PROCESS REVIEW

CSFB has be very juncture of Chesapeake's strategic alternative process

Date	Attendees	Topic
February 4, 2000	Senior Management CSFB	ς Discussion included (i) overview of trends in the managed care industry; (ii) review of recent BCBS transactions; (iii) and an assessment of strategic considerations relative to choosing a strategic alternative; and (iv) initial review of strategic alternatives.
April 24, 2000	Senior Management CSFB	ς Discussion included (i) potential strategic opportunities; (ii) recent industry events; (iii) strategic considerations; and (iv) strategic evaluation process.
June 1, 2000	Strategic Planning Committee CSFB	ς Discussion included (i) preliminary observations regarding the current market position and future prospects of Chesapeake; (ii) review of competitive market environment; (iii) key drivers of future success; and (iv) continued overview of strategic opportunities. Committee requested further analysis of opportunities.
June 22, 2000	Senior Management CSFB	ς Discussion included (i) review of the range of strategic opportunities (maintain status quo, conversion to a for-profit stock corporation or pursuing a strategic affiliation or merger transaction); and (ii) review of potential merger partners and selection criteria.
July 11, 2000	Strategic Planning Committee CSFB	ς Discussion included (i) analysis of strategic alternatives; (ii) review of potential strategic partners; and (iii) summary recommendations. Committee requested analysis of "do-ability" and precedent foundations.
July 13, 2000	Senior Management CSFB	ς Discussion included update of trends in the managed care and BCBS industries.

OCC 016236

PROCESS REVIEW (CONT'D)

Date	Attendees	Topic
July 27, 2000	Strategic Planning Committee CSFB	ς Discussion recommendation included (i) review of initial recommendation to pursue a strategic affiliation or merger; (ii) review of potential transaction with either Atlantic or Highmark; (iii) steps necessary to complete such combination; (iv) review of "do-ability" analysis; (v) potential political and regulatory post-transaction control and governance issues; and (vi) relevant precedent transactions and foundations. Committee requested further analysis of alternatives with emphasis on developing Highmark alternative further.
August 23, 2000	Senior Management Highmark CSFB	ς Meeting to discuss potential affiliation transaction with Highmark senior management team and information required for Strategic Planning Committee presentation.
August 28, 2000	Highmark CSFB	ς Discussion of Chesapeake / Highmark business case analysis and potential transaction structure.
September 13, 2000	Senior Management Highmark CSFB	ς Meeting to discuss draft of Strategic Planning Committee presentation and affiliation synergies with senior management of Highmark, Chesapeake and CSFB.
October 26, 2000	Strategic Planning Committee CSFB	ς Discussion included (i) analysis of potential strategic affiliation or merger candidates across a variety of criteria; (ii) review of the steps necessary to complete a transaction; and (iii) potential transaction issues. Committee requested further analysis of Atlantic and Highmark alternatives.
November 21, 2000	Strategic Planning Committee Finance Committee CSFB	ς Discussion included (i) side-by-side comparison of potential affiliation or merger candidates; (ii) analysis of the strategic transaction rationale across a number of criteria; and (iii) potential transaction structure. Committee requested further development of transaction criteria.
December 4, 2000	Board of Directors CSFB	ς Discussion included (i) review of the current competitive strategic opportunities available (maintain the status quo, convert to a for-profit stock corporation, pursue a strategic merger or affiliation transaction); and (ii) review of potential affiliation merger partners and potential transaction issues. [Board requested that focus shift to Atlantic and Pacific opportunities].

OCC 016237

PROCESS REVIEW (CONT'D)

Date	Attendees	Topic
January 22, 2001	Strategic Planning Committee CSFB	ς Discussion included (i) analysis of a potential merger with either Atlantic or Pacific across a variety of key transaction issues (strategic goals, business case, economic benefit, do-ability and long-term strategy); and (ii) the process and timing of potential merger transaction. Committee requested that due diligence be conducted on Atlantic and Pacific opportunities.
January 24 - January 25, 2001	Senior Management Atlantic CSFB	ς Due Diligence
January 31 - February 1, 2001	Senior Management Pacific CSFB	ς Due Diligence
February 2, 2001	NA	ς Distributed bidding procedures letter and draft Merger Agreement to Atlantic and Pacific.
February 5, 2001	NA	ς Received letter from Anthem, Inc. expressing their interest in being included in the acquisition process.
February 13, 2001	NA	ς Chesapeake sent a letter to Anthem, Inc. explaining why Chesapeake declined to include Anthem in the acquisition process due to concerns over (i) strategic / constituent benefits; (ii) access to capital; (iii) certainty of closure; and (iv) governance.
February 22, 2001	Strategic Planning Committee CSFB	ς Discussion included (i) review of due diligence findings; (ii) key transaction issues to be considered in evaluating a potential strategic transaction; (iii) side-by-side comparison of key transaction issues related to Atlantic and Pacific; and (iv) analysis of potential competitive responses to either a Chesapeake / Atlantic combination or a Chesapeake / Pacific combination. Committee action.
March 2, 2001	NA	ς Received preliminary bids and mark-up of Merger Agreement from Atlantic and Pacific.

OCC 016238

PROCESS REVIEW (CONT'D)

Date	Attendees	Topic
March 15, 2001	NA	ς Received letters from Atlantic and Pacific clarifying and amending initial proposal dated March 2, 2001.
March 18, 2001	NA	ς Received letter from Atlantic clarifying and amending revised proposal letter dated March 15, 2001.
March 19, 2001	NA	ς Received letter from Pacific clarifying and amending revised proposal letter dated March 15, 2001.
March 23, 2001	Strategic Planning Committee CSFB	ς Discussion included (i) review of revised side-by-side analysis of the Atlantic and Pacific merger proposals; and (ii) desired outcomes analysis. [Committee Action]
March 28, 2001	Dinner with Tom Snead	ς Discussion included potential Atlantic / Chesapeake combination and combined entity's likely future operating strategy.
April 11, 2001	Meeting with Leonard Schaeffer and David Colby	ς Discussion included potential Pacific / Chesapeake combination and combined entity's likely future operating strategy.
April 23, 2001	NA	ς Received best and final proposal from Atlantic
April 24, 2001	NA	ς Received best and final proposal from Pacific

OCC 016239

REVIEW OF PACIFIC PROPOSAL

SUMMARY OF KEY PROPOSED TERMS

The following analysis highlights the key terms of the Pacific proposal, subject to confirmatory due diligence and final negotiation of a definitive agreement.

Price	ς $1.3 billion
Form of Consideration	ς $450 million cash / $850 million stock (minimum cash component of $450 million with option to increase relative cash component up to 100% at closing)
Accounting Treatment	ς Purchase Accounting
Exchange Ratio	ς Fixed price for stock component if Pacific's stock price is above $70 per share; if price falls below minimum, Pacific will issue Subordinated Notes to Chesapeake in place of common stock to maintain the $1.3 billion purchase price
Stock Price Floor	ς Chesapeake has the sole right to terminate if Pacific's average closing stock price in the 20 days prior to closing date falls below $70
Termination Provisions	ς Chesapeake would pay Pacific a $37.5 million termination fee if the agreement is terminated by (i) Chesapeake for a superior proposal; or (ii) Pacific because Chesapeake has breached the agreement and Chesapeake enters into an agreement within 12 months following termination ς Chesapeake has fiduciary out subject to Pacific's right to match competing proposal ς Agreement may be terminated by either party if transaction is not consummated before 3 year anniversary
Representations & Warranties	ς Usual and customary

OCC 016241

SUMMARY OF KEY PROPOSED TERMS (CONT'D)

Board Representation	ς One Director in a total of nine on holding-company board ς Pacific has indicated their intention to invite each current Chesapeake board member to serve an initial two-year term on an advisory board
Management	ς Pacific's organizational structure would be realigned geographically; Eastern Region would extend southward along the east coast at least from Delaware south through and including Georgia ς Chesapeake's CEO would be responsible for Pacific's Eastern Region and would report directly to Pacific's CEO
Headquarters Location	ς Chesapeake's operating company corporate headquarters would not move
Commitment to Chesapeake Prior to Closing	ς Pacific has indicated its willingness to create a joint venture with Chesapeake in Virginia where Pacific would contribute all of its UNICARE members, as well as capital ς Willingness to standby as a source of funding to the extent Chesapeake needs capital between signing and closing of the transaction

OCC 016242

PURCHASE PRICE MULTIPLES

Pacific proposes to acquire Chesapeake for a $1.3 billion Equity Purchase Price

($ in millions)

IMPLIED TRANSACTION MULTIPLES	
Equity Purchase Price	$1,300.0
2001E Net Income (1)	$71.6
2002E Net Income (1)	89.3
Equity Value /:	
2001E Net Income	18.2x
2002E Net Income	14.6x

(1) Source: Chesapeake management. Assumes a 38.0% effective tax rate.

OCC 016243