

CONSECO INC

FORM 10-Q (Quarterly Report)

Filed 05/14/99 for the Period Ending 03/31/99

Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
Telephone	3178176100
CIK	0000719241
SIC Code	6321 - Accident and Health Insurance
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

CONSECO INC

FORM 10-Q (Quarterly Report)

Filed 5/14/1999 For Period Ending 3/31/1999

Address	11825 N PENNSYLVANIA ST CARMEL, Indiana 46032
Telephone	317-817-6100
CIK	0000719241
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

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

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1999

[] 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 1-9250

Conseco, Inc.

Indiana

State of Incorporation

No. 35-1468632

IRS Employer Identification No.

11825 N. Pennsylvania Street
Carmel, Indiana 46032

Address of principal executive offices

(317) 817-6100

Telephone

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 [X] No []

Shares of common stock outstanding as of April 30, 1999: 323,515,110

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Dollars in millions)

ASSETS

	March 31, 1999 ---- (unaudited)	December 31, 1998 ----
Investments:		
Actively managed fixed maturities at fair value (amortized cost: 1999 - \$22,994.6; 1998 - \$21,848.3).....	\$22,591.9	\$21,827.3
Interest-only securities at fair value (amortized cost: 1999 - \$1,399.5; 1998 - \$1,313.6)..	1,369.5	1,305.4
Equity securities at fair value (cost: 1999 - \$424.0; 1998 - \$373.0).....	427.7	376.4
Mortgage loans.....	1,197.0	1,130.2
Policy loans.....	680.7	685.6
Other invested assets	1,047.5	1,259.8
Short-term investments.....	1,198.1	1,704.7
Assets held in separate accounts.....	997.5	899.4
	-----	-----
Total investments.....	29,509.9	29,188.8
Accrued investment income.....	422.5	383.8
Finance receivables.....	3,926.4	3,299.5
Cost of policies purchased.....	2,423.2	2,425.2
Cost of policies produced.....	1,598.7	1,453.9
Reinsurance receivables.....	836.9	734.8
Goodwill.....	3,932.7	3,960.2
Cash held in segregated accounts for investors.....	895.8	843.7
Other assets.....	1,440.2	1,310.0
	-----	-----
Total assets.....	\$44,986.3 =====	\$43,599.9 =====

(continued on next page)

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, continued
(Dollars in millions)

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1999 ----	December 31, 1998 ----
	(unaudited)	
Liabilities:		
Liabilities for insurance and asset accumulation products:		
Interest-sensitive products.....	\$17,280.9	\$17,229.4
Traditional products.....	6,465.8	6,391.6
Claims payable and other policyholder funds.....	1,451.1	1,491.5
Unearned premiums.....	389.9	376.6
Liabilities related to separate accounts.....	997.5	899.4
Liabilities related to deposit products.....	684.7	541.7
Investor payables.....	895.8	843.7
Other liabilities.....	2,164.7	1,980.7
Income tax liabilities.....	258.3	197.1
Investment borrowings.....	1,212.3	956.2
Notes payable and commercial paper:		
Corporate.....	3,076.8	2,932.2
Finance.....	2,684.2	2,389.3
	-----	-----
Total liabilities.....	37,562.0	36,229.4
	-----	-----
Minority interest:		
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts.....	2,098.6	2,096.9
Shareholders' equity:		
Preferred stock.....	-	105.5
Common stock and additional paid-in capital (no par value, 1,000,000,000 shares authorized, shares issued and outstanding: 1999 - 323,461,956; 1998 - 315,843,609).....	2,846.9	2,736.5
Accumulated other comprehensive loss:		
Unrealized depreciation of fixed maturity securities (net of applicable deferred income taxes: 1999 - \$(110.8); 1998 - \$(6.4)).....	(204.6)	(11.9)
Unrealized depreciation of other investments (net of applicable deferred income taxes: 1999 - \$(15.9); 1998 - \$(7.2)).....	(27.9)	(12.1)
Minimum pension liability adjustment (net of applicable deferred income taxes: 1998 - \$(2.7)).....	-	(4.4)
Retained earnings.....	2,711.3	2,460.0
	-----	-----
Total shareholders' equity.....	5,325.7	5,273.6
	-----	-----
Total liabilities and shareholders' equity.....	\$44,986.3	\$43,599.9
	=====	=====

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in millions except per share amounts)
(unaudited)

	Three months ended March 31,	
	1999	1998
Revenues:		
Insurance policy income.....	\$1,007.4	\$ 990.1
Net investment income.....	646.4	666.8
Gain on sale of finance receivables.....	199.8	143.7
Net investment gains.....	1.0	104.8
Fee revenue and other income.....	111.3	79.4
	-----	-----
Total revenues.....	1,965.9	1,984.8
	-----	-----
Benefits and expenses:		
Insurance policy benefits.....	889.7	954.4
Interest expense.....	110.6	106.4
Amortization.....	151.4	203.5
Other operating costs and expenses.....	306.7	299.9
	-----	-----
Total benefits and expenses.....	1,458.4	1,564.2
	-----	-----
Income before income taxes, minority interest and extraordinary charge	507.5	420.6
Income tax expense.....	180.2	170.2
	-----	-----
Income before minority interest and extraordinary charge	327.3	250.4
Minority interest - distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts, net of income taxes.....	30.2	19.4
	-----	-----
Income before extraordinary charge	297.1	231.0
Extraordinary charge on extinguishment of debt, net of income taxes	-	16.4
	-----	-----
Net income.....	297.1	214.6
Less preferred stock dividends.....	0.6	2.0
	-----	-----
Net income applicable to common stock.....	\$ 296.5	\$ 212.6
	=====	=====
Earnings per common share:		
Basic:		
Weighted average shares outstanding.....	320,645,000	308,969,200
Net income before extraordinary charge.....	\$.92	\$.74
Extraordinary charge.....	-	(.05)
	-----	-----
Net income.....	\$.92	\$.69
	=====	=====
Diluted:		
Weighted average shares outstanding.....	331,108,600	332,409,400
Net income before extraordinary charge.....	\$.90	\$.70
Extraordinary charge.....	-	(.05)
	-----	-----
Net income.....	\$.90	\$.65
	=====	=====

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Dollars in millions)
(unaudited)

	Total	Preferred stock	Common stock and additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings
	-----	-----	-----	-----	-----
Balance, January 1, 1999.....	\$5,273.6	\$105.5	\$2,736.5	\$ (28.4)	\$2,460.0
Comprehensive income, net of tax:					
Net income.....	297.1				297.1
Change in unrealized appreciation (depreciation) of actively managed fixed maturity investments (net of applicable income tax benefit of \$104.4).....	(192.7)	-	-	(192.7)	-
Change in unrealized appreciation (depreciation) of other investments (net of applicable income tax benefit of \$8.7).....	(15.8)	-	-	(15.8)	-
Change in minimum pension liability adjustment (net of applicable income tax expense of \$2.7).....	4.4	-	-	4.4	-

Total comprehensive income.....	93.0				
Issuance of shares for stock options and for employee benefit plans.....	69.9	-	69.9	-	-
Tax benefit related to issuance of shares under stock option plans.....	24.2	-	24.2	-	-
Conversion of preferred stock into common shares....	-	(105.5)	105.5	-	-
Cost of shares acquired.....	(89.2)	-	(89.2)	-	-
Dividends on common stock.....	(45.2)	-	-	-	(45.2)
Dividends on preferred stock.....	(.6)	-	-	-	(.6)
	-----	-----	-----	-----	-----
Balance, March 31, 1999.....	\$5,325.7	\$ -	\$2,846.9	\$ (232.5)	\$2,711.3
	=====	=====	=====	=====	=====
Balance, January 1, 1998.....	\$5,213.9	\$115.8	\$2,619.8	\$ 200.6	\$2,277.7
Comprehensive income, net of tax:					
Net income.....	214.6	-	-	-	214.6
Change in unrealized appreciation (depreciation) of actively managed fixed maturity investments (net of applicable income tax benefit of \$9.8).. Change in unrealized appreciation (depreciation) of other investments (net of applicable income tax benefit of \$9.6).....	(18.2)	-	-	(18.2)	-
	(14.7)	-	-	(14.7)	-

Total comprehensive income.....	181.7				
Issuance of shares for stock options and for employee benefit plans.....	70.7	-	70.7	-	-
Tax benefit related to issuance of shares under stock option plans.....	38.1	-	38.1	-	-
Issuance of warrants in conjunction with financing transaction.....	7.7	-	7.7	-	-
Cost of shares acquired.....	(233.8)	-	(115.3)	-	(118.5)
Dividends on common stock.....	(35.1)	-	-	-	(35.1)
Dividends on preferred stock.....	(2.0)	-	-	-	(2.0)
	-----	-----	-----	-----	-----
Balance, March 31, 1998.....	\$5,241.2	\$115.8	\$2,621.0	\$ 167.7	\$2,336.7
	=====	=====	=====	=====	=====

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

CONSECO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)
(unaudited)

	Three months ended March 31,	
	1999	1998
Cash flows from operating activities:		
Net income.....	\$ 297.1	\$ 214.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of finance receivables.....	(199.8)	(143.7)
Points and origination fees received.....	110.5	53.0
Interest-only securities investment income.....	(43.7)	(33.4)
Cash received from interest-only securities.....	123.5	68.0
Servicing income.....	(39.3)	(33.1)
Cash received from servicing activities.....	41.7	35.1
Amortization and depreciation.....	165.2	218.2
Income taxes.....	135.0	61.4
Insurance liabilities.....	34.1	(60.1)
Accrual and amortization of investment income.....	(46.0)	(0.6)
Deferral of cost of policies produced and purchased.....	(182.9)	(209.4)
Minority interest.....	46.5	29.5
Extraordinary charge on extinguishment of debt.....	-	25.2
Net investment gains.....	(1.0)	(104.8)
Other.....	(31.1)	84.6
Net cash provided by operating activities.....	409.8	204.5
Cash flows from investing activities:		
Sales of investments.....	5,165.5	8,263.8
Maturities and redemptions of investments.....	333.3	321.3
Purchases of investments.....	(6,607.0)	(8,543.6)
Cash received from the sale of finance receivables, net of expenses.....	2,972.6	2,921.6
Principal payments received on finance receivables.....	1,641.0	1,174.6
Finance receivables originated.....	(5,110.8)	(4,277.2)
Other.....	(79.2)	(41.2)
Net cash used by investing activities.....	(1,684.6)	(180.7)
Cash flows from financing activities:		
Issuance of notes payable and commercial paper.....	4,246.4	3,644.5
Issuance of shares related to stock options.....	9.4	57.7
Issuance of Company-obligated mandatorily redeemable preferred securities of subsidiary trusts.....	-	3.6
Payments on notes payable and commercial paper.....	(3,807.5)	(3,389.9)
Payments to repurchase equity securities.....	(29.5)	(199.6)
Investment borrowings.....	256.1	(193.4)
Amounts received for investments in deposit products.....	749.2	611.5
Withdrawals from deposit products.....	(583.9)	(626.4)
Distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts and common and preferred stock dividends.....	(72.0)	(50.0)
Net cash provided (used) by financing activities.....	768.2	(142.0)
Net decrease in short-term investments.....	(506.6)	(118.2)
Short-term investments, beginning of period.....	1,704.7	1,154.7
Short-term investments, end of period.....	\$ 1,198.1	\$1,036.5
	=====	=====

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

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following notes should be read together with the notes to the consolidated financial statements included in the 1998 Form 10-K of Consecro, Inc. ("we", "Consecro" or the "Company").

BASIS OF PRESENTATION

Our unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, that are necessary to present fairly Consecro's financial position and results of operations on a basis consistent with that of our prior audited consolidated financial statements. As permitted by rules and regulations of the Securities and Exchange Commission applicable to quarterly reports on Form 10-Q, we have condensed or omitted certain information and disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP"). We have also reclassified certain amounts from the prior periods to conform to the 1999 presentation. Results for interim periods are not necessarily indicative of the results that may be expected for a full year.

Consecro is a financial services holding company operating throughout the United States. Our insurance subsidiaries develop, market and administer supplemental health insurance, annuity, individual life insurance, individual and group major medical insurance and other insurance products. Our finance subsidiaries originate, purchase, sell and service consumer and commercial finance loans. Consecro's operating strategy is to grow its business by focusing its resources on the development and expansion of profitable products and strong distribution channels, to seek to achieve superior investment returns through active asset management and to control expenses.

When we prepare financial statements in conformity with GAAP, we are required to make estimates and assumptions that significantly affect various reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. For example, we use significant estimates and assumptions in calculating values for the cost of policies produced, the cost of policies purchased, interest-only securities, servicing rights, goodwill, liabilities for insurance and deposit products, liabilities related to litigation, guaranty fund assessment accruals, gain on sale of finance receivables and deferred income taxes. If our future experience differs from these estimates and assumptions, our financial statements could be materially affected.

Consolidation issues. Our consolidated financial statements give retroactive effect to the merger (the "Green Tree Merger") with Green Tree Financial Corporation ("Green Tree") in a transaction accounted for as a pooling of interests (see "Green Tree Merger"). The pooling of interests method of accounting requires the restatement of all periods presented as if Consecro and Green Tree had always been combined. The consolidated statement of shareholders' equity therefore reflects the accounts of the Company as if the additional shares of Consecro common stock issued in the merger had been outstanding during all periods presented. Intercompany transactions prior to the merger have been eliminated, and we have made certain reclassifications to Green Tree's financial statements to conform to Consecro's presentation.

Our consolidated financial statements exclude the results of material transactions between us and our consolidated affiliates, or among our consolidated affiliates.

ADJUSTMENT TO ACTIVELY MANAGED FIXED MATURITY SECURITIES

We classify our fixed maturity securities into three categories: (i) "actively managed" (which we carry at estimated fair value); (ii) "trading" (which we carry at estimated fair value); and (iii) "held to maturity" (which we carry at amortized cost). We held \$71.9 million of trading securities at March 31, 1999, which we included in other invested assets. We held no fixed maturity securities in the held to maturity category at March 31, 1999.

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net unrealized losses on actively managed fixed maturity investments included in shareholders' equity were as follows:

	March 31, 1999	December 31, 1998
	----	----
	(Dollars in millions)	
Net unrealized losses on actively managed fixed maturity investments.....	\$ (402.7)	\$ (21.0)
Adjustments to cost of policies purchased and cost of policies produced.....	92.9	10.4
Deferred income tax benefit.....	110.8	6.4
Other.....	(5.6)	(7.7)
	-----	-----
Net unrealized losses on actively managed fixed maturity investments.....	\$ (204.6)	\$ (11.9)
	=====	=====

GREEN TREE MERGER

On June 30, 1998, we completed the Green Tree Merger. We issued a total of 128.7 million shares of Consecos common stock (including 5.0 million common equivalent shares issued in exchange for Green Tree's outstanding options), exchanging .9165 of a share of Consecos common stock for each share of Green Tree common stock. The Green Tree Merger constituted a tax-free exchange and was accounted for under the pooling of interests method. We restated all prior-period consolidated financial statements to include Green Tree as though it had always been a subsidiary of Consecos.

Prior to the effect of the Green Tree Merger, Consecos had revenues of \$1,699.0 million and net income of \$151.1 million for the three months ended March 31, 1998. Green Tree had revenues of \$285.8 million and net income of \$63.5 million for that period.

FINANCE RECEIVABLES, INTEREST-ONLY SECURITIES AND SERVICING RIGHTS OF FINANCE SUBSIDIARIES

Finance receivables, summarized by type, were as follows:

	March 31, 1999	December 31, 1998
	----	----
	(Dollars in millions)	
Manufactured housing.....	\$ 463.2	\$ 798.8
Mortgage services.....	829.5	603.5
Consumer/credit card.....	748.1	587.3
Commercial.....	1,939.5	1,352.9
	-----	-----
	3,980.3	3,342.5
Less allowance for doubtful accounts.....	(53.9)	(43.0)
	-----	-----
Net finance receivables.....	\$3,926.4	\$3,299.5
	=====	=====

We pool and securitize substantially all of the finance receivables we originate. In a typical securitization, we establish a special-purpose entity for the limited purpose of purchasing the finance receivables. This special-purpose entity issues and sells interest-bearing securities that represent interests in the receivables, collateralized by the underlying pool of finance receivables. We, in turn, receive the proceeds from the sale of the securities, which are typically sold at the same amount as the principal balance of the receivables sold. We retain a residual interest, which represents the right to receive, over the life of the pool of receivables: (i) the excess of the principal and interest received on the receivables transferred to the special purpose entity over the principal and interest paid to the holders of other interests in the securitization; and (ii) servicing fees.

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In some securitizations, we also retain certain lower-rated securities that are senior in payment priority to the interest-only securities. Such retained securities had a fair market value and amortized cost of \$344.8 million and \$366.8 million, respectively, at March 31, 1999, and were classified as actively managed fixed maturity securities.

During the first three months of 1999 and 1998, the Company sold \$2,965.0 million and \$2,967.8 million, respectively, of finance receivables in various securitized transactions and recognized gains of \$199.8 million and \$143.7 million, respectively.

We record the interest-only security initially at a value representing an allocated portion of the cost basis of the finance receivables being sold. We adjust this value to estimated fair value each quarter. We used the following assumptions to determine the initial value of the interest-only securities related to new securitizations in the first quarter of 1999. The difference between estimated fair value and the security's book value is included in unrealized depreciation of other investments.

	Manufactured housing -----	Home equity/ home improvement -----	Consumer/ equipment -----	Total -----
	(Dollars in millions)			
Interest-only securities at fair value.....	\$ 742.9	\$ 456.5	\$ 170.1	\$ 1,369.5
Principal balance of sold finance receivables (a)....	21,263.7	8,132.0	3,722.0	33,117.7
Weighted average customer interest rate on sold finance receivables (a).....	10.1%	11.4%	10.9%	
Expected weighted average annual constant prepayment rate as a percentage of principal balance of sold finance receivables (a) (b).....	11.5%	26.9%	22.2%	
Expected nondiscounted credit losses as a percentage of principal balance of sold finance receivables (a) (b).....	6.1%	3.3%	2.5%	
Weighted average discount rate used for determining cost basis on the income statement....	15.0%	15.0%	15.0%	

(a) Excludes finance receivables sold in revolving-trust securitizations.

(b) The valuation of interest-only securities is affected not only by the projected level of prepayments of principal and net credit losses, but also by the projected timing of such prepayments and net credit losses. Should such timing differ materially from our projections, it could have a material effect on the valuation of our interest-only securities.

The weighted average interest rate used to discount expected cash flows of the interest-only securities in determining the fair value on the balance sheet was 14 percent at March 31, 1999.

Credit quality was as follows:

	March 31, -----	
	1999 ----	1998 ----
60-days-and-over delinquencies as a percentage of managed finance receivables at period end.....	1.08% ====	1.00% ====
Net credit losses incurred during the last twelve months as a percentage of average managed finance receivables during the period.....	1.07% ====	1.06% ====
Reposessed collateral inventory as a percentage of managed finance receivables at period end.....	1.24% ====	.97% =====

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Activity in the interest-only securities account was as follows:

	Three months ended March 31,	
	1999	1998
	(Dollars in millions)	
Balance, beginning of period.....	\$1,305.4	\$1,398.7
Additions resulting from securitizations during the period.....	165.7	171.1
Investment income.....	43.7	33.4
Cash received.....	(123.5)	(68.0)
Change in unrealized depreciation charged to shareholders' equity.....	(21.8)	(33.7)
	-----	-----
Balance, end of period.....	\$1,369.5	\$1,501.5
	=====	=====

EARNINGS PER SHARE

A reconciliation of income and shares used to calculate basic and diluted earnings per share is as follows:

	Three months ended March 31,	
	1999	1998
	(Dollars in millions and shares in thousands)	
Income:		
Income before extraordinary charge.....	\$297.1	\$231.0
Preferred stock dividends.....	0.6	2.0
	-----	-----
Income before extraordinary charge applicable to common ownership for basic earnings per share.....	296.5	229.0
Effect of dilutive securities:		
Preferred stock dividends.....	0.6	2.0
	-----	-----
Income before extraordinary charge applicable to common ownership and assumed conversions for diluted earnings per share.....	\$297.1	\$231.0
	=====	=====
Shares:		
Weighted average shares outstanding for basic earnings per share.....	320,645	308,969
Effect of dilutive securities on weighted average shares:		
Stock options.....	3,649	9,701
Employee stock plans.....	2,004	1,970
PRIDES.....	1,769	6,482
Convertible securities.....	3,042	5,287
	-----	-----
Dilutive potential common shares.....	10,464	23,440
	-----	-----
Weighted average shares outstanding for diluted earnings per share.....	331,109	332,409
	=====	=====

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BUSINESS SEGMENTS

We manage our business operations through two segments: (i) finance; and (ii) insurance and fee-based.

Finance. We provide a variety of finance products, including: consumer loans for manufactured housing, home improvements, home equity and various consumer products; private label credit card programs; and commercial loans such as revolving credit agreements, asset-backed lending and equipment financing. These products are marketed both direct to the borrower and through intermediary channels such as dealers, vendors, contractors and retailers.

Insurance and fee-based. We provide supplemental health, annuity, life, and individual and group major medical products to a broad spectrum of customers through multiple distribution channels, each focused on a specific market segment. These products are marketed through career agents, professional independent producers and direct contact.

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Segment operating information was as follows:

	Three months ended March 31,	
	1999	1998
	-----	-----
	(Dollars in millions)	
Revenues:		
Insurance and fee-based segment:		
Insurance policy income.....	\$1,007.4	\$ 990.1
Net investment income.....	522.0	583.3
Fee and other revenue.....	28.7	20.8
Net investment gains.....	1.0	104.8
Eliminations.....	(1.4)	-
	-----	-----
Total insurance and fee-based segment revenues.....	1,557.7	1,699.0
	-----	-----
Finance segment:		
Net investment income.....	129.3	83.5
Gain on sale of finance receivables.....	199.8	143.7
Fee revenue and other income.....	82.6	58.6
Eliminations.....	(3.5)	-
	-----	-----
Total finance segment revenues.....	408.2	285.8
	-----	-----
Total revenues.....	1,965.9	1,984.8
	-----	-----
Expenses:		
Insurance and fee-based segment:		
Insurance policy benefits.....	889.7	954.4
Amortization.....	150.6	203.5
Interest expense.....	11.8	18.9
Other operating costs and expenses.....	153.9	161.2
	-----	-----
Total insurance and fee-based segment expenses.....	1,206.0	1,338.0
	-----	-----
Finance segment:		
Interest expense.....	56.6	48.5
Other operating costs and expenses.....	149.9	134.9
Eliminations.....	(1.9)	-
	-----	-----
Total finance segment expenses.....	204.6	183.4
	-----	-----
Not allocated to segments:		
Interest expense.....	47.1	39.0
Other operating cost and expenses.....	3.7	3.8
Eliminations.....	(3.0)	-
	-----	-----
Total expenses not allocated to segments.....	47.8	42.8
	-----	-----
Total expenses.....	1,458.4	1,564.2
	-----	-----
Income before income taxes, minority interest and extraordinary charge:		
Insurance operations.....	353.1	361.0
Finance operations.....	205.2	102.4
Corporate interest and other expenses.....	(50.8)	(42.8)
	-----	-----
Income before income taxes, minority interest and extraordinary charge.....	\$ 507.5	\$ 420.6
	=====	=====

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL INSTRUMENTS

Our equity-indexed annuity products provide a guaranteed base rate of return, and a higher potential return linked to the performance of the Standard & Poor's 500 Index ("S&P 500 Index"). We buy Standard & Poor's 500 Index Call Options (the "S&P 500 Call Options") in an effort to hedge potential increases to policyholder benefits resulting from increases in the S&P 500 Index to which the product's return is linked. We include the cost of the S&P 500 Call Options in the pricing of these products. The values of these options fluctuate in relation to changes in policyholder account balances for these annuities. We reflect changes in the value of these options in net investment income. During the three months of 1999 and 1998, net investment income included \$33.6 million and \$59.7 million, respectively, related to these changes. Such investment income was substantially offset by increases to policyholder account balances. The value of the S&P 500 Call Options was \$58.5 million at March 31, 1999. We classify such instruments as other invested assets. We defer the premiums paid to purchase the S&P 500 Call Options and amortize them to investment income over their term. Such amortization was \$20.1 million and \$7.7 million during the first three months of 1999 and 1998, respectively.

For investment purposes, we entered into various interest-rate swap agreements having an aggregate notional principal amount of \$1.7 billion at March 31, 1999. The agreements effectively exchange a fixed rate of interest on the notional amount into a floating rate. The agreements mature in various years through 2008 and have an average remaining life of five years (the average call date is 2.4 years). We mark such agreements to market each quarter, with the related gain (loss) classified as investment income in the consolidated statement of operations. At March 31, 1999, our interest-rate swap agreements had a fair value of \$17.9 million.

If the counterparties of these financial instruments fail to meet their obligations, Consecos may have to recognize a loss. Consecos limits its exposure to such a loss by diversifying among several counterparties believed to be strong and creditworthy. At March 31, 1999, all of the counterparties were rated "A" or higher by Standard & Poor's Corporation.

In conjunction with certain sales of finance receivables, the Company has provided guarantees aggregating approximately \$1.8 billion at March 31, 1999. We believe the likelihood of a significant loss from such guarantees is remote.

REINSURANCE

The cost of reinsurance ceded totaled \$115.0 million and \$133.9 million in the first three months of 1999 and 1998, respectively. We deducted this cost from insurance policy income. Consecos is contingently liable for claims reinsured if the assuming company is unable to pay. Reinsurance recoveries netted against insurance policy benefits totaled \$118.2 million and \$126.1 million in the first three months of 1999 and 1998, respectively.

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CORPORATE NOTES PAYABLE AND COMMERCIAL PAPER

Corporate notes payable and commercial paper were as follows (interest rates as of March 31, 1999):

	March 31, 1999	December 31, 1998
	----	----
	(Dollars in millions)	
Commercial paper (5.17%).....	\$ 994.4	\$ 784.4
Bank credit facilities (5.20%).....	307.3	372.3
Notes payable (5.4%).....	400.0	400.0
6.4% notes due 2001.....	550.0	550.0
6.4% notes due 2003.....	250.0	250.0
6.5% convertible subordinated notes due 2003.....	86.0	86.0
6.8% senior notes due 2005.....	250.0	250.0
7.875% notes due 2000.....	150.0	150.0
8.125% senior notes due 2003.....	63.5	63.5
10.5% senior notes due 2004.....	24.5	24.5
Other.....	12.3	13.5
	-----	-----
Total principal amount.....	3,088.0	2,944.2
Unamortized net discount.....	(11.2)	(12.0)
	-----	-----
Total.....	\$3,076.8	\$2,932.2
	=====	=====

The Company's current bank credit facilities allow us to borrow up to \$2.5 billion, of which \$1.5 billion may be borrowed until 2003 and \$1.0 billion may be borrowed until September 1999. Actual borrowings at March 31, 1999, totaled \$1,150.0 million (of which \$842.7 million was used to finance the purchase of finance receivables classified as finance notes payable See "Changes in Finance Notes Payable"). The credit facility requires us to maintain various financial ratios, as defined in the agreement, including: (i) a debt-to-total capitalization ratio less than .45:1 (such ratio was .383:1 at March 31, 1999); and (ii) an interest coverage ratio greater than 2.0:1 during the period October 1, 1998 through September 30, 1999, greater than 2.25:1 for the period October 1, 1999 through September 30, 2001 and greater than 2.50:1 thereafter (such ratio was 5.37:1 for the period ended March 31, 1999). Our unsecured bank credit facilities are used to support our commercial paper program.

Borrowings under our commercial paper program averaged approximately \$1,100.5 million during the first three months of 1999. The weighted average interest rate on such borrowings was 5.17 percent during that period.

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CHANGES IN FINANCE NOTES PAYABLE

Notes payable and commercial paper related to our financing activities were as follows (interest rates as of March 31, 1999):

	March 31, 1999	December 31, 1998
	----	----
	(Dollars in millions)	
Bank credit facilities (5.20%).....	\$ 842.7	\$ 877.7
Master repurchase agreements due on various dates in 1999 and 2000 (5.65%).....	1,165.7	780.6
Credit facility collateralized by interest-only securities due 2000 (6.94%).....	245.0	300.0
10.25% senior subordinated notes due 2002.....	193.6	194.0
Medium term notes due October 1999 to April 2003 (6.58%).....	238.7	238.7
Other.....	3.2	3.2
	-----	-----
Total principal amount.....	2,688.9	2,394.2
Less unamortized net discount.....	(4.7)	(4.9)
	-----	-----
Total.....	\$2,684.2	\$2,389.3
	=====	=====

As of March 31, 1999, we had \$4.25 billion of master repurchase agreements (of which \$1,165.7 million was outstanding at March 31, 1999) with various investment banking firms, subject to the availability of eligible collateral. The agreements generally provide for one-year terms, which can be extended each quarter by mutual agreement of the parties for an additional year, based upon the financial performance of our finance segment.

CHANGES IN PREFERRED STOCK

In February 1999, we redeemed all \$105.5 million (carrying value) outstanding shares of Preferred Redeemable Increased Dividend Equity Securities, 7% PRIDES Convertible Preferred Stock ("PRIDES") in exchange for 5.9 million shares of Consecro common stock.

CHANGES IN COMMON STOCK

Changes in the number of shares of common stock outstanding were as follows (shares in thousands):

	Three months ended March 31,	
	-----	-----
	1999	1998
	----	----
Balance, beginning of period.....	315,844	310,012
Stock options exercised.....	4,561	4,862
Common shares converted from PRIDES.....	5,904	-
Common stock acquired under option exercise and repurchase programs.....	(2,896)	(5,114)
Shares issued under employee benefit and compensation plans.....	49	656
Shares returned by former executive due to recomputation of bonus.....	-	(698)
	-----	-----
Balance, end of period.....	323,462	309,718
	=====	=====

CONSECO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RECENTLY ISSUED ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") was issued in June 1998. SFAS 133 requires all derivative instruments to be recorded on the balance sheet at estimated fair value. Changes in the fair value of derivative instruments are to be recorded each period either in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, on the type of hedge transaction. SFAS 133 is effective for year 2000. We are currently evaluating the impact of SFAS 133; at present, we do not believe it will have a material effect on our consolidated financial position or results of operations.

LITIGATION

Green Tree has been served with various related lawsuits which were filed in the United States District Court for the District of Minnesota. These lawsuits were filed as purported class actions on behalf of persons or entities who purchased common stock or options of Green Tree during the alleged class periods that generally run from February 1995 to January 1998. One such action did not include class action claims. In addition to Green Tree, certain current and former officers and directors of Green Tree are named as defendants in one or more of the lawsuits. Green Tree and other defendants have obtained an order from the United States District Court for the District of Minnesota consolidating the lawsuits seeking class action status into two actions: one which pertains to a purported class of common stockholders and the other which pertains to a purported class of stock option traders. Plaintiffs in the lawsuits assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. In each case, plaintiffs allege that Green Tree and the other defendants violated federal securities laws by, among other things, making false and misleading statements about the current state and future prospects of Green Tree (particularly with respect to prepayment assumptions and performance of certain loan portfolios of Green Tree) which allegedly rendered Green Tree's financial statements false and misleading. The Company believes that the lawsuits are without merit and intends to defend such lawsuits vigorously. The ultimate outcome of these lawsuits cannot be predicted with certainty. Green Tree has filed motions, which are pending, to dismiss these lawsuits.

In addition, the Company and its subsidiaries are involved on an ongoing basis in lawsuits related to their operations. Although the ultimate outcome of certain of such matters cannot be predicted, such lawsuits currently pending against the Company or its subsidiaries are not expected, individually or in the aggregate, to have a material adverse effect on the Company's consolidated financial condition, cash flows or results of operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

The following disclosures supplement our consolidated statement of cash flows:

	Three months ended March 31,	
	1999	1998
	----	----
	(Dollars in millions)	
Additional non-cash items not reflected in the consolidated statement of cash flows:		
Issuance of common stock under stock option and employee benefit plans.....	\$.8	\$ 2.2
Tax benefit related to the issuance of common stock under employee benefit plans.....	24.2	38.1
Conversion of preferred stock into common stock.....	105.5	-
Shares returned by former executive due to recomputation of bonus.....	-	23.4
Issuance of stock warrants in conjunction with financing transaction.....	-	7.7

CONSECO, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In this section, we review Consecos consolidated results of operations for the three months ended March 31, 1999 and 1998, and significant changes in our consolidated financial condition. Please read this discussion in conjunction with the accompanying consolidated financial statements and notes.

Consolidated results and analysis

Our first quarter 1999 operating earnings were \$303.0 million, or 92 cents per diluted share, both up 31 percent over the first quarter of 1998. Operating earnings from the insurance segment increased as a result of the growth and increased profitability of the business in force. Operating earnings from the finance segment increased primarily as a result of portfolio growth which increased income from sales of receivables, interest, servicing and commissions.

Net income of \$297.1 million in the first quarter of 1999, or 90 cents per diluted share, included net investment losses (net of related costs, amortization and taxes) of \$5.9 million, or 2 cents per share. Net income of \$214.6 million in the first quarter of 1998, or 65 cents per diluted share, included an extraordinary charge (net of taxes) of \$16.4 million, or 5 cents per share, related to early retirement of debt.

Total revenues in the first quarters of 1999 and 1998 include net investment gains of \$1.0 million and \$104.8 million, respectively. Excluding net investment gains, total revenues were \$1,964.9 million in the first quarter of 1999, up 4.5 percent from \$1,880.0 million in the first quarter of 1998.

Results of operations by segment for the three months ended March 31, 1999 and 1998

The following tables and narratives summarize our results by segment.

	Three months ended March 31,	
	1999	1998
	-----	-----
	(Dollars in millions)	
Operating earnings:		
Operating income of segments before income taxes and minority interest:		
Insurance and fee-based operations.....	\$362.1	\$342.6
Finance operations.....	205.2	102.4
Corporate interest and other expenses.....	(50.8)	(42.8)
	-----	-----
Operating income before income taxes and minority interest	516.5	402.2
Income tax related to operating income.....	183.3	151.8
	-----	-----
Operating income before minority interest.....	333.2	250.4
Minority interest in consolidated subsidiaries.....	30.2	19.4
	-----	-----
Operating earnings.....	303.0	231.0
Nonoperating items:		
Net investment losses, net of tax and other items.....	(5.9)	-
	-----	-----
Income before extraordinary charge.....	297.1	231.0
Extraordinary charge, net of taxes.....	-	16.4
	-----	-----
Net income.....	\$297.1	\$214.6
	=====	=====

CONSECO, INC. AND SUBSIDIARIES

Insurance and fee-based operations

	Three months ended March 31,	
	1999	1998
	(Dollars in millions)	
Premiums and deposits collected:		
Annuities.....	\$ 511.0	\$ 468.6
Supplemental health.....	521.7	504.2
Life.....	241.6	241.1
Individual and group major medical.....	209.1	226.6
Other.....	34.0	32.6
Mutual funds.....	82.2	10.4
Certificates of deposit.....	121.0	-
	-----	-----
Total premiums and deposits collected.....	\$ 1,720.6	\$ 1,483.5
	=====	=====
Average insurance liabilities:		
Annuities:		
Mortality based.....	\$ 687.1	\$ 692.5
Equity-linked.....	1,390.5	590.9
Deposit based.....	11,041.9	12,038.0
Separate accounts.....	948.5	679.0
Health.....	4,701.9	4,202.1
Life:		
Interest sensitive.....	4,131.5	4,086.3
Non-interest sensitive.....	2,838.3	2,751.3
	-----	-----
Total average insurance liabilities, net of reinsurance receivables.....	\$25,739.7	\$25,040.1
	=====	=====
Insurance policy income.....	\$ 1,007.4	\$ 990.1
Net investment income:		
General account invested assets.....	495.8	505.4
Equity-indexed products based on S&P 500 Index.....	33.6	59.7
Amortization of S&P 500 Call Options.....	(20.1)	(7.7)
Separate account assets.....	12.7	25.9
Fee revenue and other income.....	28.7	20.8
	-----	-----
Total revenues (a).....	1,558.1	1,594.2
	-----	-----
Insurance policy benefits.....	669.6	680.4
Amounts added to policyholder account balances:		
Annuity products other than those listed below.....	174.1	188.4
Equity-indexed products based on S&P 500 Index.....	33.3	59.7
Separate account liabilities.....	12.7	25.9
Amortization related to operations.....	140.6	117.1
Interest expense on investment borrowings.....	11.8	18.9
Other operating costs and expenses.....	153.9	161.2
	-----	-----
Total benefits and expenses (a).....	1,196.0	1,251.6
	-----	-----
Operating income before income taxes, minority interest and extraordinary charge.....	362.1	342.6
Net investment gains (losses), net of related costs and amortization.....	(9.0)	18.4
	-----	-----
Income before income taxes, minority interest and extraordinary charge.....	\$ 353.1	\$ 361.0
	=====	=====

(continued)

CONSECO, INC. AND SUBSIDIARIES

	Three months ended March 31,	
	1999	1998
	(Dollars in millions)	
Ratios:		
Investment income, net of interest credited on annuities and universal life products less interest expense on investment borrowings, as a percentage of insurance liabilities (annualized).....	4.47%	4.58%
Operating costs and expenses and amortization related to operations as a percentage of average insurance liabilities, net of reinsurance (annualized).....	4.75%	4.57%
Health loss ratios:		
All health lines:		
Insurance policy benefits.....	\$503.1	\$514.7
Loss ratio.....	66.11%	68.34%
Medicare Supplement:		
Insurance policy benefits.....	\$159.2	\$155.8
Loss ratio.....	68.60%	70.02%
Long-Term Care:		
Insurance policy benefits.....	\$115.5	\$113.1
Loss ratio.....	61.49%	66.16%
Specified Disease:		
Insurance policy benefits.....	\$ 56.0	\$ 45.7
Loss ratio.....	58.32%	47.25%
Major Medical:		
Insurance policy benefits.....	\$147.9	\$175.3
Loss ratio.....	71.63%	77.01%
Other:		
Insurance policy benefits.....	\$ 24.5	\$ 24.8
Loss ratio.....	63.52%	70.25%

(a) Revenues exclude net investment gains (losses); benefits and expenses exclude amortization related to realized gains.		

Premiums and deposits collected were \$1.7 billion in the first quarter of 1999, up 16 percent over 1998. Excluding certificates of deposit, premiums collected were \$1.6 billion, up 7.8 percent over 1998. See "Sales of Insurance and Deposit Products" for further analysis.

Average insurance liabilities, net of reinsurance receivables, were \$25.7 billion in the first quarter of 1999, up 2.8 percent over 1998.

Insurance policy income is comprised of: (i) premiums earned on policies which provide mortality or morbidity coverage; and (ii) fees and other charges made against other policies. See "Sales of Insurance and Deposit Products" for further analysis.

Net investment income on general account invested assets (which excludes income on separate account assets related to variable annuities and the income and change in the fair value of S&P 500 Call Options related to equity-indexed products) was \$495.8 million in the first quarter of 1999, down 1.9 percent from 1998. The average balance of general account invested assets increased by 3.0 percent in the first quarter of 1999 to \$26.6 billion compared to the same period in 1998. The yield on these assets decreased by .4 percentage points to 7.4 percent in 1999. Such fluctuations reflect the general decreases in investment interest rates, partially offset by increases in income from limited partnerships and other investments.

CONSECO, INC. AND SUBSIDIARIES

Net investment income related to equity-indexed products based on the S&P 500 Index is substantially offset by a corresponding charge to amounts added to policyholder account balances for equity-indexed products. Such income and related charge fluctuated based on the performance of the S&P 500 Index to which the returns on such products are linked.

Amortization of S&P 500 Call Options represents the premiums paid to purchase S&P 500 Call Options related to our equity-linked products. We amortize these amounts over the terms of the options. Such amortization has increased in relation to the increase in our equity-linked product business.

Net investment income from separate account assets is offset by a corresponding charge to amounts added to policyholder account balances for variable annuity products. Such income and related charge fluctuated in relationship to total separate account assets and the return earned on such assets.

Insurance policy benefits decreased in the first quarter of 1999 compared to the same period in 1998 as a result of favorable claim experience.

Loss ratios for Medicare supplement products have been relatively stable and within our expectations. Governmental regulations generally require us to attain and maintain a loss ratio, after three years, of not less than 65 percent.

The loss ratio for long-term care products declined in 1999, reflecting favorable claims experience, partially offset by the effects of the asset accumulation phase of these products. The net cash flows from our long-term care products generally result in the accumulation of amounts in the early policy years of a policy (accounted for as reserve increases) which are paid out as benefits in later policy years (accounted for as reserve decreases). Accordingly, the loss ratio may increase during the asset accumulation phase of these policies, but the increase in the change in reserve will be partially offset by investment income earned on the assets accumulated.

The 1999 loss ratio for specified disease products was within our expectations. The 1998 ratio benefited from favorable claim developments.

The loss ratio for major medical products declined in 1999, reflecting recent premium rate increases, claim management activities and favorable claim developments.

The loss ratios on other products were within our expectations during the periods.

Amounts added to policyholder account balances for annuity products decreased by 7.6 percent in the first quarter of 1999 to \$174.1 million, primarily due to a reduction in crediting rates and a smaller block of this type of annuity business in force in the first three months of 1999. The weighted average crediting rates for these annuity liabilities decreased .1 percentage point, to 4.6 percent, in the first three months of 1999.

Amortization related to operations increased primarily as a result of new policies sold. This item includes amortization of: (i) the cost of policies produced; (ii) the cost of policies purchased; and (iii) goodwill related to this segment's business.

Interest expense on investment borrowings decreased primarily as a result of decreased investment borrowing activities. Investment borrowings averaged approximately \$997.4 million during the first three months of 1999 compared to \$1,280.3 million during the same period of 1998.

Other operating costs and expenses decreased primarily as a result of cost efficiencies realized.

Net investment gains (losses), net of related costs and amortization, fluctuate from period to period. Selling securities at a gain and reinvesting the proceeds at lower yields may, absent other management action, tend to decrease future investment yields. We believe, however, that the following factors mitigate the adverse effect on net income: (i) we recognize additional amortization of cost of policies purchased and cost of policies produced in order to reflect reduced future yields (thereby reducing such amortization in future periods); (ii) we can reduce interest rates credited to some products, thereby diminishing the effect of the yield decrease on the investment spread; and (iii) the investment portfolio grows as a result of reinvesting the investment gains. Sales of fixed maturity investments resulted in additional amortization of the cost of policies purchased and the cost of policies produced of \$10.0 million in the first quarter of 1999 and \$86.4 million in the first quarter of 1998.

CONSECO, INC. AND SUBSIDIARIES

Finance operations

	Three months ended March 31,	
	1999	1998
	(Dollars in millions)	
Contract originations:		
Manufactured housing.....	\$ 1,411.1	\$ 1,204.2
Mortgage services.....	1,437.6	1,038.2
Consumer/credit card.....	538.6	575.2
Commercial.....	1,986.9	1,540.1
	-----	-----
Total.....	\$ 5,374.2	\$ 4,357.7
	=====	=====
Sales of receivables:		
Manufactured housing.....	\$ 1,800.0	\$ 1,200.0
Home equity/home improvement.....	1,188.2	1,079.0
Consumer/equipment.....	-	371.0
Commercial and retail revolving credit.....	-	317.8
Retained bonds.....	(23.2)	-
	-----	-----
Total.....	\$ 2,965.0	\$ 2,967.8
	=====	=====
Managed receivables (average):		
Manufactured housing.....	\$21,447.3	\$18,273.9
Mortgage services.....	8,685.6	5,203.1
Consumer/credit card.....	2,988.5	1,912.8
Commercial.....	5,121.3	3,539.9
	-----	-----
Total.....	\$38,242.7	\$28,929.7
	=====	=====
Net investment income:		
Finance receivables and other.....	\$ 85.6	\$ 50.1
Interest-only securities.....	43.7	33.4
Gain on sale of finance receivables.....	199.8	143.7
Fee revenue and other income.....	82.6	58.6
	-----	-----
Total revenues.....	411.7	285.8
	-----	-----
Finance interest expense.....	56.6	48.5
Other operating costs and expenses.....	149.9	134.9
	-----	-----
Total expenses.....	206.5	183.4
	-----	-----
Income before income taxes, minority interest and extraordinary charge.....	\$ 205.2	\$ 102.4
	=====	=====

Contract originations in the first quarter of 1999 were \$5.4 billion, up 23 percent over 1998.

Manufactured housing contract originations increased by \$206.9 million, or 17 percent, during the first three months of 1999 over 1998. The increase in 1999 is due to an increase in both the average size and number of contracts written.

Mortgage services contract originations increased by \$399.4 million, or 38 percent, during 1999 over 1998. We have continued to expand our home equity retail origination network.

CONSECO, INC. AND SUBSIDIARIES

Consumer/credit card contract originations decreased by \$36.6 million, or 6.4 percent, during 1999 because we focused on originating more profitable business in 1999.

Commercial originations increased by \$446.8 million, or 29 percent, during 1999 over 1998, reflecting higher production in all areas of commercial financing.

Sales of receivables occur when we sell through securitizations the finance receivables that we originate. The amount of receivables we sell in a particular period depends on many factors, including: (i) the volume of recent originations; (ii) market conditions; and (iii) the availability and cost of alternative financing. The total finance receivables sold in the first quarter of 1999 was approximately equal to the first quarter of 1998. Total finance receivables held by the Company were \$3.9 billion at March 31, 1999, an increase of \$1.8 billion over March 31, 1998, as a result of both: (i) an increase in the pace of originations; and (ii) our election to hold more of the loans scheduled for sale late in each quarter until early in the next quarter, when the market supply of securitizations is usually lower and securitization spreads are usually better.

Managed receivables include finance receivables we sell through securitizations as well as the finance receivables and related interests we retain. The average managed receivables increased to \$38.2 billion in the first quarter of 1999, up 32 percent over the same period in 1998.

Net investment income on finance receivables and other consists of: (i) interest earned on unsold finance receivables; and (ii) interest income on short-term and other investments. Such income increased by 71 percent, to \$85.6 million, in the first quarter of 1999. The increase is consistent with the increase in average finance receivables during the 1999 period. The weighted average yields earned on finance receivables were 10.6 percent and 9.8 percent during the first three months of 1999 and 1998, respectively.

Net investment income on interest-only securities is the accretion recognized on the interest-only securities we retain after we sell finance receivables. Such income increased by 31 percent, to \$43.7 million, in the first quarter of 1999. The increase is consistent with the change in the average balance of interest-only securities and the increase in the discount rate assumption we use to value our interest-only securities. The weighted average yields earned on interest-only securities were 13.1 percent and 9.1 percent during the first three months of 1999 and 1998, respectively.

Gain on sale of finance receivables is the difference between the proceeds from the sale of receivables (net of related transaction costs) and the allocated carrying amount of the receivables sold. We determine the allocated carrying amount by allocating the original amount of the receivables between the portion sold and any retained interests (securities classified as fixed maturities, interest-only securities and servicing rights), based on their relative fair values at the time of sale. Assumptions used in calculating the estimated fair value of such retained interests are subject to volatility that could materially affect operating results. Prepayment rates may vary from expected rates as a result of competition, obligor mobility, general and regional economic conditions and changes in interest rates. In addition, actual losses incurred as a result of loan defaults may vary from projected performance.

Our gain on sale of finance receivables increased by 39 percent, to \$199.8 million, in the first quarter of 1999. Our gain recognized at the time of the sale fluctuates when changes occur in: (i) the amount of loans sold; (ii) market conditions (such as the market interest rates available on securities sold in our securitizations); (iii) the amount and type of interest we retain in the receivables sold; and (iv) assumptions used to calculate the gain. The gain recognized in the first quarter of 1998 was reduced by \$47 million for an interest-only security valuation adjustment. In response to higher prepayment rates and higher market yields on publicly traded securities similar to our interest-only securities, we increased the assumed prepayment and discount rates used to calculate the gain on sale of finance receivables for sales completed after June 30, 1998. Accordingly, the amount of gain (before valuation adjustments) as a percentage of closed-end loans sold decreased to 6.74 percent in the first quarter of 1999 from 7.20 percent in the first quarter of 1998.

In recent periods, the Company has emphasized the inclusion of points and origination fees in finance receivables originated, which increases the amount of cash received when such receivables are sold in securitizations. Points and origination fees collected upon the securitization of finance receivables increased to \$110.5 million (or 55 percent of the gain on sale recognized) in the first quarter of 1999 compared to \$53.0 million (28 percent of the gain on sale recognized) in the first quarter of 1998.

CONSECO, INC. AND SUBSIDIARIES

In recent periods, conditions in the credit markets have resulted in less-attractive pricing of certain lower rated securities. As a result, we have chosen to hold, rather than sell, certain securities having corporate guarantee provisions. We recognize no gain on the sale of the securities we hold, but we recognize greater interest income, net of related interest expense, over the term we hold them. At March 31, 1999, we held \$344.8 million of such securities which are classified as actively managed fixed maturities.

See "Liquidity for Finance Operations" for a discussion of our consideration of the use of alternative methods of financing which could affect the gain on sale recognized in future periods.

Fee revenue and other income includes servicing income, commissions earned on insurance policies written in conjunction with the financing transactions and other income from late fees. Such income increased by 41 percent, to \$82.6 million, in the first quarter of 1999. Our servicing portfolio (on which we earn servicing income) grew and our net written insurance premiums grew along with managed receivables.

Finance interest expense increased by 17 percent, to \$56.6 million, in the first quarter of 1999. Our borrowings increased to fund the increase in our average inventory of finance receivables generated by increases in our loan originations, commercial revolving credit and lease portfolio financings and securities held from our securitizations. These increases were offset somewhat by a decrease in our average borrowing rate to 6.4 percent in the first quarter of 1999 from 7.7 percent in the first quarter of 1998.

Other operating costs and expenses include the costs associated with servicing our managed receivables and non-deferrable costs related to originating new loans. Such expense increased by 11 percent, to \$149.9 million, in the first quarter of 1999 reflecting: (i) the growth in our servicing portfolio; and (ii) the increased volume of contracts originated.

Other components of income before income taxes, minority interest and extraordinary charge:

Corporate interest and other expenses were \$50.8 million in the first quarter of 1999 and \$42.8 million in the first quarter of 1998. Interest expense included therein was \$47.1 million in the first quarter of 1999 and \$39.0 million in the first quarter of 1998. Such expense fluctuates in relationship to the average debt outstanding during each period and the interest rate thereon. Average borrowings were higher in the first quarter of 1999, the effect of which was partially offset by lower interest rates.

SALES OF INSURANCE AND DEPOSIT PRODUCTS

In accordance with GAAP, insurance policy income shown in our consolidated statement of operations consists of premiums received for policies that have life contingencies or morbidity features. For annuity and universal life contracts without such features, premiums collected are not reported as revenues, but as deposits to insurance liabilities. We recognize revenues for these products over time in the form of investment income and surrender or other charges.

CONSECO, INC. AND SUBSIDIARIES

Total premiums and deposits collected were as follows:

	Three months ended March 31,	
	1999	1998
	(Dollars in millions)	
Premiums collected by our insurance subsidiaries:		
Annuities:		
Equity-indexed (first-year).....	\$ 187.4	\$ 152.0
Equity-indexed (renewal).....	16.5	5.3
Subtotal - equity-indexed annuities.....	203.9	157.3
Variable (first-year).....	91.4	44.9
Variable (renewal).....	29.2	14.5
Subtotal - variable annuities.....	120.6	59.4
Traditional fixed (first-year).....	158.6	194.9
Traditional fixed (renewal).....	15.3	15.8
Subtotal - traditional fixed annuities.....	173.9	210.7
Market value-adjusted (first-year).....	12.1	37.8
Market value-adjusted (renewal).....	.5	3.4
Subtotal - market-value adjusted annuities.....	12.6	41.2
Total annuities.....	511.0	468.6
Supplemental health:		
Medicare supplement (first-year).....	27.6	27.6
Medicare supplement (renewal).....	205.3	197.9
Subtotal - Medicare supplement.....	232.9	225.5
Long-term care (first-year).....	29.4	29.6
Long-term care (renewal).....	163.3	148.5
Subtotal - long-term care.....	192.7	178.1
Specified disease (first-year).....	9.4	10.9
Specified disease (renewal).....	86.7	89.7
Subtotal - specified disease.....	96.1	100.6
Total supplemental health.....	521.7	504.2
Life insurance:		
First-year.....	37.2	42.5
Renewal.....	204.4	198.6
Total life insurance.....	241.6	241.1
Individual and group major medical:		
Individual (first-year).....	22.1	28.0
Individual (renewal).....	59.4	56.6
Subtotal - individual.....	81.5	84.6
Group (first-year).....	9.2	17.2
Group (renewal).....	118.4	124.8
Subtotal - group.....	127.6	142.0
Total major medical.....	209.1	226.6
Other health:		
Other (first-year).....	5.2	3.8
Other (renewal).....	28.8	28.8
Total - other.....	34.0	32.6

Total first-year premiums.....	589.6	589.2
Total renewal premiums.....	927.8	883.9
	-----	-----
Total premiums collected by our insurance subsidiaries.....	1,517.4	1,473.1
	-----	-----
Deposits collected by our other subsidiaries:		
Mutual funds.....	82.2	10.4
Certificates of deposit.....	121.0	-
	-----	-----
Total premiums and deposits collected.....	\$1,720.6	\$1,483.5
	=====	=====

CONSECO, INC. AND SUBSIDIARIES

Annuities include traditional fixed rate annuities, market value-adjusted annuities, equity-indexed annuities and variable annuities sold through both career agents and professional independent producers.

In response to consumers' desire for alternative investment products with returns linked to equities, we introduced our first equity-indexed annuity product in 1996. The accumulation value of these annuities is credited with interest at an annual guaranteed minimum rate of 3 percent (or, including the effect of applicable sales loads, a 1.7 percent compound average interest rate over the term of the contracts). The annuities provide for higher returns based on a percentage of the change in the S&P 500 Index during each year of their term. We purchase S&P 500 Call Options in an effort to hedge increases to policyholder benefits resulting from increases in the S&P 500 Index. Total collected premiums for this product were \$203.9 million in the first quarter of 1999 compared with \$157.3 million in the first quarter of 1998.

Variable annuities offer contract holders the ability to direct premiums into specific investment portfolios; rates of return are based on the performance of the portfolio. Such annuities have become increasingly popular recently as a result of the desire of investors to invest in common stocks. Our profits on variable annuities come from the fees charged to contractholders. Variable annuity collected premiums increased 103 percent, to \$120.6 million, in the first quarter of 1999.

Traditional fixed rate annuity products include single-premium deferred annuities ("SPDAs"), flexible-premium deferred annuities ("FPDAs") and single-premium immediate annuities ("SPIAs"), which are credited with a guaranteed rate. The demand for traditional fixed rate annuity contracts has decreased in recent years, as relatively low interest rates have made other investment products more attractive. SPDA and FPDA policies typically have an interest rate that is guaranteed for the first policy year, after which we have the discretionary ability to change the crediting rate to any rate not below a guaranteed rate. The interest rate credited on SPIAs is based on market conditions existing when a policy is issued and remains unchanged over the life of the SPIA. Annuity premiums on these products decreased by 17 percent, to \$173.9 million, in the first quarter of 1999.

We offer deferred annuity products with a "market value adjustment" feature. These products provide us with additional protection from early terminations when interest rates rise by reducing the surrender value payable upon a surrender of the policy in excess of the allowable penalty-free withdrawal amount. Conversely, when interest rates fall, the market value adjustment feature increases the surrender value payable to the policyholder. Annuity premiums collected with this feature decreased by 69 percent, to \$12.6 million, in the first quarter of 1999.

Supplemental health products include Medicare supplement, long-term care and specified disease insurance products distributed through a career agency force and professional independent producers. Our profits on supplemental health policies depend on the overall level of sales, persistency of in-force business, investment yields, claim experience and expense management.

Collected premiums on Medicare supplement policies increased by 3 percent to \$232.9 million, in the first quarter of 1999. Sales of Medicare supplement policies in recent periods have been affected by: (i) steps taken to improve profitability by increasing premium rates and changing our commission structure and underwriting criteria; (ii) increased competition from alternative providers, including HMOs; and (iii) reduced production in Massachusetts due to our decision to cease writing new business in that state (as announced in the third quarter of 1997).

Premiums collected on long-term care policies increased by 8 percent, to \$192.7 million, in the first quarter of 1999.

Premiums collected on specified disease policies decreased by 4 percent to \$96.1 million in the first quarter of 1999.

Life products are sold through career agents, professional independent producers and direct response distribution channels. Life premiums collected in the first quarter of 1999 were \$241.6 million, roughly level with 1998.

Individual and group major medical products include individual and group major medical health insurance products. Group premiums decreased by 10 percent, to \$127.6 million, in the first quarter of 1999. Individual health premiums decreased to \$81.5 million in the first quarter of 1999 compared with \$84.6 million in the first quarter of 1998. Our efforts to secure rate increases and write only profitable major medical business have resulted in improved profitability of these products, although total premiums collected have decreased as expected.

CONSECO, INC. AND SUBSIDIARIES

Other health products include various health insurance products that are not currently being actively marketed. Premiums collected in the first quarter of 1999 were \$34.0 million, up 4.3 percent over the first quarter of 1998. Since we no longer actively market these products, collected premiums are expected to decrease in future years. The in-force business continues to be profitable.

Mutual fund sales were very strong in the first quarter of 1999, reflecting our expanded distribution. Such sales nearly equaled total mutual fund sales for all of 1998.

Certificates of deposit were introduced in the fourth quarter of 1998. Sales in the first quarter of 1999 were \$121.0 million.

PRO FORMA DATA ASSUMING PORTFOLIO LENDING

The following pro forma data present our estimate of our operating earnings (income before extraordinary charge and net investment gains (losses) (less that portion of amortization of cost of policies purchased and cost of policies produced and income taxes relating to such gains (losses))) on a portfolio basis; that is, as if we had accounted for the securitizations of our finance receivables as financing transactions, rather than as sales, throughout the Company's history. Accordingly, the pro forma data exclude gain on sale of finance receivables, servicing revenues and interest income on interest-only securities. The pro forma data do reflect, over the life of the loans, the spread between: (i) the interest earned on the loans included in the securitization pools; and (ii) the sum of the interest paid to the holders of the debt securities pursuant to the securitizations and credit losses in the portfolio. The pro forma data are intended to assist you in analyzing our operating results; they are not intended to, and do not, represent the results of the Company's operations prepared in accordance with GAAP. This presentation assumes that the Company had been a portfolio lender since its inception. If the Company were to begin lending on a portfolio basis at any point in time, actual earnings would initially be substantially lower than the pro forma earnings presented here.

CONSECO, INC. AND SUBSIDIARIES

	Three months ended March 31,	
	1999	1998
	(Amounts in millions except per share amounts)	
PRO FORMA OPERATING EARNINGS DATA		
Margin on interest spread products:		
Finance income.....	\$1,012.8	\$ 768.5
Investment income from insurance product investments.....	522.0	583.3
Provision for credit losses.....	(123.0)	(83.4)
Finance and investment borrowing interest expense.....	(652.4)	(508.4)
Amounts added to annuity and financial product account balances.....	(220.1)	(274.0)
	-----	-----
Net interest margin.....	539.3	486.0
	-----	-----
Margin on morbidity and mortality products:		
Insurance policy income.....	987.3	973.0
Insurance policy benefits.....	(669.6)	(680.4)
	-----	-----
Net mortality and morbidity.....	317.7	292.6
	-----	-----
Other revenues:		
Fee revenue and other.....	72.0	46.2
Policy surrender fees.....	20.1	17.1
	-----	-----
Total other revenues.....	92.1	63.3
	-----	-----
Corporate interest expense.....	47.0	39.0
Amortization.....	140.6	117.1
Other operating costs and expenses.....	269.5	264.9
	-----	-----
Total costs and expenses.....	457.1	421.0
	-----	-----
Pro forma operating earnings before income taxes and minority interest.....	492.0	420.9
Income tax expense.....	174.0	158.9
	-----	-----
Pro forma operating earnings before minority interest.....	318.0	262.0
Minority interest.....	30.2	19.4
	-----	-----
Pro forma operating earnings.....	\$ 287.8	\$ 242.6
	=====	=====
Reconciliation of reported operating earnings per diluted share to pro forma operating earnings per share:		
Reported operating earnings per share.....	\$.92	\$.69
Pro-forma adjustments:		
Finance income.....	1.78	1.37
Interest-only interest income.....	(.08)	(.06)
Provision for credit losses.....	(.23)	(.16)
Amortization of net deferred costs.....	(.04)	(.03)
Interest expense.....	(1.10)	(.82)
Eliminate gain-on-sale.....	(.38)	(.27)
Eliminate servicing income.....	(.07)	(.06)
Deferral of net origination costs.....	.07	.07
	-----	-----
Pro forma operating income per share.....	\$.87	\$.73
	=====	=====

CONSECO, INC. AND SUBSIDIARIES

LIQUIDITY AND CAPITAL RESOURCES

Changes in the consolidated balance sheet between December 31, 1998 and March 31, 1999, reflect: (i) operating results; (ii) origination and sale of finance receivables; (iii) changes in the fair value of actively managed fixed maturity securities and interest-only securities; and (iv) various financing transactions. Financing transactions (described in the notes to the consolidated financial statements) include: (i) the issuance and repurchase of common stock; and (ii) the issuance and repayment of notes payable and commercial paper.

In accordance with GAAP, we record our actively managed fixed maturity investments and interest-only securities at estimated fair value. At March 31, 1999, we decreased the carrying value of such investments by \$432.7 million as a result of this adjustment. The fair value adjustment resulted in a \$29.2 million decrease in carrying value at year-end 1998.

Total capital (excluding the notes payable of the finance segment used to fund finance receivables) at March 31, 1999 and December 31, 1998, was as follows:

	March 31, 1999 ----	December 31, 1998 ----
	(Dollars in millions)	
Corporate notes payable and commercial paper.....	\$ 3,076.8	\$ 2,932.2
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts.....	2,098.6	2,096.9
Shareholders' equity:		
Preferred stock.....	-	105.5
Common stock and additional paid-in capital.....	2,846.9	2,736.5
Accumulated other comprehensive loss.....	(232.5)	(28.4)
Retained earnings.....	2,711.3	2,460.0
	-----	-----
Total shareholders' equity.....	5,325.7	5,273.6
	-----	-----
Total capital.....	\$10,501.1	\$10,302.7
	=====	=====

Corporate notes payable and commercial paper increased during the first quarter of 1999 primarily due to increased borrowings under our commercial paper program. Such borrowings averaged approximately \$1,100.5 million during the first quarter of 1999 and carried a weighted average interest rate of 5.17 percent. The increase was partially offset by payments we made on our bank credit facilities.

Shareholders' equity increased by \$52.1 million in the first quarter of 1999, to \$5.3 billion. Significant components of the increase included: (i) net income of \$297.1 million; and (ii) the issuance of common stock related to stock options and employee benefit plans of \$94.1 million (including the tax benefit thereon). These increases were partially offset by: (i) repurchases of common stock for \$89.2 million; (ii) common and preferred stock dividends totaling \$45.8 million; and (iii) the increase in the accumulated other comprehensive loss of \$204.1 million.

Book value per common share outstanding increased to \$16.46 at March 31, 1999, from \$16.37 at December 31, 1998. Such change was primarily attributable to the factors discussed in the previous paragraph. Excluding unrealized depreciation of fixed maturity securities, book value per common share outstanding increased to \$17.10 at March 31, 1999, from \$16.40 at December 31, 1998.

Dividends declared on common stock for the three months ended March 31, 1999, were 14 cents per share.

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The following table summarizes certain financial ratios as of and for the three months ended March 31, 1999, and as of and for the year ended December 31, 1998:

	March 31, 1999 ----	December 31, 1998 ----
Book value per common share:		
As reported.....	\$16.46	\$16.37
Excluding unrealized depreciation (a).....	17.10	16.40
Ratio of earnings to fixed charges:		
As reported.....	5.44X	3.30X
Excluding interest expense on debt related to finance receivables and other investments (b).....	11.59X	6.79X
Ratio of operating earnings to fixed charges (c):		
As reported.....	5.51X	4.89X
Excluding interest expense on debt related to finance receivables and other investments (b).....	11.78X	10.81X
Ratio of earnings to fixed charges, preferred dividends and distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts:		
As reported.....	3.84X	2.47X
Excluding interest expense on debt related to finance receivables and other investments (b).....	5.83X	3.68X
Ratio of operating earnings to fixed charges, preferred dividends and distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts (c):		
As reported.....	3.90X	3.66X
Excluding interest expense on debt related to finance receivables and other investments (b).....	5.92X	5.86X
Rating agency ratios (a) (d) (e) (f) (g):		
Debt to total capital.....	26%	26%
Debt and Company-obligated mandatorily redeemable preferred securities of subsidiary trusts to total capital.....	42%	43%

(a) Excludes the effect of reporting fixed maturities at fair value.

(b) These ratios are included to assist the reader in analyzing the impact of interest expense on debt related to finance receivables and other investments (which is generally offset by interest earned on finance receivables and other investments financed by such debt). Such ratios are not intended to, and do not, represent the following ratios prepared in accordance with GAAP: the ratio of earnings to fixed charges; and the ratio of earnings to fixed charges, preferred dividends and distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts.

(c) Such ratios exclude the following items from earnings: (i) net investment gains (losses) of our life insurance and corporate segments (less that portion of amortization of cost of policies purchased and cost of policies produced relating to such gains (losses)); (ii) impairment charges; and (iii) nonrecurring charges. Such ratios are not intended to, and do not, represent the following ratios prepared in accordance with GAAP: the ratio of earnings to fixed charges; and the ratio of earnings to fixed charges, preferred dividends and distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts.

(d) Excludes debt of finance segment used to fund finance receivables and investment borrowings of the insurance segment.

(e) These ratios are calculated in a manner discussed with rating agencies.

- (f) Corporate debt is reduced by cash and investments held by non-life companies other than finance companies.
- (g) Total capital includes amounts for the purchase of common shares pursuant to stock purchase contracts related to FELINE PRIDES as if such shares had been purchased.

Consistent with recent discussions with rating agencies, the Company has targeted the following rating agency ratios (described above) as goals to achieve at some point during 1999: (i) the ratio of corporate debt to total capital to be at or below 25 percent; and (ii) the ratio of corporate debt and Company-obligated mandatorily redeemable preferred securities of subsidiary trusts to total capital to be at or below 40 percent.

Liquidity for insurance and fee-based operations

Our insurance operating companies generally receive adequate cash flow from premium collections and investment income to meet their obligations. Life insurance and annuity liabilities are generally long-term in nature. Policyholders may, however, withdraw funds or surrender their policies, subject to surrender and withdrawal penalty provisions. We seek to balance the duration of our invested assets with the estimated duration of benefit payments arising from contract liabilities.

We believe that the diversity of the investment portfolio of our life insurance subsidiaries and the concentration of investments in high-quality, liquid securities provide sufficient liquidity to meet foreseeable cash requirements.

Liquidity for finance operations

Our finance operations require continued access to the capital markets for the warehousing and sale of finance receivables. To satisfy these needs, we use a variety of capital resources.

The most important liquidity source for our finance operations has been our ability to sell finance receivables in the secondary markets through loan securitizations. Under certain securitized sales structures, we have provided a variety of credit enhancements, which generally take the form of corporate guarantees, but have also included bank letters of credit, surety bonds, cash deposits and over-collateralization or other equivalent collateral. When choosing the appropriate structure for a securitized loan sale, we analyze the cash flows unique to each transaction, as well as its marketability and projected economic value. The structure of each securitized sale depends, to a great extent, on conditions in the fixed-income markets at the time of sale, as well as on cost considerations and the availability and effectiveness of the various enhancement methods.

During the third and fourth quarters of 1998, liquidity in the credit markets became extremely limited for many issuers. We believe the liquidity in this market has improved since then. This market is very large and fills a need for many investors and therefore we believe it is unlikely to disappear. We have been able to sell finance receivables even under the tough market conditions which existed during the latter half of 1998, however the gains recognized on such sales were lower. In addition, we have access to bank credit, master repurchase agreements and securitization lines that would enable us to continue production of loans for some time, even if the asset-backed markets were temporarily not available.

In some recent securitizations, we elected to hold certain lower-rated securities rather than sell them at market prices prevalent in recent months. We may choose to retain additional securities from future securitizations. We believe there are adequate sources of liquidity to continue to hold a reasonable quantity of such securities while still maintaining current levels of loan originations. Holding these securities results in reduced gains from the sale of finance receivables and comparable increases in the interest income spread we earn while the securities are held. In addition, volatility in the asset-backed securities markets may cause a reduction in the profits we realize on the finance receivables we sell. Several competing lenders have announced in recent periods that they are no longer lending in product lines that provide the majority of our new loans. Brokers who previously expected to sell completed loans to such lenders have solicited bids from us and others to purchase these loans. Moreover, we and other lenders have increased the interest rates charged on new loans in recent periods. We are unable to estimate the amount of increased business, if any, or the level of profitability thereon that might result from these events.

We believe there may be a number of circumstances in which we could obtain more value from our finance receivables by holding them directly, by holding all or a portion of the securities issued in our securitizations, or by using alternative or modified methods of financing. We are studying the effect such potential strategies could have on our capital structure, liquidity, access to capital markets, credit ratings, reported earnings and earnings per share.

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Cash received by the Company from the special-purpose securitization entities in the first quarter of 1999 in the form of servicing fees and payments on the residual interest securities increased to \$165.2 million compared to \$103.0 million in the first quarter of 1998. This growth is the result of our growing servicing portfolio. Interest on unsold loans also increased during 1999 as a result of the increase in the outstanding finance receivables.

At March 31, 1999, we had \$4.25 billion in master repurchase agreements, subject to the availability of eligible collateral, with various investment banking firms for the purpose of financing our consumer and commercial finance loan production. These agreements generally provide for annual terms which are extended each quarter by mutual agreement of the parties for an additional annual term based upon receipt of updated quarterly financial information. At March 31, 1999, we had \$1,165.7 million borrowed under the repurchase agreements. In addition, we have a \$700 million line of credit secured by our interest-only securities. This line of credit matures on February 12, 2000, and has an option to extend for an additional one-year term. As of March 31, 1999, we had borrowed \$245.0 million under this facility.

Liquidity of Consecro (parent company)

The parent company is a legal entity, separate and distinct from its subsidiaries, and has no business operations. The parent company needs cash for:

(i) principal and interest payments on debt; (ii) dividends on common securities; (iii) payments to subsidiary trusts to be used for distributions on the Company-obligated mandatorily redeemable preferred stock of subsidiary trusts; (iv) holding company administrative expenses; (v) income taxes; and (vi) investments in subsidiaries. The primary sources of cash to meet these obligations are payments from our subsidiaries, including the statutorily permitted payments from our life insurance subsidiaries in the form of: (i) fees for services provided; (ii) tax sharing payments; (iii) dividend payments; and

(iv) surplus debenture interest and principal payments. The parent company may also obtain cash by: (i) issuing debt or equity securities; (ii) borrowing additional amounts under its revolving credit agreement, as described in the notes to the consolidated financial statements; or (iii) selling all or a portion of its subsidiaries. These sources have historically provided adequate cash flow to fund the needs of the parent company's: (i) normal operations; (ii) internal expansion, acquisitions and investment opportunities; and (iii) the retirement of debt and equity.

INVESTMENTS

At March 31, 1999, the amortized cost and estimated fair value of fixed maturity securities (all of which were actively managed) were as follows:

	Amortized cost ----	Gross unrealized gains -----	Gross unrealized losses -----	Estimated fair value -----
	(Dollars in millions)			
Investment grade:				
Corporate securities.....	\$13,060.4	\$133.2	\$314.3	\$12,879.3
United States Treasury securities and obligations of				
United States government corporations and agencies.....	341.5	10.5	1.1	350.9
States and political subdivisions.....	112.4	1.1	2.6	110.9
Debt securities issued by foreign governments.....	172.9	2.3	9.7	165.5
Mortgage-backed securities	6,981.2	68.2	77.5	6,971.9
Below-investment grade (primarily corporate securities).....	2,326.2	19.5	232.3	2,113.4
	-----	-----	-----	-----
Total actively managed fixed maturities.....	\$22,994.6	\$234.8	\$637.5	\$22,591.9
	=====	=====	=====	=====

During the first three months of 1998, we recorded \$1.5 million, in writedowns of fixed maturity securities and equity securities as a result of changes in conditions which caused us to conclude that a decline in fair value of the investments was other than temporary. There were no such writedowns in the first quarter of 1999. At March 31, 1999, fixed maturity securities in default as to the payment of principal or interest had an aggregate amortized cost of \$36.6 million and a carrying value of \$30.1 million.

Sales of invested assets (primarily fixed maturity securities) during the first three months of 1999 generated proceeds of \$5.2 billion, and net investment gains of \$1.0 million.

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At March 31, 1999, fixed maturity investments included \$7.0 billion of mortgage-backed securities (or 31 percent of all fixed maturity securities). The yield characteristics of mortgage-backed securities differ from those of traditional fixed-income securities. Interest and principal payments occur more frequently, often monthly. Mortgage-backed securities are subject to risks associated with variable prepayments. Prepayment rates are influenced by a number of factors that cannot be predicted with certainty, including: the relative sensitivity of the underlying mortgages backing the assets to changes in interest rates; a variety of economic, geographic and other factors; and the repayment priority of the securities in the overall securitization structures.

In general, prepayments on the underlying mortgage loans and the securities backed by these loans increase when the level of prevailing interest rates declines significantly relative to the interest rates on such loans. Mortgage-backed securities purchased at a discount to par will experience an increase in yield when the underlying mortgages prepay faster than expected. These securities purchased at a premium that prepay faster than expected will incur a reduction in yield. When interest rates decline, the proceeds from the prepayment of mortgage-backed securities are likely to be reinvested at lower rates than we were earning on the prepaid securities. When interest rates increase, prepayments on mortgage-backed securities decrease as fewer underlying mortgages are refinanced. When this occurs, the average maturity and duration of the mortgage-backed securities increase, which decreases the yield on mortgage-backed securities purchased at a discount, because the discount is realized as income at a slower rate and increases the yield on those purchased at a premium as a result of a decrease in the annual amortization of the premium.

The following table sets forth the par value, amortized cost and estimated fair value of mortgage-backed securities, summarized by interest rates on the underlying collateral at March 31, 1999:

	Par value -----	Amortized cost ----	Estimated fair value -----
	(Dollars in millions)		
Below 7 percent	\$4,420.4	\$4,407.5	\$4,383.2
7 percent - 8 percent.....	1,645.0	1,636.1	1,661.3
8 percent - 9 percent.....	342.3	340.1	349.6
9 percent and above.....	590.2	597.5	577.8
	-----	-----	-----
Total mortgage-backed securities.....	\$6,997.9	\$6,981.2	\$6,971.9
	=====	=====	=====

The amortized cost and estimated fair value of mortgage-backed securities at March 31, 1999, summarized by type of security, were as follows:

Type ----	Amortized cost ----	Estimated fair value ----- Amount -----	Percent of fixed maturities -----
	(Dollars in millions)		
Pass-throughs and sequential and targeted amortization classes.....	\$4,047.0	\$4,073.2	18%
Planned amortization classes and accretion-directed bonds.....	1,802.6	1,787.4	8
Subordinated classes	1,099.9	1,077.8	5
Other.....	31.7	33.5	-
	-----	-----	--
	\$6,981.2	\$6,971.9	31%
	=====	=====	==

Pass-throughs and sequential and targeted amortization classes have similar prepayment variability. Pass-throughs historically provide the best liquidity in the mortgage-backed securities market and provide the best price/performance ratio in a highly volatile interest rate environment. This type of security is also frequently used as collateral in the dollar-roll market. Sequential classes pay in a strict sequence; all principal payments received by the collateralized mortgage obligations ("CMOs") are paid to the sequential tranches in order of priority. Targeted amortization classes provide a modest amount of prepayment protection when prepayments on the underlying collateral increase from those assumed at pricing. Thus, they offer slightly better call protection than sequential classes or pass-throughs.

Planned amortization classes and accretion-directed bonds are some of the most stable and liquid instruments in the mortgage-backed securities market. Planned amortization class bonds adhere to a fixed schedule of principal payments as long

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as the underlying mortgage collateral experiences prepayments within a certain range. Changes in prepayment rates are first absorbed by support classes. This insulates the planned amortization classes from the consequences of both faster prepayments (average life shortening) and slower prepayments (average life extension).

Subordinated CMO classes have both prepayment and credit risk. The subordinated classes are used to enhance the credit quality of the senior securities, and as such, rating agencies require that this support not deteriorate due to the prepayment of the subordinated securities. The credit risk of subordinated classes is derived from the negative leverage of owning a small percentage of the underlying mortgage loan collateral while bearing a majority of the risk of loss due to propertyowner defaults.

At March 31, 1999, the mortgage loan balance was primarily comprised of commercial loans. Less than 1 percent of the mortgage loan balance was noncurrent (loans which are two or more scheduled payments past due) at March 31, 1999.

At March 31, 1999, we held \$71.9 million of trading securities that are included in other invested assets. Other invested assets also included \$533.8 million of investments held in a trust for the benefit of the purchasers of certain investment products of our investment management subsidiary. Such invested assets are largely offset by the liability account, "liabilities related to deposit products," the value of which fluctuates in relationship to changes in the values of the investments. Because we hold the residual interests in the cash flows from the trust and actively manage its investments, we are required to include the accounts of the trust in our consolidated financial statements.

Investment borrowings averaged approximately \$997.4 million during the first three months of 1999, compared with approximately \$1,280.3 million during the same period of 1998 and were collateralized by investment securities with fair values approximately equal to the loan value. The weighted average interest rates on such borrowings were 5.1 percent and 5.4 percent during the first three months of 1999 and 1998, respectively.

STATUTORY INFORMATION

Statutory accounting practices prescribed or permitted for the Company's insurance subsidiaries by regulatory authorities differ from generally accepted accounting principles. The Company's life insurance subsidiaries reported the following amounts to regulatory agencies at March 31, 1999, after appropriate eliminations of intercompany accounts among such subsidiaries (dollars in millions):

Statutory capital and surplus	\$1,833.9
Asset valuation reserve ("AVR")	375.2
Interest maintenance reserve ("IMR")	578.6
Portion of surplus debenture carried as a liability	33.4

Total	\$2,821.1
	=====

The ratio of such consolidated statutory account balances to consolidated statutory liabilities (excluding AVR, IMR, the portion of surplus debentures carried as a liability, liabilities from separate account business and short-term collateralized borrowings) was 11.6 percent at March 31, 1999, and 11.8 percent at December 31, 1998.

Combined statutory net income of the Company's life insurance subsidiaries was \$79.6 million and \$87.3 million in the first three months of 1999 and 1998, respectively, after appropriate eliminations of intercompany amounts among such subsidiaries, but before elimination of intercompany amounts between such subsidiaries and non-life subsidiaries and the parent company.

The statutory capital and surplus of the insurance subsidiaries include surplus debentures issued to the parent holding companies totaling \$1,400.7 million. Payments of interest and principal on such debentures are generally subject to the approval of the insurance department of the subsidiary's state of domicile. During the first three months of 1999, our life insurance subsidiaries made scheduled principal payments on surplus debentures of \$32.1 million.

State insurance laws generally restrict the ability of insurance companies to pay dividends or make other distributions. Net assets of the Company's wholly owned life insurance subsidiaries, determined in accordance with GAAP, aggregated approximately \$8.4 billion at March 31, 1999. During the first three months of 1999, our life insurance subsidiaries paid ordinary

CONSECO, INC. AND SUBSIDIARIES

dividends of \$36 million to the parent holding companies. During the remainder of 1999, the life insurance subsidiaries may pay additional dividends of \$166.5 million without the permission of state regulatory authorities.

YEAR-2000 MATTERS

Many computer programs were originally designed to identify each year using two digits. If not corrected, these computer programs could cause system failures or miscalculations in the year 2000, with possible adverse effects on our operations. In 1996, we initiated a comprehensive corporate-wide program designed to ensure that our computer programs function properly in the year 2000. A number of our employees (including several officers), as well as external consultants and contract programmers, are working on various year-2000 projects. Under the program, we are analyzing our application systems, operating systems, hardware, networks, electronic data interfaces and infrastructure devices (such as facsimile machines and telephone systems). We also have been working with vendors and other external business relations to help avoid year-2000 problems related to the software or services they provide to us.

Our year-2000 projects are currently on schedule. We are conducting our year-2000 projects in three phases: (i) an audit and assessment phase, designed to identify year-2000 issues; (ii) a modification phase, designed to correct year-2000 issues; and (iii) a testing phase, designed to test the modifications after they have been installed. We have completed the audit and assessment phase for all critical systems. The modification phase of our program is substantially complete for our insurance subsidiaries' projects. We expect to substantially complete our finance subsidiaries' modification projects by the end of the second quarter of 1999. The testing phase of our program is expected to be completed by the end of the third quarter of 1999. We believe that we have provided for sufficient time in order to complete any additional modifications, if necessary, before December 31, 1999.

For some of our year-2000 issues, we are working to complete the previously planned conversions of older systems to the more modern, year-2000-ready systems already used in other areas of the Company. In other cases, we are purchasing new, more modern systems; these costs are being capitalized as assets and amortized over their expected useful lives. In the remaining cases, we are modifying existing systems; these costs are being charged to operating expense.

We currently estimate that the total expense of our year-2000 projects will be approximately \$73 million. This expense is not material to Consecos financial position and we are funding it through operating cash flows. Approximately 80 percent of this expense was incurred in periods prior to March 31, 1999. This expense related primarily to modifying existing software systems.

The impact of year-2000 issues will depend not only on the corrective actions we take, but also on the way in which year- 2000 issues are addressed by governmental agencies, businesses and other third parties: (i) that provide services, utilities or data to the Company; (ii) that receive services or data from the Company; or (iii) whose financial condition or operating capability is important to the Company. We are in the process of identifying risks and updating assessments of potential year-2000 risks associated with our external business relationships, such as third-party administrators, utilities and financial institutions. These procedures are necessarily limited to matters over which we are able to reasonably exercise control. We have been informed by our key financial institutions and utilities that they will be year-2000 ready at year-end 1999.

We are also assessing what contingency plans will be needed if any of our critical systems or those of external business relationships are not year-2000 ready at year-end 1999. We do not currently anticipate such a situation, but our consideration of contingency plans will continue to evolve as new information becomes available.

Our year-2000 projects are the highest priority for our information technology and many other employees. Other systems projects continue while our year-2000 projects are being completed, however, in many cases, we have accelerated system upgrades when the new systems address year-2000 issues.

The failure to correct a material year-2000 problem could result in an interruption in, or failure of, a number of normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition. Due to the general uncertainty inherent in the year-2000 problem, including the uncertainty of the preparedness of our external business relationships, we are not able to currently determine whether the consequences of year-2000 failures will have a material impact on the Company's results of operations, liquidity and financial condition. However, we believe our year-2000 readiness efforts will minimize the likelihood of a material adverse impact.

CONSECO, INC. AND SUBSIDIARIES

FORWARD-LOOKING STATEMENTS

All statements, trend analyses and other information contained in this report and elsewhere (such as in filings by Consecos with the Securities and Exchange Commission, press releases, presentations by Consecos or its management or oral statements) relative to markets for Consecos' products and trends in Consecos' operations or financial results, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "should," "could," "goal," "target," and other similar expressions, constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results to be materially different from those contemplated by the forward-looking statements. Such factors include, among other things: (i) general economic conditions and other factors, including prevailing interest rate levels, stock and credit market performance and health care inflation, which may affect (among other things) Consecos' ability to sell its products, its ability to make loans and access capital resources and the costs associated therewith, the market value of Consecos' investments, the lapse rate and profitability of policies, and the level of defaults and prepayments of loans made by Consecos; (ii) Consecos' ability to achieve anticipated synergies and levels of operational efficiencies; (iii) customer response to new products, distribution channels and marketing initiatives; (iv) mortality, morbidity, usage of health care services and other factors which may affect the profitability of Consecos' insurance products; (v) changes in the Federal income tax laws and regulations which may affect the relative tax advantages of some of Consecos' products; (vi) increasing competition in the sale of insurance and annuities and in the finance business; (vii) regulatory changes or actions, including those relating to regulation of financial services affecting (among other things) bank sales and underwriting of insurance products, regulation of the sale, underwriting and pricing of insurance products, and health care regulation affecting health insurance products; (viii) the ability of Consecos and its vendors and other external parties to achieve Year 2000 readiness for significant systems and operations on a timely basis; (ix) the availability and terms of future acquisitions; and (x) the risk factors or uncertainties listed from time to time in Consecos' filings with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risks, and the way we manage them, are summarized in management's discussion and analysis of financial condition and results of operations as of December 31, 1998, included in the Company's Form 10-K for the year ended December 31, 1998. There have been no material changes in the first quarter of 1999 to such risks or our management of such risks.

CONSECO, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Green Tree has been served with various related lawsuits which were filed in the United States District Court for the District of Minnesota. These lawsuits were filed as purported class actions on behalf of persons or entities who purchased common stock or options of Green Tree during the alleged class periods that generally run from February 1995 to January 1998. One such action did not include class action claims. In addition to Green Tree, certain current and former officers and directors of Green Tree are named as defendants in one or more of the lawsuits. Green Tree and other defendants have obtained an order from the United States District Court for the District of Minnesota consolidating the lawsuits seeking class action status into two actions: one which pertains to a purported class of common stockholders and the other which pertains to a purported class of stock option traders. Plaintiffs in the lawsuits assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. In each case, plaintiffs allege that Green Tree and the other defendants violated federal securities laws by, among other things, making false and misleading statements about the current state and future prospects of Green Tree (particularly with respect to prepayment assumptions and performance of certain loan portfolios of Green Tree) which allegedly rendered Green Tree's financial statements false and misleading. The Company believes that the lawsuits are without merit and intends to defend such lawsuits vigorously. The ultimate outcome of these lawsuits cannot be predicted with certainty. Green Tree has filed motions, which are pending, to dismiss these lawsuits.

In addition, the Company and its subsidiaries are involved on an ongoing basis in lawsuits related to its operations. Although the ultimate outcome of certain of such matters cannot be predicted, such lawsuits currently pending against the Company or its subsidiaries are not expected, individually or in the aggregate, to have a material adverse effect on the Company's consolidated financial condition, cash flows or results of operations.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a) Exhibits.

10.8.12 Guaranty regarding Director, Officer and Key Employee Stock Purchase Plan

12.1 Computation of Ratio of Earnings to Fixed Charges, Preferred Dividends and Distributions on Company- obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts

27.0 Financial Data Schedule

b) Reports on Form 8-K - None.

CONSECO, INC. AND SUBSIDIARIES

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 thereunto duly authorized.

CONSECO, INC.

Dated: May 14, 1999

By: /s/ ROLLIN M. DICK

*-----
Rollin M. Dick
Executive Vice President and
Chief Financial Officer
(authorized officer and principal
financial officer)*

GUARANTY

Dated as of August 21, 1998,

between

CONSECO, INC.,
as Guarantor,

and

**BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Administrative Agent**

EXHIBITS

EXHIBIT A-1	Form of Opinion of John J. Sabl, counsel to Guarantor
EXHIBIT A-2	Form of Opinion of Baker & Daniels, outside counsel to Guarantor
EXHIBIT B	Form of Officer's Certificate
EXHIBIT C	Form of Consecro Corporate Structure

GUARANTY

THIS GUARANTY (this "Guaranty") is entered into as of August 21, 1998 by CONSECO, INC., an Indiana corporation ("Guarantor"), in favor of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as administrative agent (the "Administrative Agent") for the financial institutions (the "Banks" and together with Administrative Agent, collectively, the "Guarantied Parties") who are or from time to time may become party to the Credit Agreement (as hereinafter defined). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to such terms pursuant to Article I hereof.

W I T N E S S E T H:

WHEREAS, Guarantor has executed and delivered to the Administrative Agent that certain Amended and Restated Guaranty, dated as of August 26, 1997 (as amended or modified through the date hereof, the "Existing Guaranty"), whereby Guarantor has absolutely, unconditionally and irrevocably agreed to pay in full all Obligations (as defined in the Existing Guaranty) of the borrowers party to that certain Amended and Restated Credit Agreement, dated as of August 26, 1997 (as amended or modified through the date hereof, the "Existing Credit Agreement"), among such borrowers, the banks party thereto and the Administrative Agent;

WHEREAS, Guarantor has established a stock purchase program for certain of its officers and directors to increase Guarantor's ability to attract and retain able executive and senior officers and directors and, accordingly, promote the interest of Guarantor and its stockholders, while at the same time providing these individuals with additional incentive to work toward Guarantor's future success;

WHEREAS, Guarantor has determined it to be in the best interest of Guarantor and its stockholders to expand the stock purchase program to permit the purchase of up to an additional 4,000,000 shares of common stock of Guarantor;

WHEREAS, concurrently with Guarantor's execution and delivery of this Guaranty, certain of the borrowers party to the

Existing Credit Agreement together with certain other individuals (herein, collectively called, the "Borrowers" and each individually, a "Borrower") will enter into that certain Credit Agreement, dated as of August 21, 1998 (as from time to time, in whole or in part, the same may be amended, modified, supplemented, restated, refinanced, refunded or renewed, the "Credit Agreement"), among the Borrowers, the Banks and the Administrative Agent, whereby the Banks, among other things, have agreed to make term loans to the Borrowers in an aggregate principal amount of \$180,000,000 on the terms and subject to the conditions contained in the Credit Agreement;

WHEREAS, as a condition precedent to the Banks executing and delivering the Credit Agreement and making the initial Loans thereunder, Guarantor is required to execute and deliver this Guaranty;

WHEREAS, Guarantor has been duly authorized to execute, deliver and perform this Guaranty; and

WHEREAS, it is in the best interest of Guarantor to execute this Guaranty inasmuch as Guarantor has and will derive substantial direct and indirect benefits from the Loans made from time to time to the Borrowers by the Banks pursuant to the Credit Agreement;

NOW THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and in order to induce the Banks to make Loans (including the initial Loans) to the Borrowers pursuant to the Credit Agreement, Guarantor agrees, for the benefit of each Guarantied Party, as follows:

ARTICLE I

DEFINITIONS

SECTION I.1. Certain Terms. Capitalized terms used herein, unless otherwise defined herein, shall have the respective meanings assigned thereto in the Credit Agreement; provided that such definitions shall survive any termination of the Credit Agreement. In addition, when used herein the following terms shall have the following meanings (such definitions to be equally applicable to the singular and plural forms thereof):

"Administrative Agent" - see Preamble.

"Banks" or "Bank" - see Preamble.

"Borrowers" or "Borrower" - see fourth recital.

"Borrower Default" - see Section 6.1.

"Cash Collateral Account" shall mean the custody account, account number 81881-10610, maintained in the name of, and subject to the sole dominion and control of, the Administrative Agent for the sole benefit of the Banks, for the purpose of holding prepayments of the Obligations of the Borrowers by Guarantor pursuant to Section 6.1.

"Credit Agreement" - see fourth recital.

"Existing Credit Agreement" - see first recital.

"Existing Guaranty" - see first recital.

"Guarantied Party" - see Preamble.

"Guaranty" - see Preamble.

"Indemnified Liabilities" - see Section 6.2.

"Indemnified Parties" - see Section 7.2.

"Obligations" - see Section 2.1.

"Permitted Liens" - see Section 4.4.

"Subrogation Rights" - see Section 2.6.

"UCC" shall mean the Uniform Commercial Code or comparable statute or any successor statutes thereto, as in effect from time to time in the relevant jurisdiction.

ARTICLE II

GUARANTY PROVISIONS

SECTION II.1. Guaranty. Guarantor hereby absolutely, unconditionally and irrevocably:

(a) guaranties to the Guarantied Parties the full and punctual payment when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise, and at all times thereafter, of all obligations of each Borrower to the Guarantied Parties, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing, or due or to become due under the Credit Agreement, whether for principal, interest, fees, expenses or otherwise (including all such amounts which would become due but for the operation of the automatic stay provisions under Section 362(a) of the United States Bankruptcy Code, 11 U.S.C. ss.362(a), and the operation of Sections 502(b) and 506(b) of the United States Bankruptcy Code, 11 U.S.C. ss.502(b) and ss.506(b)) (all such obligations hereinafter collectively called the "Obligations"); and

(b) indemnifies and holds harmless each Guarantied Party or any holder of any Loan for any and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by such Guarantied Party or such holder, as the case may be, in enforcing any rights under this Guaranty;

This Guaranty constitutes a guaranty of payment when due and not of collection, and Guarantor specifically agrees that it shall not be necessary or required that any Guarantied Party or any holder of any Loan exercise any right, assert any claim or demand or enforce any remedy whatsoever against any Borrower or any other obligor (or any other Person) before the performance of, or as a condition to, the obligations of Guarantor hereunder.

SECTION II.2. Acceleration of Guaranty. Guarantor agrees that, in the event of the insolvency of any Borrower, any other obligor with respect to the Obligations of such Borrower, or Guarantor, as the case may be, or the inability or failure of such Borrower, such other obligor or Guarantor to pay debts as

they become due, or an assignment by such Borrower, such other obligor or Guarantor for the benefit of creditors, or the commencement of any case or proceeding in respect of such Borrower, such other obligor or Guarantor under any bankruptcy, insolvency or similar federal or state laws, and if such event shall occur at a time when any of the Obligations of such Borrower or such other obligor may not then be due and payable, Guarantor will pay to the Banks forthwith (a) if such event relates to such Borrower or any other obligor with respect to the Obligations of such Borrower, the full amount which would be payable hereunder by Guarantor if all Obligations of such Borrower were then due and payable and (b) if such event relates to Guarantor or any other obligor with respect to the obligations of Guarantor, the full amount which would be payable hereunder by Guarantor if all the Obligations of all Borrowers were then due and payable.

SECTION II.3. Guaranty Absolute, etc. This Guaranty shall in all respects be a continuing, absolute, unconditional and irrevocable guaranty of payment, and shall remain in full force and effect until all Obligations of the Borrowers and each other obligor have been paid in full, all obligations of Guarantor hereunder shall have been paid in full and all Commitments shall have terminated. Guarantor guarantees that the Obligations of the Borrowers and each other obligor and their respective Subsidiaries, if any, will be paid strictly in accordance with the terms of the Credit Agreement and each other Loan Document under which they arise, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Guarantied Party or any holder of the Note(s) of any Borrower with respect thereto. The liability of Guarantor under this Guaranty shall be absolute, unconditional and irrevocable irrespective of:

(a) any lack of validity, legality or enforceability of the Credit Agreement, any Note or any other Loan Document;

(b) the failure of any Guarantied Party or any holder of any Note:

(i) to assert any claim or demand or to enforce any right or remedy against any Borrower, any other obligor or any other Person under the provisions of the Credit Agreement, any Note, any other Loan Document or otherwise; or

- (ii) to exercise any right or remedy against any other guarantor of, or collateral securing, any Obligations of any Borrower or any other obligor;
- (c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of any Borrower or any other obligor, or any other extension, compromise or renewal of any Obligations of any Borrower or any other obligor;
- (d) any reduction, limitation, impairment or termination of the Obligations of any Borrower or any other obligor for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to (and Guarantor hereby waives any right to or claim of) any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, the Obligations of any Borrower, any other obligor or otherwise;
- (e) any amendment to, rescission, waiver, or other modification of, or any consent to any departure from, any of the terms of the Credit Agreement, any Note or any other Loan Document;
- (f) any addition, exchange, release, surrender or non- perfection of any collateral, or any amendment to or waiver or release or addition of, or consent to any departure from, any other guaranty, held by any Guaranteed Party or any holder of any Note securing any of the Obligations of any Borrower or any other obligor; or
- (g) any other circumstance which might otherwise constitute a defense available to, or a legal or equitable discharge of, any Borrower, any other obligor, any surety or any guarantor.

SECTION II.4. Reinstatement, etc. Guarantor agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment (in whole or in part) of any of the Obligations is rescinded or must otherwise be restored by any Guarantied Party or any holder of any Note, upon the insolvency, bankruptcy or reorganization of any Borrower, any other obligor or otherwise, all as though such payment had not been made.

SECTION II.5. Waiver, etc. Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations of the Borrower or any other obligor, and this Guaranty and any requirement that the Administrative Agent, any other Guarantied Party or any holder of any Note protect, secure, perfect or insure any security interest or Lien, or any property subject thereto, or exhaust any right or take any action against any Borrower, any other obligor or any other Person (including any other guarantor) or entity or any collateral securing the Obligations of any Borrower or any other obligor, as the case may be.

SECTION II.6. Waiver of Subrogation; Subordination. Guarantor hereby irrevocably waives with respect to any Borrower, until termination of the Commitments of the Banks with respect to such Borrower and thereafter until the prior indefeasible payment in full in cash of all Obligations of such Borrower under the Loan Documents, any claim or other rights which it may now or hereafter acquire against such Borrower or any other obligor that arises from the existence, payment, performance or enforcement of Guarantor's obligations under this Guaranty or any other Loan Document or otherwise, including any right of subrogation, reimbursement, exoneration, or indemnification, any right to participate in any claim or remedy of the Guarantied Parties against such Borrower or any other obligor or any collateral which the Administrative Agent now has or hereafter acquires, whether or not such claim, remedy or right (all such claims, remedies and rights being collectively called "Subrogation Rights") arises in equity, or under contract, statute or common law, including the right to take or receive from such Borrower or any other obligor, directly or indirectly, in cash or other property or by set-off or in any manner, payment or security on account of such claim or other rights. If any amount shall be paid to Guarantor in violation of the preceding sentence and the Obligations shall not have been paid in cash, in full, and the

Commitments of the Banks with respect to such Borrower have not been terminated, such amount shall be deemed to have been paid to Guarantor for the benefit of, and held in trust for, the Guaranteed Parties, and shall forthwith be paid to the Guaranteed Parties to be credited and applied upon the Obligations of such Borrower, whether matured or unmatured. Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Agreement and that the waiver set forth in this Section is knowingly made in contemplation of such benefits. Notwithstanding the foregoing, the Subrogation Rights of Guarantor shall not include (and Guarantor acknowledges that it has no interest in) any of the collateral pledged by any of the Borrowers under the Pledge Agreement.

SECTION II.7. Successors, Transferees and Assigns; Transfers of Notes, etc. This Guaranty shall:

- (a) be binding upon Guarantor, and its successors, transferees and assigns; and
- (b) inure to the benefit of and be enforceable by the Administrative Agent and each other Guaranteed Party.

Without limiting the generality of clause (b), any Bank may assign or otherwise transfer (in whole or in part) any Note or Loan held by it to any other Person, and such other Person shall thereupon become vested with all rights and benefits in respect thereof granted to such Bank under any Loan Document (including this Guaranty) or otherwise. Notwithstanding anything contained in this Section 2.7 to the contrary, this Section 2.7 shall not be deemed to enlarge or create additional rights with respect to any Bank's ability to assign any portion of its Loans or rights under any Note or any other Loan Document pursuant to Section 12 of the Credit Agreement, and this Section 2.7 is expressly made subject thereto.

SECTION II.8. Payments Free and Clear of Taxes, etc. Guarantor hereby agrees that:

- (a) any and all payments made by Guarantor hereunder shall be made in accordance with Section 4.7 of the Credit Agreement free and clear of, and without deduction for, any and all Charges, to the same extent as if Guarantor were a Borrower.

(b) Guarantor hereby indemnifies and holds harmless each Guaranteed Party and each holder of a Loan for the full amount of any Charges paid by such Guaranteed Party or such holder, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Charges were correctly or legally asserted.

(c) Without prejudice to the survival of any other agreement of Guarantor hereunder, the agreements and obligations of Guarantor contained in this Section 2.8 shall survive the payment in full of the principal of and interest on the Loans.

SECTION II.9. Right of Offset. In addition to and not in limitation of all rights of offset that any Guaranteed Party or other holder of a Note may have under applicable law or any other Loan Document, subject to the terms of the Credit Agreement, each Guaranteed Party or other holder of a Note shall upon the occurrence of any Event of Default and whether or not such Guaranteed Party or such holder has made any demand or Guarantor's obligations are matured, have the right to appropriate and apply to the payment of Guarantor's obligations hereunder all deposits (general or special, time or demand, provisional or final) then or thereafter held by, and other indebtedness or property then or thereafter owing to, such Guaranteed Party or other holder, whether or not related to this Guaranty or any transaction hereunder.

ARTICLE III

REPRESENTATIONS AND WARRANTIES; INCORPORATION BY REFERENCE

To induce the Guaranteed Parties to enter into the Credit Agreement and to make the Loans thereunder, Guarantor represents and warrants to each Guaranteed Party that:

SECTION III.1. Organization, etc. Guarantor and each of its Subsidiaries is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of the state of its incorporation or formation and each of Guarantor and its Subsidiaries is duly qualified to transact business and in good standing as a foreign

corporation, partnership or limited liability company authorized to do business in each jurisdiction where the nature of its business makes such qualification necessary and failure to so qualify could reasonably be expected to have a Material Adverse Effect.

SECTION III.2. Authorization. Guarantor (a) has the power to execute, deliver and perform this Guaranty and the other Loan Documents to which it is a party, and (b) has taken all necessary action to authorize the execution, delivery and performance by it of this Guaranty and the other Loan Documents to which it is a party.

SECTION III.3. No Conflict. The execution, delivery and performance by Guarantor of this Guaranty and the other Loan Documents to which it is a party does not and will not (a) contravene or conflict with any provision of any law, statute, rule or regulation, (b) contravene or conflict with, result in any breach of, or constitute a default under, any material agreement or instrument binding on Guarantor or any of its Subsidiaries (including, without limitation, any writ, judgment, injunction or other similar court order), (c) result in the creation or imposition of or the obligation to create or impose any Lien (except for Permitted Liens) upon any of the property or assets of Guarantor or any of its Subsidiaries or (d) contravene or conflict with any provision of the articles of incorporation or by-laws of Guarantor.

SECTION III.4. Margin Regulations.

(a) None of the transactions contemplated hereunder or in connection herewith will in any way violate, contravene or conflict with any of the provisions of Regulation G or Regulation U;

(b) None of the obligations of any Borrower to Guarantor is or will be directly or indirectly secured by "margin stock" (as defined in Regulation G and Regulation U);

(c) Neither Guarantor nor any third party acting on behalf of Guarantor has taken or will take possession of any Borrower's "margin stock" to secure, directly or indirectly, any of the Obligations of such Borrower or the obligations of Guarantor under this Guaranty or any of the Loan Documents;

(d) Guarantor does not and will not have any right to prohibit any Borrower from selling, pledging, encumbering or otherwise disposing of any margin stock owned by such Borrower so long as this Guaranty is in effect or any of the Obligations of such Borrower or the obligations of Guarantor under this Guaranty or any of the Loan Documents remain outstanding;

(e) None of the Borrowers have granted or will grant Guarantor or any third party acting on behalf of Guarantor the right to accelerate repayment of any of the Obligations of such Borrower if any of the margin stock owned by such Borrower is sold by such Borrower or otherwise; and

(f) There is no agreement or other arrangement between any Borrower and Guarantor or any third party acting on behalf of Guarantor (and no such agreement or arrangement shall be entered into so long as this Guaranty is in effect or any of the Obligations of such Borrower or the obligations of Guarantor under this Guaranty or any of the Loan Documents remain outstanding) under which the margin stock of such Borrower would be made more readily available as security to Guarantor than to other creditors of such Borrower.

SECTION III.5. Conesco Corporate Structure. The corporate structure of Guarantor and its Subsidiaries as of the date hereof and on a pro forma basis after consummation of all pending acquisitions for which definitive agreements have been executed is as set forth on Exhibit C.

SECTION III.6. No Default or Event of Default. No Default or Event of Default has occurred and is continuing with respect to Guarantor and no default or event of default has occurred and is continuing under the Existing Guaranty or the Revolving Credit Agreement.

SECTION III.7. Incorporation by Reference. Guarantor agrees that the representations and warranties of Guarantor set forth in Section 7 of the Revolving Credit Agreement (other than Sections 7.1, 7.2, 7.3, 7.16, 7.24 and 7.26) shall be incorporated by reference in this Guaranty in their entirety as if fully set forth herein with the same effect as if applied to this Guaranty. All capitalized terms set forth in such Sections shall have the meanings provided in the Revolving Credit Agreement; provided that for purposes of this Guaranty, to the extent set forth in the Revolving Credit Agreement (a) the term

"Borrower" shall be deemed to refer to Guarantor and (b) the terms "Administrative Agent", "Agreement", "Banks", "Liabilities", "Required Banks", "Loan Documents", "Collateral", "Material Adverse Effect", and "Material Adverse Change" shall have the respective meanings provided in the Credit Agreement. Such representations and warranties shall not be affected in any manner by the termination of the Revolving Credit Agreement.

Notwithstanding the foregoing, if Section 7 (other than Sections 7.1, 7.2, 7.3, 7.16, 7.24 and 7.26) of the Revolving Credit Agreement (or any successor section thereto) or any definitions set forth or used therein are amended or modified in accordance with the terms of the Revolving Credit Agreement either as the result of an amendment or modification to such section in the Revolving Credit Agreement or Guarantor's execution and delivery of a new credit facility in replacement, restatement or substitution for the Revolving Credit Agreement, this Section 3.7 shall be deemed to be amended and modified to the extent set forth in the Revolving Credit Agreement (as amended or modified) or any new credit facility entered into in replacement, restatement or substitution for the Revolving Credit Agreement; provided that (a) Bank of America National Trust and Savings Association is the lead agent with respect to such new or replacement credit facility and Banks constituting the required number of Banks under the Credit Agreement (or any replacement thereof) to consent to any such changes are lenders under such new or replacement credit facility or (b)(i) no Default or Event of Default exists under the Credit Agreement, (ii) the Required Banks have determined, in their reasonable discretion, that any proposed amendment or modification to this Section 3.7 will not in any way violate, contravene or conflict with Regulation U or Regulation G, (iii) if requested by the Administrative Agent, the Banks shall have received an opinion of counsel reasonably satisfactory to the Administrative Agent and its counsel to the effect that any such proposed amendment or modification to this Section 3.7 will not in way violate, contravene or conflict with Regulation U or Regulation G and addressing such other legal matters as reasonably requested by the Administrative Agent and (iv) upon the request of the Administrative Agent, the Banks shall have received a certificate of the chief financial officer or a vice president with responsibility for or knowledge of financial matters of the Guarantor setting forth a calculation of the Collateral Ratio.

ARTICLE IV

COVENANTS

SECTION IV.1. Guarantor agrees that, on and after the date hereof until the termination or expiration of the Commitments and for so long thereafter as any of the Obligations or the obligations of Guarantor hereunder remain unpaid or outstanding (except Obligations which by the terms hereof survive the payment in full of the Loans and termination of this Guaranty), Guarantor will comply with the covenants set forth Sections 8, 9 (other than Section 9.2) and 10 of the Revolving Credit Agreement and the terms and provisions set forth therein shall be incorporated by reference in this Guaranty in their entirety as if fully set forth herein with the same effect as if applied to this Guaranty. All capitalized terms set forth in Sections 8, 9 (other than Section 9.2) and 10 of the Revolving Credit Agreement shall have the meanings provided in the Revolving Credit Agreement; provided that for purposes of this Guaranty, to the extent set forth in the Revolving Credit Agreement (a) the term "Borrower" shall be deemed to refer to Guarantor and (b) the terms "Administrative Agent", "Agreement", "Banks", "Liabilities", "Required Banks", "Loan Documents", "Collateral", "Material Adverse Effect", and "Material Adverse Change" shall have the respective meanings provided in the Credit Agreement. Such covenants shall not be affected in any manner by the termination of the Revolving Credit Agreement.

Notwithstanding the foregoing, if Sections 8, 9 (other than Section 9.2), or 10 of the Revolving Credit Agreement (or any successor section thereto) or any definitions set forth or used therein are amended or modified in accordance with the terms of the Revolving Credit Agreement either as the result of an amendment or modification to such section in the Revolving Credit Agreement or Guarantor's execution and delivery of a new credit facility in replacement, restatement or substitution for the Revolving Credit Agreement, this Section 4.1 shall be deemed to be amended and modified to the extent set forth in the Revolving Credit Agreement (as amended or modified) or any new credit facility entered into in replacement, restatement or substitution for the Revolving Credit Agreement; provided that (a) Bank of America National Trust and Savings Association is the lead agent with respect to such new or replacement credit facility and Banks constituting the number of Banks under the Credit Agreement (or any replacement thereof) required to consent to any such changes are lenders under such new or replacement credit facility or (b)(i) no Default or Event of Default exists under the Credit Agreement, (ii) the Required Banks have determined, in their sole and absolute discretion, that any proposed amendment or modification to this Section 4.1 will not in any way violate, contravene or conflict with Regulation U or Regulation G, (c) if requested by the Administrative Agent, the Banks shall have received an opinion of counsel satisfactory to the Administrative Agent and its counsel to the effect that any such proposed amendment or modification to this Section 4.1 will not in any way violate, contravene or conflict with Regulation U or Regulation G and addressing such other legal matters as reasonably requested by the Administrative Agent and (d) upon the request of the Administrative Agent, the Banks shall have received a certificate of the chief financial officer or a vice president with responsibility for or knowledge of financial matters of the Guarantor setting forth a calculation of the Collateral Ratio.

SECTION IV.2. Certain Indebtedness. Guarantor shall not, and shall not permit any of its Subsidiaries to amend or modify any provision of the Revolving Credit Agreement or the other Revolving Credit Loan Documents if such amendment or modification could reasonably be expected to have a material adverse effect on the Banks, Guarantor or any material provision of the Loan Documents.

SECTION IV.3. Margin Regulations. Guarantor shall take

such actions and execute and deliver such instruments or documents from time to time as the Administrative Agent shall reasonably request to maintain continuous compliance with Regulation G and Regulation U.

SECTION IV.4. Negative Pledge. Guarantor shall not, and shall not permit any of its Subsidiaries to, create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except for the following (collectively called "Permitted Liens"):

- (a) Liens in connection with Permitted Transactions (as defined in the Revolving Credit Agreement);
- (b) Liens for current Taxes (as defined in the Revolving Credit Agreement) not delinquent or for Taxes being contested in good faith and by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP;
- (c) Liens shown on Schedule 9.2 of the Revolving Credit Agreement on the Closing Date (as defined in the Revolving Credit Agreement) or any similar schedule in the proposed \$2,500,000,000 revolving credit agreement of the Guarantor; provided that Bank of America National Trust and Savings Association is the lead agent in connection therewith;
- (d) Liens incurred in the ordinary course of business in connection with worker's compensation, unemployment insurance or other forms of governmental insurance or benefits or to secure performance of tenders, statutory obligations, leases and contracts (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;
- (e) Liens of mechanics, carriers, and materialmen and other like Liens arising in the ordinary course of business in respect of obligations which are not delinquent or which are being contested in good faith and by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP;

(f) Liens arising in the ordinary course of business for sums being contested in good faith and by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP, or for sums not due, and in either case not involving any deposits or advances for borrowed money or the deferred purchase price of property or services;

(g) Liens on real estate to the extent real estate Investments (as defined in the Revolving Credit Agreement) are permitted by Section 9.10(e) (iii) of the Revolving Credit Agreement;

(h) Liens in favor of the trustee on sums required to be deposited with the trustee under the Indentures (as defined in the Revolving Credit Agreement);

(i) If Section 9.1(II) of the Revolving Credit Agreement is then in effect, Liens on indebtedness permitted by Section 9.1(II)(o) of the Revolving Credit Agreement;

(j) If Section 9.1(II) of the Revolving Credit Agreement is then in effect, Liens on assets of Guarantor or any of its Subsidiaries and which are not otherwise permitted to be incurred pursuant to the foregoing clauses (a) - (i) securing indebtedness permitted by Section 9.1(II)(p) of the Revolving Credit Agreement; provided, however, that the aggregate fair market value of the property and other assets subject to any such Liens, calculated at the time such Liens are incurred, shall not exceed three and six-tenths percent (3.6%) of the Total Shareholders' Equity (as defined in the Revolving Credit Agreement) of Guarantor; and

(k) If Section 9.1(I) of the Revolving Credit Agreement is then in effect, Liens on assets of Guarantor or any of its Subsidiaries and which are not otherwise permitted to be incurred pursuant to the foregoing clauses (a) - (h) securing indebtedness not prohibited by Section 9.1(I) of the Revolving Credit Agreement; provided, however, that the aggregate fair market value of the property and other assets subject

to any such Liens, calculated at the time such Liens are incurred, shall not exceed twelve percent (12%) of Total Shareholders' Equity of Guarantor.

Notwithstanding the foregoing, if Section 9.2 of the Revolving Credit Agreement (or any successor section thereto) or any definitions set forth or used therein are amended or modified in accordance with the terms of the Revolving Credit Agreement either as the result of an amendment or modification to such section in the Revolving Credit Agreement or Guarantor's execution and delivery of a new credit facility in replacement, restatement or substitution for the Revolving Credit Agreement, this Section 4.4 shall be deemed to be amended and modified to the extent set forth in the Revolving Credit Agreement (as amended or modified) or any new credit facility entered into in replacement, restatement or substitution for the Revolving Credit Agreement; provided that (a) Bank of America National Trust and Savings Association is the lead agent with respect to such new or replacement credit facility and Banks constituting the required number of Banks under the Credit Agreement (or any replacement thereof) to consent to any such changes are lenders under such new or replacement credit facility or (b)(i) no Default or Event of Default exists under the Credit Agreement, (ii) the Required Banks have determined, in their reasonable discretion, that any proposed amendment or modification to this Section 4.4 will not in any way violate, contravene or conflict with Regulation U or Regulation G, (iii) if requested by the Administrative Agent, the Banks shall have received an opinion of counsel reasonably satisfactory to the Administrative Agent and its counsel to the effect that any such proposed amendment or modification to this Section 4.4 will not in any way violate, contravene or conflict with Regulation U or Regulation G and addressing such other legal matters as reasonably requested by the Administrative Agent, (iv) upon the request of the Administrative Agent, the Banks shall have received a certificate of the chief financial officer or a vice president with responsibility for or knowledge of financial matters of the Guarantor setting forth a calculation of the Collateral Ratio and (e) without limiting anything contained in this Section 4.4, if Guarantor shall grant a Lien with respect to any of its assets to any third party not otherwise permitted by clauses (a)-(l) above, the Banks shall be equally and ratably secured with respect to such assets.

SECTION IV.5. Limitation on Additional Purpose Credit/Sale of Assets. Notwithstanding any other provision of this Guaranty,

the Credit Agreement or the Revolving Credit Agreement to the contrary, Guarantor will not, and will not permit any of its Wholly-Owned Subsidiaries and/or Significant Subsidiaries to (a) incur or assume any Indebtedness which constitutes "purpose credit" secured "directly or indirectly" as defined in Regulation U by Margin Stock or (b) sell, transfer or otherwise dispose of any of its assets (other than as permitted in clauses (a)-(d) of Section 9.4 of the Revolving Credit Agreement) or any similar provisions set forth in the proposed \$2,500,000,000 revolving credit agreement of the Guarantor; provided that Bank of America National Trust and Savings Association is the lead agent in connection therewith, unless in the case of both clauses (a) and (b) the Administrative Agent shall have been given at least 10 days' prior written notice thereof and either:

(x) in the case of a disposition of assets, either (i) if permitted by the Revolving Credit Agreement, an amount equal to the Net Proceeds (as defined in the Revolving Credit Agreement) received by Guarantor, such Wholly-Owned Subsidiary and/or such Significant Subsidiary, as the case may be, in connection with any such disposition of assets shall be promptly applied to repay, pro rata, the principal amount of the Loans made to the Borrowers (together with any interest accrued thereon); provided that to the extent the Net Proceeds of any such disposition exceed the amount of the Loans, or the Loans shall have been paid in full, such Net Proceeds shall be applied to repay any remaining Liabilities or (ii) the Borrowers shall prepay their respective Liabilities hereunder in an amount equal to the product of (A) the Net Proceeds received by Guarantor, such Wholly-Owned Subsidiary and/or such Significant Subsidiary, as the case may be, in connection with such disposition of assets, multiplied by a fraction, the numerator of which is the Liabilities of such Borrower and the denominator of which is the aggregate of all Liabilities of all the Borrowers; or

(y) (i) no Default or Event of Default exists under the Credit Agreement or this Guaranty or shall result therefrom;

(ii) the Required Banks have determined, in their sole and absolute discretion, that such proposed

incurrence of Indebtedness or proposed disposition of assets, as the case may be, will not in any way violate, contravene or conflict with Regulation U or Regulation G (and the Administrative Agent shall have received such information from the Guarantor as may be requested by the Administrative Agent to make such determination, including a calculation of the "good faith loan value" of the assets comprising the Indirect Collateral remaining after giving effect to such incurrence of Indebtedness and/or disposition of assets);

(iii) if requested by the Administrative Agent, the Banks shall have received (A) a certificate of the chief financial officer or a vice president with responsibility for or knowledge of financial matters of the Guarantor setting forth a calculation of the Collateral Ratio (which calculation shall reflect any adjustment in the "good faith loan value" of the Indirect Collateral as determined by the Required Lenders pursuant to clause (ii) above) and/or (B) an opinion of counsel satisfactory to the Administrative Agent and its counsel to the effect that such proposed incurrence of Indebtedness or disposition of assets, as the case may be, will not in way violate, contravene or conflict with Regulation U or Regulation G and addressing such other legal matters as reasonably requested by the Administrative Agent; and

(iv) after giving effect to the incurrence of such Indebtedness and/or the disposition of such assets, the Collateral Ratio shall be at least 2 to 1.

SECTION IV.6. Compliance with Credit Agreement; Provision of Collateral Ratio Information. Guarantor acknowledges that it is the attorney-in-fact of each of the Borrowers and further acknowledges that it has certain obligations and responsibilities to the Banks under the Credit Agreement (including, without limitation, under Section 8.1.4 of the Credit Agreement). Guarantor hereby agrees to comply with and satisfy such obligations and responsibilities under the Credit Agreement. Furthermore, Guarantor shall provide to the Administrative Agent and the Banks such information as may be reasonably requested from time to time by the Administrative Agent or the Required Banks to permit the Administrative Agent or the Required Banks,

as the case may be, to determine the "maximum good faith loan value" (as defined in Regulation U) of the Indirect Collateral and do such other acts and execute such other documentation to continue to comply with Regulation U and Regulation G.

ARTICLE V

CONDITIONS AND EFFECTIVENESS OF THIS AGREEMENT

The obligation of the Banks to make the Loans is (in addition to the conditions precedent set forth in Section 9 of the Credit Agreement) subject to the performance by Guarantor of all of the obligations under this Guaranty and to the satisfaction of the following conditions precedent:

SECTION V.1. Initial Loans. Prior to or concurrent with the making of the initial Loans under the Credit Agreement, the Administrative Agent shall have received all of the following, each, except to the extent otherwise specified below, duly executed by a Responsible Officer of Guarantor, dated the date of the initial Loans (or such earlier date as shall be satisfactory to the Administrative Agent), in form and substance satisfactory to the Administrative Agent, each in sufficient number of signed counterparts or copies to provide one for each Bank and the Administrative Agent:

V.1.1. A favorable opinion of John J. Sabl, counsel of Guarantor and its Subsidiaries, substantially in the form of Exhibit A-1, and addressing such other legal matters as the Administrative Agent may require;

V.1.2. A favorable opinion of Baker & Daniels, outside counsel to Guarantor and its Subsidiaries, substantially in the form of Exhibit A-2, and addressing such other legal matters as the Administrative Agent may require;

V.1.3. An officer's certificate of Guarantor, substantially in the form of Exhibit C, and dated as of the Closing Date, signed by a Responsible Officer of Guarantor, and attested to by the secretary thereof, together with certified copies of Guarantor's articles

of incorporation, by-laws and directors resolutions;

V.1.4. Evidence of the good standing or certificates of compliance of Guarantor in the jurisdiction in which Guarantor was incorporated as of the Closing Date;

V.1.5. Evidence that Guarantor paid to the Administrative Agent the fees and expenses provided for herein;

V.1.6. Evidence satisfactory to the Administrative Agent of compliance by Guarantor with Regulation G; and

V.1.7. Such other information and documents as may reasonably be required by the Administrative Agent and the Administrative Agent's counsel.

ARTICLE VI

SALE AND RELEASE OF PLEDGED SHARES; CASH COLLATERAL

SECTION VI.1. Sale of Pledged Shares. Notwithstanding any provision set forth in any of the Loan Documents to the contrary, the Administrative Agent agrees that after the occurrence and during the continuance of a Default under Section 10.1.2 of the Credit Agreement or any Event of Default with respect to any Borrower, the effect of which is to cause the Obligations of such Borrower to be due and payable under the Credit Agreement (a "Borrower Default"), subject to the provisions of Section 6.2 and 6.4 below, it will not demand that Guarantor pay the Obligations of such Borrower (constituting outstanding principal and interest of such Borrower), until after the Administrative Agent has used its reasonable best efforts, in good faith, to sell the Pledged Shares of such Borrower, such sale to be consummated in one or a series of open market transactions through one or more reputable broker-dealers at the then fair market value of such Pledged Shares.

SECTION VI.2. Conditions to Sale of Pledged Shares. The obligation of the Administrative Agent not to demand payment hereunder pursuant to Section 6.1 is subject to the following conditions:

(a) Guarantor, within three (3) Business Days after receipt of written notice of a Borrower Default from the Administrative Agent, shall deposit with the Administrative Agent in the Cash Collateral Account an amount equal to the then outstanding Obligations of the Borrower related to such Borrower Default and, thereafter, upon written notice from the Administrative Agent, Guarantor shall continue to deposit funds in the Cash Collateral Account in sufficient amounts to pay in full any additional interest accrued on the Loans of such Borrower after the date of the initial deposit to the Cash Collateral Account; and

(b) none of the following has occurred at the time of such Borrower Default or shall occur thereafter:

(i) a suspension or material limitation in trading in securities generally or trading in the common stock of Guarantor on the New York Stock Exchange or any other exchange upon which the common stock of Guarantor may then be traded;

(ii) a general moratorium on commercial banking activities in New York is declared by any Federal or New York State authorities;

(iii) the Administrative Agent is prohibited or materially limited from selling the Pledged Shares as a result of any federal or state securities laws (including, without limitation, the rules promulgated thereunder relating to the disclosure of material information); or

(iv) any other event (including, without limitation, commencement of any suit, action or litigation, filing of any claim or any other similar proceeding or any change in any applicable law) has occurred which, in the reasonable opinion of the Administrative Agent, would prohibit, have a material adverse effect on, or materially limit the Administrative Agent's ability to sell the Pledged Shares as contemplated by the terms of Section 6.1.

Guarantor agrees that in any sale of any of the Pledged Shares, the Administrative Agent is authorized to comply with any limitation or restriction in connection with such sale as counsel

may advise the Administrative Agent is necessary, in the reasonable opinion of such counsel, in order to avoid any violation of applicable law (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any governmental regulatory authority or official, and Guarantor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Administrative Agent be liable or accountable to Guarantor for any discount allowed by reason of the fact that such Pledged Shares are sold in compliance with any such limitation or restriction.

Guarantor further agrees to indemnify and hold harmless the Administrative Agent and the Banks and each of their respective officers, directors, employees, agents, successors and assigns, and any Person in control of any thereof, from and against any loss, liability, claim, damage and expense, including, without limitation, reasonable attorneys' fees actually incurred (in this paragraph collectively called the "Indemnified Liabilities"), under federal and state securities laws or otherwise resulting from the action or failure to act by Guarantor or any Borrower; provided, that no such Person shall have the right to be indemnified hereunder for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

Section VI.3. Release of Pledged Shares. The Administrative Agent agrees that, so long as Guarantor is in compliance with Section 6.2(a) and none of the events set forth in Section 6.2(b) has occurred, it shall not release any of the Pledged Shares of any Borrower from the Lien granted under the Pledge Agreement until after the termination of this Guaranty and the obligations of Guarantor hereunder with respect to such Borrower. Notwithstanding the foregoing, the Administrative Agent shall be entitled to (i) release the Pledged Shares of such Borrower if such Pledged Shares are replaced by additional common stock of Guarantor and (ii) sell the Pledged Shares pursuant to Section 6.1.

SECTION VI.4. Borrower Event of Default. Guarantor hereby acknowledges and agrees that Sections 6.1 and 6.3 shall not apply to any Default or Event of Default relating to Guarantor or any of its Subsidiaries and, upon the occurrence of an Event of Default relating to Guarantor or any of its Subsidiaries, the Administrative Agent expressly reserves its rights and remedies under this Guaranty to demand payment hereunder to satisfy the Obligations of all Borrowers and the obligations of Guarantor hereunder whether or not the Administrative Agent has sold or attempted to sell the Pledged Shares of any Borrower or otherwise exercised its rights and remedies under the Pledge Agreement or any other Loan Document. Furthermore nothing contained herein shall be deemed to prohibit or limit in any way whatsoever the Administrative Agent's or any Bank's right or ability to receive its portion of the assets of Guarantor upon the exercise by the Revolving Credit Agent or the Revolving Credit Banks of their rights and remedies under the Revolving Credit Loan Documents or any other creditor of Guarantor.

SECTION VI.5. Application of Cash Collateral. If after compliance by the Administrative Agent with the provisions set forth in Section 6.1 any Obligations remain unpaid with respect to any applicable Borrower, any funds held in the Cash Collateral Account may be applied by the Administrative Agent against the payment of the Obligations of such Borrower. The Administrative Agent, prior to applying such funds against the Obligations of such Borrower, will certify to Guarantor (a) if the Pledged Shares of such Borrower are sold pursuant to Section 6.1, the net proceeds (including a calculation thereof in reasonable detail) received by the Administrative Agent from the sale of such Pledged Shares and (b) if the Pledged Shares of such Borrower are not sold pursuant to Section 6.1, the reason or reasons why such sale could not be accomplished. Any funds remaining in the Cash Collateral Account after application thereof to the Obligations as set forth above shall be returned to Guarantor. The Administrative Agent agrees that it shall deliver to Guarantor, after the application of such funds to the Obligations of such Borrower, a calculation in reasonable detail of the Obligations of such Borrower (including principal and interest of the Loans of such Borrower) and the application of such funds thereto.

ARTICLE VII

MISCELLANEOUS

VII.1. Guarantor agrees to pay on demand all reasonable expenses of the Administrative Agent (including the non-duplicative fees and reasonable expenses of counsel (including expenses of in-house counsel) and of local counsel, if any, who may be retained by such counsel) in connection with:

(a) the negotiation, preparation, execution, syndication and delivery of the Credit Agreement, this Guaranty and the other Loan Documents, including schedules and exhibits, and any amendments, waivers, consents, supplements or other modifications to the Credit Agreement, this Guaranty or the other Loan Documents as may from time to time hereafter be required, whether or not the transactions contemplated hereby or thereby are consummated; and

(b) the preparation and/or review of the form of any document or instrument relevant to the Credit Agreement, this Guaranty or any other Loan Document.

Guarantor further agrees to pay, and to save the Administrative Agent and the Banks, and their respective Affiliates, harmless from all liability for, any stamp or other Taxes (other than income taxes of the Administrative Agent or the Banks) which may be payable in connection with the execution or delivery of the Credit Agreement, any Borrowing thereunder, the issuance of the Notes, if any, this Guaranty or any other Loan Document. Guarantor also agrees to reimburse the Administrative Agent and each Bank upon demand for all reasonable expenses (including attorneys' fees and legal expenses) incurred by the Administrative Agent or such Bank in connection with the enforcement of any Obligations or obligations hereunder and the consideration of legal issues relevant hereto and thereto whether or not such expenses are incurred by the Administrative Agent on its own behalf or on behalf of the Banks. All obligations of Guarantor provided for in this Section 7.1 shall survive termination of this Agreement. Notwithstanding the foregoing, the Administrative Agent or a Bank shall not have the right to reimbursement under this Section 7.1 for amounts determined by a court of competent jurisdiction to have arisen from the gross negligence or willful misconduct of the Administrative Agent or a Bank.

VII.2. Guarantor agrees to indemnify the Administrative Agent, each Bank, their Affiliates and their respective directors, officers, employees, persons controlling or controlled by any of them or their respective agents, consultants, attorneys and advisors (the "Indemnified Parties") and hold each Indemnified Party harmless from and against any and all liabilities, losses, claims, damages, costs and expenses of any kind to which any of the Indemnified Parties may become subject, whether directly or indirectly (including, without limitation, the reasonable fees and disbursements of counsel for any Indemnified Party), relating to or arising out of the Credit Agreement, this Guaranty, the other Loan Documents, or any actual or proposed use of the proceeds of the Loans hereunder; provided, that no Indemnified Party shall have the right to be indemnified hereunder for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. All obligations of the Borrowers and Guarantor provided for in this Section 7.2 shall survive termination of the Credit Agreement and this Guaranty.

VII.3. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile or similar writing) and shall be given to such party at its address, facsimile or telex number set forth on the signature or acknowledgement pages hereof or such other address, facsimile or telex number as such party may hereafter specify for the purpose by written notice to the Administrative Agent and Guarantor. Each such notice, request or other communication shall be effective (a) if given by facsimile or telex, when such facsimile or telex is transmitted to the facsimile or telex number specified in this Section and, in the case of telex, the appropriate answerback is received, (b) if given by mail, seventy- two (72) hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (c) if given by any other means, when delivered at the address specified in this Section.

VII.4. This Guaranty, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, except Guarantor shall not be permitted to assign this Guaranty nor any interest herein nor in the Collateral, nor any part thereof, except in accordance with the terms of the Credit Agreement.

VII.5. EACH OF GUARANTOR AND THE ADMINISTRATIVE AGENT (I) HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY ILLINOIS STATE OR FEDERAL COURT SITTING IN THE NORTHERN DISTRICT OF ILLINOIS OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE OTHER LOAN DOCUMENTS, AND EACH OF GUARANTOR AND THE ADMINISTRATIVE AGENT HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH ILLINOIS STATE OR FEDERAL COURT, AND (II) AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST THE OTHER PARTY HERETO OR THE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR PROPERTY OF ANY THEREOF, ARISING OUT OF OR RELATING TO THIS GUARANTY, IN ANY COURT OTHER THAN AS HEREINABOVE SPECIFIED IN THIS SECTION 7.5. EACH OF GUARANTOR AND THE ADMINISTRATIVE AGENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY ACTION OR PROCEEDING (WHETHER BROUGHT BY GUARANTOR, ANY OF ITS SUBSIDIARIES, THE ADMINISTRATIVE AGENT, ANY BANK OR OTHERWISE) IN ANY COURT HEREINABOVE SPECIFIED IN THIS SECTION 7.5 AS WELL AS ANY RIGHT IT MAY NOW OR HEREAFTER HAVE TO REMOVE ANY SUCH ACTION OR PROCEEDING, ONCE COMMENCED, TO ANOTHER COURT ON THE GROUNDS OF FORUM NON CONVENIENS OR OTHERWISE. EACH OF GUARANTOR AND THE ADMINISTRATIVE AGENT AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

VII.6. Subject to Section 13.1 of the Credit Agreement, the provisions of this Guaranty may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by Guarantor and by the Administrative Agent (at the request of the Required Banks), and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

VII.7. The section headings in this Guaranty are inserted for convenience of reference and shall not be considered a part of this Guaranty or used in its interpretation.

VII.8. No action of the Administrative Agent permitted hereunder shall in any way affect or impair the rights of the Administrative Agent and the obligations of Guarantor under this

Guaranty. Guarantor hereby acknowledges that there are no conditions to the effectiveness of this Guaranty.

VII.9. All obligations of Guarantor and rights of the Administrative Agent or obligation expressed in this Guaranty shall be in addition to and not in limitation of those provided in applicable law or in any other written instrument or agreement relating to any of the Obligations.

VII.10. THIS GUARANTY SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. ALL OBLIGATIONS OF THE BORROWERS AND GUARANTOR AND RIGHTS OF THE ADMINISTRATIVE AGENT AND THE BANKS IN RESPECT OF THE OBLIGATIONS AND THE OBLIGATIONS OF GUARANTOR EXPRESSED HEREIN OR IN THE OTHER LOAN DOCUMENTS SHALL BE IN ADDITION TO AND NOT IN LIMITATION OF THOSE PROVIDED BY APPLICABLE LAW.

VII.11. This Guaranty may be executed in any number of counterparts, each of which shall for all purposes be deemed an original, but all such counterparts shall constitute but one and the same agreement. Guarantor hereby acknowledges receipt of a true, correct and complete counterpart of this Guaranty.

VII.12. The Administrative Agent acts herein as agent for itself, the Banks and any and all future holders of the Obligations.

VII.13. EACH OF GUARANTOR AND THE ADMINISTRATIVE AGENT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY OTHER DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH, OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS GUARANTY AND AGREES THAT ANY SUCH ACTION, PROCEEDING OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY; THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS GUARANTY.

* * *

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

CONSECO, INC.

By: /S/ ROLLIN M. DICK

Name: Rollin M. Dick
Title: Executive Vice President and
Chief Financial Officer

CONSECO, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges,
Preferred Dividends and Distributions on Company-Obligated Mandatorily
Redeemable Preferred Securities of Subsidiary Trusts - Consolidated Basis
for the three months ended March 31, 1999 and the
year ended December 31, 1998
(Dollars in millions)

	Three months ended March 31, 1999 ----	Year ended December 31, 1998 ----
Pretax income from operations:		
Net income.....	\$ 297.1	\$ 467.1
Add income tax expense.....	180.2	445.6
Add extraordinary charge on extinguishment of debt.....	-	42.6
Add minority interest.....	30.2	90.4
	-----	-----
Pretax income from operations.....	507.5	1,045.7
	-----	-----
Add fixed charges:		
Interest expense on corporate debt, including amortization.....	44.1	165.4
Interest expense on finance debt.....	54.7	209.8
Interest expense on investment borrowings.....	11.8	65.3
Other.....	.1	.5
Portion of rental(1).....	3.7	14.6
	-----	-----
Fixed charges.....	114.4	455.6
	-----	-----
Adjusted earnings.....	\$ 621.9 =====	\$1,501.3 =====
Ratio of earnings to fixed charges.....	5.44X =====	3.30X =====
Ratio of earnings to fixed charges, excluding interest expense on debt related to finance receivables and other investments.....	11.59X =====	6.79X =====
Fixed charges.....	\$ 114.4	\$ 455.6
Add dividends on preferred stock, including dividends on preferred stock of subsidiaries (divided by the rate of income before minority interest and extraordinary charge to pretax income).....	.9	13.6
Add distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts.....	46.5	139.1
	-----	-----
Fixed charges.....	\$ 161.8 =====	\$ 608.3 =====
Adjusted earnings.....	\$ 621.9 =====	\$1,501.3 =====
Ratio of earnings to fixed charges, preferred dividends and distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts.....	3.84X =====	2.47X =====
Ratio of earnings to fixed charges, preferred dividends and distributions on Company-obligated mandatorily redeemable preferred securities of subsidiary trusts, excluding interest expense on debt related to finance receivables and other investments.....	5.83X =====	3.68X =====

(1) Interest portion of rental is assumed to be 33 percent.

ARTICLE 7

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS	
FISCAL YEAR END	DEC 31 1999	
PERIOD END	MAR 31 1999	
DEBT HELD FOR SALE	22,591,900	
DEBT CARRYING VALUE	0	
DEBT MARKET VALUE	0	
EQUITIES	427,700	
MORTGAGE	1,197,000	
REAL ESTATE	0	
TOTAL INVEST	29,509,900	
CASH	0	
RECOVER REINSURE	836,900	
DEFERRED ACQUISITION	4,021,900	1
TOTAL ASSETS	44,986,300	
POLICY LOSSES	23,746,700	
UNEARNED PREMIUMS	389,900	
POLICY OTHER	1,164,700	
POLICY HOLDER FUNDS	286,400	
NOTES PAYABLE	5,761,000	2
PREFERRED MANDATORY	2,098,600	
PREFERRED	0	
COMMON	2,846,900	
OTHER SE	2,478,800	3
TOTAL LIABILITY AND EQUITY	44,986,300	
PREMIUMS	1,007,400	
INVESTMENT INCOME	646,400	
INVESTMENT GAINS	1,000	
OTHER INCOME	311,100	4
BENEFITS	889,700	
UNDERWRITING AMORTIZATION	123,900	5
UNDERWRITING OTHER	153,900	
INCOME PRETAX	507,500	
INCOME TAX	180,200	
INCOME CONTINUING	327,300	
DISCONTINUED	0	
EXTRAORDINARY	0	
CHANGES	0	
NET INCOME	297,100	
EPS PRIMARY	0.92	
EPS DILUTED	0.90	
RESERVE OPEN	0	
PROVISION CURRENT	0	
PROVISION PRIOR	0	
PAYMENTS CURRENT	0	
PAYMENTS PRIOR	0	
RESERVE CLOSE	0	
CUMULATIVE DEFICIENCY	0	

¹ Includes \$2,423,200 of cost of policies purchased.

² Includes \$2,684,200 related to finance debt.

³ Includes retained earnings of \$2,711,300 and accumulated other comprehensive losses of \$232,500.

⁴ Includes gain on sale of finance receivables of \$199,800 and fee revenue and other income of \$111,300.

⁵ Includes amortization of cost of policies purchased of \$71,700 and amortization of cost of policies produced of \$52,200.