

[ORIGINAL E-003-17]

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

RECEIVED

JAN 25 2017

1. INFORMATION FOR EXISTING FACILITY

Current Facility Name Physicians' Surgical Center

Address 311 West Lincoln, Suite 300

City Belleville

Zip Code 62220

County St. Clair

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Name of current licensed entity for the facility Belleville Surgical Center, Ltd., an Illinois Limited Partnership d/b/a Physicians' Surgical Center
Does the current licensee: own this facility X OR lease this facility _____ (if leased, check if sublease ☐)

Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship

_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental

_____ Limited Liability Company X Other, specify Limited Partnership

Illinois State Senator for the district where the facility is located: Sen. James F. Clayborne, Jr.

State Senate District Number 57 Mailing address of the State Senator 329A State Capitol Building

Springfield, IL 62706

Illinois State Representative for the district where the facility is located: Rep. Jay Hoffman

State Representative District Number 113 Mailing address of the State Representative 261-S Stratton Office Building

Springfield, IL 62706

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes ☐ No ☒ If yes, refer to Section 1130.520(f), and indicate the projects by Project # _____

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant UnitedHealth Group Incorporated

Address 9900 Bren Road

City, State & Zip Code East Minnetonka, MN 55343

Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship

_____ Not-for-Profit Corporation X For Profit Corporation _____ Partnership _____ Governmental

_____ Limited Liability Company _____ Other, specify _____

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed Belleville Surgical Center, Ltd., an Illinois Limited Partnership

Address 311 West Lincoln, Suite 300

City, State & Zip Code Belleville, IL 62220

Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship

_____ Not-for-Profit Corporation _____ For Profit Corporation _____ Partnership _____ Governmental

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5. **BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY**

Exact Legal Name of Entity That Will Own the Site Belleville Family Medical Associates, Ltd.

Address 311 West Lincoln Street

City, State & Zip Code Belleville, IL 62220

Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship

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3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant Spartan Merger Sub 2, LLC
Address 9900 Bren Road
City, State & Zip Code East Minnetonka, MN 55343
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
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☒ Limited Liability Company _____ Other, specify _____

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Exact Legal Name of Applicant Belleville Surgical Center, Ltd., an Illinois Limited Partnership
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City, State & Zip Code Belleville, IL 62220
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3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant Surgical Care Affiliates, Inc.
Address 510 Lake Cook Road, Suite 400
City, State & Zip Code Deerfield, IL 60015
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_____ Not-for-Profit Corporation X For Profit Corporation _____ Partnership _____ Governmental
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6. **TRANSACTION TYPE, CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
- ☐ Purchase resulting in the issuance of a license to an entity different from current licensee;
 - ☐ Lease resulting in the issuance of a license to an entity different from current licensee;
 - ☐ Stock transfer resulting in the issuance of a license to a different entity from current licensee;
 - ☒ Stock transfer resulting in no change from current licensee;
 - ☐ Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
 - ☐ Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
 - ☐ Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
 - ☐ Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
 - ☐ Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
 - ☐ Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
 - ☐ Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"
7. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for \$2,500 payable to the Illinois Department of Public Health and append as ATTACHMENT #1.
8. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as ATTACHMENT #2.
9. **ANTICIPATED ACQUISITION PRICE:** \$ See Attachment #2.
10. **FAIR MARKET VALUE OF THE FACILITY:** \$ See Attachment #2.
(to determine fair market value, refer to 77 IAC 1130.140)
11. **DATE OF PROPOSED TRANSACTION:** Expected to close during the first half of 2017. See Attachment #2 for additional detail.
12. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as ATTACHMENT #3.
13. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Limited Liability Companies and Partnerships must provide the name and address of each partner/ member and specify the percentage of ownership of each. Append this information to the application as ATTACHMENT #4.
14. **TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities and Services Review Board. Append this document(s) to the application as ATTACHMENT #5.
15. **FINANCIAL STATEMENTS.** (Co-applicants must also provide this information) Provide a copy of the applicants latest audited financial statements, and append it to this application as ATTACHMENT #6. If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES , and indicate the date the entity was formed

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Daniel J. Lawler
Name: Barnes & Thornburg LLP
Address: One North Wacker Drive, Suite 4400
City, State & Zip Code: Chicago, IL 60606-2833
Telephone () Ext. (312) 214-4861

17. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: John Liethen, Deputy General Counsel, OptumCare
Address: 11000 Optum Circle, MN101-W013
City, State & Zip Code: Eden Prairie, MN 55344
Telephone () Ext. (952) 205-6262

18. **CERTIFICATION**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer Richard J. Mattera for UnitedHealth Group Incorporated

Typed or Printed Name of Authorized Officer Richard J. Mattera

Title of Authorized Officer: Assistant Secretary

Address: 9900 Bren Road

City, State & Zip Code: East Minnetonka, MN 55343

Telephone (952) 936-1300 Date: 1/20/2017

NOTE: complete a separate signature page for each co-applicant and insert following this page.

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Name: Daniel J. Lawler, Barnes & Thornburg LLP

Address: One North Wacker Drive, Suite 4400

City, State & Zip Code: Chicago, IL 60606-2833

Telephone () Ext. (312) 214-4861

17. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: John Liethen, Deputy General Counsel, OptumCare

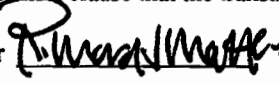
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Signature of Authorized Officer  for Spartan Merger Sub 2, LLC

Typed or Printed Name of Authorized Officer Richard J. Mattera

Title of Authorized Officer: Assistant Secretary

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Signature of Authorized Officer  for Belleville Surgical Center, Ltd., an Illinois Limited Partnership

Typed or Printed Name of Authorized Officer Richard L. Sharff, Jr.

Title of Authorized Officer: Vice President, Surgicare of Belleville, LLC, General Partner of Belleville Surgical Center, Ltd., an Illinois Limited Partnership

Address: 569 Brookwood Village, Suite 901

City, State & Zip Code: Birmingham, Alabama 35209

Telephone (205) 545-2572

Date: 1/20/2017

NOTE: complete a separate signature page for each co-applicant and insert following this page.

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Signature of Authorized Officer  for Surgical Care Affiliates, Inc.

Typed or Printed Name of Authorized Officer Richard L. Sharff, Jr.

Title of Authorized Officer: Executive Vice President

Address: 569 Brookwood Village, Suite 901

City, State & Zip Code: Birmingham, Alabama 35209

Telephone (205) 545-2572

Date: 1/20/2017

NOTE: complete a separate signature page for each co-applicant and insert following this page.

ATTACHMENT #1:
APPLICATION FEE

The application fee of \$2,500.00 is enclosed with this application.

ATTACHMENT #2:

FUNDING

Surgical Care Affiliates, Inc. ("SCA") and UnitedHealth Group Incorporated ("UHG") are parties to an agreement (the "Merger Agreement") that will, subject to the satisfaction or waiver of certain conditions, result in the merger of SCA with a wholly-owned subsidiary of UHG. As a result, following the closing of the transaction, SCA will cease to be a publicly-traded corporation and will become a wholly-owned subsidiary of UGH.

The Merger Agreement calls for the acquisition of SCA's outstanding common stock for a fixed price of \$57.00 per share, to be funded between 51 percent and 80 percent with UHG's common stock, with the final percentage to be determined at UHG's option and the remainder in cash. Due to the structure of the transaction, no specific consideration is designated as being for the Facility. The transaction is expected to close during the first half of 2017, subject to the tender of a majority of SCA's shares, regulatory approvals and other customary closing conditions.

For a copy of the Merger Agreement and additional detail, please see Attachment #5.

ATTACHMENT #3:
NARRATIVE DESCRIPTION

Belleville Surgical Center, Ltd., an Illinois Limited Partnership owns and operates Physicians' Surgical Center in Belleville, Illinois (the "Facility"). Surgicare of Belleville, LLC, which is a wholly-owned subsidiary of Surgical Care Affiliates, Inc. ("SCA"), owns 78.55% of the ownership interests in the Facility. The remaining interests in the Facility are held by unrelated third parties. SCA is party to a planned transaction, described below.

SCA is a publicly-traded corporation that, by and through its subsidiaries, operates one of the largest networks of surgical facilities in the United States, which as of December 31, 2016, included 198 ambulatory surgery centers and seven surgical hospitals, among which is the Facility. UHG is a publicly-traded corporation that, by and through its subsidiaries, operates a diversified family of businesses dedicated to helping people live healthier lives. SCA and UHG are parties to an agreement that will, subject to the satisfaction or waiver of certain conditions, result in the merger of SCA with a wholly-owned subsidiary of UHG (the "Proposed Transaction"). As a result, following the closing of the transaction, SCA will cease to be a publicly-traded corporation and will become a wholly-owned subsidiary of UHG. The transaction is expected to close during the first half of 2017, subject to the tender of a majority of SCA's shares, regulatory approvals and other customary closing conditions.

Please refer to Exhibit A for an ownership chart showing the ownership structure of the Facility before and after the closing of the Proposed Transaction.¹ As you can see, the Proposed Transaction will not result in any change in the direct ownership of the legal entity that owns and operates the Facility. Instead, the Proposed Transaction will result in a change in the ownership structure several levels up the ownership chain from the legal entity that owns and operates the Facility. The legal entity that owns and operates the Facility will retain its assets, and there will be no change in the direct ownership of its stock. The legal entity that owns and operates the Facility will also retain its legal business name and federal tax identification number. Accordingly, the Proposed Transaction will not result in a change of ownership of the Facility for Medicare or state licensure purposes. In addition, no change in the local governing body or day-to-day operations of the Facility is anticipated as a result of the Proposed Transaction.

For additional detail regarding the Proposed Transaction, please see the joint press release issued by UHG and SCA dated January 9, 2017 and included as Exhibit B.

¹ Immediately following the closing of the merger transaction, UHG will complete an internal reorganization through which the former SCA system will be incorporated into UHG's OptumCare business line. The attached chart depicts the ownership structure after the completion of both the merger transaction and this internal reorganization.

EXHIBIT A

OWNERSHIP STRUCTURE CHART

Please see attached.

EXHIBIT B

JOINT PRESS RELEASE ISSUED BY UHG AND SCA DATED JANUARY 9, 2017

Please see attached.



Surgical Care Affiliates (SCA), OptumCare to Combine

- 1 *Creates comprehensive ambulatory care services platform, including primary care, urgent care and surgical care services*
- 2 *Combination broadens ability of the companies to improve patient experience, and quality and cost of care*
- 3 *Companies to align strategy to support value-based payment models and a multi-payer approach*
- 4 *Builds on companies' existing joint ventures, strong relationship and complementary capabilities*

Wakefield, Mass., and Deerfield, Ill. (Jan. 9, 2017) — Optum, a leading health services company and part of UnitedHealth Group (NYSE: UNH), and Surgical Care Affiliates, Inc. (NASDAQ: SCAI), a leading ambulatory surgery center (ASC) and surgical hospital provider, are combining. The agreement calls for the acquisition of SCA's outstanding common stock for \$57.00 per share.

The combination of SCA with OptumCare, Optum's primary and urgent care delivery services business working with more than 80 health plans, will position the combined organization as a comprehensive provider of ambulatory care services, while continuing expansion of SCA's network of ASCs and surgical hospitals in partnership with leading health systems, medical groups and health payers. The combination builds upon the two companies' successful ASC collaborations and expands OptumCare's capabilities in outpatient surgical procedures.

"Joining with OptumCare will enable us to better support and empower independent physicians, helping them provide high-quality care for their patients while making health care more affordable. The combination of SCA and OptumCare is another step forward toward our vision of becoming the partner of choice for surgeons," said Andrew Hayek, chairman and chief executive officer of SCA. "We already have a strong relationship with OptumCare, so we have seen firsthand that our cultures and strategies are aligned and complementary."

Larry C. Renfro, vice chairman of UnitedHealth Group and Optum chief executive officer, said: "Combining SCA and OptumCare will enable us to continue the transition to high-quality, high-value ambulatory surgical care, partnering with the full range of health systems, medical groups and health plans. We have an incredibly high regard for SCA's leadership and people, so we look forward to working with them and our payer partners to implement care models that reward independent surgeons and specialists for quality and care efficiency."

System-wide, SCA and its affiliates serve approximately 1 million patients per year in more than 30 states. The company is a leader in partnering strategically with many health plans, medical groups and health systems to align with physicians through value-based payment models that reward quality, patient experience and cost-efficiency.

With the combination, SCA will become part of the OptumCare platform, which serves millions of consumers annually through 20,000 affiliated physicians and hundreds of care facilities. Hayek and the SCA leadership team will continue forward as part of SCA and the larger OptumCare platform. The companies will offer compelling quality and value to patients and payers and support independent doctors' practices as eligible surgical cases (e.g., total joint replacements) continue to migrate to the ASC and surgical hospital environments.

The agreement calls for the acquisition of SCA's outstanding common stock for a fixed price of \$57.00 per share, to be funded between 51 percent and 80 percent with UnitedHealth Group common stock, with the final percentage to be determined at UnitedHealth Group's option and the remainder in cash. The transaction is expected to close during the first half of 2017, subject to the tender of a majority of SCA's shares, regulatory approvals and other customary closing conditions, and is expected to be neutral to UnitedHealth Group's outlook for adjusted net earnings per share in 2017 and modestly accretive in 2018.

"Over the past eight years, we have had the great pleasure of partnering with SCA as the business has transformed into a leader in the health care services sector," said Lead Independent Director of SCA and Managing Partner of TPO Capital Todd B. Slitsky. "We believe this combination will create significant value for SCA's patients and physician partners, and we look forward to the combined company's future success." Affiliates of TPO Capital, owning approximately 30 percent of the common stock of SCA, have agreed to tender their shares as part of the offer.

About SCA

SCA (NASDAQ: SCAI), a leader in the outpatient surgery industry, strategically partners with health plans, medical groups and health systems across the country to develop and optimize surgical facilities. SCA operates 205 surgical facilities, including ambulatory surgery centers and surgical hospitals, in partnership with approximately 3,000 physicians. For more information on SCA, visit www.scasurgery.com.

About Optum

Optum is a leading information and technology-enabled health services business dedicated to helping make the health system work better for everyone. With more than 100,000 people worldwide, Optum delivers intelligent, integrated solutions that help to modernize the health system and improve overall population health. Optum is part of UnitedHealth Group (NYSE: UNH).

About UnitedHealth Group

UnitedHealth Group (NYSE: UNH) is a diversified health and well-being company dedicated to helping people live healthier lives and helping make the health system work better for everyone. UnitedHealth Group offers a broad spectrum of products and services through two

distinct platforms: UnitedHealthcare, which provides health care coverage and benefits services; and Optum, which provides information and technology-enabled health services. For more information, visit UnitedHealth Group at www.unitedhealthgroup.com or follow @UnitedHealthGrp on Twitter.

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alison.donnelly@scasurgery.com

Cautionary Statement Regarding Forward Looking Statements

This communication may contain statements that constitute "forward-looking statements," including, for example, information related to UnitedHealth Group Incorporated ("UnitedHealth Group"), Surgical Care Affiliates, Inc. ("SCA") and the proposed acquisition of SCA by UnitedHealth Group. Generally the words "believe," "expect," "intend," "estimate," "anticipate," "plan," "project," "should" and similar expressions identify forward-looking statements, which generally are not historical in nature. Such statements reflect the current analysis of existing information and involve substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The following factors, among others, could cause actual results to differ materially from those described in these forward-looking statements: the possibility that various conditions to the consummation of the UnitedHealth Group exchange offer and mergers may not be satisfied or waived, including the receipt of regulatory clearances related to the mergers; uncertainty as to how many shares of SCA common stock will be tendered into the UnitedHealth Group exchange offer; the risk that the UnitedHealth Group exchange offer and mergers will not close within the anticipated time periods, or at all; the failure to complete or receive the anticipated benefits from UnitedHealth Group's acquisition of SCA; the possibility that the parties may be unable to successfully integrate SCA's operations into those of UnitedHealth Group; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients, suppliers or physicians) may be greater than expected following the transaction; the retention of certain key employees at SCA may not be achieved; the parties may be unable to meet expectations regarding the timing, completion and accounting and tax treatments of the transactions; UnitedHealth Group and SCA are subject to intense competition; factors that affect UnitedHealth Group's ability to generate sufficient funds to maintain its quarterly dividend payment cycle; the effects of local and national economic, credit and capital market

conditions; and the other risks and uncertainties relating to UnitedHealth Group and SCA described in their respective Annual Reports on Form 10-K for the fiscal year ended December 31, 2015, and in their subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the U.S. Securities and Exchange Commission (the "SEC") and available at www.sec.gov.

UnitedHealth Group and SCA assume no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements or information, which speak only as of the date hereof.

Additional Information and Where to Find It

This communication relates to a pending business combination transaction between UnitedHealth Group and SCA. The exchange offer referenced in this communication has not yet commenced. This communication is for informational purposes only and is neither an offer to sell or exchange, nor a solicitation of an offer to buy or exchange, any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, sale or exchange would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

UnitedHealth Group intends to file a registration statement on Form S-4 related to the transaction with the SEC and may file amendments thereto. UnitedHealth Group and a wholly-owned subsidiary of UnitedHealth Group intend to file a tender offer statement on Schedule TO (including a prospectus/offer to exchange, a related letter of transmittal and other exchange offer documents) related to the transaction with the SEC and may file amendments thereto. SCA intends to file a solicitation/recommendation statement on Schedule 14D-9 with the SEC and may file amendments thereto. SCA and UnitedHealth Group may also file other documents with the SEC regarding the transaction. This communication is not a substitute for any registration statement, Schedule TO, Schedule 14D-9 or any other document which SCA or UnitedHealth Group may file with the SEC in connection with the transaction. Investors and security holders are urged to read the registration statement, the Schedule TO (including the prospectus/offer to exchange, related letter of transmittal and other exchange offer documents), the solicitation/recommendation statement on Schedule 14D-9 and the other relevant materials with respect to the transaction carefully and in their entirety when they become available before making any decision regarding exchanging their shares, because they will contain important information about the transaction. The prospectus/offer to exchange, the related letter of transmittal and certain other exchange offer documents, as well as the solicitation/recommendation statement, will be made available to all holders of SCA's stock at no expense to them. The exchange offer materials and the solicitation/recommendation statement will be made available for free at the SEC's website at www.sec.gov. Additional copies of the exchange offer materials and the solicitation/recommendation statement may be obtained for free by contacting UnitedHealth Group's Investor Relations department at (800) 328-5979. Additional copies of the solicitation/recommendation statement may be obtained for free by contacting SCA's Investor Relations department at 800-768-0094.

In addition to the SEC filings made in connection with the transaction, each of UnitedHealth Group and SCA files annual, quarterly and current reports and other information with the SEC. You may read and copy any reports or other such filed information at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. UnitedHealth Group's and SCA's filings with the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

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ATTACHMENT #4:
BACKGROUND OF APPLICANT

Copies of the Certificate of Good Standing from the Illinois Secretary of State for Belleville Surgical Center, Ltd., an Illinois Limited Partnership and Surgical Care Affiliates, Inc. are attached.

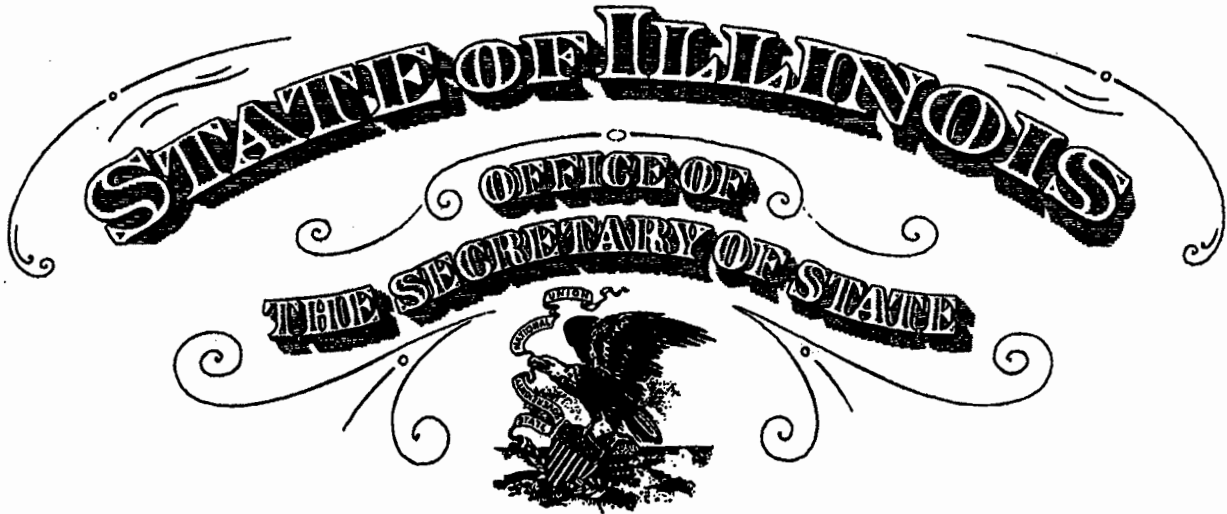
Neither UHG nor Spartan Merger Sub 2, LLC are authorized to do business in Illinois, nor are they required to be. Attached are copies of the Certificate of Good Standing for UHG and Spartan Merger Sub 2, LLC from the Delaware Secretary of State.

The sole member of Spartan Merger Sub 2, LLC is UHG, with its address at 9900 Bren Road, East Minnetonka, MN 55343.

The partners in Belleville Surgical Center, Ltd., an Illinois Limited Partnership are as follows:

Partner	Percentage Interest
Kim Reichert, DPM	6.0577% (Limited Partner)
Surgicare of Belleville, LLC	40.8046% (General Partner)
	37.7456% (Limited Partner)

Other owners, none of whom hold a five percent (5%) or greater interest, hold the remaining partnership interests. The address for the Facility and its owners is 311 West Lincoln, Suite 300, Belleville, IL 62220.



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

BELLEVILLE SURGICAL CENTER, LTD., AN ILLINOIS LIMITED PARTNERSHIP, HAVING REGISTERED IN THE STATE OF ILLINOIS ON FEBRUARY 16, 1988, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE UNIFORM LIMITED PARTNERSHIP ACT (2001) OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LP/LLP IN THE STATE OF ILLINOIS, HAVING FULFILLED ALL REQUIREMENTS OF SAID ACT WITH REGARD TO PAYMENT OF FEES, THE FILING OF ANNUAL REPORTS (IF APPLICABLE) AND NEITHER HAVING BEEN ADMINISTRATIVELY DISSOLVED BY THE SECRETARY OF STATE NOR HAVING VOLUNTARILY FILED A STATEMENT OF TERMINATION.



Authentication #: 1701202378

Authenticate at: <http://www.cyberdriveillinois.com>

*In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 12TH
day of JANUARY A.D. 2017*

Jesse White

File Number

6955-963-8



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

SURGICAL CARE AFFILIATES, INC., INCORPORATED IN DELAWARE AND LICENSED TO TRANSACT BUSINESS IN THIS STATE ON JUNE 05, 2014, AND MUST CONDUCT ALL BUSINESS IN THIS STATE UNDER THE ASSUMED NAME OF ILLINOIS SURGICAL CARE AFFILIATES, INC., APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.



***In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 17TH
day of JANUARY A.D. 2017***

Jesse White

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "UNITEDHEALTH GROUP INCORPORATED" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SEVENTEENTH DAY OF JANUARY, A.D. 2017.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.



5777355 8300

SR# 20170262295

You may verify this certificate online at corp.delaware.gov/cvthver.shtml

A handwritten signature in black ink, appearing to read "JBullock", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed in a small font.

Authentication: 201879007

Date: 01-17-17

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "SPARTAN MERGER SUB 2, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE SEVENTEENTH DAY OF JANUARY, A.D. 2017.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL FRANCHISE TAXES HAVE BEEN ASSESSED TO DATE.



6272260 8300

SR# 20170275502

You may verify this certificate online at corp.delaware.gov/authver.shtml

25

A handwritten signature in black ink, appearing to read "JBULLOCK", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed in a small font.

Authentication: 201882245

Date: 01-17-17

ATTACHMENT #5:
TRANSACTION DOCUMENTS

The Agreement and Plan of Reorganization by and among UnitedHealth Group Incorporated, Spartan Merger Sub 1, Inc., Spartan Merger Sub 2, LLC, and Surgical Care Affiliates, Inc., dated January 7, 2017, appears on pages 10–121 of the enclosed Form 8-K.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported)
January 6, 2017

Surgical Care Affiliates, Inc.
(Exact name of registrant as specified in charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-36154
(Commission
File Number)

20-8740447
(I.R.S. Employer
Identification No.)

**510 Lake Cook Road, Suite 400
Deerfield, IL 60015**
(Address of Principal Executive Offices, including Zip Code)

(847) 236-0921
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☒ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 1.01 Entry into a Material Definitive Agreement.

On January 7, 2017, Surgical Care Affiliates, Inc., a Delaware corporation ("SCA" or the "Company"), entered into an Agreement and Plan of Reorganization (the "Merger Agreement") with UnitedHealth Group Incorporated, a Delaware corporation ("Parent" or "UnitedHealth Group"), and Parent's wholly owned subsidiaries, Spartan Merger Sub 1, Inc., a Delaware corporation ("Purchaser"), and Spartan Merger Sub 2, LLC, a Delaware limited liability company ("Merger Sub 2").

The Offer and the Mergers; Transaction Consideration

Pursuant to the Merger Agreement, and upon the terms and subject to the conditions thereof, Purchaser will commence an exchange offer (the "Offer") to purchase all of the issued and outstanding shares of common stock, par value \$0.01 per share, of the Company (the "Shares"), with each Share accepted by Purchaser in the Offer to be exchanged for the right to receive, at the election of Parent, either:

- i. (x) \$11.40 in cash (the "Minimum Cash Consideration") and (y) a number of shares of Parent common stock equal to (A) \$57.00 minus the Minimum Cash Consideration, divided by (B) the volume weighted average of the closing sale prices per share of Parent common stock on the New York Stock Exchange on each of the five full consecutive trading days ending on and including the third business day prior to the closing (the "Parent Trading Price") (the stock consideration calculated in accordance with this clause (y), the "Maximum Stock Consideration"); or
- ii. (x) an amount in cash greater than the Minimum Cash Consideration and not to exceed \$27.93 (such amount, the "Alternative Cash Consideration," and each of the Alternative Cash Consideration and the Minimum Cash Consideration, as applicable, being referred to herein as the "Cash Consideration") and (y) a number of shares of Parent common stock equal to (A) \$57.00 minus the Alternative Cash Consideration, divided by (B) the Parent Trading Price (the stock consideration calculated in accordance with this clause (y), the "Alternative Stock Consideration," and each of the Alternative Stock Consideration and the Maximum Stock Consideration, as applicable, being referred to herein as the "Stock Consideration");

plus cash in lieu of any fractional shares (as further described below), in each case, without interest, but subject to any applicable withholding of taxes (together with the applicable Stock Consideration and the applicable Cash Consideration, the "Transaction Consideration").

If the conditions of the Offer are satisfied and the Offer closes, Parent would acquire any remaining Shares by a merger of Purchaser with and into the Company (the "First Merger"), with the Company surviving the First Merger as a wholly owned indirect subsidiary of Merger Sub 2. Immediately following the First Merger, the Company, as the surviving company of the First Merger, will be merged with and into Merger Sub 2 (the "Second Merger" and together with the First Merger, the "Mergers"), with Merger Sub 2 surviving the Second Merger as a wholly owned direct subsidiary of Parent. The Merger Agreement contemplates that the First Merger will be effected pursuant to Section 251(h) of the General Corporation Law of the State of Delaware (the "DGCL"), which permits completion of the First Merger upon the acquisition by Purchaser of one Share more than 50% of the number of Shares that are then issued and outstanding. Accordingly, no vote of the Company stockholders will be required in connection with the First Merger if Parent and Purchaser consummate the Offer.

The Company and Parent intend, for U.S. federal income tax purposes, that the Offer and the Mergers, taken together, will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code").

The obligations of Parent and Purchaser to consummate the Offer are subject to the satisfaction of or, if permissible, waiver of certain conditions including, but not limited to, (i) a majority of the Shares having been validly tendered and not properly withdrawn prior to the expiration of the Offer (such condition, the "Minimum Condition"), (ii) the expiration or termination of any waiting period applicable to the Offer or Mergers under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (iii) Parent's Registration Statement on Form S-4 with respect to the shares of Parent common stock to be issued in the Offer or the First Merger having been declared effective by the U.S. Securities and Exchange Commission (the "SEC"), (iv) the approval of listing on the New York Stock Exchange of the shares of Parent common stock to be issued in the Offer or the First Merger, (v)

the accuracy of the representations and warranties, and compliance with the covenants, of the Company contained in the Merger Agreement, in each case subject to certain qualifications, (vi) the absence of any injunction by any court or other tribunal of competent jurisdiction, or any applicable law, that would make the Offer or the Mergers illegal, (vii) the delivery of a written opinion of Cleary Gottlieb Steen & Hamilton LLP to the Company, and the delivery of a written opinion of Hogan Lovells US LLP to Parent, in each case in form and substance reasonably satisfactory to the applicable recipient, to the effect that, on the basis of certain facts, representations and assumptions set forth or referred to in such opinion, the Offer and the Mergers, taken together, will qualify as a "reorganization" within the meaning of Section 368(a) of the Code (the "Tax Opinion Conditions"), (viii) receipt of certain required approvals and delivery of certain notices for the certificates of need and licenses to operate for the Company's facilities and (ix) other customary conditions (collectively, the "Offer Conditions"). Certain of the Offer Conditions, such as the Minimum Condition, cannot be waived by Purchaser without the Company's consent. Purchaser is obligated to waive the Tax Opinion Conditions if requested by the Company. Consummation of the Offer or the First Merger is not subject to any financing conditions.

In the First Merger, each outstanding Share not tendered in the Offer and accepted for payment, other than Shares owned by Parent, the Company (in the treasury of the Company), subsidiaries of either Parent or the Company or by stockholders who have validly exercised their appraisal rights under Delaware law, will be converted into the right to receive the Transaction Consideration. No fractional shares of Parent common stock will be issuable in the Offer or the First Merger, and each Company stockholder who otherwise would be entitled to receive a fraction of a share of Parent common stock pursuant to the Offer or the First Merger will be paid an amount in cash (without interest) determined by multiplying (i) the Parent Trading Price, rounded to the nearest one-hundredth of a cent by (ii) the fraction of a share (after aggregating all Shares held by such stockholder and accepted for payment by Purchaser pursuant to the Offer or otherwise held by such stockholder at the time the First Merger becomes effective, as applicable, and rounded to the nearest one thousandth when expressed in decimal form) of Parent common stock to which such stockholder would otherwise be entitled.

Treatment of Company Equity Awards; Other Employee Benefits Matters

Pursuant to the Merger Agreement, each option to purchase Shares that is outstanding immediately prior to the effective time of the First Merger (the "Effective Time") will be cancelled and converted into an option to purchase a number of shares of Parent common stock equal to the product of (x) the number of Shares subject to such option and (y) \$57.00 divided by the Parent Trading Price (the "Equity Award Conversion Ratio"), at an exercise price per share equal to (A) the exercise price per Share of such option immediately prior to the Effective Time divided by (B) the Equity Award Conversion Ratio. Each Company restricted stock unit ("Company RSU") outstanding immediately prior to the Effective Time will be cancelled and converted into a restricted stock unit denominated in shares of Parent common stock ("Parent RSU"). The number of shares of Parent common stock subject to each Parent RSU will be equal to the product of (x) the number of Shares subject to such Company RSU immediately prior to the Effective Time and (y) the Equity Award Conversion Ratio. Each Company performance share award ("Company PSA") that is outstanding as of the effective time of the First Merger will be cancelled and converted into a performance share award denominated in shares of Parent common stock ("Parent PSA"). The number of shares of Parent common stock subject to each Parent PSA equal to the product of (x) the number of Shares subject to such Company PSA immediately prior to the Effective Time, multiplied by (y) the Equity Award Conversion Ratio. The awards will continue to be subject to the terms and conditions applicable to the awards immediately prior to the Effective Time, except as provided above and except that the post-change in control protection period, during which an individual whose employment is terminated by the Company without "cause" would benefit from accelerated vesting, is extended from two years to four years.

Prior to the Effective Time, the Company's Employee Stock Purchase Plan (the "ESPP"), and each outstanding offering period then in progress will terminate and each participant's accumulated contributions to the ESPP will be used to purchase Shares in accordance with the terms of the ESPP (and any remaining accumulated but unused payroll deductions will be distributed without interest to the relevant participants). No one may elect to participate in the ESPP after January 6, 2017 and no participant as of January 6, 2017 may increase his or her payroll deduction percentages or purchase elections after January 6, 2017. No new offerings in the ESPP will be made after January 6, 2017.

Pursuant to the Merger Agreement, Parent has agreed to honor all of the existing employment and severance agreements with employees of the Company in accordance with their terms. For one year after the Effective Time, Parent will provide, or cause to be provided, to employees of the Company who continue to be employed by Parent or its subsidiaries (i) a base salary and bonus opportunities that are no less favorable to such employee as the base salary and bonus opportunities provided to such employee immediately prior to the Effective Time and (ii) employee benefits that are, in the aggregate, no less favorable than those provided immediately prior to the Effective Time or, in Parent's discretion, substantially comparable to those made available to similarly situated employees of Parent and its subsidiaries.

Other Terms of the Merger Agreement

The Merger Agreement includes customary representations, warranties and covenants of each of the Company, Parent, Purchaser and Merger Sub 2. The Company has agreed to operate its business in the ordinary course and to refrain from engaging in certain activities until the completion of the First Merger. The Company and Parent have agreed to use reasonable best efforts to consummate the Offer and the Mergers and make effective the Mergers as soon as practicable, including using reasonable best efforts to obtain approval of the proposed transactions under the HSR Act.

In addition, under the terms of the Merger Agreement, the Company has agreed not to solicit, initiate, knowingly encourage or knowingly facilitate the making of any alternative acquisition proposal, subject to customary exceptions permitting the Company to respond to and support unsolicited alternative acquisition proposals under certain circumstances. The Merger Agreement also includes customary termination provisions for both the Company and Parent. In certain circumstances, the Company will be obligated to pay Parent a termination fee of \$90 million, including if the Merger Agreement is terminated by Parent following a change of recommendation by the board of directors of the Company or as a result of the material breach by the Company of its obligations not to solicit, initiate, knowingly encourage or knowingly facilitate the making of any alternative acquisition proposal, or if the Company terminates the Merger Agreement to enter into an agreement with respect to a proposal from a third party that the board of directors of the Company has determined is superior to Parent's, in each case, as is described in further detail in the Merger Agreement. Under certain additional circumstances described in the Merger Agreement, the Company will be obligated to pay Parent a termination fee of \$90 million if the Merger Agreement is terminated and, within twelve months following such termination, the Company consummates a business combination transaction of the type described in the Merger Agreement or enters into a definitive agreement for such a business combination transaction that is subsequently consummated. The parties to the Merger Agreement are also entitled to an injunction or injunctions to prevent breaches of the Merger Agreement by the other party, and to enforce specifically the terms of the Merger Agreement.

The board of directors of the Company has unanimously (i) determined and resolved that the terms of the Offer, the Mergers and the other transactions contemplated by the Merger Agreement are advisable, and fair to and in the best interests of, the Company and its stockholders, (ii) determined that it is advisable and in the best interests of the Company and its stockholders to enter into the Merger Agreement, and that the Merger Agreement is advisable, (iii) approved the Merger Agreement and the transactions contemplated thereby, on the terms and conditions set forth in the Merger Agreement and (iv) resolved to recommend that the Company's stockholders accept the Offer and tender their Shares to Purchaser pursuant to the Offer.

The foregoing summary of the principal terms of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full copy of the Merger Agreement filed as Exhibit 2.1 hereto and incorporated herein by reference. The summary and the copy of the Merger Agreement are intended to provide information to investors regarding the terms of the Merger Agreement and are not intended to modify or supplement any factual disclosures about the Company or Parent in its public reports filed with the SEC. In particular, the Merger Agreement and related summary are not intended to be, and should not be relied upon as, disclosures regarding any facts and circumstances relating to any party to the Merger Agreement. The Merger Agreement includes representations, warranties and covenants of the Company, Parent, Purchaser and Merger Sub 2 made solely for the benefit of the parties to the Merger Agreement. The assertions embodied in those representations and warranties were made solely for purposes of the contract among the Company, Purchaser, Parent and Merger Sub 2 and may be subject to important qualifications and limitations agreed to by the Company, Purchaser, Parent and Merger Sub 2 in connection with the negotiated terms. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a contractual standard of materiality different from those generally applicable to the Company's or Parent's SEC filings and were used for purposes of allocating

risk among the Company, Purchaser, Parent and Merger Sub 2 rather than establishing matters as facts. Investors should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts of the Company, Parent, Purchaser, Merger Sub 2 or any of their respective subsidiaries or affiliates.

Tender and Support Agreement

On January 7, 2017, concurrently with the execution of the Merger Agreement, TPG FOF V-A, L.P., TPG FOF V-B, L.P. and TPG Partners V, L.P. (each, a “TPG Stockholder”) entered into a tender and support agreement (the “Tender and Support Agreement”) with Parent and Purchaser, pursuant to which, among other things and subject to the terms and conditions therein, each TPG Stockholder agreed to tender all Shares of which such TPG Stockholder is the beneficial or record owner, representing in the aggregate approximately 30.4% of the outstanding Shares, into the Offer.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On January 6, 2017, the board of directors of the Company approved an amendment to all outstanding equity-based awards to extend the post-change in control protection period, during which an individual whose employment is terminated by the Company without “cause” would benefit from accelerated vesting, from two years to four years effective upon the consummation of the First Merger.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On January 6, 2017, the board of directors of the Company adopted an amendment to the Company’s Bylaws (the “Bylaws”), which amendment took effect upon adoption by the board of directors of the Company. Specifically, a new Section 8.8 was added to Article VIII of the Bylaws to provide that, unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware, or, if the Court of Chancery of the State of Delaware does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware (collectively, the “Delaware Courts”), will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee or stockholder of the Company to the Company or the Company’s stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or the Company’s certificate of incorporation or Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) any action asserting a claim governed by the internal affairs doctrine of the State of Delaware. The new provision further provides that any stockholder of the Company will be deemed to have consented to the provision. The foregoing description is qualified in its entirety by reference to the marked copy of the Bylaws, which is filed herewith as Exhibit 3.1 and incorporated herein by reference.

Item 8.01 Other Events.

Joint Press Release

On January 9, 2017, the Company and Parent issued a joint press release announcing entry into the Merger Agreement. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Cautionary Statement Regarding Forward Looking Statements

This communication may contain statements that constitute “forward-looking statements,” including, for example, information related to UnitedHealth Group, SCA and the proposed acquisition of SCA by UnitedHealth Group. Generally the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “plan,” “project,” “should” and similar expressions identify forward-looking statements, which generally are not historical in nature. Such statements reflect the current analysis of existing information and involve substantial risks and uncertainties that could cause actual results to

differ materially from those expressed or implied by such statements. The following factors, among others, could cause actual results to differ materially from those described in these forward-looking statements: the possibility that various conditions to the consummation of the Offer and the Mergers may not be satisfied or waived, including the receipt of regulatory clearances related to the mergers; uncertainty as to how many shares of SCA common stock will be tendered into the Offer; the risk that the Offer and the Mergers will not close within the anticipated time periods, or at all; the failure to complete or receive the anticipated benefits from UnitedHealth Group's acquisition of SCA; the possibility that the parties may be unable to successfully integrate SCA's operations into those of UnitedHealth Group; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients, suppliers or physicians) may be greater than expected following the transaction; the retention of certain key employees at SCA may not be achieved; the parties may be unable to meet expectations regarding the timing, completion and accounting and tax treatments of the transactions; UnitedHealth Group and SCA are subject to intense competition; factors that affect UnitedHealth Group's ability to generate sufficient funds to maintain its quarterly dividend payment cycle; the effects of local and national economic, credit and capital market conditions; and the other risks and uncertainties relating to UnitedHealth Group and SCA described in their respective Annual Reports on Form 10-K for the fiscal year ended December 31, 2015, and in their subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the U.S. Securities and Exchange Commission (the "SEC") and available at www.sec.gov.

SCA assumes no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements or information, which speak only as of the date hereof.

Additional Information and Where to Find It

This communication relates to a pending business combination transaction between UnitedHealth Group and SCA. The Offer referenced in this communication has not yet commenced. This communication is for informational purposes only and is neither an offer to sell or exchange, nor a solicitation of an offer to buy or exchange, any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, sale or exchange would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

UnitedHealth Group intends to file a registration statement on Form S-4 related to the transaction with the SEC and may file amendments thereto. UnitedHealth Group and a wholly-owned subsidiary of UnitedHealth Group intend to file a tender offer statement on Schedule TO (including a prospectus/offer to exchange, a related letter of transmittal and other exchange offer documents) related to the transaction with the SEC and may file amendments thereto. SCA intends to file a solicitation/recommendation statement on Schedule 14D-9 with the SEC and may file amendments thereto. SCA and UnitedHealth Group may also file other documents with the SEC regarding the transaction. This communication is not a substitute for any registration statement, Schedule TO, Schedule 14D-9 or any other document which SCA or UnitedHealth Group may file with the SEC in connection with the transaction. Investors and security holders are urged to read the registration statement, the Schedule TO (including the prospectus/offer to exchange, related letter of transmittal and other exchange offer documents), the solicitation/recommendation statement on Schedule 14D-9 and the other relevant materials with respect to the transaction carefully and in their entirety when they become available before making any decision regarding exchanging their shares, because they will contain important information about the transaction. The prospectus/offer to exchange, the related letter of transmittal and certain other exchange offer documents, as well as the solicitation/recommendation statement, will be made available to all holders of SCA's stock at no expense to them. The exchange offer materials and the solicitation/recommendation statement will be made available for free at the SEC's website at www.sec.gov. Additional copies of the exchange offer materials and the solicitation/recommendation statement may be obtained for free by contacting UnitedHealth Group's Investor Relations department at (800) 328-5979. Additional copies of the solicitation/recommendation statement may be obtained for free by contacting SCA's Investor Relations department at (800) 768-0094.

In addition to the SEC filings made in connection with the transaction, each of UnitedHealth Group and SCA files annual, quarterly and current reports and other information with the SEC. You may read and copy any reports or other such filed information at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. UnitedHealth Group's and SCA's filings with the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

- 2.1 Agreement and Plan of Reorganization, dated January 7, 2017, among UnitedHealth Group Incorporated, Spartan Merger Sub 1, Inc., Spartan Merger Sub 2, LLC and Surgical Care Affiliates, Inc. Schedules to the Agreement and Plan of Reorganization have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant will furnish copies of any such schedules to the U.S. Securities and Exchange Commission upon request.
- 3.1 Amended and Restated By-Laws of Surgical Care Affiliates, Inc.
- 99.1 Joint Press Release issued by UnitedHealth Group Incorporated and Surgical Care Affiliates, Inc. dated January 9, 2017.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Surgical Care Affiliates, Inc.

By: /s/ Andrew P. Hayek

Name: Andrew P. Hayek

Title: Chairman, President and Chief Executive
Officer

Date: January 9, 2017

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Reorganization, dated January 7, 2017, among UnitedHealth Group Incorporated, Spartan Merger Sub 1, Inc., Spartan Merger Sub 2, LLC and Surgical Care Affiliates, Inc. Schedules to the Agreement and Plan of Reorganization have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant will furnish copies of any such schedules to the U.S. Securities and Exchange Commission upon request.
3.1	Amended and Restated By-Laws of Surgical Care Affiliates, Inc.
99.1	Joint Press Release issued by UnitedHealth Group Incorporated and Surgical Care Affiliates, Inc. dated January 9, 2017.

AGREEMENT AND PLAN OF REORGANIZATION

by and among

UNITEDHEALTH GROUP INCORPORATED,

SPARTAN MERGER SUB 1, INC.,

SPARTAN MERGER SUB 2, LLC,

and

SURGICAL CARE AFFILIATES, INC.

Dated as of January 7, 2017

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AGREEMENT AND PLAN OF REORGANIZATION

This AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement"), dated as of January 7, 2017, is by and among Surgical Care Affiliates, Inc., a Delaware corporation (the "Company"), UnitedHealth Group Incorporated, a Delaware corporation ("Parent"), Spartan Merger Sub 1, Inc., a Delaware corporation and indirect wholly owned subsidiary of Parent and direct wholly owned subsidiary of Merger Sub 2 ("Purchaser"), and Spartan Merger Sub 2, LLC, a Delaware limited liability company and direct wholly owned subsidiary of Parent ("Merger Sub 2", and, together with Purchaser, the "Merger Subs"). Parent, each of the Merger Subs and the Company are each sometimes referred to herein as a "Party" and collectively as the "Parties".

WITNESSETH:

WHEREAS, it is proposed that Purchaser shall commence an exchange offer (the "Offer") to acquire all of the outstanding shares of common stock, \$0.01 par value per share, of the Company (the "Company Common Stock") for the consideration and upon the terms and subject to the conditions set forth herein;

WHEREAS, it is also proposed that (a) the Parties shall effect the acquisition of the Company by Parent through the merger of Purchaser with and into the Company, with the Company surviving the merger (the "First Merger") and (b) immediately following the First Merger, the merger of the Company, as the surviving company of the First Merger, with and into Merger Sub 2, with Merger Sub 2 surviving the merger (the "Second Merger" and, together with the First Merger, the "Mergers");

WHEREAS, the First Merger will be effected under Section 251(h) of the General Corporation Law of the State of Delaware (the "DGCL") and will be effected as soon as practicable following the consummation of the Offer upon the terms and subject to the conditions set forth herein;

WHEREAS, the Second Merger will be governed by Section 267 of the DGCL and Section 18-209(i) of the Limited Liability Company Act of the State of Delaware (the "DLLCA") and will be effected as soon as practicable following the consummation of the First Merger upon the terms and subject to the conditions set forth herein;

WHEREAS, in connection with the First Merger, each outstanding share of Company Common Stock issued and outstanding immediately prior to the First Effective Time (other than Cancelled Shares or Dissenting Shares) will automatically be converted into the right to receive the Transaction Consideration upon the terms and conditions set forth in this Agreement and in accordance with the DGCL;

WHEREAS, the Parties intend that the Offer and the Mergers, taken together, will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement be, and is hereby adopted as, a "plan of reorganization" for purposes of Sections 354 and 361 of the Code;

WHEREAS, the board of directors of the Company (the "Company Board of Directors") unanimously (a) determined that the terms of this Agreement and the transactions contemplated hereby (the "Transactions"), including the Offer and the First Merger in connection therewith are fair to, and in the best interests of, the Company and its stockholders, (b) determined that it is in the best interests of the Company and its stockholders to enter into, and declared advisable, this Agreement, (c) approved the execution and delivery by the Company of this Agreement, the performance by the Company of its covenants and agreements contained herein and the consummation of the Offer, the Mergers and the other

Transactions upon the terms and subject to the conditions contained herein and (d) resolved to recommend that the holders of shares of Company Common Stock accept the Offer and tender their shares of Company Common Stock to Purchaser pursuant to the Offer (such recommendation, the "Company Recommendation");

WHEREAS, the board of directors of Parent has unanimously approved this Agreement and the Transactions contemplated hereby, including the Offer and the Mergers, and the performance by it of its covenants and agreements contained herein;

WHEREAS, the board of directors or manager, as applicable, of each of the Merger Subs has unanimously (a) determined that the terms of the Transactions, including the Offer and the Mergers, are fair to, and in the best interests of, such Merger Sub and its stockholder or member, as applicable, (b) determined that it is in the best interest of such Merger Sub to enter into, and declared advisable, this Agreement, (c) approved the execution and delivery, by such Merger Sub, of this Agreement (including the agreement of merger, as such term is used in Section 251 of the DGCL), the performance by such Merger Sub of its covenants and agreements contained herein and the consummation of the Transactions, including the Offer and the Mergers, upon the terms and subject to the conditions contained herein, and (d) in the case of Purchaser, resolved to recommend that Merger Sub 2, as the sole stockholder of Purchaser, approve the adoption of this Agreement and the transactions contemplated hereby, including, without limitation, the First Merger;

WHEREAS, Parent, as the sole member of Merger Sub 2, has taken all requisite action to approve and authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby, including, without limitation, the Offer and the Mergers, and has adopted this Agreement;

WHEREAS, as a condition and inducement to Parent's willingness to enter into this Agreement, certain stockholders of the Company are simultaneously herewith entering into that certain Tender and Support Agreement (the "Tender and Support Agreement"), pursuant to which, among other things, such stockholders agree to tender shares of Company Common Stock owned by them into the Offer and vote shares of Company Common Stock owned by them in favor of the adoption of this Agreement if a vote is required to effect the First Merger pursuant to the DGCL; and

WHEREAS, the Parties desire to make certain representations, warranties, covenants and agreements specified herein in connection with the Offer and the Mergers and to prescribe certain conditions to the Offer and the Mergers.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements contained herein, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I THE OFFER

Section 1.1 The Offer.

(a) Terms and Conditions of the Offer. Subject to the terms and conditions of this Agreement and provided that this Agreement has not been terminated in accordance with Article VIII and that the Company shall have complied with its obligations under Section 1.2 and Section 1.3 hereof, as promptly as practicable after the date hereof (but in no event later than 5:00 p.m., New York City time, on the twentieth (20th) Business Day following the date hereof), Purchaser shall, and Parent shall cause Purchaser to, commence the Offer within the meaning of Rule 14d-2 promulgated under the Securities

Exchange Act of 1934, as amended (together with the rules and regulations promulgated thereunder, the "Exchange Act"). The obligations of Purchaser to, and of Parent to cause Purchaser to, accept for payment, and pay for, any shares of Company Common Stock validly tendered and not properly withdrawn pursuant to the Offer are subject only to the satisfaction or waiver of the conditions set forth in Annex A (the "Offer Conditions"). In the Offer, each share of Company Common Stock accepted by Purchaser shall be exchanged for the right to receive, at the election of Parent (such election to be made by delivery of written notice by Purchaser to the Company no later than 5:00 p.m., New York City time, on the tenth (10th) business day prior to the Expiration Date, which notice shall specify the amount of Stock Consideration and Cash Consideration elected to be utilized by Purchaser), either: (i) (x) \$11.40 in cash (the "Minimum Cash Consideration") and (y) a number of shares of Parent Common Stock equal to (A) \$57.00 *minus* the Minimum Cash Consideration, *divided by* (B) the Parent Trading Price (the "Maximum Stock Consideration"), or (ii)(x) an amount in cash greater than the Minimum Cash Consideration and not to exceed \$27.93 (such amount elected by Parent, the "Alternative Cash Consideration," and each of the Alternative Cash Consideration and the Minimum Cash Consideration, as applicable, being referred to herein as the "Cash Consideration") and (y) a number of shares of Parent Common Stock equal to (A) \$57.00 *minus* the Alternative Cash Consideration, *divided by* (B) the Parent Trading Price (the "Alternative Stock Consideration" and each of the Alternative Stock Consideration and the Maximum Stock Consideration, as applicable, being referred to herein as the "Stock Consideration"), and the applicable Stock Consideration together with the applicable Cash Consideration, the "Transaction Consideration").

(b) Changes to Terms and Conditions. Purchaser expressly reserves the right to waive any Offer Condition or modify the terms of the Offer, including increasing the Transaction Consideration payable in the Offer, except that, without the prior written consent of the Company, Purchaser shall not, and Parent shall not permit Purchaser to, (i) reduce the number of shares of Company Common Stock subject to the Offer, (ii) reduce the Transaction Consideration to be paid in the Offer, (iii) change the form of consideration payable in the Offer, other than the election of Parent to pay either (A) the Minimum Cash Consideration and the Maximum Stock Consideration or (B) the Alternative Cash Consideration and the Alternative Stock Consideration, in each case, in accordance with Section 1.1(a), (iv) waive, amend or modify any of the conditions set forth in paragraphs (A), (B), (C), (D), (E)(1), (E)(5) or (E)(6) of Annex A (provided, that Parent shall (and shall cause Purchaser to) waive both of the conditions set forth in paragraphs (E)(5) and (E)(6) of Annex A upon the written request of the Company), (v) add any condition to the Offer other than those set forth in Annex A, (vi) amend, modify or supplement any Offer Condition or, except as otherwise expressly permitted by this Agreement, any other term of the Offer, in each case, in any manner adverse to the holders of Company Common Stock, (vii) except as otherwise expressly required or permitted under this Agreement, terminate or extend the Offer, or (viii) provide any "subsequent offering period" in accordance with Rule 14d-11 of the Exchange Act.

(c) Expiration and Extension of the Offer.

(i) Unless the Offer is extended pursuant to and in accordance with this Agreement, the Offer shall expire at 12:01 a.m., New York City time, on the date that is twenty one (21) business days (for this purpose calculated in accordance with Rule 14d-1(g)(3) promulgated under the Exchange Act) after the date the Offer is first commenced (within the meaning of Rule 14d-2 promulgated under the Exchange Act) (such initial expiration date, or such subsequent time and date to which the expiration of the Offer is extended pursuant to and in accordance with this Agreement, the "Expiration Date").

(ii) Notwithstanding the foregoing, unless this Agreement has been terminated in accordance with Article VIII (and subject to the Company's and Parent's respective rights to terminate this Agreement in accordance with Article VIII), (A) Purchaser shall (and Parent shall

cause Purchaser to) extend the Expiration Date for any period required by applicable U.S. federal securities laws and the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") and its staff with respect thereto or the rules and regulations of the Nasdaq Global Select Market ("Nasdaq"), applicable to the Offer (but in no event shall Purchaser be required to extend the Offer past the End Date) and (B) if at any scheduled Expiration Date the Offer Conditions shall not have been satisfied or earlier waived, Purchaser may elect to, and if requested by the Company, shall (and Parent shall cause Purchaser to), extend the Offer and the Expiration Date to a date that is not more than ten (10) business days (for this purpose calculated in accordance with Rule 14d-1(g)(3) promulgated under the Exchange Act) after such previously scheduled Expiration Date; provided, however, that if, as of any Expiration Date, the Offer Conditions set forth in paragraph (A) or paragraph (B) of Annex A shall not have been satisfied, if Purchaser elects to, or if the Company requests Purchaser to, extend the Offer and the Expiration Date pursuant to clause (B) of this Section 1.1(c)(ii), Purchaser shall extend the Offer and the then-scheduled Expiration Date to a date that is not more than twenty (20) business days (for this purpose calculated in accordance with Rule 14d-1(g)(3) promulgated under the Exchange Act) after the then-scheduled Expiration Date (but which may in no event be later than the End Date); provided, further, that Purchaser shall not be required to (and shall not, if requested by the Company) extend the Offer and the Expiration Date to a date that is later of (1) thirty (30) calendar days following the date on which each of the conditions set forth in paragraphs (A), (C), (D) and (E)(8) of Annex A has been satisfied, and (2) May 7, 2017.

(iii) Purchaser shall not terminate or withdraw the Offer without the prior written consent of the Company other than in connection with the termination of this Agreement in accordance with Article VIII. In the event this Agreement is terminated in accordance with Article VIII prior to any scheduled Expiration Date, Purchaser shall promptly (and in any event within twenty-four (24) hours of such termination of this Agreement) irrevocably and unconditionally terminate the Offer.

(d) Payment for Shares of Company Common Stock. Subject only to the satisfaction or waiver by Purchaser of the Offer Conditions as of the Expiration Date in accordance with Section 1.1(a) and Section 1.1(b), Purchaser shall, and Parent shall cause Purchaser to, (i) promptly after the Expiration Date accept for payment (the time of such acceptance, the "Acceptance Time"), and (ii) promptly (within the meaning of Section 14e-1(c) promulgated under the Exchange Act), and in any event within three (3) business days (for this purpose calculated as set forth in Rule 14d-1(g)(3) promulgated under the Exchange Act) after the Expiration Date pay for, all shares of Company Common Stock that are validly tendered (and not properly withdrawn) in the Offer (excluding shares of Company Common Stock tendered pursuant to guaranteed delivery procedures that have not yet been delivered for settlement or satisfaction of such guarantee). Without limiting the generality of the foregoing, Parent shall provide or cause to be provided to Purchaser on a timely basis the funds and shares of Parent Common Stock necessary to pay for any shares of Company Common Stock that Purchaser becomes obligated to purchase pursuant to the Offer; provided, however, that notwithstanding anything to the contrary contained in this Section 1.1(d) without the prior written consent of the Company, Purchaser shall not accept for payment or pay for any shares of Company Common Stock if, as a result, Purchaser would acquire less than the number of shares of Company Common Stock necessary to satisfy the Minimum Condition. The Company shall register (and shall instruct its transfer agent to register) the transfer of shares of Company Common Stock accepted for payment effective immediately after the Acceptance Time.

(e) No Fractional Shares. In lieu of any fractional share of Parent Common Stock that otherwise would be issuable pursuant to the Offer, each holder of Company Common Stock who otherwise would be entitled to receive a fraction of a share of Parent Common Stock pursuant to the Offer or Section 3.1, as applicable (after aggregating all shares of Company Common Stock tendered in the Offer (and not validly withdrawn) by such holder or otherwise held by such holder as of the First Effective Time, as applicable) will be paid an amount in cash (without interest) determined by multiplying (i) the Parent Trading Price, rounded to the nearest one-hundredth of a cent by (ii) the fraction of a share (after aggregating all shares of Company Common Stock held by such holder and accepted for payment by Purchaser pursuant to the Offer or otherwise held by such holder at the First Effective Time, as applicable, and rounded to the nearest one thousandth when expressed in decimal form) of Parent Common Stock to which such holder would otherwise be entitled (the "Fractional Share Cash Amount"). No such holder shall be entitled to dividends, voting rights or any other rights in respect of any fractional share of Parent Common Stock.

(f) Tax Withholding. Notwithstanding anything to the contrary contained herein, each of the Company, Parent, Purchaser, Merger Sub 2, the First Surviving Corporation, the Surviving Company and the Exchange Agent shall be entitled to deduct and withhold from amounts otherwise payable pursuant to this Agreement, such amounts as may be required to be deducted or withheld with respect to the making of such payment under any applicable Tax Law. Any amounts so deducted or withheld shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction or withholding was made.

(g) Adjustments to the Transaction Consideration. The Cash Consideration and the applicable Stock Consideration (whether payable pursuant to the Offer or Section 3.1) shall each be adjusted appropriately to reflect the effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into Company Common Stock or Parent Common Stock, as applicable), reclassification, combination, exchange of shares or other like change (other than in connection with the Transactions) with respect to the number of shares of Company Common Stock or shares of Parent Common Stock outstanding after the date hereof and prior to Purchaser's acceptance for payment of, and payment for, shares of Company Common Stock that are tendered pursuant to the Offer; provided, however, that nothing in this Section 1.1(g) shall be deemed to permit or authorize the Company to effect any such change that it is not otherwise authorized or permitted to undertake pursuant to this Agreement.

(h) Nothing in this Section 1.1 shall be deemed to impair, limit or otherwise restrict in any manner the right of the Parties to terminate this Agreement pursuant to the terms of Article VIII.

Section 1.2 Schedule TO: Offer Documents; Registration Statement.

(a) As soon as practicable on the date the Offer is first commenced (within the meaning of Rule 14d-2 promulgated under the Exchange Act), Parent shall, and shall cause Purchaser to:

(i) prepare and file with the SEC a Tender Offer Statement on Schedule TO (together with all amendments and supplements thereto, and including all exhibits thereto, the "Schedule TO") with respect to the Offer, which Schedule TO shall contain as an exhibit an offer to purchase and forms of the letter(s) of transmittal and summary advertisement, if any, and other customary ancillary documents, in each case, in respect of the Offer (together with all amendments and supplements thereto, the "Offer Documents");

(ii) deliver a copy of the Schedule TO, including all exhibits thereto, to the Company at its principal executive offices in accordance with Rule 14d-3(a) promulgated under the Exchange Act;

(iii) give telephonic notice of the information required by Rule 14d-3 promulgated under the Exchange Act, and mail by means of first class mail a copy of the Schedule TO, to Nasdaq in accordance with Rule 14d-3(a) promulgated under the Exchange Act; and

(iv) subject to the Company's compliance with Section 1.3(a) and Section 1.3(c), cause the Offer Documents to be disseminated to all holders of shares of Company Common Stock as and to the extent required by the Exchange Act.

(b) Concurrently with the filing of the Offer Documents, Parent shall prepare and file with the SEC a registration statement on Form S-4 to register under the Securities Act of 1933, as amended (together with the rules and regulations promulgated thereunder, the "Securities Act"), the offer and sale of Parent Common Stock pursuant to the Offer and the First Merger (the "Registration Statement"), which shall include a preliminary prospectus containing the information required under Rule 14d-4(b) promulgated under the Exchange Act (together with any amendments thereof or supplements thereto, the "Offer Prospectus").

(c) Until the termination of this Agreement in accordance with Article VIII, Parent shall, with the Company's reasonable cooperation, use its reasonable best efforts to (i) have the Registration Statement declared effective under the Securities Act as promptly as practicable after its filing, (ii) ensure that the Registration Statement and the Offer Documents comply in all material respects with the applicable provisions of the Securities Act and the Exchange Act, and (iii) keep the Registration Statement effective for so long as necessary to complete the First Merger. Parent shall notify the Company promptly of the time when the Registration Statement has become effective or any supplement or amendment to the Registration Statement has been filed, and of the issuance of any stop order or suspension of the qualification of the shares of Parent Common Stock issuable in connection with the Offer or the First Merger for offering or sale in any jurisdiction. The Company shall promptly furnish in writing to Parent and Purchaser information concerning the Company, its Subsidiaries, the Facility Entities and the holders of shares of Company Common Stock that is required by applicable Law or otherwise reasonably advisable to be included in the Offer Documents and the Registration Statement so as to enable Parent and Purchaser to comply with their obligations under this Section 1.2. Parent, Purchaser and the Company shall cooperate in good faith to determine the information regarding the Company that is necessary or reasonably advisable to include in the Offer Documents and the Registration Statement in order to satisfy applicable Laws. Each of Parent, Purchaser and the Company shall promptly correct any information provided by it or any of its respective Representatives for use in the Offer Documents and the Registration Statement if and to the extent that such information shall have become false or misleading in any material respect. To the extent permitted by applicable Law, Parent and Purchaser shall have no responsibility with respect to any information supplied by the Company for inclusion or incorporation by reference in the Offer Documents and the Registration Statement. Parent and Purchaser shall, with the Company's cooperation, take all reasonable steps to cause the Offer Documents and the Registration Statement, as so corrected, to be filed with the SEC and to be disseminated to the holders of shares of the Company Common Stock, in each case as and to the extent required by applicable Laws, or by the SEC or its staff or Nasdaq. Parent shall cause the Registration Statement and the Offer Documents to comply as to form and substance in all material respects with requirements of applicable Law. Each of Parent and Purchaser shall (A) provide the Company and its counsel with a reasonable opportunity to review and comment on the Offer Documents and the Registration Statement (and any amendments or supplements to any of the foregoing) prior to the filing thereof with the SEC, and give reasonable consideration to any timely comments thereon made by the Company or its counsel, (B) promptly notify the Company of the receipt of, and promptly provide the Company copies of, all comments from, and all correspondence with, the SEC or its staff with respect to any Offer Document or the Registration Statement and promptly notify the Company of any request by the SEC or its staff for any amendment or supplement thereto or for additional information, (C) provide

the Company and its counsel with a reasonable opportunity to review and comment on any proposed correspondence between it or any of its Representatives on the one hand and the SEC or its staff on the other hand with respect to any Offer Document or the Registration Statement and give reasonable consideration to any timely comments thereon made by the Company or its counsel and (D) promptly provide the Company with final copies of any correspondence sent by it or any of its Representatives to the SEC or its staff with respect to any Offer Document or the Registration Statement, and of any amendments or supplements to any Offer Document or the Registration Statement. Parent shall also take any other action required to be taken under the Securities Act, the Exchange Act, any applicable foreign or state securities or "blue sky" Laws and the rules and regulations thereunder in connection with the issuance of the Parent Common Stock in the Offer or the First Merger, and will pay all expenses thereto, and the Company shall timely furnish all information concerning the Company and the holders of the Company Common Stock as may be reasonably requested in connection with any such actions.

Section 1.3 Company Actions.

(a) Company Determinations, Approvals and Recommendations. The Company hereby approves and consents to the Offer and represents and warrants to Parent and Purchaser that, at a meeting duly called and held on or prior to the date hereof, the Company Board of Directors has, upon the terms and subject to the conditions set forth herein (including its ability to make a Company Adverse Recommendation Change in accordance with Section 6.3):

(i) determined that the terms of the Transactions, including the Offer and the Mergers, are fair to, and in the best interests of, the Company and its stockholders;

(ii) determined that it is in the best interests of the Company and its stockholders to enter into, and declared advisable, this Agreement;

(iii) approved the execution and delivery by the Company of this Agreement, the performance by the Company of its covenants and agreements contained herein and the consummation of the Offer, the Mergers and the other Transactions upon the terms and subject to the conditions contained herein; and

(iv) resolved to make the Company Recommendation.

The Company hereby consents to the inclusion of the foregoing determinations and approvals and the Company Recommendation in the Offer Documents and the Registration Statement, unless and until the Company Board of Directors has effected a Company Adverse Recommendation Change in compliance with the terms of Section 6.3.

(b) Schedule 14D-9. The Company shall (i) file with the SEC concurrently with the filing by Parent and Purchaser of the Schedule TO, a Solicitation/Recommendation Statement on Schedule 14D-9 pertaining to the Offer, which shall contain and constitute notice to holders of shares of Company Common Stock informing such holders of their rights of appraisal in respect of such shares of Company Common Stock in accordance with Section 262 of the DGCL (together with all amendments and supplements thereto, and including all exhibits thereto, the "Schedule 14D-9") and (ii) cause the Schedule 14D-9 to be mailed to the holders of shares of Company Common Stock promptly after commencement of the Offer. The Company shall cause the Schedule 14D-9 to comply as to form and substance in all material respects with the requirements of the applicable provisions of the Exchange Act and other applicable Law, and to reflect and contain the Company Recommendation unless and until the Company Board of Directors has effected a Company Adverse Recommendation Change in compliance with the terms of Section 6.3. To the extent requested by the Company, Parent shall cause the Schedule 14D-9 to

be mailed or otherwise disseminated to the holders of shares of Company Common Stock (to the extent required by the applicable Laws) together with the Offer Documents. Each of Parent and Purchaser shall promptly furnish in writing to the Company all information concerning Parent and Purchaser that is required by applicable Laws or otherwise reasonably advisable to be included in the Schedule 14D-9 so as to enable the Company to comply with its obligations under this Section 1.3(b). Parent, Purchaser and the Company shall cooperate in good faith to determine the information regarding Parent and Purchaser that is necessary or reasonably advisable to include in the Schedule 14D-9 in order to satisfy applicable Laws. Each of the Company, Parent and Purchaser shall promptly correct any information provided by it or any of its Representatives for use in the Schedule 14D-9 if and to the extent that such information shall have become false or misleading in any material respect. To the extent permitted by applicable Law, the Company shall have no responsibility with respect to any information supplied by Parent or Purchaser for inclusion or incorporation by reference in the Schedule 14D-9. The Company shall, with Parent's and Purchaser's reasonable cooperation, take all reasonable steps to cause the Schedule 14D-9, as so corrected, to be filed with the SEC and to be disseminated to the holders of shares of Company Common Stock, in each case as and to the extent required by applicable Laws or by the SEC or its staff. Unless and until the Company Board of Directors has effected a Company Adverse Recommendation Change in accordance with Section 6.3, the Company shall (A) provide Parent and its counsel with a reasonable opportunity to review and comment on the Schedule 14D-9 (and any amendments or supplements to the foregoing) prior to the filing thereof with the SEC, give reasonable consideration to any timely comments thereon made by Parent or its counsel, (B) promptly notify Parent of the receipt of, and promptly provide Parent copies of, all comments from, and all correspondence with, the SEC or its staff with respect to the Schedule 14D-9 and promptly notify Parent of any request by the SEC or its staff for any amendment or supplement thereto or for additional information, (C) provide Parent and its counsel with a reasonable opportunity to review and comment on any proposed correspondence between it or any of its Representatives on the one hand and the SEC or its staff on the other hand with respect to the Schedule 14D-9 and give reasonable consideration to any comments thereon made by Parent or its counsel and (D) promptly provide Parent with final copies of any correspondence sent by it or any of its Representatives to the SEC or its staff with respect to the Schedule 14D-9, and of any amendments or supplements to the Schedule 14D-9. Notwithstanding anything to the contrary in this Section 1.3(b), but subject to Section 6.3, the Company may amend or supplement the Schedule 14D-9 in connection with a Company Adverse Recommendation Change, without the prior consent of Parent and without providing Parent or its counsel an opportunity to review or comment thereon. The Schedule 14D-9 shall include the fairness opinion of the Company's financial advisor referenced in Section 4.19 and the notice and other information required by Section 262(d) of the DGCL.

(c) Company Information. In connection with the Offer and the Mergers, the Company shall, or shall cause its transfer agent to, promptly furnish Parent and Purchaser with such assistance and such information as Parent, Purchaser or any of their Representatives may reasonably request in order to disseminate and otherwise communicate the Offer and the Mergers to the record and beneficial holders of shares of Company Common Stock, including a list, as of the most recent practicable date, of the stockholders of the Company, mailing labels and any available listing or computer files containing the names and addresses of all record and beneficial holders of shares of Company Common Stock, and lists of security positions of shares of Company Common Stock held in stock depositories (including updated lists of stockholders, mailing labels, listings or files of securities positions), in each case as of the most recent practicable date, and shall promptly furnish Parent and Purchaser with such additional information and assistance (including updated lists of the record and beneficial holders of shares of Company Common Stock, mailing labels and lists of security positions) as Parent and Purchaser or their agents may reasonably request in order to communicate the Offer and the Mergers to the holders of shares of Company Common Stock. Subject to applicable Laws, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Offer and the Mergers, Parent and Purchaser (and their respective agents) shall:

(i) hold in confidence the information contained in any such lists of stockholders, mailing labels and listings or files of securities positions;

(ii) use such information only in connection with the Offer and the Mergers; and

(iii) if this Agreement shall be terminated pursuant to Article VIII, promptly return (and shall use their respective reasonable efforts to cause their Representatives to return to the Company or destroy) any and all copies and any extracts or summaries from such information then in their possession or control and, if requested, promptly certify to the Company in writing that all such material has been returned or destroyed.

ARTICLE II THE MERGERS

Section 2.1 The Mergers. Upon the terms and subject to the satisfaction or waiver of the conditions set forth in this Agreement, and in accordance with the DGCL (including Section 251(h)) and the DLLCA, as applicable, (a) at the First Effective Time (as defined below), Purchaser shall be merged with and into the Company, whereupon the separate existence of Purchaser will cease, with the Company surviving the First Merger (the Company, as the surviving entity in the First Merger, sometimes being referred to herein as the "First Surviving Corporation"), such that following the First Merger, the First Surviving Corporation will be an indirect wholly owned subsidiary of Parent and a direct wholly owned subsidiary of Merger Sub 2, and (b) immediately thereafter, and as part of the same plan, at the Second Effective Time, the First Surviving Corporation shall be merged with and into Merger Sub 2, whereupon the separate existence of the First Surviving Corporation will cease, with Merger Sub 2 surviving the Second Merger (Merger Sub 2, as the surviving entity of the Second Merger, sometimes being referred to herein as the "Surviving Company"), such that following the Second Merger, the Surviving Company will be a wholly owned direct subsidiary of Parent. The Mergers shall have the effects provided in this Agreement and as specified in the DGCL and the DLLCA, as applicable. The First Merger shall be governed by and effected under Section 251(h) of the DGCL as soon as practicable following the Acceptance Time and the Second Merger shall be governed by and effected under Section 267 of the DGCL and Section 18-209(i) of the DLLCA.

Section 2.2 Closing. The closing of the Mergers (the "Closing") shall take place at the offices of Hogan Lovells US LLP, 1601 Wewatta Street, Suite 900, Denver, Colorado at 10:00 a.m., New York City time as soon as practicable following the Acceptance Time, and in any event no later than the second (2nd) Business Day after the satisfaction or waiver (to the extent permitted by applicable Law) of the last of the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at or immediately prior to the Closing, but subject to the satisfaction or waiver of such conditions), or at such other place, date and time as the Company and Parent may agree in writing. The date on which the Closing actually occurs is referred to as the "Closing Date."

Section 2.3 Effective Times. As soon as practicable on the Closing Date, (a) the Parties shall cause a certificate of merger with respect to the First Merger (the "First Certificate of Merger") to be duly executed and filed with the Secretary of State of the State of Delaware (the "Delaware Secretary") as provided under the DGCL and make any other filings, recordings or publications required to be made by the Company or Purchaser under the DGCL in connection with the First Merger, and (b) immediately following, or contemporaneously with, the filing of the First Certificate of Merger, Merger Sub 2 shall cause a certificate of ownership and merger with respect to the Second Merger (the "Second Certificate of Merger", and together with the First Certificate of Merger, the "Certificates of Merger") to be duly executed and filed with the Delaware Secretary as provided under the DGCL and the DLLCA and make any other filings, recordings or publications required to be made by the First Surviving Corporation or Merger Sub 2 under the DGCL and the DLLCA in connection with the Second Merger. The First Merger

shall become effective at such time as the First Certificate of Merger is duly filed with the Delaware Secretary or on such later date and time as shall be agreed to by the Company and Parent and specified in the First Certificate of Merger (such date and time being hereinafter referred to as the "First Effective Time"). The Second Merger shall become effective at such time as the Second Certificate of Merger is duly filed with the Delaware Secretary or on such later date and time as shall be agreed to by the Company and Parent and specified in the Second Certificate of Merger (such date and time being hereinafter referred to as the "Second Effective Time"). The First Effective Time shall, in all events, precede the Second Effective Time.

Section 2.4 Effects of the Mergers. The effects of the Mergers shall be as provided in this Agreement and in the applicable provisions of the DGCL and the DLLCA. Without limiting the generality of the foregoing, and subject thereto, (a) at the First Effective Time, all of the property, rights, privileges, powers and franchises of the Company and Purchaser shall vest in the First Surviving Corporation, and all debts, liabilities and duties of the Company and Purchaser shall become the debts, liabilities and duties of the First Surviving Corporation, all as provided under the DGCL and (b) at the Second Effective Time, all of the property, rights, privileges, powers and franchises of the First Surviving Corporation and Merger Sub 2 shall vest in the Surviving Company, and all debts, liabilities and duties of the First Surviving Corporation and Merger Sub 2 shall become the debts, liabilities and duties of the Surviving Company, all as provided under the DGCL and the DLLCA.

Section 2.5 Organizational Documents of the Surviving Company.

(a) At the First Effective Time, the Parties shall take all requisite action so that the Company Certificate and the Company Bylaws shall be the certificate of incorporation and bylaws, respectively, of the First Surviving Corporation until thereafter changed or amended as provided therein or by applicable Law (but subject to Section 6.8).

(b) At the Second Effective Time (but subject to Section 6.8), the Parties shall take all requisite action so that the certificate of formation and limited liability company agreement of Merger Sub 2 as in effect immediately prior to the Second Effective Time shall be the certificate of formation and limited liability company agreement of the Surviving Company, until thereafter amended in accordance with applicable Law and the applicable provisions of such certificate of formation and limited liability company agreement.

Section 2.6 Directors; Manager.

(a) Subject to applicable Law, the Parties shall take all requisite action so that the directors of Purchaser immediately prior to the First Effective Time shall be the initial directors of the First Surviving Corporation and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal.

(b) Subject to applicable Law, the Parties shall take all requisite action so that the manager of Merger Sub 2 immediately prior to the Second Effective Time shall be and become the manager of the Surviving Company as of the Second Effective Time.

Section 2.7 Officers.

(a) The Parties shall take all requisite action so that the officers of Purchaser immediately prior to the First Effective Time, from and after the First Effective Time, shall continue as the officers of the First Surviving Corporation.

(b) Except as otherwise determined by Parent prior to the Second Effective Time, the Parties shall take all requisite action so that the officers of the First Surviving Corporation immediately prior to the Second Effective Time, from and after the Second Effective Time, shall be the officers of the Surviving Company and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal.

ARTICLE III CONVERSION OF SHARES; EXCHANGE OF CERTIFICATES

Section 3.1 Effect on Capital Stock.

(a) At the First Effective Time, by virtue of the First Merger and without any action on the part of any of the Parties or the holder of any shares of Company Common Stock or Purchaser Common Stock:

(i) Conversion of Company Common Stock. At the First Effective Time, subject to Section 1.1(a), the first sentence of Section 1.1(d), Section 1.1(e) and any applicable withholding Tax, each share of Company Common Stock issued and outstanding immediately prior to the First Effective Time (other than any Cancelled Shares and any Dissenting Shares) shall be automatically converted into the right to receive the applicable Transaction Consideration. From and after the First Effective Time, all such shares of Company Common Stock shall no longer be outstanding and upon the conversion thereof shall cease to exist, and each applicable holder of such shares of Company Common Stock shall cease to have any rights with respect thereto, except the right to receive the applicable Transaction Consideration upon the surrender of such shares of Company Common Stock in accordance with Section 3.2 (including the right to receive the Fractional Share Cash Amount, if any), into which such shares of Company Common Stock have been converted pursuant to this Section 3.1(a), together with the amounts, if any, payable pursuant to Section 3.2(e).

(ii) Cancellation of Company Common Stock; Certain Subsidiary Owned Shares. Each share of Company Common Stock issued and outstanding immediately prior to the First Effective Time that is owned or held in treasury by the Company and each share of Company Common Stock issued and outstanding immediately prior to the First Effective Time that is owned by Parent, Purchaser or any other direct or indirect wholly-owned subsidiary of Parent shall no longer be outstanding and shall automatically be cancelled and shall cease to exist (the "Cancelled Shares"), and no consideration shall be delivered in exchange therefor.

(iii) Treatment of Purchaser Shares. At the First Effective Time, each issued and outstanding share of common stock, par value \$0.01 per share, of Purchaser (the "Purchaser Common Stock") shall be automatically converted into and become one fully paid and nonassessable share of common stock, par value \$0.01 per share, of the First Surviving Corporation and shall constitute the only outstanding shares of capital stock of the First Surviving Corporation. From and after the First Effective Time, all certificates representing shares of Purchaser Common Stock shall be deemed for all purposes to represent the number of shares of common stock of the First Surviving Corporation into which they were converted in accordance with the immediately preceding sentence.

All of the shares of Company Common Stock converted into the right to receive the Transaction Consideration pursuant to this Article III shall no longer be outstanding and upon the conversion thereof shall cease to exist as of the First Effective Time, and uncertificated shares of Company Common Stock represented by book-entry form ("Book-Entry Shares") and each certificate that, immediately prior to the

First Effective Time, represented any such shares of Company Common Stock (each, a "Certificate") shall thereafter represent only the right to receive the applicable Transaction Consideration and the Fractional Share Cash Amount into which the shares of Company Common Stock represented by such Book-Entry Share or Certificate have been converted pursuant to this Section 3.1(a), as well as any dividends or other distributions to which holders of Company Common Stock become entitled in accordance with Section 3.2(e).

(b) Conversion of First Surviving Corporation Shares. At the Second Effective Time, by virtue of the Second Merger and without any action on the part of any of the Parties or holders of any securities of the First Surviving Corporation or of Merger Sub 2, (i) each membership interest of Merger Sub 2 issued and outstanding immediately prior to the Second Effective Time shall remain outstanding as a membership interest of the Surviving Company and (ii) all shares of common stock of the First Surviving Corporation shall no longer be outstanding and shall automatically be cancelled and shall cease to exist without any consideration being payable therefor.

(c) Shares of Dissenting Stockholders. Notwithstanding anything in this Agreement to the contrary, any shares of Company Common Stock issued and outstanding immediately prior to the First Effective Time and held by a Person (a "Dissenting Stockholder") who has not tendered into the Offer or has not voted in favor of, or consented to, the adoption of this Agreement, and has complied with all the provisions of the DGCL concerning the right of holders of shares of Company Common Stock to demand appraisal of their shares (the "Appraisal Provisions") of Company Common Stock ("Dissenting Shares"), to the extent the Appraisal Provisions are applicable, shall not be converted into the right to receive the Transaction Consideration as described in Section 3.1(a) (i), but such holder shall be entitled to receive such consideration as may be determined to be due to such Dissenting Stockholder pursuant to the procedures set forth in Section 262 of the DGCL. If such Dissenting Stockholder, after the First Effective Time, effectively withdraws its demand for appraisal or fails to perfect or otherwise loses its right of appraisal, in any case pursuant to the DGCL, each of such Dissenting Stockholder's shares of Company Common Stock shall thereupon be treated as though such shares of Company Common Stock had been converted as of the First Effective Time into the right to receive the applicable Transaction Consideration pursuant to Section 3.1(a)(i). The Company shall give Parent prompt notice of any demands for appraisal of shares of Company Common Stock received by the Company, withdrawals or attempted withdrawals of such demands and any other instruments served pursuant to Section 262 of the DGCL and shall give Parent the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the DGCL. The Company shall not, without the prior written consent of Parent, voluntarily make any payment to any Dissenting Stockholder with respect to, or settle or offer to settle, or approve the withdrawal of, any such demands.

Section 3.2 Exchange of Certificates.

(a) Appointment of Exchange Agent. Prior to the First Effective Time, Parent shall appoint a bank or trust company (which bank or trust company shall be reasonably acceptable to the Company) to act as exchange agent (such exchange agent, which, if practicable, shall also be the depository pursuant to the Offer, the "Exchange Agent") for the payment of the Transaction Consideration in the Offer and the First Merger and shall enter into an agreement relating to the Exchange Agent's responsibilities under this Agreement, which shall be in form and substance reasonably satisfactory to the Company.

(b) Deposit of Transaction Consideration. Parent shall deposit, or cause to be deposited, with the Exchange Agent, prior to or concurrently with the First Effective Time, cash sufficient to pay the aggregate Cash Consideration (together with, to the extent then determinable, the aggregate Fractional Share Cash Amount) payable in the First Merger to holders of Company Common Stock and shall deposit, or shall cause to be deposited, with the Exchange Agent, prior to or concurrently with the First

Effective Time, evidence of Parent Common Stock in book-entry form (or certificates representing such Parent Common Stock, at Parent's election) representing the number of shares of Parent Common Stock sufficient to deliver the aggregate Stock Consideration payable in the First Merger (such cash and certificates, together with any dividends or distributions with respect thereto, the "Exchange Fund").

(c) Exchange Procedures. Promptly after the First Effective Time (and in any event within three (3) Business Days thereafter), Parent shall, and shall cause the Surviving Company to, cause the Exchange Agent to mail to each holder of record of shares of Company Common Stock whose shares of Company Common Stock were converted pursuant to Section 3.1(a)(i) into the right to receive the Transaction Consideration (i) a letter of transmittal in customary form (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as Parent and the Company shall reasonably agree) (the "Letter of Transmittal") and (ii) instructions for use in effecting the surrender of Certificates or Book-Entry Shares in exchange for the Transaction Consideration, the Fractional Share Cash Amount and any dividends or other distributions to which such Certificates or Book-Entry Shares become entitled in accordance with Section 3.2(e) (collectively, the "Exchanged Amounts"). Parent shall cause the Exchange Agent to make, and the Exchange Agent shall make, delivery of the Transaction Consideration, including payment of the Fractional Share Cash Amount, and any amounts payable in respect of dividends or other distributions on shares of Parent Common Stock in accordance with Section 3.2(e) out of the Exchange Fund in accordance with this Agreement. The Exchange Fund shall not be used for any purpose that is not expressly provided for in this Agreement.

(d) Surrender of Certificates or Book-Entry Shares. Upon surrender of Certificates or Book-Entry Shares to the Exchange Agent together with the Letter of Transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may customarily be required by the Exchange Agent, the holder of such Certificates or Book-Entry Shares shall be entitled to receive in exchange therefor the Exchanged Amounts. In the event of a transfer of ownership of shares of Company Common Stock that is not registered in the transfer or stock records of the Company, any cash to be paid upon, or shares of Parent Common Stock to be issued upon, due surrender of the Certificate or Book-Entry Share formerly representing such shares of Company Common Stock may be paid or issued, as the case may be, to such a transferee if such Certificate or Book-Entry Share is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer or other similar Taxes have been paid or are not applicable. No interest shall be paid or shall accrue on the cash payable upon surrender of any Certificate or Book-Entry Share. Until surrendered as contemplated by this Section 3.2, each Certificate and Book-Entry Share shall be deemed at any time after the First Effective Time to represent only the right to receive, upon such surrender, the Exchanged Amounts. Notwithstanding anything to the contrary in this Agreement, any holder of Book-Entry Shares shall not be required to deliver a Certificate or an executed letter of transmittal to the Exchange Agent to receive the Exchanged Amounts that such holder is entitled to receive pursuant to this Article III. In lieu thereof, each holder of record of one or more Book-Entry Shares whose Company Common Stock were converted into the right to receive the Exchanged Amounts shall upon receipt by the Exchange Agent of an "agent's message" in customary form (or such other evidence, if any, as the Exchange Agent may reasonably request), be entitled to receive, and Parent shall cause the Exchange Agent to exchange and deliver as promptly as reasonably practicable after the First Effective Time, the Exchanged Amounts in respect of each such share of Company Common Stock, and the Book-Entry Shares of such holder shall forthwith be cancelled.

(e) Treatment of Unexchanged Shares. No dividends or other distributions, if any, with a record date after the First Effective Time with respect to Parent Common Stock, shall be paid to the holder of any unsurrendered share of Company Common Stock to be converted into the right to receive shares of Parent Common Stock pursuant to Section 3.1(a)(i) until such holder shall surrender such share

in accordance with this Section 3.2. After the surrender in accordance with this Section 3.2 of a share of Company Common Stock to be converted into the right to receive shares of Parent Common Stock pursuant to Section 3.1(a)(i), the holder thereof shall be entitled to receive (in addition to the Transaction Consideration and the Fractional Share Cash Amount payable to such holder pursuant to this Article III) any such dividends or other distributions, without any interest thereon, which theretofore had become payable with respect to the Parent Common Stock issuable in respect of such share of Company Common Stock.

(f) No Further Ownership Rights in Company Common Stock. The shares of Parent Common Stock delivered and cash paid in accordance with the terms of this Article III upon conversion of any shares of Company Common Stock shall be deemed to have been delivered and paid in full satisfaction of all rights pertaining to such shares of Company Common Stock (subject to any rights of Dissenting Stockholders). From and after the First Effective Time, (i) all holders of Certificates and Book-Entry Shares shall cease to have any rights as stockholders of the Company other than the right to receive the Transaction Consideration into which the shares represented by such Certificates or Book-Entry Shares have been converted pursuant to this Agreement upon the surrender of such Certificate or Book-Entry Share in accordance with Section 3.2(d) (together with the Fractional Share Cash Amount and any dividends or other distributions to which such Certificates or Book-Entry Shares become entitled in accordance with Section 3.2(e)), without interest, and (ii) the stock transfer books of the Company shall be closed with respect to all shares of Company Common Stock outstanding immediately prior to the First Effective Time. From and after the First Effective Time, the stock transfer books of the Company shall be closed, and there shall be no further registration of transfers on the stock transfer books of the First Surviving Corporation or the Surviving Company of shares of Company Common Stock that were outstanding immediately prior to the First Effective Time. If, at any time after the First Effective Time, any Certificates or Book-Entry Shares formerly representing shares of Company Common Stock are presented to the Surviving Company, Parent or the Exchange Agent for any reason, such Certificates or Book-Entry Shares shall be cancelled and exchanged as provided in this Article III, subject to applicable Law in the case of Dissenting Shares.

(g) Investment of Exchange Fund. The Exchange Agent shall invest any cash included in the Exchange Fund as directed by Parent; provided that such investments shall be in obligations of or guaranteed by the United States of America, in commercial paper obligations rated A-1 or P-1 or better by Moody's Investors Service, Inc. or Standard & Poor's Financial Services LLC, respectively, in certificates of deposit, bank repurchase agreements or banker's acceptances of commercial banks with capital exceeding \$1 billion, or in money market funds having a rating in the highest investment category granted by a recognized credit rating agency at the time of investment. No such investment or loss thereon shall affect the amounts payable to holders of Certificates or Book-Entry Shares pursuant to this Article III, and following any losses from any such investment, or to the extent the cash portion of the Exchange Fund otherwise diminishes for any reason below the level required for the Exchange Agent to make cash payments pursuant to this Article III, Parent shall promptly provide additional funds to the Exchange Agent for the benefit of the holders of shares of Company Common Stock at the First Effective Time in the amount of such losses or other shortfall, which additional funds will be deemed to be part of the Exchange Fund. Any interest and other income resulting from such investment shall become a part of the Exchange Fund, and any cash amounts in excess of the amounts payable under Section 3.1, shall be promptly returned to Parent.

(h) Termination of Exchange Fund. Any portion of the Exchange Fund (including any interest or other amounts received with respect thereto) that remains unclaimed by, or otherwise undistributed to, the holders of Certificates and Book-Entry Shares for 270 days after the First Effective Time shall be delivered to Parent, upon Parent's demand, and any holder of Certificates or Book-Entry Shares who has not theretofore complied with this Article III shall thereafter look only to Parent or the

Surviving Company (subject to abandoned property, escheat or other similar Laws), as general creditors thereof, for satisfaction of its claim for Transaction Consideration (including any Fractional Share Cash Amount) and any dividends and distributions which such holder has the right to receive pursuant to this Article III without any interest thereon.

(i) No Liability. None of Parent, the Company, Purchaser or Merger Sub 2 or the Exchange Agent shall be liable to any Person in respect of any portion of the Exchange Fund or the Transaction Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law. Notwithstanding any other provision of this Agreement, any portion of the Transaction Consideration or the cash to be paid in accordance with this Article III that remains undistributed to the holders of Certificates and Book-Entry Shares as of the second (2nd) anniversary of the First Effective Time (or immediately prior to such earlier date on which the Transaction Consideration or such cash would otherwise escheat to or become the property of any Governmental Entity), shall, to the extent permitted by applicable Law, become the property of the Surviving Company, free and clear of all claims or interest of any Person previously entitled thereto.

(j) Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed, in form and substance reasonably acceptable to Parent, and, if required by Parent or the Exchange Agent, the posting by such Person of a bond in customary amount as Parent or the Exchange Agent may reasonably require as indemnity against any claim that may be made against it or the Surviving Company with respect to such Certificate, the Exchange Agent (or, if subsequent to the termination of the Exchange Fund and subject to Section 3.2(h), Parent) shall deliver, in exchange for such lost, stolen or destroyed Certificate, the Transaction Consideration and any dividends and distributions deliverable in respect thereof pursuant to this Agreement had such lost, stolen or destroyed Certificate been surrendered.

Section 3.3 Company Options, Company RSU Awards and ESPP.

(a) Company Options. Each option to purchase shares of Company Common Stock granted pursuant to a Company Stock Plan that is outstanding immediately prior to the First Effective Time (each, a "Company Option") shall, as of the First Effective Time, by virtue of the First Merger and without any action on the part of any holder of such Company Option, cease to represent an option to purchase shares of Company Common Stock and shall be converted into an option to purchase a number of shares of Parent Common Stock equal to the product (rounded down to the nearest whole number) of (x) the number of shares of Company Common Stock subject to such Company Option immediately prior to such time and (y) the Equity Award Conversion Ratio, at an exercise price per share (rounded up to the nearest whole cent) equal to (A) the exercise price per share of Company Common Stock of such Company Option immediately prior to the First Effective Time divided by (B) the Equity Award Conversion Ratio; provided, however, that the conversion of the Company Options as provided in this Section 3.3(a) shall in any event be done in a manner consistent with the requirements of Section 409A of the Code; provided further, that in the case of any Company Option to which Section 422 of the Code applies, the conversion of such option shall be done in accordance with the foregoing, subject to such adjustments as are necessary in order to satisfy the requirements of Section 424(a) of the Code. Except as specifically provided above or in Section 6.4 (h) of this Agreement, following the time of the conversion contemplated above, each Company Option shall continue to be governed by the same terms and conditions (including vesting and exercisability terms) as were applicable to such Company Option immediately prior to the First Effective Time. For purposes of this Agreement, the term "Equity Award Conversion Ratio" means \$57.00 divided by the Parent Trading Price.

(b) Company RSU Awards.

(i) Each restricted stock unit awarded in respect of shares of Company Common Stock granted under a Company Stock Plan or otherwise that is outstanding as of the First Effective Time (each, a "Company RSU Award") shall, by virtue of the occurrence of the First Merger and without any action on the part of any holder of such Company RSU Award, as of the First Effective Time, cease to represent a restricted stock unit denominated in shares of Company Common Stock and shall be converted into a restricted stock unit denominated in shares of Parent Common Stock (a "Parent Stock-Based RSU"). The number of shares of Parent Common Stock subject to each such Parent Stock-Based RSU shall be equal to the product (rounded down to the nearest whole number) of (x) the number of shares of Company Common Stock subject to such Company RSU Award immediately prior to the First Effective Time and (y) the Equity Award Conversion Ratio. Except as specifically provided above or in Section 6.4(h), following the First Effective Time, each such Parent Stock-Based RSU shall continue to be governed by the same terms and conditions (including vesting terms) as were applicable to the applicable Company RSU Award immediately prior to the First Effective Time.

(ii) Notwithstanding anything in this Agreement to the contrary, if a Company RSU Award is subject to an agreement with an individual holder in effect as of the date hereof that provides that such Company RSU Award shall be settled in connection with a change of control involving the Company (without the required occurrence of termination or any other event), such Company RSU Award shall be treated as set forth in Section 3.1 above.

(c) Company Performance Share Awards. Each performance share award awarded in respect of shares of Company Common Stock granted under a Company Stock Plan that is outstanding as of the First Effective Time (each, a "Company Performance Share Award") shall, by virtue of the occurrence of the First Merger and without any action on the part of any holder of such Company Performance Share Award, as of the First Effective Time, cease to represent a performance share award denominated in shares of Company Common Stock and shall be converted into a performance share award denominated in shares of Parent Common Stock (a "Parent Performance Share Award"). The number of shares of Parent Common Stock subject to each such Parent Performance Share Award shall be equal to the product (rounded down to the nearest whole number) of (x) the number of shares of Company Common Stock subject to such Company Performance Share Award immediately prior to the First Effective Time, multiplied by (y) the Equity Award Conversion Ratio. Except as specifically provided above or in Section 6.4(h), following the First Effective Time, each such Parent Performance Share Award shall continue to be governed by the same terms and conditions as were applicable to the applicable Company Performance Share Award immediately prior to the First Effective Time, including the satisfaction of the performance criteria set forth in the Company Performance Share Award.

(d) Any applicable Taxes required to be withheld with respect to payments in respect of Company RSU Awards shall first be withheld from the Cash Consideration, if any. Prior to the First Effective Time, the Company Board of Directors or the appropriate committee thereof shall adopt resolutions and shall take all such other actions as are necessary to effectuate the treatment of the Company Options, Company RSU Awards and Company Performance Share Awards (collectively, the "Company Stock Awards") as contemplated by this Section 3.3.

(e) As soon as reasonably practicable following the date of this Agreement and in any event prior to the First Effective Time, the Company shall take all actions, including obtaining any necessary determinations and resolutions of the Company Board of Directors or a committee thereof and, if appropriate, amending the terms of the Company Employee Stock Purchase Plan (the "ESPP") that may be necessary or required under the ESPP and Law, to ensure that (A) except for the six-month offering

period under the ESPP that commenced on January 1, 2017 (the "Final Offering"), no offering period shall be authorized or commenced on or after the date of this Agreement; (B) if, with respect to the Final Offering, the First Effective Time shall occur prior to June 30, 2017 (which is the Purchase Date, as defined in the ESPP), (i) each individual participating in the Final Offering shall receive notice of the transactions contemplated by this Agreement no later than ten (10) Business Days prior to the First Effective Time and shall have an opportunity to terminate his or her outstanding purchase rights under the ESPP, (ii) the Final Offering shall end immediately prior to the First Effective Time, and (iii) any remaining accumulated but unused payroll deductions shall be distributed to the relevant participants without interest as promptly as practicable following such termination; (C) each ESPP participant's accumulated contributions under the ESPP shall be used to purchase shares of Company Common Stock in accordance with the ESPP as of the end of the Final Offering (subject to the provisions of the ESPP regarding the maximum number and value of shares purchasable per participant); (D) the applicable purchase price for shares of Company Common Stock shall not be decreased below the levels set forth in the ESPP as of the date of this Agreement; (E) no individual shall be permitted to increase his or her rate of contribution under the ESPP following the date of this Agreement; and (F) the ESPP shall terminate in its entirety prior to the First Effective Time and no further rights shall be granted or exercised under the ESPP thereafter.

(f) If Parent so elects, Parent may, in its sole discretion, assume any or all of the Company Stock Plans; provided, however, that if Parent does not elect to assume such Company Stock Plans, the Company Options, Parent Stock-Based RSUs and Parent Performance Share Awards contemplated under Section 3.3 shall be granted under the stock plans of Parent. To the extent that Parent does not elect to assume one or more of the Company Stock Plans, in response to written notice from Parent delivered not less than ten (10) Business Days prior to the First Effective Time, at or prior to the First Effective Time, the Company, the Company Board of Directors and the compensation committee of the Company Board of Directors, as applicable, shall adopt any resolutions and take all steps necessary to (i) cause such Company Stock Plan(s) to terminate at or prior to the First Effective Time and (ii) ensure that from and after the First Effective Time none of Parent, Purchaser, the Company or any of their successors or Affiliates will be required to deliver shares of Company Common Stock or other capital stock of the Company to any Person pursuant to or in settlement of awards pursuant thereto.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as disclosed (i) in the publicly available Company SEC Documents filed with or furnished to the SEC (including the exhibits and schedules thereto or incorporated therein) since September 5, 2013 and prior to the date hereof (without giving effect to any amendment thereof filed with or furnished to the SEC on or after the date of this Agreement and excluding any disclosures set forth in any such Company SEC Document that is in any risk factor section, or in any other section to the extent they are forward-looking statements or are similarly non-specific, predictive, cautionary or forward-looking in nature), where the relevance of the information to a particular representation or warranty is reasonably apparent on the face of such disclosure or (ii) in the disclosure schedule delivered by the Company to Parent immediately prior to the execution of this Agreement (the "Company Disclosure Schedule") (provided that disclosure in any section of such Company Disclosure Schedule shall apply only to the corresponding section of this Agreement except to the extent that it is reasonably apparent on the face of such disclosure that such disclosure applies to another representation or warranty), the Company represents and warrants to Parent and Purchaser as follows:

Section 4.1 Organization.

(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted. Each of the (i) Company's Subsidiaries is a legal entity duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and (ii) Company and its Subsidiaries is duly qualified to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such approvals or qualification necessary, except in the cases of each of clauses (i) and (ii) where the failure to be so organized or in existence or qualified or to have such power, authority or approvals or be in good standing, has not had and would not reasonably be expected to have a Company Material Adverse Effect.

(b) The Company has made available to Parent prior to the date of this Agreement a true and complete copy of the Company's certificate of incorporation (the "Company Certificate") and bylaws (the "Company Bylaws"), and together with the Company Certificate, the "Company Organizational Documents", as amended through the date hereof. The Company Organizational Documents are in full force and effect and the Company is not in violation of their provisions. The Company has made available to Parent prior to the date of this Agreement a true and complete copy of the certificate of incorporation, bylaws, limited partnership agreement, limited liability company agreement or comparable constituent or organizational documents (the "Organizational Documents") for each Subsidiary of the Company, in each case, as amended through the date hereof, and the Organizational Documents of the Subsidiaries of the Company are in full force and effect and no Subsidiary is in violation of its Organizational Documents. Section 4.1(b) of the Company Disclosure Schedule sets forth a true and complete list of all Subsidiaries of the Company and any other joint ventures, partnerships or similar arrangements in which the Company or its Subsidiaries have a limited liability, partnership or other equity interest (or any other security or other right, agreement or commitment convertible or exercisable into, or exchangeable for, any such interest in any Person), the amount and percentage of any such interest held by the Company and such Subsidiary, in each case as of the date of this Agreement. Neither the Company nor any "significant subsidiary" of the Company within the meaning of Rule 1-02(w) of Regulation S-X under the Exchange Act has filed for bankruptcy or filed for reorganization under the U.S. federal bankruptcy Laws or similar state or federal Law, or become subject to conservatorship or receivership, in each case, since December 31, 2013.

Section 4.2 Capital Stock.

(a) The authorized capital stock of the Company consists of 180,000,000 shares of Company Common Stock and 20,000,000 shares of preferred stock, par value \$0.01 per share ("Company Preferred Stock"). As of January 5, 2017, (i) 40,499,340 shares of Company Common Stock were issued and outstanding, (ii) no shares of Company Common Stock were held in treasury, (iii) no shares of Company Preferred Stock were issued or outstanding, (iv) 2,810,035 shares of Company Common Stock were subject to outstanding Company Stock Awards, of which amount (A) 726,587 shares of Company Common Stock were subject to outstanding Company RSU Awards, (B) 2,006,176 shares of Company Common Stock were issuable upon the exercise of outstanding Company Options, and (C) 77,272 shares of Company Common Stock were subject to outstanding Company Performance Share Awards, assuming target performance is attained, (v) 3,968,969 shares of Company Common Stock remained available for future grants of Company Stock Awards, (vi) 394,220 shares of Company Common Stock are reserved for issuance in respect of the ESPP, and (vii) no other shares of capital stock or other voting securities of the Company were issued, reserved for issuance or outstanding. All outstanding shares of Company Common Stock are, and shares of Company Common Stock reserved for issuance with respect to Company Stock Awards, when issued in accordance with the respective terms thereof, will be, duly authorized, validly issued, fully paid and nonassessable and free of preemptive rights.

(b) Except (x) as set forth in this Section 4.2(b) or in Section 4.2(b) of the Company Disclosure Schedule and (y) with respect to any of the following that are issued, granted, transferred, exchanged, sold, registered for sale, extended, entered into, redeemed or otherwise acquired or arising after the date of this Agreement as expressly permitted under Section 6.1(b)(xiii), there are no outstanding subscriptions, options, warrants, calls, convertible securities, exchangeable securities, preemptive rights, stock appreciation rights, redemption rights, repurchase rights, or other similar rights, agreements or commitments to which the Company is a party (i) obligating the Company to (A) issue, transfer, exchange, sell or register for sale any shares of capital stock or other equity interests of the Company or securities convertible into or exchangeable for such shares or equity interests, (B) grant, extend or enter into any such subscription, option, warrant, call, convertible securities or other similar right, agreement or arrangement, in each case, with respect to equity interests of the Company, (C) redeem or otherwise acquire any such shares of capital stock or other equity interests, (D) provide a material amount of funds to, or make any material investment (in the form of a loan, capital contribution or otherwise) in, any Subsidiary (other than a wholly owned Subsidiary of the Company), except as set forth in the Organizational Documents of the Subsidiaries of the Company, or (E) make any payment to any Person the value of which is derived from or calculated based on the value of Company Common Stock or Company Preferred Stock (other than in connection with Company Benefit Plans and other employee or contractor compensation arrangements) or (ii) granting any preemptive or antidilutive or similar rights with respect to any security issued by the Company.

(c) Except (x) as set forth in this Section 4.2(c) or in Section 4.2(c) of the Company Disclosure Schedule and (y) with respect to any of the following that are issued, granted, transferred, exchanged, sold, registered for sale, extended, entered into, redeemed or otherwise acquired or arising after the date of this Agreement as expressly permitted under Section 6.1(b)(xiii), there are no outstanding subscriptions, options, warrants, calls, convertible securities, exchangeable securities, preemptive rights, stock appreciation rights, redemption rights, repurchase rights, or other similar rights, agreements or commitments to which any of the Company's Subsidiaries is a party (i) obligating such Subsidiary to (A) issue, transfer, exchange, sell or register for sale any shares of capital stock or other equity interests of such Subsidiary of the Company or securities convertible into or exchangeable for such shares or equity interests, (B) grant, extend or enter into any such subscription, option, warrant, call, convertible securities or other similar right, agreement or arrangement, in each case with respect to equity interests of such Subsidiary, (C) redeem or otherwise acquire any such shares of capital stock or other equity interests, except as set forth in the Organizational Documents of the Subsidiaries of the Company, (D) provide a material amount of funds to, or make any material investment (in the form of a loan, capital contribution or otherwise) in, any Subsidiary (other than a wholly owned Subsidiary thereof), except as set forth in the Organizational Documents of the Subsidiaries of the Company, or (E) make any payment to any Person the value of which is derived from or calculated based on the value of Company Common Stock or Company Preferred Stock (other than in connection with Company Benefit Plans and other employee or contractor compensation arrangements) or (ii) granting any preemptive or antidilutive or similar rights with respect to any security issued by the Subsidiaries of the Company, except as set forth in the Organizational Documents of the Subsidiaries of the Company.

(d) The Company does not have outstanding any bonds, debentures, notes or other indebtedness, the holders of which have the right to vote (or which are convertible or exchangeable into or exercisable for securities having the right to vote) with the stockholders of the Company on any matter. There are no voting trusts or other agreements or understandings to which the Company is a party with respect to the voting or registration of the capital stock or other equity interest of the Company. Since January 5, 2017 through the date hereof, the Company has not issued or repurchased any shares of its capital stock (other than in connection with the exercise, settlement or vesting of Company Stock Awards in accordance with their respective terms).

(e) With respect to each Subsidiary of the Company, such Subsidiary (i) does not have outstanding any bonds, debentures, notes or other indebtedness, the holders of which have the right to vote (or which are convertible or exchangeable into or exercisable for securities having the right to vote) with the stockholders of such Subsidiary on any matter, and (ii) there are no voting trusts or other agreements or understandings to which such Subsidiary is a party with respect to the voting or registration of the capital stock or other equity interest of such Subsidiary.

(f) All of the outstanding shares of capital stock or other equity interests of each Subsidiary of the Company that is required to be set forth on Section 4.1(b) of the Company Disclosure Schedule and that are owned, directly or indirectly, by the Company or a Subsidiary of the Company, are owned free and clear of any Liens other than Permitted Liens and all of such shares of capital stock or other equity interests are duly authorized, validly issued, fully paid and nonassessable and free of preemptive rights. No Subsidiary of the Company owns any shares of capital stock of the Company.

(g) No dividends or similar distributions which have accrued or been declared but are unpaid on the Company Common Stock, Company Stock Awards, shares of capital stock or other equity interests of the Company and the Company is not subject to any obligation (contingent or otherwise) to pay any dividend or otherwise to make any distribution or payment to any current or former holder of any of the Company Common Stock, Company Stock Awards, shares of capital stock or other equity interests, as applicable.

(h) Section 4.2(h) of the Company Disclosure Schedule sets forth a true and complete list of the number of Company Stock Awards outstanding, including in each case the name of the holder thereof, the number of shares of Company Common Stock underlying each security, the date of grant, term, vesting schedule, the plan under which the Company Stock Award was granted, the weighted average exercise price with respect to the Company Options and whether such Company Stock Award is intended to qualify as an "incentive stock option" as defined in Section 422 of the Code, in each case, as of the date of this Agreement.

Section 4.3 Corporate Authority Relative to this Agreement; No Violation.

(a) The Company has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the Transactions, including the Offer and the Mergers. The execution, delivery and performance of this Agreement by the Company and the consummation of the Transactions, including the Offer and the Mergers, have been duly and validly authorized by the Company Board of Directors and, other than as set forth in Section 4.3(d), no other corporate proceedings on the part of the Company or vote of the Company's stockholders are necessary to authorize the consummation of the Transactions. The Company Board of Directors has unanimously (i) determined that the terms of the Transactions, including the Offer and the Mergers, are fair to, and in the best interests of, the Company and its stockholders, (ii) determined that it is in the best interest of the Company and its stockholders to enter into, and declared advisable, this Agreement, (iii) approved the execution and delivery by the Company of this Agreement (including the agreement of merger, as such term is used in Section 251 of the DGCL), the performance by the Company of its covenants and agreements contained herein and the consummation of the Transactions, including the Offer and the Mergers, upon the terms and subject to the conditions contained herein and (iv) resolved to, unless a Company Adverse Recommendation Change is made, recommend that the holders of shares of Company Common Stock accept the Offer and tender their shares of Company Common Stock to Purchaser pursuant to the Offer.

(b) The affirmative vote of the holders of a majority of the issued and outstanding shares of Company Common Stock is the only vote of the holders of any class or series of Company capital stock that, absent Section 251(h) of the DGCL, would have been necessary under the DGCL and the Company Certificate and Company Bylaws to adopt, approve or authorize this Agreement and to consummate the First Merger.

(c) This Agreement has been duly and validly executed and delivered by the Company and, assuming this Agreement constitutes the legal, valid and binding agreement of Parent, Purchaser and Merger Sub 2, this Agreement constitutes the legal, valid and binding agreement of the Company and is enforceable against the Company in accordance with its terms, except as such enforcement may be subject to applicable bankruptcy, reorganization, insolvency, moratorium or other similar Laws affecting creditor's rights generally and the availability of equitable relief (the "Enforceability Exceptions").

(d) Other than in connection with or in compliance with (i) the filing of the Certificates of Merger with the Delaware Secretary, (ii) the filing of the Offer Documents, the Schedule 14D-9 and the Registration Statement (including the Offer Prospectus), with the SEC and any amendments or supplements thereto and declaration of effectiveness of the Registration Statement, (iii) the Exchange Act, (iv) the Securities Act, (v) applicable state securities, takeover and "blue sky" laws, (vi) the rules and regulations of Nasdaq, (vii) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR Act"), (viii) the approvals set forth in Section 4.3(d) of the Company Disclosure Schedule (clauses (i) through (viii) collectively, the "Company Approvals"), and (ix) such other authorizations, consents, Orders, licenses, permits, approvals, registrations, declarations and notice filings, the failure of which to be obtained would not reasonably be expected to have a Company Material Adverse Effect or prevent or materially impede, interfere with, hinder or delay the consummation of any of the Transactions, no authorization, consent, Order, license, permit or approval of, or registration, declaration, notice or filing with, any Governmental Entity is necessary for the consummation by the Company of the Transactions, including the Mergers.

(e) The execution and delivery by the Company of this Agreement does not, and (assuming the Company Approvals are obtained) the consummation of the Transactions and compliance with the provisions hereof will not (i) result in any material loss, suspension, limitation or impairment of any right of the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities to own or use any assets required for the conduct of their business or result in any material violation of, or material default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, first offer, first refusal, modification or acceleration of any obligation or to the loss of a benefit under any material loan or guarantee of indebtedness or material credit agreement, note, bond, mortgage, indenture, lease, agreement, Contract, instrument, permit, concession, franchise, right or license binding upon the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities or by which or to which any of their respective properties, rights or assets of the Company or any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities are bound or subject, or result in the creation of any liens, claims, mortgages, encumbrances, pledges, security interests, equities or charges of any kind (each, a "Lien") other than Permitted Liens, in each case, upon the Company or any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities or any of the material properties or assets of the Company or any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities, (ii) conflict with or result in any violation of any provision of the Company Organizational Documents or the Organizational Documents of the Company's Subsidiaries, or, to the knowledge of the Company, any of the Organizational Documents of the Facility Entities or (iii) materially conflict with or materially violate any applicable Laws to which the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities, or any of their properties or assets, is subject.

(f) The Company has not opted out of Section 251(h) of the DGCL in the Company Certificate.

Section 4.4 Reports and Financial Statements.

(a) The Company has timely filed or furnished all forms, documents, certifications, statements and reports required to be filed or furnished by it with the SEC since December 31, 2013 (all such documents and reports filed or furnished by the Company, including all exhibits, supplements or schedules thereto, the "Company SEC Documents"). As of their respective dates or, if amended, as of the date of the last such amendment (and, in the case of registration statements and proxy statements, on the dates of effectiveness and the dates of the relevant meetings, respectively), (i) the Company SEC Documents complied in all material respects with the requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), as the case may be, and the applicable rules and regulations promulgated thereunder, and (ii) none of the Company SEC Documents contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Since December 31, 2013, no executive officer of the Company has failed in any respect to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act. As of the date of this Agreement, there are no outstanding or unresolved comments in any comment letters of the staff of the SEC received by the Company relating to the Company SEC Documents. No Subsidiary of the Company nor, to the knowledge of the Company, any of the Facility Entities, is subject to the periodic reporting requirements of the Exchange Act or is subject to the periodic reporting requirements of any foreign Governmental Entity that performs a similar function to that of the SEC or any applicable foreign securities Law of any exchange or quotation service.

(b) (i) Each of the consolidated balance sheets included in or incorporated by reference into the Company SEC Documents (including the related notes and schedules) presents fairly, in all material respects, the consolidated financial position of the Company and its consolidated Subsidiaries and Facility Entities as of its date and (ii) each of the Company's consolidated statements of operations and comprehensive loss, changes in stockholders' equity and cash flows included in or incorporated by reference into the Company SEC Documents (including any related notes and schedules) (such changes in stockholders' equity and cash flows, together with the consolidated balance sheets referred to in clause (i) (and the related notes and schedules), the "Company Financial Statements") presents fairly, in all material respects, the results of operations and cash flows, as the case may be, of the Company and its consolidated Subsidiaries and Facility Entities for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments and the absence of notes), (iii) the Company Financial Statements (A) have been prepared from, and are in accordance with, the books and records of the Company and its consolidated Subsidiaries and Facility Entities and (B) are in conformity with U.S. generally accepted accounting principles ("GAAP") (except, in the case of the unaudited statements, subject to normal year-end audit adjustments and the absence of notes) applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto), and (iv) the Company Financial Statements have been prepared in accordance with and comply in all material respects with the applicable accounting requirements and with the rules and regulations of the SEC, the Exchange Act and the Securities Act. As of the date hereof, PricewaterhouseCoopers LLP has not resigned (or informed the Company that it intends to resign) or been dismissed as independent public accountants of the Company.

(c) Neither the Company nor any of its Subsidiaries is a party to, nor does it have any Contractual commitment to become a party to, any material "off-balance sheet arrangements" (as defined in Item 303(a) of Regulation S-K of the SEC).

(d) Since December 31, 2013, (i) none of the Company nor any Subsidiary of the Company nor, to the knowledge of the Company, any Representative of the Company or any Subsidiary of the Company, has received any written complaint, allegation or claim regarding the accounting, internal

accounting controls or auditing practices, procedures, methodologies or methods of the Company or any Subsidiary of the Company or any complaint, allegation or claim, whether written or to a compliance hotline or similar reporting method, from employees of the Company or any Subsidiary of the Company regarding questionable accounting or auditing matters with respect to the Company or any Subsidiary of the Company, and (ii) no attorney representing the Company or any Subsidiary of the Company, whether or not employed by the Company or any Subsidiary of the Company, has reported evidence of a violation of securities Laws or breach of fiduciary duty by the Company, any Subsidiary of the Company or any of their respective Representatives to the Company Board of Directors or any committee thereof, or to the General Counsel or Chief Executive Officer of the Company.

Section 4.5 Internal Controls and Procedures. The Company has established and maintains disclosure controls and procedures and internal control over financial reporting (as such terms are defined in paragraphs (e) and (f), respectively, of Rule 13a-15 under the Exchange Act) sufficient to comply in all material respects with all legal and accounting requirements applicable to the Company and each of its Subsidiaries and as otherwise required by Rule 13a-15 or 15d-5 under the Exchange Act. The Company's disclosure controls and procedures are reasonably designed to ensure that all material information required to be disclosed by the Company in the reports that it files or furnishes under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that all such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure and to make the certifications required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act. The Company, each Subsidiary of the Company and each of their officers and directors in their respective capacities as such are in material compliance with, and, since December 31, 2013, have materially complied with the applicable provisions of Sarbanes-Oxley Act and the Exchange Act. Based on its most recent evaluation of internal controls over financial reporting prior to the date hereof, management of the Company has disclosed to the Company's auditors and the audit committee of the Company Board of Directors (i) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect the Company's ability to report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting, and each such deficiency, weakness and fraud so disclosed to auditors, if any, has been disclosed to Parent prior to the date hereof.

Section 4.6 No Undisclosed Liabilities. There are no Liabilities of the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities of any nature whatsoever (whether accrued, absolute, determined, contingent or otherwise and whether due or to become due), except for (a) Liabilities that are reflected or reserved against on the consolidated balance sheet of the Company and its Subsidiaries included in its Quarterly Report on Form 10-Q for the nine-month period ended September 30, 2016 (including any notes thereto), (b) Liabilities expressly contemplated by this Agreement or otherwise required to be incurred in connection with this Agreement or the Transactions, (c) Liabilities incurred in the ordinary course of business since September 30, 2016 and (d) Liabilities that have not had and would not reasonably be expected to have a Company Material Adverse Effect.

Section 4.7 Compliance with Law; Permits.

(a) The Company, its Subsidiaries, and, to the knowledge of the Company, the Facility Entities are, and since December 31, 2013 have been, in compliance with all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, regulations, judgments, Orders, common laws or agency requirements of Governmental Entities including Company Regulatory Agencies (collectively, "Laws" and each, a "Law"), and all such Laws by which their properties or assets are bound, except where such non-compliance would not reasonably be expected to have a Company Material Adverse

Effect. Since December 31, 2013, none of the Company, its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities has received any written notice or, to the knowledge of the Company, other communication from any Governmental Entity, including, without limitation, any Company Regulatory Agency, regarding any actual or possible failure to comply with any applicable Law in any material respect.

(b) The Company, its Subsidiaries, and, to the knowledge of the Company, the Facility Entities (A) hold, and have at all times since December 31, 2013 held, all franchises, grants, authorizations, licenses, permits, consents, certificates, approvals, exemptions, clearances, permissions, qualifications and registrations and Orders of all applicable Governmental Entities, including Company Regulatory Agencies, necessary for the lawful operation of the businesses of the Company, its Subsidiaries, and the Facility Entities, respectively, including the ownership, operation and leasing of their respective properties and assets (the "Company Permits"), and (B) have filed all tariffs, reports, notices and other documents with all applicable Governmental Entities, including Company Regulatory Agencies, and have paid all fees and assessments due and payable, in each case in connection with such Company Permits, except, in the case of each of clause (A) and (B), as would not reasonably be expected to have a Company Material Adverse Effect. Except as would not reasonably be expected to have a Company Material Adverse Effect, (i) all Company Permits are valid and in full force and effect, and are not subject to any administrative or judicial proceeding that would reasonably be expected to result in any modification, termination or revocation thereof and, to the knowledge of the Company, no suspension or cancellation of any such Company Permit is threatened by a Governmental Entity in writing and (ii) the Company, each of its Subsidiaries, and, to the knowledge of the Company, each of the Facility Entities is, and has at all times since December 31, 2013 been, in compliance with the terms, conditions and requirements of all Company Permits.

(c) None of the Company, any of its Subsidiaries, or, to the knowledge of the Company, the Facility Entities, nor any Representative acting on behalf of the Company, its Subsidiaries, or, to the knowledge of the Company, the Facility Entities, has materially violated or is in material violation of the Foreign Corrupt Practices Act of 1977, as amended, or any other Law relating to bribery, corruption or similar activities, nor has any such Person (i) used any funds of the Company, any of its Subsidiaries, or, to the knowledge of the Company, the Facility Entities for unlawful contributions, unlawful gifts, unlawful entertainment or other unlawful expenses relating to political activity; (ii) made any unlawful payment to foreign or domestic governmental officials or employees or to foreign or domestic political parties or campaigns from funds of the Company, any of its Subsidiaries, or, to the knowledge of the Company, the Facility Entities; (iii) established or maintained any unlawful fund of monies or other assets of the Company, any of its Subsidiaries or, to the knowledge of the Company, the Facility Entities; (iv) made any fraudulent entry on the books or records of the Company, any of its Subsidiaries or, to the knowledge of the Company, the Facility Entities; (v) made any unlawful bribe, unlawful rebate, unlawful payoff, unlawful influence payment, unlawful kickback or other unlawful payment to any Person, private or public, regardless of form, whether in money, property or services, to obtain favorable treatment in securing business to obtain special concessions for the Company, any of its Subsidiaries, or, to the knowledge of the Company, the Facility Entities; or (vi) engaged in any transaction or dealing in property or interests in property of, received from or made any contribution of funds, goods or services to or for the benefit of, provided any payments or material assistance to, or otherwise engaged in or facilitated any transactions with a Prohibited Person.

Section 4.8 Certain Regulatory Matters.

(a) The operations, products, and services of the Company, its Subsidiaries, and, to the knowledge of the Company, the Facility Entities, are and since December 31, 2013 have been (except with respect to (i) the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b);

(ii) the Federal False Claims Act, 31 U.S.C. §§ 3729-3733, and (iii) state anti-kickback, fee-splitting, self-referral and corporate practice of medicine Laws, each of which the Company, its Subsidiaries, and, to the knowledge of the Company, the Facility Entities are and since December 31, 2011 have been), in material compliance with all applicable health care Laws, including the following federal and state Laws and all applicable regulations promulgated thereunder, relating to the regulation, provision or administration of, or payment for, health care benefits, health care insurance coverage and health care products or services: (i) Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Federal Ethics in Patient Referrals Act, 42 U.S.C. § 1395nn; (ii) Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute) and state Medicaid Laws; (iii) TRICARE, 10 U.S.C. § 1071 *et seq.*; (iv) the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); (v) the Federal False Claims Act, 31 U.S.C. §§ 3729-3733; (vi) the Federal Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; (vii) the Federal Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; (viii) state anti-kickback, fee-splitting, self-referral and corporate practice of medicine Laws; (ix) workers' compensation Laws; and (x) licensure, permit or authorization Laws relating to the regulation, provision, or administration of, or payment for, health care products or services (collectively "Health Care Laws"). Since December 31, 2013 (except with respect to (i) the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); (ii) the Federal False Claims Act, 31 U.S.C. §§ 3729-3733, and (iii) state anti-kickback, fee-splitting, self-referral and corporate practice of medicine Laws, each of which shall be since December 31, 2011), no notice has been received by the Company, any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities, and no Actions are pending against the Company, any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities, alleging any material breach or violation of, non-compliance with or default under any such Health Care Laws, other than any Actions filed under seal of which the Company has no knowledge.

(b) Except as set forth on Section 4.8 of the Company Disclosure Schedule, to the knowledge of the Company, no Person has filed or has made a non-frivolous threat to file, in the last six (6) years, a claim against the Company, any of its Subsidiaries, or any of the Facility Entities an Action under any federal or state whistleblower statute, including under the Federal False Claims Act, 31 U.S.C. §§ 3729-3733.

(c) The Company and its Subsidiaries have provided Purchaser a copy of their current compliance program materials. Since December 31, 2013, none of the Company, any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities have received any overpayments from, or owe any outstanding refunds to, any Governmental Entity, or agent thereof, or private third-party payer that have not been returned in full to such Governmental Entity, agent thereof, or private third-party payer, respectively, other than overpayments and refunds that occur in the ordinary course of business and that are not in excess of \$10,000,000 in the aggregate. Except as set forth on Section 4.8 of the Company Disclosure Schedule, since December 31, 2013, the Company, its Subsidiaries, and, to the knowledge of the Company, the Facility Entities have not been audited, surveyed or otherwise examined in connection with a contract with any Governmental Program or any third party-payer program, other than audits, surveys or reviews that occur in the ordinary course of business and where the aggregate amount for which the Company, its Subsidiaries and the Facility Entities, in the aggregate, reasonably expect to be liable is not in excess of \$5,000,000. None of the Company, any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities have any outstanding health care reimbursement audits related to services provided by the Company, any of its Subsidiaries, or the Facility Entities and conducted by any Governmental Entity, agent thereof, or other third-party payers where the aggregate amount for which the Company, its Subsidiaries and the Facility Entities, in the aggregate, reasonably expect to be liable is in excess of \$5,000,000.

(d) None of the Company, any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities (i) is a party to an Order, individual integrity agreement, or corporate integrity agreement with any Governmental Entity, including the Office of Inspector General of the United States Department of Health and Human Services, concerning compliance with Health Care Laws, (ii) has any reporting obligations pursuant to a settlement agreement entered into with any Governmental Entity related to Health Care Laws, or (iii) is responding or, since December 31, 2013 has responded to, any search warrant, subpoena, criminal or civil investigative demand by or from any Governmental Entity relating to Health Care Laws.

(e) The Company, each of its Subsidiaries, and, to the knowledge of the Company, each of the Facility Entities requires that each health care professional providing services on behalf of the Company, its Subsidiaries, or any of the Facility Entities, as applicable, be duly licensed (i) under the applicable Laws of each state or other jurisdiction in which such health care professional practices and (ii) under the applicable Laws of each state or territory to the residents of which the health care professional provides services that require licensure in such state or territory. No health care professional employed by the Company, any of its Subsidiaries, or any of the Facility Entities is, to the knowledge of the Company, under investigation by, or is not in good standing with, any Governmental Entity, including a medical board.

(f) None of the Company, any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities, nor any of their Representatives acting on their behalf, respectively, has, since December 31, 2013, made an untrue statement of material fact or a fraudulent statement to any Governmental Entity, or failed to disclose a material fact required to be disclosed to any Governmental Entity.

(g) Neither the Company, its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities, nor any of their Representatives authorized to act on their behalf, respectively, including employees or contractors: (i) has been convicted of, formally charged with, or, to the knowledge of the Company, investigated for any crime or violation or engaged in any conduct for which such Person would reasonably be expected to be excluded, suspended, or debarred from participating, or would be otherwise ineligible to participate, in any Governmental Programs; (ii) to the knowledge of the Company, has engaged in any conduct that would reasonably be expected to subject such Person or entity to a civil monetary penalty or criminal penalty under Sections 1128A or 1128B of the Social Security Act or any similar Law; (iii) has been convicted of or formally charged with, or to the knowledge of the Company, has been investigated for, any violation of Laws related to fraud, theft, embezzlement, breach of fiduciary responsibility, financial misconduct, or obstruction of an investigation; or (iv) is excluded, suspended, or debarred from participation, or is otherwise ineligible to participate, in any Governmental Programs. The Company verifies on an ongoing, monthly basis that its and its Subsidiaries' employees and contractors are not excluded, suspended or debarred from participation, or otherwise ineligible to participate in, in any Governmental Programs.

(h) Since December 31, 2013, all reports, applications, documents, claims, permits and notices required to be filed, maintained or furnished to any Governmental Entity pursuant to any Healthcare Laws by the Company, its Subsidiaries, and, to the knowledge of the Company, the Facility Entities have been so filed, maintained or furnished, except where failure to file, maintain or furnish such reports, applications, documents, claims, permits or notices would not reasonably be expected to have a Company Material Adverse Effect. All such reports, applications, documents, claims, permits and notices were complete and accurate in all material respects on the date filed (or were corrected in or supplemented by a subsequent filing filed prior to the date hereof).

Section 4.9 Environmental Laws and Regulations. Each of the Company and its Subsidiaries, and, to the knowledge of the Company, each of the Facility Entities is, and for the past five years, has been in compliance with all applicable Environmental Laws, which compliance includes timely applying for, obtaining, maintaining and complying with all Company Permits required under Environmental Laws for the operation of their respective businesses, except, in each case, as would not reasonably be expected to have a Company Material Adverse Effect. There is no Order or Action relating to or arising from any actual or alleged noncompliance with, or liability under, Environmental Laws (including, without limitation, relating to or arising from the Release or threatened Release of, or exposure of any Person to, any Hazardous Materials) that is pending against the Company or any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities or, to the knowledge of the Company, threatened against the Company, any of its Subsidiaries or any of the Facility Entities that would be material to the Company. Neither the Company nor its Subsidiaries, nor, to the knowledge of the Company, the Facility Entities has caused or arranged for the Release, disposal, transportation or treatment of any Hazardous Materials, and to the knowledge of the Company, there has been no Release of any Hazardous Materials, in either case, such that the Company or its Subsidiaries or the Facility Entities would reasonably be expected to incur material liability. Neither the Company nor any of its Subsidiaries, nor, to the knowledge of the Company, any Facility Entity, has received any written notice of, or entered into, any Order involving uncompleted, outstanding or unresolved material liabilities or material corrective or remedial obligations relating to or arising under Environmental Laws (including, without limitation, relating to or arising from the Release or threatened Release of, or exposure of any Person to, any Hazardous Materials). The Company has made available to Parent copies of all material environmental assessments, reports, audits and other material documents in its possession or under its control that relate to Company's or any Subsidiaries' compliance with Environmental Laws or the environmental condition of any real property that Company or the Subsidiaries currently or formerly have owned, operated, or leased.

Section 4.10 Employee Benefit Plans.

(a) Section 4.10(a) of the Company Disclosure Schedule sets forth a correct and complete list of each material Company Benefit Plan. With respect to each material Company Benefit Plan, to the extent applicable, correct and complete copies of the following have been delivered or made available to Parent by the Company: (i) the Company Benefit Plan document (including all current amendments and attachments thereto); (ii) written summaries of the material terms of such Company Benefit Plan if it is not in writing; (iii) all related trust documents; (iv) the most recent annual report (Form 5500) filed with the Internal Revenue Service (the "IRS"); (v) the most recent determination, opinion or advisory letter from the IRS; (vi) the most recent summary plan description and any summary of material modifications thereto; (vii) all material filings and communications received from or sent to any Governmental Entity since December 31, 2013; and (viii) the most recent actuarial valuation, if applicable.

(b) Except as has not had and would not reasonably be expected to have a Company Material Adverse Effect, (i) each Company Benefit Plan has been established, operated and administered in all respects in accordance with its terms and the requirements of all applicable Laws, including ERISA and the Code, and (ii) all contributions required to be made to any Company Benefit Plan by applicable Law or by any plan document or other contractual undertaking, and all premiums due or payable with respect to insurance policies funding such Company Benefit Plan, if any, have been timely made or paid in full or, to the extent not required to be made or paid on or before the date hereof, have been fully reflected on the books and records of the Company and/or its Subsidiaries in accordance with GAAP.

(c) Section 4.10(c) of the Company Disclosure Schedule identifies each Company Benefit Plan that is intended to be qualified under Section 401(a) of the Code (each, a "Qualified Plan"). The IRS has issued a favorable determination, opinion or advisory letter with respect to each Qualified Plan and its

related trust, and such letter has not been revoked (nor, to the knowledge of the Company and its Subsidiaries, has revocation been threatened), and there are no existing circumstances and no events have occurred that would reasonably be expected to adversely affect the qualified status of any Qualified Plan or the related trust or materially increase the costs relating thereto. No trust funding any Company Benefit Plan is intended to meet the requirements of Section 501(c)(9) of the Code.

(d) None of the Company, its Subsidiaries, any of the Facility Entities (to the knowledge of the Company), nor any of their respective ERISA Affiliates has in the last six (6) years maintained, established, contributed to or been obligated to contribute to any plan that is (i) a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA or a plan that has two (2) or more contributing sponsors at least two (2) of whom are not under common control, within the meaning of Section 4063 of ERISA or (ii) subject to Title IV or Section 302 of ERISA or Section 412, 430 or 4971 of the Code. No Company Benefit Plan is or has been a "multiple employer welfare arrangement" (as defined in Section 3(40) of ERISA).

(e) There are no pending or, to the knowledge of the Company and its Subsidiaries, threatened material claims (other than claims for benefits in the ordinary course), lawsuits or arbitrations which have been asserted or instituted with respect to the Company Benefit Plans (including, for the avoidance of doubt, any claims, lawsuits or arbitrations relating to any fiduciaries thereof with respect to their duties to the Company Benefit Plans or the assets of any of the trusts under any of the Company Benefit Plans). Except as would not reasonably be expected to result in material liability to the Company, any of its Subsidiaries or any of the Facility Entities, (i) none of the Company, any of its Subsidiaries, any of the Facility Entities (to the knowledge of the Company) or any of their ERISA Affiliates has incurred (either directly or indirectly, including as a result of any indemnification obligation) any Liability under or pursuant to Title I of ERISA or the penalty, excise Tax or joint and several Liability provisions of the Code relating to employee benefit plans, and (ii) no event, transaction or condition has occurred or exists that could be expected to result in any such Liability to the Company, any of its Subsidiaries, any of the Facility Entities (to the knowledge of the Company), any of their ERISA Affiliates or, after the First Effective Time, Parent or any of its Affiliates.

(f) None of the Company, any of its Subsidiaries or, to the knowledge of the Company, the Facility Entities, sponsors or has any obligation with respect to any employee benefit plan that provides for any post-employment or post-retirement medical or death benefits (whether or not insured) with respect to former or current directors or employees, or their respective beneficiaries or dependents, beyond their retirement or other separation from service (including any obligation with respect to any such employee benefit plan that the Company, any of its Subsidiaries or any of the Facility Entities may have sponsored prior to the date hereof), except as required by Section 4980B of the Code or comparable U.S. state Laws.

(g) Except as set forth on Section 4.10(g) of the Company Disclosure Schedule, the consummation of the Transactions will not, either alone or in combination with another event, (i) entitle any current or former employee, director, consultant or officer of the Company, any of its Subsidiaries or, to the knowledge of the Company, the Facility Entities to severance pay, (ii) accelerate the time of payment or vesting, or increase the amount of compensation due to any such employee, director, consultant or officer, (iii) trigger any funding obligation under any Company Benefit Plan or impose any restrictions or limitations on the Company's rights to amend, merge, terminate, or receive a reversion of material assets from any Company Benefit Plan, or (iv) result in any payment (whether in cash or property or the vesting of property) to any "disqualified individual" (as such term is defined in Treasury Regulations Section 1.280G-1) that would, individually or in combination with any other such payment, constitute an "excess parachute payment" (as defined in Section 280G(b)(1) of the Code). No Company Benefit Plan or other contract, agreement, plan or arrangement provides for the gross-up or reimbursement of Taxes under Section 4999 of the Code, Section 409A(a)(1)(B) of the Code, or otherwise.

Section 4.11 Absence of Certain Changes or Events.

(a) Other than in connection with the negotiation and execution of this Agreement, since December 31, 2015 through the date of this Agreement, (x) the businesses of the Company, its Subsidiaries and, to the knowledge of the Company, the Facility Entities have been conducted in all material respects in the ordinary course of business and (y) none of the Company, any Subsidiary of the Company or, to the knowledge of the Company, any Facility Entity has undertaken any action that if taken after the date of this Agreement would require Parent's consent or otherwise constitute a breach pursuant to Section 6.1(b)(vi), (vii), (viii), (ix), (x), (xiv), (xv), (xvi) or (xvii).

(b) Since December 31, 2015, there has not been any fact, change, circumstance, event, occurrence or development that has had or would reasonably be expected to have a Company Material Adverse Effect.

Section 4.12 Investigations; Litigation. Except as would not be material to the Company and its Subsidiaries taken as a whole, or as set forth on Section 4.12 of the Company Disclosure Schedule, (a) there is no Action pending (or, to the knowledge of the Company, threatened) by any Governmental Entity with respect to the Company or any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities, or any of their respective properties, assets or businesses, (b) there is no Action or subpoena, civil investigative demand or other request for information relating to potential violations of Law, in each case pending (or, to the knowledge of the Company, threatened) against the Company or any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities, or any of their respective properties, assets or businesses and (c) there are no Orders of any Governmental Entity against the Company or any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities, any of their respective properties, assets or businesses.

Section 4.13 Information Supplied. The information supplied by the Company for inclusion in the Offer Documents, the Schedule 14D-9 and the Registration Statement (including the Offer Prospectus) will not, at the time the Offer Documents, the Schedule 14D-9 and the Offer Prospectus (and any amendment or supplement thereto) are mailed to the stockholders of the Company or at the time the Registration Statement is declared effective by the SEC, or on the date that the Offer is consummated, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Schedule 14D-9 will comply in all material respects with the requirements of the Exchange Act and any other applicable federal securities Laws. The representations and warranties in this Section 4.13 will not apply to statements or omissions included or incorporated by reference in the Schedule 14D-9 based upon information supplied to the Company by Parent or Purchaser for inclusion therein.

Section 4.14 Tax Matters. (a) Except as set forth in Section 4.14(a) of the Company Disclosure Schedule, and, except as would not reasonably be expected to have a Company Material Adverse Effect:

(i) Each of the Company and its Subsidiaries has prepared and timely filed (taking into account any valid extension of time within which to file) all Tax Returns required to be filed by it and all such Tax Returns are true, complete and accurate.

(ii) Each of the Company and its Subsidiaries has timely paid all Taxes required to be paid by it (whether or not shown on any Tax Return), except for Taxes for which adequate reserves have been established, in accordance with GAAP, on the Company Financial Statements.

(iii) Each of the Company and its Subsidiaries has complied with all applicable Law relating to the payment, collection, withholding and remittance of Taxes (including information reporting requirements), including with respect to payments made to or received from any employee, creditor, stockholder, customer or other third party.

(iv) No Tax Returns of the Company and its Subsidiaries have been examined, and neither the Company nor any of its Subsidiaries has waived or extended any statute of limitations with respect to Taxes or agreed to any extensions of time with respect to a Tax assessment or deficiency.

(v) All assessments for Taxes due from the Company or any of its Subsidiaries with respect to completed and settled audits or examinations or any concluded Action have been timely paid in full.

(vi) No deficiencies for Taxes have been claimed, proposed or assessed by any Governmental Entity in writing against the Company or any of its Subsidiaries except for deficiencies which have been fully satisfied by payment, settled or withdrawn, and the Company and its Subsidiaries do not reasonably expect any Taxing Authority to assess any additional Taxes with respect to any period for which a Tax Return has been filed.

(vii) There are no audits, examinations, investigations or other proceedings ongoing, pending, or threatened in respect of any Taxes or Tax matters of the Company or any of its Subsidiaries.

(viii) There are no Liens for Taxes on any of the assets of the Company or any of its Subsidiaries other than statutory Liens for Taxes not yet due and payable, or for Taxes being contested in proper proceedings and for which there is a reserve in accordance with GAAP.

(ix) Neither the Company nor any of its Subsidiaries (A) is or has been a member of any affiliated, consolidated, combined, unitary, group relief or similar group for purposes of filing Tax Returns or paying Taxes (other than a group the common parent of which is the Company), (B) is a party to any agreement or arrangement relating to the apportionment, sharing, assignment, indemnification or allocation of any Tax or Tax asset (other than an agreement or arrangement solely between or among the Company and/or its Subsidiaries) or (C) has any Liability for Taxes of any Person (other than the Company or any of its Subsidiaries) under Treasury Regulations Section 1.1502-6 (or any analogous or similar provision of state, local or foreign Law), as transferee, successor, or otherwise.

(x) The charges, accruals and reserves for Taxes with respect to the Company and its Subsidiaries reflected on the Company Financial Statements filed with the SEC prior to the date hereof are adequate, in accordance with GAAP, to cover all material Taxes payable by the Company and its Subsidiaries for all periods through the date of such Company Financial Statements and such charges, accruals and reserves, as adjusted for the passage of time and ordinary course business operations through the Closing Date are adequate to cover all material Taxes payable by the Company and its Subsidiaries for all periods through the Closing Date.

(xi) No claim has been made within the past two (2) years in writing by a Taxing Authority in a jurisdiction where the Company or any of its Subsidiaries has never filed Tax Returns asserting that the Company or any of its Subsidiaries is or may be subject to Taxes imposed by that jurisdiction.

(xii) All intercompany transactions between or among the Company and any of its Subsidiaries, or any of them, have occurred on arm's-length terms in compliance with the principles of Section 482 of the Code (or any similar provision of U.S. state, local, or foreign Tax Law), and the Company and its Subsidiaries have complied in all material respects with applicable rules relating to transfer pricing (including the maintenance of contemporaneous documentation and the preparation of all required transfer pricing reports).

(xiii) (A) As of December 31, 2015, the consolidated federal income Tax Return group of which the Company is the common parent had federal and state net operating loss carryforwards of at least \$247,000,000, and (B) the net operating losses or other Tax attributes of the Company and each of its Subsidiaries, prior to giving effect to the transactions contemplated by this Agreement, are not currently subject to any limitation under Sections 382, 383, or 384 of the Code, and will not be decreased in any material amount prior to the Closing.

(b) None of the Company or any of its Subsidiaries has been a "controlled corporation" or a "distributing corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in any distribution that was purported or intended to qualify for tax-free treatment under Section 355 of the Code (or any similar provision of state, local or foreign Law) occurring during the two (2)-year period ending on the date hereof.

(c) None of the Company or any of its Subsidiaries has participated in any "listed transaction" within the meaning of Treasury Regulations Section 1.6011-4(b)(2) (or any analogous or similar provision of state, local or foreign Law).

(d) Neither the Company nor any of its Subsidiaries is aware of the existence of any fact, or has taken or agreed to take any action, that would reasonably be expected to prevent or impede the Offer and the Mergers, taken together, from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 4.15 Employment and Labor Matters.

(a) Since December 31, 2013, (i) neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any Facility Entity, is or has been, a party to any collective bargaining agreement, labor union contract, trade union agreement, or other similar agreement with a labor union or like organization (each, a "Collective Bargaining Agreement"), (ii) no employee is or has been represented by a labor organization for purposes of collective bargaining with respect to the Company or any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities, and (iii) to the knowledge of the Company, there have been no activities or proceedings of any labor or trade union or other like organization to organize any employees of the Company, any of its Subsidiaries or the Facility Entities. No Collective Bargaining Agreement is being negotiated by the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities. Since December 31, 2013, there has been no strike, lockout, slowdown, or work stoppage against the Company or any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities, pending or, to the knowledge of the Company, threatened, that may interfere in any material respect with the respective business activities of the Company, any of its Subsidiaries, or any of the Facility Entities.

(b) Except as has not had and would not reasonably be expected to have a Company Material Adverse Effect, (i) there is no pending charge or complaint against the Company or any of its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities, by the National Labor Relations Board or any comparable Governmental Entity, and (ii) none of the Company nor any of its Subsidiaries, nor, to the knowledge of the Company, any of the Facility Entities, is a party, or otherwise bound by, any consent decree with, or citation by, any Governmental Entity relating to employees or employment practices. Except as has not had and would not reasonably be expected to have a Company Material Adverse Effect, (i) the Company and its Subsidiaries, and, to the knowledge of the Company, the Facility Entities, have complied with all applicable Laws regarding employment and employment practices (including anti-discrimination), terms and conditions of employment and wages and hours (including classification of employees and independent contractors, and equitable pay practices) and other laws in respect of any reduction in force (including notice, information and consultation requirements), and (ii) no claims relating to non-compliance with the foregoing are pending or, to the knowledge of the Company, threatened. Except as has not had and would not reasonably be expected to have a Company Material Adverse Effect, (i) there are no outstanding assessments, penalties, fines, Liens, charges, surcharges, or other amounts due or owing by the Company pursuant to any workplace safety and insurance/workers' compensation Laws, and the Company and its Subsidiaries, and, to the knowledge of the Company, the Facility Entities, have not been reassessed under such Laws since December 31, 2013, and (ii) there are no claims that may affect the accident cost experience of the Company or its Subsidiaries, or, to the knowledge of the Company, any of the Facility Entities.

Section 4.16 Intellectual Property.

(a) Section 4.16(a) of the Company Disclosure Schedule sets forth a complete and accurate list of all Company Registered Intellectual Property, indicating for each such item the registration or application number, owner and filing jurisdiction. Each item of Company Registered Intellectual Property is valid, enforceable, subsisting and in full force in all material respects. All necessary registration, maintenance and renewal fees currently due and owing in connection with Company Registered Intellectual Property have been paid.

(b) Except as set forth in Section 4.16(b) of the Company Disclosure Schedule, the Company, a Subsidiary of the Company or a Facility Entity is the exclusive owner, free of any exclusive license or Lien (other than a Permitted Lien), of each item of Intellectual Property used by the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities or material to the business of the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities, other than Intellectual Property that is licensed to or held for use by the Company, any of its Subsidiaries or any of the Facility Entities pursuant to a valid and enforceable written license agreement or other agreement and Intellectual Property that is available generally to the public or may otherwise be used without the requirement of a license, in each case free and clear of any exclusive licenses or Liens, except Permitted Liens. Such Intellectual Property comprises all Intellectual Property used by or material to the business of the Company, each of its Subsidiaries and, to the knowledge of the Company, any of the Facility Entities as currently conducted.

(c) No Company Intellectual Property is subject to any proceeding to which the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities is a party or outstanding Order, which proceeding or Order are materially affecting or could materially affect the use thereof by or rights therein of the Company, any of its Subsidiaries or any of the Facility Entities.

(d) Except as set forth in Section 4.16(d) of the Company Disclosure Schedule, there are no amounts currently owed by the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities to any employee, contractor or other Person in consideration for the development for or acquisition by the Company, such Subsidiary or any of the Facility Entities of any material Company Intellectual Property, other than salaries paid to employees in the ordinary course of business.

(e) Neither (i) the operations or business of the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities as conducted since December 31, 2013 or as currently conducted, including the products or services of the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities, nor (ii) the Company Intellectual Property owned by the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities infringe, misappropriate or violate any Intellectual Property rights of any third party, nor are there any pending, or to the knowledge of the Company, threatened claims or Actions with respect to any of the foregoing. To the knowledge of the Company, no Person is infringing, misappropriating or violating any Company Intellectual Property that is owned by (or purported to be owned by) or exclusively licensed to the Company, any of its Subsidiaries or any of the Facility Entities, and no such claims have been made by the Company, any of its Subsidiaries or any of the Facility Entities since December 31, 2013 with respect to (x) Company Registered Intellectual Property, or (y) other Company Intellectual Property that is material to the business of the Company or its Subsidiaries.

(f) The Company, each of its Subsidiaries and, to the knowledge of the Company, each of the Facility Entities has at all times taken commercially reasonable steps to protect their respective rights in and the confidentiality, integrity and security of all material confidential and proprietary information of the Company, any of its Subsidiaries or its Facility Entities and any trade secret or confidential information of third parties that was provided to or held by the Company, its Subsidiaries or the Facility Entities subject to obligations of confidentiality and is used, stored or transmitted by the Company, any of its Subsidiaries or, to the knowledge of the Company, any of the Facility Entities.

(g) Except as set forth in Section 4.16(g) of the Company Disclosure Schedule, the Company, each of its Subsidiaries and, to the knowledge of the Company, each of the Facility Entities has required each Representative employed or engaged by the Company, such Subsidiary of the Company or such Facility Entity (as applicable) who contributed to the discovery or development of any material Intellectual Property for or on behalf of the Company, such Subsidiary of the Company or such Facility Entity to execute a written and enforceable instrument of assignment in favor of the Company, such Subsidiary of the Company or such Facility Entity as assignee that assigns to the Company, such Subsidiary of the Company or such Facility Entity all of such Representative's right, title and interest in and to such Intellectual Property, to the extent not already owned by them by operation of Law.

(h) The Company, each of its Subsidiaries and, to the knowledge of the Company, each of the Facility Entities has sufficient rights to use all material Software, information technology systems, information technology equipment, and associated documentation used or held for use in connection with the operation of the Company's, such Subsidiary's or such Facility Entity's business (as applicable) as presently conducted (the "IT Assets"). The IT Assets operate and perform in all material respects in accordance with their documentation and functional specifications and otherwise as required in connection with the operation of the Company's, each of its Subsidiaries' and, to the knowledge of the Company, each of the Facility Entities' business. The IT Assets have not materially malfunctioned or failed since December 31, 2013 and the Company and its Subsidiaries have taken commercially reasonable steps to protect the integrity and security of the IT Assets from, and, to the knowledge of the Company, the IT Assets do not contain, any viruses, bugs or other devices or effects that could enable or assist any Person to access without authorization the IT Assets or otherwise significantly adversely affect the functionality of the IT Assets, except as disclosed in their documentation.

Section 4.17 Property.

(a) The Company or one or more of its Subsidiaries has good and marketable fee simple title to all land, together with all buildings, structures, fixtures, and improvements located thereon and all easements, rights of way, and appurtenances relating thereto, owned by the Company or any of its Subsidiaries (the "Owned Real Property") free and clear of any Liens other than Permitted Liens. Section 4.17(a) of the Company Disclosure Schedule contains a correct and complete list by address of the Owned Real Property. Neither the Company nor any of its Subsidiaries: (i) lease or grant any Person the right to use or occupy all or any part of the Owned Real Property; (ii) has granted any Person an option, right of first offer, or right of first refusal to purchase such Owned Real Property or any portion thereof or interest therein; or (iii) has received written notice of any pending, and to the knowledge of the Company threatened, condemnation proceeding affecting any material Owned Real Property or any material portion thereof or material interest therein. Neither the Company nor any of its Subsidiaries is a party to any agreement or option to purchase any real property or interest therein.

(b) Either the Company or a Subsidiary of the Company has a good and valid leasehold interest in each lease, sublease and other agreement under which the Company or any of its Subsidiaries, as applicable, uses or occupies or has the right to use or occupy any real property (such material property subject to a lease, sublease or other real property agreement either (x) requiring leasehold payments in excess of \$500,000 annually or (y) for a location at which the Company or a Subsidiary of the Company provides health care services, collectively, the "Leased Real Property" and such leases, subleases and other agreements are, collectively, the "Real Property Leases"), in each case, free and clear of all Liens other than any Permitted Liens. Section 4.17(b) of the Company Disclosure Schedule sets forth a true, correct and complete list of the Leased Real Property (except for the Leased Real Property for a location at which the Company or a Subsidiary of the Company provides health care services), including the address, tenant, landlord, date of lease of all leases, subleases, licenses and similar agreements, and all amendments thereto. Except as would not reasonably be expected to have a Company Material Adverse Effect, each Real Property Lease of the Company or a Subsidiary of the Company, (i) is a valid and binding obligation of the Company or the Subsidiary of the Company that is party thereto and, to the knowledge of the Company, of each other party thereto, and is in full force and effect, subject to the Enforceability Exceptions, (ii) is not subject to uncured default on the part of the Company or its Subsidiary or, to the knowledge of the Company, any other party thereunder, and (iii) is not subject to any event that has occurred or circumstance that exists which, with the giving of notice, the passage of time, or both, would constitute a breach or default by the Company or any of its Subsidiaries or, to the knowledge of the Company, any other party, under any such Real Property Lease. Neither the Company nor any of its Subsidiaries is currently subleasing, licensing or otherwise granting any Person any right to use or occupy any material Leased Real Property. True and complete copies of all Real Property Leases of the Company or a Subsidiary of the Company (except for Real Property Leases for a location at which the Company or a Subsidiary of the Company provides health care services) have been made available to Parent and Purchaser.

(c) The Company and each Subsidiary of the Company, and, to the knowledge of the Company, any of the Facility Entities, has good and valid title to, or valid rights by lease, license, other agreement or otherwise to use, all assets and properties (in each case, tangible and intangible) necessary to enable the Company and each of its Subsidiaries and the Facility Entities to conduct their business as currently conducted, except where the failure to have good and valid title or valid rights would not reasonably be expected to have a Company Material Adverse Effect.

Section 4.18 Insurance. Except as would not reasonably be expected to have a Company Material Adverse Effect: (a) the Company and its Subsidiaries, and each Facility Entity to the knowledge of the Company, maintain insurance with reputable insurers or otherwise sufficient self-insurance programs in such amounts and against such risks as the management of the Company has in good faith determined to be prudent and appropriate; (b) all insurance policies maintained by or on behalf of the Company, any of its Subsidiaries, or any of the Facility Entities to the knowledge of the Company, as of the date of this Agreement are in full force and effect and all premiums due on such policies have been paid by the Company, its Subsidiaries or, to the knowledge of the Company, the Facility Entities; (c) neither the Company nor any of its Subsidiaries, nor any Facility Entity to the knowledge of the Company, is in breach or default under such policies; and (d) neither the Company nor any of its Subsidiaries has, and no Facility Entity to the knowledge of the Company has, received any written notice of termination or cancellation or denial of coverage with respect to any insurance policy since December 31, 2013 that in the case of such termination or cancellation has not been replaced or superseded by materially similar or more favorable coverage.

Section 4.19 Opinion of Financial Advisor. The Company Board of Directors has received the oral opinion of J.P. Morgan Securities LLC, to be confirmed by delivery of a written opinion to the effect that, as of the date hereof and subject to the assumptions, limitations, qualifications and other matters considered in the preparation thereof, the Transaction Consideration to be paid to the holders of Company Common Stock entitled to receive Transaction Consideration pursuant to this Agreement is fair from a financial point of view to such holders, and such opinion has not been withdrawn, modified or revoked as of the date hereof. The Company shall, promptly following the execution of this Agreement by all Parties, furnish an accurate and complete copy of said opinion to Parent solely for informational purposes, and it is agreed and understood that such written opinion was delivered for the information and assistance of the Company Board of Directors.

Section 4.20 Material Contracts.

(a) Except for this Agreement, Contracts filed as exhibits to the Company SEC Documents or as set forth in Section 4.20 of the Company Disclosure Schedule, as of the date of this Agreement, neither the Company nor any of its Subsidiaries is a party to or bound by:

(i) any "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC);

(ii) any Contract between the Company or any Subsidiary of the Company, on the one hand, and any officer, director or Affiliate (other than a wholly owned Subsidiary of the Company) of the Company (or of any Subsidiary of the Company) or any of their respective "associates" or "immediate family" members (as such terms are defined in Rule 12b-2 and Rule 16a-1 of the Exchange Act), on the other hand, including (but not limited to) any Contract pursuant to which the Company or any Subsidiary of the Company has an obligation to indemnify such officer, director, Affiliate or family member but in each case excluding any Company Benefit Plans;

(iii) any Contract that requires or is reasonably likely to require annual or one time payments or delivery of goods, services, materials, Intellectual Property or other assets from third parties to the Company and its Subsidiaries of at least \$5,000,000, in each case that is not terminable for convenience by the Company or its Subsidiaries on ninety (90) days' notice or less and that is not a Contract of a type that is described in another subsection of this Section 4.20(a);

(iv) any Contract that requires or is reasonably likely to require annual or one-time payments or delivery of goods, services, materials, Intellectual Property or other assets from the Company and its Subsidiaries to third parties of at least \$5,000,000, in each case that is not terminable for convenience by the Company or its Subsidiaries on ninety (90) days' notice or less and that is not a Contract of a type that is described in another subsection of this Section 4.20(a);

(v) any Contract that imposes any restriction on the right or ability of the Company or any of its Subsidiaries to compete in any material respect (or that following the First Effective Time will restrict the ability of Parent and its Subsidiaries (other than the Company and its Subsidiaries) to compete) with any other Person in any line of business or geographic region or that contains any standstill or similar agreement that has not expired or terminated and pursuant to which the Company or its Subsidiaries has agreed not to acquire or dispose of the securities of another Person;

(vi) any Contract that obligates the Company or its Subsidiaries in any material respect (or following the First Effective Time, obligates Parent or its Subsidiaries (other than the Company and its Subsidiaries)) to conduct business with any third party on a preferential or exclusive basis or which contains "most favored nation" covenants that are material to the Company and its Subsidiaries;

(vii) any Collective Bargaining Agreement to which the Company or any of its Subsidiaries is a party;

(viii) any agreement relating to Indebtedness of the Company or any of its Subsidiaries having an outstanding principal amount in excess of \$5,000,000, including any guarantees of Indebtedness of any other Person and excluding trade payables arising in the ordinary course of business;

(ix) any Contract that grants any right of first refusal, right of first offer or similar right to a third party (including stockholders of the Company) with respect to any material assets, rights or properties of the Company and its Subsidiaries that is (A) triggered by or exercisable in connection with the execution, delivery or performance of this Agreement or the Transactions, (B) exercisable at a date certain or is subject to similar time-based vesting of rights, (C) currently exercisable or (D) material and, to the knowledge of the Company, is likely to be triggered or become exercisable;

(x) any Contract that provides for the acquisition or disposition of any assets (other than acquisitions or dispositions of assets in the ordinary course of business) or business (whether by merger, sale of stock, sale of assets or otherwise) and that contains outstanding obligations of the Company or any of its Subsidiaries as of the date of this Agreement in excess of \$5,000,000 or that are otherwise material;

(xi) (A) any joint venture, partnership or limited liability company agreement or other similar Contract relating to the formation, creation, operation, management or control of any joint venture, partnership or limited liability company that is material, and (B) any strategic alliance, collaboration, co-promotion or research and development project Contract that is material;

(xii) any Contract that by its terms limits or restricts the ability of the Company or any of its Subsidiaries (A) to make distributions or declare or pay dividends in respect of their capital stock, partnership interests, membership interests or other equity interests, as the case may be, or (B) to make loans to the Company or any of its Subsidiaries;

(xiii) any Contract that obligates the Company or any of its Subsidiaries to make any loans, advances or capital contributions to, or investments in, any Person, except for any such Contract that is entered into in the ordinary course of business;

(xiv) any Contract that provides for indemnification by the Company or any of its Subsidiaries of any other Person, except for any such Contract that is entered into in the ordinary course of business;

(xv) any Contract with the Centers for Medicare and Medicaid Services;

(xvi) any Contract relating to the voting or control of Company Common Stock or the election of directors of the Company; and

(xvii) any Contract (A) granting the Company or any of its Subsidiaries any right to use any rights under any Intellectual Property, other than "off the shelf" software that has not been modified for use by the Company or any of its Subsidiaries and does not exceed a cost to the Company or any of its Subsidiaries of \$100,000 annually, (B) pursuant to which the Company or any of its Subsidiaries grants any third person the right to use any rights under any Intellectual Property (other than non-exclusive licenses to Intellectual Property granted in the ordinary course of business), or (C) restricting the right of the Company or any of its Subsidiaries to use, register, transfer, license or enforce any Company Intellectual Property.

All contracts of the types referred to in this Section 4.20 (whether or not set forth on Section 4.20 of the Company Disclosure Schedule) are referred to herein as "Company Material Contracts." The Company has made available to Parent prior to the date of this Agreement a complete and correct copy of each Company Material Contract as in effect on the date of this Agreement.

(b) Neither the Company nor any Subsidiary of the Company is in breach of or default under the terms of any Company Material Contract and, to the knowledge of the Company, no other party to any Company Material Contract is in breach of or default under the terms of any Company Material Contract and, since December 31, 2013, no event has occurred or not occurred through the Company's or any of its Subsidiaries' action or inaction or, to the knowledge of the Company, through the action or inaction of any third party, that with notice or the lapse of time or both would constitute a breach of or default under the terms of any Company Material Contract, in each case, except as has not had and would not reasonably be expected to have a Company Material Adverse Effect. Each Company Material Contract is a valid and binding obligation of the Company or the Subsidiary of the Company that is party thereto and, to the knowledge of the Company, of each other party thereto, and is in full force and effect, subject to the Enforceability Exceptions. There are no material disputes pending or, to the knowledge of the Company, threatened with respect to any Company Material Contract. Neither the Company nor any of its Subsidiaries has received any written notice of the intention of any other party to any Company Material Contract to terminate for default, convenience or otherwise any Company Material Contract.

Section 4.21 Privacy and Data Security.

(a) Each of the Company's and its Subsidiaries', and to the knowledge of the Company each Facility Entity's, receipt, collection, use, disclosure, processing, storage, disposal and security of Personal Information has, since December 31, 2013, materially complied, and materially complies, with (i) any Contracts to which the Company or any Subsidiary or Facility Entity is a party, (ii) applicable Information Privacy and Security Laws, (iii) to the extent applicable, PCI DSS, and (iv) all required consents and authorizations from individuals that apply to the Company's or any of its Subsidiaries' or Facility Entities' receipt, access, use and disclosure of such individual's Personal Information. Except as

has not had and would not reasonably be expected to have a Company Material Adverse Effect, the Company and each of its Subsidiaries has, and each Facility Entity to the knowledge of the Company has, all necessary authority, consents and authorizations to receive, access, use and disclose the Personal Information in the Company's or any of its Subsidiaries' or Facility Entities' possession or under its control in connection with the operation of the Company or any Subsidiary or Facility Entity. Except as set forth in Section 4.21(a) of the Company Disclosure Schedule, the Company and each of its Subsidiaries has, and each Facility Entity to the knowledge of the Company has, since December 31, 2013, (y) posted its Notice of Privacy Practices as that term is defined under HIPAA ("HIPAA Notice of Privacy Practices") and (z) except as has not had and would not be reasonably expected to have a Company Material Adverse Effect, complied with its HIPAA Notice of Privacy Practices and any other privacy policies it has provided to individuals or made publicly available on its website(s).

(b) Except as has not had and would not reasonably be expected to have a Company Material Adverse Effect, since December 31, 2013, each of the Company and each of its Subsidiaries has, and each Facility Entity to the knowledge of the Company has, entered into a Contract that addresses the provisions for "business associate contracts" if and as required by 45 C.F.R. § 164.504 (e) or § 164.314(a), as amended ("Business Associate Contracts"), with the applicable third party in each instance where (i) the Company or its Subsidiaries or Facility Entities (as the case may be) acts as a Business Associate to that third party or (ii) the Company or its Subsidiaries or Facility Entities (as the case may be) provides protected health information (as defined in 45 C.F.R. § 160.103) to that third party, or that third party otherwise acts as a Business Associate to Company or any of its Subsidiaries or Facility Entities, in each case as required by, and in material conformity with, HIPAA and the applicable Business Associate Contracts to which the Company or its Subsidiaries or Facility Entities is a party.

(c) Except as has not had and would not reasonably be expected to have a Company Material Adverse Effect or otherwise disclosed in Section 4.21(c) of the Company Disclosure Schedule, there has been no (i) data security breach of any IT Assets of the Company, its Subsidiaries or, to the knowledge of the Company, a Facility Entity that store, process, protect, transmit or maintain Personal Information, (ii) any unauthorized access, control, use, modification or destruction of such IT Asset or (iii) unauthorized access, use, acquisition or disclosure of any Personal Information, in the case of each of clauses (i) through (iii) with respect to Personal Information that is owned, used, stored, or controlled by or on behalf of the Company or any of its Subsidiaries, or to the knowledge of the Company any of its Facility Entities, in a manner not authorized by the Company or a Subsidiary or Facility Entity, as applicable, including any unauthorized access, use, or disclosure of Personal Information that would constitute a breach for which notification to individuals or Governmental Entities is required under any applicable Information Privacy and Security Laws.

(d) Except as has not had and would not reasonably be expected to have a Company Material Adverse Effect or otherwise disclosed in Section 4.21(d) of the Company Disclosure Schedule, each of the Company and each of its Subsidiaries has, and each Facility Entity to the knowledge of the Company has responded to and mitigated each known Security Incident (as defined in 45 C.F.R. § 164.304) related to any IT Assets or Personal Information transmitted, processed, maintained, stored or otherwise available on or through any IT Assets.

(e) Neither the Company nor any of its Subsidiaries, nor any Facility Entity to the knowledge of the Company, (i) is, to the knowledge of the Company, under investigation by any Governmental Entity for a violation of any applicable Information Privacy and Security Laws; (ii) has received since December 31, 2013 any written notices or audit requests from a Governmental Entity relating to any such violations that remain open or pending or, with respect to those that are closed, are material, other than those set forth in Section 4.21(e) of the Company Disclosure Schedule; or (iii) is subject to any Order, nor, to the knowledge of the Company, is any such Order pending or threatened, relating to the Company's or any of its Subsidiaries' or Facility Entities' processing of Personal Information processed by the Company or its Subsidiaries or Facility Entities.

(f) Except as would not reasonably be expected to have a Company Material Adverse Effect, the consummation of the transactions contemplated hereby is not prohibited by the Company's, each of its Subsidiaries', and to the knowledge of the Company, each of its Facility Entities', applicable HIPAA Notice of Privacy Practices, as defined above.

(g) The Company has performed a security risk assessment that meets the standards set forth at 45 C.F.R. § 164.308(a)(1)(ii)(A), including an assessment as described at 45 C.F.R. § 164.306(d)(3), taking into account factors set forth in 45 C.F.R. § 164.306(a)-(c) and updated periodically as required by 45 C.F.R. § 164.316(b)(2)(iii) (collectively, the "Security Risk Assessment"). Unless set forth in Section 4.21(g) of the Company Disclosure Schedule, the Company has addressed the security safeguards sufficient to reduce any reasonably anticipated and material threats and deficiencies identified in its current Security Risk Assessment to a reasonable and appropriate level to comply with 45 C.F.R. § 164.306(a).

Section 4.22 Affiliate Transactions. There are not and have not been within the last three (3) years any transactions, or series of related transactions, agreements, arrangements or understandings that would be required to be disclosed under Item 404 of Regulation S-K promulgated under the Securities Act that have not been disclosed in the Company SEC Documents filed prior to the date hereof.

Section 4.23 Finders or Brokers. Except for J.P. Morgan Securities LLC, neither the Company nor any of its Subsidiaries has employed any investment banker, broker or finder in connection with the Transactions who would be entitled to any fee or any commission in connection with or upon consummation of the Offer or the Mergers. The Company has made available to Parent a true, correct and complete copy of any engagement letter or other Contract between the Company and J.P. Morgan Securities LLC relating to the Transactions.

Section 4.24 State Takeover Statutes. Assuming the accuracy of the representations and warranties of Parent and the Merger Subs set forth in Section 5.14, the Company Board of Directors has taken all action necessary to render inapplicable to this Agreement and the Tender and Support Agreement and the transactions contemplated hereby and thereby all applicable state anti-takeover statutes or regulations (including Section 203 of the DGCL), "business combination," "control share acquisition," "fair price," "moratorium" and any similar provisions in the Company Certificate (including Article XIII of the Company Certificate) or Company Bylaws. The Company is not party to a stockholder rights agreement, "poison pill" or similar anti-takeover agreement or plan that will be triggered by the Transactions.

Section 4.25 DGCL 251(h). The Company has not taken, or authorized or permitted any Representatives of the Company to take, any action that would render Section 251(h) of the DGCL inapplicable to the First Merger.

Section 4.26 No Other Representations. Except for the representations and warranties contained in this Article IV or in any certificates delivered by the Company pursuant to paragraph (E)(4) of Annex A, each of Parent, Purchaser and Merger Sub 2 acknowledges that neither the Company nor any person on behalf of the Company makes any other express or implied representation or warranty (and hereby disclaims any such other representation or warranty) with respect to the Company or any of its Subsidiaries or in connection with the Transactions or with respect to any information provided or made available to Parent or the Merger Subs or any of their respective Representatives in connection with the Transactions. The Parties agree that no provision of this Agreement is intended to eliminate or limit Parent's, Purchaser's and Merger Sub 2's available remedies with respect to fraud.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUBS

Except as disclosed in the publicly available Parent SEC Documents filed or furnished to the SEC (including the exhibits and schedules thereto) since December 31, 2013 and prior to the date hereof (without giving effect to any amendment thereof filed with or furnished to the SEC on or after the date of this Agreement and excluding any disclosures set forth in any such Parent SEC Document that is in any risk factor section, or in any other section to the extent they are forward-looking statements or are similarly non-specific, predictive, cautionary or forward-looking in nature), where the relevance of the information to a particular representation or warranty is reasonably apparent on the face of such disclosure, Parent and the Merger Subs jointly and severally represent and warrant to the Company as follows:

Section 5.1 Organization.

(a) Each of Parent and Purchaser is a corporation, and Merger Sub 2 is a limited liability company, in each case, duly incorporated or organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate or limited liability company power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted. Each of (i) Parent's Subsidiaries is a legal entity duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and (ii) Parent and its Subsidiaries is duly qualified to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such approvals or qualification necessary, except in the case of each of clauses (i) and (ii) where the failure to be so organized, in existence or qualified or to have such power, authority or approvals or be in good standing, has not had and would not reasonably be expected to have a Parent Material Adverse Effect or prevent or materially delay the consummation of the Transactions.

(b) Parent has made available to the Company prior to the date of this Agreement a true and complete copy of Parent's certificate of incorporation and bylaws (the "Parent Organizational Documents"). The Parent Organizational Documents are in full force and effect and Parent is not in violation of its provisions.

Section 5.2 Capitalization. The authorized capital stock of Parent consists of 3,000,000,000 shares of common stock, par value \$0.01 per share (the "Parent Common Stock"), and 10,000,000 shares of preferred stock, par value \$0.001 per share (the "Parent Preferred Stock"). As of September 30, 2016, (i) 951,940,888 shares of Parent Common Stock were issued and outstanding, (ii) no shares of Parent Common Stock were held in treasury, (iii) no shares of Parent Preferred Stock were issued or outstanding, (iv) 78,189,328 shares of Parent Common Stock were reserved for issuance under the Parent Stock Plans in respect of outstanding and future awards (any such awards, collectively, "Parent Stock Awards"), (v) 37,771,677 shares of Parent Common Stock were issuable upon the exercise of outstanding options and stock appreciation rights, (vi) 717,831 shares of Parent Common Stock were subject to outstanding performance-based restricted stock units under the Parent Stock Plans (assuming, if applicable, achievement of all performance goals at maximum level), (vii) 5,736,468 shares of Parent Common Stock were subject to outstanding restricted stock units under the Parent Stock Plans and (viii) no other shares of capital stock or other voting securities of Parent were issued, reserved for issuance or outstanding. Except as set forth in this Section 5.2, there are no outstanding subscriptions, options, warrants, calls,

convertible securities, exchangeable securities, preemptive rights, stock appreciation rights, redemption rights, repurchase rights, or other similar rights, agreements or commitments to which Parent or any of its Subsidiaries is a party (A) obligating Parent or any of its Subsidiaries to (1) issue, transfer, exchange, sell or register for sale any shares of capital stock or other equity interests of Parent or any Subsidiary of Parent or securities convertible into or exchangeable for such shares or equity interests, (2) grant, extend or enter into any such subscription, option, warrant, call, convertible securities or other similar right, agreement or arrangement, (3) redeem or otherwise acquire any such shares of capital stock or other equity interests, (4) provide a material amount of funds to, or make any material investment (in the form of a loan, capital contribution or otherwise) in, any Subsidiary (other than a wholly owned Subsidiary of Parent) or (5) make any payment to any Person the value of which is derived from or calculated based on the value of Parent Common Stock or Parent Preferred Stock (other than in connection with Parent benefit plans and other employee or contractor compensation arrangements), or (B) granting any preemptive or antidilutive or similar rights with respect to any security issued by Parent or its Subsidiaries. Neither Parent nor any of its Subsidiaries has outstanding any bonds, debentures, notes or other indebtedness, the holders of which have the right to vote (or which are convertible or exchangeable into or exercisable for securities having the right to vote) with the stockholders of Parent on any matter. There are no voting trusts or other agreements or understandings to which Parent or any of its Subsidiaries is a party with respect to the voting or registration of the capital stock or other equity interest of Parent or any of its Subsidiaries. Since September 30, 2016 through the date hereof, Parent has not issued any shares of its capital stock (other than in connection with the exercise, settlement or vesting of Parent Stock Awards in accordance with their respective terms).

Section 5.3 Corporate Authority Relative to this Agreement: No Violation.

(a) No vote of holders of capital stock of Parent is necessary, pursuant to applicable Law, the Parent Organizational Documents, pursuant to New York Stock Exchange rules or otherwise, to approve this Agreement, the issuance of any Parent Common Stock to be exchanged for Company Common Stock pursuant to Article I or Article II or the Transactions, including the Offer and the Mergers. Each of Parent, Purchaser and Merger Sub 2 has the requisite corporate or limited liability company power and authority to execute and deliver this Agreement and to consummate the Transactions, including the Offer and the Mergers. The execution, delivery and performance of this Agreement by Parent and the Merger Subs and the consummation by each of them of the Transactions, including the Offer and the Mergers, have been duly and validly authorized by all necessary corporate or comparable action on the part of Parent and the Merger Subs, and, except as set forth in Section 5.3(b), no other corporate or comparable action on the part of any of Parent, Purchaser or Merger Sub 2 is necessary to authorize the execution and delivery by Parent and the Merger Subs of this Agreement and the consummation of the Transactions, including the Offer and the Mergers, subject to, in the case of the First Merger, the adoption of this Agreement by Merger Sub 2 as the sole stockholder of Purchaser. The board of directors of Parent has approved this Agreement and the Transactions contemplated hereby, including the Offer and the Mergers, and the performance by it of its covenants and agreements contained herein. The board of directors or manager, as applicable, of each of the Merger Subs has unanimously (i) determined that the terms of the Transactions, including the Offer and the Mergers are fair to, and in the best interests of, such Merger Sub and its stockholder or member, as applicable, (ii) determined that it is in the best interest of such Merger Sub to enter into, and declared advisable, this Agreement, (iii) approved the execution and delivery, by such Merger Sub, of this Agreement (including the agreement of merger, as such term is used in Section 251 of the DGCL), the performance by such Merger Sub of its covenants and agreements contained herein and the consummation of the Transactions, including the Offer and the Mergers, upon the terms and subject to the conditions contained herein, and (iv) in the case of Purchaser, resolved to recommend that Merger Sub 2, as the sole stockholder of Purchaser, approve the adoption of this Agreement and the transactions contemplated hereby, including, without limitation, the First Merger. This Agreement has been duly and validly executed and delivered by Parent and the Merger Subs and, assuming this

Agreement constitutes the legal, valid and binding agreement of the Company, this Agreement constitutes the legal, valid and binding agreement of Parent and the Merger Subs and is enforceable against Parent and the Merger Subs in accordance with its terms, except as such enforcement may be subject to the Enforceability Exceptions.

(b) Other than in connection with or in compliance with (i) the filing of the Certificates of Merger with the Delaware Secretary, (ii) the filing of the Offer Documents, the Schedule 14D-9 and the Registration Statement (including the Offer Prospectus) with the SEC and any amendments or supplements thereto and declaration of effectiveness of the Registration Statement, (iii) the Exchange Act, (iv) the Securities Act, (v) applicable state securities, takeover and "blue sky" laws, (vi) the rules and regulations of the New York Stock Exchange, (vii) the HSR Act (clauses (i) through (vii) collectively, the "Parent Approvals"), and (viii) such other authorizations, consents, Orders, licenses, permits, approvals, registrations, declarations and notice filings, the failure of which to be obtained would not reasonably be expected to have a Parent Material Adverse Effect, no authorization, consent, Order, license, permit or approval of, or registration, declaration, notice or filing with, any Governmental Entity is necessary for the consummation by Parent or the Merger Subs of the Transactions, including the Mergers.

(c) The execution and delivery by Parent and the Merger Subs of this Agreement does not, and (assuming the Parent Approvals are obtained) the consummation of the Transactions and compliance with the provisions hereof will not (i) result in any loss or suspension, limitation or impairment of any right of Parent or any of its Subsidiaries to own or use any assets required for the conduct of their business or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation, first offer, first refusal, modification or acceleration of any obligation or to the loss of a benefit under any material loan, guarantee of indebtedness or credit agreement, note, bond, mortgage, indenture, lease, agreement, Contract, instrument, permit, concession, franchise, right or license binding upon Parent or any of its Subsidiaries or by which or to which any of their respective material properties, rights or assets are bound or subject, or result in the creation of any Liens other than Permitted Liens, in each case, upon any of the properties or assets of Parent or any of its Subsidiaries, (ii) conflict with or result in any violation of any provision of the Parent Organizational Documents or the Organizational Documents of any Subsidiary of Parent, or (iii) materially conflict with or materially violate any applicable Laws to which Parent or any of its Subsidiaries, is subject.

(d) Prior to the Acceptance Time, Parent will have taken all necessary action to permit it to issue the number of shares of Parent Common Stock required to be issued in connection with Purchaser's obligations pursuant to Article I and Parent's obligations pursuant to Article III. Such Parent Common Stock, when issued, will be validly issued, fully paid and nonassessable, and no stockholder of Parent will have any preemptive right, right of subscription, right of purchase or similar right in respect thereof. Such Parent Common Stock, when issued, and the offering thereof, will be registered under the Securities Act and the Exchange Act and registered or exempt from registration under any applicable state securities or "blue sky" Laws.

Section 5.4 Reports and Financial Statements.

(a) Parent and each of its Subsidiaries has timely filed or furnished all forms, documents, certifications, statements and reports required to be filed or furnished by it with the SEC since December 31, 2013 (all such documents and reports filed or furnished by Parent or any of its Subsidiaries, including all exhibits, supplements or schedules thereto, the "Parent SEC Documents"). As of their respective dates or, if amended, as of the date of the last such amendment (and, in the case of registration statements and proxy statements, on the dates of effectiveness and the dates of the relevant meetings, respectively), (i) the Parent SEC Documents complied in all material respects with the requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act, as the case may be, and the applicable

rules and regulations promulgated thereunder, and (ii) none of the Parent SEC Documents contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Since December 31, 2013, no executive officer of Parent has failed in any respect to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act. As of the date of this Agreement, there are no outstanding or unresolved comments in any comment letters of the staff of the SEC received by Parent relating to the Parent SEC Documents.

(b) (i) Each of the consolidated balance sheets included in or incorporated by reference into Parent SEC Documents (including the related notes and schedules) presents fairly, in all material respects, the consolidated financial position of Parent and its consolidated Subsidiaries as of its date and (ii) each of Parent's consolidated statements of operations and comprehensive loss, changes in stockholders' equity and cash flows included in or incorporated by reference into the Parent SEC Documents (including any related notes and schedules) (such changes in stockholders' equity and cash flows, together with the consolidated balance sheets referred to in clause (i) (and the related notes and schedules), the "Parent Financial Statements") presents fairly, in all material respects, the results of operations and cash flows, as the case may be, of Parent and its consolidated Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments and the absence of notes), (iii) the Parent Financial Statements (A) have been prepared from, and are in accordance with, the books and records of Parent and its consolidated Subsidiaries and (B) are in conformity with GAAP (except, in the case of the unaudited statements, subject to normal year-end audit adjustments and the absence of notes) applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto) and (iv) the Parent Financial Statements have been prepared in accordance with and comply in all material respects with the applicable accounting requirements and with the rules and regulations of the SEC, the Exchange Act and the Securities Act. As of the date hereof, Deloitte and Touche LLP has not resigned (or informed Parent that it intends to resign) or been dismissed as independent public accountants of Parent.

(c) Neither Parent nor any of its Subsidiaries is a party to, nor does it have any Contractual commitment to become a party to, any material "off-balance sheet arrangements" (as defined in Item 303(a) of Regulation S-K of the SEC).

(d) Since December 31, 2013, (i) none of Parent nor any Subsidiary of Parent nor, to the knowledge of Parent, any Representative of Parent or any Subsidiary of Parent, has received any written complaint, allegation or claim regarding the accounting, internal accounting controls or auditing practices, procedures, methodologies or methods of Parent or any Subsidiary of Parent or any complaint, allegation or claim, whether written or to a compliance hotline or similar reporting method, from employees of Parent or any Subsidiary of Parent regarding questionable accounting or auditing matters with respect to Parent or any Subsidiary of Parent, and (ii) no attorney representing Parent or any Subsidiary of Parent, whether or not employed by Parent or any Subsidiary of Parent, has reported evidence of a violation of securities Laws or breach of fiduciary duty by Parent, any Subsidiary of Parent or any of their respective Representatives to Parent board of directors or any committee thereof, or to the General Counsel or Chief Executive Officer of Parent.

Section 5.5 Internal Controls and Procedures. Parent has established and maintains disclosure controls and procedures and internal control over financial reporting (as such terms are defined in paragraphs (e) and (f), respectively, of Rule 13a-15 under the Exchange Act) sufficient to comply in all material respects with all legal and accounting requirements applicable to the Company and each of its Subsidiaries and as otherwise required by Rule 13a-15 or 15d-5 under the Exchange Act. Parent's disclosure controls and procedures are reasonably designed to ensure that all material information required to be disclosed by Parent in the reports that it files or furnishes under the Exchange Act is

recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that all such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure and to make the certifications required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act. Parent, each Parent Subsidiary and each of their officers and directors in their respective capacities as such are in material compliance with, and, since December 31, 2013, have materially complied with the applicable provisions of the Sarbanes-Oxley Act and the Exchange Act. Based on its most recent evaluation of internal controls over financial reporting prior to the date hereof, management of Parent has disclosed to Parent's auditors and the audit committee of Parent board of directors (a) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect Parent's ability to report financial information and (b) any fraud, whether or not material, that involves management or other employees who have a significant role in Parent's internal control over financial reporting, and each such deficiency, weakness and fraud so disclosed to auditors, if any, has been disclosed to the Company prior to the date hereof.

Section 5.6 No Undisclosed Liabilities. There are no Liabilities of Parent or any of its Subsidiaries of any nature whatsoever (whether accrued, absolute, determined, contingent or otherwise and whether due or to become due), except for (a) Liabilities that are reflected or reserved against on the consolidated balance sheet of Parent and its Subsidiaries included in its Quarterly Report on Form 10-Q for the nine months ended September 30, 2016 (including any notes thereto), (b) Liabilities expressly contemplated by this Agreement or otherwise required to be incurred in connection with this Agreement or the Transactions; (c) Liabilities incurred in the ordinary course of business since September 30, 2016 and (d) Liabilities that have not had and would not reasonably be expected to have a Parent Material Adverse Effect.

Section 5.7 Compliance with Law. Parent and its Subsidiaries are, and since December 31, 2013 have been, in compliance with all applicable Laws and all such Laws by which their respective properties or assets are bound, except where such non-compliance would not reasonably be expected to have a Parent Material Adverse Effect. Since December 31, 2013, neither Parent nor any of its Subsidiaries has received any written notice or, to the knowledge of Parent, other communication from any Governmental Entity regarding any actual or possible failure to comply with any applicable Law in any material respect.

Section 5.8 Absence of Certain Changes or Events.

(a) Other than in connection with the negotiation and execution of this Agreement, since December 31, 2015 through the date of this Agreement, the businesses of Parent and its Subsidiaries have been conducted in all material respects in the ordinary course of business.

(b) Since December 31, 2015, there has not been any fact, change, circumstance, event, occurrence or development that has had or would reasonably be expected to have a Parent Material Adverse Effect.

Section 5.9 Investigations; Litigation. Except as would not be material to Parent and its Subsidiaries taken as whole, (a) there is no Action pending (or, to the knowledge of Parent, threatened) by any Governmental Entity with respect to Parent or any of its Subsidiaries or any of their respective properties, assets or businesses, (b) there is no Action or subpoena, civil investigative demand or other request for information relating to potential violations of Law, in each case pending (or, to the knowledge of Parent, threatened) against Parent or any of its Subsidiaries or any of their respective properties, assets or businesses, and (c) there are no Orders of any Governmental Entity against Parent or any of its Subsidiaries or any of their respective properties, assets or businesses.

Section 5.10 Information Supplied. The information supplied by Parent for inclusion in the Offer Documents, the Schedule 14D-9 and the Registration Statement (including the Offer Prospectus) will not, at the time the Offer Documents, the Schedule 14D-9 and the Offer Prospectus (and any amendment or supplement thereto) are mailed to the stockholders of the Company or at the time the Registration Statement is declared effective by the SEC, or on the date that the Offer is consummated, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Offer Documents, the Offer Prospectus and the Registration Statement will comply in all material respects with the requirements of the Exchange Act and the Securities Act and any other applicable federal securities Laws. The representations and warranties in this Section 5.10 will not apply to statements or omissions included or incorporated by reference in the Offer Documents, the Schedule 14D-9 and the Registration Statement (including the Offer Prospectus) based upon information supplied to Parent or Purchaser by the Company for inclusion therein.

Section 5.11 Finders or Brokers. Neither Parent nor any of Parent's Subsidiaries has employed any investment banker, broker or finder in connection with the Transactions who would be entitled to any fee or any commission in connection with or upon consummation of the Offer or the Mergers.

Section 5.12 Sufficiency of Funds. Parent will have as of the Acceptance Time and the First Effective Time, sufficient funds to consummate the Offer, First Merger, and the other Transactions contemplated hereby on the terms and subject to the conditions set forth herein.

Section 5.13 Merger Subs. The authorized capital stock of Purchaser consists solely of 100 shares of common stock, par value \$0.01 per share, 100 shares of which are validly issued and outstanding. All of the issued and outstanding capital stock of Purchaser is, and at the Acceptance Time (if any) and immediately prior to the First Effective Time will be, owned by Merger Sub 2 (free and clear of all Liens other than Permitted Liens). All of the issued and outstanding equity interest of Merger Sub 2 are, and at the Acceptance Time (if any), First Effective Time and Second Effective Time will be, owned by Parent or a direct or indirect wholly-owned Subsidiary of Parent (free and clear of all Liens other than Permitted Liens). Since their respective dates of incorporation or organization, Purchaser and Merger Sub 2 have not carried on any business nor conducted any operations other than the execution of this Agreement, the performance of their respective obligations hereunder and matters ancillary thereto.

Section 5.14 Ownership of Company Common Stock. As of and for the three (3) years prior to the date of this Agreement, neither Parent nor any of its Subsidiaries (nor any of their respective "affiliates" or "associates" (as such terms are defined in Section 203 of the DGCL)) "owns" or "owned" (as such terms are defined in Section 203 of the DGCL) any shares of Company Common Stock or other securities convertible into, exchangeable into or exercisable for shares of Company Common Stock. Other than the Tender and Support Agreement, there are no voting trusts or other agreements or understanding to which Parent or any of its Subsidiaries is a party with respect to the voting of the capital stock or other equity interest of the Company or any of its Subsidiaries.

Section 5.15 Tax Matters. Neither Parent nor any of its Subsidiaries is aware of the existence of any fact, or has taken or agreed to take any action, that would reasonably be expected to prevent or impede the Offer and the Mergers, taken together, from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 5.16 No Other Representations. Except for the representations and warranties contained in this Article V, the Company acknowledges that none of Parent or the Merger Subs nor any person on behalf of Parent or the Merger Subs makes any other express or implied representation or warranty (and hereby disclaims any such other representation or warranty) with respect to Parent or the Merger Subs or any of their respective Subsidiaries or in connection with the Transactions or with respect to any information provided or made available to the Company or any of its Representatives in connection with the Transactions. The Parties agree that no provision of this Agreement is intended to eliminate or limit the Company's available remedies with respect to fraud.

ARTICLE VI COVENANTS AND AGREEMENTS

Section 6.1 Conduct of Business.

(a) During the period from the date hereof until the earlier of the First Effective Time and the termination of this Agreement in accordance with its terms, except (i) as may be required by applicable Law, (ii) with the prior written consent of Parent (such consent not to be unreasonably withheld, conditioned or delayed), (iii) as may be required or expressly permitted (but for this Section 6.1) by this Agreement or (iv) as set forth in Section 6.1 of the Company Disclosure Schedule, the business of the Company and its Subsidiaries shall be conducted in all material respects in the ordinary course and, to the extent consistent with the foregoing, the Company and its Subsidiaries shall use their respective commercially reasonable efforts to maintain and preserve the Company's business organization intact, keep available the services of key employees and maintain its relationships with Government Entities and partners, health systems, health plans, medical groups, payors, customers, suppliers, distributors and licensors having significant business dealings with the Company and its Subsidiaries, and the Company and its Subsidiaries shall not consent to allow any Facility Entity to take any action inconsistent with the foregoing; provided, however, that no action taken by the Company or its Subsidiaries with respect to matters specifically addressed by clauses (i) through (xxii) of Section 6.1(b) shall be deemed a breach of this sentence unless such action would constitute a breach of such other provision.

(b) During the period from the date hereof until the earlier of the First Effective Time and the termination of this Agreement in accordance with its terms, except (1) as may be required by applicable Law, (2) with the prior written consent of Parent (such consent not to be unreasonably withheld, conditioned or delayed), (3) as may be required or expressly permitted by this Agreement, or (4) as set forth in Section 6.1(b) of the Company Disclosure Schedule, the Company and its Subsidiaries shall not, and shall not consent to allow any Facility Entity, to:

(i) (x) amend or otherwise change the Company Organizational Documents, (y) amend or otherwise change the Organizational Documents of the Company's Subsidiaries in any material respect or (z) amend or otherwise change the Organizational Documents of any Facility Entity;

(ii) split, combine or reclassify any of its capital stock;

(iii) make, declare or pay any dividend, or make any other distribution on, or redeem, purchase or otherwise acquire, any shares of its capital stock, or any other securities or obligations convertible (whether currently convertible or convertible only after the passage of time or the occurrence of certain events) into or exchangeable for any shares of its capital stock (except (A) dividends paid by any direct or indirect wholly owned Subsidiaries of the Company to the Company or to any other wholly owned direct or indirect Subsidiary of the Company, respectively, (B) dividends paid by any Facility Entity in the ordinary course of business in accordance with its respective Organizational Documents, (C) the acceptance of shares of Company Common Stock as payment for the exercise price of Company Options or for withholding Taxes incurred in connection with the exercise of Company Options or the vesting or

settlement of Company RSU Awards outstanding as of the date hereof in accordance with past practice and the terms of the Company Stock Plans, (D) in connection with the ESPP in accordance with its terms, or (E) the repurchase of shares of Company Common Stock in connection with a forfeiture of Company Stock Awards or the termination of a Company Stock Award holder's position with the Company);

(iv) grant any Company Stock Awards or other equity-based awards or interests, or grant any individual, corporation or other entity any right to acquire any shares of its capital stock, in each case, other than as permitted under Section 6.1(b)(xiii);

(v) issue, sell, deliver, pledge, dispose of, encumber, grant or otherwise permit to become outstanding any additional shares of its capital stock or securities convertible or exchangeable into, or exercisable for, any shares of its capital stock or any options, warrants, or other rights of any kind to acquire any shares of its capital stock, except (A) pursuant to the exercise of Company Options or the settlement of Company RSU Awards outstanding as of the date hereof in accordance with their terms, (B) in connection with the ESPP in accordance with its terms, or enter into any agreement, understanding or arrangement with respect to the sale or voting of its capital stock or equity interests, (C) by a wholly owned Subsidiary of the Company to or in favor of the Company or another wholly owned Subsidiary of the Company, and (D) except as permitted by Section 6.1(b)(xiii);

(vi) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization with respect to the Company, any of its material Subsidiaries or any material Facility Entity;

(vii) incur, assume, acquire, endorse, guarantee or otherwise become liable for any Indebtedness for borrowed money (other than the assumption, endorsement, guarantee of or other Liability for any existing Indebtedness for borrowed money of another Subsidiary of the Company) or issue or sell any debt securities or calls, options, warrants or other rights to acquire any debt securities (directly, contingently or otherwise), except for (A) Indebtedness for borrowed money in an aggregate principal amount not to exceed \$10,000,000 outstanding at any time, (B) any Indebtedness for borrowed money among the Company and its wholly owned Subsidiaries or among wholly owned Subsidiaries of the Company, (C) incurring, assuming, acquiring, endorsing or guaranteeing any existing Indebtedness of any acquisition target in connection with any transaction permitted by Section 6.1(b)(x), or (D) Indebtedness for borrowed money incurred in the ordinary course of business under an existing credit facility (as in effect on the date hereof); provided that any such Indebtedness with respect to borrowed money incurred, assumed, acquired, endorsed, guaranteed or for which the Company or any of its Subsidiaries otherwise becomes liable under this Section 6.1(b)(vii) (other than clause (C)) shall not be subject to any material prepayment penalty;

(viii) make any loans or advances to any other Person in excess of \$1,000,000 in the aggregate, except for (x) loans or advances among the Company and any of its Subsidiaries, in each case, in the ordinary course of business, and (y) advances to directors or employees in the ordinary course of business to cover costs and expenses incurred in their respective capacities as such;

(ix) (A) sell, transfer, lease, rent, license, assign, abandon, mortgage, encumber or otherwise dispose of any of its properties, legal entities or assets to any Person other than sales, transfers, leases, rents, licenses, assignments, abandonments, mortgages, encumbrances or dispositions (x) in the ordinary course of business consistent with past practice, (y) on an

intercompany basis among the Company and its Subsidiaries, or (z) mortgages or encumbrances on properties, legal entities or properties that are not material or (B) cancel, release or assign any material Indebtedness of any such Person owed to it, in the case of each of clause (A) and clause (B) other than Permitted Liens;

(x) (A) acquire (whether by merger or consolidation, acquisition of stock or assets or by formation of a joint venture or otherwise) any other Person for consideration in excess of \$5,000,000 in any transaction or series of related transactions or any material assets or properties of any other Person, or (B) make any material investment in any other Person either by purchase of stock or securities, contributions to capital, property transfers or purchase of property or assets of any Person other than (x) a wholly owned Subsidiary of the Company or (y) as required by the terms of any Contract in effect as of the date of this Agreement (other than letters of intent);

(xi) make any capital expenditures in excess of its 2017 capital expenditure budget as disclosed to Parent prior to the date hereof; provided, however, subject to prior consultation with Parent, that the Company and its Subsidiaries shall be permitted to make emergency capital expenditures in any commercially reasonable amount that the Company reasonably determines is necessary to maintain its ability to operate its businesses in the ordinary course of business;

(xii) except in the ordinary course of business, (x) terminate, materially amend, or waive any material right under, any Company Material Contract or (y) enter into any contract that would constitute a Company Material Contract if it were in effect on the date of this Agreement;

(xiii) except as required by applicable Law or the terms of any Company Benefit Plan, or as set forth in Section 6.1(b)(xiii) of the Company Disclosure Schedule, as in effect on the date of this Agreement, and except as required or permitted by this Agreement, (A) establish, adopt, enter into, amend or terminate any Collective Bargaining Agreement or Company Benefit Plan (including, but not limited to, any employment, change-in-control, retention, severance, compensation or similar agreement or arrangement) or any plan that would be a Company Benefit Plan if in effect on the date hereof (including, but not limited to, any employment, change-in-control, retention, severance, compensation or similar agreement or arrangement) except for establishing, adopting, entering into, or amending any Company Benefit Plan as may be required to implement any action otherwise permitted under this Section 6.1(b)(xiii), (B) increase in any manner the compensation (including severance, change-in-control and retention compensation) or benefits of any of the current or former directors, officers, employees, partners, consultants, independent contractors or other service providers of the Company or its Subsidiaries, in each case other than in the ordinary course of business, (C) pay or award, or commit to pay or award, any bonuses or incentive compensation (including equity-based incentive compensation or retention bonuses), (D) accelerate any rights or benefits, other than in the ordinary course of business and consistent with past practice, (E) establish or fund any rabbi trust or other funding arrangement in respect of any Company Benefit Plan, (F) grant or amend any Company Stock Awards or other equity-based awards, or (G) hire, or terminate (other than for cause) the employment or services of, any officer, employee, independent contractor or consultant who has annualized base compensation greater than \$300,000; provided, that, the Company may establish terms and conditions for the payment of cash bonuses in respect of 2017 to the extent that the bonus targets, metrics, degree of attainability and reliance on subjective performance criteria are substantially comparable to such awards made in calendar year 2016 (with reasonable adjustments to account for changes in business objectives) and are reflected at 100% of target payout in the Company's 2017 budget provided to Purchaser in connection with the Transactions;

(xiv) implement or adopt any change in its financial accounting principles, practices or methods, other than as may be required by GAAP or applicable Law, each as concurred with by the Company's independent registered public accountants;

(xv) settle or compromise any Action, except for settlements or compromises that (A) with respect to the payment of monetary damages, involve monetary remedies with a value not in excess of \$1,000,000 (net of any amounts covered by insurance or reserved for in the most recent balance sheet included in the Company Financial Statements as of the date hereof), individually or in the aggregate or (B) do not impose any material restriction on the Company's business or the businesses of its Subsidiaries;

(xvi) except in the ordinary course of business, make, change or revoke any material Tax election, change or adopt any annual Tax accounting period or adopt or change any material method of Tax accounting, file any amended Tax Return, enter into any "closing agreement" within the meaning of Section 7121 of the Code (or any analogous or similar provision of state, local or foreign Law), request any Tax ruling from any Taxing Authority, settle or compromise any material Tax Liability or any audit, examination or other proceeding relating to a material amount of Taxes, or surrender any claim for a material refund of Taxes;

(xvii) enter into any new line of business;

(xviii) other than in the ordinary course of business consistent with past practice, reduce the amount of insurance coverage or fail to renew or replace any existing insurance policies;

(xix) amend any material Company Permit in a manner that adversely impacts the ability to conduct its business, or terminate or allow to lapse any material Company Permits in a manner that adversely impacts its ability to conduct its business;

(xx) cancel or allow to lapse or otherwise abandon any material Company Intellectual Property;

(xxi) amend or modify the engagement letter of the Company's financial advisor in a manner that increases the fee or commission payable by the Company or any of its Subsidiaries; or

(xxii) agree to take or authorize, or make any binding commitment to take, any of the foregoing actions that are prohibited pursuant to this Section 6.1(b).

Section 6.2 Access.

(a) For purposes of furthering the Transactions, the Company shall upon reasonable advance notice, afford Parent and its Representatives (at Parent's and its Representatives' sole cost and expense) reasonable access during normal business hours, throughout the period prior to the First Effective Time, in a manner that does not unreasonably interfere with the business of the Company or any of its Subsidiaries or Facility Entities, to its and its Subsidiaries' and Facility Entities' personnel, properties, contracts, books and records, Tax Returns, Representatives, accountant work papers, permits, licenses and any report, schedule or other document filed or received by it pursuant to the requirements of applicable Law, and, during such period, the Company shall, and shall cause its Subsidiaries to, and shall use reasonable efforts to cause its Facility Entities to, without limitation to the preceding obligations, make available to Parent subject to the same terms and conditions all other information concerning its business, properties and personnel as Parent may reasonably request. Notwithstanding the foregoing, the Company

shall not be required to provide access to or make available to any person any document or information that, in the reasonable judgment of the Company, (i) would violate any of its obligations with respect to any applicable Law or Order, (ii) would violate any of its material obligations with respect to confidentiality or the terms of any Contract (provided that the Company will use reasonable best efforts to provide, or allow such access or disclosure to, any such document or information) or (iii) is subject to any attorney-client or work-product privilege (provided that the Company will use reasonable best efforts to allow such access or disclosure in a manner that does not result in loss or waiver of such privilege, including, but not limited to, entering into appropriate common interest or similar agreements). All requests for access or information made pursuant to this Section 6.2(a) shall be directed to an executive officer or other person designated by the Company.

(b) No investigation by Parent or its Representatives shall affect or be deemed to modify or waive the representations and warranties of the Company set forth in this Agreement. No rights under this Section 6.2 can be exercised by Parent or any of its Representatives to prepare for, or otherwise in connection with, any Action relating to this Agreement or to provide Parent or any of its Representatives access to any of the Facility Entities that is greater than the access the Company has historically had to such Facility Entity.

(c) The Parties hereto hereby agree that all information provided to them or their respective Representatives in connection with this Agreement and the consummation of the Transactions shall be governed in accordance with the confidentiality agreement, dated December 18, 2016 (the "Confidentiality Agreement"), between the Company and Parent.

Section 6.3 No Solicitation.

(a) The Company shall and shall cause each of its Subsidiaries and its and their respective officers, directors, managers and employees and shall instruct and cause its and its Subsidiaries' respective agents, financial advisors, investment bankers, attorneys and accountants (such officers, directors, managers, employees, agents, financial advisors, investment bankers, attorneys and accountants in their capacity as such, collectively, "Representatives"): (i) to immediately cease and cause to be terminated any solicitation, discussions or negotiations with any Persons (other than Parent and its Representatives) that are ongoing with respect to a Company Takeover Proposal and (ii) not to, directly or indirectly through intermediaries, (A) solicit, initiate, knowingly encourage (including by way of furnishing non-public information relating to the Company or any of its Subsidiaries) or knowingly facilitate any inquiries regarding, or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, a Company Takeover Proposal, (B) conduct, engage in, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any other Person any information in connection with, or for the purpose of knowingly encouraging or knowingly facilitating, a Company Takeover Proposal (other than, solely in response to an unsolicited inquiry, to refer the inquiring Person to this Section 6.3 and to limit its conversation or other communication exclusively to such referral), (C) approve, endorse, recommend or enter into, or propose to approve, endorse, recommend or enter into, any letter of intent, term sheet, acquisition agreement, merger agreement, joint venture agreement or similar document, agreement, commitment or agreement in principle (whether written, oral, binding or non-binding) with respect to a Company Takeover Proposal, (D) amend or grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Company or any of its Subsidiaries, (E) approve any transaction involving the Company or any of its Subsidiaries under or any third party (other than Parent or Purchaser) becoming an "interested stockholder" of the Company or any of its Subsidiaries under, Section 203 of the DGCL or Article XIII of the Company Certificate (except a transaction involving Parent, Purchaser or their Affiliates) or (F) resolve to do any of the foregoing.

(b) The Company shall, and shall cause its Subsidiaries to, promptly request any Person that has executed a confidentiality or non-disclosure agreement in connection with any actual or potential Company Takeover Proposal that remains in effect as of the date of this Agreement to return or destroy all confidential information in the possession of such Person or its Representatives. The Company shall, within twenty-four (24) hours of the date hereof, terminate access by any third party to any data room (virtual or actual) containing any of the Company's confidential information.

(c) Notwithstanding anything to the contrary contained in this Agreement, if at any time after the date of this Agreement and prior to the Acceptance Time, the Company or any of its Representatives, receives a bona fide written Company Takeover Proposal from any Person that did not result from a breach of this Section 6.3 and if the Company Board of Directors determines in good faith, after consultation with its independent financial advisor and outside legal counsel, that such Company Takeover Proposal constitutes or is reasonably likely to lead to a Company Superior Proposal and that the failure to take such action would be inconsistent with the directors' fiduciary duties under applicable Law, then the Company, its Subsidiaries and their respective Representatives may, (i) furnish information with respect to the Company, its Subsidiaries and the Facility Entities to the Person who has made such Company Takeover Proposal, including non-public information, if the Company receives from such Person an executed confidentiality agreement containing terms that are not materially less restrictive to the other party than those contained in the Confidentiality Agreement (such confidentiality agreement, an "Acceptable Confidentiality Agreement"); provided that the Company shall promptly (but in no event later than twenty-four (24) hours) deliver a copy of any Acceptable Confidentiality Agreement that it enters into to Parent; provided further that the Company shall concurrently with the delivery to such Person make available to Parent any non-public information concerning the Company or any of its Subsidiaries that is provided or made available to such Person or its Representatives unless such non-public information has been previously provided to Parent and (ii) engage in or otherwise participate in discussions or negotiations with the Person making such Company Takeover Proposal and its Representatives regarding such Company Takeover Proposal. The Company shall promptly (and in any event within twenty-four (24) hours) notify Parent and the Merger Subs if the Company commences furnishing non-public information or commences discussions or negotiations as provided in this Section 6.3(c).

(d) The Company shall promptly (and in no event later than twenty-four (24) hours after receipt) notify Parent in writing in the event that the Company or any of its Representatives receives a Company Takeover Proposal or a request for information relating to the Company or its Subsidiaries that contemplates a Company Takeover Proposal, including the identity of the Person making the Company Takeover Proposal and the material terms and conditions thereof (including an unredacted copy of such Company Takeover Proposal or, where such Company Takeover Proposal is not in writing, a description of the terms thereof). The Company shall promptly (and in no event later than twenty-four (24) hours after receipt) provide to Parent copies of any proposals, indications of interest and/or draft agreements relating to such Company Takeover Proposal. The Company shall provide Parent with at least two (2) Business Day's prior written notice of any meeting of the Company Board of Directors (or such lesser notice as is provided to members of the Company Board of Directors) at which the Company Board of Directors is reasonably expected to consider any Company Takeover Proposal. The Company agrees that it and its Subsidiaries will not enter into any agreement with any Person subsequent to the date of this Agreement that prohibits the Company from providing any information to Parent in accordance with, or otherwise complying with, this Section 6.3.

(e) The Company Board of Directors shall not (i)(A) unless a Company Adverse Recommendation Change has been made in compliance with this Section 6.3, fail to include the Company Recommendation in the Schedule 14D-9 or the Offer Prospectus when disseminated to the Company's stockholders, (B) change, qualify, withhold, withdraw or modify (or authorize or publicly propose to

change, qualify, withhold, withdraw or modify), in any such case in a manner adverse to Parent, the Company Recommendation, (C) publicly recommend a tender offer or exchange offer (other than the Offer), (D) adopt, approve or recommend, or publicly propose to adopt, approve or recommend, to stockholders of the Company a Company Takeover Proposal, (E) make any public statement inconsistent with the Company Recommendation, or (F) if a Company Takeover Proposal shall have been publicly announced or disclosed, either fail to recommend against such Company Takeover Proposal or fail to reaffirm the Company Recommendation promptly following a written request by Parent to do so and in any event on or prior to the later of (x) the fifth (5th) Business Day prior to the then-scheduled Expiration Date of the Offer (if the then-scheduled Expiration Date cannot be extended in accordance with Section 1.1(c)(ii)), or (y) the tenth (10th) Business Day after the Company Takeover Proposal shall have been publicly announced or disclosed, but in any event at least one (1) Business Day prior to such scheduled Expiration Date) (any action described in this clause (i) being referred to as a "Company Adverse Recommendation Change"), or (ii) authorize, cause or permit the Company or any of its Subsidiaries to enter into any letter of intent, memorandum of understanding, agreement (including an acquisition agreement, merger agreement, joint venture agreement or other agreement) or agreement in principle with respect to any Company Takeover Proposal (other than an Acceptable Confidentiality Agreement) (a "Company Acquisition Agreement").

(f) Notwithstanding anything to the contrary contained in this Agreement, prior to the Acceptance Time, but not after, the Company Board of Directors may, in respect of a bona fide, written Company Superior Proposal that did not result from a breach of this Section 6.3, (1) make a Company Adverse Recommendation Change or (2) terminate this Agreement in accordance with Section 8.1(f) in order to enter into a definitive agreement for such Company Superior Proposal, in either case if and only if, prior to taking such action, the Company Board of Directors has determined in good faith, after consultation with its independent financial adviser and outside legal counsel, that the failure to take such action would be inconsistent with the directors' fiduciary duties under applicable Law; provided, however, that, prior to taking either such action, (w) the Company has given Parent at least five (5) Business Days' prior written notice of its intention to take such action, including the terms and conditions of and the basis for such action, and the identity of the Person making, any such Company Superior Proposal and has contemporaneously provided to Parent a copy of the Company Superior Proposal or any proposed Company Acquisition Agreements and a copy of any related financing commitments in the Company's possession (or, in each case, if not provided in writing to the Company, a written summary of the terms thereof), (x) the Company has negotiated, and has caused its Representatives to negotiate, in good faith with Parent during such five (5) Business Day period, to the extent Parent wishes to negotiate, concerning any revisions to the terms of this Agreement proposed by Parent, and (y) following the end of such five (5) Business Days' notice period, the Company Board of Directors shall have determined, after consultation with its independent financial advisor and outside legal counsel, and giving due consideration to the revisions to the terms of this Agreement to which Parent has committed in writing, that the Company Superior Proposal would nevertheless continue to constitute a Company Superior Proposal (assuming the revisions committed to by Parent in writing were to be given effect) and that the failure to take such action would be inconsistent with the directors' fiduciary duties under applicable Law, and (z) in the event of any change to any of the financial terms (including the form, amount and timing of payment of consideration) or any other material terms of such Company Superior Proposal, the Company shall, in each case, have delivered to Parent an additional notice consistent with that described in clause (w) above of this proviso and a new notice period under clause (w) of this proviso shall commence (except that the five (5) Business Day notice period referred to above shall instead be equal to two (2) Business Days) during which time the Company shall be required to comply with the requirements of this Section 6.3(f) anew with respect to such additional notice, including clauses (w) through (z) above of this proviso. Notwithstanding anything to the contrary contained herein, neither the Company nor any of its Subsidiaries shall enter into any Company Acquisition Agreement unless this Agreement has been terminated in accordance with its terms and the Termination Fee has been paid in the manner provided in Section 8.3.

(g) Notwithstanding anything to the contrary contained in this Agreement, other than in connection with a Company Takeover Proposal, the Company Board of Directors may, at any time prior to, but not after, the Acceptance Time, make a Company Adverse Recommendation Change in response to an Intervening Event if, prior to taking such action, the Company Board of Directors has determined in good faith, after consultation with its independent financial advisor and outside legal counsel, that the failure to take such action would be inconsistent with the directors' fiduciary duties under applicable Law, provided, however, that, prior to taking such action, (i) the Company has given Parent at least five (5) Business Days' prior written notice of its intention to take such action, and specifying in reasonable detail the Intervening Event and the potential reasons that the Company Board of Directors is proposing to effect a Company Adverse Recommendation Change, (ii) the Company has negotiated, and has caused its Representatives to negotiate, in good faith with Parent during such five (5) Business Day period, to the extent Parent wishes to negotiate, to enable Parent to propose revisions to the terms of this Agreement such that it would cause the Company Board of Directors to not make such Company Adverse Recommendation Change, and (iii) following the end of such five (5) Business Days period, the Company Board of Directors shall have considered in good faith any revisions to the terms of this Agreement to which Parent has committed in writing, and shall have determined, after consultation with its independent financial advisor and outside legal counsel (assuming the revisions committed to by Parent in writing were to be given effect), that the failure to make a Company Adverse Recommendation Change would be inconsistent with the directors' fiduciary duties under applicable Law.

(h) Nothing contained in this Section 6.3 shall prohibit the Company or the Company Board of Directors from complying with its disclosure obligations under United States federal or state Law with regard to a Company Takeover Proposal, including (i) taking and disclosing to the stockholders of the Company a position contemplated by Rule 14e-2(a)(2)-(3) or Rule 14d-9 promulgated under the Exchange Act or (ii) making any "stop, look and listen" communication to the stockholders of the Company pursuant to Rule 14d-9(f) under the Exchange Act if, in either case, the Company Board of Directors determines in good faith, after consultation with outside legal counsel, that the failure to do so would be inconsistent with the directors' fiduciary duties under applicable Law or obligations of the Company or the Company Board of Directors under applicable federal securities Law; provided, however, that in any event the Company Board of Directors shall not make or resolve to make a Company Adverse Recommendation Change except in accordance with Section 6.3(e), Section 6.3(f) or Section 6.3(g), as applicable or otherwise take, agree or resolve to take any action prohibited or governed by this Section 6.3 except in accordance with this Section 6.3.

Section 6.4 Employee Matters.

(a) Prior to the First Effective Time, the Company will, and will cause its Subsidiaries to, and from and after the First Effective Time, Parent will, and will cause the First Surviving Corporation or the Surviving Company, as applicable, to honor, in accordance with their terms, including any right to amend or terminate, all existing employment and severance agreements between the Company or any of its Subsidiaries and any officer, director or employee of the Company or any of its Subsidiaries, but excluding any officers, directors or employees that primarily work at a (i) Facility Entity or (ii) a provider of health care services.

(b) Effective as of the First Effective Time and until the one (1) year anniversary of the First Effective Time, Parent shall provide, or shall cause the First Surviving Corporation or the Surviving Company, as applicable, to provide, to each employee of the Company or its Subsidiaries who continues to be employed by Parent or the First Surviving Corporation or the Surviving Company, as applicable, or

any of their Subsidiaries following the First Effective Time, but excluding any officers, directors or employees that primarily work at a (i) Facility Entity or (ii) a provider of health care services (the "Continuing Employees"), (i) base salary or base wage, bonus and incentive opportunities (excluding any equity based compensation awards, the ESPP, and any retention bonuses or special one-time payments) no less favorable than those provided to such Continuing Employees immediately prior to the First Effective Time and (ii) employee benefits including retirement and welfare benefits (excluding equity based compensation awards and the ESPP) that are, in the aggregate, no less favorable than those provided to such Continuing Employees immediately prior to the First Effective Time or, in Parent's discretion, are substantially comparable to those made available similarly situated employees of Parent and its Subsidiaries.

(c) Following the First Effective Time, Parent shall, or shall cause the Surviving Company to, cause any employee benefit plans sponsored or maintained by Parent or the Surviving Company or their Subsidiaries in which the Continuing Employees are eligible to participate following the Closing Date to (1) waive any pre-existing conditions or limitations, actively-at-work requirements and eligibility waiting periods under any welfare plans of Parent or its Subsidiaries (except, that such waiver shall not apply to Parent's employee supplemental life insurance election options, with or without Accidental Death and Dismemberment, of (i) one times or two times salary for coverage greater than \$500,000 or (ii) three times or four times salary, to the extent such evidence of insurability is required under Contract by Parent's employee supplemental life insurance); and (2) give each Continuing Employee service credit for such Continuing Employee's employment with the Company and its Subsidiaries (as well as service with any predecessor employer of the Company or any such Subsidiary, to the extent service with the predecessor employer is recognized by the Company or such Subsidiary) prior to the First Effective Time for all purposes including level of benefits (including severance benefits), vesting, benefit accrual, and eligibility to participate under each applicable Parent benefit plan, as if such service had been performed with Parent, except for any employee benefit plans that are frozen or grandfathered as of the First Effective Time, for purposes of qualifying for subsidized early retirement benefits (including retirement treatment under the Parent Stock Plans), or for benefit accrual under defined benefit pension plans, or to the extent it would result in a duplication of benefits.

(d) If requested by Parent in writing delivered to the Company not less than ten (10) Business Days before the anticipated First Effective Time, the Company Board of Directors (or the appropriate committee thereof) shall adopt resolutions and take such corporate action as is reasonably necessary to terminate the Company's 401(k) plans (collectively, the "Company 401(k) Plan"), effective as of the day prior to the First Effective Time. Following the First Effective Time, and as soon as reasonably practicable following Parent's receipt of a favorable determination letter from the IRS on the termination of the Company 401(k) Plan, which Parent shall request as soon as reasonably practicable following the First Effective Time, the assets thereof shall be distributed to the participants, and Parent shall take any and all actions as may be required, including amendments to the Company 401(k) Plan and/or Parent's applicable 401(k) plan (the "Parent 401(k) Plan") to permit the Continuing Employees who are then actively employed to make rollover contributions of "eligible rollover distributions" (within the meaning of Section 401(a)(31) of the Code), in the form of cash, shares of Parent Common Stock, notes (in the case of loans) or a combination thereof in an amount equal to the full account balance distributed to such Continuing Employee from the Company 401(k) Plan to the Parent 401(k) Plan.

(e) Nothing in this Agreement shall confer upon any Continuing Employee or other service provider any right to continue in the employ or service of Parent, the Surviving Company or any Affiliate of Parent, or shall interfere with or restrict in any way the rights of Parent, the Surviving Company or any of their Affiliates, which rights are hereby expressly reserved, to discharge or terminate the services of any Continuing Employee at any time for any reason whatsoever, with or without cause. Without limiting any of the obligations in Section 6.4(a) and Section 6.4(b), in no event shall the terms of this

Agreement be deemed to (i) establish, amend, or modify any Company Benefit Plan or any "employee benefit plan" as defined in Section 3(3) of ERISA, or any other benefit plan, program, agreement or arrangement maintained or sponsored by Parent, the Surviving Company, the Company or any of their Subsidiaries (including, after the Closing Date, the Company and its Subsidiaries) or Affiliates; or (ii) alter or limit the ability of Parent, the Surviving Company or any of their Subsidiaries (including, after the Closing Date, the Company and its Subsidiaries) or Affiliates to amend, modify or terminate any Company Benefit Plan or any other compensation or benefit or employment plan, program, agreement or arrangement after the Closing Date. Notwithstanding any provision in this Agreement to the contrary, nothing in this Section 6.4 shall create any third party beneficiary rights in any Continuing Employee or current or former service provider of the Company or its Affiliates (or any beneficiaries or dependents thereof).

(f) Prior to making any widely distributed written or orally binding communications to the Continuing Employees pertaining to material compensation or benefit matters that are affected by the transactions contemplated by this Agreement, the Company shall use commercially reasonable efforts to provide Parent with a copy of the intended communication and a reasonable period of time to review and comment on the communication, and shall consider any such comments in good faith.

(g) The Company shall provide Parent with an update to Section 4.2(h) of the Company Disclosure Schedule within three (3) Business Days prior to the anticipated Acceptance Time, to reflect any changes occurring between the date of this Agreement and the applicable date of delivery of such updated schedule.

(h) Notwithstanding anything to the contrary in this Agreement or the terms applicable to the Company Stock Awards issued under the 2013 Omnibus Long-Term Incentive Plan providing for accelerated vesting in the event of certain terminations following a Change in Control, as such term is defined in the agreements governing any such awards, the Company and Parent agree, and shall take all necessary actions to amend the terms of such awards, conditioned upon the occurrence of the First Effective Time, to provide that the period following such a Change in Control during which an individual's award becomes fully vested in the event of certain terminations as provided for therein shall be extended from two (2) years to four (4) years.

Section 6.5 Regulatory Approvals; Efforts.

(a) Prior to the Closing, Parent, the Merger Subs and the Company shall use their respective reasonable best efforts to consummate the Offer and the Mergers and make effective the Mergers as soon as practicable, including (i) the prompt preparation and filing of all forms, registrations, applications and notices required to be filed under applicable Law to consummate the Offer and the Mergers (including the Registration Statement, the Offer Documents, the Schedule 14D-9 and the Offer Prospectus), (ii) the satisfaction of the conditions to consummating the Offer and the Mergers, (iii) taking all actions necessary to as soon as practicable obtain (and cooperating with each other in obtaining (including through the provision of information required for any health regulatory or other permits, licenses, consents and approvals)), any consent, waiver, authorization, Order or approval of, or any exemption by, any third party, including any Governmental Entity (which actions shall include furnishing all information and documentary material required under the HSR Act) required to be obtained or made by Parent, the Merger Subs, the Company or any of their respective Subsidiaries in connection with the Offer or the Mergers or the taking of any action contemplated by this Agreement, and (iv) the execution and delivery of any reasonable additional instruments necessary to consummate the Offer and the Mergers and to fully carry out the purposes of this Agreement.

(b) Parent and the Company shall each keep the other reasonably apprised of the status of matters relating to the completion of the Offer and the Mergers and work cooperatively in connection with obtaining all required consents, waivers, authorizations, Orders or approvals of, or any exemptions by, any Governmental Entity undertaken pursuant to the provisions of this Section 6.5. In that regard, prior to the Closing, each Party shall promptly consult with the other Parties to this Agreement with respect to and provide any reasonable information and assistance as the other Parties may reasonably request with respect to (and, in the case of correspondence, provide the other Parties (or their counsel) copies of) all notices, submissions, or filings made by such Party with any Governmental Entity or any other information supplied by such Party to, or correspondence with, a Governmental Entity in connection with this Agreement and the Offer and the Mergers. Each Party to this Agreement shall promptly inform the other Parties to this Agreement, and if in writing, furnish the other Parties with copies of (or, in the case of oral communications, advise the other Parties orally of) any communication from or to any Governmental Entity regarding the Offer and the Mergers, and afford the other Parties a reasonable opportunity to review and discuss in advance, and reasonably consider the views of the other Parties in connection with, any proposed communication with any such Governmental Entity. The Parties agree that it is Parent's sole right to devise the strategy for all filings, notifications, submissions and communications in connection with any filing, notice, petition, statement, registration, submission of information, application or similar filing with a Governmental Entity subject to this Section 6.5, so long as such strategy complies with the terms and conditions of this Agreement. If any Party to this Agreement or any Representative of such Parties receives a request for additional information or documentary material from any Governmental Entity with respect to the Offer or the Mergers, then such Party will use reasonable best efforts to make, or cause to be made, as promptly as reasonably practicable and after reasonable consultation with the other Parties to this Agreement, an appropriate response to such request. To the extent permitted by Law, each Party shall furnish the other Parties with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between it and any such Governmental Entity with respect to this Agreement and the Offer and the Mergers, and furnish the other Parties with such reasonable information and assistance as the other Parties may reasonably request in connection with its preparation of necessary filings or submissions of information to any such Governmental Entity; provided, however, that Parent and the Company may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other under this Section 6.5 as "Antitrust Counsel Only Material." Such materials and the information contained therein shall be given only to the outside antitrust counsel of the recipient and will not be disclosed by such outside counsel to employees, officers or directors of the recipient unless express permission is obtained in advance from the source of the materials (Parent or the Company, as the case may be) or its legal counsel. Notwithstanding anything to the contrary contained in this Section 6.5, materials provided pursuant to this Section 6.5 may be redacted (i) to remove references concerning the valuation of the Company and the Offer or the Mergers or other confidential information, and (ii) as necessary to address reasonable privilege concerns.

(c) The Company and Parent will each request early termination of the waiting period with respect to the Offer and the Mergers under the HSR Act. The Company and Parent shall use reasonable best efforts to file, as promptly as practicable, but in any event no later than five (5) Business Days after the date of this Agreement, all notifications required under the HSR Act. In the event that the Parties receive a request for information or documentary material pursuant to the HSR Act (a "Second Request"), the Parties will use their respective reasonable best efforts to respond to such Second Request as promptly as practicable or as otherwise agreed by the Company and Parent, and counsel for both Parties will closely cooperate during the entirety of any such Second Request review process.

Section 6.6 Takeover Statutes. None of Parent, the Company and their respective Subsidiaries shall take any action that would cause the Transactions or the Tender and Support Agreement, to be subject to requirements imposed by any takeover statute. If any "moratorium", "control share acquisition", "fair price", "supermajority", "affiliate transactions" or "business combination statute or regulation" or other similar state anti-takeover Laws and regulations may become, or may purport to be, applicable to the Offer, the Mergers or any other Transactions, or the Tender and Support Agreement, each of the Company and Parent and their respective boards of directors, or in the case of Merger Sub 2, its manager, shall grant such approvals and take such actions as are reasonably necessary so that the transactions contemplated hereby and by the Tender and Support Agreement may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to eliminate or minimize the effects of such statute or regulation on the transactions contemplated hereby and by the Tender and Support Agreement.

Section 6.7 Public Announcements. Unless a Company Adverse Recommendation Change has occurred, the Parties shall consult with one another prior to issuing, and provide each other with the opportunity to review and comment upon, any public announcement, statement or other disclosure with respect to this Agreement or the Transactions and shall not issue any such public announcement or statement prior to such consultation, except as may be required by Law or by the rules and regulations of the New York Stock Exchange or Nasdaq; provided that each of the Company and Parent may make any public statements in response to questions by the press, analysts, investors or analyst or investor calls, so long as such statements are not inconsistent with previous statements made jointly by the Company and Parent (or made by one Party after having consulted with the other Party). In addition, unless a Company Adverse Recommendation Change has occurred, the Company shall, to the extent reasonably practicable, consult with Parent regarding the form and content of any public disclosure of any material developments or matters involving the Company, including earnings releases and regulatory matters, reasonably in advance of publication and release. The Company and Parent agree to issue a joint press release announcing the execution and delivery of this Agreement.

Section 6.8 Indemnification and Insurance.

(a) From and after the First Effective Time, each of the First Surviving Corporation and the Surviving Company shall, and Parent shall cause the First Surviving Corporation and the Surviving Company to, indemnify and hold harmless, to the fullest extent permitted or otherwise contemplated by the Company Organizational Documents (or Organizational Documents of the Company's Subsidiaries), each present and former director and officer of the Company and any of its Subsidiaries and any other Person entitled to indemnification under the Company Organizational Documents or organizational documents of the Company's Subsidiaries (in each case, solely when acting in such capacity) (collectively, together with their respective heirs, executors and administrators, the "Company Indemnified Parties") against any documented costs or expenses (including documented attorneys' fees), judgments, fines, losses, claims, damages or Liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to the fact that such Person is or was a director or officer of the Company or any of its Subsidiaries and pertaining to matters existing or occurring or actions or omissions taken at or prior to the First Effective Time, including (i) the Transactions, and (ii) actions to enforce this Section 6.8, and each of the First Surviving Corporation and the Surviving Company shall, and Parent shall cause the First Surviving Corporation and the Surviving Company to, also advance expenses to the Company Indemnified Parties as incurred to the fullest extent permitted or otherwise contemplated by the Company Organizational Documents (or Organizational Documents of the Company's Subsidiaries); provided that the Company Indemnified Party to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined by a final and nonappealable judicial determination that such Company Indemnified Party is not entitled to indemnification.

(b) All rights to indemnification and exculpation from Liabilities for acts or omissions occurring at or prior to the First Effective Time and rights to advancement of expenses relating thereto now existing in favor of any Company Indemnified Party or as provided in the Company Organizational Documents (or Organizational Documents of the Company's Subsidiaries) or any indemnification agreements in existence as of the date hereof between such Company Indemnified Party and the Company or any of its Subsidiaries that are set forth on Section 6.8(b) of the Company Disclosure Schedule, shall survive the Transactions and shall continue in full force and effect in accordance with their terms, and shall not be amended, repealed or otherwise modified for a period of six (6) years after the First Effective Time in any manner that would adversely affect the rights thereunder of such Company Indemnified Parties, except as required by applicable Law.

(c) Prior to the First Effective Time, the Company shall and, if the Company is unable to, the Surviving Company shall promptly following the First Effective Time, obtain and fully pay the premium for the extension of the directors' and officers' liability coverage of the Company's existing directors' and officers' insurance policies for a claims reporting or discovery period of at least six (6) years from and after the First Effective Time from an insurance carrier with the same or better credit rating as the Company's current insurance carrier with respect to directors' and officers' liability insurance ("D&O Insurance") with terms, conditions, retentions and limits of liability that are no less favorable in the aggregate to the Company Indemnified Parties than the Company's existing policies. If neither the Company nor the Surviving Company obtains such a "tail" insurance policy as of the First Effective Time, then, for a period of six (6) years after the First Effective Time, the Surviving Company shall cause to be maintained in effect the D&O Insurance in place as of the date hereof with terms, conditions, retentions and limits of liability that are no less favorable in the aggregate to the Company Indemnified Parties than those provided in the Company's existing policies as of the date hereof (provided that the Surviving Company may substitute therefor policies with a substantially comparable insurer of similar national reputation that have at least the same coverage and amounts as the D&O Insurance in place on the date hereof and containing terms, conditions, retentions and limits of liability which are no less favorable in the aggregate to the Company Indemnified Parties than those of the D&O Insurance in place on the date hereof) with respect to claims arising from facts or events, or actions or omissions, which occurred or are alleged to have occurred at or before the First Effective Time; provided, however, that the Surviving Company shall not be obligated to make annual premium payments for such insurance to the extent such premiums exceed 200% of the premiums paid in 2016 by the Company for such insurance (the "Premium Cap"), and if such premiums for such insurance would at any time exceed the Premium Cap, then the Surviving Company shall cause to be maintained policies of insurance which, in the Surviving Company's good faith determination, provide the maximum coverage available at an annual premium equal to the Premium Cap.

(d) The rights of each Company Indemnified Party pursuant to this Section 6.8 shall be in addition to, and not in limitation of, any other rights such Company Indemnified Party may have under the Company Organizational Documents (or Company Subsidiary Organizational Documents) or under any applicable Contracts or Law.

(e) If Parent or the Surviving Company or any of their respective successors or assigns (i) consolidate with or merge into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfer all or substantially all of its properties and assets to any individual, corporation or other entity, then, and in each such case, proper provisions shall be made so that the successors and assigns of Parent or the Surviving Company shall assume all of the obligations set forth in this Section 6.8.

(f) The provisions of this Section 6.8 shall survive the First Effective Time and are intended to be for the benefit of, and shall be enforceable by, each Company Indemnified Party and his or her heirs and representatives. The Company Indemnified Parties are expressly intended as third party beneficiaries of this Section 6.8.

Section 6.9 Control of Operations. Without in any way limiting any Party's rights or obligations under this Agreement, the Parties understand and agree that (a) nothing contained in this Agreement shall give Parent or the Company, directly or indirectly, the right to control or direct the other Party's operations (or the operations of the other Party's Subsidiaries) prior to the First Effective Time and (b) prior to the First Effective Time, each of the Company and Parent shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its operations.

Section 6.10 Section 16 Matters. Prior to the First Effective Time, Parent and the Company shall take all such steps as may be required to cause any dispositions of Company Common Stock (including derivative securities with respect to Company Common Stock) or acquisitions of shares of Parent Common Stock (including derivative securities with respect to Parent Common Stock) resulting from the Transactions by each Person who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company (including any director designated by any such Person and including any Person to the extent deemed a director by deputation) or will become subject to such reporting requirements with respect to Parent, to be exempt under Rule 16b-3 promulgated under the Exchange Act.

Section 6.11 Transaction Litigation. The Company shall give Parent the opportunity to participate in the defense or settlement of any stockholder Action against the Company or its directors or executive officers relating to the Transactions, including the Offer and the Mergers. The Company agrees that it shall not settle or offer to settle any Action commenced prior to or after the date of this Agreement against the Company or its directors, executive officers or similar persons by any stockholder of the Company relating to this Agreement, the Offer, the Mergers, or the other Transactions without the prior written consent of Parent, which consent shall not be unreasonably withheld, conditioned or delayed to the extent that such settlement only requires (A) the issuance of additional disclosure and/or (B) the payment of money if the amount of money to be paid in connection with such settlement does not materially exceed any insurance proceeds that the Company reasonably expects to receive with respect to such Action and any deductible in respect thereof. Each of Parent and the Company shall notify the other promptly (and in any event within 48 hours) of the commencement of any such stockholder Action of which it has received notice.

Section 6.12 Exchange Matters.

(a) Parent shall file a supplemental listing application (or such other form as may be required) with the New York Stock Exchange with respect to the shares of Parent Common Stock to be issued in connection with the Offer (if the Acceptance Time occurs) and the First Merger and such other shares of Parent Common Stock to be reserved for issuance in connection with the Offer (if the Acceptance Time occurs) and the First Merger to be approved for listing on the New York Stock Exchange subject to official notice of issuance, prior to the Acceptance Time.

(b) The Company shall cooperate with Parent and use reasonable best efforts to take, or cause to be taken, all actions reasonably necessary, proper or advisable on its part under applicable Laws and rules and policies of Nasdaq to enable the delisting of the Company Common Stock from Nasdaq and the termination of its registration under the Exchange Act, in each case, as promptly as practicable after the First Effective Time, provided that such delisting and termination shall not be effective until after the First Effective Time.

Section 6.13 Rule 14d-10 Matters. The Parties acknowledge that certain payments have been made or are to be made and certain benefits have been granted or are to be granted according to employment compensation, severance and other employee benefit plans of the Company, including the Company Benefit Plans (collectively, the "Arrangements") to certain holders of shares of Company

Common Stock and holders of Company Stock Awards. The Compensation Committee of the Company Board of Directors (the "Compensation Committee") (a) at a meeting to be held prior to the Acceptance Time, will duly adopt resolutions approving as an "employment compensation, severance or other employee benefit arrangement" within the meaning of Rule 14d-10(d)(1) under the Exchange Act (i) each Arrangement presented to the Compensation Committee on or prior to the date hereof, (ii) the treatment of the Company Stock Awards, as applicable, in accordance with the terms set forth in this Agreement, and (iii) the applicable terms of Section 6.4 and Section 6.8, and (b) will take all other actions necessary to satisfy the requirements of the non-exclusive safe harbor under Rule 14d-10(d)(2) under the Exchange Act with respect to the foregoing arrangements. The Company represents and warrants that each member of the Compensation Committee is an "independent director" in accordance with the requirements of Rule 14d-10(d)(2) under the Exchange Act.

Section 6.14 Certain Tax Matters. Each of the Company and Parent shall use its reasonable best efforts to obtain the opinions of counsel referenced in paragraph (E)(5) and (E)(6) of Annex A, including by executing and delivering customary tax representation letters to each such counsel in form and substance reasonably satisfactory to such counsel. None of the Parties shall (and each Party shall cause its respective Subsidiaries not to) knowingly take any action (or fail to take any reasonable action) which action (or failure to act) would reasonably be expected to prevent or impede the Offer and the Mergers, taken together, from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code. The Parties intend to report and, provided the above referenced opinions of counsel are received, except to the extent otherwise required by Law, shall report, for federal income tax purposes, the Offer and the Mergers, taken together, as a "reorganization" within the meaning of Section 368(a) of the Code.

Section 6.15 Additional Agreements. In case at any time after the First Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Company with full title to all properties, assets, rights, approvals, immunities and franchises of any of the Parties to the First Merger or the Second Merger, the officers of the Surviving Company shall be authorized to, in the name and on behalf of the Company, execute and deliver such deeds, bills of sale, assignment or assurances and take all such other action as may be necessary in connection therewith.

Section 6.16 Advice of Changes. The Company and Parent shall each as promptly as practicable advise the other Party of (a) any notice or other written communication received from any counterparty to a material Contract with regard to any action, consent, approval or waiver that is required to be taken or obtained with respect to such Contract in connection with the consummation of the Transactions (and provide a copy thereof), or (b) any notice or other written communication from any other Person alleging that the consent of such Person is or may be required in connection with the Transactions (and provide a copy thereof). The Company shall notify Parent as promptly as practicable of any written notice or other written communication from any party to any Company Material Contract to the effect that such party has terminated or intends to terminate or otherwise materially adversely modify its relationship with the Company or any Subsidiary of the Company as a result of the Transactions.

Section 6.17 Agreements Concerning Parent and the Merger Subs.

(a) Parent shall cause the Merger Subs, the First Surviving Corporation and the Surviving Company to perform their respective obligations under this Agreement and to consummate the Transactions upon the terms and subject to the conditions set forth in this Agreement.

(b) Parent hereby guarantees payment, performance and discharge by Purchaser, Merger Sub 2, the First Surviving Corporation and the Surviving Company of, and the compliance by Purchaser, Merger Sub 2, the First Surviving Corporation and the Surviving Company with, all of their respective

covenants, agreements, obligations and undertakings under this Agreement in accordance with the terms of this Agreement. Parent shall, immediately following execution of this Agreement, approve this Agreement in its capacity as (i) sole stockholder of Purchaser and (ii) sole member of Merger Sub 2, in each case in accordance with applicable Law and the articles of incorporation and bylaws (or other applicable organizational documents) of such Merger Sub.

(c) During the period from the date of this Agreement through the Second Effective Time, the Merger Subs shall not engage in any activity of any nature except for activities related to or in furtherance of the Offer and the Mergers.

Section 6.18 Resignations. The Company shall use its reasonable best efforts to cause to be delivered to Parent resignations executed by each director of the Company in office as of immediately prior to the First Effective Time and effective upon the First Effective Time.

Section 6.19 Debt Matters.

(a) From and after the date of this Agreement, and through the earlier of the Closing and the date on which this Agreement is terminated in accordance with Article VIII, the Company shall, and shall cause each of its Subsidiaries and each of its and their Representatives to, use its respective commercially reasonable efforts to provide all cooperation as may be reasonably requested by Parent to assist Parent in any repayment of the Company's debt obligations at or following the Closing, including in each case taking all customary actions as may be necessary or desirable to effect any such transactions.

(b) In no event shall this Section 6.19 (a) require the Company or any of its Subsidiaries to agree to or to pay any fees, incur or reimburse any costs or expenses, or make any payment, prior to the occurrence of the Closing or otherwise incur any liability or give any indemnities prior to the occurrence of the Closing, (b) require the Company or any of its Subsidiaries to take any action that would reasonably be expected to conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time, or both) under, the Organizational Documents of the Company or any of its Subsidiaries, any applicable laws or any Contract, (c) require the Company or any of its Subsidiaries to execute or deliver any certificate, document, instrument or Contract that is effective prior to the Closing or agree to any change or modification of any existing certificate, document, instrument or Contract that is effective prior to the Closing (other than customary payoff letters), (d) require the Company or any of its Subsidiaries or their respective Representatives to enter into, execute or deliver any Contract, or agree to any change or modification to any Contract, that is effective prior to the occurrence of the Closing or that would be effective if the Closing does not occur, or (e) require cooperation to the extent it would unreasonably disrupt or interfere with the conduct of the business or operations of the Company or its Subsidiaries.

(c) Parent will indemnify, defend and hold harmless the Company and its Subsidiaries and its and their Representatives from and against any and all liabilities, obligations, losses, damages, claims, costs, expenses, awards, judgments and penalties suffered or incurred by any of them in connection with any actions taken at the request of Parent pursuant to this Section 6.19.

ARTICLE VII CONDITIONS TO THE MERGERS

Section 7.1 Conditions to Each Party's Obligation to Effect the Mergers. The respective obligations of each Party to effect the Mergers shall be subject to the fulfillment (or waiver by the Company and Parent, to the extent permissible under applicable Law) on or prior to the Closing Date of the following conditions:

(a) Purchase of Shares of Company Common Stock. Purchaser shall have accepted for payment and paid for all of the shares of Company Common Stock validly tendered and not properly withdrawn in the Offer.

(b) No Legal Prohibition. No injunction, whether temporary, preliminary or permanent, by any court or other tribunal of competent jurisdiction shall have been entered and shall continue to be in effect, and no Law shall have been adopted or be effective, in each case that restrains, enjoins, prevents, prohibits or makes illegal the consummation of the Mergers.

ARTICLE VIII TERMINATION

Section 8.1 Termination or Abandonment. Notwithstanding anything in this Agreement to the contrary, this Agreement may be terminated and the Offers and the Mergers may be abandoned at any time prior to the Acceptance Time, only as follows, and subject to any required authorizations of the Company Board of Directors or the board of directors of Purchaser to the extent required by the DGCL, as applicable:

(a) by the mutual written consent of the Company and Parent;

(b) (i) by either the Company or Parent, if the Offer shall have terminated or expired in accordance with its terms (subject to the rights and obligations of Parent and Purchaser to extend the Offer pursuant to Section 1.1(c)(ii)) without the Minimum Condition having been satisfied and the other Offer Conditions having been satisfied or waived by Parent;

(c) by either the Company or Parent if the Acceptance Time shall not have occurred on or prior to 12:01 a.m., New York City time, on July 7, 2017 (such date, or as it may be extended pursuant to this Section 8.1(c), the "End Date"); provided, however, that if all of the Offer Conditions, other than the condition set forth in paragraph (E)(8) of Annex A, shall have been satisfied or waived (other than the Minimum Condition and those conditions which by their terms cannot be satisfied prior to the Acceptance Time), and the Offer shall not have been terminated theretofore, the End Date may be extended one or more times to 12:01 a.m., New York City time, on the date that is ten (10) Business Days following the then-current End Date at the election of Parent by delivery of written notice to the Company prior to the then-current End Date; provided, further, that Parent may only exercise such an extension up to a maximum of two (2) times;

(d) by either the Company or Parent if an Order by a Governmental Entity of competent jurisdiction shall have been issued permanently restraining, enjoining or otherwise prohibiting the consummation of the Offer or either Merger and such Order shall have become final and nonappealable; provided, however, that the right to terminate this Agreement under this Section 8.1(d) shall not be available to a Party if such Order (or such Order becoming final and nonappealable) was due to the material breach of such Party of any covenant or other agreement of such Party set forth in, this Agreement;

(e) by the Company (provided that the Company is not then in breach of any representation, warranty, covenant or other agreement contained herein such that any Offer Condition set forth in paragraph (E)(2) or (E)(3) of Annex A would not be satisfied) if: (A)(1) Parent or either Merger Sub shall have breached or failed to perform in any material respect any of their covenants or other agreements contained in this Agreement, or (2) any of the representations and warranties of Parent and the Merger Subs contained in Article V shall have become inaccurate, in each case which breach or inaccuracy, individually or when aggregated with other breaches or inaccuracies, would reasonably be expected to have a Parent Material Adverse Effect; and (B) the relevant breaches, failures to perform or inaccuracies referred to in clause (A) of this Section 8.1(e) is or are either not curable or is not cured by the earlier of (x) the End Date and (y) the date that is thirty (30) calendar days following written notice from the Company to Parent describing such breach or failure or inaccuracy in reasonable detail;

(f) by the Company, prior to the Acceptance Time, in accordance with Section 6.3(f) in order to enter into a definitive agreement providing for a Company Superior Proposal either concurrently with or immediately following such termination, provided that (i) the Company has complied with its obligations contained in (A) Section 6.3(f), and (B) the remaining provisions of Section 6.3 with respect to such Company Superior Proposal in all material respects and (ii) immediately prior to or concurrently with (and as a condition to) the termination of this Agreement, the Company pays to Parent the Termination Fee in the manner provided in Section 8.3(a);

(g) by Parent (provided that Parent is not then in breach of any representation, warranty, covenant or other agreement contained herein such that any Offer Condition would not be satisfied), if (A) the Company shall have breached or failed to perform any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform, if it occurred or was continuing to occur at the Acceptance Time, would result in a failure of an Offer Condition set forth in paragraph (E)(2) or (E)(3) of Annex A, and (B) the relevant breaches, failures to perform or inaccuracies referred to in clause (A) of this Section 8.1(g) is or are not curable or is not cured by the earlier of (x) the date that is thirty (30) days following written notice from Parent to the Company describing such breach or failure in reasonable detail and (y) the End Date; and

(h) by Parent if, prior to the Acceptance Time, (i) a Company Adverse Recommendation Change shall have occurred; provided that Parent's right to terminate this Agreement pursuant to this clause (h)(i) shall expire at 11:59 p.m., New York City time, on the last Business Day of the first extension of the Offer made by Parent in accordance with Section 1.1(c) following the Company Adverse Recommendation Change, or (ii) the Company shall have materially violated or materially breached its obligations under Section 6.3.

Section 8.2 Effect of Termination. In the event of termination of this Agreement pursuant to and in accordance with Section 8.1, this Agreement shall terminate and become void and of no effect (except that the Confidentiality Agreement and the provisions of this Section 8.2, Section 8.3 and Article IX, and the agreements of the Company, Parent and the Merger Subs contained in the last sentence of Section 1.1(c)(iii) shall survive any termination), and there shall be no other Liability on the part of the Company, on the one hand, or Parent or the Merger Subs, on the other hand, to the other except (i) as provided in Section 8.3 or (ii) Liability arising out of or resulting from fraud, intentional misrepresentation or willful breach of this Agreement occurring prior to termination (in which case the aggrieved Party shall be entitled to all rights and remedies available at law or in equity).

Section 8.3 Termination Fee.

(a) (i) If this Agreement is terminated by the Company pursuant to and in accordance with Section 8.1(f), the Company shall pay to Parent the Termination Fee, by wire transfer (to an account designated by Parent) in immediately available funds immediately prior to or concurrently with such termination.

(ii) If this Agreement is terminated by Parent pursuant to and in accordance with Section 8.1(h), the Company shall pay to Parent the Termination Fee, by wire transfer (to an account designated by Parent) in immediately available funds within two (2) Business Days after such termination; provided that if the Company terminates this Agreement pursuant to Section 8.1(b) or Section 8.1(c) at any time at which Parent would have been entitled to terminate this Agreement pursuant to Section 8.1(h)(i), this Agreement shall be deemed terminated pursuant to Section 8.1(h)(i) for purposes of this Section 8.3(a)(ii).

(iii) If (A) a Pre-Termination Takeover Proposal Event shall have occurred at any time following the date of this Agreement and thereafter this Agreement is terminated by Parent or the Company pursuant to Section 8.1(b) or Section 8.1(c) or by Parent pursuant to Section 8.1(g) and (B) at any time on or prior to the twelve (12) month anniversary of such termination, the Company or any of its Subsidiaries enters into a definitive agreement with respect to any transaction included within the definition of Company Takeover Proposal that is subsequently consummated (whether within such twelve (12) month period or thereafter) or consummates any transaction included within the definition of Company Takeover Proposal (a "Company Takeover Transaction") (whether or not involving the same Company Takeover Proposal as that which was the subject of the Pre-Termination Takeover Proposal Event), then the Company shall pay Parent the Termination Fee, by wire transfer (to an account designated by Parent) in immediately available funds upon the consummation of such Company Takeover Transaction; provided, that in the event that the Termination Fee is payable pursuant to this Section 8.3(a)(iii) as a result of a termination of this Agreement by Parent pursuant to Section 8.1(g), then the Termination Fee payable hereunder shall be offset by the amount of any damages recovered by Parent as a result of the relevant breaches, failures to perform or inaccuracies; provided that for the purposes of this Section 8.3(a)(iii), all references in the definition of Company Takeover Proposal to "fifteen percent (15%)" shall instead be references to "fifty percent (50%)".

(b) For purposes of this Section 8.3, a "Pre-Termination Takeover Proposal Event" shall be deemed to occur if (i) a Company Takeover Proposal shall have been made directly to the Company's stockholders or otherwise publicly announced or publicly disclosed, or (ii) a bona fide third party or group shall have made, or disclosed its or their intention to make, a Company Takeover Proposal, directly or through an intermediary, to any member of the Company Board of Directors, and in each case of clauses (i) and (ii), such Company Takeover Proposal shall not have been withdrawn in good faith at least five (5) Business Days prior to such termination; provided that for purposes of this Section 8.3(b), all references in the definition of Company Takeover Proposal to "fifteen percent (15%)" shall instead be references to "fifty percent (50%)".

(c) "Termination Fee" shall mean a cash amount equal to \$90,000,000.

(d) The parties agree that if this Agreement is terminated in accordance with any provision under which payment of the Termination Fee is required hereunder, then, except in the case of fraud, intentional misrepresentation or other willful breach occurring prior to such termination, upon receipt of such payment by Parent, (i) the payment of such Termination Fee in accordance with this Section 8.3, shall be the sole and exclusive remedy of Parent and the Merger Subs for any loss suffered as a result of any breach of any covenant or agreement in this Agreement or the failure of the Transactions to be consummated, and (ii) none of the Company, its Subsidiaries or any of their respective former, current or future stockholders, directors, officers, Affiliates, agents or other Representatives shall have any further Liability of any kind for any reason arising out of or in connection with the Transactions.

(e) Each of the Parties hereto acknowledges that the Termination Fee is not intended to be a penalty, but rather is liquidated damages in a reasonable amount that will compensate Parent in the circumstances in which such Termination Fee is due and payable and which do not involve fraud, intentional misrepresentation or other willful breach, for the efforts and resources expended and opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the Transactions, which amount would otherwise be impossible to calculate with precision. In no event shall Parent be entitled to more than one payment of the full Termination Fee in connection with a termination of this Agreement pursuant to which such Termination Fee is payable.

(f) Each of the Company, Parent, Purchaser and Merger Sub 2 acknowledges that the agreements contained in this Section 8.3 are an integral part of the Transactions, and that, without these agreements, the Company, Parent, Purchaser and Merger Sub 2 would not enter into this Agreement. Accordingly, if the Company fails to pay in a timely manner any amount due pursuant to Section 8.3 (a), and, in order to obtain such payment, Parent or either Merger Sub commences a suit that results in a judgment against the Company for the amounts set forth in this Section 8.3 or any portion thereof, then (i) the Company shall reimburse Parent for all costs and expenses (including disbursements and reasonable fees of counsel) incurred in connection with the collection under and enforcement of this Section 8.3 and (ii) the Company shall pay to Parent interest on such amount from and including the date payment of such amount was due to but excluding the date of actual payment at the prime rate set forth in The Wall Street Journal in effect on the date such payment was required to be made plus two percent (2%).

ARTICLE IX MISCELLANEOUS

Section 9.1 No Survival of Representations and Warranties. None of the representations, warranties, covenants or agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the First Merger; provided, that this Section 9.1 shall not limit any covenant or agreement of the Parties which by its terms contemplates performance or compliance in whole or in part after the First Effective Time or otherwise expressly by its terms survives the First Effective Time.

Section 9.2 Expenses. Except as set forth in Section 8.3, whether or not the Offer and the Mergers are consummated, all costs and expenses incurred in connection with the Offer, the Mergers, this Agreement and the other Transactions shall be paid by the Party incurring or required to incur such expenses; provided, however, that Parent, on the one hand, and the Company, on the other hand, shall be responsible for the payment of fifty percent (50%) of any filings fees under the HSR Act.

Section 9.3 Counterparts; Effectiveness. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered (by telecopy, electronic delivery or otherwise) to the other Parties. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" ("pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

Section 9.4 Governing Law. This Agreement, and all claims or causes of action (whether at Law, in contract or in tort or otherwise) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance hereof, shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.

Section 9.5 Jurisdiction: Specific Enforcement. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed, in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, in addition to any other remedy that may be available to it, including monetary damages, each of the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement (including the obligation of the Parties to consummate the transactions contemplated by this Agreement and the obligation of Parent and the Merger Subs to pay, and the Company's stockholders' right to receive, the aggregate consideration payable to them pursuant to the transactions contemplated by this Agreement, in each case in accordance with the terms and subject to the conditions of this Agreement) exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). In the event that any action is brought in equity to enforce the provisions of this Agreement, no Party shall allege, and each Party hereby waives the defense or counterclaim, that there is an adequate remedy at law. The Parties further agree that no Party to this Agreement shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 9.5 and each Party irrevocably waives any objection to the imposition of such relief or any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. In addition, each of the Parties hereto irrevocably agrees that any legal suit, action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other Party hereto or its successors or assigns, shall be brought and determined exclusively in the Delaware Court of Chancery and any state appellate court therefrom within the State of Delaware (or, if the Delaware Court of Chancery declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware). Each of the Parties hereto hereby irrevocably submits with regard to any such suit, action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or the Transactions in any court other than the aforesaid courts. Each of the Parties hereto hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any suit, action or proceeding with respect to this Agreement, (i) any claim that it is not personally subject to the jurisdiction of the above named courts, (ii) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (iii) to the fullest extent permitted by applicable Law, any claim that (A) the suit, action or proceeding in such court is brought in an inconvenient forum, (B) the venue of such suit, action or proceeding is improper or (C) this Agreement, or the subject matter hereof, may not be enforced in or by such courts. To the fullest extent permitted by applicable Law, each of the Parties hereto hereby consents to the service of process in accordance with Section 9.7; provided, however, that nothing herein shall affect the right of any Party to serve legal process in any other manner permitted by Law.

Section 9.6 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (a) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) EACH PARTY

UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (c) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (d) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Section 9.6.

Section 9.7 Notices. All notices and other communications hereunder shall be in writing in one of the following formats and shall be deemed given (a) upon actual delivery if personally delivered to the Party to be notified; (b) when sent, when sent by email or facsimile by the Party to be notified; provided, however, that notice given by email or facsimile shall not be effective unless (i) such notice specifically states that it is being delivered pursuant to this Section 9.7 and either (ii)(A) a duplicate copy of such email or facsimile notice is promptly given by one of the other methods described in this Section 9.7 or (B) the receiving Party delivers a written confirmation of receipt for such notice either by email (excluding "out of office" replies) or facsimile or any other method described in this Section 9.7, or (c) when delivered if sent by a courier (with confirmation of delivery); in each case to the Party to be notified at the following address:

To Parent or the Merger Subs:

c/o UnitedHealth Group Incorporated
9900 Bren Road East
Minnetonka, MN 55343
Attention: Chief Legal Officer
Fax: (952) 936-3007
Email: richard.mattera@uhg.com

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

Hogan Lovells US LLP
1601 Wewatta Street, Suite 900
Denver, CO 80202
Attn: Timothy R. Aragon, Esq.
Facsimile: (303) 899-7333
Email: timothy.aragon@hoganlovells.com

To the Company:

Surgical Care Affiliates, Inc.
569 Brookwood Village, Suite 901,
Birmingham, AL 35209
Attn: General Counsel
Facsimile: (205) 439-4929
Email: rsharff@scasurgery.com

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

Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, NY 10006
Attn: Paul J. Shim, Esq.
James E. Langston, Esq.
Facsimile: (212) 225 3999
Email: pshim@cgsh.com
jlangston@cgsh.com

or to such other address as any Party shall specify by written notice so given. Any Party to this Agreement may notify any other Party of any changes to the address or any of the other details specified in this paragraph; provided, however, that such notification shall only be effective on the date specified in such notice or five (5) Business Days after the notice is given, whichever is later. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

Section 9.8 Assignment; Binding Effect. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of Law or otherwise, by any of the Parties without the prior written consent of the other Parties; provided, however, that, prior to the commencement (as such term is defined for purposes of Rule 14d-2 promulgated under the Exchange Act) of the Offer, Parent may designate, by written notice to the Company, another wholly-owned Subsidiary to be a Merger Sub in lieu of either entity that is a Merger Sub as of the date hereof, in which event all references herein to such Merger Sub shall be deemed references to such other Subsidiary, except that all representations and warranties made herein with respect to such Merger Sub as of the date of this Agreement shall be deemed representations and warranties made with respect to such other Subsidiary as of the date of such designation; provided, further, that any such assignment or designation shall not, and would not reasonably be expected to, impede or delay the consummation of any Transaction, prevent or impede the Offer and the Mergers, taken together, from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code or otherwise materially impede the rights of the stockholders of the Company under this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns. Any purported assignment not permitted under this Section 9.8 shall be null and void.

Section 9.9 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction (a) shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement and (b) shall not, solely by virtue thereof, be invalid or unenforceable in any other jurisdiction. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, the Parties shall negotiate in good faith to determine a suitable and equitable provision to be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision.

Section 9.10 Entire Agreement. This Agreement together with the exhibits hereto, schedules and annexes hereto (including the Company Disclosure Schedule) and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements and understandings, both written and oral, between the Parties, or any of them, with respect to the subject matter hereof and thereof, and except as provided by Section 9.13, this Agreement is not intended to grant standing to any Person other than the Parties hereto.

Section 9.11 Amendments; Waivers. At any time prior to the Acceptance Time, any provision of this Agreement may be amended or waived, but only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Company, Parent, Purchaser and Merger Sub 2 or, in the case of a waiver, by the Party waiving such provision. At any time and from time to time prior to the Acceptance Time, either the Company, on the one hand, or Parent and Merger Subs, on the other hand, may, to the extent permissible by applicable Law and except as otherwise set forth herein, (a) extend the time for the performance of any of the obligations or other acts of Parent or Merger Subs, in the case of an extension by the Company, or of the Company, in the case of an extension by Parent and Merger Subs, as applicable, (b) waive any inaccuracies in the representations and warranties made to such Party contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the agreements or conditions for the benefit of any such Party contained herein. Notwithstanding the foregoing, no failure or delay by any Party hereto in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right hereunder.

Section 9.12 Headings. Headings of the Articles and Sections of this Agreement are for convenience of the Parties only and shall be given no substantive or interpretive effect whatsoever. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 9.13 No Third-Party Beneficiaries. Except (a) as provided in Section 6.8, or (b) for the right of holders of shares of Company Common Stock, after the First Effective Time, to receive the aggregate consideration payable pursuant to Article III of this Agreement, which rights set forth in clauses (a) and (b) of this Section 9.13 are hereby expressly acknowledged and agreed by Parent and the Merger Subs, each of Parent, Purchaser, Merger Sub 2 and the Company agrees that their respective representations, warranties, covenants and agreements set forth herein are solely for the benefit of the other Parties hereto, in accordance with and subject to the terms of this Agreement, and this Agreement is not intended to, and does not, confer upon any Person other than the Parties hereto and their respective successors and permitted assigns any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein. The Parties further agree that the rights of third party beneficiaries under Section 6.8 and clause (b) of the first sentence of this Section 9.13 shall not arise unless and until the First Effective Time occurs. The representations and warranties in this Agreement are the product of negotiations among the Parties and are for the sole benefit of the Parties.

Section 9.14 Interpretation. When a reference is made in this Agreement to an Article, Section or Annex, such reference shall be to an Article, Section or Annex of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, unless the context otherwise requires. The word "since" when used in this Agreement in reference to a date shall be deemed to be inclusive of such date. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. References in this Agreement to specific laws or to specific provisions of laws shall include all rules and regulations promulgated thereunder, and any statute defined or referred to herein or in any agreement or instrument referred to herein shall mean such statute as from time to time amended, modified or supplemented, including by succession of comparable successor statutes. Each of the Parties has participated in the drafting and negotiation of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement must be construed as if it is drafted by all the Parties, and no presumption or burden of

proof shall arise favoring or disfavoring any Party by virtue of authorship of any of the provisions of this Agreement. Any agreement or instrument referred to herein or in any agreement or instrument that is referred to herein means such agreement or instrument as from time to time amended, modified or supplemented, including by waiver or consent and references to all attachments thereto and instruments incorporated therein. References to "dollars" or "\$" shall mean United States dollars. Any reference to days means calendar days unless Business Days are expressly specified. References to "written" or "in writing" include in electronic form. When used in Article IV or Section 6.1 in relation to the Company or its Subsidiaries, the word "material" shall be deemed to mean "material to the Company and its Subsidiaries taken as a whole" and when used in Article V in relation to Parent or its Subsidiaries, shall be deemed to mean "material to Parent and its Subsidiaries taken as a whole".

Section 9.15 Definitions.

(a) Certain Specified Definitions. As used in this Agreement:

(i) "Action" means any legal or administrative proceeding, claim, suit, arbitration, mediation, charge, complaint, litigation or similar action.

(ii) "Affiliate" means as to any Person, any other Person that, directly or indirectly, controls, or is controlled by, or is under common control with, such Person. For this purpose, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise. For the avoidance of doubt, in no event shall TPG Partners V, L.P., TPG FOF V-A, L.P., TPG FOF V-B, L.P. or any of their respective investment vehicles or portfolio companies or any of their respective affiliated investment fund or any portfolio company of such affiliated investment funds, be considered an Affiliate of the Company or any of its Subsidiaries.

(iii) "Business Day" means any day other than a Saturday, Sunday or any other day on which the SEC or commercial banks in New York, New York are authorized or required by Law to close.

(iv) "Company Benefit Plan" means each employee benefit plan, program, policy, agreement or arrangement, including pension, retirement, supplemental retirement, profit-sharing, deferred compensation, stock option, change in control, retention, employment, equity or equity-based compensation, stock purchase, employee stock ownership, severance pay, vacation, bonus or other incentive plans, medical, retiree medical, vision, dental or other health plans, life insurance plans, and each other compensatory or employee benefit plan or fringe benefit plan, including any "employee benefit plan" as that term is defined in Section 3(3) of ERISA, whether or not subject to ERISA, in each case, whether oral or written, funded or unfunded, or insured or self-insured, maintained by the Company, any Subsidiary or, to the knowledge of the Company, any of the Facility Entities, or to which the Company, any Subsidiary or, to the knowledge of the Company, any of the Facility Entities contributes or is obligated to contribute or might otherwise have or reasonably be expected to have any Liability, including, for the avoidance of doubt, for the benefit of, or in respect of, employees outside of the United States.

(v) "Company Intellectual Property" means any and all Intellectual Property that is owned by (or purported to be owned by) the Company, any Subsidiary of the Company or, to the knowledge of the Company, any of the Facility Entities.

(vi) "Company Material Adverse Effect" means any condition, fact, change, circumstance, event, occurrence, development or effect (each, an "Effect") that individually or in the aggregate has had or would reasonably be expected to have a material adverse effect on the financial condition, business or results of operations of the Company and its Subsidiaries, taken as a whole; provided, however, that no Effect arising from or relating to any of the following shall be taken into account in determining whether there has been or would reasonably be expected to be a Company Material Adverse Effect:

(A) political or economic conditions, or securities, credit, financial or other capital markets conditions;

(B) any condition or changes generally affecting the Company's industry or industries;

(C) any decline in the market price or trading volume of the shares of Company Common Stock on Nasdaq or a change in the credit rating of the Company or any of its Subsidiaries (provided that the exception in this clause (C) shall not prevent or otherwise affect a determination that any change, effect or development underlying such decline or change has resulted in a Company Material Adverse Effect);

(D) any failure, in and of itself, by the Company or any of its Subsidiaries to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (provided that the exception in this clause (D) shall not prevent or otherwise affect a determination that any change, effect or development underlying such failure has resulted in or contributed to a Company Material Adverse Effect);

(E) the execution and delivery of this Agreement, the performance by any Party of its obligations hereunder and consummation of the Transactions or the public announcement or pendency of the Offer or the Mergers or any of the other transactions contemplated by this Agreement, including the impact thereof on the relationships, contractual or otherwise, of the Company or any Subsidiary of the Company with customers, suppliers, distributors, employees or any other third party (provided that this clause (E) shall not apply to any representation or warranty to the extent such representation or warranty addresses the consequences resulting from the execution and delivery of this Agreement, the performance of a Party's obligations hereunder or the consummation of the transactions contemplated hereby);

(F) changes or proposed changes in GAAP or in applicable Laws or the enforcement or interpretation thereof;

(G) the outbreak or escalation of hostilities, any acts of war, sabotage, terrorism or military actions, or any escalation or worsening of any such hostilities, acts of war, sabotage, terrorism or military actions threatened or underway as of the date of this Agreement;

(H) any action taken at the request of Parent, Purchaser or Merger Sub 2 in accordance with this Agreement;

(I) the identity of, or any facts or circumstances relating to, Parent, either Merger Sub or any of their respective Affiliates; or

(J) any matter set forth specifically in Section 9.15(a)(vi)(J) of the Company Disclosure Schedule;

(vii) except, in the case of any of clauses (A), (B), (F) or (G) to the extent that any Effect has a disproportionate adverse effect on the Company and its Subsidiaries, taken as a whole, relative to the adverse effect that it has on other participants in the Company's industry or industries.

(viii) "Company Registered Intellectual Property" means any and all Intellectual Property that is the subject of an application or registration with any Governmental Entity at any time that is owned by the Company, any Subsidiary of the Company or, to the knowledge of the Company, any Facility Entity.

(ix) "Company Regulatory Agency" means any Governmental Entity that regulates the business of the Company or its facilities, including, without limitation, the Centers for Medicare and Medicaid Services.

(x) "Company Stock Plans" means the 2016 Omnibus Long-Term Incentive Plan, 2013 Omnibus Long-Term Incentive Plan, Management Equity Incentive Plan and Directors and Consultants Equity Incentive Plan and any applicable award agreements granted under any of the foregoing, collectively.

(xi) "Company Superior Proposal" means a written Company Takeover Proposal (but substituting "50%" for all references to "15%" in the definition of such term) that the Company Board of Directors determines in good faith, after consultation with its outside financial advisor and outside legal counsel, taking into account the timing, likelihood of consummation, legal, financial, regulatory and other aspects of such Company Takeover Proposal, including the identity of the third party making such Company Takeover Proposal and financing terms thereof, and such other factors as the Company Board of Directors considers to be appropriate, and taking into account any revisions to the terms of this Agreement to which Parent has committed in writing in response to such Company Takeover Proposal in accordance with Section 6.3(f) of this Agreement, is more favorable to the stockholders of the Company from a financial point of view than the Transactions.

(xii) "Company Takeover Proposal" means any unsolicited bona fide inquiry, proposal, indication of interest or offer from any Person (other than Parent, Purchaser or any of their Affiliates) to the Company or any of its Representatives relating to (A) a merger, consolidation, business combination, recapitalization, binding share exchange, liquidation, dissolution, joint venture or other similar transaction involving the Company or any of its Subsidiaries that would result in such other Person acquiring (x) beneficial ownership of fifteen percent (15%) of more of the outstanding Company Common Stock or securities of the Company representing more than fifteen percent (15%) of the voting power of the Company or (y) fifteen percent (15%) or more of the consolidated assets, net revenues or net income of the Company and its Subsidiaries, (B) any acquisition, in one transaction or a series of related transactions, of the beneficial ownership of or the right to acquire beneficial ownership, directly or indirectly, of fifteen percent (15%) or more of the outstanding Company Common Stock or securities of the Company representing more than fifteen percent (15%) of the voting power of the Company, (C) any acquisition (including the acquisition of stock in any Subsidiary of the Company), in one transaction or a series of related transactions, of assets or businesses of the Company or its Subsidiaries, including pursuant to a joint venture, representing fifteen percent (15%) or more of the consolidated assets, net revenues or net income of the Company and its Subsidiaries or

(D) any tender offer or exchange offer or any other similar transaction or series of transactions that if consummated would result in any Person directly or indirectly acquiring beneficial ownership or the right to acquire beneficial ownership of fifteen percent (15%) or more of the outstanding Company Common Stock or securities of the Company representing more than fifteen percent (15%) of the voting power of the Company.

(xiii) "Contract" means any contract, note, bond, mortgage, indenture, loan or credit agreement, debenture, deed of trust, license agreement, lease, agreement, arrangement, commitment or other instrument or obligation that is legally binding, whether written or oral.

(xiv) "Environmental Law" means any applicable Law relating to the protection, regulation, preservation or restoration of the environment (including air, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource), or any exposure to or Release of, or the management of (including the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production or disposal of) any Hazardous Materials.

(xv) "ERISA" means, the Employee Retirement Income Security Act of 1974.

(xvi) "ERISA Affiliate" means, with respect to any entity, trade or business, any other entity, trade or business that is, or was at the relevant time, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes or included the first entity, trade or business, or that is, or was at the relevant time, a member of the same "controlled group" as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA.

(xvii) "Facility Entity" means any partnership, corporation, association, trust or other form of legal entity which operates a provider of health care services, (a) the equity or other ownership interests of which are directly or indirectly held by (I) the Company or any of its Subsidiaries and (II) any other Person, and (b) whose results were not presented on a consolidated basis with the Company, but rather as a noncontrolling interest, on its financial statements for the quarter ended September 30, 2016 as included in the Company SEC Documents and will not be presented on a consolidated basis with the Company, but rather as a noncontrolling interest, on its financial statements for the year ended December 31, 2016.

(xviii) "Governmental Entity" means any federal, state or local, domestic, foreign, multinational or transnational government, court, agency, commission, authority, bureau, board, official, political subdivision, tribunal or other governmental instrumentality.

(xix) "Governmental Programs" means, collectively, the Medicare and Medicaid programs set forth in Titles XVIII and XIX of the Social Security Act, and "federal health care programs" as defined in 42 U.S.C. §1320a-7b(f).

(xx) "Hazardous Materials" means any wastes, substances, radiation, or materials (whether solids, liquids or gases): (A) which are hazardous, toxic, infectious, explosive, radioactive, carcinogenic, or mutagenic; (B) which are or become defined as "pollutants," "contaminants," "hazardous materials," "hazardous wastes," "hazardous substances," "chemical substances," "radioactive materials," "solid wastes," or other similar designations in, or otherwise subject to regulation under, any Environmental Laws; (C) which contain without limitation polychlorinated biphenyls (PCBs), toxic mold, methyl-tertiary butyl ether (MTBE), asbestos or asbestos-containing materials, lead-based paints, urea-formaldehyde foam insulation, or petroleum or petroleum products (including, without limitation, crude oil or any fraction thereof); or (D) which pose a hazard to human health, safety, natural resources, employees, or the environment.

(xxi) "HIPAA" means collectively the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations, as amended and supplemented by the Health Information Technology for Clinical Health Act of the American Recovery and Reinvestment Act of 2009, Pub. Law No. 111-5 and its implementing regulations, when each is effective and as each is amended from time to time.

(xxii) "Indebtedness" means, as of any time with respect to any Person, any obligations (including, without limitation, principal, premium, accrued interest, reimbursement or indemnity obligations, bonds, financing arrangements, prepayment and other penalties, breakage fees, sale or liquidity participation amounts, commitment and other fees and related expenses) (A) with respect to indebtedness of such Person, in respect of borrowed money, issued in substitution for or exchange of borrowed money, or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof), including factoring arrangements or asset securitizations; (B) representing foreign exchange contracts, interest rate and currency swap arrangements or any other arrangements designed to provide protection against fluctuations in interest or currency rates; (C) representing obligations to pay the deferred purchase price of goods and services (including any potential future earnout, indemnification, purchase price adjustment, release of "holdback" or similar payment, but excluding trade payables incurred in the ordinary course of business); (D) representing obligations under leases required in accordance with GAAP to be recorded as capital leases; and (E) any guarantee of any such obligations described in clauses (A) through (D) of this definition by such person.

(xxiii) "Information Privacy and Security Laws" means all Laws concerning the privacy or security of Personal Information, including in each case to the extent relating to the privacy or security of Personal Information, HIPAA, the Gramm-Leach-Bliley Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transaction Act, Section 5 of the Federal Trade Commission Act as it applies to the receipt, access, use, disclosure, and security of Personal Information, the CAN-SPAM Act, Children's Online Privacy Protection Act, state data breach notification laws, state data security laws, state social security number protection laws, any healthcare Laws pertaining to privacy or data security and any applicable Laws concerning requirements for website and mobile application privacy policies and practices, or Laws concerning any outbound communications (including e-mail marketing, telemarketing and text messaging) and data tracking.

(xxiv) "Intellectual Property" means all intellectual property rights in all jurisdictions worldwide, whether registered or unregistered, including all rights in, to and under: (A) all patents and applications therefor, and utility models, and all reissues, divisionals, renewals, extensions, provisionals, reexaminations, continuations and continuations-in-part of any of the foregoing and all rights in any of the foregoing provided by international treaties and conventions; (B) all inventions (whether patentable or not and whether or not reduced to practice), invention disclosures, confidential proprietary information, know-how, trade secrets; (C) all works of authorship, copyrights (registered or unregistered), copyrightable works, mask works, databases and data collections, copyright registrations and registrations, renewals and applications of any of the foregoing; (D) all industrial designs and any registrations, renewals and applications therefor or thereof throughout the world; (E) all Software; and (F) all domain names, trade names, trademarks, service marks and names, brand names, logos, trade dress, common law trademarks and service marks, including all goodwill of the business symbolized thereby or associated therewith, and registrations and renewals for or of any of the foregoing.

(xxv) "Intervening Event" means a material event, development or change in circumstances with respect to the Company and its Subsidiaries, taken as a whole, that occurred or arose after the date of this Agreement, which (a) was unknown to and was not reasonably foreseeable by, the Company Board of Directors as of or prior to the date of this Agreement and (b) becomes known to or by the Company Board of Directors prior to the Acceptance Time; provided, however that none of the following will constitute, or be considered in determining whether there has been, an Intervening Event: (i) the receipt, existence of or terms of a Company Takeover Proposal or any inquiry, request, proposal or discussion that could reasonably be expected to lead to a Company Takeover Proposal or any matter relating thereto or consequence thereof, (ii) changes in the market price or trading volume of the shares of Company Common Stock on Nasdaq; (iii) the fact that the Company or its Subsidiaries have exceeded or met in and of itself (or the failure of Parent to meet in and of itself) any internal or published projections, forecasts or predictions in respect of revenues, earnings or other financial or operating performance for any period ending on or after the date hereof and (iv) changes in the market price or trading volume of the shares of Parent Common Stock on the New York Stock Exchange (provided, however, that the underlying causes of such change or fact shall not be excluded by clauses (ii), (iii) or (iv)).

(xxvi) "knowledge" means with respect to the Company, its Subsidiaries, and the Facility Entities, the knowledge, after reasonable due inquiry (which the Parties agree does not require specific inquiry of the Facility Entities), of the individuals listed in Section 9.15(a)(xxvi) of the Company Disclosure Schedule.

(xxvii) "Liability" means any and all fines, penalties, awards, costs and expenses (including attorneys and other professional's fees), debts, liabilities, commitments, duties, obligations and responsibilities of any kind and description, whether known or unknown, unliquidated or fixed, contingent or absolute, matured or unmatured, accrued or not accrued, determined or determinable, secured or unsecured, disputed or undisputed, subordinated or unsubordinated, monetary or non-monetary, direct or indirect or otherwise, whether due or to become due, and regardless of when asserted or whether it is accrued or required to be accrued or disclosed pursuant to GAAP.

(xxviii) "Order" means any formal charge, order, writ, permit, license, injunction, judgment, decree, ruling, determination, directive, award or settlement of any Governmental Entity or any arbitrator, whether civil, criminal or administrative.

(xxix) "Parent Material Adverse Effect" means any Effect that individually or in the aggregate has had or would reasonably be expected to (A) prevent or materially impede, materially interfere with or materially delay the consummation by Parent or the Merger Subs of the Transactions or (B) have a material adverse effect on the financial condition, business or results of operations of Parent and its Subsidiaries, taken as a whole; provided, however, that no Effect arising from or relating to any of the following shall be taken into account in determining whether there has been or would reasonably be expected to be a Parent Material Adverse Effect:

(A) political or economic conditions, or securities, credit, financial or other capital markets conditions;

(B) any condition or changes generally affecting Parent's industry or industries;

(C) any decline in the market price or trading volume of the shares of Parent Common Stock on the New York Stock Exchange or a change in the credit rating of Parent or any of its Subsidiaries (provided that the exception in this clause (C) shall not prevent or otherwise affect a determination that any change, effect or development underlying such decline or change has resulted in a Parent Material Adverse Effect);

(D) any failure, in and of itself, by Parent or any of its Subsidiaries to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (provided that the exception in this clause (D) shall not prevent or otherwise affect a determination that any change, effect or development underlying such failure has resulted in or contributed to a Parent Material Adverse Effect);

(E) the execution and delivery of this Agreement, the performance by any Party of its obligations hereunder and consummation of the Transactions or the public announcement or pendency of the Offer or the Mergers or any of the other transactions contemplated by this Agreement, including the impact thereof on the relationships, contractual or otherwise, of Parent or any Subsidiary of Parent with customers, suppliers, distributors, employees or any other third party (provided that this clause (E) shall not apply to any representation or warranty to the extent such representation or warranty addresses the consequences resulting from the execution and delivery of this Agreement, the performance of a Party's obligations hereunder or the consummation of the transactions contemplated hereby);

(F) changes or proposed changes in GAAP or in applicable Law or the enforcement or interpretation thereof;

(G) the outbreak or escalation of hostilities, any acts of war, sabotage, terrorism or military actions, or any escalation or worsening of any such hostilities, acts of war, sabotage, terrorism or military actions threatened or underway as of the date of this Agreement;

(H) any action taken at the request of the Company or any of its Subsidiaries in accordance with this Agreement; or

(I) the identity of, or any facts or circumstances relating to, the Company, its Subsidiaries or any of their respective Affiliates;

except, in the case of any of clauses (A), (B), (F) or (G) to the extent that any Effect has a disproportionate adverse effect on Parent and its Subsidiaries, taken as a whole, relative to the adverse effect that it has on other participants in Parent's industry or industries.

(i) "Parent Stock Plans" means the UnitedHealth Group Incorporated 2011 Stock Incentive Plan (as amended and restated in 2015), the Catamaran Corporation Third Amended and Restated Long-Term Incentive Plan, as amended, the Catalyst Health Solutions, Inc. 2006 Stock Incentive Plan, as amended, the Amended and Restated UnitedHealth Group Incorporated Executive Incentive Plan (2009 Statement), effective as of December 31, 2008, as amended, the Amended and Restated UnitedHealth Group Incorporated 2008 Executive Incentive Plan, effective as of December 31, 2008, as amended and any applicable award agreements granted under any of the foregoing, collectively.

(ii) "Parent Trading Price" means the volume weighted average of the closing sale prices per share of Parent Common Stock on the New York Stock Exchange, as reported in the New York City edition of The Wall Street Journal (or, if not reported thereby, as reported in another authoritative source) on each of the five (5) full consecutive trading days ending on and including the third (3rd) business day prior to the Expiration Date.

(iii) "PCI DSS" means the Payment Card Industry Data Security Standard, issued by the Payment Card Industry Security Standards Council, as may be revised from time to time.

(iv) "Permitted Lien" means (A) any Lien for Taxes not yet due or delinquent or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in the applicable financial statements in accordance with GAAP, (B) vendors', mechanics', materialmen's, carriers', workers', landlords', repairmen's, warehousemen's, construction and other similar Liens arising or incurred in the ordinary and usual course of business and consistent with past practice or with respect to Liabilities that are not yet due and payable or, if due, are not delinquent or are being contested in good faith by appropriate proceedings and for which adequate reserves (based on good faith estimates of management) have been set aside for the payment thereof, (C) Liens imposed or promulgated by applicable Law or any Governmental Entity with respect to real property, including zoning, building or similar restrictions, (D) applicable zoning, building or similar Laws, codes, ordinances and state and federal regulations which are not violated by the current use or occupancy of the applicable real property or the operation of the Company's, its Subsidiaries' or a Facility Entity's business thereon, (E) pledges or deposits in connection with workers' compensation, unemployment insurance, and other social security legislation, (F) defects, irregularities or imperfections of title which do not materially interfere with, or materially impair the use of, the property or assets subject thereto or (G) Liens that constitute non-exclusive licenses to Intellectual Property granted in the ordinary course of business.

(v) "Person" means an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization, joint venture, other entity or group (as defined in the Exchange Act), including a Governmental Entity.

(vi) "Personal Information" means any information that (A) identifies or relates to an individual person including information that alone or in combination with other information held by Company or any of its Subsidiaries can be used to identify, contact, or precisely locate an individual person or can be linked to an individual person, including, without limitation, name, address, telephone number, health information (including protected health information (as defined in 45 C.F.R. § 160.103)), social security number, drivers' license number, government issued identification number, any financial account numbers or log-in information, Internet Protocol addresses or other persistent device identifiers, or any other data that can be used to identify, contact, or precisely locate an individual; or (B) any information that is governed, regulated or protected by any of the Information Privacy and Security Laws that are expressly listed in the definition of Information Privacy and Security Laws set forth in Section 9.15(a)(xxiii); or (C) any information that is covered by the PCI DSS.

(vii) "Prohibited Person" means (A) an entity that has been determined by a competent authority to be the subject of a prohibition on such conduct of any Law, regulation, rule or executive order administered by OFAC; (B) the government, including any political

subdivision, agency or instrumentality thereof, of any country against which the United States maintains comprehensive economic sanctions or embargoes; (C) any individual or entity that acts on behalf of or is owned or controlled by a government of a country against which the United States maintains comprehensive economic sanctions or embargoes; (D) any individual or entity that has been identified on the OFAC Specially Designated Nationals and Blocked Persons List (Appendix A to 31 C.F.R. Ch. V), as amended from time to time, or fifty percent (50%) or more of which is owned, directly or indirectly, by an such individual or entity; or (E) any individual or entity that has been designated on any similar list or order published by a Governmental Entity in the United States.

(viii) "Release" means any release, spill, emission, discharge, seepage, escaping, leaking, pumping, pouring, injection, deposit, disposal, dispersal, leaching or migration of Hazardous Materials into or upon the indoor or outdoor environment including the air, soil, improvements, surface water, groundwater, the sewer, septic system, storm drain, publicly owned treatment works, or waste treatment, storage, or disposal systems.

(ix) "Software" means any and all software and computer programs in both machine-readable form and human-readable form, including all data files, application programming, user interfaces, source code, object code and operating systems, and related documentation.

(x) "Subsidiaries" means, with respect to the Company and any of its Subsidiaries, except as set forth on Section 9.15(a) (xxxix) of the Company Disclosure Schedule: any corporation, partnership, association, trust or other form of legal entity (A) whose results were presented on a consolidated basis with the Company on its financial statements for the quarter ended September 30, 2016 as included in the Company SEC Documents or will be presented on a consolidated basis with the Company on its financial statements for the year ended December 31, 2016 (B) which more than fifty percent (50%) of the voting power of the outstanding voting securities are directly or indirectly owned by such Person or (C) such Person or any Subsidiary of such Person is a general partner; and with respect to any other Person, any corporation, partnership, association, trust or other form of legal entity of which (i) more than fifty percent (50%) of the voting power of the outstanding voting securities are directly or indirectly owned by such Person or (ii) such Person or any Subsidiary of such Person is a general partner.

(xi) "Tax" or "Taxes" means any and all federal, state, local or foreign taxes, imposts, levies, duties, fees or other assessments, including all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, customs duties, and other taxes of any kind whatsoever, including any and all interest, penalties, additions to tax or additional amounts imposed by any Governmental Entity with respect thereto.

(xii) "Tax Return" means any return, report, information return, claim for refund, election, estimated tax filing or declaration or similar filing (including any attached schedules, supplements and additional or supporting material) filed or required to be filed with respect to Taxes, including any amendments thereof.

(xiii) "Taxing Authority" means, with respect to any Tax, the Governmental Entity that imposes such Tax, and the agency (if any) charged with the collection, assessment or administration of such Tax.

Section 9.16 Scheduled Matters. Notwithstanding anything in this Agreement to the contrary, in no event shall the exercise by the applicable counterparty of any right arising under any of the Contracts set forth on Section 9.15(a)(vi)(I) of the Company Disclosure Schedule in connection with the transactions contemplated by this Agreement or the failure to obtain the consent of any such counterparty required to be obtained under any such Contract constitute a breach by the Company or any of its Subsidiaries of any representation, warranty covenant or other agreement contained in this Agreement, result in the failure of any Offer Condition or condition set forth in Article VII or give rise to any right of termination under Article VIII.

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[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

UNITEDHEALTH GROUP INCORPORATED

By: /s/ David S. Wichmann

Name: David S. Wichmann

Title: President

SPARTAN MERGER SUB 1, INC.

By: /s/ David S. Wichmann

Name: David S. Wichmann

Title: Chief Executive Officer

SPARTAN MERGER SUB 2, LLC

By: /s/ David S. Wichmann

Name: David S. Wichmann

Title: Chief Executive Officer

SURGICAL CARE AFFILIATES, INC.

By: /s/ Andrew P. Hayek

Name: Andrew P. Hayek

Title: Chairman, President and Chief Executive Officer

[Signature Page to Agreement and Plan of Reorganization]

ANNEX A

Conditions to the Offer

Notwithstanding any other term of the Offer, but subject to the terms and conditions of this Agreement, Purchaser shall not be required to, and Parent shall not be required to cause Purchaser to, accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered shares of Company Common Stock promptly after termination or withdrawal of the Offer), pay for any shares of Company Common Stock validly tendered pursuant to the Offer (and not properly withdrawn prior to the Expiration Date and theretofore accepted for payment or paid for) in the event that, at the Expiration Date:

- (A) any waiting period (and extensions thereof) applicable to the Offer and the Mergers under the HSR Act shall not have expired or been terminated;
- (B) there shall not have been validly tendered and not withdrawn in accordance with the terms of the Offer a number of shares of Company Common Stock that, together with the shares of Company Common Stock (if any) then owned by Parent, Purchaser and Parent's other Subsidiaries, represents at least a majority of all then outstanding shares of Company Common Stock (the "Minimum Condition") (excluding, for purposes of determining whether a sufficient number of shares have been tendered in the Offer to satisfy the Minimum Condition, shares of Company Common Stock tendered pursuant to guaranteed delivery procedures that have not yet been "received," as such term is defined in Section 251(h) of the DGCL, by the depositary for the Offer pursuant to such procedures);
- (C) the Registration Statement shall not have been declared effective by the SEC under the Securities Act or a stop order suspending the effectiveness of the Registration Statement shall have been issued by the SEC or proceedings for that purpose shall have been initiated or threatened by the SEC;
- (D) the shares of Parent Common Stock to be issued in the Offer and the First Merger shall not have been approved for listing on the New York Stock Exchange, subject to official notice of issuance (provided that Parent shall not be entitled to invoke this condition if it has not complied in all material respects with Section 6.12);
- (E) any of the following shall have occurred and continue to exist as of the Expiration Date:
 - (1) an injunction, whether temporary, preliminary or permanent, by any court or other tribunal of competent jurisdiction shall have been entered and shall continue to be in effect, or a Law shall have been adopted or be effective, in each case that prohibits or makes illegal the consummation of the Offer or the Mergers;
 - (2) any of the representations and warranties of the Company set forth in (i) Article IV (other than in Section 4.1(a), the first four sentences of Section 4.1(b), the first two sentences of Section 4.2(a); clauses (A), (B) and (E) of Section 4.2(b)(i), Section 4.2(d), Section 4.3(a), (b) and (c), Section 4.11(b), Section 4.23, and Section 4.25) shall not be true and correct both at and as of the date of this Agreement and at and as of the Expiration Date as though made at and as of the Expiration Date, other than for failures to be so true and correct (without regard to "materiality," Company Material Adverse Effect and similar qualifiers contained in

such representations and warranties) that have not had and would not reasonably be expected to have a Company Material Adverse Effect, (ii) Section 4.1(a), the first two sentences of Section 4.1(b), the first two sentences of Section 4.2(a), clauses (A), (B) and (E) of Section 4.2(b)(i), and Section 4.11(b) shall not be true and correct at and as of the date of this Agreement and at and as of the Expiration Date as though made at and as of the Expiration Date, except for any *de minimis* inaccuracies, or (iii) the third and fourth sentences of Section 4.1(b), Section 4.2(d), Section 4.3(a), (b) and (c), Section 4.23 and Section 4.25 shall not be true and correct in all material respects at and as of the date of this Agreement and at and as of the Expiration Date as though made at and as of the Expiration Date; provided, however, that representations and warranties that are made as of a particular date or period need be true and correct (in the manner set forth in clauses (i), (ii) and (iii) as applicable) only as of such date or period;

- (3) the Company shall have failed to perform and comply in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by it prior to the Expiration Date;
- (4) the Company shall have failed to deliver to Parent a certificate, dated the Expiration Date and signed by its Chief Executive Officer or another senior officer, certifying to the effect that the conditions set forth in paragraphs (E)(2) and (E)(3) of this Annex A have been satisfied;
- (5) the Company shall not have received a written opinion from Cleary Gottlieb Steen & Hamilton LLP, in form and substance reasonably satisfactory to the Company, dated as of the Expiration Date, to the effect that, on the basis of certain facts, representations and assumptions set forth or referred to in such opinion, the Offer and the Mergers, taken together, will qualify as a "reorganization" within the meaning of Section 368(a) of the Code;
- (6) Parent shall not have received a written opinion from Hogan Lovells US LLP, in form and substance reasonably satisfactory to Parent, dated as of the Expiration Date, to the effect that, on the basis of certain facts, representations and assumptions set forth or referred to in such opinion, the Offer and the Mergers, taken together, will qualify as a "reorganization" within the meaning of Section 368(a) of the Code;
- (7) this Agreement shall have been terminated in accordance with its terms; or
- (8) the Company shall have failed to obtain all consents, authorizations, waivers and approvals and to make all filings, applications and notices, in each case, with respect to certificates of need and licenses to operate as an ambulatory surgery center or a hospital, as the case may be, required to be obtained by the Company pursuant to applicable Health Care Laws in order to consummate the Transactions with respect to more than 6% of all facilities that provide health care services that are operated or managed by the Company, any of its Subsidiaries or any Facility Entity.

**AMENDED AND RESTATED BY-LAWS
OF
SURGICAL CARE AFFILIATES, INC.**

(as of January 6, 2017)

ARTICLE I

OFFICES

1.1 Registered Office. The Corporation shall have and maintain at all times (i) a registered office in the State of Delaware, which office shall be located at 1209 Orange Street, in the City of Wilmington, in the County of New Castle, in the State of Delaware 19801; and (ii) a registered agent located at such address whose name is The Corporation Trust Company, until changed from time to time as provided by the DGCL.

1.2 Other Offices. The principal office of the Corporation may be located within or without the State of Delaware, as designated by the Board of Directors. The Corporation may have other offices and other places of business at such places within or without the State of Delaware as shall be determined by the Board of Directors or as may be required by the business of the Corporation.

ARTICLE II

STOCKHOLDERS

2.1 Annual Meeting. The annual meeting of stockholders shall be held each calendar year at the place, if any, either within or without the State of Delaware (including by remote communication as authorized by Section 211(a)(2) of the DGCL), and at the date and time determined by the Board of Directors from time to time. The purposes for which the annual meeting is to be held, in addition to those prescribed by law, by the Certificate of Incorporation or elsewhere in these By-Laws, shall be for the purpose of electing Directors and for such other purposes as may properly come before it. The Corporation may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

2.2 Special Meetings. Special meetings of the stockholders may be called only in the manner set forth in the Certificate of Incorporation. Any such special meeting shall be held at such place, if any, either within or without the State of Delaware (including by remote communication as authorized by Section 211(a)(2) of the DGCL), and at such date and time determined by the Board of Directors or as the Chairman of the Board shall designate, as set forth in the notice of the meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. The Corporation may postpone, reschedule or cancel any special meeting of stockholders scheduled by the Board of Directors or Chairman of the Board.

2.3 Place of Meetings. All meetings of stockholders shall be held at the principal executive office of the Corporation unless (a) a different place is fixed by the Board of Directors or the Chairman of the Board and is specified in the notice of the meeting; or (b) the meeting is held solely by means of remote communication in accordance with Section 2.13.

2.4 Notice of Meetings.

(a) A written notice of meeting that states the date, time and place, if any (or the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting), and, in the case of a special meeting the purpose or purposes for which the meeting is called, shall be delivered personally or mailed in a postage prepaid envelope or, to the extent and in the manner permitted by applicable law, by any form of electronic transmission (with the consent of the stockholder to the extent required by applicable law) no fewer than 10 nor more than 60 days before the meeting date to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting, except that where any other minimum or maximum notice period for any action to be taken at such meeting is required under the DGCL, then such other minimum or maximum notice period shall control.

(b) Notices pursuant to this Section 2.4 are deemed given (i) if by mail, when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation, or, if a stockholder shall have filed with the Secretary a written request that notices to such stockholder be mailed to some other address, then directed to such stockholder at such other address; (ii) if by facsimile, when directed to a number at which the stockholder has consented to receive notice; (iii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive such notice; (iv) if by posting on an electronic network together with a separate notice to the stockholder of such specific posting, upon the later to occur of (A) such posting; and (B) the giving of such separate notice of such posting; and (v) if by any other form of electronic transmission, when directed to the stockholder as required by law and, to the extent required by applicable law, in the manner consented to by the stockholder. An affidavit of the mailing or other means of giving any notice of any stockholders' meeting, executed by the Secretary, an Assistant Secretary or any transfer agent of the Corporation giving the notice, shall be *prima facie* evidence of the giving of such notice or report. Notice shall be deemed to have been given to all stockholders of record who share an address if notice is given in accordance with the "householding" rules set forth in Rule 14a-3(e) under the Exchange Act or Section 233 of the DGCL.

2.5 Notice of Adjourned Meeting. If an annual or special meeting of stockholders is adjourned to a different date, time or place, written notice need not be given of the new date, time or place if the new date, time or place, if any, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken before such adjournment; provided, however, that if the date for any adjourned meeting is more than 30 days after the date of the original meeting, or if a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given in conformity with this Article II. At the adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

2.6 Waiver of Notice. Notice of any meeting of stockholders shall not be required to be given to any stockholder who attends such meeting in person or by proxy and does not, at the beginning of such meeting, object to the transaction of any business because the meeting has not been lawfully called or convened, or who, either before or after the meeting, submits a signed waiver of notice or waives notice by electronic transmission, in person or by proxy. To the extent permitted by law, a stockholder's attendance at an annual meeting, in person or by proxy, waives objection to consideration of a particular matter at such annual meeting that is not within the purpose or purposes described in the meeting notice, unless the stockholder objects to considering the matter when it is presented. Any stockholder so waiving notice of a meeting shall be bound by the proceedings of such meeting in all respects as if due notice thereof had been given.

2.7 Quorum.

(a) At any meeting of the stockholders, the holders of a majority in voting power of the outstanding shares of capital stock entitled to be voted at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, except to the extent that the presence of a larger number is required by law, the Certificate of Incorporation or any other provision of these By-Laws. Where a separate vote by one or more series or classes is required, a majority in voting power of the outstanding shares of such one or more series or classes present in person or by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum.

(b) If a quorum fails to attend any meeting, the chairman of the meeting or the holders of a majority in voting power of the outstanding shares of capital stock entitled to be voted at the meeting that are present, in person or by proxy, may adjourn the meeting to another place, date or time, without notice other than as specified in Section 2.5.

2.8 Organization. Such person as the Chairman of the Board may have designated or, in the absence of such person, such person as the Board of Directors may have designated or, in the absence of such person, the Chief Executive Officer, or in his or her absence, such person as may be chosen by the holders of a majority of the voting power of the outstanding shares of capital stock entitled to vote at the meeting who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary, the secretary of the meeting shall be such person as the chairman of the meeting appoints.

2.9 Conduct of Business.

(a) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the chairman of the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of any meeting of stockholders as it shall deem appropriate, provided they are not inconsistent with any other provision of these By-Laws. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn

the meeting, to determine the order of business and the procedure at the meeting, including such rules and regulation of the manner of voting and the conduct of discussion as seems to him or her in order, and to do all such acts as, in the judgment of such chairman of the meeting, are appropriate for the proper conduct of the meeting.

(b) Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants.

(c) The chairman of any meeting of stockholders shall have the power and duty to determine all matters relating to the conduct of the meeting, including determining whether any nomination or item of business has been properly brought before the meeting in accordance with these By-Laws (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group that solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by Section 2.16(a)(iii)(C)(9)), and if the chairman should so determine and declare that any nomination or item of business has not been properly brought before a meeting of stockholders, then such business shall not be transacted or considered at such meeting and such nomination shall be disregarded. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

2.10 Voting and Proxies.

(a) At all meetings of stockholders, a stockholder may vote by proxy as may be permitted by law, provided that no proxy shall be voted after three years from its date, unless the proxy provides for a longer period. Any proxy to be voted or acted upon at a meeting of stockholders must be delivered to the Secretary or his or her representative at or before the time of the meeting. Except as otherwise limited therein, proxies shall entitle the persons authorized thereby with respect to a meeting of stockholders to vote at any adjournment or postponement of such meeting but shall not be valid after final adjournment of such meeting. A proxy with respect to stock held of record in the name of two or more persons shall be valid if executed by one of them unless prior to voting in accordance with the directions of the proxy, the Corporation receives a specific written notice to the contrary from any one of them and is furnished with a copy of the instrument or order appointing the proxy. Subject to the provisions of Section 212 of the DGCL and to any express limitation on the proxy's authority provided in the instrument appointing the proxy, the Corporation is entitled to accept the proxy's vote or other action as that of the stockholder authorizing such proxy to act as proxy.

(b) In advance of any meeting of stockholders, the Board of Directors shall appoint one or more inspectors to act at the meeting or any adjournment thereof and make a written report thereof and may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability and may perform such other duties not inconsistent herewith as may be requested by the Corporation.

2.11 Action at Meeting. Except as otherwise required by law (including the rules or regulations of any stock exchange applicable to the Corporation), the Certificate of Incorporation or any other provision of these By-Laws, each matter other than the election of Directors submitted to the stockholders at any meeting shall be decided by the affirmative vote of the holders of not less than a majority of the voting power of the outstanding shares of capital stock entitled to vote on such matter and present, in person or by proxy, at the meeting.

2.12 Record Date.

(a) The Board of Directors may fix the record date in order to determine the stockholders entitled to notice of a meeting of stockholders, which record date shall not precede the date on which the resolution fixing the record date is adopted by the Board of Directors, and which record date may not be more than 60 days nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors in its discretion may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the foregoing provisions of this clause (a) at the adjourned meeting. If no record date is fixed pursuant to this clause (a), the record date for determining stockholders entitled to notice of or vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The Board of Directors may fix a record date in order to determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed pursuant to this clause (b), the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

(c) Unless otherwise restricted by the Certificate of Incorporation, in order that the Corporation may determine the stockholders entitled to express consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date for determining stockholders entitled to express consent to corporate action in writing without a meeting is fixed by the Board of Directors, (i) when no prior action of the Board of Directors is required by law, the record date for such purpose shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law, and (ii) if prior action by the Board of Directors is required by law, the record date for such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

2.13 Meetings by Remote Communications. Unless otherwise provided in the Certificate of Incorporation, if authorized by the Board of Directors, any annual or special meeting of stockholders, whether such meeting is to be held at a designated place or by means of remote communication, may be conducted in whole or in part by means of remote communication. If authorized by the Board of Directors, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communications: (a) participate in such meeting of stockholders; and (b) be deemed present in person and vote at such meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that: (i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder; (ii) the Corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings; and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

2.14 Reproductions. Any copy, facsimile or other reliable reproduction of a vote, consent, waiver, proxy appointment or other action by a stockholder or by the proxy or other agent of any stockholder may be substituted or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or electronic transmission could be used, so long as the copy, facsimile or other reproduction is a complete reproduction of the entire original writing or electronic transmission.

2.15 Stockholders List for Meeting.

(a) After fixing a record date for a meeting of stockholders, the officer of the Corporation who has charge of the Corporation's stock ledger shall prepare, at least 10 days before such meeting, a complete list of the stockholders entitled to vote at the meeting; provided, however, that if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the

10th day before the meeting date. The list shall be arranged in alphabetical order and by class or series of shares, and show the address of and number of shares registered in the name of each stockholder, but need not include an electronic mail address or other electronic contact information for any stockholder.

(b) The list of stockholders shall be made available for inspection in accordance with Section 219 of the DGCL.

2.16 Notice of Stockholder Business and Nominations; Director Qualifications.

(a) (i) At any annual meeting of the stockholders, only such nominations of persons for election to the Board of Directors shall be made, and only such other business shall be conducted or considered, as shall have been properly brought before the meeting. To be properly brought before an annual meeting, nominations of persons for election or re-election to the Board of Directors or other business must be (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors; (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors or any committee thereof; or (C) otherwise properly brought before the meeting by a stockholder in accordance with clauses (ii), (iii) and (iv) of this Section 2.16(a) (this clause (C) being the exclusive means for a stockholder to bring nominations or other business before an annual meeting of stockholders, other than business properly included in the Corporation's proxy materials pursuant to Rule 14a-8 under the Exchange Act). The provisions of Sections 2.16(a) and 2.16(b) apply to all nominations of persons for election to the Board of Directors.

(ii) For nominations of any person for election or re-election to the Board of Directors or other business to be properly brought before an annual meeting by a stockholder (A) the stockholder must have given timely notice thereof in writing to the Secretary, which notice must also fulfill the requirements of clause (iii) of this Section 2.16(a); (B) the subject matter of any proposed business must be a matter that is a proper subject matter for stockholder action at such meeting; and (C) the stockholder must be a stockholder of record of the Corporation at the time the notice required by this Section 2.16(a) is delivered to the Corporation and must be entitled to vote at the meeting.

(iii) To be considered timely notice, a stockholder's notice must be received by the Secretary at the principal executive offices of the Corporation not earlier than the opening of business 120 days before, and not later than the close of business 90 days before, the first anniversary of the date of the preceding year's annual meeting of stockholders. If no annual meeting was held in the previous year, or if the date of the applicable annual meeting has been changed by more than 30 days from the date of the previous year's annual meeting, then a stockholder's notice, in order to be considered timely, must be received by the Secretary at the principal executive offices of the Corporation not earlier than the opening of business 120 days before the date of such annual meeting, and not later than the close of business on the later of (x) 90 days prior to the date of such annual meeting; and (y) the 10th day following the day on which Public Announcement of the date of such annual meeting was first made. In no event shall the Public Announcement of an adjournment or postponement of an annual meeting or of a new record date for an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth the following

information (and, if such notice relates to the nomination of any person for election or re-election as a Director of the Corporation, the questionnaire, representation and agreement required by Section 2.16(b) must also be delivered with and at the same time as such notice):

(A) as to each person whom the stockholder proposes to nominate for election as a Director, (1) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case in accordance with Regulation 14A under the Exchange Act and such other information as may be required by the Corporation pursuant to any policy of the Corporation governing the selection of Directors publicly available (whether on the Corporation's website or otherwise) as of the date of such notice; (2) such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected and (3) a description of all agreements, arrangements or understandings between the stockholder or any beneficial owner on whose behalf such nomination is made, or their respective affiliates, and each nominee or any other person or persons (naming such person or persons) in connection with the making of such nomination or nominations;

(B) as to any business the stockholder proposes to bring before the meeting, (1) a brief description of such business; (2) the text of the proposal to be voted on by stockholders (including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the By-Laws, the language of the proposed amendment); (3) the reasons for conducting such business at the meeting; and (4) a description of any direct or indirect material interest of the stockholder or of any beneficial owner on whose behalf the proposal is made, or their respective affiliates, in such business (whether by holdings of securities, or by virtue of being a creditor or contractual counterparty of the Corporation or of a third party, or otherwise), and all agreements, arrangements and understandings between such stockholder or any such beneficial owner or their respective affiliates and any other person or persons (naming such person or persons) in connection with the proposal of such business;

(C) as to the stockholder giving the notice and each beneficial owner, if any, on whose behalf the business is proposed or nomination is made (each, a "Party"), (1) the name and address of such Party (in the case of each stockholder, as they appear on the Corporation's books); (2) the class or series and number of shares of the Corporation that are owned, directly or indirectly, beneficially or held of record by such Party or any of its affiliates (naming such affiliates); (3) a description of any agreement, arrangement or understanding (including any swap or other derivative or short position, profit interest, option, warrant, convertible security, stock appreciation or similar right with exercise or conversion privileges, hedging transactions, and securities lending or borrowing arrangement) to which such Party or any of its affiliates is, directly or indirectly, a party as of the date of such notice (x) with respect to shares of stock of the Corporation; or (y) the effect or intent of which is to mitigate loss to, manage the potential risk or benefit of security price changes (increases or decreases) for, or increase or decrease the voting power of such Party or any of its affiliates with respect to securities of the Corporation or which has a value derived in whole or in part, directly or indirectly, from the value (or change in value) of any securities of the Corporation, in each case whether or not subject

to settlement in the underlying security of the Corporation (each such agreement, arrangement or understanding, a "Disclosable Arrangement") (specifying in each case (I) the effect of such Disclosable Arrangement on voting or economic rights in securities in the Corporation, as of the date of the notice; and (II) any changes in such voting or economic rights which may arise pursuant to the terms of such Disclosable Arrangement); (4) any proxy, agreement, arrangement, understanding or relationship pursuant to which such Party has a right to vote, directly or indirectly, any shares of any security of the Corporation; (5) any rights to dividends on the shares of the Corporation owned, directly or indirectly, beneficially by such Party that are separated or separable from the underlying shares of the Corporation; (6) any proportionate interest in shares of the Corporation or Disclosable Arrangements held, directly or indirectly, by a general or limited partnership in which such Party is a general partner or, directly or indirectly, beneficially owns an interest in a general partner; (7) any performance-related fees (other than an asset-based fee) that such Party is directly or indirectly entitled to based on any increase or decrease in the value of shares of the Corporation or Disclosable Arrangements, if any, as of the date of such notice, including any such interests held by members of such Party's immediate family sharing the same household; (8) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination; and (9) a representation whether such Party intends, or is part of a group which intends, (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding shares of capital stock required to approve or adopt the proposal or elect the nominee; and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination; and

(D) an undertaking by each Party to notify the Corporation in writing of any change in the information previously disclosed pursuant to clauses (A)(1), (A)(3), (B)(4) and (C) of this Section 2.16(a)(iii) as of the record date for determining stockholders entitled to receive notice of such meeting, by notice received by the Secretary not later than the 10th day following such record date, and thereafter by notice so given and received within two business days of any change in such information (and, in any event, by the close of business on the day preceding the meeting date).

The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a Director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee. In addition, a stockholder seeking to nominate a director candidate or bring another item of business before the annual meeting shall promptly provide any other information reasonably requested by the Corporation.

(iv) Notwithstanding anything in clause (iii) of this Section 2.16(a) to the contrary, in the event that the number of Directors to be elected to the Board of Directors at an annual meeting of stockholders is increased and there is no Public Announcement by the Corporation naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the date of the preceding year's annual meeting of stockholders, a stockholder's notice required by this Section 2.16(a) shall also be considered timely, but only with respect to

nominees for the additional directorships, if it is received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such Public Announcement is first made by the Corporation (it being understood that such notice must nevertheless comply with the requirements of clause (iii) of this Section 2.16 (a)).

(b) To be eligible to be a nominee for election or re-election by the stockholders as a Director of the Corporation or to serve as a Director of the Corporation, a person must deliver (not later than the deadline prescribed for delivery of notice under clause (iii) or (iv), as applicable, of Section 2.16(a)) to the Secretary a written questionnaire with respect to the background and qualification of such person and, if applicable, the background of any other person on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person: (i) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person as to how such person, if elected as a Director, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed in such questionnaire; or (B) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a Director, with such person's duties under applicable law; (ii) is not and will not become a party to any agreement, arrangement or understanding with any person other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed in such questionnaire; and (iii) in such person's individual capacity and on behalf of any person on whose behalf the nomination is being made, would be in compliance, if elected or re-elected as a Director, and will comply with, applicable law and all conflict of interest, confidentiality and other policies and guidelines of the Corporation (including the Corporation's Corporate Governance Guidelines) applicable to Directors generally and publicly available (whether on the Corporation's website or otherwise) as of the date of such representation and agreement.

(c) Only such business shall be conducted at a special meeting of stockholders as shall have been specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors; or (ii) so long as and provided that the Board of Directors has determined that Directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in Section 2.16(a)(iii) is delivered to the Secretary, who is entitled to vote at the meeting and upon such election and who complies with the requirements set forth in Sections 2.16(a)(iii) and 2.16(b) as if such requirements referred to such special meeting; provided, however, that to be considered timely notice under this clause (c), a stockholder's notice must be received by the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such meeting or the 10th day following the day on which Public Announcement of the date of such special meeting was first made. In no event shall the Public Announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for giving of a stockholder's notice as described above. This clause (c) shall be the exclusive

means for a stockholder to make nominations or other business proposals before a special meeting of stockholders (other than matters properly brought under Rule 14a-8 under the Exchange Act and included in the Corporation's notice of meeting).

(d) Only such persons who are nominated for election or reelection as a director of the Corporation in accordance with the procedures, and who meet the other qualifications, set forth in the Section 2.16(a), (b) and (if applicable) (c) of these By-Laws shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in these By-Laws.

(e) Without limiting the applicability of the foregoing provisions of this Section 2.16, a stockholder who seeks to have any proposal or potential nominee included in the Corporation's proxy materials must provide notice as required by and otherwise comply with the applicable requirements of the rules and regulations under the Exchange Act. Except for the immediately preceding sentence, nothing in this Section 2.16 shall be deemed to affect any rights of (i) stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act; or (ii) the holders of any class or series of Preferred Stock, voting as a class separately from the holders of common stock, to elect Directors pursuant to any applicable provisions of such class or series Preferred Stock or the Certificate of Incorporation. Subject to Rule 14a-8 under the Exchange Act, nothing in these By-Laws shall be construed to permit any stockholder, or give any stockholder the right, to include or have disseminated or described in the Corporation's proxy statement any nomination of director or directors or any other business proposal.

(f) Notwithstanding anything to the contrary contained in this Section 2.16, for as long as the Stockholders' Agreement, as may be amended from time to time, remains in effect with respect to TPG, TPG (to the extent then subject to the Stockholders' Agreement, as may be amended from time to time), shall not be subject to the notice provisions set forth in paragraphs (a)(ii), (a)(iii), (a)(iv), (b), (c) or (d) of this Section 2.16.

2.17 Requirement to Appear. Notwithstanding anything to the contrary contained in Section 2.16, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or item of business, such proposed business shall not be transacted and such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation.

ARTICLE III

DIRECTORS

3.1 Powers. All corporate power shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed by or under the direction of, its Board of Directors. The Board of Directors may exercise (or grant authority to be exercised) all the powers and authority of the Corporation and do all such lawful acts and things except (a) as are by law or otherwise required or directed to be exercised or done by the stockholders; or (b) as and to the extent set forth in the Certificate of Incorporation or these By-Laws.

3.2 Number, Election and Qualification. The number of Directors shall be such number as is from time to time determined in the manner provided in the Certificate of Incorporation. Except to the extent otherwise provided in the Certificate of Incorporation, the Directors shall be divided into three classes, as nearly equal in number as possible. A nominee for Director shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election; provided, however, that Directors shall be elected by a plurality of the votes cast at any meeting of stockholders or in any action by written consent in lieu of such a meeting for which (a) the Corporation receives a notice that a stockholder has nominated a person for election to the Board of Directors that was timely made in accordance with the applicable nomination periods provided in these By-Laws, and (ii) such nomination or notice has not been withdrawn on or before the 10th day before the Corporation first mails its initial proxy statement in connection with such election of directors. If Directors are to be elected by a plurality of the votes cast, stockholders shall not be permitted to vote against a nominee.

3.3 Vacancies; Reduction of Board. Any vacancy or newly created directorship in the Board of Directors, however occurring, may be filled only in the manner provided in and to the extent permitted under the Certificate of Incorporation. A vacancy that will occur at a specific later date may be filled before the vacancy occurs but the new Director may not take office until the vacancy occurs.

3.4 Resignation. Any Director may resign at any time by delivering his or her resignation in writing or by electronic transmission to the Board of Directors, the Chairman of the Board (if any) or to the Corporation at its principal executive office. Such resignation shall be effective upon receipt unless it is specified therein to be effective at some later time, and the acceptance of a resignation shall not be necessary to make it effective unless such resignation specifies otherwise.

3.5 Removal. Any Director, or the entire Board of Directors, may only be removed from office in the manner provided in and to the extent permitted under the Certificate of Incorporation.

3.6 Meetings.

(a) **Annual Meetings.** The Board of Directors shall meet for the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders. Notice of such meeting need not be given. In the event such annual meeting of stockholders is not held, the annual meeting of the Board of Directors may be held at such other time or place (within or without the State of Delaware), called in the manner provided in Section 3.6(c).

(b) **Regular Meetings.** Regular meetings of the Board of Directors shall be held without notice at such time or times, on such date or dates and at such place or places as the Board of Directors may from time to time determine and publicize among all Directors. A notice of each regular meeting shall not be required.

(c) **Special Meetings.** Special meetings of the Board of Directors may be called by one-third of the Directors then in office (rounded up to the nearest whole number), by the Chairman of the Board, or by the Chief Executive Officer, and shall be held at such place, on such date, and at such time as they or he or she shall fix.

3.7 Notice of Special Meeting. Notice of the time, date and place of all special meetings of the Board of Directors shall be given to each Director. Except as otherwise provided by law, notice of each such meeting shall be mailed to each Director, addressed to such Director at his or her residence or usual place of business, at least 48 hours prior to the day on which such meeting is to be held, provided that in lieu thereof, notice may be delivered to each Director personally or by telephone or sent by facsimile, electronic mail or other electronic transmission, not later than noon of the calendar day before the day on which such meeting is to be held. A notice of a special meeting of the Board of Directors need not specify the purposes of the meeting unless required by the Certificate of Incorporation or these By-Laws. Notice of any meeting of the Board shall not, however, be required to be given to any Director who submits a signed waiver of notice, or waives notice of such meeting by electronic transmission, whether before or after the meeting, or if he or she is present at such meeting; and any meeting of the Board of Directors shall be a legal meeting without any notice thereof having been given to all of the Directors if all the Directors of the Corporation then in office are present thereat or have waived notice thereof.

3.8 Quorum. At any meeting of the Board of Directors, a majority of the total number of authorized Directors shall constitute a quorum for all purposes, provided that if a quorum of Directors shall fail to attend any meeting, any number of Directors (whether one or more and whether or not constituting a quorum) constituting a majority of Directors present at such meeting may adjourn the meeting to another place, date or time, without further notice or waiver thereof.

3.9 Action at Meeting. At any meeting of the Board of Directors at which a quorum is present (or such smaller number as may make a determination pursuant to Section 145 of the DGCL or any successor provision), business shall be transacted in such order and manner as the Board of Directors may from time to time determine, and all matters shall be determined by the vote of a majority of the Directors present at such meeting at which there is a quorum, except as is required or provided by law, by the Certificate of Incorporation or by any other provision of these By-Laws.

3.10 Action Without Meeting. Unless the Certificate of Incorporation otherwise provides, any action required or permitted to be taken by the Board of Directors or a committee thereof may be taken without a meeting if all members of the Board of Directors or such committee consent thereto in writing, or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or such committee. Action taken under this Section 3.10 is effective when the last Director signs or delivers the consent, unless the consent specifies a later effective date. A consent signed or delivered under this Section 3.10 has the effect of a meeting vote and may be described as such in any document.

3.11 Telephone Conference Meetings. Unless otherwise restricted by the Certificate of Incorporation, any or all Directors may participate in a regular or special meeting of the Board of Directors, or any meeting of any committee thereof, by, or conduct the meeting through the use

of, any means of communication by which all Directors participating may hear each other during the meeting. A Director participating in a meeting by this means is considered to be present in person at the meeting.

3.12 Rules and Regulations. The Board of Directors may adopt such rules and regulations for the conduct of its meetings and the management of the affairs of the Corporation as it may deem proper, not inconsistent with the laws of the State of Delaware, the Certificate of Incorporation or the other provisions of these By-Laws.

3.13 Committees.

(a) Designation of Committees. The Board of Directors shall designate and shall appoint one or more of its members to an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, with such lawfully delegable powers and duties as it thereby confers. The Audit Committee shall be composed of at least three Directors and each of the Compensation Committee and Nominating and Corporate Governance Committee shall be composed of at least two Directors. Unless otherwise provided by the Certificate of Incorporation, the Board of Directors may from time to time elect from its members one or more other committees of the Board and may delegate thereto such lawfully delegable powers and duties as it thereby confers. All members of any committee of the Board of Directors shall serve at the pleasure of the Board of Directors, and the Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall report its actions to the Board of Directors. Unless otherwise provided in a resolution or resolutions of the Board of Directors designating the committee, the Board of Directors shall have the power to rescind any action of any such committee, but no such rescission shall have retroactive effect.

(b) Alternates; Substitution of Members. The Board of Directors may, subject to any requirements specifically set forth in this Section 3.13, designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

(c) Delegable Authority. Any such committee, to the extent provided in a resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of Directors) required by the DGCL to be submitted to stockholders for approval; or (ii) adopt, amend or repeal the By-Laws of the Corporation.

(d) Term. The Board, subject to the requirements specifically set forth in this Section 3.13 and subject to the applicable requirements of law (including the rules or regulations of any stock exchange applicable to the Corporation), may at any time change, increase or decrease the number of members of a committee or terminate the existence of a committee. A Director's membership on a committee shall terminate on the date of his or her death or resignation, but the Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may, subject to any requirements specifically set forth in this Section 3.13, fill any committee vacancy created by death, resignation, or removal or increase in the number of members of the committee.

(e) Conduct of Business of Committees. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings. A majority of the members of the committee shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum, except to the extent that the presence of a larger number of members is required by the charter of such committee; and all matters shall be determined by a majority vote of the members present, except to the extent a charter of a committee otherwise requires.

3.14 Compensation. Directors, as such, may receive, pursuant to a resolution of the Board of Directors, fixed fees and other compensation for their services as Directors, including their services as members of committees of the Board of Directors.

ARTICLE IV

OFFICERS

4.1 Appointment; Term of Office. The Board of Directors, at its first meeting after each annual meeting of stockholders, shall elect at least the following officers: a Chairman of the Board, a Chief Executive Officer, a Chief Financial Officer, a Treasurer and a Secretary. The Board of Directors may also elect, appoint, or provide for the appointment of such other officers and agents as may from time to time appear necessary or advisable in the conduct of the affairs of the Corporation. Each officer of the Corporation shall hold office for such term as may be prescribed by the Board of Directors and until his or her successor is chosen and qualifies or until his or her earlier death, disqualification, resignation or removal, and shall perform such duties as from time to time shall be prescribed by these By-Laws or, to the extent consistent with these By-Laws, by the Board of Directors or by direction of an officer authorized by the Board of Directors to prescribe the duties of other officers. The Board of Directors may fill any vacancy occurring in any office of the Corporation at any regular or special meeting. Two or more offices may be held by the same person. No officer need be a stockholder or Director, except that the Chairman of the Board shall be chosen from among the Directors.

4.2 Resignation. Any officer may resign by delivering his or her written resignation to the Corporation at its principal office, and such resignation shall be effective upon receipt unless it is specified to be effective at a later time. If a resignation is made effective at a later date and the Corporation accepts the future effective date, the Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor shall not take office until the effective date. An officer's resignation shall not affect the Corporation's contract rights, if any, with the officer.

4.3 Removal. The Board of Directors may remove any officer with or without cause. Nothing herein shall limit the power of any officer to discharge any subordinate.

4.4 Powers and Duties; Delegation.

(a) Each officer of the Corporation shall have such duties and powers as are customarily incident to his or her office (subject to the direction and control of the Board of Directors and except as otherwise provided by these By-Laws), and such other duties and powers as may be designated from time to time by the Board of Directors or by direction of an officer authorized by the Board of Directors to prescribe the duties of such other officer.

(b) Whenever an officer or officers is absent, or whenever for any reason the Board of Directors may deem it desirable, the Board may delegate the powers and duties of any officer or officers to any Director or Directors.

(c) The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any other provision hereof.

4.5 Compensation. The compensation of the officers of the Corporation for their services as officers to the Corporation shall be fixed from time to time by or at the direction of the Board of Directors. An officer of the Corporation shall not be prevented from receiving compensation by reason of the fact that he or she is also a Director of the Corporation.

ARTICLE V

CAPITAL STOCK

5.1 Issuance and Consideration. Subject to any applicable requirements of law, the Certificate of Incorporation or these By-Laws, the Board of Directors may direct the Corporation to issue the number of shares of each class or series of stock authorized by the Certificate of Incorporation. The Board of Directors may authorize shares to be issued for any valid consideration. Before the Corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for shares to be issued is equal to or more than the aggregate par value of such shares. That determination by the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid and nonassessable. Subject to any applicable requirements of law or the Certificate of Incorporation, the Board of Directors shall determine the terms upon which the rights, options, or warrants for the purchase of shares or other securities of the Corporation are issued by the Corporation and the terms, including the consideration, for which the shares or other securities are to be issued.

5.2 Share Certificates. If shares are represented by certificates, at a minimum each share certificate shall state on its face: (a) the name of the Corporation and that it is organized under the laws of the State of Delaware; (b) the name of the person to whom issued; and (c) the number and class of shares and the designation of the series, if any, the certificate represents. The front or back of each certificate shall also set forth any information or statement required to be set forth thereon by the DGCL. Unless shares can be issued only in uncertificated form as contemplated by Section 5.3, each stockholder shall be entitled to a certificate signed by, or in

the name of the Corporation by, either manually or in facsimile, the Chairman of the Board or Vice-Chairman of the Board, or the President or Vice-President, and by the Treasurer or an Assistant Vice—Treasurer, or the Secretary or an Assistant Secretary certifying the number of shares owned by him or her in the Corporation. Any or all of the signatures on the certificate may be by facsimile, and any such certificate shall bear the corporate seal or its facsimile. If the person who signed, either manually or in facsimile, a share certificate no longer holds office when the certificate is issued, the certificate shall be nevertheless valid.

5.3 Uncertificated Shares. The Board of Directors may authorize the issue of some or all of the shares of any or all of the Corporation's classes or series of capital stock without certificates. The authorization shall not affect shares already represented by certificates until they are surrendered to the Corporation. To the extent required by the DGCL, within a reasonable time after the issue or transfer of shares without certificates, the Corporation shall send the stockholder a written statement of the information required by the DGCL to be on physical share certificates of the Corporation.

5.4 Lost, Stolen or Destroyed Certificates. The Board of Directors may, subject to Section 167 of the DGCL, determine the conditions upon which a new share certificate may be issued in place of any certificate alleged to have been lost, destroyed, or stolen. The Board of Directors may, in its discretion, require the owner of such share certificate, or his or her legal representative, to give a bond, sufficient in its opinion, with or without surety, to indemnify the Corporation against any loss or claim which may arise by reason of the issue of the new certificate.

5.5 Transfers. Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of stock of the Corporation. Subject to any restrictions on transfer, shares of stock represented by certificates may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment and power of attorney properly executed, with transfer stamps (if necessary) affixed, and with such proof of the authenticity of signature as the Corporation or its transfer agent may reasonably require. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, such uncertificated shares shall be cancelled and the issuance of new equivalent uncertificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation. A record shall be made of each transfer and whenever a transfer shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer.

5.6 Regulations. To the fullest extent permitted by law, the issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

5.7 Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner and to hold liable for calls and assessments a person registered on its books as the owner of shares and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VI

CORPORATE RECORDS

6.1 Records to be Kept. The Corporation shall keep as permanent records minutes of all meetings of its stockholders and Board of Directors and committee thereof, and a record of all actions taken by the stockholders or Board of Directors and committee thereof without a meeting. The Corporation or its agent shall maintain a record of its stockholders, in a form that permits preparation of a list of the names and addresses of all stockholders, in alphabetical order by class or series of shares showing the number and class or series of shares held by each. The Corporation shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

ARTICLE VII

INDEMNIFICATION AND INSURANCE

7.1 Power to Indemnify in Action, Suits or Proceedings. Subject to the limitations set forth in Section 7.4, the Corporation shall indemnify and hold harmless to the fullest extent authorized by the DGCL, as the same exists or may hereinafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior to such amendment), or by other applicable law as then in effect, any person who was or is a party to or is threatened to be made a party to or is involved in (including as a witness) any proceeding, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is an Eligible Person (hereinafter, an "Indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as an Eligible Person or in any other capacity while serving in such official capacity, against all expense, liability and loss (including attorneys' and other professionals' fees, judgments, fines, ERISA taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith.

7.2 Expenses Payable In Advance. To the fullest extent authorized by Delaware law, each Indemnitee shall, subject in all events to satisfaction of the terms and conditions set forth in or imposed pursuant to clauses (a) and (b) of this Section 7.2 and to the limitations contained in Section 7.4, have the right to be paid by the Corporation the expenses (including attorneys' and other professionals' fees and disbursements and court costs) actually and reasonably incurred in defending any proceeding described in Section 7.1 in advance of its final disposition (an "advancement of expenses") upon (a) the receipt of an undertaking (an "undertaking") by or on behalf of such person to cooperate with the Corporation and its insurers in connection with the proceeding and any related matter and to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "final adjudication") that such person is not entitled to be indemnified by the Corporation for such expenses pursuant to this Article VII (it being understood that no collateral securing or other assurance of performance of such undertaking shall be required of such Indemnitee by the Corporation) and (b) in the case of an advancement of expenses for any Indemnitee other than a present or former Director of the Corporation, such other terms and conditions as the Corporation, in its sole discretion, deems appropriate.

7.3 Indemnification and Advancement of Expenses to Certain Other Persons. The Corporation may, by action of its Board of Directors, from time to time grant rights to indemnification and advancement of expenses to such persons and with such scope and effect as the Board of Directors may determine, subject to applicable law. The Board of Directors may delegate to the appropriate officers of the Corporation the decision to grant from time to time rights to indemnification and advancement of expenses pursuant to this Section 7.3 to any employee or agent of the Corporation who is not an Eligible Person.

7.4 Exclusion of Claims Against the Corporation. No Eligible Person shall be entitled to any advancement of expenses for, or to indemnification from or to be held harmless by the Corporation against expenses, liabilities or losses, incurred by him or her in asserting any claim or commencing or prosecuting any proceeding against the Corporation (except as provided in Section 7.5) or any subsidiary of the Corporation or any current or former Director, officer, employee or agent of the Corporation or of any subsidiary of the Corporation, but such advancement of expenses and indemnification and hold harmless rights may be provided by the Corporation in any specific instance as permitted by Sections 7.7 or 7.9, or in any specific instance in which the Board of Directors or any person designated to grant such authorization pursuant to a resolution adopted by the Board of Directors shall first authorize the commencement or prosecution of such a proceeding or the assertion of such a claim.

7.5 Enforcement. The rights to indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall be enforceable by any person entitled to such indemnification or advancement of expenses (following final disposition of any proceeding entitling such person thereto) in any court of competent jurisdiction. To the fullest extent permitted by law, if successful in whole or in part in any such proceeding, or in a proceeding brought by the Corporation to recover an advancement of expenses, the person entitled to such indemnification or advancement of expenses (following final disposition of any proceeding entitling such person thereto) shall be entitled to be paid also the expense of prosecuting or defending such suit. Notice of any application to a court by an Indemnitee pursuant to this Section 7.5 shall be given to the Corporation promptly upon the filing of such application; provided, however, that such notice shall not be a requirement for an award of or a determination of entitlement to indemnification or advancement of expenses.

7.6 Certain Definitions. For purposes of this Article VII: (a) a "proceeding" means any threatened, pending or completed action, suit or proceeding (or part thereof), whether civil, criminal, administrative or investigative, or any appeal therefrom; (b) an "Eligible Person" is any person who is or was, or has agreed to become, (i) a Director or officer of the Corporation or, (ii) a Director or officer of the Corporation who, while such a Director or officer, is or was serving at the request of the Corporation as a director, officer, employee, agent or manager of another corporation, partnership, limited liability company, joint venture, trust or other enterprise or nonprofit entity, including service with respect to an employee benefit plan; and (c) a "TPG Indemnitee" is any Indemnitee that is an affiliate of TPG (other than the Corporation), or any direct or indirect partner, manager, member, shareholder, employee, director, officer or agent of such Indemnitee.

7.7 Non-Exclusivity and Survival of Indemnification.

(a) The rights to indemnification and to the advancement of expenses provided by or granted pursuant to this Article VII shall be deemed independent of, and shall not be deemed exclusive of or a limitation on, any other rights to which any person seeking indemnification or advancement of expenses may be entitled or hereafter acquire under any statute, provision of the Certificate of Incorporation, provision of these By-Laws, agreement, vote of stockholders or of disinterested Directors or otherwise, both as to such person's official capacity and as to action in another capacity while holding such office, it being the intent of the Corporation that indemnification of and advancement of expenses to Indemnitees shall be made to the fullest extent permitted by law, including as a result of any amendment of the DGCL expanding the right of corporations to indemnify and advance expenses.

(b) The Corporation's obligation, if any, to indemnify, to hold harmless, or to provide advancement of expenses to any Indemnatee who was or is serving at its request as a Director, officer, employee, agent or manager of another corporation, partnership, limited liability company, joint venture, trust or other enterprise or nonprofit entity (including service with respect to an employee benefit plan) shall be reduced by any amount such Indemnatee actually collects as indemnification, holding harmless, or advancement of expenses from such other corporation, partnership, limited liability company, joint venture, trust or other enterprise nonprofit entity.

(c) In all events, the Corporation hereby agrees that, to the fullest extent permitted by law with respect to its indemnification and advancement obligations to any TPG Indemnatee, (i) the Corporation is the indemnitor of first resort (i.e., its and its insurers' obligations to any TPG Indemnatee to advance expenses and to indemnify such TPG Indemnatee are primary and any obligation of TPG (including any affiliate thereof other than the Corporation) or its insurers to advance expenses or to provide indemnification hereunder or under any other indemnification agreement (whether pursuant to contract, the By-Laws or the Certificate of Incorporation) is secondary and excess) and (ii) the Corporation irrevocably waives and relinquishes, and releases TPG (including any affiliate thereof other than the Corporation) and its insurers from, any and all claims against TPG (including any affiliate thereof other than the Corporation) or such insurers for contribution, subrogation or any other recovery of any kind in respect thereof. In furtherance and not in limitation of the foregoing, the Corporation agrees that in the event TPG (including any affiliate thereof other than the Corporation) or its insurer should advance any expenses or make any payment to any TPG Indemnatee for matters subject to advancement or indemnification by the Corporation pursuant to this Article VII or otherwise, the Corporation shall promptly reimburse TPG (including any affiliate thereof other than the Corporation) or such insurers, as applicable, and that TPG (including any affiliate thereof other than the Corporation) or insurer shall be subrogated to all of the claims or rights of such TPG Indemnatee with respect to such payment, including to the payment of expenses in an action to collect.

(d) The rights to indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall continue as to a person who has ceased to be a Director or officer of the Corporation (or in the case of any other person entitled to indemnity granted pursuant to this Article VII, has ceased to serve the Corporation) and shall inure to the benefit of the estate, heirs, legatees, distributees, executors, administrators and other comparable legal representatives of such person.

7.8 Contractual Rights. The rights conferred upon any person in this Article VII shall be contract rights and such rights shall continue as to any person who has ceased to be a Director, officer, employee, trustee or agent, and shall inure to the benefit of such person's heirs, executors and administrators. A right to indemnification or to advancement of expenses arising under any provision of this Article VII shall not be eliminated or impaired by an amendment, alteration or repeal of any provision of these By-Laws after the occurrence of the act or omission that is the subject of the proceeding for which indemnification or advancement of expenses is sought (even in the case of a proceeding based on such a state of facts that is commenced after such time).

7.9 Insurance. The Corporation may, but shall not be required to, purchase and maintain insurance, at its expense, on behalf of itself and any person who is or was a Director, officer, employee, agent or manager of the Corporation or another corporation, partnership, limited liability company, joint venture, trust or other enterprise or nonprofit entity, including service with respect to an employee benefit plan, against any expense, liability or loss, whether or not the Corporation would have the power or the obligation to indemnify such person against such expense, liability or loss under Delaware law. Nothing contained in this Article VII shall prevent the Corporation from entering into with any person any agreement that provides independent indemnification, hold harmless or exoneration rights to such person or further regulates the terms on which indemnification, hold harmless or exoneration rights are to be provided to such person or provides independent assurance of the Corporation's obligation to indemnify, hold harmless and/or exonerate such person, whether or not such indemnification, hold harmless or exoneration rights are on the same or different terms than provided for by this Article VII or is in respect of such person acting in any other capacity, and nothing contained herein shall be exclusive of, or a limitation on, any right to indemnification, to be held harmless, to exoneration or to advancement of expenses to which any person is otherwise entitled. The Corporation may create a trust fund, grant a security interest or use other means (including a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification and the advancement of expenses as provided in this Article VII.

7.10 Severability. If this Article VII or any portion hereof shall be invalidated or held to be unenforceable on any ground by any court of competent jurisdiction, the decision of which shall not have been reversed on appeal, this Article VII shall be deemed to be modified to the minimum extent necessary to avoid a violation of law and, as so modified, this Article VII and the remaining provisions hereof shall remain valid and enforceable in accordance with their terms to the fullest extent permitted by law.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board of Directors. If the Board makes no determination to the contrary, the fiscal year of the Corporation shall be the twelve months ending with December 31 in each year.

8.2 Seal. The Board of Directors shall have power to adopt and alter the seal of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Treasurer or Assistant Secretary (if there be such officers appointed).

8.3 Execution of Instruments. The Board of Directors may authorize, or provide for the authorization of, officers, employees or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Any such authorization must be in writing or by electronic transmission and may be general or limited to specific contracts or instruments.

8.4 Voting of Securities. Unless otherwise provided by the Board of Directors, the Chief Executive Officer, the Chief Financial Officer or the General Counsel may waive notice of and act on behalf of the Corporation, or appoint another person or persons to act as proxy or attorney in fact for the Corporation with or without discretionary power or power of substitution, at any meeting of stockholders or stockholders of any other corporation, entity or organization, any of whose securities or interests are held by the Corporation.

8.5 Amendments. Except as otherwise specifically provided by the DGCL, these By-Laws may be added to, amended, altered or repealed, in the manner provided in the Certificate of Incorporation, by the Board of Directors. The stockholders of the Corporation may not adopt, amend or repeal any By-Law provision, and no provision inconsistent therewith shall be adopted by the stockholders, unless (i) prior to the Trigger Date, such action is approved by the affirmative vote of the holders of a majority of the voting power of the outstanding common stock and (ii) from and after the Trigger Date, such action is approved by 66 2/3% of the voting power of the outstanding common stock.

8.6 Construction. The words "include" and "including" and similar terms shall be deemed to be followed by the words "without limitation." Whenever used in these By-Laws, any noun or pronoun shall be deemed to include the plural as well as the singular and to cover all genders. Any reference in these By-Laws to a provision of any statute shall be deemed to include any successor provision. Unless the context otherwise requires, the term "person" shall be deemed to include any natural person or any corporation, organization or other entity.

8.7 Reliance upon Books, Reports and Records. Each Director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or

statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors, or by any other person as to matters that such Director, committee member or officer reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

8.8. Forum for Adjudicating Disputes. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, other employee or stockholder of the Corporation to the Corporation or to the Corporation's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL or the Certificate of Incorporation or these By-Laws (as any of the foregoing may be amended from time to time) or as to which the DGCL confers jurisdiction on the Chancery Court, or (d) any action asserting a claim governed by the internal affairs doctrine of the State of Delaware, in each such case, unless the Chancery Court (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein. If any action the subject matter of which is within the scope of the preceding sentence is filed in a court other than a court located within the State of Delaware (a "Foreign Action") in the name of any stockholder, such stockholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the preceding sentence and (ii) having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 8.8.

ARTICLE IX

DEFINITIONS

As used in these By-Laws, unless the context otherwise requires, the term:

9.1 "advancement of expenses" is defined in Section 7.2.

9.2 "Board" and "Board of Directors" means the Board of Directors of the Corporation.

9.3 "Certificate of Incorporation" means the Certificate of Incorporation of the Corporation, as amended, modified, restated and in effect from time to time, including any certificate of designations in effect from time to time with respect to Preferred Stock.

9.4 "Corporate Governance Guidelines" means the corporate governance guidelines of the Corporation, as amended, modified, restated and in effect from time to time.

9.5 "Corporation" means Surgical Care Affiliates, Inc.

- 9.6 "DGCL" means the General Corporation Law of the State of Delaware, as in effect from time to time.
- 9.7 "Disclosable Arrangement" is defined in Section 2.16(a)(iii)(C).
- 9.8 "Eligible Person" is defined in Section 7.6(b).
- 9.9 "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- 9.10 "final adjudication" is defined in Section 7.2(a).
- 9.11 "Indemnitee" is defined in Section 7.1.
- 9.12 "Party" is defined in Section 2.16(a)(iii)(C).
- 9.13 "Preferred Stock" means the preferred stock of the Corporation.
- 9.14 "proceeding" is defined in Section 7.6(a).
- 9.15 "Public Announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.
- 9.16 "Stockholders' Agreement" means the Stockholders' Agreement by and among the Corporation and the stockholders thereto.
- 9.17 "TPG" means the investment funds affiliated with TPG Global, LLC and their respective successors and affiliates (other than the Corporation and its subsidiaries).
- 9.18 "Trigger Date" means the first date on which any investment fund affiliated with TPG ceases to collectively beneficially own (directly or indirectly) shares representing at least 50% of the then issued and outstanding shares of the common stock of the Corporation, with such beneficial ownership to be determined in accordance with Rule 13d-3 promulgated under the Exchange Act.
- 9.19 "undertaking" is defined in Section 7.2(a).
- 9.20 "Voting Commitment" is defined in Section 2.16(b).



Surgical Care Affiliates (SCA), OptumCare to Combine

- 1 *Creates comprehensive ambulatory care services platform, including primary care, urgent care and surgical care services*
- 2 *Combination broadens ability of the companies to improve patient experience, and quality and cost of care*
- 3 *Companies to align strategy to support value-based payment models and a multi-payer approach*
- 4 *Builds on companies' existing joint ventures, strong relationship and complementary capabilities*

Wakefield, Mass., and Deerfield, Ill. (Jan. 9, 2017) — Optum, a leading health services company and part of UnitedHealth Group (NYSE: UNH), and Surgical Care Affiliates, Inc. (NASDAQ: SCAI), a leading ambulatory surgery center (ASC) and surgical hospital provider, are combining. The agreement calls for the acquisition of SCA's outstanding common stock for \$57.00 per share.

The combination of SCA with OptumCare, Optum's primary and urgent care delivery services business working with more than 80 health plans, will position the combined organization as a comprehensive provider of ambulatory care services, while continuing expansion of SCA's network of ASCs and surgical hospitals in partnership with leading health systems, medical groups and health payers. The combination builds upon the two companies' successful ASC collaborations and expands OptumCare's capabilities in outpatient surgical procedures.

"Joining with OptumCare will enable us to better support and empower independent physicians, helping them provide high-quality care for their patients while making health care more affordable. The combination of SCA and OptumCare is another step forward toward our vision of becoming the partner of choice for surgeons," said Andrew Hayek, chairman and chief executive officer of SCA. "We already have a strong relationship with OptumCare, so we have seen firsthand that our cultures and strategies are aligned and complementary."

Larry C. Renfro, vice chairman of UnitedHealth Group and Optum chief executive officer, said: "Combining SCA and OptumCare will enable us to continue the transition to high-quality, high-value ambulatory surgical care, partnering with the full range of health systems, medical groups and health plans. We have an incredibly high regard for SCA's leadership and people, so we look forward to working with them and our payer partners to implement care models that reward independent surgeons and specialists for quality and care efficiency."

System-wide, SCA and its affiliates serve approximately 1 million patients per year in more than 30 states. The company is a leader in partnering strategically with many health plans, medical groups and health systems to align with physicians through value-based payment models that reward quality, patient experience and cost-efficiency.

With the combination, SCA will become part of the OptumCare platform, which serves millions of consumers annually through 20,000 affiliated physicians and hundreds of care facilities. Hayek and the SCA leadership team will continue forward as part of SCA and the larger OptumCare platform. The companies will offer compelling quality and value to patients and payers and support independent doctors' practices as eligible surgical cases (e.g., total joint replacements) continue to migrate to the ASC and surgical hospital environments.

The agreement calls for the acquisition of SCA's outstanding common stock for a fixed price of \$57.00 per share, to be funded between 51 percent and 80 percent with UnitedHealth Group common stock, with the final percentage to be determined at UnitedHealth Group's option and the remainder in cash. The transaction is expected to close during the first half of 2017, subject to the tender of a majority of SCA's shares, regulatory approvals and other customary closing conditions, and is expected to be neutral to UnitedHealth Group's outlook for adjusted net earnings per share in 2017 and modestly accretive in 2018.

"Over the past eight years, we have had the great pleasure of partnering with SCA as the business has transformed into a leader in the health care services sector," said Lead Independent Director of SCA and Managing Partner of TPG Capital Todd B. Sisitsky. "We believe this combination will create significant value for SCA's patients and physician partners, and we look forward to the combined company's future success." Affiliates of TPG Capital, owning approximately 30 percent of the common stock of SCA, have agreed to tender their shares as part of the offer.

About SCA

SCA (NASDAQ: SCAI), a leader in the outpatient surgery industry, strategically partners with health plans, medical groups and health systems across the country to develop and optimize surgical facilities. SCA operates 205 surgical facilities, including ambulatory surgery centers and surgical hospitals, in partnership with approximately 3,000 physicians. For more information on SCA, visit www.scasurgery.com.

About Optum

Optum is a leading information and technology-enabled health services business dedicated to helping make the health system work better for everyone. With more than 100,000 people worldwide, Optum delivers intelligent, integrated solutions that help to modernize the health system and improve overall population health. Optum is part of UnitedHealth Group (NYSE: UNH).

About UnitedHealth Group

UnitedHealth Group (NYSE: UNH) is a diversified health and well-being company dedicated to helping people live healthier lives and helping make the health system work better for everyone. UnitedHealth Group offers a broad spectrum of products and services through two

distinct platforms: UnitedHealthcare, which provides health care coverage and benefits services; and Optum, which provides information and technology-enabled health services. For more information, visit UnitedHealth Group at www.unitedhealthgroup.com or follow @UnitedHealthGrp on Twitter.

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Cautionary Statement Regarding Forward Looking Statements

This communication may contain statements that constitute “forward-looking statements,” including, for example, information related to UnitedHealth Group Incorporated (“UnitedHealth Group”), Surgical Care Affiliates, Inc. (“SCA”) and the proposed acquisition of SCA by UnitedHealth Group. Generally the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “plan,” “project,” “should” and similar expressions identify forward-looking statements, which generally are not historical in nature. Such statements reflect the current analysis of existing information and involve substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The following factors, among others, could cause actual results to differ materially from those described in these forward-looking statements: the possibility that various conditions to the consummation of the UnitedHealth Group exchange offer and mergers may not be satisfied or waived, including the receipt of regulatory clearances related to the mergers; uncertainty as to how many shares of SCA common stock will be tendered into the UnitedHealth Group exchange offer; the risk that the UnitedHealth Group exchange offer and mergers will not close within the anticipated time periods, or at all; the failure to complete or receive the anticipated benefits from UnitedHealth Group’s acquisition of SCA; the possibility that the parties may be unable to successfully integrate SCA’s operations into those of UnitedHealth Group; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients, suppliers or physicians) may be greater than expected following the transaction; the retention of certain key employees at SCA may not be achieved; the parties may be unable to meet expectations regarding the timing, completion and accounting and tax treatments of the transactions; UnitedHealth Group and SCA are subject to intense competition; factors that affect UnitedHealth Group’s ability to generate sufficient funds to maintain its quarterly dividend payment cycle; the effects of local and national economic, credit and capital market

conditions; and the other risks and uncertainties relating to UnitedHealth Group and SCA described in their respective Annual Reports on Form 10-K for the fiscal year ended December 31, 2015, and in their subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the U.S. Securities and Exchange Commission (the "SEC") and available at www.sec.gov.

UnitedHealth Group and SCA assume no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements or information, which speak only as of the date hereof.

Additional Information and Where to Find It

This communication relates to a pending business combination transaction between UnitedHealth Group and SCA. The exchange offer referenced in this communication has not yet commenced. This communication is for informational purposes only and is neither an offer to sell or exchange, nor a solicitation of an offer to buy or exchange, any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, sale or exchange would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

UnitedHealth Group intends to file a registration statement on Form S-4 related to the transaction with the SEC and may file amendments thereto. UnitedHealth Group and a wholly-owned subsidiary of UnitedHealth Group intend to file a tender offer statement on Schedule TO (including a prospectus/offer to exchange, a related letter of transmittal and other exchange offer documents) related to the transaction with the SEC and may file amendments thereto. SCA intends to file a solicitation/recommendation statement on Schedule 14D-9 with the SEC and may file amendments thereto. SCA and UnitedHealth Group may also file other documents with the SEC regarding the transaction. This communication is not a substitute for any registration statement, Schedule TO, Schedule 14D-9 or any other document which SCA or UnitedHealth Group may file with the SEC in connection with the transaction. Investors and security holders are urged to read the registration statement, the Schedule TO (including the prospectus/offer to exchange, related letter of transmittal and other exchange offer documents), the solicitation/recommendation statement on Schedule 14D-9 and the other relevant materials with respect to the transaction carefully and in their entirety when they become available before making any decision regarding exchanging their shares, because they will contain important information about the transaction. The prospectus/offer to exchange, the related letter of transmittal and certain other exchange offer documents, as well as the solicitation/recommendation statement, will be made available to all holders of SCA's stock at no expense to them. The exchange offer materials and the solicitation/recommendation statement will be made available for free at the SEC's website at www.sec.gov. Additional copies of the exchange offer materials and the solicitation/recommendation statement may be obtained for free by contacting UnitedHealth Group's Investor Relations department at (800) 328-5979. Additional copies of the solicitation/recommendation statement may be obtained for free by contacting SCA's Investor Relations department at 800-768-0094.

In addition to the SEC filings made in connection with the transaction, each of UnitedHealth Group and SCA files annual, quarterly and current reports and other information with the SEC. You may read and copy any reports or other such filed information at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. UnitedHealth Group's and SCA's filings with the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

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ATTACHMENT #6:
FINANCIAL STATEMENTS

Please see the attached excerpt from the Form 10-K filed for UHG for the fiscal year ended December 31, 2015 containing the audited financial statements of UHG.

Please be advised that neither Spartan Merger Sub 2, LLC nor Belleville Surgical Center, Ltd., an Illinois Limited Partnership have audited financial statements. Spartan Merger Sub 2, LLC was created January 5, 2017, for the purpose of the Proposed Transaction.

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

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: 1-10864

UNITEDHEALTH GROUP®

UnitedHealth Group Incorporated
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

41-1321939
(I.R.S. Employer
Identification No.)

UnitedHealth Group Center
9900 Bren Road East
Minnetonka, Minnesota
(Address of principal executive
offices)

55343
(Zip Code)

(952) 936-1300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

COMMON STOCK, \$0.01 PAR VALUE

(Title of each class)

NEW YORK STOCK EXCHANGE, INC.

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: NONE

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required 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 (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2015 was \$114,440,856,791 (based on the last reported sale price of \$122.00 per share on June 30, 2015, on the New York Stock Exchange), excluding only shares of voting stock held beneficially by directors, executive officers and subsidiaries of the registrant.

As of January 29, 2016, there were 950,673,998 shares of the registrant's Common Stock, \$.01 par value per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report, to the extent not set forth herein, is incorporated by reference from the registrant's definitive proxy statement relating to its 2016 Annual Meeting of Shareholders. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

UNITEDHEALTH GROUP

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PART I

ITEM 1. BUSINESS

INTRODUCTION

Overview

UnitedHealth Group is a diversified health and well-being company dedicated to helping people live healthier lives and making the health system work better for everyone. The terms “we,” “our,” “us,” “its,” “UnitedHealth Group,” or the “Company” used in this report refer to UnitedHealth Group Incorporated and its subsidiaries.

Through our diversified family of businesses, we leverage core competencies in advanced, enabling technology; health care data, information and intelligence; and clinical care management and coordination to help meet the demands of the health system. These core competencies are deployed within our two distinct, but strategically aligned, business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum.

UnitedHealthcare provides health care benefits to an array of customers and markets. UnitedHealthcare Employer & Individual serves employers ranging from sole proprietorships to large, multi-site and national employers, public sector employers and other individuals and serves the nation’s active and retired military and their families through the TRICARE program. UnitedHealthcare Medicare & Retirement delivers health and well-being benefits for Medicare beneficiaries and retirees. UnitedHealthcare Community & State manages health care benefit programs on behalf of state Medicaid and community programs and their participants. UnitedHealthcare Global includes Amil, a health care company providing health and dental benefits and hospital and clinical services to employer groups and individuals in Brazil, and other diversified global health businesses.

Optum is a health services business serving the broad health care marketplace, including payers, care providers, employers, governments, life sciences companies and consumers, through its OptumHealth, OptumInsight and OptumRx businesses. These businesses have dedicated units that help improve overall health system performance through optimizing care quality, reducing costs and improving consumer experience and care provider performance across eight business markets: care delivery, care management, pharmacy care services, consumer engagement, distribution, health financial services, health care information technology and operational services and support.

Through UnitedHealthcare and Optum, in 2015, we processed one half trillion dollars in gross billed charges and we managed nearly \$200 billion in aggregate health care spending on behalf of the customers and consumers we serve. Our revenues are derived from premiums on risk-based products; fees from management, administrative, technology and consulting services; sales of a wide variety of products and services related to the broad health and well-being industry; and investment and other income. Our two business platforms have four reportable segments:

- UnitedHealthcare, which includes UnitedHealthcare Employer & Individual, UnitedHealthcare Medicare & Retirement, UnitedHealthcare Community & State and UnitedHealthcare Global;
- OptumHealth;
- OptumInsight; and
- OptumRx.

For our financial results and the presentation of certain other financial information by segment, including revenues and long-lived fixed assets by geographic source, see Note 14 of Notes to the Consolidated Financial Statements included in Part II, Item 8, “Financial Statements.”

UnitedHealthcare

Through its health benefits offerings, UnitedHealthcare is enabling better health, helping to control rising health care costs and creating a better health care experience for its customers. UnitedHealthcare’s market position is built on:

- a national scale;
- strong local market relationships;
- the breadth of product offerings, which are responsive to many distinct market segments in health care;
- service and advanced technology;
- competitive medical and operating cost positions;

- effective clinical engagement;
- extensive expertise in distinct market segments; and

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- innovation for customers and consumers.

UnitedHealthcare utilizes Optum's capabilities to help coordinate patient care, improve affordability of medical care, analyze cost trends, manage pharmacy benefits, work with care providers more effectively and create a simpler consumer experience.

In the United States, UnitedHealthcare arranges for discounted access to care through networks that include 1 million physicians and other health care professionals and approximately 6,000 hospitals and other facilities.

UnitedHealthcare is subject to extensive government regulation. See further discussion of our regulatory environment below under "Government Regulation" and in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

UnitedHealthcare Employer & Individual

UnitedHealthcare Employer & Individual offers an array of consumer-oriented health benefit plans and services nationwide for large national employers, public sector employers, mid-sized employers, small businesses, individuals and military service members in the TRICARE west region. UnitedHealthcare Employer & Individual provides access to medical services for approximately 30 million people on behalf of our customers and alliance partners. This includes more than 190,000 employer customers across all 50 states. Large employer groups typically use self-funded arrangements where UnitedHealthcare Employer & Individual earns a service fee. Smaller employer groups and individuals are more likely to purchase risk-based products because they are less willing or unable to bear a greater potential liability for health care expenditures.

Through its risk-based product offerings, UnitedHealthcare Employer & Individual assumes the risk of both medical and administrative costs for its customers in return for a monthly premium, which is typically a fixed rate per individual served for a one-year period. When providing administrative and other management services to customers that elect to self-fund the health care costs of their employees and employees' dependents, UnitedHealthcare Employer & Individual receives a fixed monthly service fee per individual served. These customers retain the risk of financing medical benefits for their employees and employees' dependents, while UnitedHealthcare Employer & Individual provides services such as coordination and facilitation of medical and related services to customers, consumers and health care professionals, administration of transaction processing and access to a contracted network of physicians, hospitals and other health care professionals, including dental and vision. UnitedHealthcare Employer & Individual also offers a variety of insurance options for purchase by individuals, including students, which are designed to meet the health coverage needs of these consumers and their families.

The consolidated purchasing capacity represented by the individuals UnitedHealth Group serves makes it possible for UnitedHealthcare Employer & Individual to contract for cost-effective access to a large number of conveniently located care professionals and facilities. UnitedHealthcare Employer & Individual's UnitedHealth Premium[®] program is the longest-running physician quality and efficiency designation program in the industry, making it easier for consumers to access high-quality, cost-efficient care. UnitedHealthcare Employer & Individual has relationships with network care providers that integrate data and analytics, implement value-based payments and care management programs, and enable us to jointly better manage health care across populations.

UnitedHealthcare Employer & Individual typically distributes its products through consultants or direct sales in the larger employer and public sector segments. In the smaller group segment of the commercial marketplace, UnitedHealthcare Employer & Individual's distribution system consists primarily of direct sales and sales through collaboration with brokers and agents. UnitedHealthcare Employer & Individual also distributes products through wholesale agents or agencies that contract with health insurance carriers to distribute individual or group benefits and provide other related services to their customers.

UnitedHealthcare Employer & Individual also distributes its products through professional employer organizations, associations, private equity relationships and, increasingly, through both multi-carrier and its own proprietary private exchange marketplaces. UnitedHealthcare Marketplace is a shopping platform for employers seeking to offer their employees flexibility and a choice of UnitedHealthcare plans. UnitedHealthcare Employer & Individual is also participating in select multi-plan exchanges that are structured to encourage consumer choice. Direct-to-consumer sales are also supported by participation in multi-carrier health insurance marketplaces for individuals and small groups through exchanges. In 2015, UnitedHealthcare Employer & Individual participated in 23 individual and 12 small group state public exchanges and in 2016, will participate in individual public exchange offerings in 34 states. The Company is evaluating its level of participation in individual public exchange offerings for 2017. For more detail on our individual public exchange offerings, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

UnitedHealthcare Employer & Individual's diverse product portfolio offers a continuum of benefit designs, price points and approaches to consumer engagement, which provides the flexibility to meet the needs of employers of all sizes, as well as the needs of individuals shopping for health benefits coverage. Cost pressures are accelerating demand for improved health care affordability and more coordinated care. UnitedHealthcare Employer & Individual is responding to this demand with new network and contracting constructs (such as performance incentives and benefit designs that direct more patients to higher-

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performing care providers), alternative access to affordable and convenient care (such as through telehealth appointments with registered nurses and physicians) and a new consumer-responsive service model called Advocate4Me.

UnitedHealthcare Employer & Individual offers its products through affiliates that are licensed as insurance companies, health maintenance organizations (HMOs), or third-party administrators (TPAs). The market for health benefit products is shifting, with benefit and network offerings shaped, at least in part, by the requirements and effects of the Patient Protection and Affordable Care Act and a reconciliation measure, the Health Care and Education Reconciliation Act of 2010 (together, Health Reform Legislation), increased employer focus on quality and employee engagement and the urgent need to align the system around value.

Employers are seeking to offer comprehensive health benefits that improve the health and wellness of their populations and as a result, lower overall health care costs, while improving employee satisfaction. By promoting a healthy workforce, employers can maximize productivity and lower overall health care costs. UnitedHealthcare Employer & Individual offers affordable products and actionable information to enable better health outcomes and to help employers attract and retain talent. UnitedHealthcare Employer & Individual's major product families include:

Traditional Products. Traditional products include a full range of medical benefits and network options from managed plans, such as Choice and Options PPO, to more traditional indemnity products. The plans offer a full spectrum of covered services, including preventive care, direct access to specialists and catastrophic protection.

Consumer Engagement Products. Consumer engagement products couple plan design with financial accounts to increase individuals' responsibility for their health and well-being. This suite of products includes high-deductible consumer-driven benefit plans, which include health reimbursement accounts (HRAs), health savings accounts (HSAs) and consumer engagement services such as personalized behavioral incentive programs and consumer education. During 2015, nearly 35,000 employer-sponsored benefit plans, including nearly 400 employers in the large group self-funded market, purchased HRA or HSA products from us.

Clinical and Pharmacy Products. UnitedHealthcare Employer & Individual offers a comprehensive suite of clinical and pharmacy benefits management products, which complement its service offerings by improving quality of care, engaging members and providing cost-saving options. All UnitedHealthcare Employer & Individual members are provided access to clinical products that help them make better health care decisions and better use of their medical benefits, which contribute to improved health and lowered medical expenses.

Each medical plan has a core set of clinical programs embedded in the offering, with additional services available depending on funding type (fully insured or self-funded), line of business (e.g., small business, key accounts, public sector, national accounts or individuals) and clinical need. UnitedHealthcare Employer & Individual's clinical programs include:

- wellness programs;
- decision support;
- utilization management;
- case and disease management;
- complex condition management;
- on-site programs, including Know Your Numbers (biometrics) and flu shots;
- incentives to reinforce positive behavior change;
- mental health/substance use disorder management; and
- employee assistance programs.

UnitedHealthcare Employer & Individual's comprehensive and integrated pharmaceutical management services promote lower costs by using formulary programs to produce better unit costs, encouraging consumers to use drugs that offer improved value and outcomes and supporting the appropriate use of drugs based on clinical evidence through physician and consumer education programs.

Specialty Offerings. UnitedHealthcare Employer & Individual also delivers dental, vision, life and disability product offerings through an integrated approach, including a network of more than 22,000 vision offices and more than 80,000 dental offices, in private and retail settings.

UnitedHealthcare Military & Veterans. UnitedHealthcare Military & Veterans' responsibility as a contractor is to augment the military's direct care system by providing managed care support services, provider networks, medical management, claims/enrollment administration and customer service.

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UnitedHealthcare Military & Veterans is the provider of health care services for nearly 3 million active duty and retired military service members and their families in 21 states under the Department of Defense's (DoD) TRICARE Managed Care Support contract. The contract began on April 1, 2013. The DoD is moving from three to two regions for 2017. The government intends to make a decision in the spring of 2016, for contracts to begin delivering services on or about April 1, 2017. UnitedHealthcare Military & Veterans has submitted bids to offer services under the new contracts.

UnitedHealthcare Medicare & Retirement

UnitedHealthcare Medicare & Retirement provides health and well-being services to individuals age 50 and older, addressing their unique needs for preventive and acute health care services, as well as services dealing with chronic disease and other specialized issues common among older individuals. UnitedHealthcare Medicare & Retirement is fully dedicated to serving this growing senior market segment, providing products and services in all 50 states, the District of Columbia and most U.S. territories. UnitedHealthcare Medicare & Retirement has distinct pricing, underwriting, clinical program management and marketing capabilities dedicated to health products and services in this market.

UnitedHealthcare Medicare & Retirement offers a selection of products that allow people to obtain the health coverage and services they need as their circumstances change. UnitedHealthcare Medicare & Retirement is positioned to serve seniors who find that affordable, network-based care provided through Medicare Advantage plans meets their unique health care needs. For those who prefer traditional fee-for-service Medicare, UnitedHealthcare Medicare & Retirement offers both Medicare Supplement and Medicare Prescription Drug Benefit (Medicare Part D) prescription drug programs that supplement their government-sponsored Medicare by providing additional benefits and coverage options. Beneficiaries with special needs are served through UnitedHealthcare Medicare & Retirement Dual, Chronic and Institutional Special Needs Plans (SNPs) in many markets. UnitedHealthcare Medicare & Retirement services include care management and clinical management programs, a nurse health line service, 24-hour access to health care information, access to discounted health services from a network of care providers and administrative services.

UnitedHealthcare Medicare & Retirement's seniors-focused care management model enables it to operate at a medical cost level below that of traditional Medicare. This model is based on more than 20 years of expertise in chronic disease care management, underpinned by a proprietary technology platform. These capabilities help improve the health and well-being of older, disabled or otherwise vulnerable individuals. For example, through UnitedHealth Group's HouseCalls program, nurse practitioners performed approximately 1 million in-home preventative care visits in 2015 to identify, document and help close gaps in care for seniors.

Premium revenues from the Centers for Medicare & Medicaid Services (CMS) represented 26% of UnitedHealth Group's total consolidated revenues for the year ended December 31, 2015, most of which were generated by UnitedHealthcare Medicare & Retirement.

UnitedHealthcare Medicare & Retirement has extensive distribution capabilities and experience, including direct marketing to consumers on behalf of its key clients: AARP, the nation's largest membership organization dedicated to the needs of people age 50 and over, and state and U.S. government agencies. Products are also offered through employer groups and agent channels.

UnitedHealthcare Medicare & Retirement's major product categories include:

Medicare Advantage. UnitedHealthcare Medicare & Retirement provides health care coverage for seniors and other eligible Medicare beneficiaries primarily through the Medicare Advantage program administered by CMS, including Medicare Advantage HMO plans, preferred provider organization (PPO) plans, Point-of-Service plans, Private-Fee-for-Service plans and SNPs. Under the Medicare Advantage program, UnitedHealthcare Medicare & Retirement provides health insurance coverage in exchange for a fixed monthly premium per member from CMS plus, in some cases, consumer premiums. Premium amounts received from CMS vary based on the geographic areas in which members reside; demographic factors such as age, gender and institutionalized status; and the health status of the individual. UnitedHealthcare Medicare & Retirement served more than 3 million people through its Medicare Advantage products as of December 31, 2015.

Medicare Advantage plans are designed to compete at the local level, taking into account member and care provider preferences, competitor offerings, our historical financial results, our quality and cost initiatives and the long-term payment rate outlook for each geographic area. Starting in 2012, and phased in through 2017, the Medicare Advantage rate structure and quality rating bonuses are changing significantly. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information.

UnitedHealthcare Medicare & Retirement offers innovative care management, disease management and other clinical programs, integrating federal, state and personal funding through its continuum of Medicare Advantage products. For high-risk patients in certain care settings and programs, UnitedHealthcare Medicare & Retirement uses proprietary, automated medical record software that enables clinical care teams to capture and track patient data and clinical encounters, creating a

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comprehensive set of care information that bridges across home, hospital and nursing home care settings. Proprietary predictive modeling tools help identify members at high risk and allow care managers to reach out to those members and create individualized care plans that help them obtain the right care, in the right place, at the right time.

Medicare Part D. UnitedHealthcare Medicare & Retirement provides Medicare Part D benefits to beneficiaries throughout the United States and its territories through its Medicare Advantage and stand-alone Medicare Part D plans. UnitedHealthcare Medicare & Retirement offers two stand-alone Medicare Part D plans: the AARP MedicareRx Preferred and the AARP MedicareRx Saver Plus plans. The stand-alone Medicare Part D plans address a large spectrum of beneficiaries' needs and preferences for their prescription drug coverage, including low cost prescription options. Each of the plans includes the majority of the drugs covered by Medicare and provides varying levels of coverage to meet the diverse needs of Medicare beneficiaries. As of December 31, 2015, UnitedHealthcare enrolled more than 8 million people in the Medicare Part D programs, including more than 5 million individuals in the stand-alone Medicare Part D plans and more than 3 million in Medicare Advantage plans incorporating Medicare Part D coverage.

Medicare Supplement. UnitedHealthcare Medicare & Retirement is currently serving more than 4 million seniors nationwide through various Medicare Supplement products in association with AARP. UnitedHealthcare Medicare & Retirement offers a full range of supplemental products at diverse price points. These products cover the various levels of coinsurance and deductible gaps that seniors are exposed to in the traditional Medicare program.

UnitedHealthcare Community & State

UnitedHealthcare Community & State is dedicated to serving state programs that care for the economically disadvantaged, the medically underserved and those without the benefit of employer-funded health care coverage, in exchange for a monthly premium per member from the state program. In some cases, these premiums are subject to experience or risk adjustments. UnitedHealthcare Community & State's primary customers oversee Medicaid plans, Children's Health Insurance Programs (CHIP), SNPs, integrated Medicare-Medicaid plans (MMP) and other federal, state and community health care programs. As of December 31, 2015, UnitedHealthcare Community & State participated in programs in 24 states and the District of Columbia, and served more than 5 million beneficiaries. Health Reform Legislation provided for optional Medicaid expansion effective January 1, 2014. Currently, UnitedHealthcare Community & State serves people through Medicaid expansion programs in 13 states. For further discussion of the Medicaid expansion under Health Reform Legislation, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

States using managed care services for Medicaid beneficiaries select health plans by using a formal bid process or by awarding individual contracts. A number of factors are considered by UnitedHealthcare Community & State when choosing programs for participation, including the state's commitment and consistency of support for its Medicaid managed care program in terms of service, innovation and funding; the eligible population base, both immediate and long term; and the structure of the projected program. UnitedHealthcare Community & State works with its state customers to advocate for actuarially sound rates that are commensurate with medical cost trends.

The primary categories of eligibility for the programs served by UnitedHealthcare Community & State and its participation are:

- Temporary Assistance to Needy Families, primarily women and children - 21 markets;
- CHIP - 21 markets;
- Aged, Blind and Disabled (ABD) - 19 markets;
- SNP - 14 markets;
- Medicaid Expansion - 13 markets;
- Long-Term Services and Supports (LTSS) - 11 markets;
- childless adults programs for the uninsured - 3 markets;
- other programs (e.g., developmentally disabled, rehabilitative services) - 6 markets; and
- MMP - 2 markets.

These health plans and care programs offered are designed to address the complex needs of the populations they serve, including the chronically ill, those with disabilities and people with a higher risk of medical, behavioral and social conditions. UnitedHealthcare Community & State administers benefits for the unique needs of children, pregnant women, adults, seniors and those who are institutionalized or are nursing home eligible. These individuals often live in areas that are medically

underserved and are less likely to have a consistent relationship with the medical community or a care provider. These individuals also tend to face significant social and economic challenges.

UnitedHealthcare Community & State leverages the national capabilities of UnitedHealth Group locally, supporting effective care management, strong regulatory partnerships, greater administrative efficiency, improved clinical outcomes and the ability to adapt to a changing national and local market environment. UnitedHealthcare Community & State coordinates resources

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among family, physicians, other health care providers, and government and community-based agencies and organizations to facilitate continuous and effective care.

The LTSS market represents only 6% of the total Medicaid population, yet accounts for more than 30% of total Medicaid expenditures. The LTSS population is made up of 3 million individuals who qualify for additional benefits under LTSS programs and represent a subset of the 16 million ABD Americans. Currently, 25% of the ABD population and 28% of the LTSS eligible population are served by comprehensive risk-based managed care programs. States are increasingly looking for solutions to not only help control costs, but to improve quality for the complex medical challenges faced by this population and are moving with greater speed to managed care programs.

There are more than 10 million individuals eligible for both Medicare and Medicaid. MMP beneficiaries typically have complex conditions with costs of care that are far higher than typical Medicare or Medicaid beneficiaries. While these individuals' health needs are more complex and more costly, they have been historically served in unmanaged environments. This market provides UnitedHealthcare an opportunity to integrate Medicare and Medicaid funding and improve people's health status through close coordination of care. While dual eligibles account for just 15% of the total Medicaid population, they account for approximately 35% of total Medicaid spending. As of December 31, 2015, UnitedHealthcare served nearly 350,000 people with complex conditions similar to those in an MMP population in legacy programs through Medicare Advantage dual SNPs and UnitedHealthcare Community & State served 24,000 people through MMP programs in Ohio and Texas.

UnitedHealthcare Global

UnitedHealthcare Global participates in international markets through national "in country" and cross-border strategic approaches. UnitedHealthcare Global's cross-border health care business provides comprehensive health benefits, care management and care delivery for multinational employers, governments and individuals around the world. UnitedHealthcare Global's goal is to create business solutions that are based on local expertise, infrastructure, culture and needs. As of December 31, 2015, UnitedHealthcare Global provided medical benefits to more than 4 million people, principally in Brazil, but also residing in more than 125 other countries.

Amil. Amil provides medical and dental benefits to more than 5 million people. Amil operates hospitals and specialty, primary care and emergency services clinics across Brazil, principally for the benefit of its members. Amil's patients are also treated in its contracted provider network of more than 26,000 physicians and other health care professionals, approximately 2,100 hospitals and nearly 8,000 laboratories and diagnostic imaging centers. Amil offers a diversified product portfolio with a wide range of product offerings, benefit designs, price points and value, including indemnity products. Amil's products include various administrative services such as network access and administration, care management and personal health services and claims processing.

Other Operations. UnitedHealthcare Global includes other diversified global health services operations with a variety of offerings for international customers, including:

- network access and care coordination in the United States and overseas;
- TPA products and services for health plans and TPAs;
- brokerage services;
- practice management services for care providers;
- government and corporate consulting services for improving quality and efficiency; and
- global expatriate insurance solutions.

Optum

Optum is a health services business serving the broad health care marketplace, including:

- Those who need care: the consumers who need the right support, information, resources and products to achieve their health goals.
- Those who provide care: pharmacies, hospitals, physicians' and other care providers' practices and other health care facilities seeking to modernize the health system and support the best possible patient care and experiences.

- Those who pay for care: health plans, employers, state, federal and municipal agencies, governmental departments and nonprofit associations devoted to ensuring the populations they sponsor receive high-quality care, administered and delivered efficiently and effectively.

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- Those who innovate for care: global life sciences organizations dedicated to developing more effective approaches to care, enabling technologies and medicines that improve care delivery and health outcomes.

Optum is organized in three reportable segments which focus on eight business markets to achieve its full potential for growth and leadership in the health services sector:

- OptumHealth focuses on care delivery, care management, wellness and consumer engagement, distribution and health financial services;
- OptumInsight delivers operational services and support and health care information technology services; and
- OptumRx specializes in pharmacy care services.

OptumHealth

OptumHealth is a diversified health and wellness business serving the physical, emotional and health-related financial needs of more than 78 million unique individuals. OptumHealth enables population health management through programs offered by employers, payers, government entities and, increasingly, directly with the care delivery system. OptumHealth products and services deliver value by improving quality and patient satisfaction while lowering cost. OptumHealth builds high-performing networks and centers of excellence across the care continuum, by working directly with physicians to advance population health management and by coordinating care for the most medically complex patients.

OptumHealth offers its products on a risk basis, where it assumes responsibility for health care costs in exchange for a monthly premium per individual served, and on an administrative fee basis, under which it manages or administers delivery of the products or services in exchange for a fixed monthly fee per individual served. For its financial services offerings, OptumHealth charges fees and earns investment income on managed funds.

OptumHealth sells its products primarily through its direct sales force, strategic collaborations and external producers in three markets: employers (which includes the sub-markets of large, mid-sized and small employers), payers (which includes the sub-markets of health plans, TPAs, underwriter/stop-loss carriers and individual market intermediaries) and government entities (which includes states, CMS, DoD, the Veterans Administration and other federal procurement agencies). As provider reimbursement models evolve, care providers are emerging as a fourth market for the health management, financial services and local care delivery businesses.

OptumHealth is organized into two primary operating groups: OptumCare and Optum Consumer Solutions (OCS).

OptumCare

- OptumCare partners closely with care providers to improve both the health of the populations they serve and the efficiency and cost-effectiveness of local care systems. Through networks comprised of employed, managed and contracted physicians, advanced practitioners and other providers, OptumCare assists care providers in adopting new approaches and technologies that improve collaboration and coordination among everyone involved in patient care. OptumCare also enables care providers' transition from traditional, fee-for-service care delivery to performance-based delivery and payment models that put patient health and outcomes first, such as those emerging through accountable care organizations (ACOs) and local care provider partnerships. OptumCare builds partnerships with care providers who share its focus on creating strong and sustainable new approaches to care delivery and works with them to develop and deliver services around the spectrum of patient and community needs.
- Mobile Care Delivery. OptumCare's mobile care delivery business provides occupational health, medical and dental readiness services, treatments and immunization programs. These solutions serve a number of government and commercial clients, including the U.S. military.

OCS

- Population Health Management Services: OCS serves people through population health management services that meet both the preventative care and health intervention needs of consumers across the care continuum - physical health and wellness, mental health, complex medical conditions, disease management, hospitalization and post-acute care. This includes offering access to proprietary networks of provider specialists in many clinical specialties, including behavioral health, organ transplant, chiropractic and physical therapy. OCS engages consumers in managing their health, including guidance, tools and programs that help them achieve their health goals and maintain healthy lifestyles.

- **Distribution:** This business provides sales and services through digital, phone and in-person interaction to assist individuals in selecting and understanding their benefits. OCS provides contact center support, multimodal software, data analysis and licensed sales agents that help clients acquire, retain and service large populations of health care consumers.

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- **Financial Services:** This business provides a range of health care financial products for individuals, employers, health care professionals and payers. OCS is a leading provider of consumer health care accounts. OCS also offers electronic claims payment services to care providers through Optum Bank, a wholly-owned subsidiary, with more than 3.8 million accounts and \$4.2 billion in assets under management as of December 31, 2015. During 2015, Optum Bank processed more than \$100 billion in medical payments to physicians and other health care providers.

OptumInsight

OptumInsight provides services, technology and health care expertise to major participants in the health care industry. OptumInsight's capabilities are focused on modernizing the health system through technology, analytics and information that help drive higher quality and greater efficiency in the health care system. Hospital systems, physician practices, commercial health plans, government agencies, life sciences companies and other organizations that comprise the health care system depend on OptumInsight to help them improve performance, achieve efficiency, reduce costs, meet compliance mandates and modernize their core operating systems to meet the changing needs of the health system.

Many of OptumInsight's software and information products, advisory consulting arrangements and outsourcing contracts are delivered over an extended period, often several years. OptumInsight maintains an order backlog to track unearned revenues under these long-term arrangements. The backlog consists of estimated revenue from signed contracts, other legally binding agreements and anticipated contract renewals based on historical experience with OptumInsight's customers. OptumInsight's aggregate backlog at December 31, 2015, was \$10.4 billion, of which \$5.9 billion is expected to be realized within the next 12 months. This includes \$3.8 billion related to intersegment agreements, all of which are included in the current portion of the backlog. OptumInsight's aggregate backlog at December 31, 2014, was \$8.6 billion. OptumInsight cannot provide any assurance that it will be able to realize all of the revenues included in the backlog due to uncertainties with regard to the timing and scope of services and the potential for cancellation, non-renewal or early termination of service arrangements.

OptumInsight's products and services are sold primarily through a direct sales force. OptumInsight's products are also supported and distributed through an array of alliances and business partnerships with other technology vendors, who integrate and interface OptumInsight's products with their applications.

OptumInsight provides capabilities targeted to the needs of four primary market segments: care providers (e.g., physician practices and hospital systems), payers, governments and life sciences organizations.

Care Providers. Serving five out of six U.S. hospitals and tens of thousands of physician practices, OptumInsight provides capabilities that help drive financial performance, meet compliance requirements and deliver health intelligence. OptumInsight brings an array of solutions to help care providers, with particular focus on clinical performance and quality improvement, population health management, data management and analytics, revenue management, cost containment, compliance, cloud-enabled collaboration and consumer engagement.

Payers. OptumInsight serves approximately 300 health plans by helping them improve operational and administrative efficiency, understand and optimize growth while managing risk, deliver on clinical performance and compliance goals and build and manage strong provider networks. OptumInsight is also helping payer clients adapt to new market models, including health insurance exchanges, consumer-driven health care and engagement, pay-for-value contracting and population health management.

Governments. OptumInsight provides services to federal and state government clients that are tailored to them as government payers, including data and analytics technology, claims management and payment accuracy services and strategic consulting. In addition, OptumInsight provides custom system integration expertise and services to meet complex government needs, including public health insurance exchanges.

Life Sciences. OptumInsight provides services to global life sciences organizations. These companies look to OptumInsight for data analytics and expertise in core areas of health economics and outcomes research; market access and reimbursement consulting; integrated clinical and health care claims data and informatics services; epidemiology and drug safety; and patient reported outcomes.

OptumRx

OptumRx provides a full spectrum of pharmacy care services to more than 66 million people in the United States through its network of more than 67,000 retail pharmacies and multiple home delivery facilities throughout the country. In 2016,

OptumRx expects to manage nearly \$80 billion in pharmaceutical spending, including more than \$28 billion in specialty pharmaceutical spending. OptumRx's pharmacy care services deliver a low-cost, high-quality pharmacy benefit through retail network contracting, including rebate management and clinical programs such as step therapy, formulary management, drug adherence and disease/drug therapy management programs.

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The 2015 acquisition of Catamaran Corporation (Catamaran) allows OptumRx to better serve more people. OptumRx's comprehensive whole-person approach integrates demographic, medical, pharmaceutical and other clinical data and then applies analytics to drive clinical care insight to support care treatments and compliance, benefiting clients and individuals through enhanced services and cost trend management. These enhancements will be driven by advanced technology, augmented resources and greater efficiencies and cost containment strategies through increased scale.

OptumRx provides pharmacy care services to a substantial majority of UnitedHealthcare members. Additionally, OptumRx manages specialty pharmacy benefits across nearly all of UnitedHealthcare's businesses with services, including patient support and clinical programs designed to ensure quality and deliver value for consumers. OptumRx also provides pharmacy care services to non-affiliated external clients, including a number of health plans, large national employer plans, unions and trusts and government entities. These clients rely on OptumRx for components or all of their pharmacy care services. OptumRx's distribution system consists primarily of health insurance brokers and other health care consultants and direct sales.

GOVERNMENT REGULATION

Most of our health and well-being businesses are subject to comprehensive federal, state and international laws and regulations. We are regulated by federal, state and international regulatory agencies that generally have discretion to issue regulations and interpret and enforce laws and rules. The regulations can vary significantly from jurisdiction to jurisdiction and the interpretation of existing laws and rules also may change periodically. Domestic and international governments continue to enact and consider various legislative and regulatory proposals that could materially impact certain aspects of the health care system. New laws, regulations and rules, or changes in the interpretation of existing laws, regulations and rules, including as a result of changes in the political climate, could adversely affect our business.

If we fail to comply with, or fail to respond quickly and appropriately to changes in, applicable laws, regulations and rules, our business, results of operations, financial position and cash flows could be materially and adversely affected. See Part I, Item 1A, "Risk Factors" for a discussion of the risks related to compliance with federal, state and international laws and regulations.

Federal Laws and Regulation

We are subject to various levels of U.S. federal regulation. For example, when we contract with the federal government, we are subject to federal laws and regulations relating to the award, administration and performance of U.S. government contracts. CMS regulates our UnitedHealthcare businesses and certain aspects of our Optum businesses. Payments by CMS to our businesses are subject to regulations, including those governing fee-for-service and the submission of information relating to the health status of enrollees for purposes of determining the amount of certain payments to us. CMS also has the right to audit our performance to determine our compliance with CMS contracts and regulations and the quality of care we provide to Medicare beneficiaries. Our commercial business is further subject to CMS audits related to risk adjustment and reinsurance data.

UnitedHealthcare Community & State has Medicaid and CHIP contracts that are subject to federal regulations regarding services to be provided to Medicaid enrollees, payment for those services and other aspects of these programs. There are many regulations affecting Medicare and Medicaid compliance and the regulatory environment with respect to these programs is complex. We are also subject to federal law and regulations relating to the administration of contracts with federal agencies that are held by our Optum businesses and UnitedHealthcare Military & Veterans business, such as our TRICARE contract with the DoD. Our business is also subject to laws and regulations relating to consumer protection, anti-fraud and abuse, anti-kickbacks, false claims, prohibited referrals, inappropriately reducing or limiting health care services, anti-money laundering, securities and antitrust.

Health Care Reform. Health Reform Legislation expands access to coverage and modifies aspects of the commercial insurance market, as well as the Medicaid and Medicare programs, CHIP and other aspects of the health care system.

Among other requirements, Health Reform Legislation expanded dependent coverage to age 26, expanded benefit requirements, eliminated certain annual and lifetime maximum limits, eliminated certain pre-existing condition limits, required coverage for preventative services without cost to members, required premium rebates if certain medical loss ratios (MLRs) are not satisfied, granted members new and additional appeal rights, created new premium rate review processes, established a system of state and federal exchanges through which consumers can purchase health coverage, imposed new

requirements on the format and content of communications (such as explanations of benefits) between health insurers and their members, introduced new risk sharing programs, reduced the Medicare Part D coverage gap and reduced payments to private plans offering Medicare Advantage.

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Health Reform Legislation and the related federal and state regulations are affecting how we do business and could impact our results of operations, financial position and cash flows. See also Part I, Item 1A, "Risk Factors" for a discussion of the risks related to Health Reform Legislation and related matters.

Privacy, Security and Data Standards Regulation. The administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA), apply to both the group and individual health insurance markets, including self-funded employee benefit plans. Federal regulations related to HIPAA contain minimum standards for electronic transactions and code sets and for the privacy and security of protected health information. ICD-10, the new system of assigning codes to diagnoses and procedures associated with health care in the United States replaced ICD-9 code sets as of October 1, 2015, and health plans and providers are now required to use ICD-10 codes for such diagnoses and procedures for dates of services on or after such date. Coding informs analytics and patient care decision making, so accuracy is critical to achieving the highest quality of care and delivering the best possible outcomes for patients.

The Health Information Technology for Economic and Clinical Health Act (HITECH) significantly expanded the privacy and security provisions of HIPAA. HITECH imposes additional requirements on uses and disclosures of health information; includes new contracting requirements for HIPAA business associate agreements; extends parts of HIPAA privacy and security provisions to business associates; adds new federal data breach notification requirements for covered entities and business associates and new reporting requirements to the U.S. Department of Health and Human Services (HHS) and the Federal Trade Commission and, in some cases, to the local media; strengthens enforcement and imposes higher financial penalties for HIPAA violations and, in certain cases, imposes criminal penalties for individuals, including employees. In the conduct of our business, depending on the circumstances, we may act as either a covered entity or a business associate. Federal consumer protection laws may also apply in some instances to privacy and security practices related to personally identifiable information.

The use and disclosure of individually identifiable health data by our businesses is also regulated in some instances by other federal laws, including the Gramm-Leach-Bliley Act (GLBA) or state statutes implementing GLBA. These federal laws and state statutes generally require insurers to provide customers with notice regarding how their non-public personal health and financial information is used and the opportunity to "opt out" of certain disclosures before the insurer shares such information with a third party, and generally require safeguards for the protection of personal information. Neither the GLBA nor HIPAA privacy regulations preempt more stringent state laws and regulations that may apply to us, as discussed below.

ERISA. The Employee Retirement Income Security Act of 1974, as amended (ERISA), regulates how our services are provided to or through certain types of employer-sponsored health benefit plans. ERISA is a set of laws and regulations that is subject to periodic interpretation by the U.S. Department of Labor (DOL) as well as the federal courts. ERISA sets forth standards on how our business units may do business with employers who sponsor employee benefit health plans, particularly those that maintain self-funded plans. Regulations established by the DOL subject us to additional requirements for claims payment and member appeals under health care plans governed by ERISA.

State Laws and Regulation

Health Care Regulation. Our insurance and HMO subsidiaries must be licensed by the jurisdictions in which they conduct business. All of the states in which our subsidiaries offer insurance and HMO products regulate those products and operations. The states require periodic financial reports and establish minimum capital or restricted cash reserve requirements. The National Association of Insurance Commissioners (NAIC) has adopted model regulations that, where implemented by states, require expanded governance practices and risk and solvency assessment reporting. Most states have adopted these or similar measures to expand the scope of regulations relating to corporate governance and internal control activities of HMOs and insurance companies. In 2014, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act that requires us to maintain a risk management framework and file a confidential self-assessment report with state insurance regulators. The first report was filed with Connecticut, our lead regulator, and with New York, as required by that state's regulation, last year. It will be filed with both jurisdictions annually thereafter. Certain states have also adopted their own regulations for minimum MLRs with which health plans must comply. In addition, a number of state legislatures have enacted or are contemplating significant reforms of their health insurance markets, either independent of or to comply with or be eligible for grants or other incentives in connection with Health Reform Legislation, which may affect our operations and our financial results.

Health plans and insurance companies are regulated under state insurance holding company regulations. Such regulations generally require registration with applicable state departments of insurance and the filing of reports that describe capital

structure, ownership, financial condition, certain intercompany transactions and general business operations. Most state insurance holding company laws and regulations require prior regulatory approval of acquisitions and material intercompany transfers of assets, as well as transactions between the regulated companies and their parent holding companies or affiliates. These laws may restrict the ability of our regulated subsidiaries to pay dividends to our holding companies.

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Some of our business activity is subject to other health care-related regulations and requirements, including PPO, MCO, utilization review (UR), TPA, pharmacy care services, durable medical equipment or care provider-related regulations and licensure requirements. These regulations differ from state to state and may contain network, contracting, product and rate, licensing and financial and reporting requirements. There are laws and regulations that set specific standards for delivery of services, appeals, grievances and payment of claims, adequacy of health care professional networks, fraud prevention, protection of consumer health information, pricing and underwriting practices and covered benefits and services. State health care anti-fraud and abuse prohibitions encompass a wide range of activities, including kickbacks for referral of members, billing for unnecessary medical services and improper marketing. Certain of our businesses are subject to state general agent, broker and sales distributions laws and regulations. UnitedHealthcare Community & State and certain of our Optum businesses are subject to regulation by state Medicaid agencies that oversee the provision of benefits to our Medicaid and CHIP beneficiaries and to our dually eligible (for Medicare and Medicaid) beneficiaries. We also contract with state governmental entities and are subject to state laws and regulations relating to the award, administration and performance of state government contracts.

Guaranty Fund Assessments. Under state guaranty association laws, certain insurance companies can be assessed (up to prescribed limits) for certain obligations to the policyholders and claimants of impaired or insolvent insurance companies (including state insurance cooperatives) that write the same line or similar lines of business. Assessments are generally based on a formula relating to our premiums in the state compared to the premiums of other insurers and could be spread out over a period of years. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets or through premiums. Any such assessment could expose our insurance entities and other insurers to the risk of paying a portion of an impaired or insolvent insurance company's claims through state guaranty association assessments.

Pharmacy Regulation. OptumRx's businesses include home delivery and specialty pharmacies that must be licensed as pharmacies in the states in which they are located. Certain of our home delivery and specialty pharmacies must also register with the U.S. Drug Enforcement Administration and individual state controlled substance authorities to dispense controlled substances. In addition to the laws and regulations in the states where our home delivery and specialty pharmacies are located, laws and regulations in non-resident states where we deliver pharmaceuticals may also apply, including the requirement to register with the board of pharmacy in the non-resident state. These non-resident states generally expect our home delivery and specialty pharmacies to follow the laws of the state in which the pharmacies are located, but some states also require us to comply with the laws of that non-resident state when pharmaceuticals are delivered there. As certain of our home delivery and specialty pharmacies maintain certain Medicare and state Medicaid provider numbers, their participation in the programs requires them to comply with the applicable Medicare and Medicaid provider rules and regulations. Other laws and regulations affecting our home delivery and specialty pharmacies include federal and state statutes and regulations governing the labeling, packaging, advertising and adulteration of prescription drugs and dispensing of controlled substances. See Part I, Item 1A, "Risk Factors" for a discussion of the risks related to our pharmacy care services businesses.

State Privacy and Security Regulations. A number of states have adopted laws and regulations that may affect our privacy and security practices, such as state laws that govern the use, disclosure and protection of social security numbers and sensitive health information or that are designed to implement GLBA or protect credit card account data. State and local authorities increasingly focus on the importance of protecting individuals from identity theft, with a significant number of states enacting laws requiring businesses to notify individuals of security breaches involving personal information. State consumer protection laws may also apply to privacy and security practices related to personally identifiable information, including information related to consumers and care providers. Additionally, different approaches to state privacy and insurance regulation and varying enforcement philosophies in the different states may materially and adversely affect our ability to standardize our products and services across state lines. See Part I, Item 1A, "Risk Factors" for a discussion of the risks related to compliance with state privacy and security regulations.

Corporate Practice of Medicine and Fee-Splitting Laws. Certain of our businesses function as direct medical service providers and, as such, are subject to additional laws and regulations. Some states have corporate practice of medicine laws that prohibit specific types of entities from practicing medicine or employing physicians to practice medicine. Moreover, some states prohibit certain entities from sharing in the fees or revenues of a professional practice (fee-splitting). These prohibitions may be statutory or regulatory, or may be imposed through judicial or regulatory interpretation. The laws, regulations and interpretations in certain states have been subject to limited judicial and regulatory interpretation and are subject to change.

Consumer Protection Laws. Certain of our businesses participate in direct-to-consumer activities and are subject to regulations applicable to on-line communications and other general consumer protection laws and regulations.

Banking Regulation

Optum Bank is subject to regulation by federal banking regulators, including the Federal Deposit Insurance Corporation, which performs annual examinations to ensure that the bank is operating in accordance with federal safety and soundness

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requirements, and the Consumer Financial Protection Bureau, which may perform periodic examinations to ensure that the bank is in compliance with applicable consumer protection statutes, regulations and agency guidelines. Optum Bank is also subject to supervision and regulation by the Utah State Department of Financial Institutions, which carries out annual examinations to ensure that the bank is operating in accordance with state safety and soundness requirements and performs periodic examinations of the bank's compliance with applicable state banking statutes, regulations and agency guidelines. In the event of unfavorable examination results from any of these agencies, the bank could become subject to increased operational expenses and capital requirements, enhanced governmental oversight and monetary penalties.

International Regulation

Certain of our businesses operate internationally and are subject to regulation in the jurisdictions in which they are organized or conduct business. These regulatory regimes vary from jurisdiction to jurisdiction. In addition, our non-U.S. businesses and operations 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 (FCPA), which prohibits offering, promising, providing or authorizing others to give anything of value to a foreign government official to obtain or retain business or otherwise secure a business advantage.

COMPETITION

As a diversified health and well-being services company, we operate in highly competitive markets. Our competitors include managed health care companies, insurance companies, HMOs, TPAs and business services outsourcing companies, health care professionals that have formed networks to contract directly with employers or with CMS, specialty benefit providers, government entities, disease management companies and various health information and consulting companies. For our UnitedHealthcare businesses, our competitors include Aetna Inc., Anthem, Inc., Centene Corporation, Cigna Corporation, Health Net, Inc., Humana Inc., Kaiser Permanente, numerous for-profit and not-for-profit organizations operating under licenses from the Blue Cross Blue Shield Association and, with respect to our Brazilian operations, several established competitors in Brazil and other enterprises that serve more limited geographic areas. For our OptumRx businesses, our competitors include CVS Health Corporation, Express Scripts, Inc. and Prime Therapeutics LLC. New entrants into the markets in which we compete, as well as consolidation within these markets, also contribute to a competitive environment. We compete on the basis of the sales, marketing and pricing of our products and services; product innovation; consumer engagement and satisfaction; the level and quality of products and services; care delivery; network and clinical management capabilities; market share; product distribution systems; efficiency of administration operations; financial strength; and marketplace reputation. If we fail to compete effectively to maintain or increase our market share, including by maintaining or increasing enrollments in businesses providing health benefits, our results of operations, financial position and cash flows could be materially and adversely affected. See Part I, Item 1A, "Risk Factors," for additional discussion of our risks related to competition.

INTELLECTUAL PROPERTY RIGHTS

We have obtained trademark registration for the UnitedHealth Group, UnitedHealthcare and Optum names and logos. We own registrations for certain of our other trademarks in the United States and abroad. We hold a portfolio of patents and have patent applications pending from time to time. We are not substantially dependent on any single patent or group of related patents.

Unless otherwise noted, trademarks appearing in this report are trademarks owned by us. We disclaim proprietary interest in the marks and names of others.

EMPLOYEES

As of December 31, 2015, we employed more than 200,000 individuals.

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The following sets forth certain information regarding our executive officers as of February 9, 2016, including the business experience of each executive officer during the past five years:

Name	Age	Position
Stephen J. Hemsley	63	Chief Executive Officer
David S. Wichmann	53	President and Chief Financial Officer
Larry C. Renfro	62	Vice Chairman of UnitedHealth Group and Chief Executive Officer of Optum
Thomas E. Roos	43	Senior Vice President and Chief Accounting Officer
Marianne D. Short	64	Executive Vice President and Chief Legal Officer
D. Ellen Wilson	58	Executive Vice President, Human Capital

Our Board of Directors elects executive officers annually. Our executive officers serve until their successors are duly elected and qualified, or until their earlier death, resignation, removal or disqualification.

Mr. Hemsley is Chief Executive Officer of UnitedHealth Group, has served in that capacity since November 2006, and has been a member of the Board of Directors since February 2000. From May 1999 to November 2014, Mr. Hemsley also served as President of UnitedHealth Group.

Mr. Wichmann is President and Chief Financial Officer of UnitedHealth Group. Mr. Wichmann has served as President of UnitedHealth Group since November 2014 and Chief Financial Officer of UnitedHealth Group since January 2011. From April 2008 to November 2014, Mr. Wichmann also served as Executive Vice President of UnitedHealth Group and President of UnitedHealth Group Operations.

Mr. Renfro is Vice Chairman of UnitedHealth Group and Chief Executive Officer of Optum. Mr. Renfro has served as Vice Chairman of UnitedHealth Group since November 2014 and Chief Executive Officer of Optum since July 2011. From January 2011 to July 2011, Mr. Renfro served as Executive Vice President of UnitedHealth Group. From October 2009 to January 2011, Mr. Renfro served as Executive Vice President of UnitedHealth Group and Chief Executive Officer of the Public and Senior Markets Group.

Mr. Roos is Senior Vice President and Chief Accounting Officer of UnitedHealth Group and has served in that capacity since August 2015. Prior to joining UnitedHealth Group, Mr. Roos was a Partner at Deloitte & Touche LLP, an independent registered accounting firm, from September 2007 to August 2015.

Ms. Short is Executive Vice President and Chief Legal Officer of UnitedHealth Group and has served in that capacity since January 2013. Prior to joining UnitedHealth Group, Ms. Short served as the Managing Partner at Dorsey & Whitney LLP, an international law firm, from January 2007 to December 2012.

Ms. Wilson is Executive Vice President, Human Capital of UnitedHealth Group and has served in that capacity since June 2013. From January 2012 to May 2013, Ms. Wilson served as Chief Administrative Officer of Optum. Prior to joining Optum, Ms. Wilson served for 17 years at Fidelity Investments concluding her tenure there as head of Human Resources.

Additional Information

UnitedHealth Group Incorporated was incorporated in January 1977 in Minnesota. On July 1, 2015, UnitedHealth Group Incorporated changed its state of incorporation from Minnesota to Delaware pursuant to a plan of conversion. For more detail on our reincorporation, see Note 2 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

Our executive offices are located at UnitedHealth Group Center, 9900 Bren Road East, Minnetonka, Minnesota 55343; our telephone number is (952) 936-1300.

You can access our website at www.unitedhealthgroup.com to learn more about our Company. From that site, you can download and print copies of our annual reports to stockholders, annual reports on Form 10-K, quarterly reports on Form

10-Q and current reports on Form 8-K, along with amendments to those reports. You can also download from our website our certificate of incorporation, bylaws and corporate governance policies, including our Principles of Governance, Board of Directors Committee Charters and Code of Conduct. We make periodic reports and amendments available, free of charge, as

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soon as reasonably practicable after we file or furnish these reports to the Securities and Exchange Commission (SEC). We will also provide a copy of any of our corporate governance policies published on our website free of charge, upon request. To request a copy of any of these documents, please submit your request to: UnitedHealth Group Incorporated, 9900 Bren Road East, Minnetonka, MN 55343, Attn: Corporate Secretary. Information on or linked to our website is neither part of nor incorporated by reference into this Annual Report on Form 10-K or any other SEC filings.

Our transfer agent, Wells Fargo Shareowner Services, can help you with a variety of shareholder-related services, including change of address, lost stock certificates, transfer of stock to another person and other administrative services. You can write to our transfer agent at: Wells Fargo Shareowner Services, P.O. Box 64854, St. Paul, Minnesota 55164-0854, email stocktransfer@wellsfargo.com, or telephone (800) 468-9716 or (651) 450-4064.

ITEM 1A. RISK FACTORS

CAUTIONARY STATEMENTS

The statements, estimates, projections or outlook contained in this Annual Report on Form 10-K include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA). When used in this Annual Report on Form 10-K and in future filings by us with the SEC, in our news releases, presentations to securities analysts or investors, and in oral statements made by or with the approval of one of our executive officers, the words "believe," "expect," "intend," "estimate," "anticipate," "forecast," "outlook," "plan," "project," "should" or similar words or phrases are intended to identify such forward-looking statements. These statements are intended to take advantage of the "safe harbor" provisions of the PSLRA. These forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations expressed or implied in the forward-looking statements. Any forward-looking statement speaks only as of the date of this report and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances, including unanticipated events, after the date of this report.

The following discussion contains cautionary statements regarding our business that investors and others should consider. We do not undertake to address in future filings or communications regarding our business or results of operations how any of these factors may have caused our results to differ from discussions or information contained in previous filings or communications. In addition, any of the matters discussed below may have affected past, as well as current, forward-looking statements about future results. Any or all forward-looking statements in this Annual Report on Form 10-K and in any other public filings or statements we make may turn out to be wrong. Our forward-looking statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors discussed below will be important in determining our future results. By their nature, forward-looking statements are not guarantees of future performance or results and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify.

If we fail to estimate, price for and manage our medical costs in an effective manner, the profitability of our risk-based products and services could decline and could materially and adversely affect our results of operations, financial position and cash flows.

Through our risk-based benefit products, we assume the risk of both medical and administrative costs for our customers in return for monthly premiums. Premium revenues from risk-based benefits products comprise over 80% of our total consolidated revenues. We generally use approximately 80% to 85% of our premium revenues to pay the costs of health care services delivered to these customers. The profitability of our products depends in large part on our ability to predict, price for, and effectively manage medical costs. In this regard, federal and state regulatory requirements obligate our commercial, Medicare Advantage and certain state-based Medicaid health plans to maintain minimum MLRs, which could make it more difficult for us to obtain price increases for our products. In addition, our OptumCare business negotiates capitation arrangements with commercial third-party payers. Under the typical capitation arrangement, the health care provider receives a fixed percentage of a third-party payer's premiums to cover all or a defined portion of the medical costs provided to the capitated member. If we fail to predict accurately, price for or manage the costs of providing care to our capitated members, our results of operations could be materially and adversely affected.

We manage medical costs through underwriting criteria, product design, negotiation of favorable provider contracts and care management programs. Total medical costs are affected by the number of individual services rendered, the cost of each service and the type of service rendered. Our premium revenue on commercial policies is typically at a fixed monthly rate per individual served for a 12-month period and is generally priced one to six months before the contract commences. Our revenue on Medicare policies is based on bids submitted in June the year before the contract year. Although we base the premiums we charge and our Medicare bids on our estimates of future medical costs over the fixed contract period, many

factors may cause actual costs to exceed those estimated and reflected in premiums or bids. These factors may include medical cost inflation, increased use of services, increased cost of individual services, natural catastrophes or other large-scale medical emergencies, epidemics, the introduction of new or costly drugs, treatments and technology, new mandated benefits (such as the expansion of essential benefits coverage) or other regulatory changes and insured population characteristics. Relatively small differences

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between predicted and actual medical costs or utilization rates as a percentage of revenues can result in significant changes in our financial results. For example, if our 2015 medical costs for commercial insured products were 1% higher, without proportionally higher revenues from such products, our annual net earnings for 2015 would have been reduced by approximately \$210 million, excluding any offsetting impact from reduced premium rebates due to minimum MLRs.

In addition, the financial results we report for any particular period include estimates of costs that have been incurred for which claims are still outstanding. These estimates involve an extensive degree of judgment. If these estimates prove inaccurate, our results of operations could be materially and adversely affected.

Our business activities are highly regulated and new laws or regulations or changes in existing laws or regulations or their enforcement or application could materially and adversely affect our business.

We are regulated by federal, state and local governments in the United States and other countries where we do business. Our insurance and HMO subsidiaries must be licensed by and are subject to regulation in the jurisdictions in which they conduct business. For example, states require periodic financial reports and enforce minimum capital or restricted cash reserve requirements. Health plans and insurance companies are also regulated under state insurance holding company regulations and some of our activities may be subject to other health care-related regulations and requirements, including those relating to PPOs, MCOs, UR and TPA-related regulations and licensure requirements. Some of our UnitedHealthcare and Optum businesses hold or provide services related to government contracts and are subject to U.S. federal and state and non-U.S. self-referral, anti-kickback, medical necessity, risk adjustment, false claims and other laws and regulations governing government contractors and the use of government funds. In addition, under state guaranty association laws, certain insurance companies can be assessed (up to prescribed limits) for certain obligations to the policyholders and claimants of impaired or insolvent insurance companies (including state insurance cooperatives) that write the same line or similar lines of business. Any such assessment could expose our insurance entities and other insurers to the risk of paying a portion of an impaired or insolvent insurance company's claims through state guaranty association assessments.

Certain of our businesses provide products or services to various government agencies. Our relationships with these government agencies are subject to the terms of contracts that we hold with the agencies and to laws and regulations regarding government contracts. Among others, certain laws and regulations restrict or prohibit companies from performing work for government agencies that might be viewed as an actual or potential conflict of interest. These laws may limit our ability to pursue and perform certain types of work, thereby materially and adversely affecting our results of operations, financial position and cash flows.

Certain of our Optum businesses are also subject to regulations, which are distinct from those faced by our insurance and HMO subsidiaries, including, for example, state telemedicine regulations, debt collection laws, banking regulations, distributor and producer licensing requirements, state corporate practice of medicine doctrines, fee-splitting rules, health care facility licensure and certificate of need requirements, some of which could impact our relationships with physicians, hospitals and customers. These risks and uncertainties may materially and adversely affect our ability to market our products and services, or to do so at targeted margins, or may increase the regulatory burdens under which we operate.

The laws and rules governing our business and interpretations of those laws and rules are subject to frequent change, and the integration into our businesses of entities that we acquire may affect the way in which existing laws and rules apply to us, including subjecting us to laws and rules that did not previously apply to us. The broad latitude given to the agencies administering, interpreting and enforcing current and future regulations governing our business could force us to change how we do business, restrict revenue and enrollment growth, increase our health care and administrative costs and capital requirements, or expose us to increased liability in courts for coverage determinations, contract interpretation and other actions.

We must also obtain and maintain regulatory approvals to market many of our products and services, increase prices for certain regulated products and services and complete certain acquisitions and dispositions or integrate certain acquisitions. For example, premium rates for our health insurance and managed care products are subject to regulatory review or approval in many states and by the federal government. Additionally, we must submit data on all proposed rate increases to HHS for monitoring purposes on many of our products. Geographic and product expansions may be subject to state and federal regulatory approvals. Delays in obtaining necessary approvals or our failure to obtain or maintain adequate approvals could materially and adversely affect our results of operations, financial position and cash flows.

Certain of our businesses operate internationally and are subject to regulation in the jurisdictions in which they are organized or conduct business. These regulatory regimes encompass, among other matters, local and cross-border taxation, licensing, tariffs, intellectual property, investment, capital (including minimum solvency margin and reserve requirements), management

control, labor, anti-fraud, anti-corruption and privacy and data protection regulations (including requirements for cross-border data transfers) that vary by jurisdiction. We currently operate outside of the United States and in the future may acquire or commence additional businesses based outside of the United States, increasing our exposure to non-U.S. regulatory regimes. For example, our Amil business subjects us to Brazilian laws and regulations affecting the managed care and to

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insurance industries and regulation by Brazilian regulators, including the national regulatory agency for private health insurance and plans, the Agência Nacional de Saúde Suplementar, whose approach to the interpretation, implementation and enforcement of industry regulations could differ from the approach taken by U.S. regulators. In addition, our non-U.S. businesses and operations are subject to U.S. laws that regulate the conduct and activities of U.S.-based businesses operating abroad, such as the FCPA, which prohibits offering, promising, providing or authorizing others to give anything of value to a foreign government official to obtain or retain business or otherwise secure a business advantage. Our failure to comply with U.S. or non-U.S. laws and regulations governing our conduct outside the United States or to establish constructive relations with non-U.S. regulators could adversely affect our ability to market our products and services, or to do so at targeted operating margins, which may have a material adverse effect on our business, financial condition and results of operations.

The health care industry is also regularly subject to negative publicity, including as a result of governmental investigations, adverse media coverage and political debate surrounding industry regulation, such as Health Reform Legislation and associated exchanges. Negative publicity may adversely affect our stock price and damage our reputation in various markets.

Health Reform Legislation could materially and adversely affect the manner in which we conduct business and our results of operations, financial position and cash flows.

Due to its complexity, ongoing implementation and continued legal challenges, Health Reform Legislation's full impact remains difficult to predict and could adversely affect us. For example, Health Reform Legislation includes specific reforms for the individual and small group marketplace, including guaranteed availability of coverage, adjusted community rating requirements (which include elimination of health status and gender rating factors), essential health benefit requirements (resulting in benefit changes for many members) and actuarial value requirements resulting in expanded benefits or reduced member cost sharing (or a combination of both) for many policyholders. In addition, if we do not maintain certain minimum loss ratios, we are required to rebate ratable portions of our premiums to our customers. These changes can cause significant disruptions in local health care markets and adjustments to our business, all of which could materially and adversely affect our results of operations, financial position and cash flows.

Health Reform Legislation required the establishment of health insurance exchanges for individuals and small employers and requires insurers participating on the health insurance exchanges to offer a minimum level of benefits and includes guidelines on setting premium rates and coverage limitations. While risk adjustment applies to most individual and small group plans in the commercial markets, actual risk adjustment calculations and transfers could materially differ from our assumptions. Our participation in these exchanges involves uncertainties associated with mix and volume of business and could adversely affect our results of operations, financial position and cash flows.

Our results of operations, financial position and cash flows could be materially and adversely affected if the number of individuals who gain coverage under Health Reform Legislation varies from our expectations, if the demand for Health Reform Legislation related products and capabilities offered by our Optum businesses is less than anticipated or if our costs are greater than anticipated. For a discussion of individual exchange-compliant products, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

As a result of our participation in various government health care programs, both as a payer and as a service provider to payers, we are exposed to additional risks associated with program funding, enrollments, payment adjustments, audits and government investigations that could materially and adversely affect our business, results of operations, financial position and cash flows.

We participate in various federal, state and local government health care benefit programs, including as a payer in Medicare Advantage, Medicare Part D, various Medicaid programs, CHIP and our TRICARE contract with the DoD, and receive substantial revenues from these programs. Certain of our Optum businesses also provide services to payers participating in government health care programs. A reduction or less than expected increase, or a protracted delay, in government funding for these programs or change in allocation methodologies, or, as is a typical feature of many government contracts, termination of the contract at the option of the government, may materially and adversely affect our results of operations, financial position and cash flows.

The government health care programs in which we participate generally are subject to frequent changes, including changes that may reduce the number of persons enrolled or eligible for coverage, reduce the amount of reimbursement or payment levels, reduce our participation in certain service areas or markets, or increase our administrative or medical costs under such programs. Revenues for these programs depend on periodic funding from the federal government or applicable state governments and allocation of the funding through various payment mechanisms. Funding for these government programs depends on many factors outside of our control, including general economic conditions and budgetary constraints at the

federal or applicable state level. For example CMS has in the past reduced or frozen Medicare Advantage benchmarks, and additional cuts to Medicare Advantage benchmarks are possible. In addition, from time to time, CMS makes changes to the way it calculates Medicare Advantage risk adjustment payments. Although we have adjusted members' benefits and premiums on a selective basis, ceased to offer benefit plans in certain counties, and intensified both our medical and operating cost

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management in response to the benchmark reductions and other funding pressures, these or other strategies may not fully address the funding pressures in the Medicare Advantage program. In addition, payers in the Medicare Advantage program may be subject to reductions in payments from CMS as a result of decreased funding or recoupment pursuant to government audit.

Under the Medicaid managed care program, state Medicaid agencies seek bids from eligible health plans to continue their participation in the acute care Medicaid health programs. If we are not successful in obtaining renewals of state Medicaid managed care contracts, we risk losing the members that were enrolled in those Medicaid plans. Under the Medicare Part D program, to qualify for automatic enrollment of low income members, our bids must result in an enrollee premium below a regional benchmark, which is calculated by the government after all regional bids are submitted. If the enrollee premium is not below the government benchmark, we risk losing the members who were auto-assigned to us and will not have additional members auto-assigned to us. In general, our bids are based upon certain assumptions regarding enrollment, utilization, medical costs and other factors. In the event any of these assumptions is materially incorrect, either as a result of unforeseen changes to the programs on which we bid, or submission by our competitors at lower rates than our bids, our results of operations, financial position and cash flows could be materially and adversely affected.

Many of the government health care coverage programs in which we participate are subject to the prior satisfaction of certain conditions or performance standards or benchmarks. For example, as part of Health Reform Legislation, CMS has a system that provides various quality bonus payments to plans that meet certain quality star ratings at the local plan level. The star rating system considers various measures adopted by CMS, including, among other things, quality of care, preventative services, chronic illness management and customer satisfaction. Plans must have a rating of four stars or higher to qualify for bonus payments. If we do not maintain or continue to improve our star ratings, our plans may not be eligible for quality bonuses and we may experience a negative impact on our revenues and the benefits that our plans can offer, which could materially and adversely affect our membership levels, results of operations, financial position and cash flows. In addition, under Health Reform Legislation, Congress authorized CMS and the states to implement MMP managed care demonstration programs to serve dually eligible beneficiaries to improve the coordination of their care. Health plan participation in these demonstration programs is subject to CMS approval of specified care delivery models and the satisfaction of conditions to participation, including meeting certain performance requirements. Any changes in standards or care delivery models that apply to government health care programs, including Medicare, Medicaid and the MMP demonstration programs for dually eligible beneficiaries, or our inability to improve our 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, which in turn could materially and adversely affect our results of operations, financial position and cash flows.

CMS uses various payment mechanisms to allocate funding for Medicare programs, including adjusting monthly capitation payments to Medicare Advantage plans and Medicare Part D plans according to the predicted health status of each beneficiary as supported by data from health care providers for Medicare Advantage plans, as well as, for Medicare Part D plans, risk-sharing provisions based on a comparison of costs predicted in our annual bids to actual prescription drug costs. Some state Medicaid programs utilize a similar process. For example, our UnitedHealthcare Medicare & Retirement and UnitedHealthcare Community & State businesses submit information relating to the health status of enrollees to CMS or state agencies for purposes of determining the amount of certain payments to us. CMS and the Office of Inspector General for HHS periodically perform risk adjustment data validation (RADV) audits of selected Medicare health plans to validate the coding practices of and supporting documentation maintained by health care providers, and certain of our local plans have been selected for audit. Such audits have in the past resulted and could in the future result in retrospective adjustments to payments made to our health plans, fines, corrective action plans or other adverse action by CMS.

We have been and may in the future become involved in routine, regular and special governmental investigations, audits, reviews and assessments. Certain of our businesses have been reviewed or are currently under review, including for compliance with coding and other requirements under the Medicare risk-adjustment model, our chart review programs and related processes. Such investigations, audits or reviews sometimes arise out of or prompt claims by private litigants or whistleblowers that, among other allegations, we failed to disclose certain business practices or, as a government contractor, submitted false claims to the government. Governmental investigations, audits, reviews and assessments could lead to government actions, which could result in the assessment of damages, civil or criminal fines or penalties, or other sanctions, including restrictions or changes in the way we conduct business, loss of licensure or exclusion from participation in government programs, any of which could have a material adverse effect on our business, results of operations, financial position and cash flows.

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.

The collection, maintenance, protection, use, transmission, disclosure and disposal of sensitive personal information are regulated at the federal, state, international and industry levels and requirements are imposed on us by contracts with customers. These laws, rules and requirements are subject to change. Compliance with new privacy and security laws,

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regulations and requirements may result in increased operating costs, and may constrain or require us to alter our business model or operations. For example, the HITECH amendments to HIPAA imposed further restrictions on our ability to collect, disclose and use sensitive personal information and imposed additional compliance requirements on our business. While we transitioned to ICD-10 as a HIPAA-regulated entity, providers may use ICD-10 codes differently than they used ICD-9 codes in the past, which could result in lost revenues under risk adjustment or increased medical costs for full-risk health insurance products.

Many of our businesses are also subject to the Payment Card Industry Data Security Standard, which is a multifaceted security standard that is designed to protect credit card account data as mandated by payment card industry entities.

HIPAA requires business associates as well as covered entities to comply with certain privacy and security requirements. While we provide for appropriate protections through our contracts with our third-party service providers and in certain cases assess their security controls, we have limited oversight or control over their actions and practices. Several of our businesses act as business associates to their covered entity customers and, as a result, collect, use, disclose and maintain sensitive personal information in order to provide services to these customers. HHS has announced that it will continue its audit program to assess HIPAA compliance efforts by covered entities and expand it to include business associates. 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.

Through our Optum businesses, including our Optum Labs business, we maintain a database of administrative and clinical data that is statistically de-identified in accordance with HIPAA standards. Noncompliance or findings of noncompliance with applicable laws, regulations or requirements, or the occurrence of any privacy or security breach involving the misappropriation, loss or other unauthorized disclosure of sensitive personal information, whether by us or by one of our third-party service providers, could have a material adverse effect on our reputation and business, including mandatory disclosure to the media, loss of existing or new customers, significant increases in the cost of managing and remediating privacy or security incidents and material fines, penalties and litigation awards, among other consequences, any of which could have a material and adverse effect on our results of operations, financial position and cash flows.

Our businesses providing pharmacy care services face regulatory and operational risks and uncertainties that may differ from the risks of our other businesses.

We provide pharmacy care services through our OptumRx and UnitedHealthcare businesses. Each business is subject to federal and state anti-kickback and other laws that govern the relationships of the business with pharmaceutical manufacturers, physicians, pharmacies, customers and consumers. OptumRx also conducts business through home delivery and specialty pharmacies, which subjects it to extensive federal, state and local laws and regulations, including those of the U.S. Drug Enforcement Administration and individual state controlled substance authorities. In addition, federal and state legislatures regularly consider new regulations for the industry that could materially and adversely affect current industry practices, including potential new regulations regarding the receipt or disclosure of rebates from pharmaceutical companies, the development and use of formularies, the use of average wholesale prices or other pricing benchmarks, pricing for specialty pharmaceuticals and pharmacy network reimbursement methodologies.

Our pharmacy care services businesses would be materially and adversely affected by our inability to contract on favorable terms with pharmaceutical manufacturers and other suppliers, and could face potential claims in connection with purported errors by our home delivery or specialty pharmacies, including in connection with the risks inherent in the packaging and distribution of pharmaceuticals and other health care products. Disruptions at any of our home delivery or specialty pharmacies due to an accident or 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.

In addition, our pharmacy care services businesses provide services to sponsors of health benefit plans that are subject to ERISA. A private party or the DOL, which is the agency that enforces ERISA, could assert that the fiduciary obligations imposed by the statute apply to some or all of the services provided by our pharmacy care services businesses even where our pharmacy care services businesses are not contractually obligated to assume fiduciary obligations. In the event a court were to determine that fiduciary obligations apply to our pharmacy care services businesses in connection with services for which our pharmacy care services businesses are not contractually obligated to assume fiduciary obligations, we could be subject to claims for breaches of fiduciary obligations or claims that we entered into certain prohibited transactions.

If we fail to compete effectively to maintain or increase our market share, including maintaining or increasing enrollments in businesses providing health benefits, our results of operations, financial position and cash flows could be materially and adversely affected.

Our businesses compete throughout the United States, Brazil and other foreign markets and face significant competition in all of the geographic markets in which we operate. In particular markets, our competitors, compared to us, may have greater capabilities, resources or market share; a more established reputation; superior supplier or health care professional

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arrangements; better existing business relationships; lower profit margin or financial return expectations; or other factors that give such competitors a competitive advantage. In addition, our competitive position may be adversely affected by significant merger and acquisition activity that has occurred in the industries in which we operate, both among our competitors and suppliers (including hospitals, physician groups and other care professionals). Consolidation may make it more difficult for us to retain or increase our customer base, improve the terms on which we do business with our suppliers, or maintain or increase profitability. Additionally, new direct-to-consumer business models from competing businesses may make it more difficult for us to directly engage consumers in the selection and management of their health care benefits, health care usage, and in the effective navigation of the health care system we may be challenged by new technologies and market entrants that could disrupt our existing relationship with health plan enrollees in these areas. Our business, results of operations, financial position and cash flows could be materially and adversely affected if we do not compete effectively in our markets, if we set rates too high or too low in highly competitive markets, if we do not design and price our products properly and competitively, if we are unable to innovate and deliver products and services that demonstrate value to our customers, if we do not provide a satisfactory level of services, if membership or demand for other services does not increase as we expect or declines, or if we lose accounts with more profitable products while retaining or increasing membership in accounts with less profitable products.

If we fail to develop and maintain satisfactory relationships with physicians, hospitals and other service providers, our business could be materially and adversely affected.

Our results of operations and prospects are substantially dependent on our continued ability to contract with physicians, hospitals, pharmaceutical benefit service providers, pharmaceutical manufacturers and other service providers at competitive prices. Any failure to develop and maintain satisfactory relationships with health care providers, whether in-network or out-of-network, could materially and adversely affect our business, results of operations, financial position and cash flows. In addition, certain activities related to network design, provider participation in networks and provider payments could result in disputes that may be costly, distract managements' attention and result in negative publicity.

In any particular market, physicians and health care providers could refuse to contract, demand higher payments, or take other actions that could result in higher medical costs, less desirable products for customers or difficulty meeting regulatory or accreditation requirements. In some markets, certain health care 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 other organizational structures that physicians, hospitals and other care providers choose may change the way in which these providers interact with us and may change the competitive landscape. Such organizations or groups of physicians 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. In addition, if these providers refuse to contract with us, use their market position to negotiate favorable contracts 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.

We have capitation arrangements with some physicians, hospitals and other health care providers. Capitation arrangements limit our exposure to the risk of increasing medical costs, but expose us to risk related to the adequacy of the financial and medical care resources of the health care provider. To the extent that a capitated health care provider organization faces financial difficulties or otherwise is unable to perform its obligations under the capitation arrangement, we may be held responsible for unpaid health care claims that should have been the responsibility of the capitated health care provider and for which we have already paid the provider, under the capitation arrangement. Further, payment or other disputes between a primary care provider and specialists with whom the primary care provider contracts could result in a disruption in the provision of services to our members or a reduction in the services available to our members. Health care 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.

Some providers that render services to our members do not have contracts with us. In those cases, we do not have a pre-established understanding about the amount of compensation that is due to the provider for services rendered to our members. In some states, the amount of compensation due to these out-of-network providers is defined by law or regulation, but in most instances, the amount is either not defined or is established by a standard that does not clearly specify dollar terms. In some instances, providers may believe that they are underpaid for their services and may either litigate or arbitrate their dispute with us or try to recover from our members the difference between what we have paid them and the amount they charged us.

The success of certain businesses, including OptumCare and Amil, depend on maintaining satisfactory physician employment relationships. The primary care physicians that practice medicine or contract with our affiliated physician organizations could terminate their provider contracts or otherwise become unable or unwilling to continue practicing medicine or contracting with us. There is and will likely be heightened competition in the markets where we operate to acquire or manage physician practices or to employ or contract with individual physicians. If we are unable to maintain or grow satisfactory relationships

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with primary care physicians, or to acquire, recruit or, in some instances, employ physicians, or to retain enrollees following the departure of a physician, our revenues could be materially and adversely affected. In addition, our affiliated physician organizations contract with health insurance and HMO competitors of UnitedHealthcare. Our business could suffer if our affiliated physician organizations fail to maintain relationships with these health insurance or HMO companies, or adequately price their contracts with these third-party payers.

In addition, physicians, hospitals, pharmaceutical benefit service providers, pharmaceutical manufacturers and certain health care providers are customers of our Optum businesses. Given the importance of health care providers and other constituents to our businesses, failure to maintain satisfactory relationships with them could materially and adversely affect our results of operations, financial position and cash flows.

We are routinely subject to various litigation actions due to the nature of our business, which could damage our reputation and, if resolved unfavorably, could result in substantial penalties or monetary damages and materially and adversely affect our results of operations, financial position and cash flows.

We are routinely made party to a variety of legal actions related to, among other matters, the design, management and delivery of our product and service offerings. These matters have included or could in the future include matters related to health care benefits coverage and payment claims (including disputes with enrollees, customers and contracted and non-contracted physicians, hospitals and other health care professionals), tort claims (including claims related to the delivery of health care services, such as medical malpractice by health care practitioners who are employed by us, have contractual relationships with us, or serve as providers to our managed care networks), whistleblower claims (including claims under the False Claims Act or similar statutes), contract and labor disputes, tax claims and claims related to disclosure of certain business practices. We are also party to certain class action lawsuits brought by health care professional groups and consumers. In addition, we operate in jurisdictions outside of the United States, where contractual rights, tax positions and applicable regulations may be subject to interpretation or uncertainty to a greater degree than in the United States, and therefore subject to dispute by customers, government authorities or others. We are largely self-insured with regard to litigation risks. Although we maintain excess liability insurance with outside insurance carriers for claims in excess of our self-insurance, certain types of damages, such as punitive damages in some circumstances, are not covered by insurance. Although we record liabilities for our estimates of the probable costs resulting from self-insured matters, it is possible that the level of actual losses will significantly exceed the liabilities recorded.

We cannot predict the outcome of significant legal actions in which we are involved and are incurring expenses in resolving these matters. The legal actions we face or may face in the future could further increase our cost of doing business and materially and adversely affect our results of operations, financial position and cash flows. In addition, certain legal actions could result in adverse publicity, which could damage our reputation and materially and adversely affect our ability to retain our current business or grow our market share in some markets and businesses.

Any failure by us to manage successfully our strategic alliances or complete, manage or integrate acquisitions and other significant strategic transactions or relationships could materially and adversely affect our business, prospects, results of operations, financial position and cash flows.

As part of our business strategy, we frequently engage in discussions with third parties regarding possible investments, acquisitions, divestitures, strategic alliances, joint ventures and outsourcing transactions and often enter into agreements relating to such transactions. For example, we have a strategic alliance with AARP under which we provide AARP-branded Medicare Supplement insurance to AARP members and other AARP-branded products and services to Medicare beneficiaries. If we fail to meet the needs of our alliance or joint venture partners, including by developing additional products and services, providing high levels of service, pricing our products and services competitively or responding effectively to applicable federal and state regulatory changes, our alliances and joint ventures could be damaged or terminated, which in turn could adversely impact our reputation, business and results of operations. Further, if we fail to identify and successfully complete transactions that further our strategic objectives, we may be required to expend resources to develop products and technology internally, we may be placed at a competitive disadvantage or we may be adversely affected by negative market perceptions, any of which may have a material adverse effect on our results of operations, financial position or cash flows. Success in completing acquisitions is also dependent upon efficiently integrating the acquired business into our existing operations, including our internal control environment, or otherwise leveraging its operations, which may present challenges that are different from those presented by organic growth and that may be difficult for us to manage. If we cannot successfully integrate these acquisitions and to realize contemplated revenue growth opportunities and cost savings, our business, prospects, results of operations, financial position and cash flows could be materially and adversely affected.

As we expand and operate our business outside of the United States, we are presented with challenges that differ from those presented by acquisitions of domestic businesses, including challenges in adapting to new markets, business, labor and cultural practices and regulatory environments. Adapting to these challenges could require us to devote significant senior management and other resources to the acquired businesses before we realize anticipated synergies or other benefits from the acquired

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businesses. These challenges vary widely by country and may include political instability, government intervention, discriminatory regulation and currency exchange controls or other restrictions that could prevent us from transferring funds from these operations out of the countries in which our acquired businesses operate or converting local currencies that we hold into U.S. dollars or other currencies. If we are unable to manage successfully our non-U.S. acquisitions, our business, prospects, results of operations and financial position could be materially and adversely affected.

Foreign currency exchange rates and fluctuations may have an impact on our equity from period to period, which could adversely affect our debt to debt-plus-equity ratio, and our future revenues, costs and cash flows from international operations. Any measures we may implement to reduce the effect of volatile currencies may be costly or ineffective.

Our sales performance will suffer if we do not adequately attract, retain and provide support to a network of independent producers and consultants.

Our products and services are sold in part through independent producers and consultants with whom we do not have exclusive contracts and for whose services and allegiance we must compete intensely. Our sales would be materially and adversely affected if we were unable to attract, retain and support such independent producers and consultants or if our sales strategy is not appropriately aligned across distribution channels. Our relationships with producers could be materially and adversely impacted by changes in our business practices and the nature of our relationships to address these pressures, including potential reductions in commissions.

A number of investigations have been conducted regarding the marketing practices of producers selling health care products and the payments they receive and have resulted in enforcement actions against companies in our industry and producers marketing and selling those companies' products. These investigations and enforcement actions could result in penalties and the imposition of corrective action plans, which could materially and adversely impact our ability to market our products.

Unfavorable economic conditions could materially and adversely affect our revenues and our results of operations.

Unfavorable economic conditions may impact demand for certain of our products and services. For example, high unemployment can cause lower enrollment or lower rates of renewal in our employer group plans. Unfavorable economic conditions have also caused and could continue to cause employers to stop offering certain health care coverage as an employee benefit or elect to offer this coverage on a voluntary, employee-funded basis as a means to reduce their operating costs. In addition, unfavorable economic conditions could adversely impact our ability to increase premiums or result in the cancellation by certain customers of our products and services. These conditions could lead to a decrease in our membership levels and premium and fee revenues and could materially and adversely affect our results of operations, financial position and cash flows.

During a prolonged unfavorable economic environment, state and federal budgets could be materially and adversely affected, resulting in reduced reimbursements or payments in our federal and state government health care coverage programs, including Medicare, Medicaid and CHIP. A reduction in state Medicaid reimbursement rates could be implemented retrospectively to apply to payments already negotiated or received from the government and could materially and adversely affect our results of operations, financial position and cash flows. In addition, state and federal budgetary pressures could cause the affected governments to impose new or a higher level of taxes or assessments for our commercial programs, such as premium taxes on insurance companies and HMOs and surcharges or fees on select fee-for-service and capitated medical claims. Any of these developments or actions could materially and adversely affect our results of operations, financial position and cash flows.

A prolonged unfavorable economic environment also could adversely impact the financial position of hospitals and other care providers, which could materially and adversely affect our contracted rates with these parties and increase our medical costs or materially and adversely affect their ability to purchase our service offerings. Further, unfavorable economic conditions could adversely impact the customers of our Optum businesses, including health plans, HMOs, hospitals, care providers, employers and others, which could, in turn, materially and adversely affect Optum's financial results.

Our investment portfolio may suffer losses, which could materially and adversely affect our results of operations, financial position and cash flows.

Market fluctuations could impair our profitability and capital position. Volatility in interest rates affects our interest income and the market value of our investments in debt securities of varying maturities, which constitute the vast majority of the fair value of our investments as of December 31, 2015. Relatively low interest rates on investments, such as those experienced during recent years, have adversely impacted our investment income, and the continuation of the current low interest rate environment could further adversely affect our investment income. In addition, a delay in payment of principal or interest by

issuers, or defaults by issuers (primarily from investments in corporate and municipal bonds), could reduce our investment income and require us to write down the value of our investments, which could materially and adversely affect our profitability and equity.

There can be no assurance that our investments will produce total positive returns or that we will not sell investments at prices that are less than their carrying values. Changes in the value of our investment assets, as a result of interest rate fluctuations, changes in issuer financial conditions, illiquidity or otherwise, could have an adverse effect on our equity. In addition, if it

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became necessary for us to liquidate our investment portfolio on an accelerated basis, such an action could have a material adverse effect on our results of operations and the capital position of regulated subsidiaries.

If the value of our intangible assets is materially impaired, our results of operations, equity and credit ratings could be materially and adversely affected.

As of December 31, 2015, goodwill and other intangible assets had a carrying value of \$53 billion, representing 47% of our total consolidated assets. 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. The value of our goodwill may be materially and adversely impacted if businesses that we acquire perform in a manner that is inconsistent with our assumptions. In addition, from time to time we divest businesses, and any such divestiture could result in significant asset impairment and disposition charges, including those related to goodwill and other intangible assets. Any future evaluations requiring an impairment of our goodwill and other intangible assets could materially and adversely affect our results of operations and equity in the period in which the impairment occurs. A material decrease in equity could, in turn, adversely impact our credit ratings and potentially impact our compliance with the covenants in our bank credit facilities.

If we fail to maintain properly the integrity or availability of our data or successfully consolidate, integrate, upgrade or expand our existing information systems, or if our technology products do not operate as intended, our business could be materially and adversely affected.

Our ability to price adequately our products and services, to provide effective service to our customers in an efficient and uninterrupted fashion, and to report accurately our results of operations depends on the integrity of the data in our information systems. We periodically consolidate, integrate, upgrade and expand our information systems capabilities as a result of technology initiatives and recently enacted regulations, changes in our system platforms and integration of new business acquisitions. In addition, recent trends toward greater consumer engagement in health care require new and enhanced technologies, including more sophisticated applications for mobile devices. Our information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards and changing customer preferences. If the information we rely upon to run our businesses is found to be inaccurate or unreliable or if we fail to maintain or protect our information systems and data integrity effectively, we could lose existing customers, have difficulty attracting new customers, experience problems in determining medical cost estimates and establishing appropriate pricing, have difficulty preventing, detecting and controlling fraud, have disputes with customers, physicians and other health care professionals, become subject to regulatory sanctions or penalties, incur increases in operating expenses or suffer other adverse consequences. Our process of consolidating the number of systems we operate, upgrading and expanding our information systems capabilities, enhancing our systems and developing new systems to keep pace with continuing changes in information processing technology may not be successful. Failure to protect, consolidate and integrate our systems successfully could result in higher than expected costs and diversion of management's time and energy, which could materially and adversely affect our results of operations, financial position and cash flows.

Certain of our businesses sell and install software products that may contain unexpected design defects or may encounter unexpected complications during installation or when used with other technologies utilized by the customer. Connectivity among competing technologies is becoming increasingly important in the health care industry. A failure of our technology products to operate as intended and in a seamless fashion with other products could materially and adversely affect our results of operations, financial position and cash flows.

Uncertain and rapidly evolving U.S. federal and state, non-U.S. and international laws and regulations related to the health information technology market may present compliance challenges and could materially and adversely affect the configuration of our information systems and platforms, and our ability to compete in this market.

If we sustain cyber-attacks or other privacy or data security incidents, that result in security breaches that disrupt our operations or result in the unintended dissemination of sensitive personal information or proprietary or confidential information, we could suffer a loss of revenue and increased costs, exposure to significant liability, reputational harm and other serious negative consequences.

We routinely process, store and transmit large amounts of data in our operations, including sensitive personal information as well as proprietary or confidential information relating to our business or third-parties. Some of the data we process, store and transmit may be outside of the United States due to our information technology systems and international business operations. We may be subject to breaches of the information technology systems we use. Experienced computer programmers and hackers may be able to penetrate our layered security controls and misappropriate or compromise sensitive personal

information or proprietary or confidential information or that of third-parties, create system disruptions or cause shutdowns. They also may be able to develop and deploy viruses, worms and other malicious software programs that attack our systems or otherwise exploit any security vulnerabilities. Our facilities may also be vulnerable to security incidents or security attacks; acts of vandalism or

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theft; coordinated attacks by activist entities; misplaced or lost data; human errors; or other similar events that could negatively affect our systems and our and our customer's data.

The costs to eliminate or address the foregoing security threats and vulnerabilities before or after a cyber-incident could be significant. Our remediation efforts may not be successful and could result in interruptions, delays, or cessation of service and loss of existing or potential customers. In addition, breaches of our security measures and the unauthorized dissemination of sensitive personal information or proprietary information or confidential information about us or our customers or other third-parties, could expose our customers' private information and our customers to the risk of financial or medical identity theft, or expose us or other third-parties to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation, or otherwise harm our business.

If we are not able to protect our proprietary rights to our databases, software and related products, our ability to market our knowledge and information-related businesses could be hindered and our results of operations, financial position and cash flows could be materially and adversely affected.

We rely on our agreements with customers, confidentiality agreements with employees and third parties, and our trademarks, trade secrets, copyrights and patents to protect our proprietary rights. These legal protections and precautions may not prevent misappropriation of our proprietary information. In addition, substantial litigation regarding intellectual property rights exists in the software industry, and we expect software products to be increasingly subject to third-party infringement claims as the number of products and competitors in this industry segment grows. Such litigation and misappropriation of our proprietary information could hinder our ability to market and sell products and services and our results of operations, financial position and cash flows could be materially and adversely affected.

Restrictions on our ability to obtain funds from our regulated subsidiaries could materially and adversely affect our results of operations, financial position and cash flows.

Because we operate as a holding company, we are dependent upon dividends and administrative expense reimbursements from our subsidiaries to fund our obligations. Many of these subsidiaries are regulated by departments of insurance or similar regulatory authorities. We are also required by law or regulation to maintain specific prescribed minimum amounts of capital in these subsidiaries. The levels of capitalization required depend primarily upon the volume of premium revenues generated by the applicable subsidiary. In most states, we are required to seek prior approval by state regulatory authorities before we transfer money or pay dividends from our regulated subsidiaries that exceed specified amounts. An inability of our regulated subsidiaries to pay dividends to their parent companies in the desired amounts or at the time of our choosing could adversely affect our ability to reinvest in our business through capital expenditures or business acquisitions, as well as our ability to maintain our corporate quarterly dividend payment cycle, repurchase shares of our common stock and repay our debt. If we are unable to obtain sufficient funds from our subsidiaries to fund our obligations, our results of operations, financial position and cash flows could be materially and adversely affected.

Any downgrades in our credit ratings could adversely affect our business, financial condition and results of operations.

Claims paying ability, financial strength and credit ratings by Nationally Recognized Statistical Rating Organizations are important factors in establishing the competitive position of insurance companies. Ratings information is broadly disseminated and generally used throughout the industry. We believe our claims paying ability and financial strength ratings are important factors in marketing our products to certain of our customers. Our credit ratings impact both the cost and availability of future borrowings. Each of the credit rating agencies reviews its ratings periodically. Our ratings reflect each credit rating agency's opinion of our financial strength, operating performance and ability to meet our debt obligations or obligations to policyholders. There can be no assurance that our current credit ratings will be maintained in the future. Downgrades in our credit ratings, should they occur, could materially increase our costs of or ability to access funds in the debt and capital markets and otherwise materially increase our operating costs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

To support our business operations in the United States and other countries we own and lease real properties. Our various reportable segments use these facilities for their respective business purposes, and we believe these current facilities are suitable for their respective uses and are adequate for our anticipated future needs.

Table of Contents**ITEM 3. LEGAL PROCEEDINGS**

The information required by this Item 3 is incorporated herein by reference to the information set forth under the captions "Litigation Matters" and "Governmental Investigations, Audits and Reviews" in Note 13 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

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 PRICES AND HOLDERS**

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol UNH. On January 29, 2016, there were 13,501 registered holders of record of our common stock. The per share high and low common stock sales prices reported by the NYSE and cash dividends declared for our last two fiscal years were as follows:

	High	Low	Cash Dividends Declared
2015			
First quarter	\$ 123.76	\$ 98.46	\$ 0.3750
Second quarter	\$ 124.11	\$ 111.12	\$ 0.5000
Third quarter	\$ 126.21	\$ 95.00	\$ 0.5000
Fourth quarter	\$ 125.99	\$ 109.61	\$ 0.5000
2014			
First quarter	\$ 83.32	\$ 69.57	\$ 0.2800
Second quarter	\$ 83.05	\$ 73.61	\$ 0.3750
Third quarter	\$ 88.85	\$ 78.74	\$ 0.3750
Fourth quarter	\$ 104.00	\$ 80.72	\$ 0.3750

DIVIDEND POLICY

In June 2015, our Board of Directors increased the Company's quarterly cash dividend to stockholders to an annual dividend rate of \$2.00 per share compared to the annual dividend rate of \$1.50 per share, which the Company had paid since June 2014. Declaration and payment of future quarterly dividends is at the discretion of the Board and may be adjusted as business needs or market conditions change.

ISSUER PURCHASES OF EQUITY SECURITIES

In November 1997, our Board of Directors adopted a share repurchase program, which the Board evaluates periodically. There is no established expiration date for the program. During 2015, the Company repurchased 10.7 million shares at an average price of \$112.45 per share, including less than one million shares at an average price of \$115.01 per share for the three months ended December 31, 2015.

PERFORMANCE GRAPHS

The following two performance graphs compare our total return to stockholders with the returns of indexes of other specified companies and the S&P 500 Index. The first graph compares the cumulative five-year total return to stockholders on our common stock relative to the cumulative total returns of the S&P 500 index and a customized peer group of certain *Fortune 50* companies (the "*Fortune 50* Group") for the five-year period ended December 31, 2015. The second graph compares our cumulative total return to stockholders with the S&P 500 Index and an index of a group of peer companies selected by us for the five-year period ended December 31, 2015. We are not included in either the *Fortune 50* Group index in the first graph or the peer group index in the second graph. In calculating the cumulative total shareholder return of the indexes, the shareholder

returns of the *Fortune 50* Group companies in the first graph and the peer group companies in the second graph are weighted according to the stock market capitalizations of the companies at January 1 of each year. The comparisons assume the investment of \$100 on December 31, 2010 in our common stock and in each index, and that dividends were reinvested when paid.

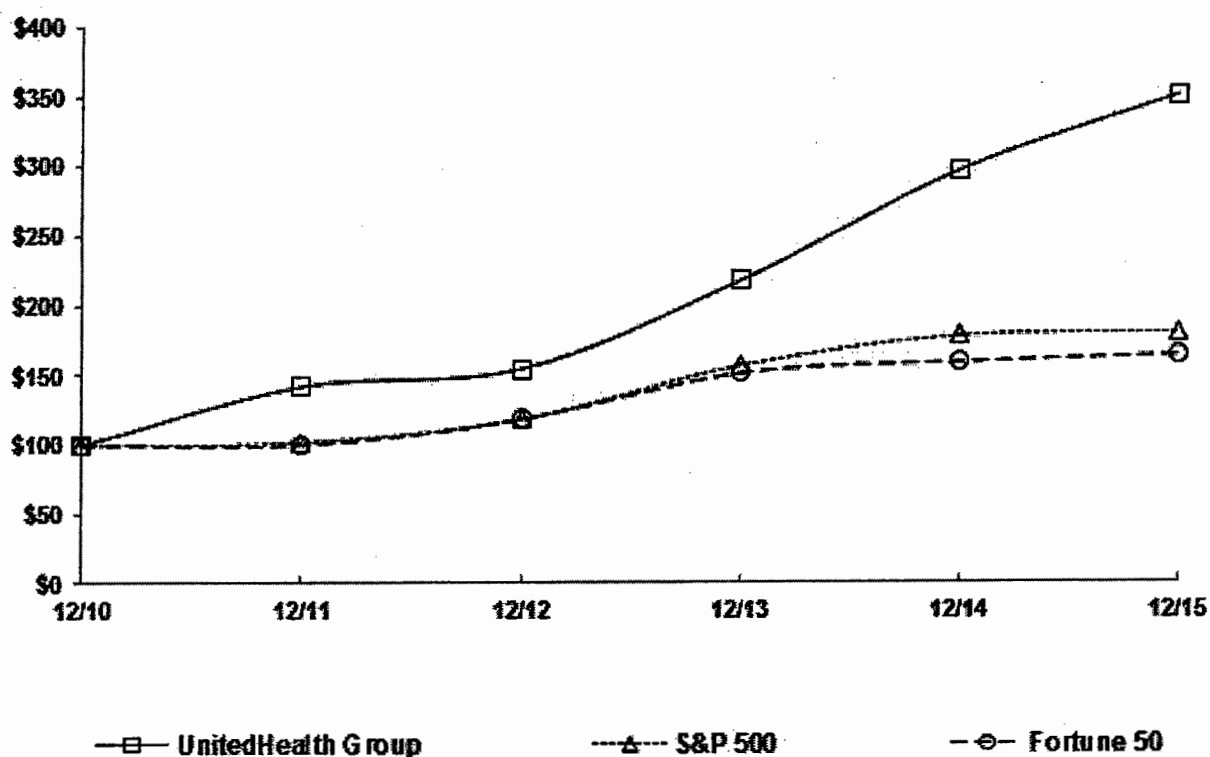
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Fortune 50 Group

The *Fortune 50* Group consists of the following companies: American International Group, Inc., Berkshire Hathaway Inc., Cardinal Health, Inc., Citigroup Inc., General Electric Company, International Business Machines Corporation and Johnson & Johnson. Although there are differences among the companies in terms of size and industry, like UnitedHealth Group, all of these companies are large multi-segment companies using a well-defined operating model in one or more broad sectors of the economy.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among UnitedHealth Group, the S&P 500 Index,
and Fortune 50



	12/10	12/11	12/12	12/13	12/14	12/15
UnitedHealth Group	\$ 100.00	\$ 142.19	\$ 154.40	\$ 217.75	\$ 297.14	\$ 351.39
S&P 500 Index	100.00	102.11	118.45	156.82	178.29	180.75
Fortune 50 Group	100.00	99.97	118.45	151.40	159.47	164.65

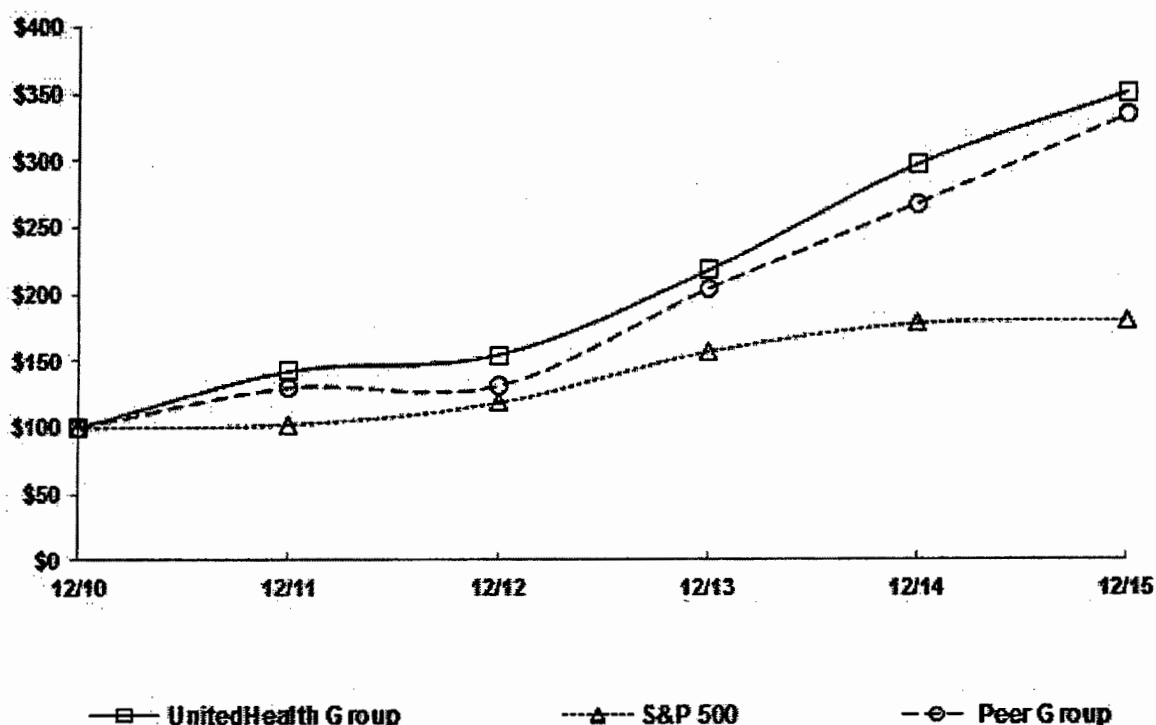
The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Table of Contents**Peer Group**

The companies included in our peer group are Aetna Inc., Anthem Inc., Cigna Corporation and Humana Inc. We believe that this peer group reflects publicly traded peers to our UnitedHealthcare businesses.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among UnitedHealth Group, the S&P 500 Index,
and a Peer Group



	12/10	12/11	12/12	12/13	12/14	12/15
UnitedHealth Group	\$ 100.00	\$ 142.19	\$ 154.40	\$ 217.75	\$ 297.14	\$ 351.39
S&P 500 Index	100.00	102.11	118.45	156.82	178.29	180.75
Peer Group	100.00	129.91	131.22	203.90	267.72	334.49

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

(in millions, except percentages and per share data)	For the Year Ended December 31,				
	2015 (a)	2014	2013	2012 (b)	2011
Consolidated operating results					
Revenues	\$ 157,107	\$ 130,474	\$ 122,489	\$ 110,618	\$ 101,862
Earnings from operations	11,021	10,274	9,623	9,254	8,464
Net earnings attributable to UnitedHealth Group common stockholders	5,813	5,619	5,625	5,526	5,142
Return on equity (c)	17.7%	17.3%	17.7%	18.7%	18.9%
Basic earnings per share attributable to UnitedHealth Group common stockholders	\$ 6.10	\$ 5.78	\$ 5.59	\$ 5.38	\$ 4.81
Diluted earnings per share attributable to UnitedHealth Group common stockholders	6.01	5.70	5.50	5.28	4.73
Cash dividends declared per common share	1.8750	1.4050	1.0525	0.8000	0.6125
Consolidated cash flows from (used for)					
Operating activities	\$ 9,740	\$ 8,051	\$ 6,991	\$ 7,155	\$ 6,968
Investing activities	(18,395)	(2,534)	(3,089)	(8,649)	(4,172)
Financing activities	12,239	(5,293)	(4,946)	471	(2,490)
Consolidated financial condition					
(as of December 31)					
Cash and investments	\$ 31,703	\$ 28,063	\$ 28,818	\$ 29,148	\$ 28,172
Total assets	111,383	86,382	81,882	80,885	67,889
Total commercial paper and long-term debt	32,094	17,406	16,860	16,754	11,638
Redeemable noncontrolling interests	1,736	1,388	1,175	2,121	—
Total equity	33,725	32,454	32,149	31,178	28,292
(a)	Includes the effects of the July 2015 Catamaran acquisition and related debt issuances.				
(b)	Includes the effects of the October 2012 Amil acquisition and related debt and equity issuances.				
(c)	Return on equity is calculated as net earnings divided by average equity. Average equity is calculated using the equity balance at the end of the preceding year and the equity balances at the end of each of the four quarters of the year presented.				

Financial Highlights should be read with the accompanying "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the accompanying Consolidated Financial Statements and Notes to the Consolidated Financial Statements thereto included in Item 8, "Financial Statements." Readers are cautioned that the statements, estimates, projections or outlook contained in this report, including discussions regarding financial prospects, economic conditions, trends and uncertainties contained in this Item 7, may constitute forward-looking statements within the meaning of the PSLRA. These forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations expressed or implied in the forward-looking statements. A description of some of the risks and uncertainties can be found further below in this Item 7 and in Part I, Item 1A, "Risk Factors."

EXECUTIVE OVERVIEW**General**

UnitedHealth Group is a diversified health and well-being company dedicated to helping people live healthier lives and making the health system work better for everyone. Through our diversified family of businesses, we leverage core competencies in advanced, enabling technology; health care data; information and intelligence; and clinical care management and coordination to help meet the demands of the health system. We offer a broad spectrum of products and services through two distinct

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platforms: UnitedHealthcare, which provides health care coverage and benefits services; and Optum, which provides information and technology-enabled health services.

We have four reportable segments across our two business platforms, UnitedHealthcare and Optum:

- UnitedHealthcare, which includes UnitedHealthcare Employer & Individual, UnitedHealthcare Medicare & Retirement, UnitedHealthcare Community & State and UnitedHealthcare Global;
- OptumHealth;
- OptumInsight; and
- OptumRx.

Further information on our business and reportable segments is presented in Part I, Item 1, "Business" and in Note 14 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

Business Trends

Our businesses participate in the United States, Brazilian and certain other international health economies. In the United States, health care spending has grown consistently for many years and comprises approximately 18% of gross domestic product. We expect overall spending on health care to continue to grow in the future, due to inflation, medical technology and pharmaceutical advancement, regulatory requirements, demographic trends in the population and national interest in health and well-being. The rate of market growth may be affected by a variety of factors, including macro-economic conditions and regulatory changes, which have impacted and could further impact our results of operations.

Pricing Trends. To price our health care benefit products, we start with our view of expected future costs. We frequently evaluate and adjust our approach in each of the local markets we serve, considering all relevant factors, such as product positioning, price competitiveness and environmental, competitive, legislative and regulatory considerations. Our review of regulatory considerations involves a focus on minimum MLR thresholds and the risk adjustment and reinsurance provisions that impact the small group and individual markets. We will continue seeking to balance growth and profitability across all of these dimensions.

The commercial risk market remains highly competitive in both the small group and large group markets. We expect broad-based competition to continue as the industry adapts to individual and employer needs amid reform changes. Health Reform Legislation included an annual, nondeductible insurance industry tax (Health Insurance Industry Tax) to be levied proportionally across the insurance industry for risk-based health insurance products. Health Reform Legislation also included three programs designed to stabilize health insurance markets (Premium Stabilization Programs): a permanent risk adjustment program; a temporary risk corridors program; and a transitional reinsurance program (Reinsurance Program). Health plans have generally reflected the Health Insurance Industry Tax and Reinsurance Program (together, ACA Fees) in their pricing. Conversely, the industry has continued to experience favorable medical cost trends due to moderated utilization, which has impacted pricing trends. In 2015, health plans' pricing returned to a more normal year-over-year inflation after pricing for higher costs due to ACA Fees in 2014. As always, the intensity of pricing competition depends on local market conditions and competitive dynamics. A provision in the 2016 Federal Budget imposes a one year moratorium for 2017 on the collection of the Health Insurance Industry Tax. This will impact our pricing for contracts that renew during 2016 but cover all or portions of 2017.

Medicare Advantage funding continues to be pressured, as discussed below in "Regulatory Trends and Uncertainties."

We expect continued Medicaid revenue growth due to anticipated increases in the number of people we serve; we also believe that the reimbursement rate environment creates the risk of downward pressure on Medicaid net margin percentages. We continue to take a prudent, market-sustainable posture for both new business and maintenance of existing relationships. We advocate for actuarially sound rates that are commensurate with our medical cost trends and we remain dedicated to partnering with those states that are committed to the long-term viability of their programs.

Medical Cost Trends. Our medical cost trends primarily relate to changes in unit costs, health system utilization and prescription drug costs. Consistent with our experience in recent years, our 2015 cost trends were largely driven by unit cost pressures from health care providers. In 2016, we expect continued unit cost pressure and a modest increase in utilization. We endeavor to mitigate those increases with medical management. Our 2016 management activities include managing costs

across all health care categories, including specialty pharmacy spending, as new therapies are introduced at high costs and older drugs have unexpected price increases.

Delivery System and Payment Modernization. The health care market continues to change based on demographic shifts, new regulations, political forces and both payer and patient expectations. Health plans and care providers are being called upon to

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work together to close gaps in care and improve overall care quality, improve the health of populations and reduce costs. We continue to see a greater number of people enrolled in plans with underlying incentive-based care provider reimbursement models that reward high-quality, affordable care and foster collaboration. We work together with clinicians to leverage our data and analytics to provide the necessary information to close gaps in care and improve overall health outcomes for patients.

We are increasingly rewarding care providers for delivering improvements in quality and cost-efficiency. As of December 31, 2015, we served more than 14 million people through some form of aligned contractual arrangement, including full-risk, shared-risk and bundled episode-of-care and performance incentive payment approaches. As of December 31, 2015, our contracts with value-based spending total nearly \$46 billion annually, up from \$13 billion in 2011.

This trend is creating needs for health management services that can coordinate care around the primary care physician, including new primary care channels, and for investments in new clinical and administrative information and management systems, which we believe provide growth opportunities for our Optum business platform.

Regulatory Trends and Uncertainties

Following is a summary of management's view of the trends and uncertainties related to some of the key provisions of Health Reform Legislation and other regulatory items. For additional information regarding Health Reform Legislation and regulatory trends and uncertainties, see Part I, Item 1 "Business - Government Regulation" and Item 1A, "Risk Factors."

Medicare Advantage Rates and Minimum Loss Ratios. Medicare Advantage rates have been cut over the last several years, with additional funding reductions to be phased-in through 2017. The final 2016 Medicare Advantage rates were more stable than in recent years, with an expected average increase in industry funding of approximately 1.25%. However, these rates still trail the typical industry forward medical cost trend of 3% which creates continued pressure in the Medicare Advantage program. The impact of these cuts to our Medicare Advantage revenues is partially mitigated by reductions in provider reimbursements for those care providers with rates indexed to Medicare Advantage revenues or Medicare fee-for-service reimbursement rates. These factors affected our plan benefit designs, market participation, growth prospects and earnings expectations for our Medicare Advantage plans for 2016.

The ongoing reductions to Medicare Advantage funding place continued importance on effective medical management and ongoing improvements in administrative efficiency. There are a number of adjustments we have made to partially offset these rate reductions. These adjustments will impact the majority of the seniors we serve through Medicare Advantage. For example, we seek to intensify our medical and operating cost management, make changes to the size and composition of our care provider networks, adjust members' benefits, implement or increase the member premiums that supplement the monthly payments we receive from the government and decide on a county-by-county basis where we will offer Medicare Advantage plans.

In the longer term, we also may be able to mitigate some of the effects of reduced funding by increasing enrollment due, in part, to the increasing number of people eligible for Medicare in coming years. As Medicare Advantage reimbursement changes, other products may become relatively more attractive to Medicare beneficiaries and increase the demand for other senior health benefits products such as our market-leading Medicare Supplement and stand-alone Medicare Part D insurance offerings.

Our Medicare Advantage rates are currently enhanced by CMS quality bonuses in certain counties based on our local plans' star ratings. The level of star ratings from CMS, based upon specified clinical and operational performance standards, will impact future quality bonuses. In addition, star ratings affect the amount of savings a plan can use to offer supplemental benefits, which ultimately may affect the plan's membership and revenue. Beginning in 2015, quality bonus payments were paid only to plans rated 4 stars and higher. We expect that approximately 56% of our Medicare Advantage members will be in plans rated four stars or higher for payment year 2016 compared with approximately 39% of members in plans rated four stars or higher for payment year 2015. We further expect that at least 63% of our Medicare Advantage members will be in plans rated four stars or higher for payment year 2017. We continue to dedicate substantial resources to advance our quality scores and star ratings to strengthen our local market programs and further improve our performance.

Health Insurance Industry Tax and Premium Stabilization Programs. The industry-wide amount of the Health Insurance Industry Tax was \$11.3 billion in 2015 and will remain at that level in 2016. A provision in the 2016 Federal Budget imposes a one year moratorium for 2017, on the collection of the Health Insurance Industry Tax. The Health Insurance Industry Tax

will again be imposed for 2018 and beyond. In 2016, we expect that our share of the Health Insurance Industry Tax will increase to \$1.9 billion from \$1.8 billion in 2015 due to growth in our business.

The Reinsurance Program is a temporary program that will be funded on a per capita basis from all commercial lines of business, including insured and self-funded arrangements. The total three year amount of \$25 billion for the Reinsurance

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Program is allocated as follows: \$20 billion (2014 - \$10 billion, 2015 - \$6 billion, 2016 - \$4 billion) subject to increases based on state decisions, to fund the reinsurance pool and \$5 billion (2014 and 2015 - \$2 billion, 2016 - \$1 billion) to fund the U.S. Treasury. The actual 2014 Reinsurance Program contributions totaled approximately \$9.7 billion, which was \$2.3 billion short of the expected amount; all was used to fund the Reinsurance Program. While funding for the Reinsurance Program will come from all commercial lines of business, only market reform compliant individual businesses will be eligible for reinsurance recoveries. We have not recorded any receivables under the temporary risk corridor program for 2014 or 2015 due to uncertainty over the level of government funding for this program and the ultimate collectability of these funds.

For detail on the Health Insurance Industry Tax and Premium Stabilization Programs, see Note 2 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

Individual Public Exchanges. After a measured approach to the individual public exchange market in 2014 in which we participated in only four states, we expanded significantly in 2015 to participate in 23 states. In 2016, we are expanding our individual public exchange offerings by 11 states to a total of 34 states. Recent data, however, has caused us to reconsider our long-term position in the individual public exchange market. We have seen lower consumer participation than we and others expected, lower government expectations for future consumer participation, declining performance in and accelerating failures of government-sponsored cooperatives and worsening of our own claims experience. We have recorded a premium deficiency reserve for a portion of our estimated 2016 losses in our 2015 results for in-force contracts as of January 1, 2016. We are not pursuing membership growth and have taken a comprehensive set of actions (e.g., increased prices and eliminated marketing and commissions) to contain membership growth. By mid-2016 we will determine to what extent, if any, we will continue to offer products in the individual public exchange market in 2017.

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RESULTS SUMMARY

The following table summarizes our consolidated results of operations and other financial information:

(in millions, except percentages and per share data)	For the Years Ended December 31,			Increase/ (Decrease)		Increase/(Decrease)	
	2015	2014	2013	2015 vs. 2014		2014 vs. 2013	
Revenues:							
Premiums	\$ 127,163	\$ 115,302	\$ 109,557	\$11,861	10%	\$ 5,745	5%
Products	17,312	4,242	3,190	13,070	308	1,052	33
Services	11,922	10,151	8,997	1,771	17	1,154	13
Investment and other income	710	779	745	(69)	(9)	34	5
Total revenues	157,107	130,474	122,489	26,633	20	7,985	7
Operating costs (a):							
Medical costs	103,875	93,633	89,659	10,242	11	3,974	4
Operating costs	24,312	21,263	18,941	3,049	14	2,322	12
Cost of products sold	16,206	3,826	2,891	12,380	324	935	32
Depreciation and amortization	1,693	1,478	1,375	215	15	103	7
Total operating costs	146,086	120,200	112,866	25,886	22	7,334	6
Earnings from operations	11,021	10,274	9,623	747	7	651	7
Interest expense	(790)	(618)	(708)	172	28	(90)	(13)
Earnings before income taxes	10,231	9,656	8,915	575	6	741	8
Provision for income taxes	(4,363)	(4,037)	(3,242)	326	8	795	25
Net earnings	5,868	5,619	5,673	249	4	(54)	(1)
Earnings attributable to noncontrolling interests	(55)	—	(48)	55	nm	(48)	nm
Net earnings attributable to UnitedHealth Group common stockholders	\$ 5,813	\$ 5,619	\$ 5,625	\$ 194	3 %	\$ (6)	— %
Diluted earnings per share attributable to UnitedHealth Group common stockholders	\$ 6.01	\$ 5.70	\$ 5.50	\$ 0.31	5 %	\$ 0.20	4 %
Medical care ratio (b)	81.7%	81.2%	81.8%	0.5 %		(0.6)%	
Operating cost ratio	15.5	16.3	15.5	(0.8)		0.8	
Operating margin	7.0	7.9	7.9	(0.9)		—	
Tax rate	42.6	41.8	36.4	0.8		5.4	
Net earnings margin (c)	3.7	4.3	4.6	(0.6)		(0.3)	
Return on equity (d)	17.7%	17.3%	17.7%	0.4 %		(0.4)%	

nm= not meaningful

(a) During the fourth quarter of 2015, the Company changed its presentation of certain pharmacy fulfillment costs related to its OptumRx business. See Note 2 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" for more information on this reclassification.

(b) Medical care ratio is calculated as medical costs divided by premium revenue.

(c) Net earnings margin attributable to UnitedHealth Group stockholders.

(d) Return on equity is calculated as annualized net earnings divided by average equity. Average equity is calculated using the equity balance at the end of the preceding year and the equity balances at the end of each of the four quarters in the year presented.

SELECTED OPERATING PERFORMANCE AND OTHER SIGNIFICANT ITEMS

The following represents a summary of select 2015 year-over-year operating comparisons to 2014 and other 2015 significant items.

- Consolidated revenues increased by 20%, Optum revenues grew 42% and UnitedHealthcare revenues increased 10%.
- UnitedHealthcare grew to serve an additional 1.7 million people domestically. Each Optum business grew revenues by 19% or more.

- Earnings from operations increased by 7%, including an increase of 30% at Optum partially offset by a decrease of 3% at UnitedHealthcare.
- Diluted earnings per common share increased 5% to \$6.01.
- Cash flow from operations were \$9.7 billion an increase of 21%.

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- On July 23, 2015, we acquired Catamaran through the purchase of all of its outstanding common stock for cash. See Note 3 of Notes to the Consolidated Financial Statements included in Part II, Item 8 "Financial Statements" for more information.

2015 RESULTS OF OPERATIONS COMPARED TO 2014 RESULTS

Our results of operations during the year ended December 31, 2015 were affected by our acquisition of Catamaran on July 23, 2015.

Consolidated Financial Results

Revenues

The increase in revenues was primarily driven by the effect of the Catamaran acquisition and organic growth in the number of individuals served across our benefits businesses and across all of Optum's businesses.

Medical Costs

Medical costs increased primarily due to risk-based membership growth in our benefits businesses. Medical costs also included losses on individual exchange-compliant products related to 2015, and the establishment of premium deficiency reserves related to the 2016 policy year for anticipated future losses for in-force individual exchange-compliant contracts and a new state Medicaid contract.

Operating Cost Ratio

The decrease in our operating cost ratio was due to the inclusion of Catamaran and growth in government benefits programs, both of which have lower operating cost ratios and Company wide productivity gains.

Reportable Segments

See Note 14 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" for more information on our segments. The following table presents a summary of the reportable segment financial information:

	For the Years Ended December 31,			Increase/(Decrease)		Increase/(Decrease)	
(in millions, except percentages)	2015	2014	2013	2015 vs. 2014		2014 vs. 2013	
Revenues							
UnitedHealthcare	\$ 131,343	\$ 119,798	\$ 113,725	\$ 11,545	10%	\$ 6,073	5%
OptumHealth	13,927	11,032	9,855	2,895	26	1,177	12
OptumInsight	6,196	5,227	4,714	969	19	513	11
OptumRx	48,272	31,976	24,006	16,296	51	7,970	33
Optum eliminations	(791)	(489)	(458)	302	62	31	7
Optum	67,604	47,746	38,117	19,858	42	9,629	25
Eliminations	(41,840)	(37,070)	(29,353)	4,770	13	7,717	26
Consolidated revenues	\$ 157,107	\$ 130,474	\$ 122,489	\$ 26,633	20%	\$ 7,985	7%
Earnings from operations							
UnitedHealthcare	\$ 6,754	\$ 6,992	\$ 7,132	\$ (238)	(3)%	\$ (140)	(2)%
OptumHealth	1,240	1,090	949	150	14	141	15
OptumInsight	1,278	1,002	831	276	28	171	21
OptumRx	1,749	1,190	711	559	47	479	67
Optum	4,267	3,282	2,491	985	30	791	32
Consolidated earnings from operations	\$ 11,021	\$ 10,274	\$ 9,623	\$ 747	7%	\$ 651	7%
Operating margin							
UnitedHealthcare	5.1%	5.8%	6.3%	(0.7)%		(0.5)%	
OptumHealth	8.9	9.9	9.6	(1.0)%		0.3	
OptumInsight	20.6	19.2	17.6	1.4%		1.6	

OptumRx	3.6	3.7	3.0	(0.1)%	0.7
Optum	6.3	6.9	6.5	(0.6)%	0.4
Consolidated operating margin	7.0%	7.9%	7.9%	(0.9)%	— %

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Table of Contents**UnitedHealthcare**

The following table summarizes UnitedHealthcare revenues by business:

(in millions, except percentages)	For the Years Ended December 31,			Increase/(Decrease)		Increase/(Decrease)	
	2015	2014	2013	2015 vs. 2014		2014 vs. 2013	
UnitedHealthcare Employer & Individual	\$ 47,194	\$ 43,017	\$ 44,847	\$ 4,177	10 %	\$ (1,830)	(4)%
UnitedHealthcare Medicare & Retirement	49,735	46,258	44,225	3,477	8	2,033	5
UnitedHealthcare Community & State	28,911	23,586	18,268	5,325	23	5,318	29
UnitedHealthcare Global	5,503	6,937	6,385	(1,434)	(21)	552	9
Total UnitedHealthcare revenues	<u>\$ 131,343</u>	<u>\$ 119,798</u>	<u>\$ 113,725</u>	<u>\$ 11,545</u>	<u>10 %</u>	<u>\$ 6,073</u>	<u>5 %</u>

The following table summarizes the number of individuals served by our UnitedHealthcare businesses, by major market segment and funding arrangement:

(in thousands, except percentages)	December 31,			Increase/(Decrease)		Increase/(Decrease)	
	2015	2014	2013	2015 vs. 2014		2014 vs. 2013	
Commercial risk-based	8,285	7,505	8,185	780	10 %	(680)	(8)%
Commercial fee-based, including TRICARE	21,445	21,245	21,975	200	1	(730)	(3)
Total commercial	<u>29,730</u>	<u>28,750</u>	<u>30,160</u>	<u>980</u>	<u>3</u>	<u>(1,410)</u>	<u>(5)</u>
Medicare Advantage	3,235	3,005	2,990	230	8	15	1
Medicaid	5,305	5,055	4,035	250	5	1,020	25
Medicare Supplement (Standardized)	4,035	3,750	3,455	285	8	295	9
Total public and senior	<u>12,575</u>	<u>11,810</u>	<u>10,480</u>	<u>765</u>	<u>6</u>	<u>1,330</u>	<u>13</u>
Total UnitedHealthcare - domestic medical	<u>42,305</u>	<u>40,560</u>	<u>40,640</u>	<u>1,745</u>	<u>4</u>	<u>(80)</u>	<u>—</u>
International	4,090	4,425	4,805	(335)	(8)	(380)	(8)
Total UnitedHealthcare - medical	<u>46,395</u>	<u>44,985</u>	<u>45,445</u>	<u>1,410</u>	<u>3 %</u>	<u>(460)</u>	<u>(1)%</u>

Supplemental Data:

Medicare Part D stand-alone	5,060	5,165	4,950	(105)	(2)%	215	4 %

The increase in commercial risk-based enrollment was the result of strong participation in UnitedHealthcare's individual public exchange products and favorable annual renewal activity and new business wins in the employer group segment. Medicare Advantage participation increased year-over-year primarily due to growth in people served through employer-sponsored group Medicare Advantage plans. Medicaid growth was driven by the combination of health reform related Medicaid expansion, states launching new programs to complement established programs and growth in established programs, partially offset by a decrease of 175,000 people in one market where an additional offering was introduced by the state in the first quarter of 2015. Medicare Supplement growth reflected strong customer retention and new sales. The number of people served internationally decreased year-over-year primarily due to pricing and underwriting disciplines in Brazil in response to regulatory actions and declining employment levels in Brazil.

UnitedHealthcare's revenue growth during the year ended December 31, 2015 was due to growth in the number of individuals served across its businesses and price increases reflecting underlying medical cost trends.

UnitedHealthcare's operating earnings for the year ended December 31, 2015 decreased as the combined individual exchange-compliant losses and premium deficiency reserves totaling \$815 million more than offset strong growth across the business, improved medical cost management and increased productivity.

Optum

Total revenues and operating earnings increased for the year ended December 31, 2015 as each reporting segment increased revenues and earnings from operations by double-digit percentages as a result of the factors discussed below.

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The results by segment were as follows:

OptumHealth

Revenue and earnings from operations increased at OptumHealth during the year ended December 31, 2015 primarily due to growth in its care delivery businesses and the impact of acquisitions in patient care centers and population health management services. The operating margins for the year ended December 31, 2015 decreased from the prior year primarily due to investments made to develop future growth opportunities.

OptumInsight

Revenue, earnings from operations and operating margins at OptumInsight for the year ended December 31, 2015 increased primarily due to expansion and growth in care provider revenue management services and payer services.

OptumRx

Revenue and earnings from operations for the year ended December 31, 2015 increased due to the mid-year acquisition of Catamaran as well as strong organic growth. Operating margins for the year ended December 31, 2015 decreased slightly due to the inclusion of lower margin Catamaran business. For more information about Catamaran, see Note 3 in Notes to the Consolidated Financial Statements in Part II, Item 8 "Financial Statements."

2014 RESULTS OF OPERATIONS COMPARED TO 2013 RESULTS**Consolidated Financial Results*****Revenues***

The increases in revenues during the year ended December 31, 2014 were primarily driven by growth in the number of individuals served in our public and senior markets businesses and growth across all of Optum's businesses.

Medical Costs and Medical Care Ratio

Medical costs during the year ended December 31, 2014 increased due to risk-based membership growth in our public and senior markets businesses. To the extent possible, we included the reform fees and related tax impacts in our pricing; since the ACA Fees are included in operating costs, this decreased our medical care ratio in 2014. This decrease from ACA Fees was partially offset by the impact of lower levels of favorable medical cost reserve development.

Operating Cost Ratio

The increase in our operating cost ratio during the year ended December 31, 2014 was due to the introduction of ACA Fees and services business growth and acquisitions, partially offset by productivity and operating performance gains.

Income Tax Rate

The increase in our income tax rate resulted primarily from the nondeductible Health Insurance Industry Tax.

Reportable Segments***UnitedHealthcare***

UnitedHealthcare's revenue growth during the year ended December 31, 2014 was due to growth in the number of individuals served in our public and senior markets businesses; revenues to recover ACA Fees, which resulted in \$1.5 billion of additional annual premiums in 2014; and commercial price increases reflecting underlying medical cost trends. These increases were partially offset by decreased commercial risk-based enrollment and a reduced level of Medicare Advantage funding.

UnitedHealthcare's operating earnings for the year ended December 31, 2014 were pressured year-over-year by ACA Fees, Medicare Advantage funding reductions, increased spending on specialty medications to treat hepatitis C and reduced levels of favorable medical cost reserve development. Partially offsetting these factors were growth in our public and senior markets businesses, reduced levels of per-member inpatient hospital utilization and revenue true-ups.

Optum

Total revenues increased for the year ended December 31, 2014 primarily due to pharmacy growth at OptumRx and growth at OptumHealth.

The increases in Optum's earnings from operations and operating margins for the year ended December 31, 2014 were driven by revenue growth and increased productivity, partially offset by investments at OptumHealth and OptumInsight.

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The results by segment were as follows:

OptumHealth

Revenue increased at OptumHealth during 2014 primarily due to acquisitions and growth in care delivery and subacute care services.

Earnings from operations and operating margins for the year ended December 31, 2014 increased primarily due to revenue growth and cost efficiencies, offset in part by investments to develop future growth opportunities.

OptumInsight

Revenue, earnings from operations and operating margins at OptumInsight for the year ended December 31, 2014 increased primarily due to the growth and expansion in revenue management services and government exchange services, partially offset by a reduction in hospital compliance services and investments for future growth.

OptumRx

Increased OptumRx revenue for the year ended December 31, 2014 was due to growth in people served in UnitedHealthcare's public and senior markets, the insourcing of UnitedHealthcare's commercial pharmacy benefit programs, growth from external clients and an increase in specialty pharmaceutical revenues.

Earnings from operations and operating margins for the year ended December 31, 2014 increased primarily due to growth in scale that resulted in greater productivity and better absorption of our fixed costs and improved performance in both drug purchasing and home delivery pharmacy fulfillment.

LIQUIDITY, FINANCIAL CONDITION AND CAPITAL RESOURCES***Liquidity******Introduction***

We manage our liquidity and financial position in the context of our overall business strategy. We continually forecast and manage our cash, investments, working capital balances and capital structure to meet the short-term and long-term obligations of our businesses while seeking to maintain liquidity and financial flexibility. Cash flows generated from operating activities are principally from earnings before noncash expenses.

Our regulated subsidiaries generate significant cash flows from operations and are subject to financial regulations and standards in their respective jurisdictions. These standards, among other things, require these subsidiaries to maintain specified levels of statutory capital, as defined by each jurisdiction, and restrict the timing and amount of dividends and other distributions that may be paid to their parent companies.

In 2015, our U.S. regulated subsidiaries paid their parent companies dividends of \$4.4 billion. For the year ended December 31, 2014, our U.S. regulated subsidiaries paid their parent companies dividends of \$4.6 billion. See Note 11 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" for further detail concerning our regulated subsidiary dividends.

Our nonregulated businesses also generate cash flows from operations that are available for general corporate use. Cash flows generated by these entities, combined with dividends from our regulated entities and financing through the issuance of long-term debt as well as issuance of commercial paper or the ability to draw under our committed credit facilities, further strengthen our operating and financial flexibility. We use these cash flows to expand our businesses through acquisitions, reinvest in our businesses through capital expenditures, repay debt and return capital to our stockholders through shareholder dividends and/or repurchases of our common stock, depending on market conditions.

Table of Contents**Summary of our Major Sources and Uses of Cash and Cash Equivalents**

(in millions)	For the Years Ended December 31,			Increase/ (Decrease)	Increase/ (Decrease)
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
Sources of cash:					
Cash provided by operating activities	\$ 9,740	\$ 8,051	\$ 6,991	\$ 1,689	\$ 1,060
Issuances of long-term debt and commercial paper, net of repayments	14,607	391	152	14,216	239
Proceeds from common stock issuances	402	462	598	(60)	(136)
Sales and maturities of investments, net of purchases	—	799	—	(799)	799
Customer funds administered	768	—	31	768	(31)
Other	—	115	191	(115)	(76)
Total sources of cash	25,517	9,818	7,963		
Uses of cash:					
Cash paid for acquisitions and noncontrolling interest shares, net of cash assumed	(16,282)	(1,923)	(1,836)	(14,359)	(87)
Cash dividends paid	(1,786)	(1,362)	(1,056)	(424)	(306)
Common stock repurchases	(1,200)	(4,008)	(3,170)	2,808	(838)
Purchases of property, equipment and capitalized software	(1,556)	(1,525)	(1,307)	(31)	(218)
Purchases of investments, net of sales and maturities	(531)	—	(1,611)	(531)	1,611
Customer funds administered	—	(638)	—	638	(638)
Other	(578)	(138)	(27)	(440)	(111)
Total uses of cash	(21,933)	(9,594)	(9,007)		
Effect of exchange rate changes on cash and cash equivalents	(156)	(5)	(86)	(151)	81
Net increase (decrease) in cash and cash equivalents	\$ 3,428	\$ 219	\$ (1,130)	\$ 3,209	\$ 1,349

2015 Cash Flows Compared to 2014 Cash Flows

Cash flows provided by operating activities in 2015 increased primarily due to growth in risk-based products, which increased medical costs payable and an increase in CMS risk share payables, which increased other policy liabilities. These increases were partially offset by an increase in pharmacy rebates, which increased other receivables, the increase in the payment of the 2015 Health Insurance Industry Tax and the payment of Reinsurance Program fees in 2015.

Other significant changes in sources or uses of cash year-over-year included increased cash paid for acquisitions and net debt issuances and decreased share repurchases, all due to the Catamaran acquisition.

2014 Cash Flows Compared to 2013 Cash Flows

Cash flows provided by operating activities in 2014 increased primarily due to an increased level of accounts payable and other liabilities, including the collection of Reinsurance Program fees in advance of remittance in 2015, partially offset by an increase in government receivables.

Other significant changes in sources or uses of cash year-over-year included: (a) a change in investment activity from net purchases in 2013 to net sales in 2014; (b) an increase in Part D subsidy receivables causing a change in customer funds administered; and (c) increased levels of cash used to repurchase common stock.

Financial Condition

As of December 31, 2015, our cash, cash equivalent and available-for-sale investment balances of \$31.2 billion included \$10.9 billion of cash and cash equivalents (of which \$286 million was available for general corporate use), \$18.6 billion of debt securities and \$1.6 billion of investments in equity securities consisting of investments in non-U.S. dollar fixed-income

funds; employee savings plan related investments; venture capital funds; and dividend paying stocks. Given the significant portion of our portfolio held in cash equivalents, we do not anticipate fluctuations in the aggregate fair value of our financial assets to have a material impact on our liquidity or capital position. Other sources of liquidity, primarily from operating cash flows and our commercial paper program, which is supported by our bank credit facilities, reduce the need to sell investments during

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adverse market conditions. See Note 5 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" for further detail concerning our fair value measurements.

Our available-for-sale debt portfolio had a weighted-average duration of 3.4 years and a weighted-average credit rating of "AA" as of December 31, 2015. When multiple credit ratings are available for an individual security, the average of the available ratings is used to determine the weighted-average credit rating.

Capital Resources and Uses of Liquidity

In addition to cash flows from operations and cash and cash equivalent balances available for general corporate use, our capital resources and uses of liquidity are as follows:

Commercial Paper and Bank Credit Facilities. Our revolving bank credit facilities provide liquidity support for our commercial paper borrowing program, which facilitates the private placement of unsecured debt through third-party broker-dealers, and are available for general corporate purposes. For more information on our commercial paper and bank credit facilities, see Note 9 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

Our revolving bank credit facilities contain various covenants, including covenants requiring us to maintain a defined debt to debt-plus-stockholders' equity ratio of not more than 55%. As of December 31, 2015, our debt to debt-plus-stockholders' equity ratio, as defined and calculated under the credit facilities was approximately 47%.

Long-Term Debt. Periodically, we access capital markets and issue long-term debt for general corporate purposes, for example, to meet our working capital requirements, to refinance debt, to finance acquisitions or for share repurchases. In July 2015, we issued debt to fund the acquisition of Catamaran. For more information on this debt issuance, see Note 9 of Notes to the Consolidated Financial Statements included in Part II, Item 8 "Financial Statements."

Credit Ratings. Our credit ratings as of December 31, 2015 were as follows:

	Moody's		Standard & Poor's		Fitch		A.M. Best	
	Ratings	Outlook	Ratings	Outlook	Ratings	Outlook	Ratings	Outlook
Senior unsecured debt	A3	Negative	A+	Negative	A-	Negative	bbb+	Stable
Commercial paper	P-2	n/a	A-1	n/a	F1	n/a	AMB-2	n/a

The availability of financing in the form of debt or equity is influenced by many factors, including our profitability, operating cash flows, debt levels, credit ratings, debt covenants and other contractual restrictions, regulatory requirements and economic and market conditions. For example, a significant downgrade in our credit ratings or adverse conditions in the capital markets may increase the cost of borrowing for us or limit our access to capital.

Share Repurchase Program. We expect continued moderated share repurchase activity through 2016 following the acquisition of Catamaran. For more information on our share repurchase program, see Note 11 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

Dividends. In June 2015, our Board increased our quarterly cash dividend to stockholders to an annual dividend rate of \$2.00 per share. For more information on our dividend, see Note 11 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

Table of Contents**CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

The following table summarizes future obligations due by period as of December 31, 2015, under our various contractual obligations and commitments:

(in millions)	2016	2017 to 2018	2019 to 2020	Thereafter	Total
Debt (a)	\$ 7,651	\$ 7,938	\$ 4,564	\$ 26,569	\$ 46,722
Operating leases	417	695	497	471	2,080
Purchase obligations (b)	365	230	54	28	677
Future policy benefits (c)	133	277	283	1,936	2,629
Unrecognized tax benefits (d)	4	—	—	207	211
Other liabilities recorded on the Consolidated Balance Sheet (e)	185	4	—	1,477	1,666
Other obligations (f)	52	64	20	16	152
Redeemable noncontrolling interests (g)	55	1,453	228	—	1,736
Total contractual obligations	<u>\$ 8,862</u>	<u>\$ 10,661</u>	<u>\$ 5,646</u>	<u>\$ 30,704</u>	<u>\$ 55,873</u>

- (a) Includes interest coupon payments and maturities at par or put values. The table also assumes amounts are outstanding through their contractual term. See Note 9 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" for more detail.
- (b) Includes fixed or minimum commitments under existing purchase obligations for goods and services, including agreements that are cancelable with the payment of an early termination penalty. Excludes agreements that are cancelable without penalty and excludes liabilities to the extent recorded in our Consolidated Balance Sheets as of December 31, 2015.
- (c) Future policy benefits represent account balances that accrue to the benefit of the policyholders, excluding surrender charges, for universal life and investment annuity products and for long-duration health policies sold to individuals for which some of the premium received in the earlier years is intended to pay benefits to be incurred in future years. See Note 2 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" for more detail.
- (d) As the timing of future settlements is uncertain, the long-term portion has been classified as "Thereafter."
- (e) Includes obligations associated with contingent consideration and other payments related to business acquisitions, certain employee benefit programs and various other long-term liabilities. Due to uncertainty regarding payment timing, obligations for employee benefit programs, charitable contributions and other liabilities have been classified as "Thereafter."
- (f) Includes remaining capital commitments for venture capital funds and other funding commitments.
- (g) Includes commitments for redeemable shares of our subsidiaries.

We do not have other significant contractual obligations or commitments that require cash resources. However, we continually evaluate opportunities to expand our operations, which include internal development of new products, programs and technology applications and may include acquisitions.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2015, we were not involved in any off-balance sheet arrangements, which have or are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 2 of Notes to the Consolidated Financial Statements in Part II, Item 8 "Financial Statements" for a discussion of new accounting pronouncements that affect us.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are those estimates that require management to make challenging, subjective or complex judgments, often because they must estimate the effects of matters that are inherently uncertain and may change in subsequent

periods. Critical accounting estimates involve judgments and uncertainties that are sufficiently sensitive and may result in materially different results under different assumptions and conditions.

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Medical Costs Payable

Each reporting period, we estimate our obligations for medical care services that have been rendered on behalf of insured consumers but for which claims have either not yet been received or processed and for liabilities for physician, hospital and other medical cost disputes. We develop estimates for medical care services incurred but not reported using an actuarial process that is consistently applied, centrally controlled and automated. The actuarial models consider factors such as time from date of service to claim receipt, claim processing backlogs, seasonal variances in medical care consumption, health care professional contract rate changes, medical care utilization and other medical cost trends, membership volume and demographics, the introduction of new technologies, benefit plan changes and business mix changes related to products, customers and geography. Depending on the health care professional and type of service, the typical billing lag for services can be up to 90 days from the date of service. Substantially all claims related to medical care services are known and settled within nine to twelve months from the date of service. As of December 31, 2015, our days outstanding in medical payables was 50 days, calculated as total medical payables divided by total medical costs times 365 days.

Each period, we re-examine previously established medical costs payable estimates based on actual claim submissions and other changes in facts and circumstances. As more complete claim 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 change is identified. Therefore, in every reporting period, our operating results include the effects of more completely developed medical costs payable estimates associated with previously reported periods. If the revised estimate of prior period medical costs is less than the previous estimate, we will decrease reported medical costs in the current period (favorable development). If the revised estimate of prior period medical costs is more than the previous estimate, we will increase reported medical costs in the current period (unfavorable development). Medical costs in 2015, 2014 and 2013 included favorable medical cost development related to prior years of \$320 million, \$420 million and \$680 million, respectively.

In developing our medical costs payable estimates, we apply different estimation methods depending on the month for which incurred claims are being estimated. For example, we actuarially calculate completion factors using an analysis of claim adjudication patterns over the most recent 36-month period. A completion factor is an actuarial estimate, based upon historical experience and analysis of current trends, of the percentage of incurred claims during a given period that have been adjudicated by us at the date of estimation. For months prior to the most recent three months, we apply the completion factors to actual claims adjudicated-to-date to estimate the expected amount of ultimate incurred claims for those months. For the most recent three months, we estimate claim costs incurred primarily by applying observed medical cost trend factors to the average per member per month (PMPM) medical costs incurred in prior months for which more complete claim data is available, supplemented by a review of near-term completion factors.

Completion Factors. Completion factors are the most significant factors we use in developing our medical costs payable estimates for older periods, generally periods prior to the most recent three months. Completion factors include judgments in relation to claim submissions such as the time from date of service to claim receipt, claim inventory levels and claim processing backlogs as well as other factors. If actual claims submission rates from providers (which can be influenced by a number of factors, including provider mix and electronic versus manual submissions) or our claim processing patterns are different than estimated, our reserves may be significantly impacted.

The following table illustrates the sensitivity of these factors and the estimated potential impact on our medical costs payable estimates for those periods as of December 31, 2015:

Completion Factors (Decrease) Increase in Factors	Increase (Decrease) In Medical Costs Payable	
	(in millions)	
(0.75)%	\$	370
(0.50)		246
(0.25)		123
0.25		(122)
0.50		(244)
0.75		(365)

Medical Cost PMPM Trend Factors. Medical cost PMPM trend factors are significant factors we use in developing our medical costs payable estimates for the most recent three months. Medical cost trend factors are developed through a comprehensive analysis of claims incurred in prior months, provider contracting and expected unit costs, benefit design and by reviewing a broad set of health care utilization indicators, including but not limited to, pharmacy utilization trends, inpatient hospital census data and incidence data from the National Centers for Disease Control. We also consider macroeconomic

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variables such as gross-domestic product growth, employment and disposable income. A large number of factors can cause the medical cost trend to vary from our estimates, including: our ability and practices to manage medical and pharmaceutical costs, changes in level and mix of services utilized, mix of benefits offered, including the impact of co-pays and deductibles, changes in medical practices, catastrophes and epidemics.

The following table illustrates the sensitivity of these factors and the estimated potential impact on our medical costs payable estimates for the most recent three months as of December 31, 2015:

Medical Cost PMPM Trend Increase (Decrease) in Factors	Increase (Decrease) In Medical Costs Payable (In millions)
3%	\$ 727
2	485
1	242
(1)	(242)
(2)	(485)
(3)	(727)

The completion factors and medical costs PMPM trend factors analyses above include outcomes that are considered reasonably likely based on our historical experience estimating liabilities for incurred but not reported benefit claims.

Our estimate of medical costs payable represents management's best estimate of our liability for unpaid medical costs as of December 31, 2015, developed using consistently applied actuarial methods. Management believes the amount of medical costs payable is reasonable and adequate to cover our liability for unpaid claims as of December 31, 2015; however, actual claim payments may differ from established estimates as discussed above. Assuming a hypothetical 1% difference between our December 31, 2015 estimates of medical costs payable and actual medical costs payable, excluding AARP Medicare Supplement Insurance and any potential offsetting impact from premium rebates, 2015 net earnings would have increased or decreased by \$83 million.

Revenues

We derive a substantial portion of our revenues from health care insurance premiums. We recognize premium revenues in the period eligible individuals are entitled to receive health care services. Customers are typically billed monthly at a contracted rate per eligible person multiplied by the total number of people eligible to receive services.

Our Medicare Advantage and Medicare Part D premium revenues are subject to periodic adjustment under the CMS risk adjustment payment methodology. The CMS risk adjustment model provides higher per member payments for enrollees diagnosed with certain conditions and lower payments for enrollees who are healthier. We and health care providers collect, capture and submit available diagnosis data to CMS within prescribed deadlines. CMS uses submitted diagnosis codes, demographic information and special statuses to determine the risk score for most Medicare Advantage beneficiaries. CMS also retroactively adjusts risk scores during the year based on additional data. We estimate risk adjustment revenues based upon the data submitted and expected to be submitted to CMS. As a result of the variability of factors that determine such estimations, the actual amount of CMS' retroactive payments could be materially more or less than our estimates. This may result in favorable or unfavorable adjustments to our Medicare premium revenue and, accordingly, our profitability. Risk adjustment data for certain of our plans is subject to review by the federal and state governments, including audit by regulators. See Note 13 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" for additional information regarding these audits. Our estimates of premiums to be recognized are reduced by any expected premium minimum MLR rebates payable by us to CMS.

Goodwill and Intangible Assets

Goodwill. Goodwill represents the amount of the purchase price in excess of the fair values assigned to the underlying identifiable net assets of acquired businesses. Goodwill is not amortized, but is subject to an annual impairment test. We completed our annual impairment tests for goodwill as of October 1, 2015. All of our reporting units had fair values substantially in excess of their carrying values. During 2015, we changed our annual quantitative goodwill impairment testing

date from January 1 to October 1 of each year. The change in the goodwill impairment test date better aligns the impairment testing procedures with the timing of our long-term planning process, which is a significant input to the testing. This change in testing date did not delay, accelerate, or avoid a goodwill impairment charge. Impairment tests are performed more frequently if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

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To determine whether goodwill is impaired, we perform a multi-step test measuring the fair values of the reporting units and comparing them to their aggregate carrying values, including goodwill. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

We estimate the fair values of our reporting units using discounted cash flows, which include assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis include financial projections of free cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value beyond the discretely forecasted periods and discount rates. For each reporting unit, comparative market multiples are used to corroborate the results of our discounted cash flow test.

Forecasts and long-term growth rates used for our reporting units are consistent with, and use inputs from, our internal long-term business plan and strategies. Key assumptions used in these forecasts include:

- *Revenue trends.* Key revenue drivers for each reporting unit are determined and assessed. Significant factors include: membership growth, medical trends and the impact and expectations of regulatory environments. Additional macro-economic assumptions relating to unemployment, GDP growth, interest rates and inflation are also evaluated and incorporated, as appropriate.
- *Medical cost trends.* For further discussion of medical cost trends, see the "Medical Cost Trend" section of Executive Overview-Business Trends above and the discussion in the "Medical Costs Payable" critical accounting estimate above. Similar factors, including historical and expected medical cost trend levels, are considered in estimating our long-term medical trends at the reporting unit level.
- *Operating productivity.* We forecast expected operating cost levels based on historical levels and expectations of future operating cost levels.
- *Capital levels.* The operating and long-term capital requirements for each business are considered.

Discount rates are determined for each reporting unit and include consideration of the implied risk inherent in their forecasts. Our most significant estimate in the discount rate determinations involves our adjustments to the peer company weighted average costs of capital that reflect reporting unit-specific factors. We have not made any adjustments to decrease a discount rate below the calculated peer company weighted average cost of capital for any reporting unit. Company-specific adjustments to discount rates are subjective and thus are difficult to measure with certainty.

The passage of time and the availability of additional information regarding areas of uncertainty with respect to the reporting units' operations could cause these assumptions to change in the future.

Intangible Assets. Our recorded separately-identifiable intangible assets were acquired in business combinations and were initially recorded at their fair values. Finite-lived intangible assets are amortized over their expected useful lives, while indefinite-lived intangible assets are evaluated for impairment on at least an annual basis.

Our finite-lived intangible assets are subject to impairment tests when events or circumstances indicate that an asset's (or asset group's) carrying value may exceed its estimated fair value. Consideration is given on a quarterly basis to a number of potential impairment indicators, including: changes in the use of the assets, changes in legal or other business factors that could affect value, experienced or expected operating cash-flow deterioration or losses, adverse changes in customer populations, adverse competitive or technological advances that could impact value and other factors.

Our indefinite-lived intangible assets are tested for impairment on an annual basis, or more frequently if impairment indicators exist. To determine if an indefinite-lived intangible asset is impaired, we compare its estimated fair value to its carrying value. If the carrying value exceeds its estimated fair value, an impairment would be recorded for the amount by which the carrying value exceeds its estimated fair value. Intangible assets were not impaired in 2015.

Investments

Our investments are principally classified as available-for-sale and are recorded at fair value. We continually monitor the difference between the cost and fair value of our investments.

Other-Than-Temporary Impairment Assessment. Individual securities with fair values lower than costs are reviewed for impairment considering the following factors: our intent to sell the security or the likelihood that we will be required to sell the security before recovery of the entire amortized cost, the length of time and extent of impairment and the financial

condition and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer. Other factors included in the assessment include the type and nature of the securities and their liquidity. Given the nature of our portfolio, primarily investment grade securities, historical impairments were largely market related (e.g., interest rate fluctuations) as opposed to credit related. In December 2015, the Federal Reserve (Fed) announced that it would increase short-

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term interest rates to a range between 25 and 50 basis points. Fed officials emphasized that they intend to raise rates gradually, if necessary. We estimate a 25 basis point rise in short-term interest rates impacts the fair-value of our investments by \$200 million. Our large cash holdings reduce the risk that we will be required to sell a security. However, our intent to sell a security may change from period to period if facts and circumstances change.

The judgments and estimates related to other-than-temporary impairment may ultimately prove to be inaccurate due to many factors, including: circumstances may change over time, industry sector and market factors may differ from expectations and estimates or we may ultimately sell a security we previously intended to hold. Our assessment of the financial condition and near-term prospects of the issuer may ultimately prove to be inaccurate as time passes and new information becomes available, including changes to current facts and circumstances, or as unknown or estimated unlikely trends develop.

LEGAL MATTERS

A description of our legal proceedings is presented in Note 13 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

CONCENTRATIONS OF CREDIT RISK

Investments in financial instruments such as marketable securities and accounts receivable may subject us to concentrations of credit risk. Our investments in marketable securities are managed under an investment policy authorized by our Board of Directors. This policy limits the amounts that may be invested in any one issuer and generally limits our investments to U.S. government and agency securities, state and municipal securities and corporate debt obligations that are investment grade. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of employer groups and other customers that constitute our client base. As of December 31, 2015, we had a reinsurance receivable resulting from the sale of our Golden Rule Financial Corporation life and annuity business in 2005. See Note 2 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements," for more information. As of December 31, 2015, there were no other significant concentrations of credit risk.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risks are exposures to changes in interest rates that impact our investment income and interest expense and the fair value of certain of our fixed-rate investments and debt, as well as foreign currency exchange rate risk of the U.S. dollar primarily to the Brazilian real.

As of December 31, 2015, we had \$12.9 billion of financial assets on which the interest rates received vary with market interest rates, which may materially impact our investment income. Also as of December 31, 2015, \$12.9 billion of our financial liabilities, which include commercial paper, debt and deposit liabilities, were at interest rates that vary with market rates, either directly or through the use of related interest rate swap contracts.

The fair value of certain of our fixed-rate investments and debt also varies with market interest rates. As of December 31, 2015, \$17.1 billion of our investments were fixed-rate debt securities and \$21.9 billion of our debt was non-swapped fixed-rate term debt. An increase in market interest rates decreases the market value of fixed-rate investments and fixed-rate debt. Conversely, a decrease in market interest rates increases the market value of fixed-rate investments and fixed-rate debt.

We manage exposure to market interest rates by diversifying investments across different fixed income market sectors and debt across maturities, as well as by endeavoring to match our floating-rate assets and liabilities over time, either directly or through the use of interest rate swap contracts. Unrealized gains and losses on investments in available-for-sale securities are reported in comprehensive income.

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The following tables summarize the impact of hypothetical changes in market interest rates across the entire yield curve by 1% point or 2% points as of December 31, 2015 and 2014 on our investment income and interest expense per annum and the fair value of our investments and debt (in millions, except percentages):

December 31, 2015				
Increase (Decrease) in Market Interest Rate	Investment Income Per Annum (a)	Interest Expense Per Annum (a)	Fair Value of Financial Assets (b)	Fair Value of Financial Liabilities (c)
2 %	\$ 258	\$ 257	\$ (1,388)	\$ (3,233)
1	129	128	(702)	(1,746)
(1)	(80)	(55)	677	2,085
(2)	nm	nm	1,132	4,442

December 31, 2014				
Increase (Decrease) in Market Interest Rate	Investment Income Per Annum (a)	Interest Expense Per Annum (a)	Fair Value of Financial Assets (b)	Fair Value of Financial Liabilities
2%	\$ 187	\$ 245	\$ (1,364)	\$ (1,846)
1	94	122	(683)	(1,014)
(1)	(54)	(21)	628	1,242
(2)	nm	nm	982	2,770

nm = not meaningful

- (a) Given the low absolute level of short-term market rates on our floating-rate assets and liabilities as of December 31, 2015 and 2014, the assumed hypothetical change in interest rates does not reflect the full 100 basis point reduction in interest income or interest expense as the rate cannot fall below zero and thus the 200 basis point reduction is not meaningful.
- (b) As of December 31, 2015 and 2014, some of our investments had interest rates below 2% so the assumed hypothetical change in the fair value of investments does not reflect the full 200 basis point reduction.
- (c) The year over year change in the fair value of financial liabilities was driven by the issuance of debt to fund the Catamaran acquisition. For more information on our debt issuances, see Note 9 of Notes to the Consolidated Financial Statements included in Part II, Item 8 of this report.

We have an exposure to changes in the value of the Brazilian real to the U.S. dollar in translation of Amil's operating results at the average exchange rate over the accounting period, and Amil's assets and liabilities at the spot rate at the end of the accounting period. The gains or losses resulting from translating foreign assets and liabilities into U.S. dollars are included in equity and comprehensive income.

An appreciation of the U.S. dollar against the Brazilian real reduces the carrying value of the net assets denominated in Brazilian real. For example, as of December 31, 2015, a hypothetical 10% and 25% increase in the value of the U.S. dollar against the Brazilian real would have caused a reduction in net assets of approximately \$300 million and \$660 million, respectively. We manage exposure to foreign currency earnings risk by conducting our international business operations primarily in their functional currencies.

As of December 31, 2015, we had \$1.6 billion of investments in equity securities, consisting of investments in non-U.S. dollar fixed-income funds; employee savings plan related investments; venture capital funds; and dividend paying stocks. Valuations in non-U.S. dollar funds are subject to foreign exchange rates. Valuations in venture capital funds are subject to conditions affecting health care and technology stocks and dividend paying equities are subject to more general market conditions.

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ITEM 8. FINANCIAL STATEMENTS

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To the Board of Directors and Stockholders of UnitedHealth Group Incorporated and Subsidiaries:

We have audited the accompanying consolidated balance sheets of UnitedHealth Group Incorporated and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of UnitedHealth Group Incorporated and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 9, 2016, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
February 9, 2016

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UnitedHealth Group
Consolidated Balance Sheets

(in millions, except per share data)	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,923	\$ 7,495
Short-term investments	1,988	1,741
Accounts receivable, net of allowances of \$333 and \$260	6,523	4,252
Other current receivables, net of allowances of \$138 and \$156	6,801	5,498
Assets under management	2,998	2,962
Deferred income taxes	860	556
Prepaid expenses and other current assets	1,546	1,052
Total current assets	31,639	23,556
Long-term investments	18,792	18,827
Property, equipment and capitalized software, net of accumulated depreciation and amortization of \$3,173 and \$2,954	4,861	4,418
Goodwill	44,453	32,940
Other intangible assets, net of accumulated amortization of \$3,128 and \$2,685	8,391	3,669
Other assets	3,247	2,972
Total assets	\$ 111,383	\$ 86,382
Liabilities, redeemable noncontrolling interests and equity		
Current liabilities:		
Medical costs payable	\$ 14,330	\$ 12,040
Accounts payable and accrued liabilities	11,994	9,247
Other policy liabilities	7,798	5,965
Commercial paper and current maturities of long-term debt	6,634	1,399
Unearned revenues	2,142	1,972
Total current liabilities	42,898	30,623
Long-term debt, less current maturities	25,460	16,007
Future policy benefits	2,496	2,488
Deferred income taxes	3,587	2,065
Other liabilities	1,481	1,357
Total liabilities	75,922	52,540
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	1,736	1,388
Equity:		
Preferred stock, \$0.001 par value - 10 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.01 par value - 3,000 shares authorized; 953 and 954 issued and outstanding	10	10
Additional paid-in capital	29	—
Retained earnings	37,125	33,836
Accumulated other comprehensive loss	(3,334)	(1,392)
Nonredeemable noncontrolling interest	(105)	—
Total equity	33,725	32,454

Total liabilities, redeemable noncontrolling interests and equity	\$	111,383	\$	86,382

See Notes to the Consolidated Financial Statements

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UnitedHealth Group
Consolidated Statements of Operations

(in millions, except per share data)	For the Years Ended December 31,		
	2015	2014	2013
Revenues:			
Premiums	\$ 127,163	\$ 115,302	\$ 109,557
Products	17,312	4,242	3,190
Services	11,922	10,151	8,997
Investment and other income	710	779	745
Total revenues	<u>157,107</u>	<u>130,474</u>	<u>122,489</u>
Operating costs:			
Medical costs	103,875	93,633	89,659
Operating costs	24,312	21,263	18,941
Cost of products sold	16,206	3,826	2,891
Depreciation and amortization	1,693	1,478	1,375
Total operating costs	<u>146,086</u>	<u>120,200</u>	<u>112,866</u>
Earnings from operations	<u>11,021</u>	<u>10,274</u>	<u>9,623</u>
Interest expense	(790)	(618)	(708)
Earnings before income taxes	<u>10,231</u>	<u>9,656</u>	<u>8,915</u>
Provision for income taxes	(4,363)	(4,037)	(3,242)
Net earnings	<u>5,868</u>	<u>5,619</u>	<u>5,673</u>
Earnings attributable to noncontrolling interests	(55)	—	(48)
Net earnings attributable to UnitedHealth Group common stockholders	<u>\$ 5,813</u>	<u>\$ 5,619</u>	<u>\$ 5,625</u>
Earnings per share attributable to UnitedHealth Group common stockholders:			
Basic	<u>\$ 6.10</u>	<u>\$ 5.78</u>	<u>\$ 5.59</u>
Diluted	<u>\$ 6.01</u>	<u>\$ 5.70</u>	<u>\$ 5.50</u>
Basic weighted-average number of common shares outstanding	<u>953</u>	<u>972</u>	<u>1,006</u>
Dilutive effect of common share equivalents	<u>14</u>	<u>14</u>	<u>17</u>
Diluted weighted-average number of common shares outstanding	<u>967</u>	<u>986</u>	<u>1,023</u>
Anti-dilutive shares excluded from the calculation of dilutive effect of common share equivalents	8	6	8
Cash dividends declared per common share	\$ 1.8750	\$ 1.4050	\$ 1.0525

See Notes to the Consolidated Financial Statements

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UnitedHealth Group
Consolidated Statements of Comprehensive Income

(in millions)	For the Years Ended December 31,		
	2015	2014	2013
Net earnings	\$ 5,868	\$ 5,619	\$ 5,673
Other comprehensive loss:			
Gross unrealized (losses) gains on investment securities during the period	(123)	476	(543)
Income tax effect	44	(173)	196
Total unrealized (losses) gains, net of tax	(79)	303	(347)
Gross reclassification adjustment for net realized gains included in net earnings	(141)	(211)	(181)
Income tax effect	53	77	66
Total reclassification adjustment, net of tax	(88)	(134)	(115)
Total foreign currency translation losses	(1,775)	(653)	(884)
Other comprehensive loss	(1,942)	(484)	(1,346)
Comprehensive income	3,926	5,135	4,327
Comprehensive income attributable to noncontrolling interests	(55)	—	(48)
Comprehensive income attributable to UnitedHealth Group common stockholders	\$ 3,871	\$ 5,135	\$ 4,279

See Notes to the Consolidated Financial Statements

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UnitedHealth Group
Consolidated Statements of Changes in Equity

(in millions)	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Nonredeemable Noncontrolling Interest	Total Equity
	Shares	Amount	Additional Paid-In Capital		Net Unrealized Gains (Losses) on Investments	Foreign Currency Translation Losses		
Balance at January 1, 2013	1,019	\$ 10	\$ 66	\$30,664	\$ 516	\$ (78)	\$ —	\$31,178
Net earnings				5,625			—	5,625
Other comprehensive loss					(462)	(884)		(1,346)
Issuances of common stock, and related tax effects	17	—	431					431
Share-based compensation, and related tax benefits			406					406
Common stock repurchases	(48)	—	(984)	(2,186)				(3,170)
Acquisition of redeemable noncontrolling interests and related tax effects			81					81
Cash dividends paid on common stock				(1,056)				(1,056)
Balance at December 31, 2013	988	10	—	33,047	54	(962)	—	32,149
Net earnings				5,619			—	5,619
Other comprehensive income (loss)					169	(653)		(484)
Issuances of common stock, and related tax effects	15	—	146					146
Share-based compensation, and related tax benefits			394					394
Common stock repurchases	(49)	—	(540)	(3,468)				(4,008)
Cash dividends paid on common stock				(1,362)				(1,362)
Balance at December 31, 2014	954	10	—	33,836	223	(1,615)	—	32,454
Net earnings				5,813			26	5,839
Other comprehensive loss					(167)	(1,775)		(1,942)
Issuances of common stock, and related tax effects	10	—	127					127
Share-based compensation, and related tax benefits			589					589
Common stock repurchases	(11)	—	(462)	(738)				(1,200)
Cash dividends paid on common stock				(1,786)				(1,786)
Redeemable noncontrolling interests fair value and other adjustments			(225)					(225)
Acquisition of nonredeemable noncontrolling interest							9	9

Distributions to
nonredeemable
noncontrolling interest

(140) (140)

Balance at December 31,
2015

<u>953</u>	<u>\$</u>	<u>10</u>	<u>\$</u>	<u>29</u>	<u>\$37,125</u>	<u>\$</u>	<u>56</u>	<u>\$ (3,390)</u>	<u>\$</u>	<u>(105)</u>	<u>\$33,725</u>

See Notes to the Consolidated Financial Statements

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UnitedHealth Group
Consolidated Statements of Cash Flows

(in millions)	For the Years Ended December 31,		
	2015	2014	2013
Operating activities			
Net earnings	\$ 5,868	\$ 5,619	\$ 5,673
Noncash items:			
Depreciation and amortization	1,693	1,478	1,375
Deferred income taxes	(73)	(117)	1
Share-based compensation	406	364	331
Other, net	(235)	(298)	(83)
Net change in other operating items, net of effects from acquisitions and changes in AARP balances:			
Accounts receivable	(591)	(911)	(317)
Other assets	(1,430)	(590)	(838)
Medical costs payable	2,585	484	509
Accounts payable and other liabilities	643	1,642	459
Other policy liabilities	637	(5)	(221)
Unearned revenues	237	385	102
Cash flows from operating activities	<u>9,740</u>	<u>8,051</u>	<u>6,991</u>
Investing activities			
Purchases of investments	(9,939)	(9,928)	(12,176)
Sales of investments	6,054	7,701	5,706
Maturities of investments	3,354	3,026	4,859
Cash paid for acquisitions, net of cash assumed	(16,164)	(1,923)	(362)
Purchases of property, equipment and capitalized software	(1,556)	(1,525)	(1,307)
Other, net	(144)	115	191
Cash flows used for investing activities	<u>(18,395)</u>	<u>(2,534)</u>	<u>(3,089)</u>
Financing activities			
Acquisition of redeemable noncontrolling interest shares	(118)	—	(1,474)
Common stock repurchases	(1,200)	(4,008)	(3,170)
Cash dividends paid	(1,786)	(1,362)	(1,056)
Proceeds from common stock issuances	402	462	598
Repayments of long-term debt	(1,041)	(812)	(1,609)
Proceeds from (repayments of) commercial paper, net	3,666	(794)	(474)
Proceeds from issuance of long-term debt	11,982	1,997	2,235
Customer funds administered	768	(638)	31
Other, net	(434)	(138)	(27)
Cash flows from (used for) financing activities	<u>12,239</u>	<u>(5,293)</u>	<u>(4,946)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(156)</u>	<u>(5)</u>	<u>(86)</u>
Increase (decrease) in cash and cash equivalents	3,428	219	(1,130)
Cash and cash equivalents, beginning of period	7,495	7,276	8,406
Cash and cash equivalents, end of period	\$ 10,923	\$ 7,495	\$ 7,276
Supplemental cash flow disclosures			
Cash paid for interest	\$ 639	\$ 644	\$ 724

Cash paid for income taxes	4,401	4,024	2,785

See Notes to the Consolidated Financial Statements

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UnitedHealth Group
Notes to the Consolidated Financial Statements

1. Description of Business

UnitedHealth Group Incorporated (individually and together with its subsidiaries, "UnitedHealth Group" and "the Company") is a diversified health and well-being company dedicated to helping people live healthier lives and making the health system work better for everyone.

Through its diversified family of businesses, the Company leverages core competencies in advanced, enabling technology; health care data, information and intelligence; and clinical care management and coordination to help meet the demands of the health system.

2. Basis of Presentation, Use of Estimates and Significant Accounting Policies***Basis of Presentation***

The Company has prepared the Consolidated Financial Statements according to U.S. Generally Accepted Accounting Principles (GAAP) and has included the accounts of UnitedHealth Group and its subsidiaries.

Use of Estimates

These Consolidated Financial Statements include certain amounts based on the Company's best estimates and judgments. The Company's most significant estimates relate to estimates and judgments for medical costs payable and revenues, valuation and impairment analysis of goodwill and other intangible assets, estimates of other policy liabilities and other current receivables and valuations of certain investments. Certain of these estimates require the application of complex assumptions and judgments, often because they involve matters that are inherently uncertain and will likely change in subsequent periods. The impact of any change in estimates is included in earnings in the period in which the estimate is adjusted.

Reclassification

During the fourth quarter of 2015, the Company changed its accounting policy for the presentation of certain pharmacy fulfillment costs related to its OptumRx business. These costs are now included in medical costs and cost of products sold, whereas they were previously included in operating costs. Prior periods have been reclassified to conform to the current period presentation. The reclassification increased medical expenses by \$376 million and \$369 million, decreased operating costs by \$418 million and \$421 million and increased cost of products sold by \$42 million and \$52 million for the years ended December 31, 2014 and 2013, respectively. The reclassification had no impact on total operating costs, earnings from operations, net earnings, earnings per share or total equity.

Reincorporation

On July 1, 2015, UnitedHealth Group Incorporated changed its state of incorporation from Minnesota to Delaware pursuant to a plan of conversion. The reincorporation was approved by the Company's stockholders at its 2015 Annual Meeting of Shareholders held on June 1, 2015. Upon reincorporation, the affairs of UnitedHealth Group Incorporated became subject to the Delaware General Corporation Law, a new certificate of incorporation and new bylaws, and each previously outstanding share of UnitedHealth Group Incorporated's common stock as a Minnesota corporation (UNH Minnesota) converted into an outstanding share of common stock of UnitedHealth Group Incorporated as a Delaware corporation after the reincorporation (UNH Delaware). The reincorporation was a tax-free reorganization under the U.S. Internal Revenue Code and did not affect the Company's business operations.

Revenues

Premium revenues are primarily derived from risk-based health insurance arrangements in which the premium is typically at a fixed rate per individual served for a one-year period, and the Company assumes the economic risk of funding its customers' health care and related administrative costs.

Premium revenues are recognized in the period in which eligible individuals are entitled to receive health care benefits. Health care premium payments received from the Company's customers in advance of the service period are recorded as unearned revenues. Fully insured commercial products of U.S. health plans, Medicare Advantage and Medicare Prescription Drug Benefit (Medicare Part D) plans with medical loss ratios as calculated under the definitions in the Patient Protection and Affordable Care Act and a reconciliation measure, the Health Care and Education Reconciliation Act of 2010 (together, Health Reform Legislation) and implementing regulations, that fall below certain targets are required to rebate ratable portions

of their premiums annually. Additionally, the Company's market reform compliant individual and small group plans in the commercial markets are subject to risk adjustment provisions as discussed in "Premium Stabilization Programs" below.

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Premium revenues are recognized based on the estimated premiums earned net of projected rebates because the Company is able to reasonably estimate the ultimate premiums of these contracts. The Company also records premium revenues from capitation arrangements at its OptumHealth businesses.

The Company's Medicare Advantage and Medicare Part D premium revenues are subject to periodic adjustment under the Centers for Medicare & Medicaid Services' (CMS) risk adjustment payment methodology. CMS deploys a risk adjustment model that apportions premiums paid to all health plans according to health severity and certain demographic factors. The CMS risk adjustment model provides higher per member payments for enrollees diagnosed with certain conditions and lower payments for enrollees who are healthier. Under this risk adjustment methodology, CMS calculates the risk adjusted premium payment using diagnosis data from hospital inpatient, hospital outpatient and physician treatment settings. The Company and health care providers collect, capture 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. Risk adjustment data for certain of the Company's plans are subject to review by the government, including audit by regulators. See Note 13 for additional information regarding these audits.

For the Company's OptumRx pharmacy care services business, revenues are derived from products sold through a contracted network of retail pharmacies or home delivery and specialty pharmacy facilities, and from administrative services, including claims processing and formulary design and management. Product revenues include ingredient costs (net of rebates), a negotiated dispensing fee and customer co-payments for drugs dispensed through the Company's mail-service pharmacy. In retail pharmacy transactions, revenues recognized exclude the member's applicable co-payment. Product revenues are recognized when the prescriptions are dispensed through the retail network or received by consumers through the Company's mail-service pharmacy. Service revenues are recognized when the prescription claim is adjudicated. The Company has entered into retail service contracts in which it is primarily obligated to pay its network pharmacy providers for benefits provided to their customers regardless if the Company is paid. The Company is also involved in establishing the prices charged by retail pharmacies, determining which drugs will be included in formulary listings and selecting which retail pharmacies will be included in the network offered to plan sponsors' members. As a result, revenues are reported on a gross basis.

Service revenues consist primarily of fees derived from services performed for customers that self-insure the health care costs of their employees and employees' dependents. Under service fee contracts, the Company recognizes revenue in the period the related services are performed. The customers retain the risk of financing health care costs for their employees and employees' dependents, and the Company administers the payment of customer funds to physicians and other health care professionals from customer-funded bank accounts. As the Company has neither the obligation for funding the health care costs, nor the primary responsibility for providing the medical care, the Company does not recognize premium revenue and medical costs for these contracts in its Consolidated Financial Statements. For both risk-based and fee-based customer arrangements, the Company provides coordination and facilitation of medical services; transaction processing; customer, consumer and care professional services; and access to contracted networks of physicians, hospitals and other health care professionals. These services are performed throughout the contract period.

Medical Costs and Medical Costs Payable

Medical costs and medical costs payable include estimates of the Company's obligations for medical care services that have been rendered on behalf of insured consumers, but for which claims have either not yet been received or processed, and for liabilities for physician, hospital and other medical cost disputes. The Company develops estimates for medical costs incurred but not reported using an actuarial process that is consistently applied, centrally controlled and automated. The actuarial models consider factors such as time from date of service to claim receipt, claim processing backlogs, care provider contract rate changes, medical care utilization and other medical cost trends. The Company estimates liabilities for physician, hospital and other medical cost disputes based upon an analysis of potential outcomes, assuming a combination of litigation and settlement strategies. Each period, the Company re-examines previously established medical costs payable estimates based on actual claim submissions and other changes in facts and circumstances. As the medical costs payable estimates recorded in prior periods develop, the Company adjusts the amount of the estimates and includes the changes in estimates in medical costs in the period in which the change is identified. Medical costs also include the direct cost of patient care.

Cost of Products Sold

The Company's cost of products sold includes the cost of pharmaceuticals dispensed to unaffiliated customers either directly at its mail and specialty pharmacy locations, or indirectly through its nationwide network of participating pharmacies. Rebates attributable to non-affiliated clients are accrued as rebates receivable and a reduction of cost of products sold with a

corresponding payable for the amounts of the rebates to be remitted to those non-affiliated clients in accordance with their contracts and recorded in the Consolidated Statements of Operations as a reduction of product revenue. Cost of products sold also includes the cost of personnel to support the Company's transaction processing services, system sales, maintenance and professional services.

Table of Contents***Cash, Cash Equivalents and Investments***

Cash and cash equivalents are highly liquid investments that have an original maturity of three months or less. The fair value of cash and cash equivalents approximates their carrying value because of the short maturity of the instruments.

Investments with maturities of less than one year are classified as short-term. Because of regulatory requirements, certain investments are included in long-term investments regardless of their maturity date. The Company classifies these investments as held-to-maturity and reports them at amortized cost. Substantially all other investments are classified as available-for-sale and reported at fair value based on quoted market prices, where available.

The Company excludes unrealized gains and losses on investments in available-for-sale securities from net earnings and reports them as comprehensive income and, net of income tax effects, as a separate component of equity. To calculate realized gains and losses on the sale of investments, the Company specifically identifies the cost of each investment sold.

The Company evaluates an investment for impairment by considering the length of time and extent to which market value has been less than cost or amortized cost, the financial condition and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer and the Company's intent to sell the security or the likelihood that it will be required to sell the security before recovery of the entire amortized cost.

New information and the passage of time can change these judgments. The Company manages its investment portfolio to limit its exposure to any one issuer or market sector, and largely limits its investments to investment grade quality. Securities downgraded below policy minimums after purchase will be disposed of in accordance with the Company's investment policy.

Assets Under Management

The Company provides health insurance products and services to members of AARP under a Supplemental Health Insurance Program (the AARP Program) and to AARP members and non-members under separate Medicare Advantage and Medicare Part D arrangements. The products and services under the AARP Program include supplemental Medicare benefits (AARP Medicare Supplement Insurance), hospital indemnity insurance, including insurance for individuals between 50 to 64 years of age and other related products.

Pursuant to the Company's agreement, AARP Program assets are managed separately from its general investment portfolio and are used to pay costs associated with the AARP Program. These assets are invested at the Company's discretion, within investment guidelines approved by AARP. The Company does not guarantee any rates of return on these investments and, upon any transfer of the AARP Program contract to another entity, the Company would transfer cash equal in amount to the fair value of these investments at the date of transfer to that entity. Because the purpose of these assets is to fund the medical costs payable, the rate stabilization fund (RSF) liabilities and other related liabilities associated with this AARP contract, assets under management are classified as current assets, consistent with the classification of these liabilities.

The effects of changes in other balance sheet amounts associated with the AARP Program also accrue to the overall benefit of the AARP policyholders through the RSF balance. Accordingly, the Company excludes the effect of such changes in its Consolidated Statements of Cash Flows. For more detail on the RSF, see "Other Policy Liabilities" below.

Other Current Receivables

Other current receivables include amounts due from pharmaceutical manufacturers for rebates and Medicare Part D drug discounts, reinsurance and other miscellaneous amounts due to the Company.

The Company's pharmacy care services businesses contract with pharmaceutical manufacturers, some of which provide rebates based on use of the manufacturers' products by its affiliated and non-affiliated clients. The Company accrues rebates as they are earned by its clients on a monthly basis based on the terms of the applicable contracts, historical data and current estimates. The pharmacy care services businesses bill these rebates to the manufacturers on a monthly or quarterly basis depending on the contractual terms and records rebates attributable to affiliated clients as a reduction to medical costs. The Company generally receives rebates from two to five months after billing. As of December 31, 2015 and 2014, total pharmaceutical manufacturer rebates receivable included in other receivables in the Consolidated Balance Sheets amounted to \$2.6 billion and \$1.5 billion, respectively.

For details on the Company's Medicare Part D receivables see "Medicare Part D Pharmacy Benefits" below.

For details on the Company's reinsurance receivable see "Future Policy Benefits and Reinsurance Receivable" below.

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Medicare Part D Pharmacy Benefits

The Company serves as a plan sponsor offering Medicare Part D prescription drug insurance coverage under contracts with CMS. Under the Medicare Part D program, there are seven separate elements of payment received by the Company during the plan year. These payment elements are as follows:

- **CMS Premium.** CMS pays a fixed monthly premium per member to the Company for the entire plan year.
- **Member Premium.** Additionally, certain members pay a fixed monthly premium to the Company for the entire plan year.
- **Low-Income Premium Subsidy.** For qualifying low-income members, CMS pays some or all of the member's monthly premiums to the Company on the member's behalf.
- **Catastrophic Reinsurance Subsidy.** CMS pays the Company a cost reimbursement estimate monthly to fund the CMS obligation to pay approximately 80% of the costs incurred by individual members in excess of the individual annual out-of-pocket maximum. A settlement is made with CMS based on actual cost experience, after the end of the plan year.
- **Low-Income Member Cost Sharing Subsidy.** For qualifying low-income members, CMS pays on the member's behalf some or all of a member's cost sharing amounts, such as deductibles and coinsurance. The cost sharing subsidy is funded by CMS through monthly payments to the Company. The Company administers and pays the subsidized portion of the claims on behalf of CMS, and a settlement payment is made between CMS and the Company based on actual claims and premium experience, after the end of the plan year.
- **CMS Risk-Share.** Premiums from CMS are subject to risk corridor provisions that compare costs targeted in the Company's annual bids by product and region to actual prescription drug costs, limited to actual costs that would have been incurred under the standard coverage as defined by CMS. Variances of more than 5% above or below the original bid submitted by the Company may result in CMS making additional payments to the Company or require the Company to refund to CMS a portion of the premiums it received. The Company estimates and recognizes an adjustment to premium revenues related to the risk corridor payment settlement based upon pharmacy claims experience to date. The estimate of the settlement associated with these risk corridor provisions requires the Company to consider factors that may not be certain, including estimates of eligible pharmacy costs and member eligibility status differences with CMS. The Company records risk-share adjustments to premium revenues in the Consolidated Statements of Operations and other policy liabilities or other current receivables in the Consolidated Balance Sheets.
- **Drug Discount.** Health Reform Legislation mandated a consumer discount on brand name prescription drugs for Medicare Part D plan participants in the coverage gap. This discount is funded by CMS and pharmaceutical manufacturers while the Company administers the application of these funds. Accordingly, amounts received are not reflected as premium revenues, but rather are accounted for as deposits. The Company records a liability when amounts are received from CMS and a receivable when the Company bills the pharmaceutical manufacturers. Related cash flows are presented as customer funds administered within financing activities in the Consolidated Statements of Cash Flows.

The CMS Premium, the Member Premium and the Low-Income Premium Subsidy represent payments for the Company's insurance risk coverage under the Medicare Part D program and, therefore, are recorded as premium revenues in the Consolidated Statements of Operations. Premium revenues are recognized ratably over the period in which eligible individuals are entitled to receive prescription drug benefits. The Company records premium payments received in advance of the applicable service period in unearned revenues in the Consolidated Balance Sheets.

The Catastrophic Reinsurance Subsidy and the Low-Income Member Cost Sharing Subsidy (Subsidies) represent cost reimbursements under the Medicare Part D program. Amounts received for these Subsidies are not reflected as premium revenues, but rather are accounted for as receivables and/or deposits. Related cash flows are presented as customer funds administered within financing activities in the Consolidated Statements of Cash Flows.

Pharmacy benefit costs and administrative costs under the contract are expensed as incurred and are recognized in medical costs and operating costs, respectively, in the Consolidated Statements of Operations.

The final 2015 risk-share amount is expected to be settled during the second half of 2016, and is subject to the reconciliation process with CMS.

The Consolidated Balance Sheets include the following amounts associated with the Medicare Part D program:

December 31, 2015

December 31, 2014

(in millions)	Subsidies	Drug Discount	Risk-Share	Subsidies	Drug Discount	Risk-Share
Other current receivables	\$ 1,703	\$ 423	\$ —	\$ 1,801	\$ 719	\$ 20
Other policy liabilities	—	58	496	—	302	—

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Property, Equipment and Capitalized Software

Property, equipment and capitalized software are stated at cost, net of accumulated depreciation and amortization. Capitalized software consists of certain costs incurred in the development of internal-use software, including external direct costs of materials and services and applicable payroll costs of employees devoted to specific software development.

The Company calculates depreciation and amortization using the straight-line method over the estimated useful lives of the assets. The useful lives for property, equipment and capitalized software are:

Furniture, fixtures and equipment	3 to 7 years
Buildings	35 to 40 years
Capitalized software	3 to 5 years

Leasehold improvements are depreciated over the shorter of the remaining lease term or their estimated useful economic life.

Goodwill

To determine whether goodwill is impaired, annually or more frequently if needed, the Company performs a multi-step impairment test. First, the Company estimates the fair values of its reporting units using discounted cash flows. To determine fair values, the Company must make assumptions about a wide variety of internal and external factors. Significant assumptions used in the impairment analysis include financial projections of free cash flow (including significant assumptions about operations, capital requirements and income taxes), long-term growth rates for determining terminal value and discount rates. Comparative market multiples are used to corroborate the results of the discounted cash flow test. If the fair value is less than the carrying value of the reporting unit, then the implied value of goodwill would be calculated and compared to the carrying amount of goodwill to determine whether goodwill is impaired.

During 2015, the Company changed its annual quantitative goodwill impairment testing date from January 1 to October 1 of each year. The change in the goodwill impairment test date better aligns the impairment testing procedures with the timing of the Company's long-term planning process, which is a significant input to the testing. This change in testing date did not delay, accelerate, or avoid a goodwill impairment charge.

There was no impairment of goodwill during the year ended December 31, 2015.

Intangible Assets

The Company's intangible assets are subject to impairment tests when events or circumstances indicate that an intangible asset (or asset group) may be impaired. The Company's indefinite lived intangible assets are also tested for impairment annually. There was no impairment of intangible assets during the year ended December 31, 2015.

Accounts Payable and Accrued Liabilities

The Company had checks outstanding of \$1.6 billion and \$1.4 billion as of December 31, 2015 and 2014, respectively, which were classified as accounts payable and accrued liabilities and the change in this balance has been reflected within other financing activities in the Consolidated Statements of Cash Flows.

As of both December 31, 2015 and 2014, accounts payable and accrued liabilities included accrued payroll liabilities of \$1.5 billion.

Other Policy Liabilities

Other policy liabilities include the RSF associated with the AARP Program, health savings account deposits, deposits under the Medicare Part D program (see "Medicare Part D Pharmacy Benefits" above), accruals for premium rebate payments under Health Reform Legislation, the current portion of future policy benefits and customer balances. Customer balances represent excess customer payments and deposit accounts under experience-rated contracts. At the customer's option, these balances may be refunded or used to pay future premiums or claims under eligible contracts.

Changes in the RSF are reported in medical costs in the Consolidated Statement of Operations. As of December 31, 2015 and 2014, the balance in the RSF was \$1.6 billion and \$1.5 billion, respectively.

Future Policy Benefits and Reinsurance Receivable

Future policy benefits represent account balances that accrue to the benefit of the policyholders, excluding surrender charges, for universal life and investment annuity products and for long-duration health policies sold to individuals for which some of the premium received in the earlier years is intended to pay benefits to be incurred in future years. As a result of the 2005 sale of the life and annuity business within the Company's Golden Rule Financial Corporation subsidiary under an indemnity

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reinsurance arrangement, the Company has maintained a liability associated with the reinsured contracts, as it remains primarily liable to the policyholders, and has recorded a corresponding reinsurance receivable due from the purchaser. The Consolidated Balance Sheets include the following amounts associated with Golden Rule as of December 31, 2015 and 2014:

(in millions)	2015	2014
Other current receivables	\$ 133	\$ 127
Other assets	1,610	1,669
Other policy liabilities	(133)	(127)
Future policy benefits	(1,610)	(1,669)

The Company evaluates the financial condition of the reinsurer and only records the reinsurance receivable to the extent of probable recovery. As of December 31, 2015, the reinsurer was rated by A.M. Best as "A+."

Policy Acquisition Costs

The Company's short duration health insurance contracts typically have a one-year term and may be canceled by the customer with at least 30 days' notice. Costs related to the acquisition and renewal of short duration customer contracts are charged to expense as incurred.

Redeemable Noncontrolling Interests

Redeemable noncontrolling interests in the Company's subsidiaries whose redemption is outside the control of the Company are classified as temporary equity. The following table provides details of the Company's redeemable noncontrolling interests activity for the years ended December 31, 2015 and 2014:

(in millions)	2015	2014
Redeemable noncontrolling interests, beginning of period	\$ 1,388	\$ 1,175
Net earnings	29	—
Acquisitions	196	203
Redemptions	(116)	—
Distributions	(19)	(40)
Fair value and other adjustments	258	50
Redeemable noncontrolling interests, end of period	<u>\$ 1,736</u>	<u>\$ 1,388</u>

Share-Based Compensation

The Company recognizes compensation expense for share-based awards, including stock options, stock-settled stock appreciation rights (SARs) and restricted stock and restricted stock units (collectively, restricted shares), on a straight-line basis over the related service period (generally the vesting period) of the award, or to an employee's eligible retirement date under the award agreement, if earlier. Restricted shares vest ratably; primarily over two to five years and compensation expense related to restricted shares is based on the share price on date of grant. Stock options and SARs vest ratably primarily over four to six years and may be exercised up to 10 years from the date of grant. Compensation expense related to stock options and SARs is based on the fair value at date of grant, which is estimated on the date of grant using a binomial option-pricing model. Under the Company's Employee Stock Purchase Plan (ESPP) eligible employees are allowed to purchase the Company's stock at a discounted price, which is 85% of the lower market price of the Company's common stock at the beginning or at the end of the six-month purchase period. Share-based compensation expense for all programs is recognized in operating costs in the Company's Consolidated Statements of Operations.

Net Earnings Per Common Share

The Company computes basic earnings per common share attributable to UnitedHealth Group common stockholders by dividing net earnings attributable to UnitedHealth Group common stockholders by the weighted-average number of common shares outstanding during the period. The Company determines diluted net earnings per common share attributable to UnitedHealth Group common stockholders using the weighted-average number of common shares outstanding during the period, adjusted for potentially dilutive shares associated with stock options, SARs, restricted shares and the ESPP, (collectively, common stock equivalents) using the treasury stock method. The treasury stock method assumes a hypothetical issuance of shares to settle the share-based awards, with the assumed proceeds used to purchase common stock at the average

market price for the period. Assumed proceeds include the amount the employee must pay upon exercise, any unrecognized compensation cost and any related excess tax benefit. The difference between the number of shares assumed issued and number of shares assumed purchased represents the dilutive shares.

Table of Contents***Health Insurance Industry Tax***

Health Reform Legislation includes an annual, nondeductible insurance industry tax (Health Insurance Industry Tax) to be levied proportionally across the insurance industry for risk-based health insurance products.

The Company estimates its liability for the Health Insurance Industry Tax based on a ratio of the Company's applicable net premiums written compared to the U.S. health insurance industry total applicable net premiums, both for the previous calendar year. The Company records in full the estimated liability for the Health Insurance Industry Tax at the beginning of the calendar year with a corresponding deferred cost that is amortized to operating costs on the Consolidated Statements of Operations using a straight-line method of allocation over the calendar year. The liability is recorded in accounts payable and accrued liabilities and the corresponding deferred cost is recorded in prepaid expenses and other current assets on the Consolidated Balance Sheets. In September 2015, the Company paid its full year 2015 Health Insurance Industry Tax of \$1.8 billion. There was no liability or asset related to the Health Insurance Industry Tax recorded as of both December 31, 2015 and 2014 as the Health Insurance Industry Tax was paid in September of both years and the asset was fully expensed by each year end.

Premium Stabilization Programs

Health Reform Legislation has included three programs designed to stabilize health insurance markets (Premium Stabilization Programs): a permanent risk adjustment program; a temporary risk corridors program; and a transitional reinsurance program (Reinsurance Program).

The risk-adjustment provisions apply to market reform compliant individual and small group plans in the commercial markets. Under the program, each covered member is assigned a risk score based upon demographic information and applicable diagnostic codes from the current year paid claims, in order to determine an average risk score for each plan in a particular state and market risk pool. Generally, a plan with a risk score that is less than the state's average risk score will pay into the pool, while a plan with a risk score that is greater than the state's average will receive money from the pool. The temporary risk corridors provisions are intended to limit the gains and losses of individual and small group qualified health plans. Plans are required to calculate the U.S. Department of Health and Human Services (HHS) risk corridor ratio of allowable costs to the defined target amount. Qualified health plans with ratios below 97% are required to make payments to HHS, while plans with ratios greater than 103% expect to receive funds from HHS. The Reinsurance Program is a transitional three year program through 2016 that is funded on a per capita basis from all commercial lines of business, including insured and self-funded arrangements.

For the Premium Stabilization Programs, the Company records a receivable or payable as an adjustment to premium revenue based on year-to-date experience when the amounts are reasonably estimable and collection is reasonably assured. Final adjustments or recoverable amounts to the Premium Stabilization Programs are determined by HHS in the year following the policy year.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" (ASU 2014-09) as modified by ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date." ASU 2014-09 will supersede existing revenue recognition standards with a single model unless those contracts are within the scope of other standards (e.g., an insurance entity's insurance contracts). The revenue recognition principle in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, new and enhanced disclosures will be required. Companies can adopt the new standard either using the full retrospective approach, a modified retrospective approach with practical expedients, or a cumulative effect upon adoption approach. ASU 2014-09 is effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption at the original effective date, for interim and annual periods beginning after December 15, 2016, will be permitted. The Company is currently evaluating the effect of the new revenue recognition guidance.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes (Topic 740)" (ASU 2015-17). ASU 2015-17 requires entities to present deferred tax assets and deferred tax liabilities as noncurrent on a classified balance sheet. ASU -2015-17 is effective for annual and interim reporting periods after December 15, 2016 and companies are

permitted to apply ASU 2015-17 either prospectively or retrospectively. Early adoption of ASU 2015-17 is permitted. The Company plans to early adopt ASU 2015-17 on a prospective basis in the first quarter of 2016.

The Company has determined that there have been no other recently issued or adopted accounting standards that had, or will have, a material impact on its Consolidated Financial Statements.

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3. Business Combination

On July 23, 2015, the Company acquired all of the outstanding common shares of Catamaran Corporation (Catamaran) and funded Catamaran's payoff of its outstanding debt and credit facility for a total of \$14.3 billion in cash. This combination diversifies OptumRx's customer and business mix, while enhancing OptumRx's technology capabilities and flexible service offerings. Catamaran offers pharmacy benefits management services similar to OptumRx to a broad client portfolio, including health plans and employers serving 35 million people, and provides health care information technology solutions to the pharmacy benefits management industry.

The Company paid for the acquisition primarily with the proceeds of new indebtedness. Debt issuances included \$10.5 billion of senior unsecured notes, approximately \$2.4 billion of commercial paper and a \$1.5 billion term loan. The total consideration exceeded the estimated fair value of the net tangible assets acquired by \$15.6 billion, of which \$5.4 billion has been allocated to finite-lived intangible assets and \$10.2 billion to goodwill. The goodwill is not deductible for income tax purposes.

Acquired tangible assets (liabilities) for Catamaran at acquisition date were:

(in millions)	
Cash and cash equivalents	\$ 299
Accounts receivable and other current assets	2,005
Rebates receivable	602
Property, equipment and other long-term assets	215
Accounts payable and other current liabilities	(2,525)
Deferred income taxes and other long-term liabilities	(1,923)
Total net tangible liabilities	\$ (1,327)

Since the Catamaran acquisition closed during the third quarter of 2015, the preliminary purchase price allocation is subject to adjustment as valuation analyses, primarily related to intangible assets and contingent and tax liabilities, are finalized.

The acquisition date fair values and weighted-average useful lives assigned to Catamaran's finite-lived intangible assets were:

(in millions, except years)	Fair Value	Weighted-Average Useful Life
Customer-related	\$ 5,278	19 years
Trademarks and technology	159	4 years
Total acquired finite-lived intangible assets	\$ 5,437	19 years

The results of operations and financial condition of Catamaran have been included in the Company's consolidated results and the results of the OptumRx segment as of July 23, 2015. Through December 31, 2015, the Catamaran business has generated \$12.4 billion in revenue and had an immaterial impact on net earnings.

Unaudited pro forma revenue for the years ended December 31, 2015 and 2014 as if the acquisition of Catamaran had occurred on January 1, 2014 were \$172 billion and \$152 billion, respectively. The pro forma effects of this acquisition on net earnings were immaterial for both years.

Table of Contents**4. Investments**

A summary of short-term and long-term investments by major security type is as follows:

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
Debt securities - available-for-sale:				
U.S. government and agency obligations	\$ 1,982	\$ 1	\$ (6)	\$ 1,977
State and municipal obligations	6,022	149	(3)	6,168
Corporate obligations	7,446	41	(81)	7,406
U.S. agency mortgage-backed securities	2,127	13	(16)	2,124
Non-U.S. agency mortgage-backed securities	962	5	(11)	956
Total debt securities - available-for-sale	18,539	209	(117)	18,631
Equity securities - available-for-sale	1,638	58	(57)	1,639
Debt securities - held-to-maturity:				
U.S. government and agency obligations	163	1	—	164
State and municipal obligations	8	—	—	8
Corporate obligations	339	—	—	339
Total debt securities - held-to-maturity	510	1	—	511
Total investments	\$ 20,687	\$ 268	\$ (174)	\$ 20,781
December 31, 2014				
Debt securities - available-for-sale:				
U.S. government and agency obligations	\$ 1,614	\$ 7	\$ (1)	\$ 1,620
State and municipal obligations	6,456	217	(5)	6,668
Corporate obligations	7,241	112	(26)	7,327
U.S. agency mortgage-backed securities	2,022	39	(5)	2,056
Non-U.S. agency mortgage-backed securities	872	12	(4)	880
Total debt securities - available-for-sale	18,205	387	(41)	18,551
Equity securities - available-for-sale	1,511	36	(25)	1,522
Debt securities - held-to-maturity:				
U.S. government and agency obligations	178	2	—	180
State and municipal obligations	19	—	—	19
Corporate obligations	298	—	—	298
Total debt securities - held-to-maturity	495	2	—	497
Total investments	\$ 20,211	\$ 425	\$ (66)	\$ 20,570

Nearly all of the Company's investments in mortgage-backed securities were rated AAA as of December 31, 2015.

The amortized cost and fair value of debt securities as of December 31, 2015, by contractual maturity, were as follows:

(in millions)	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 2,103	\$ 2,105	\$ 121	\$ 121
Due after one year through five years	6,830	6,843	188	188
Due after five years through ten years	4,752	4,793	118	118
Due after ten years	1,765	1,810	83	84

U.S. agency mortgage-backed securities	2,127	2,124	—	—
Non-U.S. agency mortgage-backed securities	962	956	—	—
Total debt securities	<u>\$ 18,539</u>	<u>\$18,631</u>	<u>\$ 510</u>	<u>\$ 511</u>

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The fair value of available-for-sale investments with gross unrealized losses by major security type and length of time that individual securities have been in a continuous unrealized loss position were as follows:

(In millions)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2015						
Debt securities - available-for-sale:						
U.S. government and agency obligations	\$ 1,473	\$ (6)	\$ —	\$ —	\$ 1,473	\$ (6)
State and municipal obligations	650	(3)	—	—	650	(3)
Corporate obligations	4,629	(63)	339	(18)	4,968	(81)
U.S. agency mortgage-backed securities	1,304	(12)	116	(4)	1,420	(16)
Non-U.S. agency mortgage-backed securities	593	(7)	127	(4)	720	(11)
Total debt securities - available-for-sale	<u>\$ 8,649</u>	<u>\$ (91)</u>	<u>\$ 582</u>	<u>\$ (26)</u>	<u>\$ 9,231</u>	<u>\$ (117)</u>
Equity securities - available-for-sale	<u>\$ 112</u>	<u>\$ (11)</u>	<u>\$ 89</u>	<u>\$ (46)</u>	<u>\$ 201</u>	<u>\$ (57)</u>
December 31, 2014						
Debt securities - available-for-sale:						
U.S. government and agency obligations	\$ 420	\$ (1)	\$ —	\$ —	\$ 420	\$ (1)
State and municipal obligations	711	(4)	99	(1)	810	(5)
Corporate obligations	2,595	(17)	464	(9)	3,059	(26)
U.S. agency mortgage-backed securities	—	—	272	(5)	272	(5)
Non-U.S. agency mortgage-backed securities	254	(2)	114	(2)	368	(4)
Total debt securities - available-for-sale	<u>\$ 3,980</u>	<u>\$ (24)</u>	<u>\$ 949</u>	<u>\$ (17)</u>	<u>\$ 4,929</u>	<u>\$ (41)</u>
Equity securities - available-for-sale	<u>\$ 107</u>	<u>\$ (6)</u>	<u>\$ 88</u>	<u>\$ (19)</u>	<u>\$ 195</u>	<u>\$ (25)</u>

The Company's unrealized losses from all securities as of December 31, 2015 were generated from approximately 11,000 positions out of a total of 24,000 positions. The Company believes that it will collect the principal and interest due on its debt securities that have an amortized cost in excess of fair value. The unrealized losses were primarily caused by interest rate increases and not by unfavorable changes in the credit quality associated with these securities. At each reporting period, the Company evaluates securities for impairment when the fair value of the investment is less than its amortized cost. The Company evaluated the underlying credit quality and credit ratings of the issuers, noting neither a significant deterioration since purchase nor other factors leading to an other-than-temporary impairment (OTTI). As of December 31, 2015, the Company did not have the intent to sell any of the securities in an unrealized loss position. Therefore, the Company believes these losses to be temporary.

The Company's investments in equity securities consist of investments in Brazilian real denominated fixed-income funds, employee savings plan related investments, venture capital funds and dividend paying stocks. The Company evaluated its investments in equity securities for severity and duration of unrealized loss, overall market volatility and other market factors.

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Net realized gains reclassified out of accumulated other comprehensive income were from the following sources:

(in millions)	For the Years Ended December 31,		
	2015	2014	2013
Total OTTI	\$ (22)	\$ (26)	\$ (8)
Portion of loss recognized in other comprehensive income	—	—	—
Net OTTI recognized in earnings	(22)	(26)	(8)
Gross realized losses from sales	(28)	(47)	(9)
Gross realized gains from sales	191	284	198
Net realized gains (included in investment and other income on the Consolidated Statements of Operations)	141	211	181
Income tax effect (included in provision for income taxes on the Consolidated Statements of Operations)	(53)	(77)	(66)
Realized gains, net of taxes	\$ 88	\$ 134	\$ 115

5. Fair Value

Certain assets and liabilities are measured at fair value in the Consolidated Financial Statements or have fair values disclosed in the Notes to the Consolidated Financial Statements. These assets and liabilities are classified into one of three levels of a hierarchy defined by GAAP. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The fair value hierarchy is summarized as follows:

Level 1 — Quoted prices (unadjusted) for identical assets/liabilities in active markets.

Level 2 — Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets/liabilities in inactive markets (e.g., few transactions, limited information, noncurrent prices, high variability over time);
- Inputs other than quoted prices that are observable for the asset/liability (e.g., interest rates, yield curves, implied volatilities, credit spreads); and
- Inputs that are corroborated by other observable market data.

Level 3 — Unobservable inputs that cannot be corroborated by observable market data.

Transfers between levels, if any, are recorded as of the beginning of the reporting period in which the transfer occurs; there were no transfers between Levels 1, 2 or 3 of any financial assets or liabilities during 2015 or 2014.

Nonfinancial assets and liabilities or financial assets and liabilities that are measured at fair value on a nonrecurring basis are subject to fair value adjustments only in certain circumstances, such as when the Company records an impairment. There were no significant fair value adjustments for these assets and liabilities recorded during the years ended December 31, 2015 or 2014.

The following methods and assumptions were used to estimate the fair value and determine the fair value hierarchy classification of each class of financial instrument included in the tables below:

Cash and Cash Equivalents. The carrying value of cash and cash equivalents approximates fair value as maturities are less than three months. Fair values of cash equivalent instruments that do not trade on a regular basis in active markets are classified as Level 2.

Debt and Equity Securities. Fair values of debt and equity securities are based on quoted market prices, where available. The Company obtains one price for each security primarily from a third-party pricing service (pricing service), which generally uses quoted or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, and, if necessary, makes adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may

use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark yields, credit spreads, default rates, prepayment speeds and nonbinding broker quotes. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to

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determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to prices reported by a secondary pricing source, such as its custodian, its investment consultant and third-party investment advisors. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and reviews of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

Fair values of debt securities that do not trade on a regular basis in active markets but are priced using other observable inputs are classified as Level 2.

Fair value estimates for Level 1 and Level 2 equity securities are based on quoted market prices for actively traded equity securities and/or other market data for the same or comparable instruments and transactions in establishing the prices.

The fair values of Level 3 investments in venture capital portfolios are estimated using a market valuation technique that relies heavily on management assumptions and qualitative observations. Under the market approach, the fair values of the Company's various venture capital investments are computed using limited quantitative and qualitative observations of activity for similar companies in the current market. The Company's market modeling utilizes, as applicable, transactions for comparable companies in similar industries that also have similar revenue and growth characteristics and preferences in their capital structure. Key significant unobservable inputs in the market technique include implied earnings before interest, taxes, depreciation and amortization (EBITDA) multiples and revenue multiples. Additionally, the fair values of certain of the Company's venture capital securities are based on recent transactions in inactive markets for identical or similar securities. Significant changes in any of these inputs could result in significantly lower or higher fair value measurements.

Throughout the procedures discussed above in relation to the Company's processes for validating third-party pricing information, the Company validates the understanding of assumptions and inputs used in security pricing and determines the proper classification in the hierarchy based on that understanding.

Other Assets. The fair values of the Company's other assets are estimated and classified using the same methodologies as the Company's investments in debt securities.

AARP Program-Related Investments. AARP Program-related investments consist of debt securities and other investments held to fund costs associated with the AARP Program and are priced and classified using the same methodologies as the Company's investments in debt and equity securities.

Interest Rate Swaps. Fair values of the Company's swaps are estimated using the terms of the swaps and publicly available information, including market yield curves. Because the swaps are unique and not actively traded but are valued using other observable inputs, the fair values are classified as Level 2.

Long-Term Debt. The fair values of the Company's long-term debt are estimated and classified using the same methodologies as the Company's investments in debt securities.

AARP Program-Related Other Liabilities. AARP Program-related other liabilities consist of liabilities that represent the amount of net investment gains and losses related to AARP Program-related investments that accrue to the benefit of the AARP policyholders.

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The following table presents a summary of fair value measurements by level and carrying values for items measured at fair value on a recurring basis in the Consolidated Balance Sheets excluding AARP Program-related assets and liabilities, which are presented in a separate table below:

(in millions)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair and Carrying Value
December 31, 2015				
Cash and cash equivalents	\$ 10,906	\$ 17	\$ —	\$ 10,923
Debt securities - available-for-sale:				
U.S. government and agency obligations	1,779	198	—	1,977
State and municipal obligations	—	6,168	—	6,168
Corporate obligations	5	7,308	93	7,406
U.S. agency mortgage-backed securities	—	2,124	—	2,124
Non-U.S. agency mortgage-backed securities	—	951	5	956
Total debt securities - available-for-sale	1,784	16,749	98	18,631
Equity securities - available-for-sale	1,223	14	402	1,639
Interest rate swap assets	—	93	—	93
Total assets at fair value	\$ 13,913	\$ 16,873	\$ 500	\$ 31,286
Percentage of total assets at fair value	44%	54%	2%	100%
Interest rate swap liabilities	\$ —	\$ 11	\$ —	\$ 11
December 31, 2014				
Cash and cash equivalents	\$ 7,472	\$ 23	\$ —	\$ 7,495
Debt securities - available-for-sale:				
U.S. government and agency obligations	1,427	193	—	1,620
State and municipal obligations	—	6,668	—	6,668
Corporate obligations	2	7,257	68	7,327
U.S. agency mortgage-backed securities	—	2,056	—	2,056
Non-U.S. agency mortgage-backed securities	—	874	6	880
Total debt securities - available-for-sale	1,429	17,048	74	18,551
Equity securities - available-for-sale	1,200	12	310	1,522
Interest rate swap assets	—	62	—	62
Total assets at fair value	\$ 10,101	\$ 17,145	\$ 384	\$ 27,630
Percentage of total assets at fair value	37%	62%	1%	100%
Interest rate swap liabilities	\$ —	\$ 55	\$ —	\$ 55

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The following table presents a summary of fair value measurements by level and carrying values for certain financial instruments not measured at fair value on a recurring basis in the Consolidated Balance Sheets:

(in millions)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value	Total Carrying Value
December 31, 2015					
Debt securities - held-to-maturity:					
U.S. government and agency obligations	\$ 164	\$ —	\$ —	\$ 164	\$ 163
State and municipal obligations	—	—	8	8	8
Corporate obligations	91	10	238	339	339
Total debt securities - held-to-maturity	\$ 255	\$ 10	\$ 246	\$ 511	\$ 510
Other assets	\$ —	\$ 493	\$ —	\$ 493	\$ 500
Long-term debt and other financing obligations	\$ —	\$ 29,455	\$ —	\$ 29,455	\$ 28,107
December 31, 2014					
Debt securities - held-to-maturity:					
U.S. government and agency obligations	\$ 180	\$ —	\$ —	\$ 180	\$ 178
State and municipal obligations	—	—	19	19	19
Corporate obligations	46	10	242	298	298
Total debt securities - held-to-maturity	\$ 226	\$ 10	\$ 261	\$ 497	\$ 495
Other assets	\$ —	\$ 478	\$ —	\$ 478	\$ 484
Long-term debt and other financing obligations	\$ —	\$ 18,863	\$ —	\$ 18,863	\$ 17,085

The carrying amounts reported on the Consolidated Balance Sheets for other current financial assets and liabilities approximate fair value because of their short-term nature. These assets and liabilities are not listed in the table above.

A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 inputs is as follows:

(in millions)	December 31, 2015			December 31, 2014			December 31, 2013		
	Debt Securities	Equity Securities	Total	Debt Securities	Equity Securities	Total	Debt Securities	Equity Securities	Total
Balance at beginning of period	\$ 74	\$ 310	\$ 384	\$ 42	\$ 269	\$ 311	\$ 17	\$ 224	\$ 241
Purchases	27	106	133	32	105	137	38	71	109
Sales	(4)	(24)	(28)	(1)	(180)	(181)	(10)	(25)	(35)
Net unrealized gains (losses) in other comprehensive income	2	5	7	1	6	7	(2)	(7)	(9)
Net realized (losses) gains in investment and other income	(1)	5	4	—	110	110	(1)	6	5
Balance at end of period	\$ 98	\$ 402	\$ 500	\$ 74	\$ 310	\$ 384	\$ 42	\$ 269	\$ 311

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The following table presents quantitative information regarding unobservable inputs that were significant to the valuation of assets measured at fair value on a recurring basis using Level 3 inputs:

				Range	
(in millions)	Fair Value	Valuation Technique	Unobservable Input	Low	High
December 31, 2015					
Equity securities - available-for-sale:					
Venture capital portfolios	\$ 358	Market approach - comparable companies	Revenue multiple	1.0	5.0
			EBITDA multiple	9.0	10.0
	44	Market approach - recent transactions	Inactive market transactions	N/A	N/A
Total equity securities available-for-sale	\$ 402				

Also included in the Company's assets measured at fair value on a recurring basis using Level 3 inputs were \$98 million of available-for-sale debt securities as of December 31, 2015, which were not significant.

The Company elected to measure the entirety of the AARP Program assets under management at fair value pursuant to the fair value option. See Note 2 for further detail on the AARP Program. The following table presents fair value information about the AARP Program-related financial assets and liabilities:

(in millions)	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Total Fair and Carrying Value
December 31, 2015			
Cash and cash equivalents	\$ 274	\$ —	\$ 274
Debt securities:			
U.S. government and agency obligations	482	140	622
State and municipal obligations	—	103	103
Corporate obligations	—	1,244	1,244
U.S. agency mortgage-backed securities	—	398	398
Non-U.S. agency mortgage-backed securities	—	195	195
Total debt securities	482	2,080	2,562
Other investments	76	86	162
Total assets at fair value	<u>\$ 832</u>	<u>\$ 2,166</u>	<u>\$ 2,998</u>
December 31, 2014			
Cash and cash equivalents	\$ 415	\$ —	\$ 415
Debt securities:			
U.S. government and agency obligations	409	245	654
State and municipal obligations	—	95	95
Corporate obligations	—	1,200	1,200
U.S. agency mortgage-backed securities	—	340	340
Non-U.S. agency mortgage-backed securities	—	177	177
Total debt securities	409	2,057	2,466
Equity securities - available-for-sale	—	81	81
Total assets at fair value	<u>\$ 824</u>	<u>\$ 2,138</u>	<u>\$ 2,962</u>
Other liabilities	<u>\$ 5</u>	<u>\$ 13</u>	<u>\$ 18</u>

Table of Contents**6. Property, Equipment and Capitalized Software**

A summary of property, equipment and capitalized software is as follows:

(in millions)	December 31, 2015	December 31, 2014
Land and improvements	\$ 237	\$ 310
Buildings and improvements	2,420	2,295
Computer equipment	1,945	1,693
Furniture and fixtures	790	675
Less accumulated depreciation	(2,163)	(1,982)
Property and equipment, net	3,229	2,991
Capitalized software	2,642	2,399
Less accumulated amortization	(1,010)	(972)
Capitalized software, net	1,632	1,427
Total property, equipment and capitalized software, net	\$ 4,861	\$ 4,418

Depreciation expense for property and equipment for 2015, 2014 and 2013 was \$613 million, \$532 million and \$445 million, respectively. Amortization expense for capitalized software for 2015, 2014 and 2013 was \$430 million, \$422 million and \$411 million, respectively.

7. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill, by reportable segment, were as follows:

(in millions)	UnitedHealthcare	OptumHealth	OptumInsight	OptumRx	Consolidated
Balance at January 1, 2014	\$ 24,251	\$ 2,860	\$ 3,653	\$ 840	\$ 31,604
Acquisitions	266	978	591	—	1,835
Foreign currency effects and adjustments, net	(487)	(4)	(8)	—	(499)
Balance at December 31, 2014	24,030	3,834	4,236	840	32,940
Acquisitions	128	1,817	89	10,732	12,766
Foreign currency effects and adjustments, net	(1,233)	9	(29)	—	(1,253)
Balance at December 31, 2015	\$ 22,925	\$ 5,660	\$ 4,296	\$ 11,572	\$ 44,453

The increase in the Company's goodwill is primarily due to the acquisition of Catamaran. For more detail on the Catamaran acquisition, see Note 3 of the Notes to the Consolidated Financial Statements.

The gross carrying value, accumulated amortization and net carrying value of other intangible assets were as follows:

(in millions)	December 31, 2015			December 31, 2014		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Customer-related	\$ 10,270	\$ (2,796)	\$ 7,474	\$ 5,021	\$ (2,399)	\$ 2,622
Trademarks and technology	682	(249)	433	527	(202)	325
Trademarks - indefinite-lived	358	—	358	539	—	539
Other	209	(83)	126	267	(84)	183
Total	\$ 11,519	\$ (3,128)	\$ 8,391	\$ 6,354	\$ (2,685)	\$ 3,669

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The acquisition date fair values and weighted-average useful lives assigned to finite-lived intangible assets acquired in business combinations consisted of the following by year of acquisition:

(in millions, except years)	2015		2014	
	Fair Value	Weighted-Average Useful Life	Fair Value	Weighted-Average Useful Life
Customer-related	\$ 5,518	19 years	\$ 314	14 years
Trademarks and technology	194	4 years	148	6 years
Other	—		2	14 years
Total acquired finite-lived intangible assets	<u>\$ 5,712</u>	19 years	<u>\$ 464</u>	11 years

Estimated full year amortization expense relating to intangible assets for each of the next five years ending December 31 is as follows:

(in millions)	
2016	\$ 808
2017	772
2018	668
2019	612
2020	543

Amortization expense relating to intangible assets for December 31, 2015, 2014 and 2013 was \$650 million, \$524 million and \$519 million, respectively.

8. Medical Costs Payable

The following table shows the components of the change in medical costs payable for the years ended December 31:

(in millions)	2015	2014	2013
Medical costs payable, beginning of period	\$ 12,040	\$ 11,575	\$ 11,004
Reported medical costs:			
Current year	104,195	94,053	90,339
Prior years	(320)	(420)	(680)
Total reported medical costs	<u>103,875</u>	<u>93,633</u>	<u>89,659</u>
Claim payments:			
Payments for current year	(90,630)	(82,750)	(79,358)
Payments for prior year	(10,955)	(10,418)	(9,730)
Total claim payments	<u>(101,585)</u>	<u>(93,168)</u>	<u>(89,088)</u>
Medical costs payable, end of period	<u>\$ 14,330</u>	<u>\$ 12,040</u>	<u>\$ 11,575</u>

For the years ended December 31, 2015 and 2014, the favorable medical cost reserve development was due to a number of individual factors that were not material. The net favorable development for the year ended December 31, 2013 was primarily driven by lower than expected health system utilization levels.

Table of Contents**9. Commercial Paper and Long-Term Debt**

Commercial paper, term loan and senior unsecured long-term debt consisted of the following:

(in millions, except percentages)	December 31, 2015			December 31, 2014		
	Par Value	Carrying Value	Fair Value	Par Value	Carrying Value	Fair Value
Commercial paper	\$ 3,987	\$ 3,987	\$ 3,987	\$ 321	\$ 321	\$ 321
Floating rate term loan due July 2016 (c)	1,500	1,500	1,500	—	—	—
4.875% notes due March 2015 (a)	—	—	—	416	419	419
0.850% notes due October 2015 (a), (b)	—	—	—	625	625	627
5.375% notes due March 2016 (a), (b)	601	605	606	601	623	634
1.875% notes due November 2016 (a), (b)	400	400	403	400	397	406
5.360% notes due November 2016	95	95	98	95	95	103
Floating rate notes due January 2017 (c)	750	750	751	—	—	—
6.000% notes due June 2017 (a), (b)	441	458	469	441	466	489
1.450% notes due July 2017 (c)	750	750	750	—	—	—
1.400% notes due October 2017 (a), (b)	625	625	624	625	616	624
6.000% notes due November 2017 (a), (b)	156	163	168	156	164	175
1.400% notes due December 2017 (a), (b)	750	753	748	750	745	749
6.000% notes due February 2018 (a), (b)	1,100	1,115	1,196	1,100	1,106	1,238
1.900% notes due July 2018 (c)	1,500	1,498	1,505	—	—	—
1.625% notes due March 2019 (a), (b)	500	503	494	500	496	493
2.300% notes due December 2019 (a)	500	501	502	500	496	502
2.700% notes due July 2020 (c)	1,500	1,499	1,516	—	—	—
3.875% notes due October 2020 (a)	450	454	476	450	450	477
4.700% notes due February 2021 (a)	400	414	438	400	413	450
3.375% notes due November 2021 (a)	500	501	517	500	496	519
2.875% notes due December 2021 (a)	750	756	760	750	748	759
2.875% notes due March 2022 (a)	1,100	1,061	1,099	1,100	1,042	1,104
3.350% notes due July 2022 (c)	1,000	999	1,023	—	—	—
0.000% notes due November 2022	15	10	11	15	10	11
2.750% notes due February 2023 (a)	625	614	613	625	604	613
2.875% notes due March 2023 (a)	750	784	742	750	777	745
3.750% notes due July 2025 (c)	2,000	1,995	2,062	—	—	—
4.625% notes due July 2035 (c)	1,000	1,000	1,038	—	—	—
5.800% notes due March 2036	850	845	1,003	850	845	1,052
6.500% notes due June 2037	500	495	628	500	495	670
6.625% notes due November 2037	650	646	829	650	646	888
6.875% notes due February 2038	1,100	1,085	1,439	1,100	1,085	1,544
5.700% notes due October 2040	300	298	348	300	298	378
5.950% notes due February 2041	350	348	416	350	348	455
4.625% notes due November 2041	600	593	609	600	593	646
4.375% notes due March 2042	502	486	493	502	486	536
3.950% notes due October 2042	625	612	582	625	611	621
4.250% notes due March 2043	750	740	728	750	740	786
4.750% notes due July 2045 (c)	2,000	1,992	2,107	—	—	—

Total commercial paper, term loan and long-term debt	\$ 31,972	\$ 31,930	\$ 33,278	\$ 17,347	\$ 17,256	\$ 19,034

- (a) Fixed-rate debt instruments hedged with interest rate swap contracts. See below for more information on the Company's interest rate swaps.
- (b) The Company terminated the interest rate swap contracts on these hedged instruments during the year ended December 31, 2015. See below for more information on this termination.
- (c) Debt issued to fund the Catamaran acquisition. For more detail on Catamaran, see Note 3 of Notes to the Consolidated Financial Statements.

The Company's long-term debt obligations also included \$164 million and \$150 million of other financing obligations, of which \$47 million and \$34 million were current as of December 31, 2015 and 2014, respectively.

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Maturities of commercial paper and long-term debt for the years ending December 31 are as follows:

(In millions)	
2016	\$ 6,630
2017	3,491
2018	2,607
2019	1,024
2020	1,952
Thereafter	16,432

Commercial Paper and Revolving Bank Credit Facilities

Commercial paper consists of short-duration, senior unsecured debt privately placed on a discount basis through broker-dealers. As of December 31, 2015, the Company's outstanding commercial paper had a weighted-average annual interest rate of 0.7%.

The Company has \$3.0 billion five-year, \$2.0 billion three-year and \$1.0 billion 364-day revolving bank credit facilities with 23 banks, which mature in December 2020, December 2018, and November 2016, respectively. These facilities provide liquidity support for the Company's commercial paper program and are available for general corporate purposes. As of December 31, 2015, no amounts had been drawn on any of the bank credit facilities. The annual interest rates, which are variable based on term, are calculated based on the London Interbank Offered Rate (LIBOR) plus a credit spread based on the Company's senior unsecured credit ratings. If amounts had been drawn on the bank credit facilities as of December 31, 2015, annual interest rates would have ranged from 1.2% to 1.7%.

Debt Covenants

The Company's bank credit facilities contain various covenants, including requiring the Company to maintain a debt to debt-plus-stockholders' equity ratio of not more than 55%. The Company was in compliance with its debt covenants as of December 31, 2015.

Interest Rate Swap Contracts

The Company uses interest rate swap contracts 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 variable rate financial assets. The floating rates are benchmarked to LIBOR. The swaps are designated as fair value hedges on the Company's fixed-rate debt. Since the critical terms of the swaps match those of the debt being hedged, they are considered to be highly effective hedges and all changes in the fair values of the swaps are recorded as adjustments to the carrying value of the related debt with no net impact recorded on the Consolidated Statements of Operations. Both the hedge fair value changes and the offsetting debt adjustments are recorded in interest expense on the Consolidated Statements of Operations. The following table summarizes the location and fair value of the interest rate swap fair value hedges on the Company's Consolidated Balance Sheet:

Type of Fair Value Hedge	Notional Amount (in billions)	Fair Value (in millions)	Balance Sheet Location
December 31, 2015			
Interest rate swap contracts	\$ 5.1	\$ 93	Other assets
		11	Other liabilities
December 31, 2014			
Interest rate swap contracts	\$ 10.7	\$ 62	Other assets
		55	Other liabilities

During 2015, the Company terminated \$5.2 billion notional amount of its interest rate swap fair value hedges. The resulting gain was not material.

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The following table provides a summary of the effect of changes in fair value of fair value hedges on the Company's Consolidated Statements of Operations:

(in millions)	For the Years Ended December 31,		
	2015	2014	2013
Hedge - interest rate swap gain (loss) recognized in interest expense	\$ 75	\$ 170	\$ (166)
Hedged item - long-term debt (loss) gain recognized in interest expense	(75)	(170)	166
Net impact on the Company's Consolidated Statements of Operations	\$ —	\$ —	\$ —

10. Income Taxes

The current income tax provision reflects the tax consequences of revenues and expenses currently taxable or deductible on various income tax returns for the year reported. The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year, excluding any deferred income tax assets and liabilities of acquired businesses. The components of the provision for income taxes for the years ended December 31 are as follows:

(in millions)	2015	2014	2013
Current Provision:			
Federal	\$ 4,155	\$ 3,883	\$ 3,004
State and local	281	271	237
Total current provision	4,436	4,154	3,241
Deferred (benefit) provision	(73)	(117)	1
Total provision for income taxes	\$ 4,363	\$ 4,037	\$ 3,242

The reconciliation of the tax provision at the U.S. federal statutory rate to the provision for income taxes and the effective tax rate for the years ended December 31 is as follows:

(in millions, except percentages)	2015		2014		2013	
Tax provision at the U.S. federal statutory rate	\$ 3,581	35.0 %	\$ 3,380	35.0 %	\$ 3,120	35.0 %
Health insurance industry tax	627	6.1	469	4.8	—	—
State income taxes, net of federal benefit	145	1.4	154	1.6	126	1.4
Tax-exempt investment income	(44)	(0.4)	(49)	(0.5)	(53)	(0.6)
Non-deductible compensation	103	1.0	96	1.0	39	0.5
Other, net	(49)	(0.5)	(13)	(0.1)	10	0.1
Provision for income taxes	\$ 4,363	42.6 %	\$ 4,037	41.8 %	\$ 3,242	36.4 %

The higher tax rates for 2015 and 2014 were primarily due to the increase in the nondeductible Health Insurance Industry Tax.

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Deferred income tax assets and liabilities are recognized for the differences between the financial and income tax reporting bases of assets and liabilities based on enacted tax rates and laws. The components of deferred income tax assets and liabilities as of December 31 are as follows:

(In millions)	2015	2014
Deferred income tax assets:		
Accrued expenses and allowances	\$ 739	\$ 313
U.S. federal and state net operating loss carryforwards	139	172
Share-based compensation	124	141
Nondeductible liabilities	205	222
Medical costs payable and other policy liabilities	71	120
Non-U.S. tax loss carryforwards	244	257
Unearned revenues	94	90
Unrecognized tax benefits	69	38
Other-domestic	51	36
Other-non-U.S.	130	141
Subtotal	1,866	1,530
Less: valuation allowances	(44)	(119)
Total deferred income tax assets	1,822	1,411
Deferred income tax liabilities:		
U.S. federal and state intangible assets	(2,951)	(1,275)
Non-U.S. goodwill and intangible assets	(397)	(496)
Capitalized software	(574)	(506)
Net unrealized gains on investments	(34)	(129)
Depreciation and amortization	(312)	(272)
Prepaid expenses	(205)	(140)
Other-non-U.S.	(76)	(102)
Total deferred income tax liabilities	(4,549)	(2,920)
Net deferred income tax liabilities	\$ (2,727)	\$ (1,509)

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 non-U.S. net operating loss carryforwards. Federal net operating loss carryforwards of \$122 million expire beginning in 2021 through 2035; state net operating loss carryforwards expire beginning in 2016 through 2035. Substantially all of the non-U.S. tax loss carryforwards have indefinite carryforward periods.

As of December 31, 2015, the Company had \$459 million of undistributed earnings from non-U.S. subsidiaries that are intended to be reinvested in non-U.S. operations. Because these earnings are considered permanently reinvested, no U.S. tax provision has been accrued related to the repatriation of these earnings. It is not practicable to estimate the amount of U.S. tax that might be payable on the eventual remittance of such earnings.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits as of December 31 is as follows:

(in millions)	2015	2014	2013
Gross unrecognized tax benefits, beginning of period	\$ 92	\$ 89	\$ 81
Gross increases:			
Current year tax positions	—	—	8
Prior year tax positions	55	4	5
Acquired reserves	89	—	—
Gross decreases:			
Prior year tax positions	(2)	—	—
Settlements	(1)	—	—
Statute of limitations lapses	(9)	(1)	(5)
Gross unrecognized tax benefits, end of period	<u>\$ 224</u>	<u>\$ 92</u>	<u>\$ 89</u>

The Company believes it is reasonably possible that its liability for unrecognized tax benefits will decrease in the next twelve months by \$137 million as a result of audit settlements and the expiration of statutes of limitations in certain major jurisdictions.

The Company classifies interest and penalties associated with uncertain income tax positions as income taxes within its Consolidated Statement of Operations. During 2015, 2014, and 2013, the Company recognized \$11 million, \$6 million and \$4 million of interest and penalties, respectively. The Company had \$59 million and \$33 million of accrued interest and penalties for uncertain tax positions as of December 31, 2015 and 2014, respectively. These amounts are not included in the reconciliation above.

The Company currently files income tax returns in the United States, various states and non-U.S. jurisdictions. The U.S. Internal Revenue Service (IRS) has completed exams on the consolidated income tax returns for fiscal years 2014 and prior. The Company's 2015 tax year is under advance review by the IRS under its Compliance Assurance Program. With the exception of a few states, the Company is no longer subject to income tax examinations prior to the 2008 tax year. The Brazilian federal revenue service - Secretaria da Receita Federal (SRF) may audit the Company's Brazilian subsidiaries for a period of five years from the date on which corporate income taxes should have been paid and/or the date when the tax return was filed.

11. Stockholders' Equity

Regulatory Capital and Dividend Restrictions

The Company's regulated subsidiaries are subject to regulations and standards in their respective jurisdictions. These standards, among other things, require these subsidiaries to maintain specified levels of statutory capital, as defined by each jurisdiction, and restrict the timing and amount of dividends and other distributions that may be paid to their parent companies. In the United States, most of these regulations and standards are generally consistent with model regulations established by the National Association of Insurance Commissioners. These standards generally permit dividends to be paid from statutory unassigned surplus of the regulated subsidiary and are limited based on the regulated subsidiary's level of statutory net income and statutory capital and surplus. These dividends are referred to as "ordinary dividends" and generally can be paid without prior regulatory approval. If the dividend, together with other dividends paid within the preceding twelve months, exceeds a specified statutory limit or is paid from sources other than earned surplus, it is generally considered an "extraordinary dividend" and must receive prior regulatory approval.

For the year ended December 31, 2015, the Company's regulated subsidiaries paid their parent companies dividends of \$4.4 billion, including \$1.5 billion of extraordinary dividends. For the year ended December 31, 2014, the Company's regulated subsidiaries paid their parent companies dividends of \$4.6 billion, including \$1.5 billion of extraordinary dividends. As of December 31, 2015, \$286 million of the Company's \$10.9 billion of cash and cash equivalents was available for general corporate use.

The Company's regulated subsidiaries had estimated aggregate statutory capital and surplus of approximately \$15.3 billion as of December 31, 2015. The estimated statutory capital and surplus necessary to satisfy regulatory requirements of the Company's regulated subsidiaries was approximately \$8.6 billion as of December 31, 2015.

Optum Bank must meet minimum requirements for Tier 1 leverage capital, Tier 1 risk-based capital and total risk-based capital of the Federal Deposit Insurance Corporation (FDIC) to be considered "Well Capitalized" under the capital adequacy rules to

which it is subject. At December 31, 2015, the Company believes that Optum Bank met the FDIC requirements to be considered "Well Capitalized."

Share Repurchase Program

Under its Board of Directors' authorization, the Company maintains a share repurchase program. The objectives of the share repurchase program are to optimize the Company's capital structure and cost of capital, thereby improving returns to stockholders, as well as to offset the dilutive impact of share-based awards. Repurchases may be made from time to time in open market purchases or other types of transactions (including prepaid or structured share repurchase programs), subject to certain Board restrictions. In June 2014, the Board renewed the Company's share repurchase program with an authorization to repurchase up to 100 million shares of its common stock. During 2015, the Company repurchased 10.7 million shares at an average price of \$112.45 per share and an aggregate cost of \$1.2 billion. As of December 31, 2015, the Company had Board authorization to purchase up to 61 million shares of its common stock.

Dividends

In June 2015, the Company's Board of Directors increased the Company's quarterly cash dividend to stockholders to equal an annual dividend rate of \$2.00 per share compared to the annual dividend rate of \$1.50 per share, which the Company had paid since June 2014. Declaration and payment of future quarterly dividends is at the discretion of the Board and may be adjusted as business needs or market conditions change.

The following table provides details of the Company's dividend payments:

Payment Date	Amount per Share	Total Amount Paid
		(in millions)
2015	\$ 1.8750	\$ 1,786
2014	1.4050	1,362
2013	1.0525	1,056

12. Share-Based Compensation

In June 2015, the Company's stockholders approved an amendment to the 2011 Stock Incentive Plan (Plan). The approved amendment increased the number of shares authorized for issuance under the Plan by 70 million and removed certain limits in the Plan. The Company's outstanding share-based awards consist mainly of non-qualified stock options, SARs and restricted shares. As of December 31, 2015, the Company had 85 million shares available for future grants of share-based awards under the Plan. As of December 31, 2015, there were also 12 million shares of common stock available for issuance under the ESPP.

Stock Options and SARs

Stock option and SAR activity for the year ended December 31, 2015 is summarized in the table below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
	(in millions)		(in years)	(in millions)
Outstanding at beginning of period	33	\$ 53		
Granted	9	110		
Exercised	(7)	53		
Forfeited	(1)	80		
Outstanding at end of period	34	68	6.0	\$ 1,666
Exercisable at end of period	16	47	3.4	1,133
Vested and expected to vest, end of period	33	67	5.9	1,646

Table of Contents**Restricted Shares**

Restricted share activity for the year ended December 31, 2015 is summarized in the table below:

(shares in millions)	Shares	Weighted-Average Grant Date Fair Value per Share
Nonvested at beginning of period	9	\$ 61
Granted	3	110
Vested	(5)	62
Nonvested at end of period	7	82

Other Share-Based Compensation Data

(in millions, except per share amounts)	For the Years Ended December 31,		
	2015	2014	2013
Stock Options and SARs			
Weighted-average grant date fair value of shares granted, per share	\$ 22	\$ 22	\$ 19
Total intrinsic value of stock options and SARs exercised	482	526	592
Restricted Shares			
Weighted-average grant date fair value of shares granted, per share	110	71	58
Total fair value of restricted shares vested	\$ 460	\$ 437	\$ 31
Employee Stock Purchase Plan			
Number of shares purchased	2	2	3
Share-Based Compensation Items			
Share-based compensation expense, before tax	\$ 406	\$ 364	\$ 331
Share-based compensation expense, net of tax effects	348	314	239
Income tax benefit realized from share-based award exercises	247	231	206

(in millions, except years)	December 31, 2015
Unrecognized compensation expense related to share awards	\$ 469
Weighted-average years to recognize compensation expense	1.3

Share-Based Compensation Recognition and Estimates

The principal assumptions the Company used in calculating grant-date fair value for stock options and SARs were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
Risk-free interest rate	1.6% - 1.7%	1.7% - 1.8%	1.0% - 1.6%
Expected volatility	22.3% - 24.1%	24.1% - 39.6%	41.0% - 43.0%
Expected dividend yield	1.4% - 1.7%	1.6% - 1.9%	1.4% - 1.6%
Forfeiture rate	5.0%	5.0%	5.0%
Expected life in years	5.5 - 6.1	5.4	5.3

Risk-free interest rates are based on U.S. Treasury yields in effect at the time of grant. Expected volatilities are based on the historical volatility of the Company's common stock and the implied volatility from exchange-traded options on the Company's common stock. Expected dividend yields are based on the per share cash dividend paid by the Company. The Company uses historical data to estimate option and SAR exercises and forfeitures within the valuation model. The expected

lives of options and SARs granted represents the period of time that the awards granted are expected to be outstanding based on historical exercise patterns.

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Other Employee Benefit Plans

The Company also offers a 401(k) plan for its employees. Compensation expense related to this plan was not material for 2015, 2014 and 2013.

In addition, the Company maintains non-qualified, unfunded deferred compensation plans, which allow certain members of senior management and executives to defer portions of their salary or bonus and receive certain Company contributions on such deferrals, subject to plan limitations. The deferrals are recorded within long-term investments with an approximately equal amount in other liabilities in the Consolidated Balance Sheets. The total deferrals are distributable based upon termination of employment or other periods, as elected under each plan and were \$553 million and \$496 million as of December 31, 2015 and 2014, respectively.

13. Commitments and Contingencies

The Company leases facilities and equipment under long-term operating leases that are non-cancelable and expire on various dates. Rent expense under all operating leases for 2015, 2014 and 2013 was \$555 million, \$449 million and \$438 million, respectively.

As of December 31, 2015, future minimum annual lease payments, net of sublease income, under all non-cancelable operating leases were as follows:

(in millions)	Future Minimum Lease Payments
2016	\$ 417
2017	370
2018	325
2019	267
2020	230
Thereafter	471

The Company provides guarantees related to its service level under certain contracts. If minimum standards are not met, the Company may be financially at risk up to a stated percentage of the contracted fee or a stated dollar amount. None of the amounts accrued, paid or charged to income for service level guarantees were material as of December 31, 2015, 2014 and 2013.

As of December 31, 2015, the Company had outstanding, undrawn letters of credit with financial institutions of \$30 million and surety bonds outstanding with insurance companies of \$1.1 billion, primarily to bond contractual performance.

Legal Matters

Because of the nature of its businesses, the Company is frequently made party to a variety of legal actions and regulatory inquiries, including class actions and suits brought by members, care providers, consumer advocacy organizations, customers and regulators, relating to the Company's businesses, including management and administration of health benefit plans and other services. These matters include medical malpractice, employment, intellectual property, antitrust, privacy and contract claims and claims related to health care benefits coverage and other business practices.

The Company records liabilities for its estimates of probable costs resulting from these matters where appropriate. Estimates of costs resulting from legal and regulatory matters involving the Company are inherently difficult to predict, particularly where the matters: involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or represent a shift in regulatory policy; involve a large number of claimants or regulatory bodies; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, the Company is often unable to estimate the losses or ranges of losses for those matters where there is a reasonable possibility or it is probable that a loss may be incurred.

Litigation Matters

California Claims Processing Matter. On January 25, 2008, the California Department of Insurance (CDI) issued an Order to Show Cause to PacifiCare Life and Health Insurance Company, a subsidiary of the Company, alleging violations of certain insurance statutes and regulations related to an alleged failure to include certain language in standard claims correspondence, timeliness and accuracy of claims processing, interest payments, care provider contract implementation, care provider dispute resolution and other related matters. Although the Company believes that CDI had never before issued a fine in excess of \$8

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million, CDI advocated a fine of approximately \$325 million in this matter. The matter was the subject of an administrative hearing before a California administrative law judge beginning in December 2009, and in August 2013, the administrative law judge issued a nonbinding proposed decision recommending a fine of \$11.5 million. The California Insurance Commissioner rejected the administrative law judge's recommendation and on June 9, 2014, issued his own decision imposing a fine of approximately \$174 million. On July 10, 2014, the Company filed a lawsuit in California state court challenging the Commissioner's decision. On September 8, 2015, in the first phase of that lawsuit, the California state court issued an order invalidating certain of the regulations the Commissioner had relied upon in issuing his decision and penalty. The Company cannot reasonably estimate the range of loss, if any, that may result from this matter given the procedural status of the dispute, the wide range of possible outcomes, the legal issues presented (including the legal basis for the majority of the alleged violations), the inherent difficulty in predicting a regulatory fine in the event of a remand, and the various remedies and levels of judicial review that remain available to the Company.

Government Investigations, Audits and Reviews

The Company has been involved or is currently involved in various governmental investigations, audits and reviews. These include routine, regular and special investigations, audits and reviews by CMS, state insurance and health and welfare departments, the Brazilian national regulatory agency for private health insurance and plans (the Agência Nacional de Saúde Suplementar), state attorneys general, the Office of the Inspector General, the Office of Personnel Management, the Office of Civil Rights, the Government Accountability Office, the Federal Trade Commission, U.S. Congressional committees, the U.S. Department of Justice, the SEC, the Internal Revenue Service, the U.S. Drug Enforcement Administration, the Brazilian federal revenue service (the Secretaria da Receita Federal), the U.S. Department of Labor, the Federal Deposit Insurance Corporation, the Defense Contract Audit Agency and other governmental authorities. Certain of the Company's businesses have been reviewed or are currently under review, including for, among other things, compliance with coding and other requirements under the Medicare risk-adjustment model. The Company has produced documents, information and witnesses to the Department of Justice in cooperation with a current review of the Company's risk-adjustment processes, including the Company's patient chart review and related programs. CMS has selected certain of our local plans for risk adjustment data validation (RADV) audits to validate the coding practices of and supporting documentation maintained by health care providers and such audits may result in retrospective adjustments to payments made to our health plans.

The Company cannot reasonably estimate the range of loss, if any, that may result from any material government investigations, audits and reviews in which it is currently involved given the status of the reviews, the wide range of possible outcomes and inherent difficulty in predicting regulatory action, fines and penalties, if any, the Company's legal and factual defenses and the various remedies and levels of judicial review available to the Company in the event of an adverse finding.

Guaranty Fund Assessments

Under state guaranty association laws, certain insurance companies can be assessed (up to prescribed limits) for certain obligations to the policyholders and claimants of impaired or insolvent insurance companies (including state health insurance cooperatives) 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 2012, the court denied the liquidation petition and ordered the Insurance Commissioner to submit a rehabilitation plan. The court held a hearing in July 2015 to begin its consideration of the latest proposed rehabilitation plan. The hearing is scheduled to continue in the spring of 2016.

If the current proposed rehabilitation plan, which contemplates the partial liquidation of Penn Treaty, is approved by the court, the Company's insurance entities and other insurers may be required to pay a portion of Penn Treaty's policyholder claims through state guaranty association assessments. The Company continues to vigorously challenge the proposed rehabilitation plan. The Company is currently unable to estimate losses or ranges of losses because the Company cannot predict when or to what extent Penn Treaty will ultimately be liquidated, the amount of the insolvency, the amount and timing of any associated guaranty fund assessments or the availability and amount of any premium tax and other potential offsets.

14. Segment Financial Information

Factors used to determine the Company's reportable segments include the nature of operating activities, economic characteristics, existence of separate senior management teams and the type of information used by the Company's chief operating decision maker to evaluate its results of operations. Reportable segments with similar economic characteristics, products and services, customers, distribution methods and operational processes that operate in a similar regulatory environment are combined.

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The following is a description of the types of products and services from which each of the Company's four reportable segments derives its revenues:

- *UnitedHealthcare* includes the combined results of operations of UnitedHealthcare Employer & Individual, UnitedHealthcare Medicare & Retirement, UnitedHealthcare Community & State and UnitedHealthcare Global. The U.S. businesses share significant common assets, including a contracted network of physicians, health care professionals, hospitals and other facilities, information technology infrastructure and other resources. UnitedHealthcare Employer & Individual offers an array of consumer-oriented health benefit plans and services for large national employers, public sector employers, mid-sized employers, small businesses and individuals nationwide and active and retired military and their families through the TRICARE program. UnitedHealthcare Medicare & Retirement provides health care coverage and health and well-being services to individuals age 50 and older, addressing their unique needs for preventive and acute health care services as well as services dealing with chronic disease and other specialized issues for older individuals. UnitedHealthcare Community & State's primary customers oversee Medicaid plans, the Children's Health Insurance Program and other federal, state and community health care programs. UnitedHealthcare Global is a diversified global health services business with a variety of offerings, including international commercial health and dental benefits.
- *OptumHealth* serves the physical, emotional and financial needs of individuals, enabling population health management and local care delivery through programs offered by employers, payers, government entities and directly with the care delivery system. OptumHealth offers access to networks of care provider specialists, health management services, care delivery, consumer engagement and relationship management and sales distribution platform services and financial services.
- *OptumInsight* is a health care information, technology, operational services and consulting company providing software and information products, advisory consulting services and business process outsourcing services and support to participants in the health care industry. Hospitals, physicians, commercial health plans, government agencies, life sciences companies and other organizations that comprise the health care system use OptumInsight to reduce costs, meet compliance mandates, improve clinical performance and adapt to the changing health system landscape.
- *OptumRx* offers pharmacy care services and programs, including retail pharmacy network management services, home delivery and specialty pharmacy services, manufacturer rebate contracting and administration, benefit plan design and consultation, claims processing and a variety of clinical programs such as formulary management and compliance, drug utilization review and disease and drug therapy management services.

The Company's accounting policies for reportable segment operations are consistent with those described in the Summary of Significant Accounting Policies (see Note 2). Transactions between reportable segments principally consist of sales of pharmacy benefit products and services to UnitedHealthcare customers by OptumRx, certain product offerings and care management and local care delivery services sold to UnitedHealthcare by OptumHealth, and health information and technology solutions, consulting and other services sold to UnitedHealthcare by OptumInsight. These transactions are recorded at management's estimate of fair value. Intersegment transactions are eliminated in consolidation. Assets and liabilities that are jointly used are assigned to each reportable segment using estimates of pro-rata usage. Cash and investments are assigned such that each reportable segment has working capital and/or at least minimum specified levels of regulatory capital.

As a percentage of the Company's total consolidated revenues, premium revenues from CMS were 26% for 2015, and 29% for both 2014 and 2013, most of which were generated by UnitedHealthcare Medicare & Retirement and included in the UnitedHealthcare segment. U.S. customer revenue represented approximately 96%, 95% and 95% of consolidated total revenues for 2015, 2014 and 2013, respectively. Long-lived fixed assets located in the United States represented approximately 81% and 73% of the total long-lived fixed assets as of December 31, 2015 and 2014, respectively. The non-U.S. revenues and fixed assets are primarily related to UnitedHealthcare Global.

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The following table presents the reportable segment financial information:

(in millions)	Optum						Corporate and Eliminations	Consolidated
	UnitedHealthcare	OptumHealth	OptumInsight	OptumRx	Optum Eliminations	Optum		
2015								
Revenues - external customers:								
Premiums	\$ 124,011	\$ 3,152	\$ —	\$ —	\$ —	\$ 3,152	\$ —	\$127,163
Products	2	31	108	17,171	—	17,310	—	17,312
Services	6,776	2,375	2,390	381	—	5,146	—	11,922
Total revenues - external customers	130,789	5,558	2,498	17,552	—	25,608	—	156,397
Total revenues - intersegment	—	8,216	3,697	30,718	(791)	41,840	(41,840)	—
Investment and other income	554	153	1	2	—	156	—	710
Total revenues	\$ 131,343	\$ 13,927	\$ 6,196	\$48,272	\$ (791)	\$67,604	\$ (41,840)	\$157,107
Earnings from operations	\$ 6,754	\$ 1,240	\$ 1,278	\$ 1,749	\$ —	\$ 4,267	\$ —	\$ 11,021
Interest expense	—	—	—	—	—	—	(790)	(790)
Earnings before income taxes	\$ 6,754	\$ 1,240	\$ 1,278	\$ 1,749	\$ —	\$ 4,267	\$ (790)	\$ 10,231
Total assets	\$ 64,212	\$ 14,600	\$ 8,335	\$26,844	\$ —	\$49,779	\$ (2,608)	\$111,383
Purchases of property, equipment and capitalized software	653	252	572	79	—	903	—	1,556
Depreciation and amortization	718	251	492	232	—	975	—	1,693
2014								
Revenues - external customers:								
Premiums	\$ 112,645	\$ 2,657	\$ —	\$ —	\$ —	\$ 2,657	\$ —	\$115,302
Products	3	18	96	4,125	—	4,239	—	4,242
Services	6,516	1,300	2,224	111	—	3,635	—	10,151
Total revenues - external customers	119,164	3,975	2,320	4,236	—	10,531	—	129,695
Total revenues - intersegment	—	6,913	2,906	27,740	(489)	37,070	(37,070)	—
Investment and other income	634	144	1	—	—	145	—	779
Total revenues	\$ 119,798	\$ 11,032	\$ 5,227	\$31,976	\$ (489)	\$47,746	\$ (37,070)	\$130,474
Earnings from operations	\$ 6,992	\$ 1,090	\$ 1,002	\$ 1,190	\$ —	\$ 3,282	\$ —	\$ 10,274
Interest expense	—	—	—	—	—	—	(618)	(618)
Earnings before income taxes	\$ 6,992	\$ 1,090	\$ 1,002	\$ 1,190	\$ —	\$ 3,282	\$ (618)	\$ 9,656
Total assets	\$ 62,405	\$ 11,148	\$ 8,112	\$ 5,474	\$ —	\$24,734	\$ (757)	\$ 86,382
Purchases of property, equipment and capitalized software	773	212	484	56	—	752	—	1,525
Depreciation and amortization	772	179	433	94	—	706	—	1,478
2013								
Revenues - external customers:								
Premiums	\$ 107,024	\$ 2,533	\$ —	\$ —	\$ —	\$ 2,533	\$ —	\$109,557
Products	8	19	92	3,071	—	3,182	—	3,190
Services	6,076	819	2,006	96	—	2,921	—	8,997
Total revenues - external customers	113,108	3,371	2,098	3,167	—	8,636	—	121,744
Total revenues - intersegment	—	6,357	2,615	20,839	(458)	29,353	(29,353)	—
Investment and other income	617	127	1	—	—	128	—	745
Total revenues	\$ 113,725	\$ 9,855	\$ 4,714	\$24,006	\$ (458)	\$38,117	\$ (29,353)	\$122,489
Earnings from operations	\$ 7,132	\$ 949	\$ 831	\$ 711	\$ —	\$ 2,491	\$ —	\$ 9,623
Interest expense	—	—	—	—	—	—	(708)	(708)

Earnings before income taxes	\$ 7,132	\$ 949	\$ 831	\$ 711	\$ —	\$ 2,491	\$ (708)	\$ 8,915
Total assets	\$ 61,942	\$ 9,244	\$ 6,880	\$ 4,483	\$ —	\$20,607	\$ (667)	\$ 81,882
Purchases of property, equipment and capitalized software	670	185	363	89	—	637	—	1,307
Depreciation and amortization	766	158	359	92	—	609	—	1,375

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Selected quarterly financial information for all quarters of 2015 and 2014 is as follows:

(in millions, except per share data)	For the Quarter Ended			
	March 31	June 30	September 30	December 31
2015				
Revenues	\$ 35,756	\$ 36,263	\$ 41,489	\$ 43,599
Operating costs	33,116	33,368	38,471	41,131
Earnings from operations	2,640	2,895	3,018	2,468
Net earnings	1,413	1,585	1,618	1,252
Net earnings attributable to UnitedHealth Group common stockholders	1,413	1,585	1,597	1,218
Net earnings per share attributable to UnitedHealth Group common stockholders:				
Basic	1.48	1.66	1.68	1.28
Diluted	1.46	1.64	1.65	1.26
2014				
Revenues	\$ 31,708	\$ 32,574	\$ 32,759	\$ 33,433
Operating costs	29,654	30,022	29,856	30,668
Earnings from operations	2,054	2,552	2,903	2,765
Net earnings	1,099	1,408	1,602	1,510
Net earnings attributable to UnitedHealth Group common stockholders	1,099	1,408	1,602	1,510
Net earnings per share attributable to UnitedHealth Group common stockholders:				
Basic	1.12	1.44	1.65	1.58
Diluted	1.10	1.42	1.63	1.55

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***

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the filing of this Annual Report on Form 10-K, management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2015. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2015.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**Report of Management on Internal Control Over Financial Reporting as of December 31, 2015**

UnitedHealth Group Incorporated and Subsidiaries' (the "Company") management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated 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 (iii) 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 consolidated 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.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Management's assessment of the effectiveness of our internal control over financial reporting excluded an assessment of the effectiveness of our internal control over financial reporting of the Catamaran Corporation (Catamaran) acquisition. Such exclusion was in accordance with Securities and Exchange Commission guidance that an assessment of a recently acquired business may be omitted in management's report on internal control over financial reporting in the year of acquisition. We acquired Catamaran during July 2015. Catamaran represented 16% of our consolidated total assets and 8% of our consolidated total revenues as of and for the year ended December 31, 2015. Based on our assessment and the COSO criteria, we believe that, as of December 31, 2015, the Company maintained effective internal control over financial reporting.

The Company's independent registered public accounting firm has audited the Company's internal control over financial reporting as of December 31, 2015, as stated in the Report of Independent Registered Public Accounting Firm, appearing under Item 9A.

Table of Contents**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of UnitedHealth Group Incorporated and Subsidiaries:

We have audited the internal control over financial reporting of UnitedHealth Group Incorporated and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Report of Management on Internal Control over Financial Reporting as of December 31, 2015, management excluded from its assessment the internal control over financial reporting at Catamaran Corporation (Catamaran), which was acquired during July 2015 and whose financial statements collectively constitute 16% of consolidated total assets and 8% of consolidated total revenues as of and for the year ended December 31, 2015. Accordingly, our audit did not include the internal control over financial reporting at Catamaran. 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 Report of Management on Internal Control Over Financial Reporting as of December 31, 2015. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Company and our report dated February 9, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota

February 9, 2016

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Table of Contents**ITEM 9B. OTHER INFORMATION**

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*****DIRECTORS OF THE REGISTRANT***

The following sets forth certain information regarding our directors as of February 9, 2016, including their name and principal occupation or employment:

William C. Ballard, Jr.
Former Of Counsel
Bingham Greenebaum Doll LLP
(formerly Greenebaum Doll & McDonald PLLC)

Edson Bueno, M.D.
Founder and Chief Executive Officer
Amil

Richard T. Burke
Non-Executive Chairman
UnitedHealth Group

Robert J. Darretta
Retired Vice-Chairman and
Chief Financial Officer
Johnson & Johnson

Stephen J. Hemsley
Chief Executive Officer
UnitedHealth Group

Michele J. Hooper
President and Chief Executive Officer
The Directors' Council, a company
focused on improving the governance
processes of corporate boards

Rodger A. Lawson
Chairman
E*TRADE Financial Corporation and
Retired President and Chief Executive Officer
Fidelity Investments - Financial Services

Glenn M. Renwick
Chairman, President and Chief Executive Officer
The Progressive Corporation

Kenneth I. Shine, M.D.
Professor of Medicine at the Dell Medical School
University of Texas

Gail R. Wilensky, Ph.D.
Senior Fellow
Project HOPE, an international health foundation

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."

We have adopted a code of ethics applicable to our principal executive officer and other senior financial officers, who include our principal financial officer, principal accounting officer, controller and persons performing similar functions. The code of ethics, entitled Code of Conduct: Our Principles of Ethics and Integrity, is posted on our website at www.unitedhealthgroup.com. For information about how to obtain the Code of Conduct, see Part I, Item 1, "Business."

The remaining information required by Items 401, 405, 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K will be included under the headings "Corporate Governance," "Proposal 1-Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for our 2016 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Items 402, 407(e)(4) and (e)(5) of Regulation S-K will be included under the headings "Executive Compensation," "Director Compensation," "Corporate Governance - Risk Oversight" and "Compensation Committee Interlocks and Insider Participation" in our definitive proxy statement for our 2016 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

Table of Contents**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS****Equity Compensation Plan Information**

The following table sets forth certain information, as of December 31, 2015, concerning shares of common stock authorized for issuance under all of our equity compensation plans:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (in millions)	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (in millions)
Equity compensation plans approved by stockholders ⁽¹⁾	33	\$ 68	97 ⁽³⁾
Equity compensation plans not approved by stockholders ⁽²⁾	—	—	—
Total ⁽²⁾	<u>33</u>	<u>\$ 68</u>	<u>97</u>

(1) Consists of the UnitedHealth Group Incorporated 2011 Stock Incentive Plan, as amended and the UnitedHealth Group 1993 ESPP, as amended.

(2) Excludes 263,000 shares underlying stock options assumed by us in connection with an acquisition. These options have a weighted-average exercise price of \$95 and an average remaining term of approximately 8.6 years. The options are administered pursuant to the terms of the plan under which the options originally were granted. No future awards will be granted under this acquired plan.

(3) Includes 12 million shares of common stock available for future issuance under the Employee Stock Purchase Plan as of December 31, 2015, and 85 million shares available under the 2011 Stock Incentive Plan as of December 31, 2015. Shares available under the 2011 Stock Incentive Plan may become the subject of future awards in the form of stock options, SARs, restricted stock, restricted stock units, performance awards and other stock-based awards.

The information required by Item 403 of Regulation S-K will be included under the heading "Security Ownership of Certain Beneficial Owners and Management" in our definitive proxy statement for our 2016 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Items 404 and 407(a) of Regulation S-K will be included under the headings "Certain Relationships and Transactions" and "Corporate Governance" in our definitive proxy statement for our 2016 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 9(e) of Schedule 14A will be included under the heading "Independent Registered Public Accounting Firm" in our definitive proxy statement for our 2016 Annual Meeting of Shareholders, and such required information is incorporated herein by reference.

Table of Contents**PART IV****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES****(a) 1. Financial Statements**

The financial statements are included under Item 8 of this report:

- Reports of Independent Registered Public Accounting Firm.
- Consolidated Balance Sheets as of December 31, 2015 and 2014.
- Consolidated Statements of Operations for the years ended December 31, 2015, 2014, and 2013.
- Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014, and 2013.
- Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014, and 2013.
- Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014, and 2013.
- Notes to the Consolidated Financial Statements.

2. Financial Statement Schedules

The following financial statement schedule of the Company is included in Item 15(c):

- Schedule I - Condensed Financial Information of Registrant (Parent Company Only).

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, are inapplicable, or the required information is included in the consolidated financial statements, and therefore have been omitted.

- (b) The following exhibits are filed or incorporated by reference herein in response to Item 601 of Regulation S-K. The Company files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K pursuant to the Securities Exchange Act of 1934 under Commission File No. 1-10864.

EXHIBIT INDEX**

- 2.1 Arrangement Agreement, dated as of March 29, 2015, among UnitedHealth Group Incorporated, 1031387 B.C. Unlimited Liability Company and Catamaran Corporation (incorporated by reference to Exhibit 2.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on March 30, 2015)
- 3.1 Certificate of Incorporation of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.1 to UnitedHealth Group Incorporated's Registration Statement on Form 8-A/A filed on July 1, 2015)
- 3.2 Bylaws of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.2 to UnitedHealth Group Incorporated's Registration Statement on Form 8-A/A filed on July 1, 2015)
- 4.1 Senior Indenture, dated as of November 15, 1998, between United HealthCare Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to UnitedHealth Group Incorporated's Registration Statement on Form S-3/A, SEC File Number 333-66013, filed on January 11, 1999)
- 4.2 Amendment, dated as of November 6, 2000, to Senior Indenture, dated as of November 15, 1998, between the UnitedHealth Group Incorporated and The Bank of New York (incorporated by reference to Exhibit 4.1 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001)
- 4.3 Instrument of Resignation, Appointment and Acceptance of Trustee, dated January 8, 2007, pursuant to the Senior Indenture, dated November 15, 1988, amended November 6, 2000, among UnitedHealth Group Incorporated, The Bank of New York and Wilmington Trust Company (incorporated by reference to Exhibit 4.3 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007)
- 4.4 Indenture, dated as of February 4, 2008, between UnitedHealth Group Incorporated and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to UnitedHealth Group Incorporated's Registration Statement on Form S-3, SEC File Number 333-149031, filed on February 4, 2008)
- *10.1 UnitedHealth Group Incorporated 2011 Stock Incentive Plan, as amended and restated in 2015 (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on June 5, 2015)
- *10.2

Amendment to UnitedHealth Group Incorporated's Stock Option and Stock Appreciation Right Awards, effective November 6, 2014 (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2014)

- *10.3 Form of Agreement for Non-Qualified Stock Option Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan, as amended and restated in 2015, for awards made after January 1, 2016 (incorporated by reference to Exhibit 10.4 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)

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- *10.4 Form of Agreement for Non-Qualified Stock Option Award for International Participants under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2013)
- *10.5 Form of Addendum for Non-Qualified Stock Option Award Agreement for International Participants under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.37 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2012)
- *10.6 Form of Agreement for Restricted Stock Unit Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan, as amended and restated in 2015, for awards made after January 1, 2016 (incorporated by reference to Exhibit 10.5 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)
- *10.7 Form of Agreement for Restricted Stock Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on May 27, 2011)
- *10.8 Form of Agreement for Stock Appreciation Rights Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on May 27, 2011)
- *10.9 Form of Agreement for Performance-based Restricted Stock Unit Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan, as amended and restated in 2015, for awards made after January 1, 2016 (incorporated by reference to Exhibit 10.6 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)
- *10.10 Form of Agreement for Initial Deferred Stock Unit Award to Non-Employee Directors under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.7 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on May 27, 2011)
- *10.11 Form of Agreement for Deferred Stock Unit Award to Non-Employee Directors under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on May 27, 2011)
- 10.12 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on July 1, 2015)
- *10.13 Amended and Restated UnitedHealth Group Incorporated Executive Incentive Plan (2009 Statement), effective as of December 31, 2008 (incorporated by reference to Exhibit 10.12 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
- *10.14 Amended and Restated UnitedHealth Group Incorporated 2008 Executive Incentive Plan, effective as of December 31, 2008 (incorporated by reference to Exhibit 10.13 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
- *10.15 Amendment, dated as of December 21, 2012, of Amended and Restated UnitedHealth Group Incorporated 2008 Executive Incentive Plan (incorporated by reference to Exhibit 10.11 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2012)
- *10.16 Second Amendment, dated as of November 5, 2015, of Amended and Restated UnitedHealth Group Incorporated 2008 Executive Incentive Plan (incorporated by reference to Exhibit 10.3 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)
- *10.17 UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10(e) of UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2003)
- *10.18 First Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.3 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on November 3, 2006)
- *10.19 Second Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.13 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2007)
- *10.20 Third Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.17 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
- *10.21

Fourth Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)

- *10.22 Fifth Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014)
- *10.23 Sixth Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)
- *10.24 Summary of Non-Management Director Compensation, effective as of January 1, 2016

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- *10.25 UnitedHealth Group Directors' Compensation Deferral Plan (2009 Statement) (incorporated by reference to Exhibit 10.18 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
- *10.26 Amendment to the UnitedHealth Group Directors' Compensation Deferral Plan, effective as of January 1, 2010 (incorporated by reference to Exhibit 10.20 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2009)
- *10.27 First Amendment to UnitedHealth Group Directors' Compensation Deferral Plan (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)
- *10.28 Catamaran Corporation Third Amended and Restated Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 4.3 to UnitedHealth Group Incorporated's Registration Statement on Form S-8, SEC File Number 333-205824, filed on July 23, 2015)
- *10.29 Catalyst Health Solutions, Inc. 2006 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 4.4 to UnitedHealth Group Incorporated's Registration Statement on Form S-8, SEC File Number 333-205824, filed on July 23, 2015)
- *10.30 Employment Agreement, dated as of November 7, 2006, between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on November 8, 2006)
- *10.31 Agreement for Supplemental Executive Retirement Pay, effective April 1, 2004, between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit 10(b) to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004)
- *10.32 Amendment to Agreement for Supplemental Executive Retirement Pay, dated as of November 7, 2006, between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit A to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on November 8, 2006)
- *10.33 Amendment to Employment Agreement and Agreement for Supplemental Executive Retirement Pay, effective as of December 31, 2008, between United HealthCare Services, Inc. and Stephen J. Hemsley (incorporated by reference to Exhibit 10.22 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
- *10.34 Letter Agreement, effective as of February 19, 2008, by and between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit 10.22 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2007)
- *10.35 Amendment to Employment Agreement, dated as of December 14, 2010, between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on December 15, 2010)
- *10.36 Amended and Restated Employment Agreement, effective as of December 1, 2014, between United HealthCare Services, Inc. and David Wichmann (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015)
- *10.37 Amended and Restated Employment Agreement, effective December 1, 2014, between United HealthCare Services, Inc. and Larry Renfro (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015)
- *10.38 Amended Employment Agreement, effective as of November 1, 2012, between Amil Assistência Médica Internacional S.A. and Dr. Edson de Godoy Bueno (incorporated by reference to Exhibit 10.32 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2012)
- *10.39 Employment Agreement, effective as of January 1, 2013, between United HealthCare Services, Inc. and Marianne D. Short (incorporated by reference to Exhibit 10.34 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2013)
- *10.40 Amended and Restated Employment Agreement, dated as of February 3, 2014, between United HealthCare Services, Inc. and D. Ellen Wilson
- 11.1 Statement regarding computation of per share earnings (incorporated by reference to the information contained under the heading "Net Earnings Per Common Share" in Note 2 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements")
- 12.1 Computation of Ratio of Earnings to Fixed Charges

- 21.1 Subsidiaries of UnitedHealth Group Incorporated
- 23.1 Consent of Independent Registered Public Accounting Firm
- 24.1 Power of Attorney
- 31.1 Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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- 101 The following materials from UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 9, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements.

-
- * Denotes management contracts and compensation plans in which certain directors and named executive officers participate and which are being filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.
 - ** Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of instruments defining the rights of certain holders of long-term debt are not filed. The Company will furnish copies thereof to the SEC upon request.

(c) Financial Statement Schedule

Schedule I - Condensed Financial Information of Registrant (Parent Company Only).

Table of Contents**Schedule I****Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of UnitedHealth Group Incorporated and Subsidiaries:

We have audited the consolidated financial statements of UnitedHealth Group Incorporated and subsidiaries (the "Company") as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, and the Company's internal control over financial reporting as of December 31, 2015, and have issued our reports thereon dated February 9, 2016; such consolidated financial statements and reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota

February 9, 2016

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**Condensed Financial Information of Registrant
(Parent Company Only)
UnitedHealth Group
Condensed Balance Sheets**

(in millions, except per share data)	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 29	\$ 559
Short-term notes receivable from subsidiaries	—	27
Deferred income taxes and other current assets	313	271
Total current assets	342	857
Equity in net assets of subsidiaries	56,316	44,643
Long-term notes receivable from subsidiaries	9,679	4,635
Other assets	328	278
Total assets	\$ 66,665	\$ 50,413
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 449	\$ 332
Note payable to subsidiary	310	215
Commercial paper and current maturities of long-term debt	6,587	1,365
Total current liabilities	7,346	1,912
Long-term debt, less current maturities	25,344	15,891
Deferred income taxes and other liabilities	145	156
Total liabilities	32,835	17,959
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.001 par value -10 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.01 par value - 3,000 shares authorized; 953 and 954 issued and outstanding	10	10
Additional paid-in capital	29	—
Retained earnings	37,125	33,836
Accumulated other comprehensive loss	(3,334)	(1,392)
Total UnitedHealth Group stockholders' equity	33,830	32,454
Total liabilities and stockholders' equity	\$ 66,665	\$ 50,413

See Notes to the Condensed Financial Statements of Registrant

Table of Contents**Schedule I**

**Condensed Financial Information of Registrant
(Parent Company Only)
UnitedHealth Group
Condensed Statements of Comprehensive Income**

(in millions)	For the Years Ended December 31,		
	2015	2014	2013
Revenues:			
Investment and other income	\$ 396	\$ 293	\$ 252
Total revenues	396	293	252
Operating costs:			
Operating costs	(17)	1	(9)
Interest expense	717	554	618
Total operating costs	700	555	609
Loss before income taxes	(304)	(262)	(357)
Benefit for income taxes	111	96	130
Loss of parent company	(193)	(166)	(227)
Equity in undistributed income of subsidiaries	6,006	5,785	5,852
Net earnings	5,813	5,619	5,625
Other comprehensive loss	(1,942)	(484)	(1,346)
Comprehensive income	<u>\$ 3,871</u>	<u>\$ 5,135</u>	<u>\$ 4,279</u>

See Notes to the Condensed Financial Statements of Registrant

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**Condensed Financial Information of Registrant
(Parent Company Only)
UnitedHealth Group
Condensed Statements of Cash Flows**

(in millions)	For the Years Ended December 31,		
	2015	2014	2013
Operating activities			
Cash flows from operating activities	\$ 1,727	\$ 7,445	\$ 5,099
Investing activities			
Issuance of notes to subsidiaries	(5,064)	(436)	(1,517)
Cash paid for acquisitions	(12,270)	(1,852)	(274)
Return of capital to parent company	4,375	—	—
Capital contributions to subsidiaries	(1,109)	(704)	(942)
Other, net	140	(9)	275
Cash flows used for investing activities	(13,928)	(3,001)	(2,458)
Financing activities			
Common stock repurchases	(1,200)	(4,008)	(3,170)
Proceeds from common stock issuances	402	462	598
Cash dividends paid	(1,786)	(1,362)	(1,056)
Proceeds from (repayments of) commercial paper, net	3,666	(794)	(474)
Proceeds from issuance of long-term debt	11,982	1,997	2,235
Repayments of long-term debt	(1,041)	(812)	(943)
Other, net	(352)	(190)	(34)
Cash flows from (used for) financing activities	11,671	(4,707)	(2,844)
Decrease in cash and cash equivalents	(530)	(263)	(203)
Cash and cash equivalents, beginning of period	559	822	1,025
Cash and cash equivalents, end of period	\$ 29	\$ 559	\$ 822
Supplemental cash flow disclosures			
Cash paid for interest	\$ 573	\$ 578	\$ 618
Cash paid for income taxes	4,294	4,028	2,765

See Notes to the Condensed Financial Statements of Registrant

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**Condensed Financial Information of Registrant
(Parent Company Only)
UnitedHealth Group
Notes to Condensed Financial Statements**

1. Basis of Presentation

UnitedHealth Group's parent company financial information has been derived from its consolidated financial statements and should be read in conjunction with the consolidated financial statements included in this Form 10-K. The accounting policies for the registrant are the same as those described in Note 2 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

2. Subsidiary Transactions

Investment in Subsidiaries. UnitedHealth Group's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries.

Intercompany Notes. In July 2015, the parent company issued \$4.8 billion in intercompany notes that were used to partially fund the Catamaran acquisition. See Note 3 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements" for more information about Catamaran.

In 2013, the parent company issued intercompany notes of \$1.5 billion that were used primarily to fund the purchase of Amil's remaining public shares.

Dividends and Capital Distributions. Cash dividends received from subsidiaries and included in Cash Flows from Operating Activities in the Condensed Statements of Cash Flows were \$4.8 billion, \$5.5 billion and \$5.3 billion in 2015, 2014 and 2013, respectively. Additionally, in 2015, \$4.4 billion in cash was received as a return of capital to the parent company.

3. Business Combination

For information on the Catamaran acquisition, see Note 3 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

4. Commercial Paper and Long-Term Debt

Discussion of commercial paper and long-term debt can be found in Note 9 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements." Long-term debt obligations of the parent company do not include other financing obligations at subsidiaries that totaled \$164 million and \$150 million at December 31, 2015 and 2014, respectively. Maturities of commercial paper and long-term debt for the years ending December 31 are as follows:

(in millions)	
2016	\$ 6,583
2017	3,472
2018	2,600
2019	1,000
2020	1,950
Thereafter	16,367

5. Commitments and Contingencies

For a summary of commitments and contingencies, see Note 13 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements."

Table of Contents**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.

Dated: February 9, 2016

UNITEDHEALTH GROUP INCORPORATED

By /s/ STEPHEN J. HEMSLEY

Stephen J. Hemsley
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 and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ STEPHEN J. HEMSLEY</u>	Director and Chief Executive Officer	February 9, 2016
Stephen J. Hemsley	(principal executive officer)	
<u>/s/ DAVID S. WICHMANN</u>	President and Chief Financial Officer	February 9, 2016
David S. Wichmann	(principal financial officer)	
<u>/s/ THOMAS E. ROOS</u>	Senior Vice President and	February 9, 2016
Thomas E. Roos	Chief Accounting Officer	
*	(principal accounting officer)	
William C. Ballard, Jr.	Director	February 9, 2016
*	Director	February 9, 2016
Edson Bueno	Director	February 9, 2016
*	Director	February 9, 2016
Richard T. Burke	Director	February 9, 2016
*	Director	February 9, 2016
Robert J. Darretta	Director	February 9, 2016
*	Director	February 9, 2016
Michele J. Hooper	Director	February 9, 2016
*	Director	February 9, 2016
Rodger A. Lawson	Director	February 9, 2016
*	Director	February 9, 2016
Glenn M. Renwick	Director	February 9, 2016
*	Director	February 9, 2016
Kenneth I. Shine	Director	February 9, 2016
*	Director	February 9, 2016
Gail R. Wilensky		

*By /s/ MARIANNE D. SHORT

Marianne D. Short,
As Attorney-in-Fact

Table of Contents**EXHIBIT INDEX****

- 2.1 Arrangement Agreement, dated as of March 29, 2015, among UnitedHealth Group Incorporated, 1031387 B.C. Unlimited Liability Company and Catamaran Corporation (incorporated by reference to Exhibit 2.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on March 30, 2015)
- 3.1 Certificate of Incorporation of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.1 to UnitedHealth Group Incorporated's Registration Statement on Form 8-A/A filed on July 1, 2015)
- 3.2 Bylaws of UnitedHealth Group Incorporated (incorporated by reference to Exhibit 3.2 to UnitedHealth Group Incorporated's Registration Statement on Form 8-A/A filed on July 1, 2015)
- 4.1 Senior Indenture, dated as of November 15, 1998, between United HealthCare Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to UnitedHealth Group Incorporated's Registration Statement on Form S-3/A, SEC File Number 333-66013, filed on January 11, 1999)
- 4.2 Amendment, dated as of November 6, 2000, to Senior Indenture, dated as of November 15, 1998, between the UnitedHealth Group Incorporated and The Bank of New York (incorporated by reference to Exhibit 4.1 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001)
- 4.3 Instrument of Resignation, Appointment and Acceptance of Trustee, dated January 8, 2007, pursuant to the Senior Indenture, dated November 15, 1988, amended November 6, 2000, among UnitedHealth Group Incorporated, The Bank of New York and Wilmington Trust Company (incorporated by reference to Exhibit 4.3 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007)
- 4.4 Indenture, dated as of February 4, 2008, between UnitedHealth Group Incorporated and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to UnitedHealth Group Incorporated's Registration Statement on Form S-3, SEC File Number 333-149031, filed on February 4, 2008)
- *10.1 UnitedHealth Group Incorporated 2011 Stock Incentive Plan, as amended and restated in 2015 (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on June 5, 2015)
- *10.2 Amendment to UnitedHealth Group Incorporated's Stock Option and Stock Appreciation Right Awards, effective November 6, 2014 (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2014)
- *10.3 Form of Agreement for Non-Qualified Stock Option Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan, as amended and restated in 2015, for awards made after January 1, 2016 (incorporated by reference to Exhibit 10.4 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)
- *10.4 Form of Agreement for Non-Qualified Stock Option Award for International Participants under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2013)
- *10.5 Form of Addendum for Non-Qualified Stock Option Award Agreement for International Participants under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.37 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2012)
- *10.6 Form of Agreement for Restricted Stock Unit Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan, as amended and restated in 2015, for awards made after January 1, 2016 (incorporated by reference to Exhibit 10.5 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)
- *10.7 Form of Agreement for Restricted Stock Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on May 27, 2011)
- *10.8 Form of Agreement for Stock Appreciation Rights Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on May 27, 2011)
- *10.9 Form of Agreement for Performance-based Restricted Stock Unit Award to Executives under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan, as amended and restated in 2015, for awards made after January 1, 2016 (incorporated by reference to Exhibit 10.6 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)
- *10.10

Form of Agreement for Initial Deferred Stock Unit Award to Non-Employee Directors under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.7 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on May 27, 2011)

- *10.11 Form of Agreement for Deferred Stock Unit Award to Non-Employee Directors under UnitedHealth Group Incorporated's 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on May 27, 2011)
- 10.12 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on July 1, 2015)

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- *10.13 Amended and Restated UnitedHealth Group Incorporated Executive Incentive Plan (2009 Statement), effective as of December 31, 2008 (incorporated by reference to Exhibit 10.12 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
- *10.14 Amended and Restated UnitedHealth Group Incorporated 2008 Executive Incentive Plan, effective as of December 31, 2008 (incorporated by reference to Exhibit 10.13 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
- *10.15 Amendment, dated as of December 21, 2012, of Amended and Restated UnitedHealth Group Incorporated 2008 Executive Incentive Plan (incorporated by reference to Exhibit 10.11 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2012)
- *10.16 Second Amendment, dated as of November 5, 2015, of Amended and Restated UnitedHealth Group Incorporated 2008 Executive Incentive Plan (incorporated by reference to Exhibit 10.3 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)
- *10.17 UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10(e) of UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2003)
- *10.18 First Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.3 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on November 3, 2006)
- *10.19 Second Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.13 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2007)
- *10.20 Third Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.17 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
- *10.21 Fourth Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)
- *10.22 Fifth Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014)
- *10.23 Sixth Amendment to UnitedHealth Group Executive Savings Plan (2004 Statement) (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)
- *10.24 Summary of Non-Management Director Compensation, effective as of January 1, 2016
- *10.25 UnitedHealth Group Directors' Compensation Deferral Plan (2009 Statement) (incorporated by reference to Exhibit 10.18 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)
- *10.26 Amendment to the UnitedHealth Group Directors' Compensation Deferral Plan, effective as of January 1, 2010 (incorporated by reference to Exhibit 10.20 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2009)
- *10.27 First Amendment to UnitedHealth Group Directors' Compensation Deferral Plan (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010)
- *10.28 Catamaran Corporation Third Amended and Restated Long-Term Incentive Plan, as amended (incorporated by reference to Exhibit 4.3 to UnitedHealth Group Incorporated's Registration Statement on Form S-8, SEC File Number 333-205824, filed on July 23, 2015)
- *10.29 Catalyst Health Solutions, Inc. 2006 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 4.4 to UnitedHealth Group Incorporated's Registration Statement on Form S-8, SEC File Number 333-205824, filed on July 23, 2015)
- *10.30 Employment Agreement, dated as of November 7, 2006, between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on November 8, 2006)
- *10.31

Agreement for Supplemental Executive Retirement Pay, effective April 1, 2004, between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit 10(b) to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004)

- *10.32 Amendment to Agreement for Supplemental Executive Retirement Pay, dated as of November 7, 2006, between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit A to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on November 8, 2006)
- *10.33 Amendment to Employment Agreement and Agreement for Supplemental Executive Retirement Pay, effective as of December 31, 2008, between United HealthCare Services, Inc. and Stephen J. Hemsley (incorporated by reference to Exhibit 10.22 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2008)

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- *10.34 Letter Agreement, effective as of February 19, 2008, by and between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit 10.22 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2007)
- *10.35 Amendment to Employment Agreement, dated as of December 14, 2010, between UnitedHealth Group Incorporated and Stephen J. Hemsley (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Current Report on Form 8-K filed on December 15, 2010)
- *10.36 Amended and Restated Employment Agreement, effective as of December 1, 2014, between United HealthCare Services, Inc. and David Wichmann (incorporated by reference to Exhibit 10.1 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015)
- *10.37 Amended and Restated Employment Agreement, effective December 1, 2014, between United HealthCare Services, Inc. and Larry Renfro (incorporated by reference to Exhibit 10.2 to UnitedHealth Group Incorporated's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015)
- *10.38 Amended Employment Agreement, effective as of November 1, 2012, between Amil Assistência Médica Internacional S.A. and Dr. Edson de Godoy Bueno (incorporated by reference to Exhibit 10.32 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2012)
- *10.39 Employment Agreement, effective as of January 1, 2013, between United HealthCare Services, Inc. and Marianne D. Short (incorporated by reference to Exhibit 10.34 to UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2013)
- *10.40 Amended and Restated Employment Agreement, dated as of February 3, 2014, between United HealthCare Services, Inc. and D. Ellen Wilson
- 11.1 Statement regarding computation of per share earnings (incorporated by reference to the information contained under the heading "Net Earnings Per Common Share" in Note 2 of Notes to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements")
- 12.1 Computation of Ratio of Earnings to Fixed Charges
- 21.1 Subsidiaries of UnitedHealth Group Incorporated
- 23.1 Consent of Independent Registered Public Accounting Firm
- 24.1 Power of Attorney
- 31.1 Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101 The following materials from UnitedHealth Group Incorporated's Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 9, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to the Consolidated Financial Statements.

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- * Denotes management contracts and compensation plans in which certain directors and named executive officers participate and which are being filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.
 - ** Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of instruments defining the rights of certain holders of long-term debt are not filed. The Company will furnish copies thereof to the SEC upon request.