

**BEFORE THE INSURANCE COMMISSIONER
STATE OF ARKANSAS**

**IN THE MATTER OF THE
ACQUISITION OF CONTROL OF OR
MERGER WITH A DOMESTIC HEALTH
MAINTENANCE ORGANIZATION,
AMERICAN DENTAL PROVIDERS OF
ARKANSAS, INC., BY HUMANA INC. AND
HUV, INC.**

A.I.D. No. 2007 054

ORDER

In accordance with Ark. Code Ann. § 23-63-510, and other applicable provisions of the Arkansas Insurance Code, on August 29, 2007, at 10:00 a.m., in the Hearing Room of the Arkansas Insurance Department (the “Department”) at 1200 West Third Street, Little Rock, Arkansas 72201, a public hearing was held regarding the Form A Application filed by Humana Inc. and its wholly-owned subsidiary, HUV Inc. (together, “Humana”), seeking approval of their proposed acquisition of control of, and HUV’s merger with, a domestic health maintenance organization, American Dental Providers of Arkansas, Inc. (“American Dental”), as detailed in the application dated and filed with the Department on July 11, 2007, the exhibits thereto, and the supplemental filings in relation thereto (hereinafter, collectively “Application”).

The hearing was held before Lenita Blasingame, Chief Deputy Insurance Commissioner of the Department, designated and delegated by the Insurance Commissioner for the State of Arkansas as the Hearing Officer and authorized to exercise and discharge with regard to the subject Application any power or function which may be vested by the Arkansas Insurance Code in the Commissioner.

In addition to the Application and exhibits introduced during the hearing, testimony was provided by Brenda Haggard, Manager of Financial Analysis, Division of Financial Regulation and Audit, Arkansas Insurance Department, and Tod J. Zacharias, Humana's Vice President, Strategy & Business Development, Small Business, Dental, and HumanaOne.

The hearing record closed on September 21, 2007 at 4:30 p.m. CDT. The following documents were submitted by Humana and were admitted into the record after the conclusion of the hearing: background reports for Gerald L. Ganoni, completed in August 2007, Mark M. Matzke, completed in August 2007, and Thomas J. Liston, completed in November 2005. At the Department's request, Humana has ordered an updated background report to be completed for Mr. Liston, which will be delivered to and reviewed by the Department within 30 days of receipt.

After considering all the evidence and arguments, and being fully advised, the Hearing Officer makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. American Dental is an Arkansas domestic health maintenance organization pursuant to Ark. Code. Ann. § 23-76-108, with its principal offices located at 100 Mansell Court East, Suite 400, Roswell, Georgia, 30076. CompBenefits Corporation ("CompBenefits") is a privately owned Delaware corporation and the ultimate parent company of American Dental.

2. TA Associates, Inc. ("TA Associates") was appointed as Stockholders' Representative by the controlling stockholders of CompBenefits.

3. Humana Inc. is a publicly held Delaware business corporation and the ultimate controlling person in an insurance holding company system. HUV Inc. ("HUV"), a Delaware general business corporation, is a wholly owned subsidiary of Humana Inc. formed in May 2007,

solely to facilitate this acquisition and will be merged out of existence upon closing of the proposed acquisition.

4. Humana filed the Application with the Department on July 11, 2007, and delivered a complete copy of the Application to American Dental and CompBenefits.

5. A Notice of Public Hearing was provided on August 2, 2007, to Humana, CompBenefits, and TA Associates, and the applicant, Humana, waived in writing any statutory notice timeframes relating to the hearing on its Application.

6. As set forth in the Application, pursuant to the terms and conditions of the Agreement and Plan of Merger dated June 15, 2007 (the "Merger Agreement") between and among Humana Inc., HUV, CompBenefits, and TA Associates, Inc., acting in its capacity as Stockholders' Representative, at closing HUV will merge with and into CompBenefits. CompBenefits will be the surviving corporation of the merger, and Humana Inc. will own directly all of the then issued and outstanding capital stock of CompBenefits, and, indirectly, its entire second-tier subsidiary, American Dental.

7. At closing, Humana will pay cash consideration totaling \$360,000,000, subject to certain adjustments, for all of the issued and outstanding capital stock of CompBenefits, as set forth more particularly in the Merger Agreement attached as an exhibit to the Application. That amount will be adjusted dollar for dollar four months after closing to reflect the actual working capital of CompBenefits on the closing date based on an agreed upon target amount of \$26.412 million. Approximately one-half of the closing proceeds will be used by CompBenefits to satisfy and retire certain indebtedness of CompBenefits as of the closing date.

8. The terms and conditions of the agreed upon offer to purchase the CompBenefits capital stock resulted from good faith, arm's length negotiations between representatives of Humana,

CompBenefits and TA Associates. For investment advisory services in connection with the acquisitions contemplated in the Merger Agreement, Humana retained Bank of America, and CompBenefits retained Goldman, Sachs & Co. The controlling stockholders of CompBenefits are a number of private equity firms, and as set forth in paragraph 6, these firms appointed TA Associates as Stockholders' Representative. The stockholders of CompBenefits, as well of the Boards of Directors of HUV, Humana, and CompBenefits approved the acquisition.

9. The total consideration to be paid by Humana of \$360 million is expected to be funded by a combination of approximately equal percentages of cash and investments on hand and proceeds from drawing under Humana's five-year \$1 billion unsecured revolving credit agreement dated July 14, 2006, with JPMorgan Chase Bank, N.A. as Agent and as CAF Loan Agent, Bank of America, N.A., Citibank, N.A., U.S. Bank National Association, and Wachovia Bank, National Association as Syndication Agents, and J.P. Morgan Securities Inc. and Banc of America Securities LLC, as Joint-Lead Arrangers and Joint Bookrunners, as amended.

10. In its certified Audited Consolidated Financial Statements for the year ended December 31, 2006, Humana reported assets of \$10.12 billion, liabilities of \$7.07 billion, and stockholders' equity of \$3.05 billion. In its Quarterly Report on Form 10-Q as filed with the SEC for the quarter ending June 30, 2007, Humana reported assets of \$13.34 billion, liabilities of \$9.96 billion, and stockholders' equity of \$3.38 billion. (All amounts are rounded.)

11. The post acquisition Board of Directors of CompBenefits will be Michael B. McCallister, Jonathan T. Lord, M.D., James H. Bloem, and James E. Murray, each of whom is a current officer of Humana. The post acquisition board of American Dental will be Michael B. McCallister, James H. Bloem, and James E. Murray. American Dental's post-acquisition officers will be a subset of the current officers of Humana and American Dental who will ultimately report to Gerald L. Ganoni,

President of HumanaOne, Humana Small Business and HumanaDental Insurance Company, an individual with demonstrated management experience and expertise in the dental plan business.

12. Following the acquisition, it is expected that existing members of American Dental's plans will remain enrolled in their current plans and provider networks. New and renewing American Dental members will have the option of continuing their current plan or choosing from the range of other plans offered by Humana that have not been previously available through American Dental.

13. Following the acquisition, Humana and its subsidiaries will have less than 1% of Arkansas' dental plan market and, therefore, the acquisition will not lessen competition for dental plans in the state of Arkansas

14. As described in the Form 13G filed by Barclays Global Investors NA ("Barclays") with the United States Security and Exchange Commission ("SEC"), a copy of which is an exhibit to the Application, the Barclays entities named therein together owned 10.8% of the then outstanding common stock of Humana Inc. based on 166,633,540 shares outstanding as of December 31, 2006. As certified in the Form 13G, Barclays neither directly or indirectly exercises nor has a right to exercise control over Humana, and holds Humana securities for investment purposes only.

15. Ms. Haggard and Mr. Zacharias testified to the following facts, among others, which are adopted by this Order:

- a. After Humana's acquisition of control of American Dental, American Dental will continue to be able to satisfy the requirements for a license to write the lines of business for which it is currently licensed in Arkansas;
- b. Humana's acquisition of control of American Dental will not substantially lessen competition in insurance in Arkansas or create a monopoly in the state;

- c. The financial condition of Humana will not jeopardize the financial stability of American Dental or prejudice American Dental's policyholders or the interests of remaining security holders;
- d. The terms of the acquisition are fair and reasonable to any policyholder and the stockholders of American Dental;
- e. Humana has no plans to liquidate American Dental, sell its assets or consolidate or merge the insurer with any person or make any other material changes to the business, corporate structure or management, that are unfair or unreasonable to American Dental or its policyholders or that are inconsistent with the public interest; and
- f. The competence, experience and integrity of the persons who will control the operations of American Dental after the acquisition are such that acquisition is consistent with the interests of American Dental's policyholders and the public.

16. No member of the public or any other party appeared at the hearing or has opposed this acquisition.

CONCLUSIONS OF LAW

Based on the foregoing Findings of Fact, and other matters and facts in the record before her, the Hearing Officer concludes as follows:

1. The Commissioner has jurisdiction over the parties and subject matter herein.
2. Pursuant to Ark. Code Ann. § 23-61-103(e)(1) the Commissioner may delegate to any assistant, deputy, examiner, or employee of the Department the exercise or discharge in the

Commissioner's name of any power, duty, or function, whether ministerial, discretionary, or of whatever character which may be vested by the Arkansas Insurance Code in the Commissioner.

3. None of the preclusions for approval contained in Ark. Code Ann. § 23-63-510 exist as to the acquisition of control of American Dental by Humana. Therefore, the acquisition should be approved.

4. Humana's application is properly supported by all the required documentation and meets all the requirements for approval under Arkansas law.

5. Pursuant to Ark. Code Ann. § 23-63-510, the acquisition of control of American Dental by Humana as described in the Application, testimony of witnesses and other evidence adduced at the hearing, including exhibits filed therein, reports, correspondence, financial information, business plans, and statements on file with the Department, representations of counsel, and other matters and information considered, should be approved; and

6. Humana should promptly deliver to the Department a current customary third party background report for Thomas J. Liston, an identified post acquisition officer of American Dental. The Department may request additional information from Mr. Liston within 30 days after receipt of the background report. Further, if the competence, experience or integrity of Mr. Liston is found to be inconsistent with the interest of American Dental's policyholders or the public, the Department may, within 30 days after receipt of all additional biographical information requested by the Department, place conditions on his involvement with American Dental, subject to an opportunity for hearing and appeal of the Department's decision by American Dental, Humana, Mr. Liston, or any other person with proper standing. The conditions placed upon Mr. Liston's involvement with the company may require that he refrain from participating in any decisions regarding the

management of American Dental until any hearing or appeal of the Department's decision is finally resolved.

IT IS THEREFORE ORDERED that Humana's Application for approval of its acquisition of control of American Dental, subject to the terms and conditions of the above Findings of Fact and Conclusions of Law, should be and is hereby approved.

IT IS SO ORDERED this 26th day of September, 2007.


LENITA BLASINGAME
CHIEF DEPUTY INSURANCE COMMISSIONER
AND HEARING OFFICER