PACIFIC ACQUISITION HISTORY (CONT'D)

($ in millions)

Date	Target	Location	Purchase Price	Comments
Terminated	**Qualmed Plans for Health of Colorado**	CO	ND	ς Pacific proposed to buy QualMed Plans for Health of Colorado, a unit of Foundation Health Systems ("FHS"), which had approximately 102,000 members and was the seventh largest health insurer in Colorado. The sale was part of FHS's ongoing program to divest itself of unprofitable health plans. Pacific announced the transaction during the same week that Anthem, Inc. announced its intention to acquire Blue Cross & Blue Shield of Colorado and Nevada ("BCBSCN"). Pacific then attempted to outbid Anthem for BCBSCN thereby positioning itself as the largest provider of health insurance in Colorado. Pacific subsequently allowed its letter of intent to expire in September 1999 after its attempt to acquire BCBSCN was unsuccessful.
Terminated	**Blue Cross Blue Shield of Colorado and Nevada**	CO	$266	ς In March 1999, Pacific announced bid to acquire Blue Cross Blue Shield of Colorado and Nevada for $266 million. Previously, BCBSCN, which had approximately 420,000 members in Colorado and 60,000 numbers in Nevada, had agreed to be acquired by Anthem, Inc. for $155 million. Pacific's offer was eventually unsuccessful and Anthem completed its acquisition of BCBSCN in November 1999.
3/97	**John Hancock Group Benefit Operations and Cost Care Inc.**		$90	ς Acquisition of group health and related life business, known as Group Benefit Operations ("GPO") and Cost Care Inc. ("CCI"), of John Hancock Mutual Life Insurance Company. The acquisition contributed approximately 1.3 million medical members to Pacific, as well as nearly 1 million members covered through group life insurance products linked to health coverage, 1.5 million dental members and medical management and utilization services sold to over 650 clients through CCI.
3/96	**Mass Mutual Life and Health Benefits Management Division**		$402	ς Acquisition of the Life and Health Benefits Management Division of Massachusetts Mutual Life Insurance Co. that provided medical services to 1.2 million medical members and operates under the UNICARE brand name.

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RESEARCH ANALYST VIEWS

	CREDIT SUISSE FIRST BOSTON	MERRILL LYNCH	UBS WARBURG
Analyst	Joseph France	Roberta W. Goodman	William McKeever
Report Date	March 16, 2001	February 15, 2001	February 16, 2001
Price	$94.53	$104.90	$101.65
2001 EPS, P/E	$6.05, 15.6x	$6.05, 17.3x	$6.05, 16.8x
2002 EPS, P/E	$6.95, 13.6x	$7.00, 15.0x	$6.95, 14.6x
12-month Price Target	$130.00	$135.00	$127.50
Comments	ς "Pacific is among the strongest positioned of the managed care companies, by virtue of its strong underwriting record, its Blue franchise, its emphasis on open access health plans and its limited exposure to Medicare." ς "Pacific's underwriting excellence is...the result of its indemnity roots and its large staff of actuaries,...skills which will be critical over the coming year, as employers request lower premiums, and benefit buydowns increase." ς "Pacific has the rare ability to construct hybrid health plans...and this flexibility is one of its greatest competitive advantages...and one of the drivers of Pacific's robust same store membership growth."	ς "Pacific's rock-solid fourth quarter earnings results highlights its operating strengths, including product innovation and positioning, underwriting and pricing and capital discipline" ς "With clear momentum entering 2001...Pacific should continue to produce strong, predictable, high-quality earnings growth." ς "Pacific has a strong capital base, and has built strong infrastructure in critical areas...manifesting itself in the Company's steady earnings performance."	ς "With the Cerulean acquisition expected to close in the first quarter and new products being marketed through strong distribution channels...Pacific is poised for solid growth in 2002." ς "Due to its breadth of products...with similar margins on both the higher- and lower- end offerings...Pacific is well positioned if the potential slowdown in the economy should continue." ς "Pacific's ability to increase its cash and reserve position while buying back stock reflects Pacific's strong capacity to generate cash flow, and is one of the reasons why the stock should trade at a premium to the group multiple."
Rating	Buy	Buy	Strong Buy

CREDIT SUISSE | FIRST BOSTON

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CareFirst

Recommendation of the Strategic Planning Committee :

To authorize management to enter into a due diligence and contract negotiation process with WellPoint Health System with the goal of producing a definitive merger agreement and to do such without eliminating consideration for a potential transaction with Trigon

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CareFirst

Definition of Transaction:

It is the sale of all of the assets and control of CareFirst which results in CareFirst becoming a subsidiary company of WellPoint Health System

Strategic Vision

CareFirst

TO BE A LEADING HEALTH CARE COMPANY RECOGNIZED FOR EXCELLING AT SATISFYING CONSUMER NEEDS

1. $8 - $11 billion in revenues producing 15% - 22% annual revenue growth between 1999 and 2003 and serving 4.2 - 6.1 million members
2. Minimum capital of $500M - $600M and $1,000M - $1,100M in excess and contingency capital resulting in a total capital base of $1,500M - $1,700M; underwriting margins of 1% - 2%
3. The top market position in key consumer segments with a diversified portfolio and 3 times the relative market share of the next competitor in the core service area

Imperatives

- Grow revenues
- Expand growth opportunities
- Secure necessary capital
- Enhance market dominance
- Maintain jobs
- Maintain local presence

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