WHAT ARE THE LIKELY NEGOTIATING POINTS?

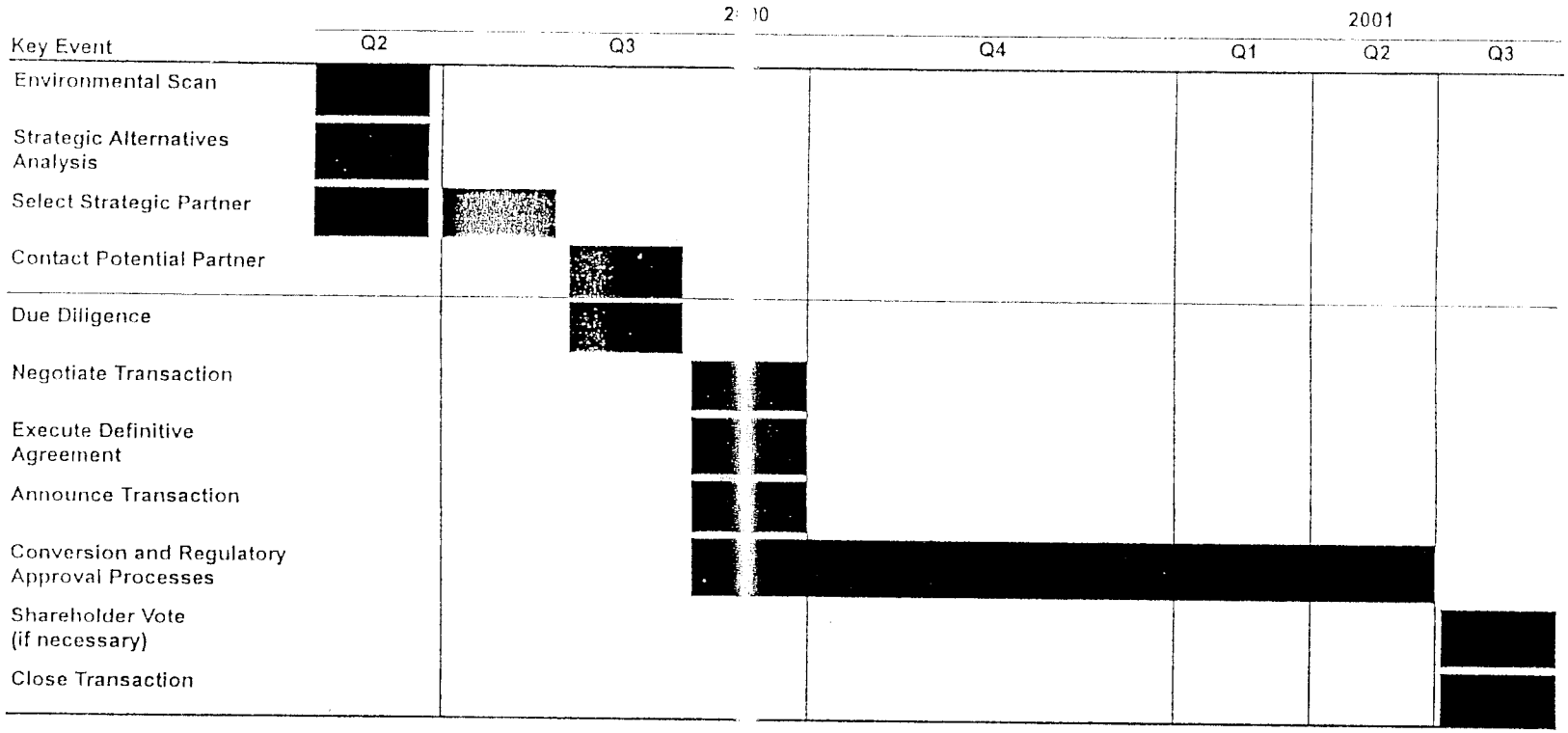
The following is a summary outline of potential negotiati[illegible]g issues that may arise during the course of discussions with a strategic partner.

Economic	Non-Economic	Other
ς Price	ς Caps	ς Hea[illegible]quarters location
ς Form of consideration	ς Collars	ς Mar[illegible]gement composition
	ς Representations	ς Boa[illegible] of Directors composition
	ς Warranties	ς Con[illegible]ensation structure
	ς Termination fee	ς Org[illegible]izational/reporting structure
	ς Exclusivity period	ς Loc[illegible]ion of employees and facilities by state
		ς Con[illegible]nued service of certain market segments

OCC 015116

HOW LONG WILL A DEAL TAKE?

The following schedule lays out the possible timing of [illegible] strategic combination transaction. However, the ability to meet this schedule will be governed largely by the con[illegible]ersion and regulatory approval processes.



OCC 015117

HOW LONG HAVE OTHER TRANSACTIONS TAKEN?

The table below outlines how precedent transactions have established a well-understood "roadmap" to conversion and merger processes that has resulted in a declining time line.

	Announcement	Closing	Comments		Timeline
BCBS of Maine	7/1999	5/2000	BCBS ME announced in July 19 million transaction resulted in th health care to the state's less fort the transaction, which was compl	that they intended to sell the company to Anthem. The $120 establishment of a foundation worth over $80 million to provide ate residents. On May 25, 2000, the Bureau of Insurance approved ed on June 5, 2000.	10 months
BCBS United of Wisconsin	6/1999	3/2000	BCBSUW announced its intentio negotiations with various stakeh conversion approval from the Wi	to convert to a stock corporation in May 1999. Following ler groups and state regulatory agencies, BCBSUW, received onsin State Insurance Commissioner in March 2000.	11 months
BCBS of New Hampshire	1/1999	10/1999	In January of 1999 Anthem, Inc. BCBSNH and its subsidiary, Mat the framework of an agreement t MTHP. Anthem paid approxima Approximately $80 million, wen New Hampshire residents. The t	nounced its intent to negotiate a definitive agreement with ew Thornton Health Plan ("MTHP"). The companies mapped out t resulted in Anthem purchasing the assets of BCBS NH and y $120 million to BCBS NH for the assets of the plan. nto a charitable foundation dedicated to benefit the health care of nsaction closed in October of 1999.	9 months
BCBS of Colorado	1/1996	11/1999	BCBS CO initially commenced t filed for a one-year delay due to and the Company's recent deteri to be acquired by Anthem for $1 WellPoint Health Networks mad November 1999, BCBS CO was	conversion process in January 1996. In June 1998, BCBS CO latility in the managed care industry, the rising costs of conversion tion in financial performance. In March 1999, BCBS CO agreed million. Subsequent to reaching the agreement with Anthem, competing bid for BCBS CO of $200 to $240 million. In quired by Anthem.	3.8 years
Empire	11/1995	Pending	Empire initially requested approv Since that time, the conversion p office and the Department of Ins General in November 1998. The acceptable agreement and Empir offering in early 2001.	for conversion from the state regulators in November 1995. cess has been under ongoing review by the Attorney General's ance, and has been delayed by the election of a new Attorney arious constituencies are continuing to negotiate a mutually currently expects to complete of its conversion and initial public	4.5 years

OCC 015118

HOW LONG HAVE OTHER TRANSACTIONS TAKEN? (CONT'D)

	Announcement	Closing	Comments		Timeline
Trigon	6/1994	1/1997	BCBS VA initially c	nverted into a non-profit, policyholder-owned mutual insurance company in 1987, a l subsequently demutualized into a stock company re-named Trigon Insurance in 994. Following a settlement with various stakeholders, Trigon contributed $175 mi ion to the Commonwealth of Virginia in March 1996. Trigon completed a $201 m lion initial public offering in January 1997 and simultaneously issued 24.5 million ditional shares to policyholders as part of the demutualization.	2.5 years
RightCHOICE	Late 1993	Pending	RightCHOICE's Bo	d of Directors approved plan of conversion in late 1993 and subsequently compl ed a $35.8 million initial public offering on August 1, 1994. After a five year legal bat , BCBS MO received final approval to convert to a for-profit entity in September 998. In March 1999, RightCHOICE and various stakeholders reached consensus o an amended conversion settlement agreement. Implementation of the amended agreen nt was further delayed until January 2000, when BCBS MO announced further a endments and the dismissal of the underlying court challenge. RightCHOICE plan o complete its conversion by the summer of 2000.	6.5 years
WellPoint	1/1993	9/1995	WellPoint spun off i	healthcare operations in a $380 million IPO in January 1993. Following the IPO, itics accused WellPoint of circumventing state laws that require it to compensate the st e by an amount equal to its value when it converted from not-for-profit to for-profit. September of 1994, WellPoint announced its intention to transfer nearly all of its $2 b ion in assets to a charitable foundation. Received final approval from the Departmen of Corporation for the merger and conversion of Blue Cross of California in Septen er 1995.	2.8 years

APPENDIX

OCC 015120

BCBSA CHANGE OF CONTROL RULES

The BCBSA License Agreement specifically allows Blue plans to convert and operate as for-profit, stock corporations, provided they adhere to the following pro isions (amongst others):

- No use of Blue service mark or name in the converted l lan's legal name
- The license automatically terminates:
  - 30 days after any Institutional Investor beneficially owns > 0% of the voting power of the Plan
  - 30 days after any Non-Institutional Investor beneficially ov ıs >5% of the voting power of the Plan
  - 30 days after any person (or persons "acting in concert") be eficially own >20% of the entire equity of the Plan
  - 10 days after "Continuing Directors" (including their nomi es/successors) cease to constitute a majority of the Board of Directors of the Plan
  - 10 days after a merger with, or sale to, a non-Blues entity
- However, these automatic termination provisions may l waived, in whole or in part, by a majority vote of the disinterested member Plans

OCC 015121

BCBSA CHANGE OF CONTROL RULES (CONT'D)

The following points provide a roadmap to BCBSA approval in a change of control transaction:

- Should the converting Plan choose to establish a foundation as initial majority owner, the following "package" of protections can be relied upon (in its entirety only) to secure BCBSA waiver of the ownership limits
  - Plan must remain in full compliance with BCBSA rules and standards (except the ownership limit)
  - Foundation must reduce its ownership to <80% of the total stock of the Plan within one year of conversion
  - Foundation must have no involvement in the nomination and voting for the Plan's Board of Directors; a Voting Trust must be established with prescribed voting rules to ensure the Foundation does not influence or control the Plan
  - Foundation's Board must be free from influence from government or special-interest groups
  - Foundation must be the only holder of more than 5% of the Plan's stock
- Any different group of governance provisions will need to be considered and voted on by the Plan Performance & Financial Standards Committee ("PPFSC") and the full Board of the BCBSA.
  - The converting Plan must submit its proposed governance structure to the BCBSA Board for approval by a majority of the disinterested members by number and current weight
  - Approval is evidenced by a resolution to waive the ownership limits, subject to certain conditions (such as those above, for example)

OCC 015122