(ii) To the knowledge of CareFirst, there are no actions (other than routine claims for benefits or other actions that would not have a CareFirst Material Adverse Effect) pending or threatened against the CareFirst Plans or their assets, or arising out of the CareFirst Plans, and, to the knowledge of CareFirst, no facts exist which may reasonably be expected to give rise to any such actions.

(iii) Each of the CareFirst Plans can be terminated by a CareFirst Company within a period of thirty (30) days following the Closing, without payment of any additional compensation or amount or, with the exception of the termination of any CareFirst Plans to which Section 401(a) of the Code applies, the additional vesting or acceleration of any such benefits.

(i) Except as required by applicable law or as would not have a CareFirst Material Adverse Effect, since December 31, 2000, there has not been any adoption or amendment in any material respect by any CareFirst Company of any of the CareFirst Plans providing benefits to any current or former employee, officer or director of any CareFirst Company. Except as disclosed in the CareFirst Disclosure Schedule, since December 31, 2000, no CareFirst Company has taken any action to accelerate any rights or benefits under any CareFirst Plan, either generally or specifically, for the benefit of any trustee, director, officer or employee or class thereof, excluding non-material acceleration of rights or benefits or payment of non-material amounts by any CareFirst Company upon the dismissal of any of its non-officer employees in the ordinary course of business.

(j) Except as disclosed in the CareFirst Disclosure Schedule:

(i) A CareFirst Company has received a favorable determination letter (current through the Tax Reform Act of 1986) with respect to all CareFirst Plans to which Section 401(a) of the Code applies and, to the knowledge of CareFirst, there are no facts that exist nor amendments that have been made that are reasonably likely to change the qualified status of such CareFirst Plans.

(ii) None of the CareFirst Plans obligates any CareFirst Company to pay separation, severance, termination or other benefits solely as a result of the consummation of the transactions contemplated by this Agreement.

Section 4.13. Capital Stock.

(a) The CareFirst Common Stock to be issued to the Tax-Exempt Entities in connection with the Conversion, when issued in accordance with this Agreement and Appendix A hereto, will be duly and validly issued, fully-paid and nonassessable and will be issued in accordance with applicable federal and state laws. Upon issuance, the shares of CareFirst Common Stock to be issued to the Tax-Exempt Entities in connection with the Conversion will be the only equity securities of CareFirst issued and outstanding.

(b) Other than as contemplated by this Agreement, there are not outstanding nor is CareFirst bound by, any subscriptions, options, preemptive rights, warrants, calls, commitments,

or agreements or rights of any character requiring it to issue or entitling any other person or entity to acquire any shares of CareFirst Common Stock or any other equity security of CareFirst, including any right of conversion or other instrument, and CareFirst is not and, following the Conversion, will not be, obligated to issue or transfer any shares of its capital stock for any purpose. There are, and following the Conversion there will be, no outstanding obligations of CareFirst to purchase, redeem or otherwise acquire any outstanding shares of its capital stock.

Section 4.14. Brokers and Finders.

Except for Credit Suisse First Boston, whose fee shall be the sole responsibility of CareFirst, neither CareFirst nor any of its officers, directors or employees has employed any broker, finder or investment banker or incurred any liability for any brokerage fees, commissions or finders' fees or other fees in connection with the transactions contemplated by this Agreement.

Section 4.15. Environmental Matters.

(a) The CareFirst Disclosure Schedule contains a list of all environmental assessment reports prepared by or on behalf of CareFirst or its predecessors (the "CareFirst Environmental Reports") with respect to CareFirst Owned Property and real property leased by any CareFirst Company (collectively, the "CareFirst Properties"). CareFirst has delivered to Purchaser, or provided Purchaser with the opportunity to review, copies of all the CareFirst Environmental Reports, which are accurate and complete in all material respects.

(b) No CareFirst Company has stored or used any Materials of Environmental Concern at any CareFirst Property, except in such quantities and under such conditions as would normally be associated with the operation and maintenance of an office facility and, at all times, in material compliance with the Environmental Laws except for such noncompliance as would not reasonably be expected to have a CareFirst Material Adverse Effect.

(c) No CareFirst Company has received (i) any request for information under Section 104(e) of the Comprehensive Environmental Response, Compensation and Liability Act or similar authority, (ii) any written notice, complaint, warning letter or notice of violation of any Environmental Law or environmental permit or (iii) any notice that it is responsible (or potentially responsible) for the assessment or remediation of any release of any Material of Environmental Concern at, on or beneath any CareFirst Property or with respect to any other property except as would not reasonably be expected to have a CareFirst Material Adverse Effect.

(d) No CareFirst Company is the subject of any actual or, to CareFirst's knowledge, threatened federal, state, local or private litigation involving a claim of liability or a demand for damages arising out of any alleged violation of any Environmental Law or from the alleged, actual or threatened release of any Material of Environmental Concern at or beneath any CareFirst Property or otherwise relating to the environmental condition of any other property

which, in the aggregate, could reasonably be expected to result in a CareFirst Material Adverse Effect.

(e) Except for those matters set forth in the CareFirst Environmental Reports or the CareFirst Disclosure Schedule, no CareFirst Company has knowledge of any release or threatened release of a Material of Environmental Concern, the presence of any current or former dry-cleaning facility, the presence of any current or former storage tanks, the presence of any asbestos containing material or the presence of any other condition or circumstance at any CareFirst Property which could reasonably be expected to subject the owner or operator of any CareFirst Property to liability or claims under the Environmental Laws which, in the aggregate, could reasonably be expected to result in a CareFirst Material Adverse Effect.

(f) Except as set forth in the CareFirst Environmental Reports, to CareFirst's knowledge, there are no environmental conditions present at any CareFirst Property which pose an imminent or substantial endangerment to human health or the environment.

(g) Except for those matters set forth in the CareFirst Environmental Reports, neither any CareFirst Company nor any CareFirst Property is currently in violation of any applicable Environmental Law which could subject the owner or operator of any CareFirst Property to any fine or require any remedial action of any CareFirst Property, which, in the aggregate, could reasonably be expected to result in a CareFirst Material Adverse Effect.

(h) Each CareFirst Company has timely filed all reports required by any Environmental Law and has generated and maintained all data, documentation and records required under any Environmental Law, except where the failure to file such reports or generate and maintain such data, documentation and records could not reasonably be expected to result in a CareFirst Material Adverse Effect.

(i) No CareFirst Company has knowledge of any existing or imminent restriction on the ownership, occupancy, use or transferability of any CareFirst Property arising out of any known environmental condition or violation of any Environmental Law that, in the aggregate, could reasonably be expected to result in a CareFirst Material Adverse Effect.

Section 4.16. Non-competition Agreements.

Except as disclosed in the CareFirst Disclosure Schedule, no CareFirst Company is bound by any non-competition agreements or similar restrictions on its ability to sell any products or services, engage in any line of business, or conduct their respective businesses, including any such agreements or restrictions that would restrict operations in any particular geographical area.

Section 4.17. Resale Registration Statement; Purchaser's Proxy Statement.

The information supplied or to be supplied by CareFirst in writing for inclusion in the Resale Registration Statement or Purchaser's Proxy Statement does not and will not contain any

untrue statement of material fact and does not omit or will not omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading.

Section 4.18. Insurance Policies.

All of the CareFirst Companies' material insurance policies (including reinsurance) that insure the properties, business or liability of the CareFirst Companies or the liability of their directors, officers or agents are listed in the CareFirst Disclosure Schedule. Except to the extent that there would be no CareFirst Material Adverse Effect, all of the CareFirst Companies' insurance (including reinsurance), surety bonds and umbrella policies insuring the CareFirst Companies and their directors, officers, agents, properties and business are valid and in full force and effect and without any premium past due, and there are no claims, singly or in the aggregate, under such policies which are in excess of the limitations of coverage set forth in such policies. Except as where any of the following would not have a CareFirst Material Adverse Effect, no CareFirst Company has received notice of default under, or intended cancellation or non-renewal of, any material policies of insurance (including reinsurance) which insure the properties, business or liability of the CareFirst Companies.

Section 4.19. Intellectual Property.

The CareFirst Disclosure Schedule contains all material applications or registrations for patents, trademarks and copyrights owned by any CareFirst Company and all material licenses or other agreements concerning Intellectual Property to which any CareFirst Company is a party.

Except as set forth in the CareFirst Disclosure Schedule or as would not reasonably be expected to have a CareFirst Material Adverse Effect, (i) each CareFirst Company owns or has the right to use all Intellectual Property necessary to conduct its business as currently conducted, free and clear of all claims, liens or other encumbrances or restrictions of any kind; (ii) the CareFirst Companies' Intellectual Property does not infringe any Intellectual Property of any third party; (iii) there are no pending or, to the knowledge of CareFirst, threatened actions or litigation against any CareFirst Company challenging its ownership or use of any Intellectual Property; and (iv) the CareFirst Companies take reasonable actions to maintain and preserve their respective Intellectual Property.

Section 4.20. Real and Personal Property.

(a) The CareFirst Disclosure Schedule sets forth a list and description which is true, complete and correct of all real property owned by CareFirst or any of the CareFirst Subsidiaries (the "CareFirst Real Property"). CareFirst or one of the CareFirst Subsidiaries is the owner of the title to the CareFirst Real Property and to all of the buildings, structures, and other improvements located thereon free and clear of any mortgage, deed of trust, lien, pledge, security interest, claim, lease, charge, option, right of first refusal, easement, restrictive covenant, encroachment or other survey defect, encumbrance or other restriction or limitation except for matters on the CareFirst Disclosure Schedule or any CareFirst Permitted Liens.

(b) The CareFirst Disclosure Schedule sets forth a list and description which is true, complete and correct of all leases, subleases, licenses or other agreements under which CareFirst or any of the CareFirst Subsidiaries uses or occupies, or has the right to use or occupy, now or in the future, any real property or improvements thereon (the "CareFirst Real Property Leases"). Except for matters listed on the CareFirst Disclosure Schedule, CareFirst or one of the CareFirst Subsidiaries holds the leasehold estate under an interest in each CareFirst Real Property Lease free and clear of all liens, encumbrances and other rights or occupancy, except for matters on the CareFirst Disclosure Schedule or any CareFirst Permitted Liens. Except as set forth on the CareFirst Disclosure Schedule, there is not under any such CareFirst Real Property Lease any existing default, or any condition, event, or act which with notice or lapse of time, or both, would constitute such a default, which in either case, in the aggregate with all such other CareFirst's Real Property Leases under which there is such a default, condition, event or act, would have a CareFirst Material Adverse Effect.

Section 4.21. Affiliate Transactions.

Neither CareFirst nor any CareFirst Subsidiary is a party to any oral or written agreement, or, since December 31, 2000, has engaged in any transaction, with any of its directors or officers or any of their respective Affiliates (other than the CareFirst Companies) (any such agreement or transaction, an "Affiliate Transaction"), other than payments of salary, bonus or other compensation as an employee or director of a CareFirst Company, where such agreement or transaction involved value in excess of $250,000.

ARTICLE V

Representations And Warranties Of Purchaser And CFAC

For the purposes of all the representations and warranties made in this Article V, CFAC shall be considered a "Purchaser Subsidiary." Purchaser and CFAC hereby jointly and severally represent and warrant to CareFirst as follows:

Section 5.1. Organization, Qualification and Authorization.

(a) Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of _____; each Purchaser Subsidiary is listed in the Purchaser SEC Filings or on the Purchaser Disclosure Schedule. Each Purchaser Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, which jurisdictions are listed on the Purchaser Disclosure Schedule.

(b) Each Purchaser Company has all requisite power and authority, corporate and other, to carry on and conduct its business as it is now being conducted and to own or lease its property and assets, except where the failure to satisfy the representations of this Section 5.1(b) would not result in a Purchaser Material Adverse Effect. The Purchaser has delivered or made available to CareFirst accurate and complete copies of the certificates of incorporation and

bylaws, or equivalent governing instruments, as currently in effect, of each of the Purchaser Companies as of the date hereof.

(c) Each Purchaser Company is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the ownership or operation of its assets or the conduct of its business requires such qualification or licensing, except where the failure to be so qualified, licensed or in good standing would not result in a Purchaser Material Adverse Effect. All such jurisdictions are listed on the Purchaser Disclosure Schedule.

(d) The Purchaser Disclosure Schedule sets forth every entity as of the date hereof which is a Purchaser Subsidiary and the equity interests of such entities that are owned by Purchaser. Purchaser owns all the issued and outstanding shares of CFAC.

Section 5.2. Authority.

Purchaser and CFAC, respectively, have all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby, subject to the receipt of regulatory approvals set forth in Section 5.4 hereof. The execution and delivery of this Agreement by Purchaser and CFAC, the performance of their obligations hereunder and the consummation by them of the transactions contemplated hereby, including, as to Purchaser, the issuance of the Purchaser Common Stock to be issued in the Merger, have been duly and validly authorized by Purchaser's and CFAC's respective Boards of Directors, and except for the approval of Purchaser's stockholders, no other corporate act or corporate proceeding on the part of Purchaser or CFAC is necessary to approve the execution and delivery of this Agreement, the performance by Purchaser and CFAC of their obligations hereunder or the consummation of the transactions contemplated hereby.

Section 5.3. Execution and Binding Effect.

This Agreement has been duly and validly executed and delivered by Purchaser and CFAC, and constitutes, and the other documents and instruments to be executed and delivered by Purchaser or CFAC pursuant hereto upon their execution and delivery by Purchaser or CFAC on or prior to the Closing Date will constitute (assuming, in each case, the due and valid authorization, execution and delivery thereof by the other party or parties thereto), legal, valid and binding obligations of Purchaser or CFAC, enforceable against Purchaser or CFAC in accordance with their respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, rehabilitation, reorganization, moratorium, or similar laws affecting enforcement of creditors' rights generally and (b) general equitable principles.

Section 5.4. No Violation; Consents and Approvals.

(a) Except as set forth on the Purchaser Disclosure Schedule and subject to the governmental filings (and other matters) referred to in Section 5.4(b), the execution, delivery and performance of this Agreement by each of Purchaser and CFAC, compliance with the provisions of this Agreement, and the consummation by each of Purchaser and CFAC of the transactions

contemplated hereby will not (i) conflict with or violate any provisions of the certificates of incorporation or other comparable documents or bylaws of Purchaser or CFAC; (ii) conflict with, violate or result in any breach of, or constitute a default whether with or without notice or lapse of time or both, or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of, or render unenforceable, any note, bond, mortgage, indenture, license (including any license granted by the BCBSA), franchise, permit, agreement, lease or other instrument or obligation to which any Purchaser Company is a party or by which any Purchaser Company, its business or any of its assets is bound; (iii) violate any statute, ordinance or law or any rule, regulation, order, writ, injunction or decree of any Governmental Entity applicable to any Purchaser Company, or by which its business or any of its assets is bound; (iv) require any filing, declaration or registration with, or permit, consent or approval of, or the giving of any notice to, any Governmental Entity; or (v) result in the creation of any lien, charge or encumbrance upon any Purchaser Company's assets; excluding from the foregoing clauses (other than clause (i)) such conflicts, violations, breaches and defaults and filings, declarations, registrations, permits, consents, approvals and notices, other than approvals of the BCBSA, the absence of which, in the aggregate, would not result in a Purchaser Material Adverse Effect.

(b) No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by any Purchaser Company for the execution and delivery of this Agreement by Purchaser and CFAC or the consummation by Purchaser and CFAC of the transactions contemplated by this Agreement, except for (i) the filing with the FTC and the DOJ of a notification and report form by Purchaser under the HSR Act; (ii) the approval of the NYSE of the listing, upon notice of issuance, of the Purchaser Common Stock to be issued in the Merger, (iii) the preparation and filing of, and approval of, Applications on Form A, with the appropriate state regulatory bodies; (iv) such other consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made would not, in the aggregate, result in a Purchaser Material Adverse Effect.

Section 5.5. Capitalization; Valid Issuance.

(a) As of the date hereof, the authorized capital stock of Purchaser consists of 300,000,000 shares of Common Stock and 50,000,000 shares of Preferred Stock. As of [date], _____ shares of Common Stock [and no shares of Preferred Stock] were issued and outstanding. All of such issued and outstanding shares of capital stock of Purchaser are validly issued, fully paid and nonassessable. [As of [date], there were _____ shares of capital stock held in the treasury of Purchaser.]

(b) The authorized capital stock of CFAC consists of 1,000 shares of $.01 par value common stock. One thousand shares of $.01 par value common stock are issued and outstanding, and all of such shares are owned by Purchaser. All of such issued and outstanding shares of capital stock of CFAC are validly issued, fully paid and nonassessable. All issuances, transfers or purchases of the capital stock of CFAC have been in compliance with all applicable agreements and all applicable laws, including federal and state securities laws, and all taxes thereon have been paid.