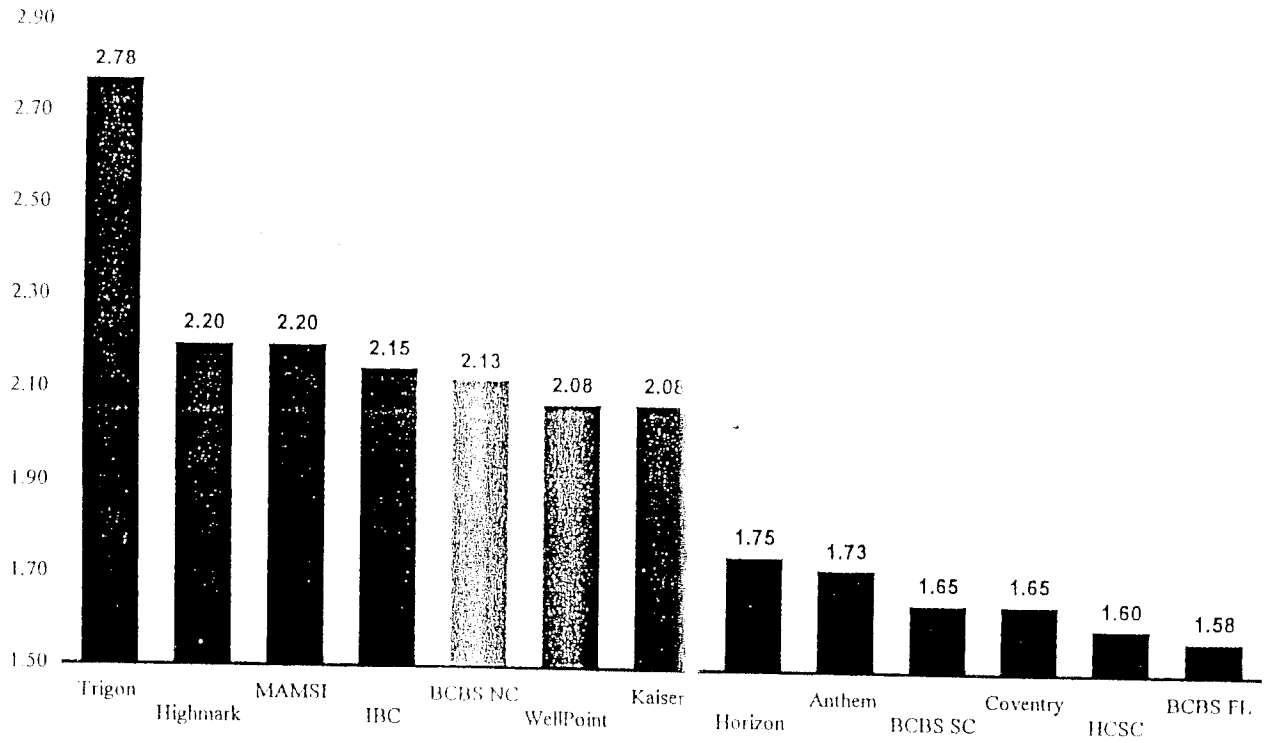
SUMMARY EVALUATION OF PO' 'ENTIAL PARTNERS (CONT'D)

The following graph reflects the relative attractiveness o each potential partner based on the eleven evaluation criteria and weighted according to importance.



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SUMMARY RECOMMENDATIONS

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SUMMARY RECOMMENDATIONS

After review of Chesapeake's operational and financial targets, strategic alternatives, and potential strategic partners, DLJ believes that a combination with Trigon represents the Company's best current strategic alternative.

Trigon Attributes

- Adjacent markets permit creation of regional leader with high brand awareness and penetration rates
- Significant marketing and revenue synergies in rapidly consolidating northern VA market (*i.e.* Route 123 corridor)
- Public company access to capital
- Size significantly large to have a meaningful impact on Chesapeake's market position
- Depending on form of consideration (all cash, cash and stock, all stock) Chesapeake management and Board of Directors would likely retain significant influence over combined entity
- BCBSA licensee

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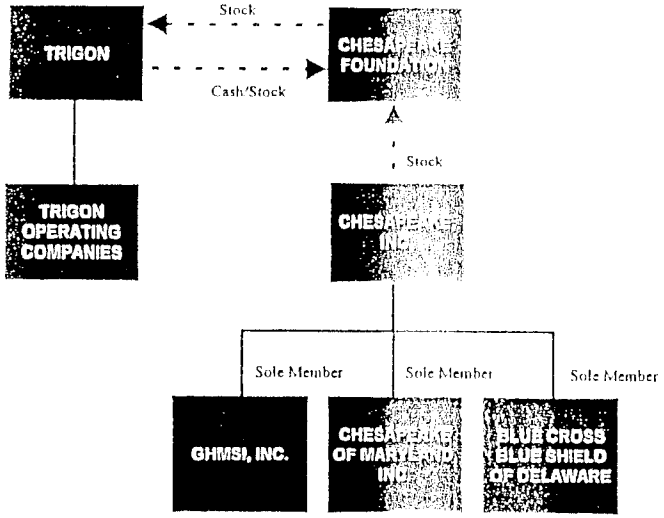
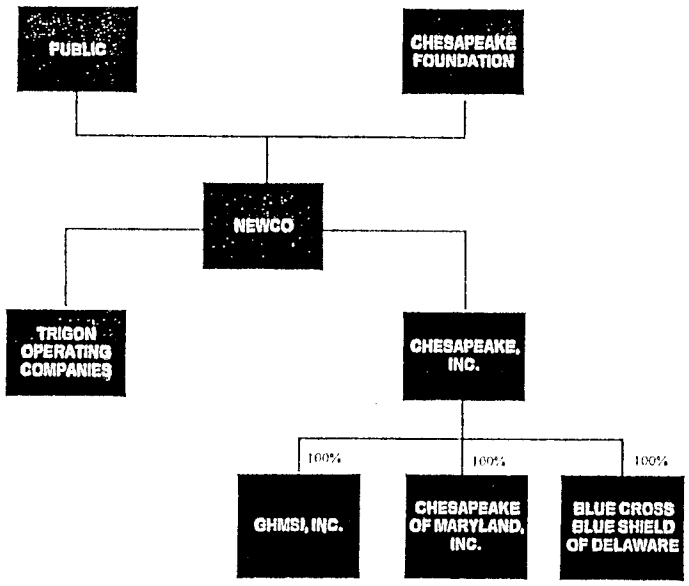
HOW COULD A TRANSACTION WITH TRIGON BE STRUCTURED?

In the most likely scenario, Chesapeake would simultaneously convert to a stock-corporation and enter into a stock and/or cash merger with Trigon.

Current Structure



Post-Merger



Note: A single Chesapeake Foundation is used by way of example. Most likely structure would entail the use of existing or newly-formed foundations in MD, DC and DE.

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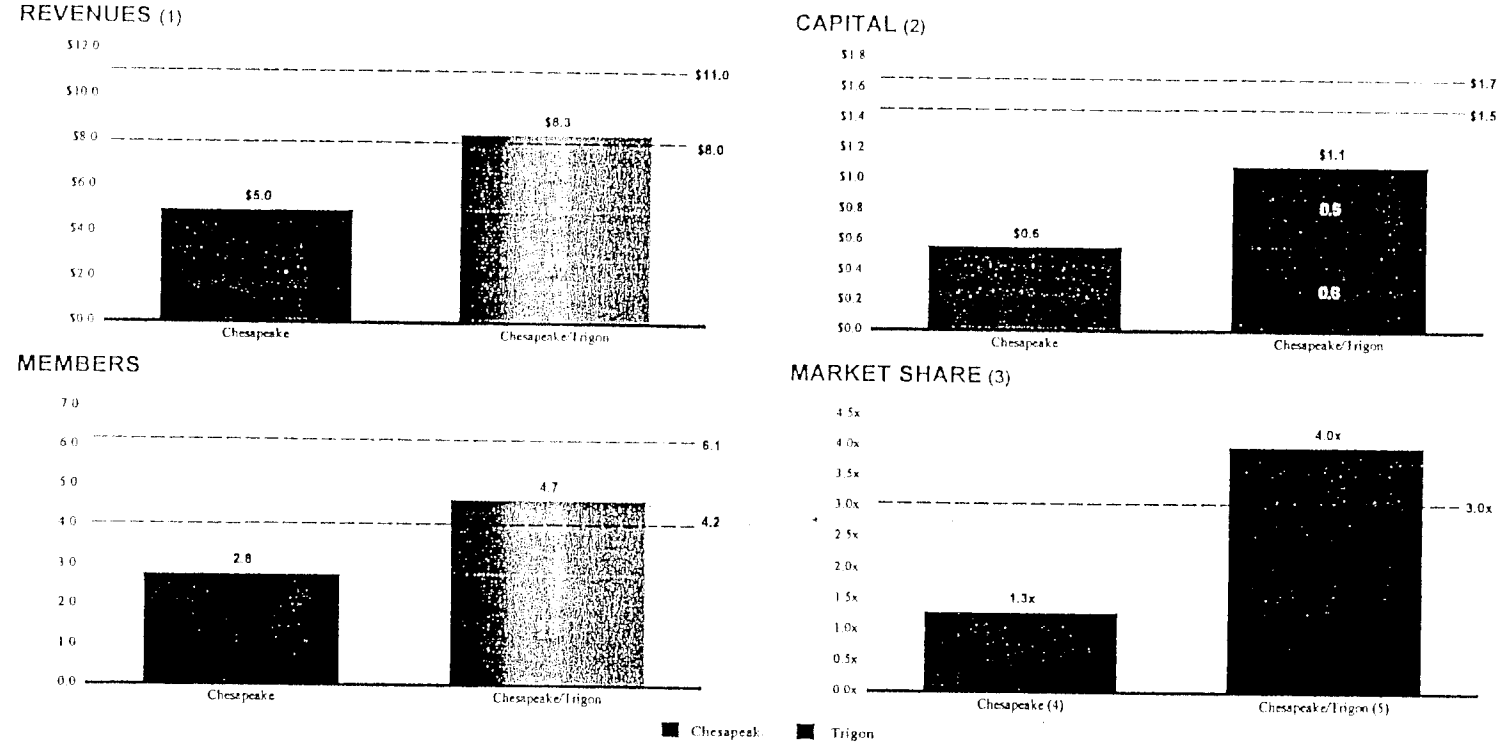
WOULD A MERGER ADDRESS OUR STRATEGIC GOALS?

By most measures, a combination of Chesapeake with Trigon would allow the Company to realize significant progress toward its strategic goals.

($ in billions and members in millions)



Note: Dotted lines represent target.
(1) Based on premium equivalents.
(2) Based on statutory amounts.
(3) Comprised of MD, DE, DC and VA. Source: NRC data.
(4) Represents market share as a multiple of its next largest competitor (Trigon).
(5) Represents market share as a multiple of its next largest competitor (Aetna).

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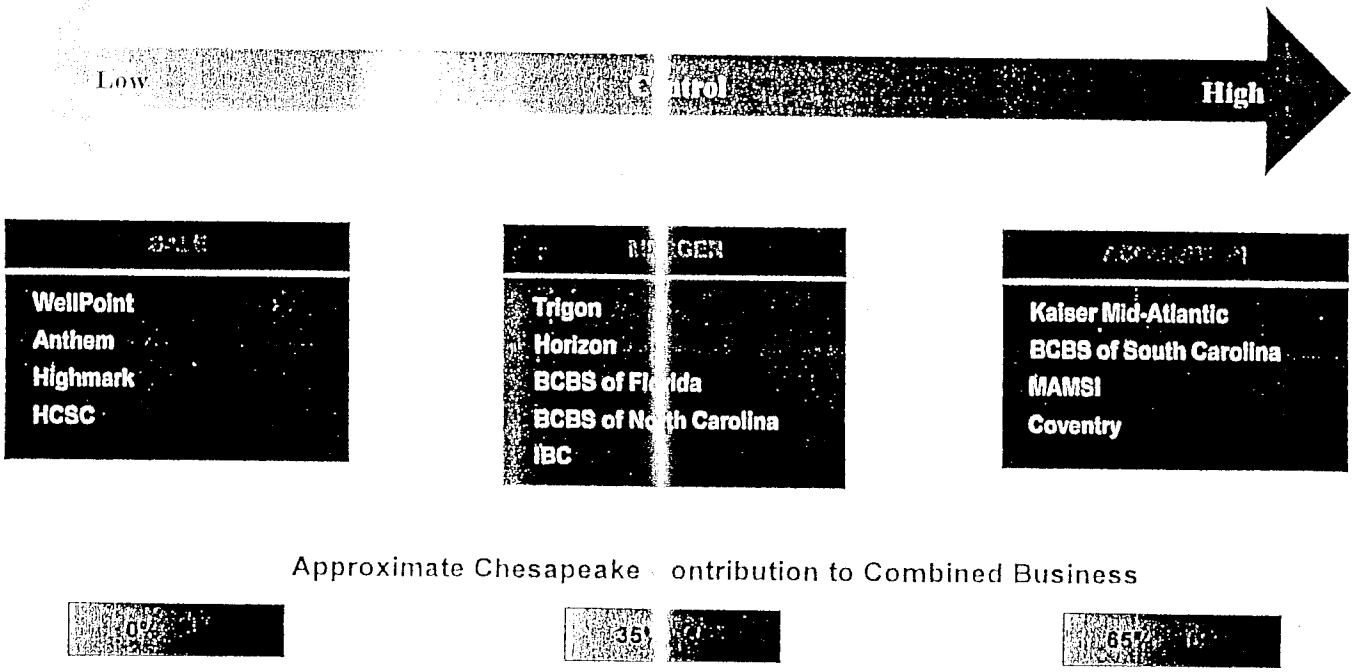
ARE WE JUST SELLING OUT TO TRIGON?

Given the current market dynamics, Chesapeake's Board of Directors and management would have a very significant voice in determining the future of the combined entity.

- However, if Trigon pursues a transaction with another plan (such as WellPoint or BCBS of North Carolina) prior to combining with Chesapeake, this influence will be substantially reduced.



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WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF A TRANSACTION WITH TRIGON?

DLJ believes that a combination with Trigon offers many important strategic advantages.

Advantages

- ▲ Adjacent markets permit creation of regional leader with high brand awareness and penetration rates
- ▲ Significant marketing synergies in rapidly consolidating northern VA market currently being targeted by Trigon
- ▲ Public company access to capital
- ▲ Chesapeake management and Board of Directors would likely retain significant influence over combined entity depending on form of consideration (cash, cash and stock, or all stock)
- ▲ Strong membership growth and historical operating results
- ▲ Strong economy of scale benefits and significant provider leverage
- ▲ Solid information system and mature physician relationship helps contain medical costs below national averages
- ▲ Success in capitalizing on its cost position relative to its competitors
- ▲ Trigon management team is experienced with BCBS conversion process
- ▲ BCBSA licensee

Disadvantages

- ▼ Favorable fixed-fee provider arrangements and fee schedules may prove difficult to renew
- ▼ Potential loss of control
- ▼ BCBS Association issues and constraints
- ▼ Time consuming process with high probability of significant media, political and regulatory scrutiny

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WHAT IF WE CAN'T DO A DI AL WITH TRIGON?

If Chesapeake is unable to strike a deal with Trigon, It s ould attempt to execute a strategic transaction with either Highmark or MAMSI.

Highmark Attributes

- Management has expressed a willingness to consider a transac on
- BCBSA licensee
- Transaction could take many forms but would likely entail eit r (i) an affiliation; or (ii) a simultaneous merger with conversion
- Significant size would position combined entity to be the leadi g Mid-Atlantic BCBS plan consolidator

MAMSI Attributes

- Eliminates attractive acquisition which might otherwise be acq ired by a large national managed care plan (*i.e.* Aetna, CIGNA, etc.)
- Builds market share in core market
- Reverse merger structure could give Chesapeake public compa y access to capital
- Ability to "Blue" brand a significant portion of acquired memb rship
- Chesapeake management and Board of Directors would contro combined entity

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