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*Presentation to*

# PROJECT CHESAPEAKE

JULY 2[illegible] 00

OCC 015076

Donaldson, Lufkin & Jenrette

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# EXECUTIVE SUMMARY

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# EXECUTIVE SUMMARY

DLJ is pleased to have the opportunity to discuss the r nge of strategic alternatives available to Chesapeake (the "Company").

- As part of our engagement, DLJ has been asked to un ertake the following tasks on behalf of Chesapeake:
  - Evaluate the operations, historical performance and future rospects of Chesapeake
  - Review the Case for Change analysis presented by Anders n Consulting
  - Assist Chesapeake in analyzing alternatives available to th Company
- On June 1, 2000, DLJ presented its initial findings to th members of the Strategic Planning Committee ("SPC") strongly supporting the Case for Change anal sis put forward by Andersen Consulting
  - During the SPC meeting, members of the committee reque ted that DLJ undertake a review of the range of strategic alternatives currently available to the Company
- Working with Chesapeake's senior management team, )LJ has analyzed several strategic alternatives, including:
  - Maintaining the status quo structure;
  - Pursuing additional strategic affiliations; and
  - Entering into strategic merger transaction while simultane sly converting to a stock corporation

BASED ON OUR ANALYSIS, DLJ BELIEVES THAT CHES PEAKE SHOULD PURSUE A STRATEGIC COMBINATION TO SOLIDIFY ITS POSITION AS THE LEADING HEAL H CARE INSURER IN THE MID-ATLANTIC REGION.

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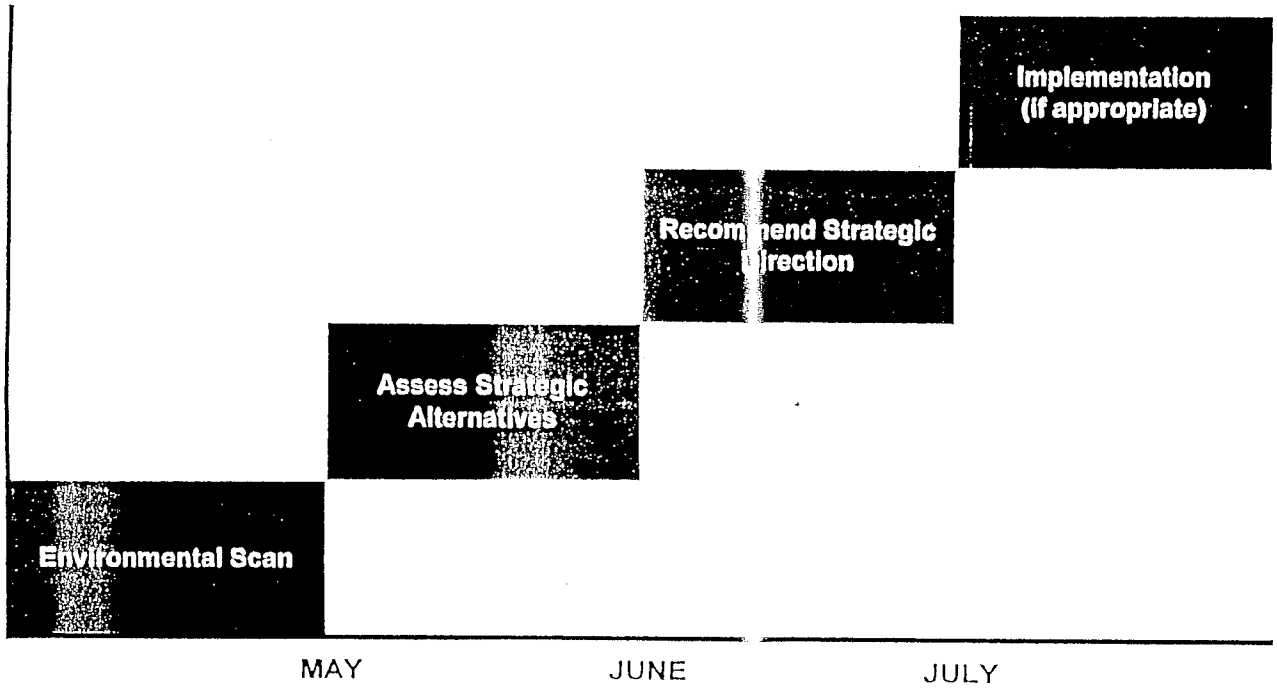
# ENGAGEMENT MILESTONES

During this phase of our engagement, DLJ has analyzed the range of strategic alternatives available to Chesapeake.

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# SUMMARY OF STRATEGIC ALTERNATIVES

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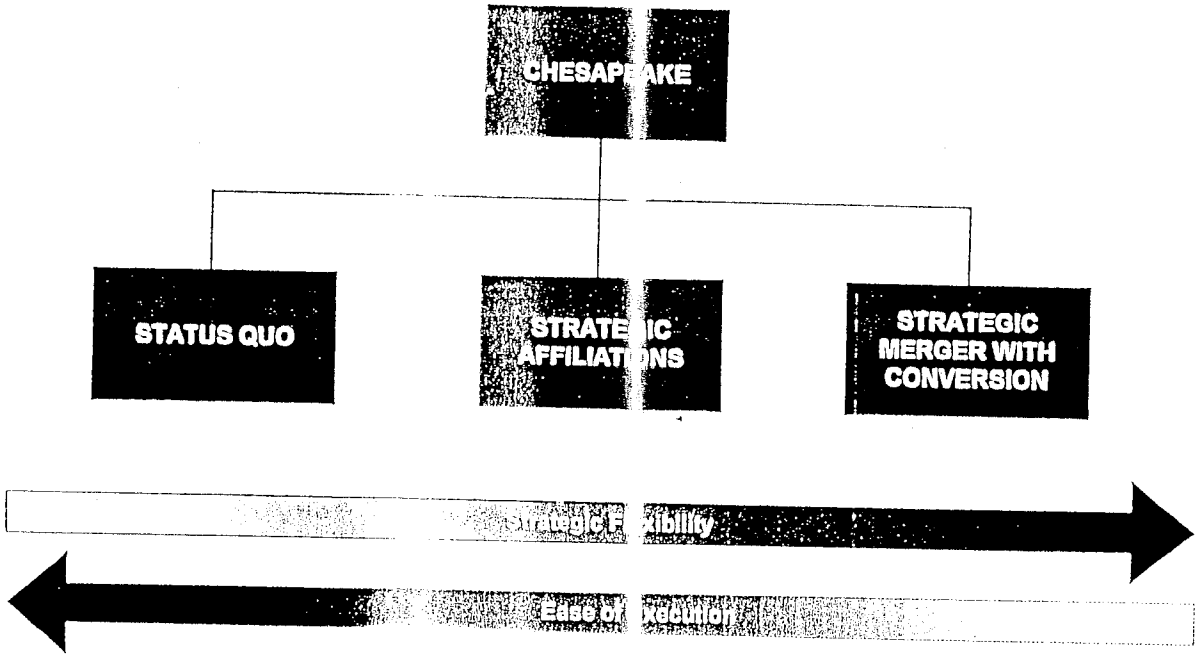
# STRATEGIC ALTERNATIVES

Chesapeake has a wide range of strategic alternatives available to it ranging from maintaining the status quo structure to undertaking a simultaneous strategic merger with conversion.



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# WHY ACT NOW?

DLJ believes very strongly that the pace with which the managed care market is consolidating requires Chesapeake to enact its change strategy immediately.

- Since Chesapeake engaged Andersen Consulting in March 1999, the following significant managed care transactions have taken place:

| Date Completed | Target | Acquiror | Transaction Value ($mm) | Rationale |
|---|---|---|---|---|
| 4/3/00 | Aetna (NYLCare members) | BCBS of Texas | $420 | Consolidation of local market share |
| 5/25/00 | BCBS of Maine | Anthem BCBS | 120 | Consolidation of local market share (with BCBS NH) |
| 3/1/00 | Rush Prudential | WellPoint | 200 | New market expansion |
| 11/16/99 | BCBS of Colorado | Anthem BCBS | 165 | New market expansion |
| 10/27/99 | BCBS of New Hampshire | Anthem BCBS | 120 | New market expansion |
| 8/6/99 | Prudential Healthcare | Aetna | 1,000 | Consolidation of local market share (with US Healthcare) |

- Moreover, it is important to note that five of the six transactions listed involved BCBS plans

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