of California, Inc., a California corporation
Health Net of California Real Estate Holdings, Inc., a California corporation
Health Net of Pennsylvania, LLC, a Pennsylvania LLC
Health Net of the Northeast, LLC, a Delaware LLC
Health Net One Payment Services, Inc., a Delaware corporation
Health Net Pharmaceutical Services, a California corporation
Health Net Preferred Providers, LLC, a Delaware LLC
Health Net Services Inc., a Delaware corporation
Health Net Veterans, LLC, a Delaware LLC
Health Plan Real Estate Holdings, Inc., a Missouri corporation
Healthy Louisiana Holdings, LLC, a Delaware LLC
Healthy Missouri Holdings, Inc., a Missouri corporation
Heritage Home Hospice, LLC, a Michigan LLC
Home State Health Plan, Inc., a Missouri corporation
HomeScripts.com, LLC, a Michigan LLC
Hospice DME Company, LLC, a Michigan LLC
HSI Advantage Health Holdings, Inc., a Delaware corporation
IAH of Florida, LLC, a Florida LLC
IlliniCare Health Plan, Inc., an Illinois corporation
Illinois Health Practice Alliance, LLC, a Delaware corporation
Integrated Mental Health Services, a Texas corporation
Integrated Pharmacy Systems, Inc., a Pennsylvania corporation
Kentucky Spirit Health Plan, Inc., a Kentucky corporation
LBB Industries, Inc., a Texas corporation
LifeShare Management Group, LLC, a New Hampshire LLC
LiveHealthier, Inc., a Delaware corporation
Louisiana Healthcare Connections, Inc., a Louisiana corporation
LSM Holdco, Inc., a Delaware corporation
Magnolia Health Plan, Inc., a Mississippi corporation
Managed Health Network, a California corporation
Managed Health Network, LLC, a Delaware LLC
Managed Health Services Insurance Corporation, a Wisconsin corporation
Massachusetts Partnership of Correctional Healthcare, LLC, a Massachusetts LLC
MHN Global Services, Inc., a Delaware corporation
MHN Government Services LLC, a Delaware LLC
MHN Government Services-Belgium, Inc., a Delaware corporation
MHN Government Services-Djibouti, Inc., a Delaware corporation
MHN Government Services-Germany, Inc., a Delaware corporation
MHN Government Services-Guam, Inc., a Delaware corporation
MHN Government Services-International, Inc., a Delaware corporation
MHN Government Services-Italy, Inc., a Delaware corporation
MHN Government Services-Japan, Inc., a Delaware corporation
MHN Government Services-Puerto Rico, Inc., a Delaware corporation
MHN Government Services-Turkey, Inc., a Delaware corporation

MHN Government Services-United Kingdom, Inc., a Delaware corporation
MHN Services, LLC, a California LLC
MHS Consulting International, Inc., a Delaware corporation
MHS Travel & Charter, Inc., a Wisconsin corporation
Michigan Complete Health, a Michigan corporation
National Pharmacy Services Inc., a Delaware corporation
Nebraska Total Care, Inc., a Nebraska corporation
Network Providers, LLC, a Delaware corporation
North Florida Health Services, Inc., a Florida corporation
Novasys Health, Inc., a Delaware corporation
Peach State Health Plan, Inc., a Georgia corporation
Pennsylvania Health Care Plan, Inc., a Pennsylvania corporation
Phoenix Home Health Care, LLC, a Delaware LLC
Pinnacle Home Care, LLC, a Texas LLC
Pinnacle Senior Care of Indiana, LLC, a Michigan LLC
Pinnacle Senior Care of Kalamazoo, LLC, a Michigan LLC
Pinnacle Senior Care of Missouri, LLC, a Michigan LLC
Pinnacle Senior Care of Wisconsin, LLC, a Wisconsin LLC
PrimeroSalud, S.L., a Spanish Sociedad Limitada
QualMed, Inc., a Delaware corporation
QualMed Plans for Health of Colorado, Inc., a Colorado corporation
QualMed Plans for Health of Pennsylvania, Inc., a Pennsylvania corporation
QualMed Plans for Health of Western Pennsylvania, Inc., a Pennsylvania corporation
R&C Healthcare, LLC, a Texas LLC
Rapid Respiratory Services, LLC, a Delaware LLC
RMED, LLC, a Florida LLC
RX Direct, Inc., a Texas corporation
Seniorcorps Peninsula, LLC, a Virginia LLC
SilverSummit Healthplan, Inc., a Nevada corporation
Specialty Therapeutic Care Holdings, LLC, a Delaware LLC
Specialty Therapeutic Care, GP, LLC, a Texas LLC
Specialty Therapeutic Care, LP, a Texas limited partnership
Sunflower State Health Plan, Inc., a Kansas corporation
Sunshine Health Holding, LLC, a Florida LLC
Sunshine State Health Plan, Inc., a Florida corporation
Superior HealthPlan, Inc., a Texas corporation
The Practice (Group) Limited, an English and Welsh private company
The Practice Health Division Limited , an English and Welsh private company
The Practice Properties Limited, an English and Welsh private company
The Practice Services Limited, an English and Welsh private company
Traditional Home Health Services, LLC, a Texas LLC
Trillium Community Health Plan, Inc., an Oregon corporation
U.S. Medical Management Holdings, Inc., a Delaware corporation
U.S. Medical Management, LLC, a Delaware LLC
USMM Accountable Care Network, LLC, a Delaware LLC
USMM Accountable Care Partners, LLC, a Delaware LLC
USMM Accountable Care Solutions, LLC, a Delaware LLC

Exhibit 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Centene Corporation:

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 333-210376, 333-197737, 333-180976, 333-108467, 333-90976, 333-83190, and 333-217634) and in the registration statements on Form S-3 (Nos. 333-209252 and 333-217636) of Centene Corporation of our reports, dated February 20, 2018, with respect to the consolidated balance sheets of Centene Corporation and subsidiaries as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 10-K of Centene Corporation.

/s/ KPMG LLP

St. Louis, Missouri
February 20, 2018

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 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; 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 20, 2018

/s/ MICHAEL F. NEIDORFF

Chairman and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Jeffrey A. Schwaneke, 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 financial reporting.

Dated: February 20, 2018

/s/ JEFFREY A. SCHWANEKE

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, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Michael F. Neidorff, Chairman 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 20, 2018

/s/ MICHAEL F. NEIDORFF

Chairman 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, 2017, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Jeffrey A. Schwaneke, 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 20, 2018

/s/ JEFFREY A. SCHWANEKE

Executive Vice President and Chief Financial Officer
(principal financial officer)