Taylor IV, William - BALTO

From: Robert.Kelly [Robert.Kelly@wellpoint.com]
Sent: Tuesday, May 22, 2001 12:46 PM
To: 'jay.smith@piperrudnick.com'; 'billie.grieb@piperrudnick.com'; 'william.taylor@piperrudnick.com'
Cc: Robert.Glaser; Thomas.Geiser; Carol.Burt; 'g_horowitz@stblaw.com'; 't_lamacchia@stblaw.com'
Subject: Term Sheet re Notes

BofA.ppt

Jay, Billie and Will:

As we discussed during our last conference call, I am attaching a proposed summary of terms for the Subordinated Notes. Once we have reached general agreement on the terms, we would anticipate drafting a form of Note to be attached to the Agreement and Plan of Merger as an exhibit. I would appreciate if you would forward the term sheet to John Picciotto and any other appropriate persons at CareFirst or its advisors. We look forward to receiving your comments.

OCC 009559

Project Congress

Indicative Summary of Terms: Privately Placed Subordinated Notes

OCC 009560

Indicative Summary of Terms: Privately Placed Subordinated Notes

Issue:	Unsecured Subordinated Notes (the "Notes").
Issuer:	Water
Amount:	TBD
Price:	100%
Maturity:	5-year or 7-year bullet maturity (callable at any time).
Interest Rate:	See attached pricing based on maturity.
Interest Payments:	Interest will be payable semi-annually in arrears, calculated on the basis of a 360-day year of twelve 30-day months.
Method of Distribution:	The Notes will be offered as a private placement and will not be registered under the Securities Act of 1933. Holders will not be able to sell the Notes without Water's consent.
Priority:	The Notes will be subordinated and rank junior in rights of payment to all existing and future indebtedness, other than indebtedness in the future that by its terms is pari passu.
Redemption:	The Notes will be redeemable at the Company's option in whole or in part at any time at par (plus accrued and unpaid interest to the date of redemption)

OCC 009561

Indicative Summary of Terms: Privately Placed Subordinated Notes

Covenants:

These covenants will be consistent with covenants included in Water's zero coupon convertible subordinated debentures due 2019, including the following:

The Notes will be subordinate in right of payment to the holders of all existing and future Senior Indebtedness. Subordination of the debentures will not prevent the occurrence of any events of default under the Notes.

Upon any distribution of assets of the Company, and upon any

- dissolution,

- winding up,

- voluntary or involuntary bankruptcy,

- insolvency,

- liquidation,

- reorganization,

- receivership,

- similar proceeding relating to the Company or its property or

OCC 009562

Indicative Summary of Terms: Privately Placed Subordinated Notes

Covenants:

-an assignment for the benefit of creditors or any marshaling of the Company's assets or liabilities,

the holders of Senior Indebtedness will be entitled to receive payment in full before the holders of Notes will be entitled to receive any payment with respect to the Notes.

The Company may not make any payment on the Notes if:

(1) a default in any payment obligations in respect of Designated Senior Indebtedness occurs and is continuing, without regard to any applicable period of grace, whether at maturity or at a date fixed for payment or by declaration or otherwise; or

(2) any other default occurs and is continuing with respect to Designated Senior Indebtedness that permits holders of the Designated Senior Indebtedness as to which the default relates to accelerate its maturity and the trustee receives a notice of the default, also referred to as a payment blockage notice, from a representative for any issue of Designated Senior Indebtedness.

OCC 009563

Indicative Summary of Terms: Privately Placed Subordinated Notes

- Assumes Baa2/BBB+ rated security

	5 -Year	7 -Year
Reference Treasury Yield	4.99%	5.29%
Reoffer Spread	T+ 237.5 bps	T+ 237.5 bps
Reoffer Yield	7.37%	7.67%

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