

Project Badger Appraisal Committee

Conversion Resource Book

February 15, 2000

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Disclaimer:

Pursuant to Section 20.2 of the Agreement between Deutsche Bank Securities Inc. (as Contractor) and the Office of the Commissioner of Insurance, Contractor is, in the performance of this Agreement, using and relying on publicly available information and data, material and other information furnished to it by OCI, BCBSUW and other parties. Accordingly, Contractor is relying upon this publicly available information and other information furnished without independent verification.

Section 1

Cross-Reference Table

Cross-Reference Table: DBAB work plan/conversion resource book

Workplan Issue	Location
1) Will the Foundation's ownership of 100% of the issued and outstanding common stock of UHG constitute the full value of BCBSUW? a) provide data on industry norms for shares issued/outstanding; identify companies with ability to issue blank check preferred; and provide assessment of UHG capital structure b) provide data on equity price performance of IPOs, Follow-Ons c) provide examples of issuance of blank check preferred stock; summarize costs of liquidation alternatives and stock offerings; and summarize "best practices"	a) Section 5 (P 38) Section 5 (P 38) Committee Report b) Section 8 (P67) c) Section 5 (P 38) Section 6 (P 50) Section 7 (P 54)
2) Impact of divestiture schedule on Foundation's ability to realize fair and reasonable value for UHG stock a) contact Mark Orloff at BCBSA b) provide comparison of sell-down schedules for other converted Blues Plans	a) completed; Section 2 b) Section 3 (P 26)
3) What effect do the governance provisions required by BCBSA have on the value of UHG common stock? a) review Blues' and non-Blues' articles of incorporation and anti-takeover provisions b) review Foundation's ability to solicit inquiries to sell UHG; discuss w/BCBSA, compare to Blues c/d) review Foundation's ability to sell via private placement and UHG option to buy, compare to Blues e) review Foundation's lack of pre-emptive right to buy new UHG stock, compare to Blues f) ability to issue stock options; review other Blues' Plans g) BCBSA investor ownership limits; review other Blues' Plans	a) Sections 3 & 4 b) Section 3 (P 24) c/d) Section 3 (P 29-31) e) Section 3 f) Section 5 (P 39-40) g) Sections 2 & 3
4) What is the value of the Blue Cross & Blue Shield service marks? a) provide comparable equity trading statistics for Blues and non-Blues	a) Committee Report

Cross-Reference Table: DBAB work plan/conversion resource book (continued)

Workplan Issue	Location
5) What effect can past and present transactions between/among BCBSUW affiliates have on value of UHG? Review historical inter-/intra-company transactions from Form D filings; discuss same with BCBSUW, UWS and DLJ (as applicable); review same with OCI; quantify economics of identified transactions for/against BCBSUW (past and present). Items considered include: <ul style="list-style-type: none"> a) value received for subsidiaries transferred b) consideration for reinvestment of cash dividends prior to 3/95 c) transfer of employees d) consideration for credit guarantees and inter-company loans e) investment in subsidiaries via capital contributions f) impact of inter-company service agreements g) impact of large shareholders in UWS and AMZ; provide shareholder lists for Blues, UWS and AMZ 	<ul style="list-style-type: none"> a) Sections 9 & 10 b) Sections 9 & 10 c) Sections 9 & 10 d) Sections 9 & 10 (P 106-7) e) Sections 9 & 10 f) Sections 9 & 10 (P 99) g) Section 8 (P 85)
6) What are the principle alternatives available to the Foundation to monetize its UHG stock? <ul style="list-style-type: none"> a) summarize Foundations alternatives; list costs, advantages and disadvantages b) report on data (if available)to support valuation differentials for "captive" equities 	<ul style="list-style-type: none"> a) Section 6 (P 42-52) b) unavailable
7) What are the current conditions in the equity marketplace for managed care companies? <ul style="list-style-type: none"> a) provide overview of managed care equity market plus periodic updates b) provide comparable P/E, P/B etc. ratios for Blues and non-Blues 	<ul style="list-style-type: none"> a) Committee handouts b) Section 11
8) Are there any restrictions that should be imposed/removed to improve likelihood that fair and reasonable value is realized by Foundation? <ul style="list-style-type: none"> a) review the transaction as a whole and make recommendations as appropriate 	<ul style="list-style-type: none"> a) Committee Report

Section 2

BlueCross BlueShield Association overview

BCBSA governance structure

- BlueCross BlueShield Association (“BCBSA”) is a national non-profit organization that owns the rights to the Blue Cross and Blue Shield service marks
- BCBSA is ultimately governed by its Board of Directors, which consists of the Chief Executive Officers of all the Blue Cross and Blue Shield Plans nationwide (currently some 50 Plans)
- Certain rights are delegated to the Plan Performance & Financial Standards Committee (“PPFSC”), including periodic financial and service reporting and monitoring
- The Board meets four times each year (for regular meetings). Proposals to the Board require approval by three-quarters of the member Plans by number and three-quarters of the member Plans by current enrollment weighting.⁽¹⁾
- The Board has to review and approve proposed conversion plans based on recommendations from the PPFSC, which reviews the particulars of each plan and any subsequent amendments

(1) Certain Board proposals, such as waiver of 9(d)(iii) of License Agreement Limit on ownership require only a majority of the disinterested member Plans.

The Five “C”s of the BCBSA

BCBSA requires all Plans to adhere to the following commitments:

BCBSA Objective

- Commitment to the nationwide provision of quality cost effective health care services to the public

- Commitment to excellence in service and financial stability

- Commitment to independence from special interest groups

- Commitment to local focus and presence

- Commitment to promoting and enhancing the value of the Blue brands

Achieved by:

- Geographically exclusive licenses
- BCBSA ability to terminate license for failure to meet BCBSA standards
- Requirement that all licenses participate in national programs (such as Blue Card and HMO Blue) and national infrastructure (such as ITS)

- Minimum service standards (“Membership Standards”)
- Minimum capital adequacy benchmarks
- Periodic business and financial reporting to BCBSA

- Ownership limits and divestiture requirements
- Restrictions on constitution of Board of Directors
- Controlled voting rules for foundation owners of public Blues Plans

- Geographically exclusive licenses

- Variety of service mark regulations
- Controlled affiliates must (a) be truly “controlled” and (b) abide by applicable BCBSA rules and standards

Specific BCBSA license provisions for for-profit Plans

The BCBSA License Agreement specifically allows Blues Plans to convert and operate as for-profit, stock corporations, provided they adhere to the following provisions (amongst others):

- No use of Blue service mark or name in the converted Plan's legal name
- The license automatically terminates:
 - 30 days after any Institutional Investor beneficially owns >10% of the voting power of the Plan
 - 30 days after any Non-Institutional Investor beneficially owns >5% of the voting power of the Plan
 - 30 days after any person (or persons "acting in concert") beneficially own(s) >20% of the entire equity of the Plan
 - 10 days after "Continuing Directors" (including their nominees/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 be waived, in whole or in part, by a majority vote of the disinterested member Plans (by number and by weight)

Specific BCBSA license provisions for for-profit Plans (continued)

However, based on the precedent transactions (RIT, Empire, WLP, TGH), BCBSA is today representing⁽¹⁾ that the following “package” of protections (which is essentially the RIT conversion plan) can be relied upon (in its entirety only) to secure BCBSA waiver of the ownership limits, should the converting Plan choose to establish a foundation as initial majority owner:

- 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 1 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 PPFSC and the full Board of 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 Section 9(d)(iii) ownership limits, subject to certain conditions (such as those above, for example).

(1) BCBSA letter to Foley & Lardner dated 11/15/99 and subsequent Deutsche Banc Alex. Brown meeting with BCBSA

Summary of Blues conversion Plans

	BCBSUW	RIT	Empire*	WLP	TGH ⁽¹⁾
Date	1999/2000	1999/2000	1996/2000	1996	1996/1997
Structure	100% of stock to Foundation plus \$2m in cash	80% of stock plus \$12.78m to Foundation	100% of stock to Foundation	80% of stock plus cash payments of \$250m and \$800m to two Foundations	\$175m one-time cash payment
Transaction summary	BCBSUW converts to stock corporation, contributes 100% of initially issued stock to Foundation. There is no immediate planned liquidity event for the Foundation.	RIT initially converts to stock corporation, issues 20% of stock in IPO, then subsequently contributes cash plus remaining stock to Foundation	Empire converts to stock corporation, contributes 100% of initially issued stock to Foundation, plans immediate \$100m IPO of Foundation's stock plus newly issued stock No directors or employees may be granted stock options for up to one year after the IPO, and then only at current market price	WLP converts to stock corporation, issues 20% of stock in IPO, then subsequently contributes cash plus remaining stock to two Foundations	Demutualization with subsequent cash payment to state of VA

(1) Trigon was a demutualization

* Note: continued uncertainty surrounds the status of the Empire restructuring. DBAB has reviewed the amended Plan of Restructuring, as filed in 1999 with the NY Insurance Department and the NY Attorney General. The NYID approved the restructuring in December 1999; the AG has yet to do so. In addition, the restructuring plan (as filed with the NYID and AG and as summarized in this DBAB Conversion Resource Book) contains several provisions that are at odds with the 1999 BCBSA Empire resolution (for example, the plan calls for a 10-year divestiture schedule and the ability of the foundation to always hold up to 20% of the Empire stock, while the BCBSA resolution clearly calls for a 5-year schedule with a 5% maximum ownership stake).

BCBSUW conversion plan organization summary

Proposed organization structure	Purpose	Governance structure
501(c)(4) Foundation (no stock)	<ul style="list-style-type: none"> ■ Specific purpose, tax-exempt, limited life foundation ■ Holds 10m (i.e., 100%) initially issued common shares of Holding Corp. 	<ul style="list-style-type: none"> ■ New Articles of Incorporation and by-laws ■ New Board of Directors (9 members)
Holding corporation <ul style="list-style-type: none"> ■ 50m authorized Common Shares, 10m Issued ■ 1m authorized Preferred Shares 	<ul style="list-style-type: none"> ■ Holds all 10,000 shares of Stock Insurance Corp. 	<ul style="list-style-type: none"> ■ New Articles of Incorporation and by-laws ■ New Board of Directors consisting of all old Service Insurance Corp.'s directors
Stock insurance corp. (old service insurance corp.) <ul style="list-style-type: none"> ■ 10,000 Common Shares Authorized and Issued, \$1.00 par value 	<ul style="list-style-type: none"> ■ Operating insurance entity ■ Assumes all assets and liabilities and organization date of old service insurance corp. ■ Continues to hold the equity in UWS and AMZ 	<ul style="list-style-type: none"> ■ Amended/Restated Articles of Incorporation and Amended/Restated by-laws ■ New Board of Directors (officers only)

Section 3

Comparison of converted Blue Plans' governance structures

Holding companies' articles of incorporation

Item	BCBSUW	RIT	Empire	WLP	TGH
Number of Directors	Nine (9): 1 insider	Seven (7): 1 insider	Minimum Three (3): 1 insider (President)	Nine (9): 1 insider	Fifteen (15): 2 insiders
	<ul style="list-style-type: none"> ■ 80% must be Independent ("Independent" means a current Director or a Director not affiliated/ sponsored by Foundation or Excess owner)¹ ■ Shareholders (excluding Foundation) can nominate subject to the above 	<ul style="list-style-type: none"> ■ 80% must be Independent ("Independent" means a current Director or a Director not affiliated/ sponsored by Foundation or Excess owner)¹ ■ Shareholders (excluding Foundation) can nominate subject to the above 	<ul style="list-style-type: none"> ■ 50% must be Independent ("Independent" means directors who are not employees of Empire and are not affiliated with any stockholder who holds stock in excess of the applicable ownership limits)¹. Foundation directors cannot serve. 	<ul style="list-style-type: none"> ■ Nominating Committee of Board has 3 members (one is a BCC and the other two are non-BCC Designees): all nominating committee members are independent until Foundation owns <5% and 1 must be an ex-director of Blue Cross CA ■ Shareholders (excluding Foundation) can petition Nominating Committee 	<ul style="list-style-type: none"> ■ 2 (1 from each list) directors are selected from a 3 nominee list proposed by the VA A.G. and a 3 nominee list proposed by the VA General Assembly ■ Directors can also nominate with the recommendation of the nominating committee as can shareholders

¹ The BCBSA license agreement requires only 50% to be Independent

Holding Companies' articles of incorporation

(continued)

Item	BCBSUW	RIT	Empire	WLP	TGH
Directors	T. Bausch, J. Forbes T. Hefty, J. Hickman M. Joyce, D. Muench D. Ness MD, J. Steiger K. Viste MD	J. O'Rourke, N. Tice, G. White, E. Harbison Jr., W. Bush, R. Porter PHD, R. Evens MD	Identical to existing Empire Board	L. Schaeffer, W. Toliver Besson, J. Hill, R. Birk, S. Burke, S. Davenport, E. Sanders. There were 2 vacancies as of the May 1999 proxy statement.	T. Snead, H. Stallard, H. Andrews, R. Smith, N. Davis, J. Ward, R. Freeman, W. Harvey PHD, G. Jobson, L. Baker, MD, J. Candler, D. Nolan MD, W. Powell, S. Williamson, J. Quarles
Classified Board	Yes; three year terms; 3 members per class	Yes; three year terms; 3 members per class	Yes; three year terms; 1/3 of members per class	Yes; three year terms; 3 members per class	Yes; three year terms; 5 members per class
Voting	Quorum = majority Action = majority of voting Director election = plurality, but subtract votes against first	Quorum = majority Action = majority of voting Director election = plurality, but subtract votes against first	Quorum = majority Action = majority of voting Director election = plurality	Quorum = majority Action = majority of voting Director election = plurality	Quorum = majority Action = majority of voting Director election = plurality
Removal of directors	Must be for cause and with vote of 75% of common (cause = felony or proven gross negligence)	Must be for cause and with vote of 75% of common (cause = felony or proven gross negligence)	50% of the stockholders required, with or without cause: 2/3 of the directors may remove a director with cause	50% of common vote required, but not if # votes against removal could elect if voted cumulatively	Must be for cause and with vote of 50% of common
Special shareholder meetings	Only if called by Chairman, CEO, President or IBM ⁽¹⁾ Only business approved by Chairman, President or IBM ⁽¹⁾ can be brought	Only if called by Chairman, President or Board Only business approved by Chairman, President or IBM can be brought	See by-laws	Only if called by Chairman, CEO, President or IBM	Only if called by Chairman, President, Board majority, or 10 percent of shareholders

(1) IBM = independent Board majority; BM = Board majority

Holding Companies' articles of incorporation

(continued)

Item	BCBSUW	RIT	Empire	WLP	TGH
Transfer restrictions	<ul style="list-style-type: none"> ■ No Institutional Owner > 10% of equity class ■ No non-Institutional Owner >5% of equity class ■ No person (or persons acting in concert) >20% of all equity (exc. Foundation) <p>Breach results in loss of all rights to excess shares (1%, 15-day grace period): escrow agent sells shares, net proceeds to shareholder</p>	<ul style="list-style-type: none"> ■ No Institutional Owner > 10% of equity class ■ No non-Institutional Owner >5% of equity class ■ No person (or persons acting in concert) >20% of all equity (exc. Foundation) <p>Breach results in loss of all rights to excess shares (1%, 15-day grace period): escrow agent sells shares, net proceeds to shareholder</p>	<ul style="list-style-type: none"> ■ No Institutional Owner > 10% of equity class ■ No non-Institutional Owner >5% of equity class ■ No person (or persons acting in concert) >20% of all equity (exc. Foundation) <p>Breach results in loss of all rights to excess shares (1%, 15-day grace period): escrow agent sells shares, net proceeds to shareholder Ownership limits may be set higher if approved by BCBSA and the Empire board</p>	<ul style="list-style-type: none"> ■ No Institutional Owner > 10% of equity class ■ No non-Institutional Owner >5% of equity class (exc. Foundation) <p>Breach results in loss of all rights to excess shares: escrow agent sells shares, net proceeds to shareholder</p>	<ul style="list-style-type: none"> ■ No Institutional Owner > 10% of equity class ■ No Owner >5% of equity class ■ No person (or persons acting in concert) >20% of all equity <p>Breach results in loss of all rights to excess shares: excess shares lose voting rights: TGH can buy at lesser of (1) excess share purchase price or (2) current market price; or stock is sold</p>

Holding Companies' articles of incorporation

(continued)

Item	BCBSUW	RIT	Empire	WLP	TGH
Liability limitation	No breach of fiduciary duty if director fails to vote for a proposal that breaches BCBSA requirements, or if votes for action necessary to prevent a breach of BCBSA requirements.	No breach of fiduciary duty if director fails to vote for a proposal that breaches BCBSA requirements, or if votes for action necessary to prevent a breach of BCBSA requirements.	Standard indemnification	Standard indemnification	Standard indemnification
Changes to by-laws	<ul style="list-style-type: none"> ■ IBM or BM can change by-laws ■ Shareholders can only change by-laws with vote of 75% of all stock 	<ul style="list-style-type: none"> ■ IBM or BM can change by-laws ■ Shareholders can only change by-laws with vote of 75% of all stock 	No provision (see by-laws)	<ul style="list-style-type: none"> ■ BM can change by-laws ■ Shareholders can only change by-laws with vote of 50% of all stock 	<ul style="list-style-type: none"> ■ Board can change by-laws ■ Shareholders can also change by-laws with vote of 50% of all stock
Changes to articles of incorporation	<ul style="list-style-type: none"> ■ IBM changes 1,3,4,5,6,7,10,11 of Art. III and Arts. IV, V, VI, VIII & X ■ 75% of stock changes 1,3,4,5,6,7,10,11 of Art. III and Arts. IV, V, VIII & X <p>but: 75% vote not applic. for BCBSA changes or relating to sale of company</p>	<ul style="list-style-type: none"> ■ IBM changes 1,3,4,5,6,7,10,11 of Art. IV and Arts. V, VI, VII, VIII, X & XII ■ 75% of stock changes 1,3,4,5,6,7, 10, 11 of Art. IV and Arts. V, VI, VII, VIII, X & XII: <p>but: 75% vote not applic. for BCBSA changes or relating to sale of company</p>	<ul style="list-style-type: none"> ■ Changes to Section C of Article FOURTH (pertaining to ownership limits) can only be changed by 75% of stock vote 	<ul style="list-style-type: none"> ■ 75% of stock changes 1,2,6,8 & 10, of Art. IV and Arts. VII, IX & XI <p>but: 75% vote not applic. for BCBSA changes or relating to sale of company</p>	<ul style="list-style-type: none"> ■ 75% of stockholders needed to change 3.3 of Art. III and Arts. VI, VII, VIII & XI and changes to allow cumulative voting <p>but: 75% vote not applic. for BCBSA changes; 67% vote needed to: reduce vote to approve merger, share exchange, dissolution or sale of company</p>

Holding Companies' by-laws

Item	BCBSUW	RIT	Empire	WLP	TGH
Shareholder special meetings	Only called by Chairman, President, IBM or as allowed by WBCL: but Chairman, President or IBM must approve business	Only called by Chairman, CEO, President or IBM but Chairman, CEO, President or IBM must approve business	Only called by Board or stockholders representing over 50% of the vote	Only called by Chairman, President, Board or 10% vote of stockholders	Only called by the Chairman, President or Board
Shareholder proposals	Only "Qualified Shareholder Proposals" may be brought, only to annual meeting, only if notice delivered timely and if a "proper" SEC subject	Only "Qualified Shareholder Proposals" may be brought, only to annual meeting, only if notice delivered timely and if a "proper" SEC subject	Not addressed	N/A	Only "Qualified Shareholder Proposals" may be brought, only to annual meeting, only if notice delivered timely and if a "proper" SEC subject
Board special meetings	Only if called by Chairman or three directors	Only if called by Chairman or Board majority	Only if called by Chairman, President or Board majority	Only if called by the President, the Chairman of the Board, or a majority of the Board	Only if called by the Chairman, President or the Board
Changes to by-laws	Majority of Board can change by-laws, but 2.02, 2.08(b), 2.12, 2.14, 3.02, 3.04, 10.01 & 10.02 or Art. IX can only be changed by IBM: 75% of shareholders can change by-laws	Majority of Board can change by-laws, but 2.3, 2.8(b), 2.11, 2.13, 3.3, 3.5, 8.4 & 8.5, or Article V can only be changed by IBM: 75% of shareholders can change by-laws	Majority of Board, but amendments can be repealed or changed by stockholders; Board cannot amend provisions regarding removal of directors. 75% of stock required to repeal classified board	Majority of Board or shareholders except: greater of 2/3 Board or 7 directors (stock voting or action, #/ qualifications of directors, director vacancies, committees and rules relating to Chmn, Pres, CEO)	Board members or shareholders except as otherwise provided in the Certificate of Incorporation

Foundations' articles of incorporation

Item	BCBSUW	RIT	Empire	WLP
Purpose	<ul style="list-style-type: none"> Promote health, welfare and common good Cannot carry out activities prohibited by 501(c)(4) of IRS code 	<ul style="list-style-type: none"> Identify and fill gaps in healthcare provision to uninsured and underinsured in former BlueCross service area Cannot carry out activities prohibited by 501(c)(4) of IRS code 	<ul style="list-style-type: none"> Operate exclusively for the promotion of social welfare within the meaning of 501(c)(4) of IRS code Achieve a sustainable improvement in the health status of the people of the State of New York 	<ul style="list-style-type: none"> To expand access to affordable, quality healthcare and promote improvements in the health status of the people of California
Powers:	<ul style="list-style-type: none"> All Ch. 181 (WI) non-stock corp. powers, but only in fulfillment of Purpose No dividends, distributions and earnings inure to private individuals Subject to S. 4958 of IRS code 	<ul style="list-style-type: none"> All non-stock corp. powers, but only in fulfillment of Purpose No dividends, distributions and earnings inure to private individuals 	<ul style="list-style-type: none"> Section 102(a)(5) of Not-For-Profit Corporation Law of New York, and a Type B Corporation under Section 201 of Not-For-Profit Corporation Law 	N/A
Amendments	Only if approved by BCBSUW	<ul style="list-style-type: none"> Require majority Board vote and written consent of MO Attorney General Bylaws cannot be amended to change the influence of any government authority as long as Foundation owns 5 percent or more of RIT stock 	<ul style="list-style-type: none"> Require approval of NY AG 	N/A

Foundations' articles of incorporation (continued)

Item	BCBSUW	RIT	Empire	WLP
Number of directors	Nine (9)	Fifteen (15) ■ Meetings are "open record"	Fifteen (15) ■ 11 minimum, 23 maximum ■ Executive Director shall be non-voting Board member	Ten (10):
Composition of directors	5 – BCBSUW 2 – Univ. WI Medical School 2 – Medical College of WI Initially proposed by BCBSUW. Each entity nominates its own directors	Governor chooses 10 and Attorney General chooses 5 from 35 proposed by a 13-member Nominating Committee (appointed by Governor and Attorney General in consultation with AARP, LWVM, MASW, MCHC WATCH and ROW). Board appoints subsequent directors from Community Advisory Committee list	Board must consist of: 2 – hospital industry, 2 – medical providers, 2 – representatives of uninsured, 2 – nonpartisan citizen advocacy, 2 – unions/ business, rest unspecified. AG selects 2 initial directors. Nominating committee consists of 3 directors (not up for election) who were not on nominating committee last year.	Initially proposed by: Wellpoint. If before 2001 majority of directors are not current or ex-directors of Blue Cross of CA, BCBSA license can be revoked. Subsequently amended to provide for a minority of non ex-directors.
Classified Board	No; directors serve one (1) year.	Yes; directors serve three (3) year terms; Limit of two (2) consecutive terms	Yes; directors serve three (3) year terms; Limit of three (3) terms	No; Board members serve three (3) year terms with a maximum of 12 years
Removal of directors	For any reason, only by nominating entity	For good cause by 75 percent of other Board members; the MO Attorney General may petition Circuit Court for removal of a director for good cause	For any reason by 50% vote of Board at special meeting, or by 2/3 of directors for cause	N/A

Foundations' by-laws

Item	BCBSUW	RIT	Empire	WLP
Special meetings	<ul style="list-style-type: none"> Only if called by President or majority of directors 	<ul style="list-style-type: none"> Only if called by Chairman or majority of directors 	<ul style="list-style-type: none"> Only if called by Chairman or 5 directors 	<ul style="list-style-type: none"> Only if called by Chairman
Voting	<ul style="list-style-type: none"> Quorum = majority of directors Action = majority of present in excess of quorum 	<ul style="list-style-type: none"> Quorum = majority of directors Action = majority of present in excess of quorum 	<ul style="list-style-type: none"> Quorum = majority of directors Action = majority of present in excess of quorum 	<ul style="list-style-type: none"> Quorum = majority of directors Action = N/A
Organization	<ul style="list-style-type: none"> All officers chosen by Board: directors may be officers President chosen by majority of Board Board or President may appoint temporary committees 	<ul style="list-style-type: none"> All officers chosen by Board: directors may be officers Chairman chosen by majority of Board Chairman can only hold position for 1 year with no additional terms 	<ul style="list-style-type: none"> All officers chosen annually by Board: directors may be officers Chairman chosen by majority of Board Chairman of Board shall be elected annually 	<ul style="list-style-type: none"> All officers are chosen by the Board annually President is chosen by the Board of Directors
Conflicts of interest	<ul style="list-style-type: none"> Contracts with directors (or corp. with common directors) allowable if conflict is disclosed and common director abstains or contract is fair and reasonable. Common directors count for quorum. 	<ul style="list-style-type: none"> Contracts with directors (or corp. with common directors) allowable if conflict is disclosed and a majority of disinterested directors approves after determining that contract is fair and reasonable. Common directors count for quorum. Majority of entire Board approval required. 	<ul style="list-style-type: none"> Contracts with directors (or corp. with common directors) shall be on terms at least as favorable to Foundation as a comparable transaction with an unrelated third party. Foundation must notify the NY AG of any such transactions and summarize same. 	N/A

Foundations' voting trusts and divestiture agreements

Item	BCBSUW	RIT	Empire	WLP
Voting trust	<ul style="list-style-type: none"> ■ All shares go into V.T. ■ Beneficiary must retain entire economic and beneficial rights ■ Withdrawal only to sell to 3rd parties below Ownership Limits 	<ul style="list-style-type: none"> ■ All shares in excess of 5% go into V.T. ■ Beneficiary must retain entire economic and beneficial rights ■ Withdrawal only to sell to 3rd parties below Ownership Limits 	<ul style="list-style-type: none"> ■ All shares go into V.T. ■ Beneficiary must retain entire economic and beneficial rights ■ Withdrawal only to sell to 3rd parties below Ownership Limits 	<ul style="list-style-type: none"> ■ All shares in excess of 50% during the first 3 years (5/20/96 – 5/19/99), in excess of 20% during years 3 through 5 (5/20/99 – 5/19/01), in excess of 5% after 5 years (5/20/01) go into the V.T. ■ Beneficiary must retain entire economic and beneficial rights ■ Withdrawal only to sell to 3rd parties below Ownership Limits
Trustee	<ul style="list-style-type: none"> ■ Trustee has sole power to vote shares on all matters: paid for by Foundation 	<ul style="list-style-type: none"> ■ Trustee has sole power to vote shares on all matters: paid for by Foundation 	<ul style="list-style-type: none"> ■ Trustee has sole power to vote shares on all matters: paid for by Foundation 	<ul style="list-style-type: none"> ■ Trustee has sole power to vote shares on all matters: paid for by Foundation

Foundations' voting trusts and divestiture agreements (continued)

Item	BCBSUW	RIT	Empire	WLP
Voting requirements	<ul style="list-style-type: none"> ■ Director elections: vote for IBM nominees, against all others ■ Amendments: unless approved by IBM, vote against (1) removal of directors, and (2) changes to by-laws/Art. of Inc.; don't (3) nominate directors, (4) call special meetings, (5) make shareholder proposals and (6) do anything to undermine these restrictions ■ For everything else, (incl. UWS merger) vote with Board; except Board-recommended COC, vote as Foundation chooses 	<ul style="list-style-type: none"> ■ Director election: vote for IBM nominees, against all others ■ Amendments: unless approved by IBM, vote against (1) removal of directors, and (2) changes to by-laws/Art. of Inc.; don't (3) nominate directors, (4) call special meetings, (5) make shareholder proposals and (6) do anything to undermine these restrictions ■ For everything else vote with Board; except Board-recommended COC, vote as Foundation chooses 	<ul style="list-style-type: none"> ■ Director elections: vote to support the position of the Board ■ For matters requiring an absolute majority, as the majority of non-V.T. shares vote ■ For all other matters, in same proportion for/against as non-V.T. shares vote ■ Amendments: unless approved by Board, vote against (1) removal of directors, and (2) changes to by-laws/Art. of Inc.; don't (3) nominate directors, (4) call special meetings, and (5) do anything to undermine these restrictions 	<ul style="list-style-type: none"> ■ Director elections: vote to support the position of the Board ■ For matters requiring an absolute majority, as the majority of non-V.T. shares vote ■ For all other matters, in same proportion for/against as non-V.T. shares vote ■ For removal of directors, calling of meetings and amendments, where actions are opposed by Board, Vote to support the Board ■ Foundation must vote shares in excess of 5% that are outside V.T. (i) in support of nominating committee directors and (ii) w/r/t director removal, calling meetings and amendments (where Board opposes actions) in support of Board

Foundations' voting trusts and divestiture agreements (continued)

Item	BCBSUW	RIT	Empire	WLP
Standstill	<p>Beneficiary cannot:</p> <ul style="list-style-type: none"> ■ Buy more capital stock ■ Enter deals to increase 3rd party's ownership (except re: Reg Rights) ■ Sell to 3rd party if they are or will be over the Ownership Limit ■ Nominate or endorse directors other than those endorsed by IBM ■ Solicit, talk to, give information to, meet with anyone re: change of control (unless Board approved or re: Reg. Rights) ■ Join in litigation of any kind against BCBSUW <p>Beneficiary must report all 3rd party contacts to Board.</p>	<p>Beneficiary cannot:</p> <ul style="list-style-type: none"> ■ Buy more capital stock ■ Enter deals to increase 3rd party's ownership (except re: Reg Rights) ■ Sell to 3rd party if they are or will be over the Ownership Limit ■ Nominate or endorse directors other than those endorsed by IBM ■ Solicit, talk to, give information to, meet with anyone re: change of control (unless Board approved or re: Reg. Rights) ■ Join in litigation against RIT re: Basic Protections. Foundation is not barred from joining suits against RIT re: soliciting acquisition proposals, changing control or initiating a bidding process for the sale of RIT. <p>Beneficiary must report all 3rd party contacts to Board. While Beneficiary owns >20%, RIT must consult w/Beneficiary prior to soliciting any COC proposal and after receiving any.</p>	<p>Beneficiary cannot:</p> <ul style="list-style-type: none"> ■ Buy more capital stock ■ Enter deals to increase 3rd party's ownership ■ Knowingly sell to 3rd party if they are or will be over the Ownership Limit ■ Nominate or endorse directors other than those endorsed by Empire Board ■ Solicit, talk to, give information to, meet with anyone re: change of control (unless Board approved or re: Reg. Rights) ■ Join in litigation against Empire regarding takeovers or Basic Protections <p>Beneficiary must report all 3rd party contacts to Board.</p>	<p>Beneficiary cannot:</p> <ul style="list-style-type: none"> ■ Buy more capital stock ■ Enter deals to increase 3rd party's ownership ■ Sell to 3rd party if they are or will be over the Ownership Limit ■ Nominate or endorse directors other than those endorsed by IBM

Foundations' voting trusts and divestiture agreements (continued)

Item	BCBSUW	RIT	Empire	WLP
Termination	<ul style="list-style-type: none"> ■ V.T. terminates when Beneficiary owns <5% ■ If BCBSUW is sold for stock, V.T. continues with Newco's name replacing BCBSUW in document 	<ul style="list-style-type: none"> ■ V.T. terminates when Beneficiary owns <5% ■ If RIT is sold for stock, V.T. continues with Newco's name replacing RIT in document 	<ul style="list-style-type: none"> ■ V.T. terminates 10 years after its creation (unless extended) ■ If Empire is sold for stock, V.T. continues with Newco's name replacing Empire's in document 	<ul style="list-style-type: none"> ■ V.T. terminates when Beneficiary owns <5% ■ In the event the company ceases to be subject to any BCBSA License Agreement

Foundations' voting trusts and divestiture agreements (continued)

Item	BCBSUW	RIT	Empire	WLP
Divestiture	<p>Beneficiary must:</p> <ul style="list-style-type: none"> Own < 80% of each class of capital by 9/30/01 Own <50% of each class of capital by 3rd Ann. of Conv. Own <20% of each class of capital by 5th Ann. of Conv. <p>Beneficiary may request extensions if, in good faith, a sale would have MAE⁽¹⁾, if BCBSA opines extension is not a license violation, BCBSUW shall assist (w/out liability, at Foundation's expense).</p> <p>BCBSUW may extend if, in good faith, sale would have MAE, and BCBSA opines.</p> <p>If divestiture schedule not met:</p> <ul style="list-style-type: none"> Excess shares = Delinquent BCBSUW arranges sale of Delinquent shares (w/out liability) <p>Trustee votes Delinquent shares in same proportion as all non-V.T. shares on change of Control/UWS merger (or as Board recommends if Foundation still owns 100%)</p>	<p>Beneficiary must:</p> <ul style="list-style-type: none"> Own <50% of each class of capital by 3rd Ann. of Conv. Own <20% of each class of capital by 5th Ann. of Conv. <p>Beneficiary may request extensions if, in good faith, a sale would have MAE; if BCBSA opines extension is not a license violation, RIT shall assist (w/out liability, at Foundation's expense). In this case, the 3rd Ann. (and the 5th) deadline shall be extended up to 365 (730) days if (i) Demand made but RIT not required to comply b/c it just registered (and Beneficiary did not receive proceeds) or (ii) Blackout Period pending.</p> <p>RIT may extend if, in good faith, sale would have MAE, and BCBSA opines.</p> <p>If divestiture schedule not met:</p> <ul style="list-style-type: none"> Excess shares = Delinquent RIT arranges sale of Delinquent shares (w/out liability) <p>Trustee votes Delinquent shares in same proportion as all non-V.T. shares on COC/merger (or as Board recommends if Foundation still owns 100%)</p>	<p>Beneficiary must:</p> <ul style="list-style-type: none"> At inception, place all shares into V.T. Sell down its stock so that its ownership is at or less than: <ul style="list-style-type: none"> 65% from IPO date through 3rd anniv 45% from 3rd anniv of IPO thru 5th anniv 34% from 5th anniv of IPO thru 7th anniv 10% from 7th anniv thru 10th anniv 5% after 10th anniv of IPO <p>However Beneficiary can, at all times hold up to an additional 15% in VT (exclusive of divestiture schedule).</p> <p>Beneficiary may request extensions if, in good faith, a sale would have MAE⁽¹⁾, if BCBSA opines extension is not a license violation, Empire shall assist (w/out liability, at Foundation's expense).</p> <p>If divestiture schedule not met:</p> <ul style="list-style-type: none"> Excess shares = Delinquent Empire arranges sale of Delinquent shares (w/out liability) 	<p>Beneficiary must:</p> <ul style="list-style-type: none"> At inception, place all shares in excess of 50% of voting power into V.T. At the earlier of the 3rd Anniversary or when the number of Foundation's directors that are not original BC directors equals the number that are original BC directors, place all shares in excess of 20% into V.T. At the earlier of the 5th Anniversary or when the number of Foundation's directors that are not original BC directors is less than the number that are original BC directors, place all shares in excess of 5% into V.T. <p>Above limits are in the Amended V.T. agreement contained in the 6/98 8-K but are inconsistent with the narrative in the 12/98 10-K.</p>

(1) MAE = material adverse effect

Foundations' registration rights agreements

Item	BCBSUW	RIT	Empire	WLP
Demand rights	<p>Starting 9/30/00, Beneficiary may request some/all of its stock be registered ("Demand"): BCBSUW not required to file if:</p> <ul style="list-style-type: none"> Completed registration for self in last 9 months Already filed 3 Demands Already filed 1 Demand in last 12 months Demand is for <\$30m (unless residual) During Blackout Period <p>Demands do not count if:</p> <ul style="list-style-type: none"> Registration not effective; Effective registration stopped due to injunction, etc.; BCBSUW files but fails to meet underwriter's conditions; OR Foundation pulls Demand before filing is made and Foundation pays expenses. <p>If Registration ineffective b/c of Foundation's actions/inactions, counts as Demand, BCBSUW pays expenses.</p> <p>If Registration ineffective b/c Foundation can't agree terms with underwriter AND stock price dropped 25% since Demand, and Foundation pays expenses, does not count as Demand.</p>	<p>Starting immediately, Beneficiary may request some/all of its stock be registered ("Demand"): RIT not required to file if:</p> <ul style="list-style-type: none"> Completed registration for self in last 120 days Already filed 1 Demand in current calendar year Demand is for <\$30m (unless residual) During Blackout Period <p>Demands do not count if:</p> <ul style="list-style-type: none"> Registration not effective; Effective registration stopped due to injunction, etc.; RIT files but fails to meet underwriter's conditions; OR Foundation pulls Demand before filing is made and Foundation pays expenses. <p>If Registration ineffective b/c of Foundation's actions/inactions, and Foundation pays all expenses, does not count as Demand.</p> <p>RIT may not file for an offering of its own stock for 180 days after the reorganization closes</p>	<p>Starting 181 days after the effective date of the IPO registration, Beneficiary may request some/all of its stock be registered ("Demand"): Empire not required to file if:</p> <ul style="list-style-type: none"> Already filed 4 Demands Already filed 1 Demand in current calendar year Already filed 1 Demand in last 6 months Shelf registration still effective Demand is for <\$50m (unless residual) During Blackout Period <p>Demands do not count if:</p> <ul style="list-style-type: none"> Registration not effective; Effective registration stopped due to injunction, etc.; Empire files but fails to meet underwriter's conditions; OR Foundation pulls Demand before filing is made and Foundation pays expenses. <p>If due to market conditions underwriter cuts Foundation back by >25%, does not count as Demand.</p>	<p>At any time, Beneficiary may request some/all of its stock be registered ("Demand"): WLP not required to file if:</p> <ul style="list-style-type: none"> More than 1 Demand per calendar year It is within 6 months of the effective date of last Demand Demand is for < \$75m <p>Demands do not count if:</p> <ul style="list-style-type: none"> Withdrawn due to emergence of material adverse information about WLP Effective registration stopped due to injunction Conditions to closing are not satisfied or waived by underwriters <p>A Demand cancelled by the Foundation for any other reason shall be counted as a Demand.</p>

Foundations' registration rights agreements (continued)

Item	BCBSUW	RIT	Empire	WLP
Demand rights (contd.)	<p>BCBSUW has the right to add its own securities to a filing without permission</p> <p>BCBSUW selects underwriter, Foundation has 5 bus. days to object. Foundation agrees that _____ is always acceptable.</p> <p>If underwriter determines offering too large, BCBSUW is scaled back first (if applicable), then Foundation; still counts as a Demand if Foundation gets > \$10m gross; if gets less, and it pays expenses, doesn't count.</p>	<p>RIT has the right to add its own securities to a filing without permission</p> <p>RIT selects underwriter, Foundation has 5 bus. days to object. Foundation agrees that SSB is always acceptable.</p> <p>If underwriter determines offering too large, RIT is scaled back first (if applicable), then Foundation; still counts as a Demand if Foundation gets > \$10m gross; if gets less, and it pays expenses, doesn't count.</p>	<p>Empire has the right to add its own securities to a filing without permission</p> <p>Empire selects lead underwriter, Foundation may select one of the managing underwriters; each party has 10 bus. days to object to the managing underwriters.</p> <p>If underwriter determines offering too large, Empire is scaled back first (if applicable), then Foundation; still counts as a Demand if Foundation gets > 75% of its Demand sold.</p>	<p>WLP has the right to add its own securities to a filing without permission</p> <p>WLP and Foundation select underwriter. If the two can't agree, then selection of underwriter alternates between WLP and Foundation with WLP getting initial choice.</p>
Piggy-back	<p>BCBSUW gives Foundation 15 bus. days notice of equity filings (excl., among others, convertibles and private placements); if wanting to piggy-back, Foundation must give notice 10 bus. days prior to filing (does not count as Demand). Foundation cut back first if needed.</p>	<p>RIT gives Foundation 15 bus. days notice of equity filings (excl., among others, convertibles and private placements); Foundation has right (until it holds <50% of stock) to piggy-back and receive 50% of proceeds; it must give notice 10 bus. days prior to filing (does not count as Demand). Foundation cut back first if needed.</p>	<p>Empire gives Foundation 15 bus. days notice of equity filings (excl., among others, convertibles and private placements); if wanting to piggy-back, Foundation must give notice 5 bus. days prior to filing (does not count as Demand). Foundation cut back first if needed.</p>	<p>WLP gives Foundation 10 bus. days notice of equity filings (excl., among others, convertibles and private placements); if wanting to piggy-back, Foundation must give notice 5 bus. days prior to filing (does not count as Demand). Foundation cut back first if needed.</p>

Foundations' registration rights agreements (continued)

Item	BCBSUW	RIT	Empire	WLP
Company purchase option	Upon receipt of Demand, BCBSUW has 30 bus. days to opt to buy all of the Demand securities at 97% of avg. closing price during 10 consecutive days up to 2nd day before Demand. Purchase must close within 60 days of notice. BCBSUW must buy 100% of Demand unless the amount not purchased is worth >\$30m. Demand would not count	Upon receipt of Demand, RIT has 15 bus. days to opt to buy all of the Demand securities at 100% of avg. closing price during 10 consecutive trading days up to 2nd day before Demand. Purchase must close within 30 days of notice. RIT must buy 100% of Demand unless the amount not purchased is worth >\$30m. Demand would not count	None	Upon receipt of Demand, WLP has 15 bus. days to opt to buy all of the Demand securities at 100% of avg. closing price during 15 consecutive trading days up to 1st day before Demand. Purchase must close within 45 days of notice.
Blackout periods	BCBSUW can delay registration up to 180 days if it would force disclosure about a pending corporate action or interfere with a COC ⁽¹⁾ involving stock issuance.	RIT can delay registration up to 120 days if it would force disclosure about a pending corporate action or interfere with a COC involving stock issuance	Empire can delay registration up to 120 days if it would materially and adversely impact any pending financing, acquisition or other corporate development.	WLP can delay registration up to 45 days after WLP determines that such a registration would force disclosure about a pending corporate action or interfere with a COC involving stock issuance
Holdback	If BCBSUW files and then it (or the underwriter) decides that concurrent sale of Foundation stock is detrimental, Foundation must wait up to 90 days.	If RIT files and then it (or the underwriter) decides that concurrent sale of Foundation stock is detrimental, Foundation must wait up to 90 days.	If Empire files and then it (or the underwriter) decides that concurrent sale of Foundation stock is detrimental, Foundation must wait up to 90 days.	If WLP files and then it (or the underwriter) decides that a concurrent sale of stock is detrimental, the Foundation must wait up to 90 days.

(1) COC = change of control

Foundations' registration rights agreements (continued)

Item	BCBSUW	RIT	Empire	WLP
Expenses	Unless provided otherwise, all expenses borne in proportion to shares proposed to be registered	Unless provided otherwise, RIT pays registration expenses	Empire pays all registration expenses and Foundation pays its counsel and underwriting discounts	Unless provided otherwise, WLP pays registration expenses
Dept. of Insurance undertaking	N/A	Dept. of Insurance will not deny company application to acquire Foundation stock if company in compliance with capital ratios and other objective criteria	N/A	N/A
Rule 144	Foundation cannot sell via 144(A) until it has received \$50m (gross) from the sale of registerable securities	Foundation cannot sell via 144(A) until it has received \$50m (gross) from the sale of registerable securities	No sales via Rule 144 if transfer would cause breach of ownership limits	N/A
Private placements; purchase option	Foundation must give 45 days notice of proposed private placement, including terms and conditions. BCBSUW has 30 days to commit to take the place of the buyer on identical terms.	Foundation must give 45 days notice of proposed private placement, including terms and conditions. RIT has 30 days to commit to take the place of the buyer on identical terms.	None	N/A

Foundations' registration rights agreements (continued)

Item	BCBSUW	RIT	Empire	WLP
Purchase option	<p>Any time after Foundation has sold \$10m of stock, BCBSUW has the right to buy some/all of remaining stock (via "Notice"):</p> <ul style="list-style-type: none"> ■ If before a Demand registration or Piggy-back, at greater of A, B or C ■ Otherwise greater of A or B <p>Where: A = avg. closing price during 10 day period before Notice B = avg. closing price during 10 day period ending 45 days before Notice C = most recent private placement (regardless of buyer) BCBSUW cannot re-sell stock acquired this way for 45 days</p>	<p>Any time after Foundation holds less than 50% of the stock, RIT has the right to buy some/all of remaining stock (via "Notice"):</p> <ul style="list-style-type: none"> ■ If before a Demand registration or Piggy-back, at greater of A, B or C ■ Otherwise greater of A or B <p>Where: A = avg. closing price during 10 day period before Notice B = avg. closing price during 10 day period ending 45 days before Notice C = most recent private placement (regardless of buyer) RIT cannot re-sell stock acquired this way for 45 days</p>	None	WLP has no right to buy stock owned by the foundation

Section 4

Summary of converted Blue Plans' anti-takeover provisions

Summary of Blues Plans' anti-takeover provisions

Item	BCBSUW	RIT	Empire	WLP	TGH
Preferred stock	Terms and conditions are set by Board; 1m shares authorized	Terms and conditions are set by Board; 25m shares authorized	Terms and conditions are set by Board; _m shares authorized	Terms and conditions are set by Board; 50m shares authorized	Terms and conditions are set by Board; 50m shares authorized
Classified Board	Yes; 3 year terms	Yes; 3 year terms	Yes; 3 year terms	Yes; 3 year terms	Yes; 3 year terms
Director restrictions	Minimum 80% independent	Minimum 80% independent	Minimum 50% independent	Nominating committee	Nominating committee
Ownership limits	Non-institutional < 5%, institutional < 10%, no person > 20% of all equity	Non-institutional < 5%, institutional < 10%, no person > 20% of all equity	Non-institutional < 5%, institutional < 10%, no person > 20% of all equity	Non-institutional <5%, institutional < 10%	Non-institutional < 5%, institutional < 10%, no person > 20% of all equity
Foundation veto	Final veto on Change of Control; otherwise vote with Board	Final veto on Change of Control; otherwise vote with Board	None	N/A	N/A
Special shareholder meeting restrictions	Shareholders can't call meeting; agenda must be approved by Chairman, President or IBM	Shareholders can't call meeting; agenda must be approved by Chairman, President or IBM	Majority of stockholders may call special meeting	Only Chairman or Board can call meeting	N/A

Summary of Blues Plans' anti-takeover provisions (continued)

Item	BCBSUW	RIT	Empire	WLP	TGH
Poison Pill	None	None	None	None	None
Amendments	IBM or BM can change by-laws; 75% of stockholder vote required to change by-laws	IBM or BM can change by-laws; 75% of stockholder vote required to change by-laws	Majority of Board, but amendments can be repealed or changed by stockholders; Board cannot amend provisions regarding removal of directors. 75% of stock required to repeal classified board	BM can change by-laws; 50% of stockholder vote required to change by-laws	Board can change by-laws; 50% of stockholder vote required to change by-laws

Section 5

Comparison of converted Blues and non-Blues governance structures, capital structures and stock option plans

Managed care corporate governance summary

Governance issue	Non-Blues companies	Blues
Classified Board elections:		
<ul style="list-style-type: none"> ■ No ■ Yes: 2 classes, 2 years each ■ Yes: 3 classes, 3 years each 	AET SIE MAXI, PAMC, MME, CVTY, FHS, HUM, OXHP, PHSY, UNH, CI, UWZ, AMZ	TGH, WLP, RIT, BCBSUW, Empire
Removal of directors:		
<ul style="list-style-type: none"> ■ With or without cause, 50-67% shareholder vote; by majority of Board for felony ■ With or without cause, 50-80% shareholder vote ■ For cause, 50% shareholder vote; without cause, 67% ■ For cause, 50-67% shareholder vote 	SIE, PAMC, MME HUM, UNH, OXHP, PHSY, UWZ, AMZ CVTY MAXI, CI, FHS	Empire WLP TGH, RIT & BCBSUW (75%)
Quorum requirements:		
<ul style="list-style-type: none"> ■ 40% shareholders ■ Majority of stockholders 	CI MAXI, SIE, PAMC, MME, CVTY, FHS, HUM, OXHP, PHSY, UNH, AET, UWZ, AMZ	TGH, WLP, RIT, BCBSUW, Empire
Election of directors		
<ul style="list-style-type: none"> ■ Plurality vote ■ Cumulative vote 	MAXI, PAMC, MME, CVTY, FHS, HUM, OXHP, PHSY, UNH, CI, AET, UWZ, AMZ SIE, PAMC	TGH, WLP, RIT, BCBSUW
Who can bring business to a meeting?		
<ul style="list-style-type: none"> ■ Chairman, Board and shareholders ■ Chairman and Board only 	MME, CVTY, HUM, OXHP, PHSY, UNH, CI, MAXI, SIE, PAMC, UWZ, AMZ FHS, AET	TGH, WLP, RIT, BCBSUW, Empire

Managed care corporate governance summary

(continued)

Governance issue	Non-Blues companies	Public Blues
Who can call special shareholder meetings?		
■ Chairman, Board or 10% shareholders	SIE, UNH, PHSY, UWZ, AMZ	WLP
■ Chairman, Board or 20-25% shareholders	PAMC, HUM	
■ Chairman, Board or 50% shareholders	MAXI, CVTY	Empire
■ Chairman or Board only	FHS, AET, MME, OXHP, CI	TGH, RIT, BCBSUW
What business can be discussed at special meetings?		
■ Any purpose	CVTY, OXHP, PHSY, AET	
■ Only matters related to purpose of meeting	MAXI, SIE, PAMC, HUM, UNH, CI, UWZ, AMZ	TGH, WLP
■ Only matters brought by Board	MME, FHS	RIT, BCBSUW
Who can nominate directors?		
■ Directors and shareholders	MAXI, MME, CVTY, FHS, HUM, OXHP, AET, UNH, CI, PAMC, SIE, UWZ, AMZ	TGH, RIT & BCBSUW (excl. Foundation)
■ Nominating committee		WLP, Empire
■ Directors	PHSY	
How can by-laws be changed?		
■ 50% of shareholders or Board majority	MAXI, SIE, MME, HUM, PHSY, AET, UNH, UWZ, AMZ	TGH, WLP, Empire
■ 75-80% of shareholders or Board majority	PAMC, OXHP, CI, CVTY	RIT, BCBSUW
■ 75% of Board	FHS	
Poison pill		
■ Shareholders can acquire 1/100 share of Junior Participating Preferred which converts at 50% discount after a hostile acquisition of 15% of stock	AET, PHSY, SIE (20% acquisition hurdle)	

Managed care summary of capital stock authorized/issued

Company	Common shares outstanding	Common shares authorized	Common shares outstanding/authorized	Preferred shares outstanding	Preferred shares authorized	Preferred shares description
Aetna, Inc.	149,673,857	500,000,000	29.9%		60,000,000	15m Class A, B and C Voting Preferred, 15m Class D Non-Voting Preferred; Terms set by Board
American Medical Security Group, Inc.	16,278,235	50,000,000	32.6%		500,000	475,000: Terms and conditions set by Board; 25,000 Series A Adjustable Rate Nonconvertible Preferred has no voting rights
CIGNA	267,000,000	600,000,000	31.0%		25,000,000	Series D Preferred shares have 1000 votes; greater of \$100 or 1000 times current dividend
Coventry Health Care	59,174,890	200,000,000	29.6%	4,709,545	7,000,000	6m Series A Convertible Preferred Stock; 1m undesignated stock, terms set by Board. While 1m preferred outstanding, holders elect 2 directors; changes to bylaws require majority vote by preferred holders; otherwise preferred holders vote as if converted
Foundation Health Systems	118,950,245 ⁽¹⁾	350,000,000	34.0%		10,000,000	Terms and conditions set by Board
Humana, Inc.	167,522,960	300,000,000	55.8%		12,500,000	10m preferred stock, terms set by Board; 2.5m Series A Participating Preferred Stock have regular vote (1 share=1 vote); if dividends in arrears more than six quarters, participating preferred holders elect two Directors
Maxicare Health Plans	17,925,000	40,000,000	44.8%		5,000,000	Same voting rights as common stock
Mid Atlantic Medical Services Inc.	49,886,422	100,000,000	49.9%		1,000,000	Terms and conditions set by Board; preferred shares are non-convertible
Oxford Health Plans	81,410,514	400,000,000	20.4%		2,000,000	Terms and conditions set by Board
PacifiCare Health Systems	43,572,000	200,000,000	21.8%		40,000,000	Series A convertible shares convert at \$133.62, no voting rights
Provident American Corporation	12,944,393	50,000,000	25.9%		20,000,000	Terms and conditions set by Board; preferred has no voting rights
RightChoice Managed Care	18,673,153 ⁽²⁾	125,000,000 ⁽²⁾	14.9%		25,000,000	Terms and conditions set by Board
Sierra Health Services	26,876,000	60,000,000	44.8%		1,000,000	Terms and conditions set by Board
Trigon Healthcare	39,265,922	300,000,000 ⁽³⁾	13.1%		50,000,000	Terms and conditions set by Board
United Health Group	171,296,000	500,000,000	34.3%		25,000,000	Terms and conditions set by Board
United Wisconsin Services	16,845,404	50,000,000	33.7%		1,000,000	Terms and conditions set by Board
WellPoint Health Networks	65,015,442	300,000,000	21.7%		50,000,000	Terms and conditions set by Board
Mean			31.7%			

(1) Company also had 30m Class B Common Stock shares authorized and 3,305,242 shares outstanding

(2) Includes existing Class A and Class B shares which will be converted into one class of New RIT stock

(3) Company also authorized 300m shares of non-voting Class B stock

Managed care summary of employee stock option plans⁽¹⁾

Company	Date	Eligibility	Exercise Price	Max Term (years)	Vest	Plan Size	Plan Size/ Common		Options O/S/ Common	
							Shares Authorized	Options Outstanding	Shares Outstanding	Options Outstanding
Aetna, Inc.	1996	Executives, middle managers	FMV	10	3 years after grant date	23,720,000	4.7%	7,902,588		5.3%
American Medical Security Group	1999	Employees and Directors	FMV	10, 12	6 months after grant	4,000,000	8.0%	2,918,893		17.9%
CIGNA	1999	Officers and employees	FMV	10	1-5 years	23,685,000	3.9%	12,902,000		6.9%
Coventry Health Care	1998	Employees, consultants, Directors	FMV	10	After 1 year, 20-25% increments	7,000,000	3.5%	5,441,000		9.2%
Foundation Health Systems	1998	Employees and officers	FMV	10	Ratably over 3 to 5 years					
	1998	Non-employee Directors	FMV	10	Ratably over 3 to 5 years	23,200,000	6.6%	13,418,473		11.3%
Humana, Inc.	1998	Officers and employees	FMV	10	1-5 years	15,883,609	5.3%	8,805,652		5.3%
Maxicare Health Plans	1990	Directors and employees	FMV	10	Ratably over 3 years	428,000		329,092		
	1995	Directors and employees	FMV	10	Ratably over 3 years	991,667		882,167		
	1996	Outside Directors	FMV	10	6 months from the date of the grant	125,000		115,000		
	1999	Officers, Directors, employees	FMV	10	Committee	750,000	5.7%	-		7.4%
Mid Atlantic Medical Services Inc.	1999	Officers, employees and Directors	FMV	5	Ratably over 3 years	17,000,000	17.0%	7,913,124		15.9%
Oxford Health Plans	1991	Employees and consultants	FMV	7	Determined by Company.					
	1991	Certain Independent contractors	FMV	7	Determined by Company					
	1991	Non-employee Directors	FMV	5	Ratably over 4 years	28,732,000	7.2%	15,300,731		18.8%
PacifiCare Health Systems	1996	Officers and employees	FMV	10	Ratably over 4 years	4,300,000		3,657,000		
	1996	Directors	FMV	10	6 months from date of grant	390,000		60,000		
	1997	Executive officers	FMV	5	50% within 3 years, remainder within 5 years if price targets met	2,600,000	3.6%	2,600,000		14.5%
Provident American Corporation	1996	Managerial employees	FMV	10	Committee	1,250,000				
	1996	Directors	FMV	10	Committee	1,130,000				
	1997	Insurance agents	FMV	5	Committee	750,000				
	1997	Insurance agents	FMV	5	Committee	750,000	7.8%	1,757,442		13.6%
RightChoice Managed Care	1998	Non-employee Directors	FMV	10	Ratably over 3 years	60,000				
	1998	Employees and Directors	FMV	10	Ratably over 3 years	1,500,000				
	1994	Employees	FMV	10	Ratably over 3 years	1,000,000	2.0%	702,703		3.8%
Sierra Health Services	1986	Employees and Directors	FMV	Vest + 2	20% - 25% per year	4,000,000	6.7%	2,730,000		10.2%
Trigon Healthcare	1997	Employees	FMV	10	Ratably over 3 years	3,550,000				
	1997	Non-employee Directors	FMV	10	Pro-rata over 3 years	550,000	1.4%	2,961,025		7.5%
United Healthcare Corporation	1991	Employees	FMV	10	6 - 9 years	Variable ⁽²⁾				
	1995	Non-employee Directors	FMV	10	Ratably over 3 years	350,000	NA	18,374,000		10.7%
United Wisconsin Services	1998	Employees and Directors	FMV	12	Ratably over 4 years	4,500,000				
	1999	Employees and Directors	FMV		50% at 3 years, 100% at 6 years	125,000	9.3%	3,672,021		21.8%
Wellpoint Health Networks	1996	All employees	FMV	10	Ratably over 3 years	2,300,000				
	1996	Employees, Officers and Directors	FMV	10	Variable	5,000,000	2.4%	4,499,238		6.9%
Mean							5.9%			11.0%

(1) These plans may include options, restricted stock appreciation rights and other forms of equity-linked incentives

(2) 3 million shares plus 1.5% of shares outstanding as at 12/31 of prior year plus options authorized but not granted to date

Managed care summary of employee stock purchase plans

Stock purchase plan				
Company	Date	Eligibility	Exercise Price	Plan size
Foundation Health Systems	1997	All	85% of the lower FMV on the first or last day of each month	650,000
Sierra Health Services	1998	All	85% of market on specific dates	353,000
Trigon Healthcare	1997	All	The lower of the FMV on the first or last trading day of each calendar qtr	1,000,000
United Health Group		Eligible employees	85% of FMV on the first day or last day of semi-annual offering period	4,500,000
Wellpoint Health Networks	1996	Eligible employees	The lower of 85% of market price at beginning or end of offering period	400,000

Section 6

Liquidity alternatives for BCBSUW

BCBSUW remains a standalone entity

Action	Timeline of liquidity events	Liquidity analysis
BCBSUW converts from a service company to a for-profit stock corporation	Spring 2000	No liquidity except for the \$2m up-front contribution (to fund initial Foundation operating budget)
	Summer/Fall 2000 Initial Public Offering (subject to market conditions)	<p>Advantages</p> <ul style="list-style-type: none"> ■ Partial near/medium term liquidity ■ May meet 20% divestiture requirement ■ Establishes a definitive valuation <p>Disadvantages</p> <ul style="list-style-type: none"> ■ Small size, complicated organizational structure, shared management teams will likely limit valuation ■ Execution, business and market risk ■ Does not provide for full liquidity for Foundation
	2001 – 2005 Follow-On Secondary Offerings (subject to market conditions)	<p>Advantages</p> <ul style="list-style-type: none"> ■ Partial medium term liquidity ■ May make progress toward meeting divestiture requirements ■ Increased float in Company's stock ■ Flexibility in timing given Foundation's demand rights <p>Disadvantages</p> <ul style="list-style-type: none"> ■ Small market capitalization and low float may limit Foundation's flexibility and ability to achieve full liquidity at acceptable valuation levels ■ Must consider Company's own capital raising requirements ■ Execution, business and market risk ■ Underwriters may require a lock up for at least 90 days

BCBSUW remains a standalone entity (continued)

Action	Timeline of liquidity events	Liquidity analysis
	2000 – 2005 Full/Partial Sale to Strategic Acquirer	<p>Advantages</p> <ul style="list-style-type: none"> ■ Establishes a definitive valuation ■ Potential for achieving extensive or final liquidity ■ Foundation has veto right ■ Potential for merger/acquisition premium <p>Disadvantages</p> <ul style="list-style-type: none"> ■ Consideration received may be acquiror stock, which may have limited liquidity ■ Requires BCBSUW Board initiation and approval ■ Limited buyer universe, likely to include BCBS consolidators only

BCBSUW merger with UWS

Action	Timeline of liquidity events	Liquidity analysis
BCBSUW converts from a service company to a for-profit stock corporation and merges with publicly traded UWS, receiving registerable stock pursuant to an agreed upon exchange ratio	Spring 2000 Company remains private due to Morris Trust constraints	No liquidity except for the \$2m up-front contribution (to fund initial Foundation operating budget)
	Fall 2000 Merger with UWS	<p>Advantages</p> <ul style="list-style-type: none"> ■ May meet ownership percentage reduction requirements (depending on exchange ratio) ■ Provides clarity of corporate organization to marketplace <p>Disadvantages</p> <ul style="list-style-type: none"> ■ May not necessarily produce a liquidity event ■ Merger may cause significant fluctuations in stock price as shareholders realign based on, inter alia, the exchange ratio
	Fall 2000 – 2005 Follow-On Secondary Offerings (subject to market conditions)	<p>Advantages</p> <ul style="list-style-type: none"> ■ Partial medium term liquidity ■ Increased float in Company's stock ■ Flexibility in timing given Foundation's demand rights <p>Disadvantages</p> <ul style="list-style-type: none"> ■ Small market capitalization and low float may limit Foundation's flexibility and ability to achieve full liquidity ■ Must consider Company's own capital raising requirements ■ Execution, business and market risk ■ Underwriters may require a lock up for at least 90 days

BCBSUW merger with UWS (continued)

Action	Timeline of liquidity events	Liquidity analysis
	Fall 2000 – 2005 Full or Partial Sale to Strategic Acquirer	<p>Advantages</p> <ul style="list-style-type: none"> ■ Establishes a definitive valuation ■ Potential for achieving extensive or final liquidity ■ Foundation has veto right ■ Clarity of combined BCBSUW/UWS organization more attractive to acquirers ■ Potential for merger/acquisition premium <p>Disadvantages</p> <ul style="list-style-type: none"> ■ Acquisitions may be financed with stock, and may not result in increased liquidity ■ Requires BCBSUW Board initiation and approval ■ Limited buyer universe, likely to include BCBS consolidators only

Capital markets' considerations

	Initial Public Offering	Follow-On Offering	Private / Block Sale
Advantages	<ul style="list-style-type: none"> ■ Allows partial near/medium term liquidity ■ Establishes a definitive valuation ■ Raises Company's profile with existing and potential customers ■ Can raise funds for acquisition and business development ■ Maintains significant upside potential for existing investors ■ Creates acquisition currency ■ Increased ability to use stock option plans to motivate employees 	<ul style="list-style-type: none"> ■ Allows for partial liquidity ■ Increases public float in Company's stock, which may result in increased trading volume and liquidity ■ If primary shares issued, should increase market capitalization and draw the interest of more institutional investors ■ The sale of primary shares raises funds for acquisitions and business investment ■ Demand rights give Foundation timing flexibility 	<ul style="list-style-type: none"> ■ Allows for partial liquidity ■ Less time consuming than Initial Public and Follow-On offerings ■ Disclosure and reporting requirements are less voluminous than in public offerings ■ Greatest flexibility if objectives are not met

Capital markets' considerations (continued)

	Initial Public Offering	Follow-On Offering	Private / Block Sale
Disadvantages	<ul style="list-style-type: none"> ■ Does not provide for full liquidity ■ Pressure to meet near-term market expectations may hinder longer term planning ■ Increased level of disclosure and reporting requirements ■ Maintained contact with financial community ■ IPO process is time consuming ■ Company capital raising needs may constrain Foundation's ability to participate 	<ul style="list-style-type: none"> ■ Does not provide for full liquidity ■ Selling shareholders must be careful to cap their liability in the indemnification agreement, especially if the shareholders are not actively involved in the Company ■ Underwriters may require a lock up (typically 90 days), but the lock up may be prolonged if offering is delayed 	<ul style="list-style-type: none"> ■ BCBSA ownership limits severely restrict market universe (Blues only); may limit ability to maximize value ■ Anonymity is difficult to maintain given Foundation's known ownership in the Company ■ Foundation cannot sell under 144(A) until \$50 million has been received from the sale of registerable securities ■ Sale by Foundation of private securities (pre-merger) will likely yield a discounted valuation

Capital markets' considerations (continued)

	Initial Public Offering	Follow-On Offering	Private / Block Sale
Timeline	<ul style="list-style-type: none"> ■ Typically 13-15 weeks from organizational meeting to pricing 	<ul style="list-style-type: none"> ■ Typically 12-14 weeks from organizational meeting to pricing 	<ul style="list-style-type: none"> ■ No applicable
Primary vs. Secondary Shares	<ul style="list-style-type: none"> ■ Dependent on each issuer's circumstances ■ Secondary shares can range from 0% – 50% of shares offered. However, 15-20% can be considered "reasonable" by the market 	<ul style="list-style-type: none"> ■ Dependent on each company's circumstances ■ Secondary shares can range from 0% – 100% of shares offered. However, up to 50% can be considered "reasonable" by the market ■ In 1999, the average size of Follow-On offerings when filed was 22% of the filer's market capitalization the day prior to filing 	<ul style="list-style-type: none"> ■ Not applicable

Capital markets' considerations (continued)

	Initial Public Offering	Follow-On Offering	Private / Block Sale
Spread	<ul style="list-style-type: none"> ■ In 1999, the average spread for IPOs between \$50 and \$100 million was approximately 7%. ■ The average for IPOs between \$100 and \$200 was 6.9% ■ The average for IPOs between \$200 and \$300 million was 6.4% 	<ul style="list-style-type: none"> ■ In 1999, the average spread for Follow-On offerings between \$50 and \$100 million was approximately 5.4%. ■ The average spread for Follow-On offerings under \$50 million where only secondary shares were sold was higher at 5.9%. 	<ul style="list-style-type: none"> ■ In 1999, the average spread for block trades between \$50 and \$100 million was 5.3%. ■ However, spreads can vary widely depending on the particular circumstances associated with a stock.
Size	<ul style="list-style-type: none"> ■ The average size of an IPO in 1999 was \$144 million. 	<ul style="list-style-type: none"> ■ In 1999, the average Follow-On offering at the time of filing was approximately 22% of the filing company's market capitalization. 	<ul style="list-style-type: none"> ■ Restricted Stock (144A) – limited to the larger of 1% of shares outstanding or average daily trading volume over the prior 4 weeks

Gross spread analysis

	Transaction size (\$ in millions)			
(gross spreads in %)	\$50 - \$100	\$100 - \$200	\$200 - \$300	\$300 - \$500
IPO				
Min	6.50%	6.22%	5.80%	4.75%
Mean	6.99	6.90	6.42	5.98
Median	7.00	7.00	6.50	6.00
Max	7.00	7.00	7.00	7.00
Follow-On				
Min	1.85	1.63	0.79	0.72
Mean	5.40	4.84	4.18	3.68
Median	5.43	5.00	4.13	3.75
Max	7.00	7.00	5.64	5.74
Follow-On with secondary shares				
Min	1.85	3.00	0.79	1.15
Mean	5.30	4.97	4.21	3.90
Median	5.25	5.00	4.26	3.76
Max	7.00	7.00	5.64	5.74
Follow-On (secondary shares only)				
Min	4.25	4.01	0.79	1.15
Mean	4.83	4.51	3.74	3.13
Median	5.00	4.52	3.88	3.32
Max	5.21	4.76	5.64	3.76
Block trading				
Min	4.75	2.87	2.00	0.72 ⁽¹⁾
Mean	5.34	3.38	3.82	0.72 ⁽¹⁾
Median	5.34	3.38	3.82	0.72 ⁽¹⁾
Max	5.93	3.89	5.64	0.72 ⁽¹⁾
Merger and acquisition				
Min	1.35	1.00	1.00	0.90
Max	NA	1.20	1.00	1.00

Note: IPO, Follow-On, and Block Trading spreads were derived from Equidesk. Spreads are from Jan. 1, 1999 through Dec. 16, 1999. Merger and Acquisition fees are based on a percentage of aggregate consideration according to Deutsche Bank's fee schedule.

(1) Represents one transaction

Merger and acquisition considerations

Advantages

- Provides the greatest potential for achieving extensive or even complete liquidity, depending on the form of consideration paid in the transaction
 - cash transactions generate the most liquidity and enable the Foundation to fulfil its duty to liquidate stock
 - a merger between Company and UWS will help the Foundation meet its divestiture schedule
- Public companies using stock as consideration may be willing to pay more for the Company
- Shortened investment horizon may leave the Foundation less vulnerable to industry and market fluctuations and corrections
- May enable the investor to benefit from an acquisition or takeover premium. The average premium to market paid for acquisitions of public managed health care companies was 43.5% during the period 1993-1999 (merger price versus public trading price one month prior to announcement).

Disadvantages

- Acquisitions of the Company that are paid for in stock may not result in increased liquidity
- A merger transaction will not occur without BCBSUW Board's initiation and approval
- The BCBSA license agreement effectively limits the universe of potential acquirors to other Blues Plans

Timeline

- Typically ranges from 3-8 months before the transaction is closed

Spread

- A typical sell side fee paid to an advisor will likely range from 0.90% – 1.2%, depending on total consideration paid

Selected managed care merger and acquisition transactions

Date Ann.	Target Acquiror	Equity Purchase Price	Enterprise Purchase Price (1)	Enterprise Purchase Price as a Multiple of LTM:			Equity Purchase Price as a Multiple of:			Premium to Market		
				Revenue	EBITDA	EBIT	Trailing Net Income	Forward Net Income	Book Value	Day Prior	Month Prior	Accounting
12/09/1999	Rush Prudential Health Plans Wellpoint Health Networks Inc.	\$200,000	\$200,000	0.4x	NA	NA	NA	NA	NA	NA	NA	Purchase
12/10/1998	Prudential HealthCare Aetna Inc.	\$1,000,000	\$1,000,000	0.1x	NM	NM	NM	NA	NA	NA	NA	Purchase
07/09/1998	Cerulean Companies, Inc. Wellpoint Health Networks Inc.	\$500,000	\$500,000	0.4x	15.5x	23.5x	36.6x	NA	2.4x	NA	NA	Purchase
12/03/1997	ChoiceCare Corporation Humana, Inc.	\$250,000	\$250,000	0.9x	94.8x	NM	59.9x	NA	5.0x	NA	NA	Purchase
06/03/1997	Physician Corporation of America Humana, Inc.	\$271,864	\$403,795	0.3x	NM	NM	NM	9.9x	NM	12.0%	36.6%	Purchase
05/06/1997	Physicians Health Services, Inc. Foundation Health Systems, Inc.	\$268,199	\$268,199	0.5x	NM	NM	NM	74.3x	2.8x	23.5%	54.8%	Purchase
02/28/1997	Healthsource, Inc. CIGNA Corporation	\$1,425,893	\$1,673,143	1.0x	18.2x	29.9x	36.0x	33.5x	3.5x	28.9%	65.7%	Purchase
10/01/1996	Health Systems International Inc. Foundation Health Corp.	\$1,264,330	\$1,629,321	0.5x	7.4x	9.7x	12.2x	NA	3.4x	-8.2%	NA	Pooling
08/05/1996	FHP International Corporation PacifiCare Health Systems, Inc.	\$1,587,133	\$1,923,546	0.5x	10.1x	16.2x	23.5x	NM	1.4x	28.0%	28.0%	Purchase
04/01/1996	U.S. Healthcare Inc. Aetna Inc.	\$8,807	\$8,829	2.4x	15.5x	16.5x	22.5x	NA	8.7x	24.4%	17.4%	Purchase
02/01/1996	HealthWise of America, Inc. United HealthCare Corporation	\$295,923	\$308,923	1.5x	19.2x	20.7x	34.3x	25.7x	8.5x	8.3%	13.3%	Pooling
08/10/1995	EMPHESYS Financial Group, Inc. Humana, Inc.	\$642,808	\$699,188	0.4x	5.8x	6.9x	10.4x	9.4x	1.8x	37.0%	63.9%	Purchase
10/03/1994	CareNetwork, Inc. Humana, Inc.	\$120,783	\$120,783	0.8x	62.8x	NM	NM	42.1x	8.5x	132.2%	119.6%	Purchase
09/12/1994	GenCare Health Systems, Inc. United Healthcare Corporation	\$516,120	\$516,819	2.3x	17.0x	18.0x	40.1x	23.5x	7.1x	20.3%	48.4%	Purchase
03/03/1994	TakeCare, Inc. FHP International Corporation	\$1,063,886	\$1,126,136	1.4x	17.8x	19.9x	31.3x	NA	4.5x	19.0%	23.1%	Purchase
02/15/1994	Ramsay-HMO, Inc. Humana, Inc.	\$501,500	\$501,608	1.5x	19.1x	22.9x	31.4x	24.6x	3.8x	24.1%	42.0%	Pooling
05/13/1993	HMO America, Inc. United HealthCare Corporation	\$404,421	\$404,646	1.1x	16.0x	18.8x	29.8x	23.6x	5.9x	33.9%	85.1%	Pooling
	Mean: (2)			1.0x	14.7x	18.5x	28.0x	28.1x	4.5x	20.9%	43.5%	
	Median (2)			0.9x	16.0x	18.8x	31.3x	24.1x	3.8x	24.0%	43.4%	
	Low:			0.1x	5.8x	6.9x	10.4x	9.4x	1.4x	-8.2%	13.3%	
	High:			2.4x	94.8x	29.9x	59.9x	74.3x	8.7x	132.2%	119.6%	

(1) Enterprise Purchase Price equals Equity Purchase Price plus debt assumed

(2) Mean and median exclude ChoiceCare Corporation/Humana, Inc. Merger and CareNetwork, Inc./Humana, Inc. Merger

Section 7

Summary of IPO and follow-on considerations

Characteristics of a strong IPO candidate

- **Large market opportunity**
 - Market size
 - Market growth
 - Share gain
 - Industry consolidation
- **Superior products and execution**
 - Technology advantage
 - Proven market acceptance
 - Strategy for new product development
 - Proven business model
 - Potential for scale
- **Barriers to entry**
 - Capital
 - Lead on potential entrants
 - Patents
 - Infrastructure
- **Management**
 - Proven track record
 - Inside ownership
 - Strategic vision and execution
 - Well-known financial backing

Transaction objectives

- Obtain the highest possible value for the company consistent with a reasonable return for new investors
- Create demand during the roadshow by emphasizing the Company's strengths, minimizing any potential deterioration in stock price
- Achieve highest quality distribution to key institutional buyers and selected individuals
- Increase liquidity by attracting research and trading sponsorship beyond the managers of the offering
- Establish broad awareness of the company in the brokerage community
- Position the Company to increase the depth and breadth of the institutional community's holding of its stock

Valuation methodology

- P/E multiple on projected earnings
 - based on comparable companies, adjusted for market offering conditions and “IPO discount”
- P/E multiple relative to projected earnings growth
- P/B multiple
 - based on comparable companies
- True comparable company similarities
 - industry
 - growth rate
 - margins
- Ultimate deal value set by market
- Heavily dependent on deal marketing and positioning

Choosing an underwriter

Evaluating underwriting capabilities

- Ranking of IPO and managed equity offerings
 - underwriter should have pertinent and recent experience: transaction and dollar volume are key considerations
- Experience in positioning new ideas and differentiating stories
- Reputation for quality
 - compare rates of return on investment for offerings managed by the underwriter with those of other underwriters
- Global institutional and retail distribution strength
 - institutional: sales representative capability, follow up timeliness, calling frequency
 - retail: dollar volume of client assets, commissions per representative, source of commissions (equity or fixed income)
- Depth of research coverage
 - breadth of coverage: number of companies covered by each analyst
 - quality of research and intensity of analyst coverage
- Dedication to after market trading support
 - trading rankings for lead managed IPOs
- Execution
 - percentage of offerings priced within or above the filing range

Company preparation

- Audited accounts for latest three years and most recent stub period available prior to offering
- Preparation of accounts according to U.S. GAAP
- Visibility/ability to predict and forecast financial performance on a quarterly basis
- Senior management team in place
- Selection of legal counsel and underwriters
- Issues relating to stock option plans, management contracts, independent directors and related third-party transactions

IPO and follow-on process: preparation

IPO and follow on preparation

- Finalize business and strategic plans
- Fill all senior management positions
- Initiate audit of financials
- Complete company projections (5 years)
- Capital budgeting
- Issue management options
- Put employment agreements in place
- Select underwriters

IPO and follow-on process: week 1



Set deal parameters

- Size
- Shares
- Timing

Management presentations to working group

- Size
- Shares
- Timing

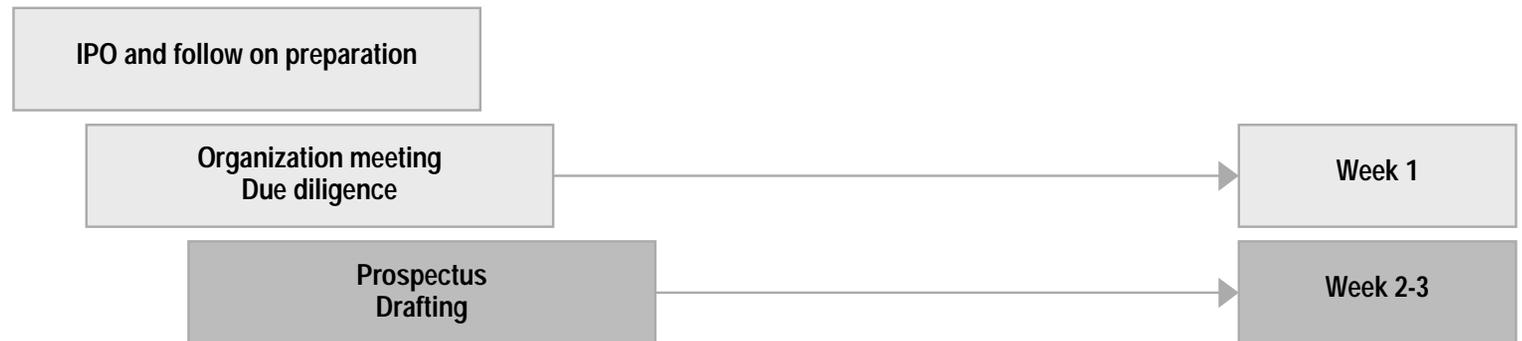
Underwriters and legal counsel due diligence

- Operational site visits
- Financial (historical and projected)

Logistics

- Prepare prospectus outline
- Schedule meetings with research analysts
- Select financial printer
- Form pricing committee
- Schedule any necessary Board or shareholders' meetings

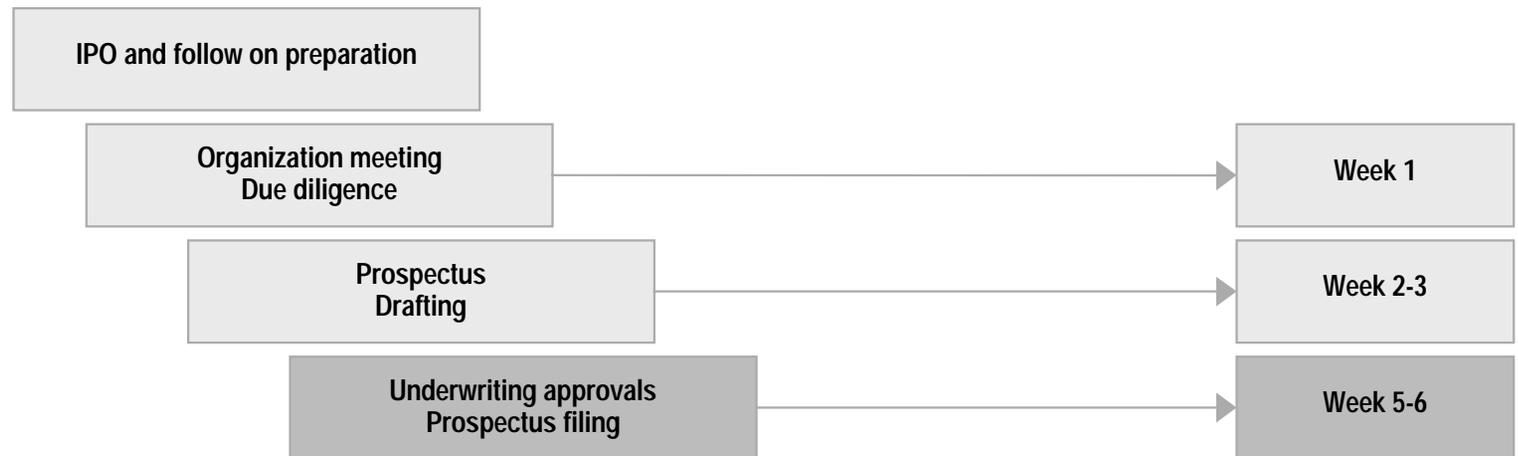
IPO and follow-on process: weeks 2-5¹



- Management and company counsel prepare and distribute initial draft of prospectus
- Working group reviews initial prospectus draft
- Drafting session to revise prospectus
- Subsequent drafts of prospectus distributed
- Additional drafting sessions to revise prospectus
- Final draft sent to financial printers
- Underwriters and counsel perform ongoing due diligence

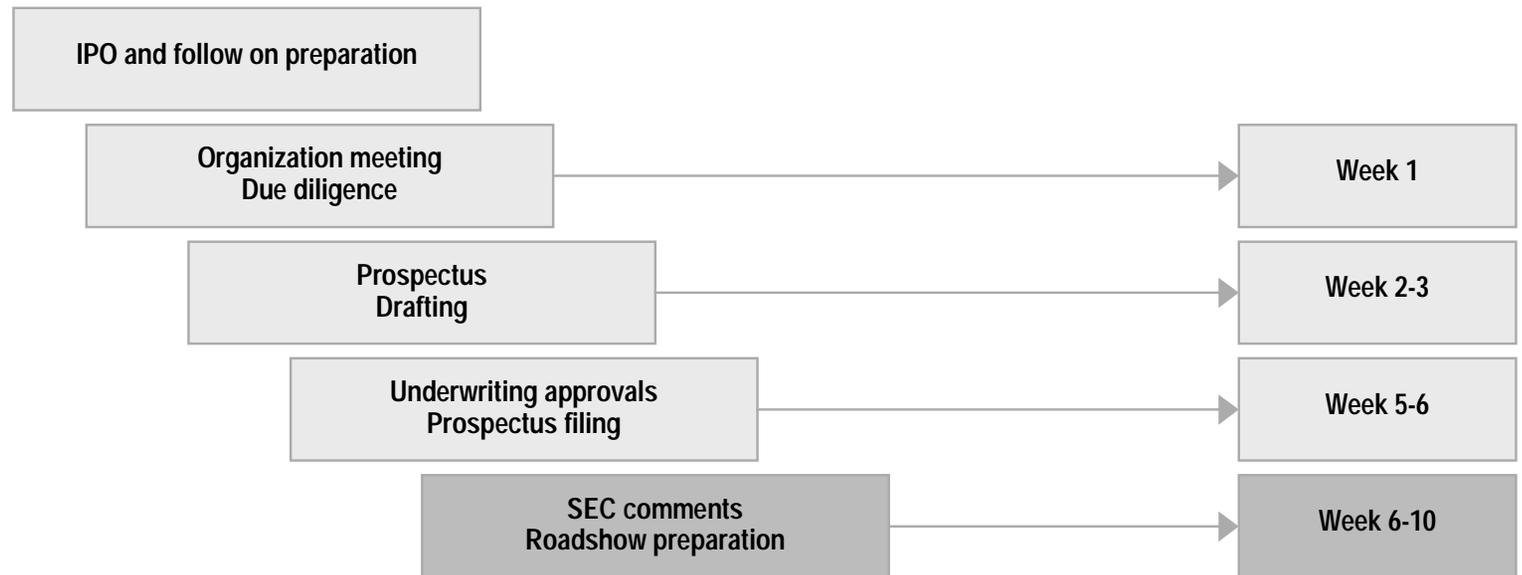
¹ Drafting an IPO prospectus for an insurance company typically takes 1-2 weeks longer than for a Follow-On due the additional regulatory due diligence that is required

IPO and follow-on process: weeks 5-6



- Underwriters convene screening and commitment committees
- Working group receives and reviews the printer's draft of the prospectus
- Final drafting session held at the printer
- Registration statement filed with SEC

IPO and follow-on process: weeks 6-10



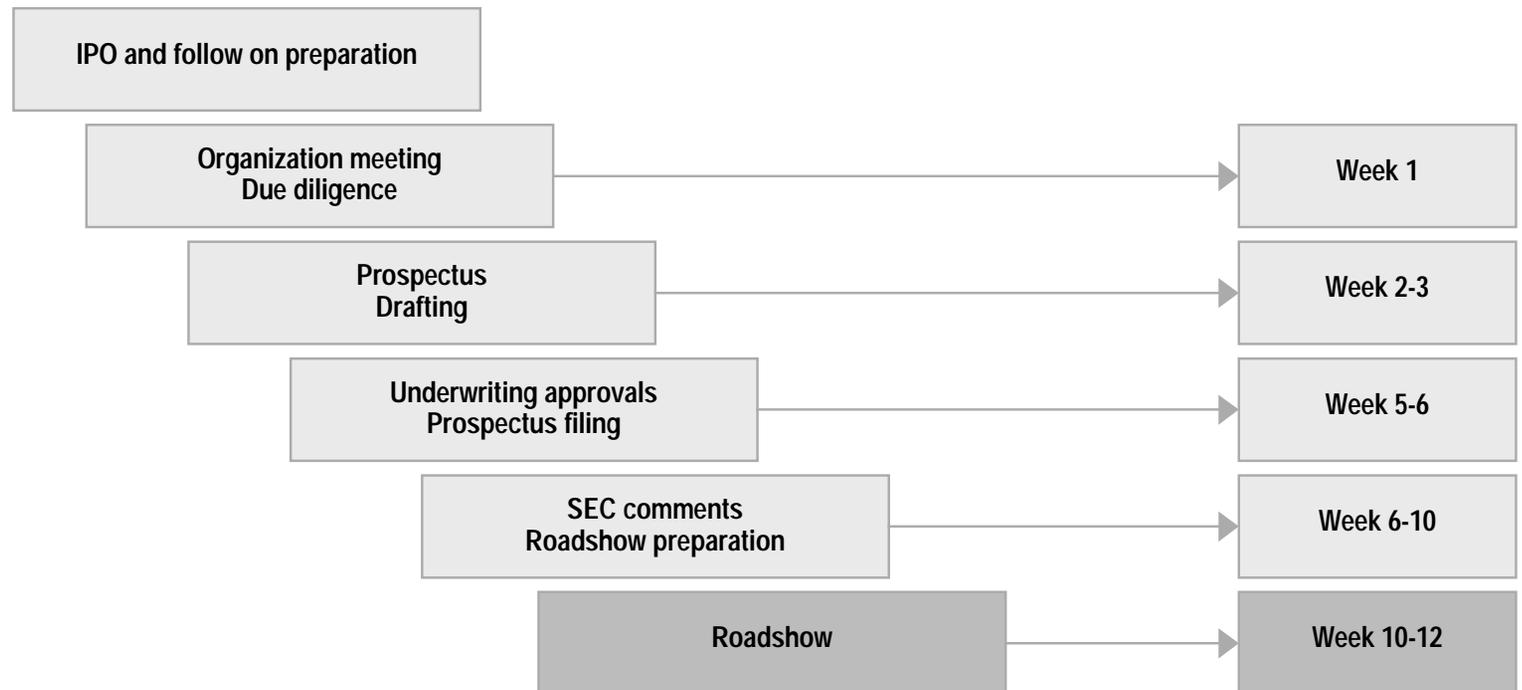
SEC review

- SEC reviews S-1 and comments on business and accounting
- Working group receives comments and responds to SEC
- File amendment to registration statement
- Print red herrings

Roadshow preparation

- Management and underwriters' presentation
- Management rehearses presentation
- Presentation finalized
- Deal marketing committee
- Deal marketing committee

IPO and follow-on process: weeks 10-12



- Presentation to underwriters' sales forces

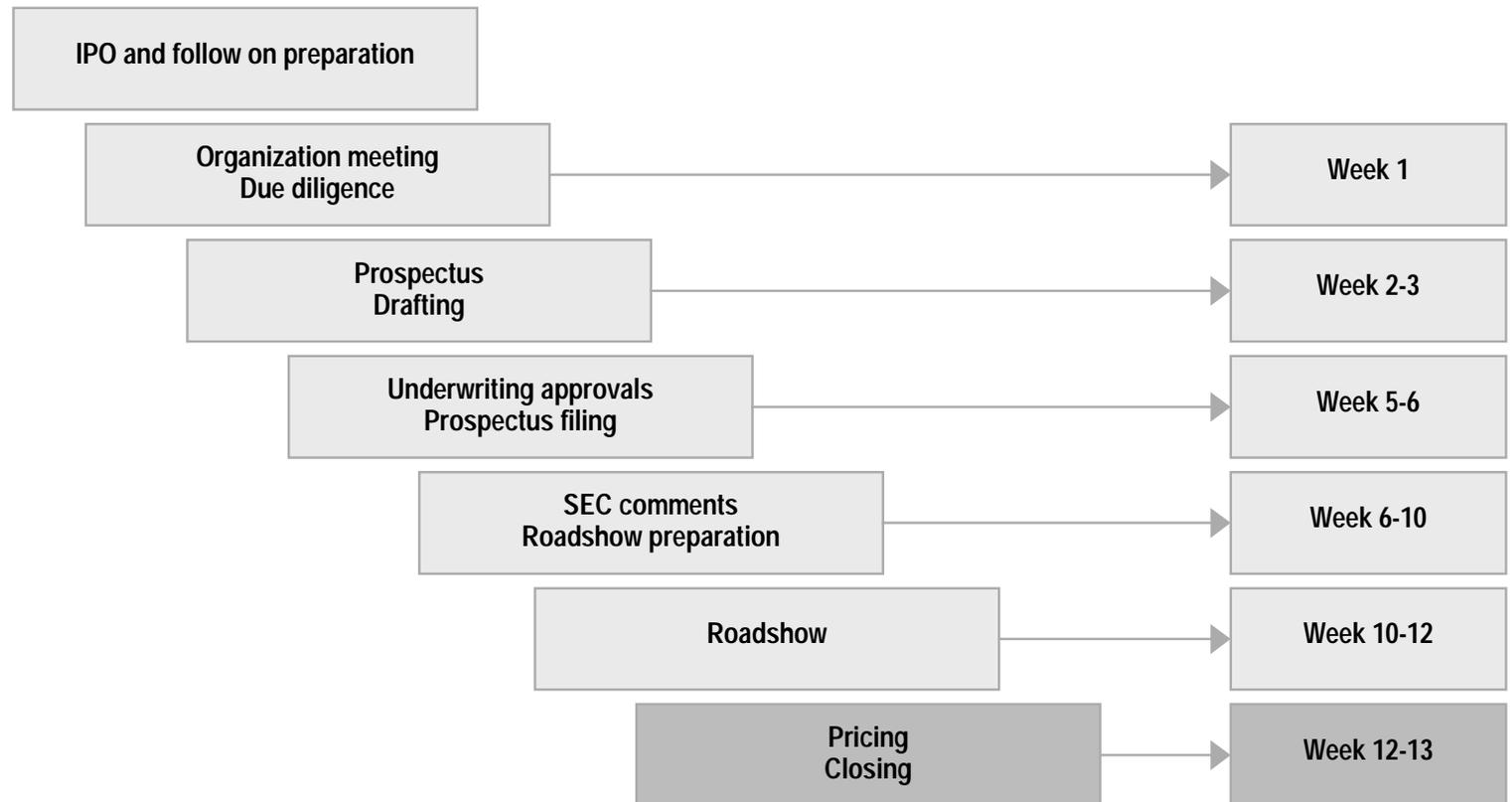
Roadshow

- One-on-one investor presentations
- Group presentations

Lead manager receives indications of interest from investors

- "Building the book"

IPO and follow-on process: weeks 12-13



Pricing

- Lead manager recommends IPO price to pricing committee
- Transaction priced
- Print and distribute final prospectuses

Closing

- Stock begins trading
- Initial research reports published
- Closing dinner to celebrate successful transaction

Section 8

Comparison of managed care IPOs and follow-on equity offerings

Summary price performance data for managed care IPOs and follow-ons

Company	Type of offering	File date	Shares filed (millions)	Amount filed (\$ millions)	File range	Price day before file date	Pricing date	Shares offered (millions)	Amount raised (\$ millions)	Offering price	Pricing date close	Price 1 month from offering	Price 1 year from offering
OXHP	Follow-On	3/15/96	4.55	\$200.86	\$44.19	\$44.19	4/2/96	4.55	\$200.00	\$44.00	\$46.13	\$49.75	\$58.13
PHSY	Follow-On	2/22/95	4.50	\$318.38	\$70.75	\$69.50	3/16/95	4.50	\$306.00	\$68.00	\$68.00	\$73.00	\$96.00
PHSY	Follow-On	11/19/93	0.50	\$19.88	\$39.75	\$39.75	12/6/93	0.50	\$19.50	\$39.00	\$40.63	\$39.25	\$67.50
PHSY	Follow-On	9/25/92	3.00	\$112.88	\$37.62	\$42.50	10/19/92	3.00	\$114.00	\$38.50	\$44.00	\$45.25	\$32.25
RIT	IPO	4/15/94	3.25	\$45.50	\$13.00- \$15.00	NA	8/1/94	3.25	\$35.75	\$11.00	\$12.63	\$11.38	\$13.00
SIE	Follow-On	9/2/94	1.50	\$39.38	\$26.25	\$26.50	10/3/94	2.00	\$53.00	\$26.50	\$29.00	\$31.88	\$24.88
TGH	IPO	8/9/96	11.54	\$150.02	\$12.00- \$14.00	NA	1/30/97	15.50	\$201.50	\$13.00	\$17.75	\$17.88	\$25.06
UWZ	Follow-On	1/17/95	1.23	\$44.74	\$33.25	\$34.75	2/7/95	1.23	\$44.74	\$36.38	\$37.50	\$36.63	\$20.00
UWZ	Follow-On	6/6/94	3.20	\$99.20	\$31.00	\$31.00	6/30/94	2.50	\$70.00	\$28.00	\$28.00	\$30.25	\$20.00
UWZ	IPO	9/5/91	1.38 ⁽¹⁾	\$16.68	\$12.00- \$14.00	NA	10/24/91	1.38	\$20.01	\$14.50	\$15.63	\$15.75	\$38.50
WLP	Follow-On	6/7/99	9.00	\$758.79	\$84.31	\$84.31	6/28/99	10.00	\$810.00	\$81.00	\$83.88	\$83.06	\$59.50
WLP	Follow-On	3/31/98	7.00	\$467.69	\$66.81	\$66.81	4/15/98	12.00	\$864.00	\$72.00	\$72.00	\$69.81	\$70.88
WLP	Follow-On	3/20/97	10.00	\$453.75	\$45.38	\$45.38	4/7/97	10.00	\$380.00	\$38.00	\$38.75	\$44.88	\$67.19
WLP	Follow-On	10/28/96	13.00	\$420.88	\$32.38	\$32.38	11/21/96	13.00	\$364.00	\$28.00	\$29.63	\$34.63	\$44.38
WLP	IPO	11/23/92	12.00	\$288.00	\$24.00	NA	1/27/93	17.00	\$476.00	\$28.00	\$33.50	\$28.00	\$32.00

(1) 1mm shares originally filed with .15mm shoe; this amount was bumped up to 1.2mm shares with .18mm shoe

Note: gross underwriting spreads as follows: OXHP, 3.82%, PHSY 2/95 2.87%, PHSY 11/93 3.97%, PHSY 9/92 3.48%, RIT IPO 7.00%, SIE 5.25%, TGH IPO 6.48%, UWZ 1/95 5.25%, UWZ 6/94 5.75%, UWZ IPO 7.03%, WLP 6/99 2.25%, WLP 3/98 3.00%, WLP 3/97 3.00%, WLP 10/96 3.00%, WLP IPO 5.29%

Managed care follow-on performance data

	File Date	Offer Date	Price Change 1 Month Prior to Filing to Offering Price			Price Change 1 Month After Offering			Price Change 1 Year After Offering		
			Actual	vs.		Actual	vs.		Actual	vs.	
				S&P 500	Mgd. Care Universe ⁽¹⁾		S&P 500	Mgd. Care Universe ⁽¹⁾		S&P 500	Mgd. Care Universe ⁽¹⁾
OXHP	3/15/96	4/2/96	5.2%	4.6%	7.2%	13.1%	14.9%	20.9%	32.1%	17.6%	39.7%
PHSY	2/22/95	3/16/95	5.4%	-1.2%	-2.6%	7.4%	5.2%	5.7%	41.2%	9.4%	12.9%
PHSY	11/19/93	12/6/93	20.9%	20.9%	15.0%	0.6%	0.5%	0.9%	73.1%	75.9%	64.4%
PHSY	9/25/92	10/19/92	15.4%	14.5%	1.6%	17.5%	15.5%	15.4%	-16.2%	-28.6%	-46.2%
SIE	9/2/94	10/3/94	-2.8%	-3.0%	-12.2%	20.3%	18.9%	23.5%	-6.1%	-32.3%	-22.0%
UWZ	1/17/95	2/7/95	5.4%	0.7%	-6.0%	0.7%	0.4%	4.1%	-45.0%	-80.2%	-74.1%
UWZ	6/6/94	6/30/94	-18.2%	-17.5%	-11.8%	8.0%	4.3%	8.2%	-28.6%	-51.2%	-34.4%
WLP	6/7/99	6/28/99	8.3%	9.3%	11.7%	2.5%	0.0%	5.1%	-26.5% ²	-35.1% ²	-5.4% ⁽²⁾
WLP	3/31/98	4/15/98	22.9%	16.3%	14.3%	-3.0%	-2.1%	-1.1%	-1.6%	-19.7%	14.4%
WLP	3/20/97	4/7/97	-2.3%	2.8%	-1.8%	18.1%	11.1%	12.2%	76.8%	31.2%	67.5%
WLP	10/28/96	11/21/96	-12.5%	-20.7%	-12.7%	23.7%	23.1%	16.8%	58.5%	28.8%	52.3%
Mean:			4.4%	2.4%	0.2%	9.9%	8.3%	10.2%	14.3%	-7.6%	6.3%
Median:			5.4%	2.8%	-1.8%	8.0%	5.2%	8.2%	-1.6%	-19.7%	12.9%
High:			22.9%	20.9%	15.0%	23.7%	23.1%	23.5%	76.8%	75.9%	67.5%
Low:			-18.2%	-20.7%	-12.7%	-3.0%	-2.1%	-1.1%	-45.0%	-80.2%	-74.1%

⁽¹⁾ Excludes company being examined from the insurance universe

⁽²⁾ As of 01/20/00

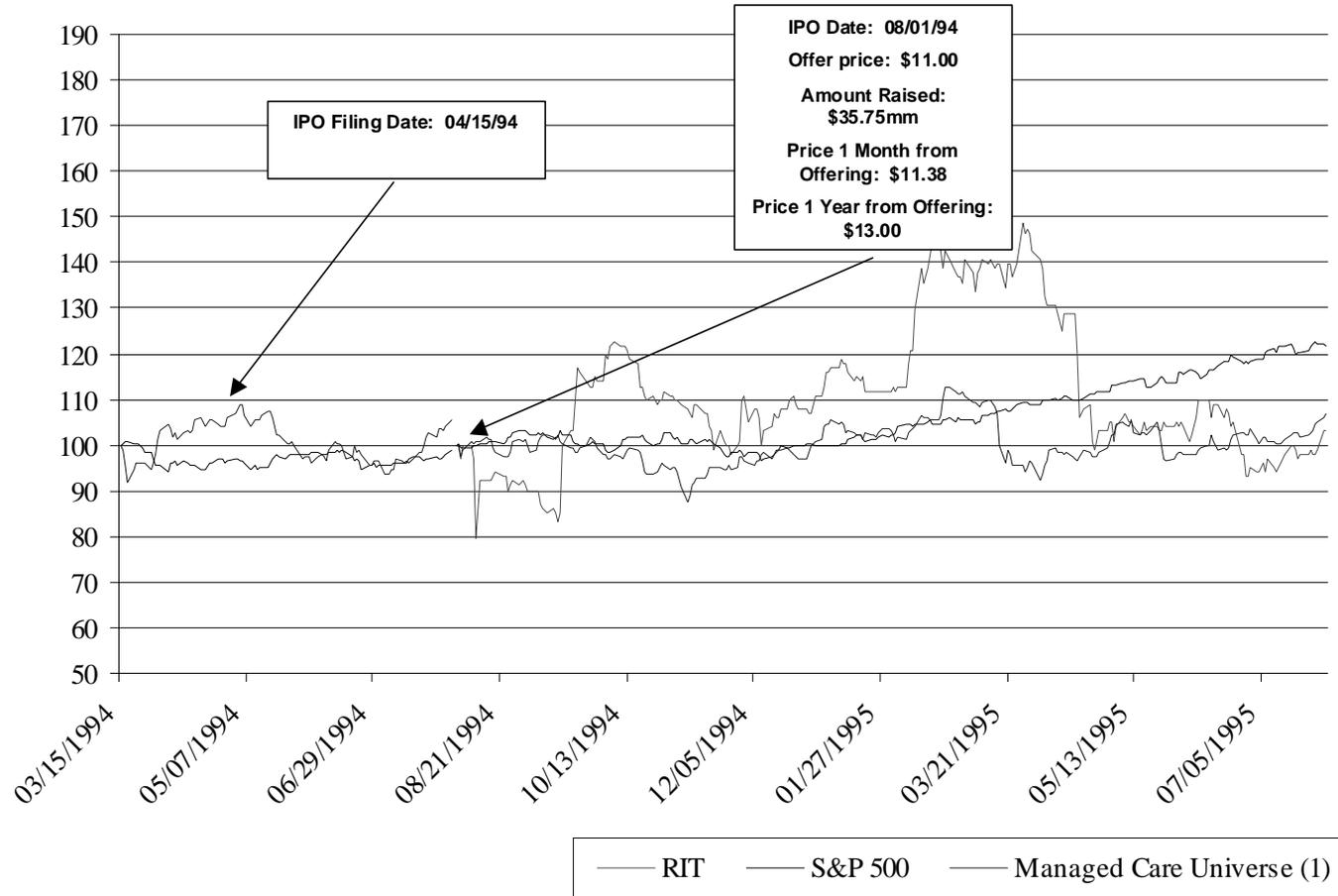
Managed care IPO performance data

	File Date	Offer Date	Price Change 1 Month Prior to Filing to Offering Price			Price Change 1 Month After Offering			Price Change 1 Year After Offering		
			Actual	S&P 500	Mgd. Care Universe ⁽¹⁾	Actual	vs. S&P 500	vs. Mgd. Care Universe ⁽¹⁾	Actual	vs. S&P 500	vs. Mgd. Care Universe ⁽¹⁾
RIT	4/15/94	8/1/94	NM	-1.3%	-5.0%	3.4%	0.8%	-5.6%	18.2%	-3.2%	8.0%
TGH	8/9/96	1/30/97	NM	19.8%	13.8%	37.5%	36.1%	27.3%	92.8%	67.8%	93.7%
UWZ	9/5/91	10/24/91	NM	0.0%	-2.9%	8.6%	11.1%	7.7%	165.5%	156.9%	130.0%
WLP	11/23/92	1/27/93	NM	5.8%	16.6%	0.0%	-0.9%	14.0%	14.3%	5.4%	-13.6%
Mean:			NM	6.1%	5.7%	12.4%	11.8%	10.9%	72.7%	56.7%	54.5%
Median:			NM	2.9%	5.5%	6.0%	6.0%	10.9%	55.5%	36.6%	50.8%
High:			NM	19.8%	16.6%	37.5%	36.1%	27.3%	165.5%	156.9%	130.0%
Low:			NM	-1.3%	-5.0%	0.0%	-0.9%	-5.6%	14.3%	-3.2%	-13.6%

⁽¹⁾ Excludes company being examined from the insurance universe

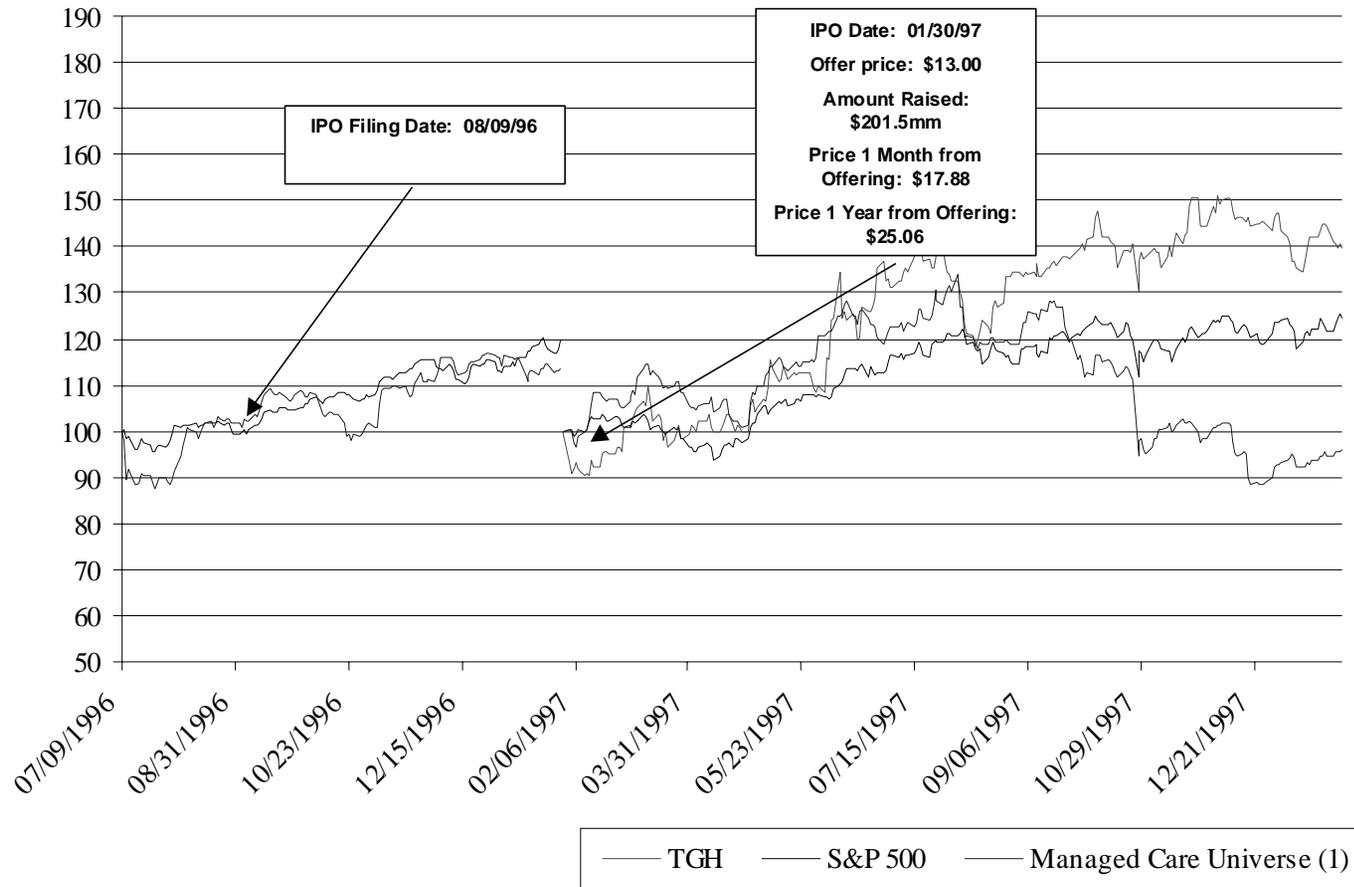
(1) Excludes company being examined from the insurance universe.

RIT pricing 1 month before IPO pricing – 6 months post IPO pricing date



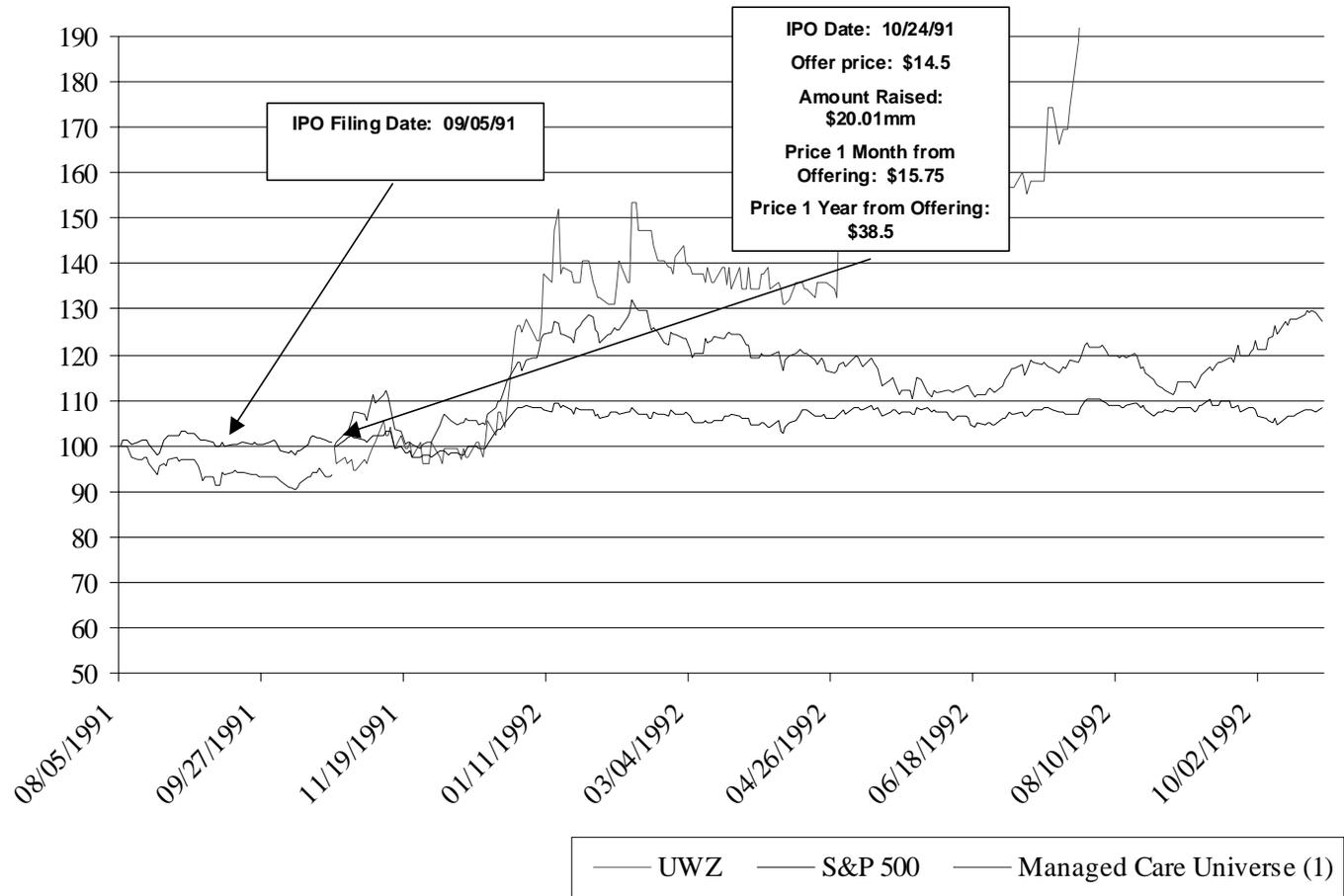
(1) Excludes RIT

TGH pricing 1 month before IPO filing – 1 Year Post IPO pricing date



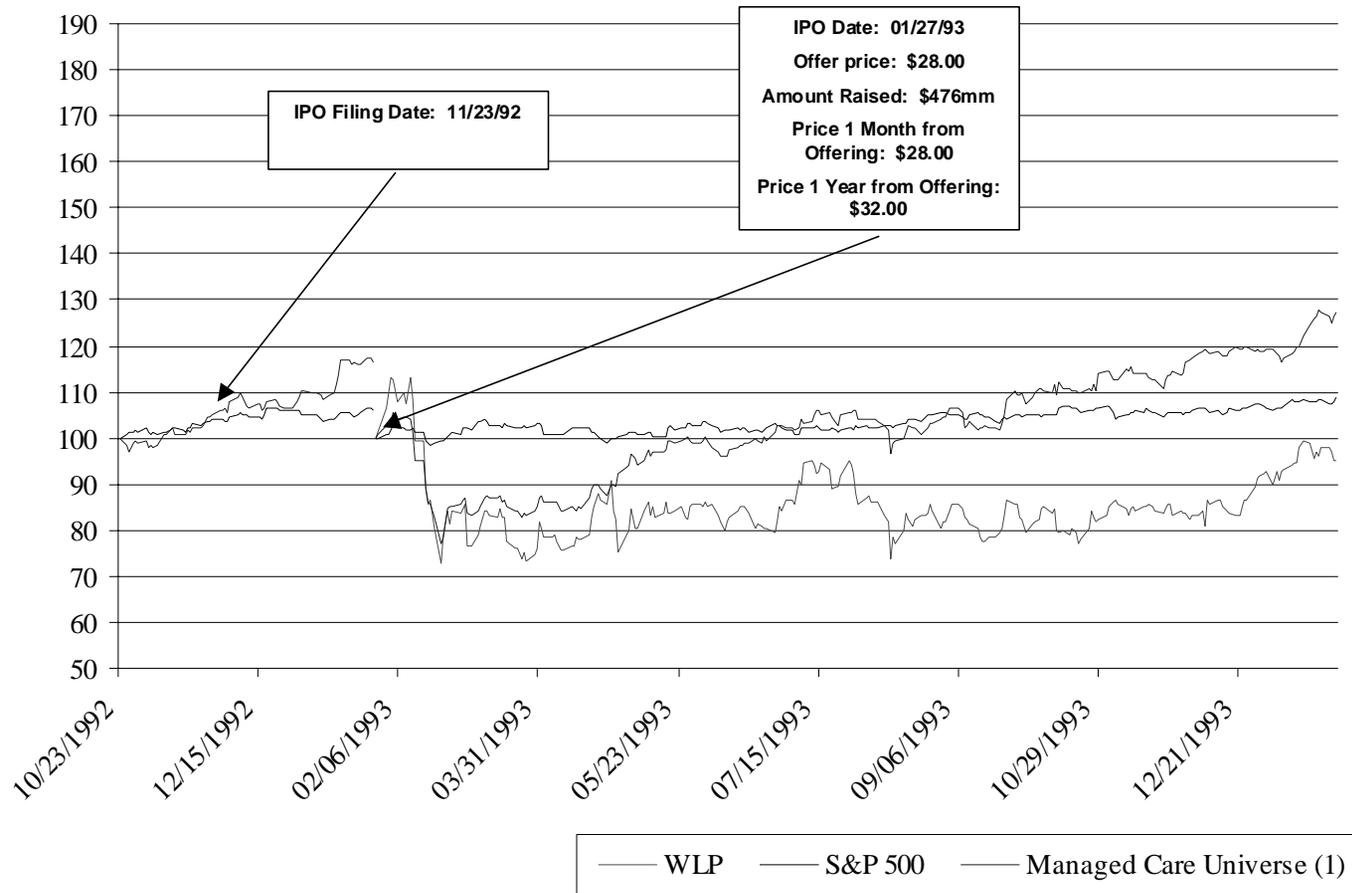
(1) Excludes TGH

UWZ pricing 1 month before IPO pricing date – 1 year post IPO pricing date



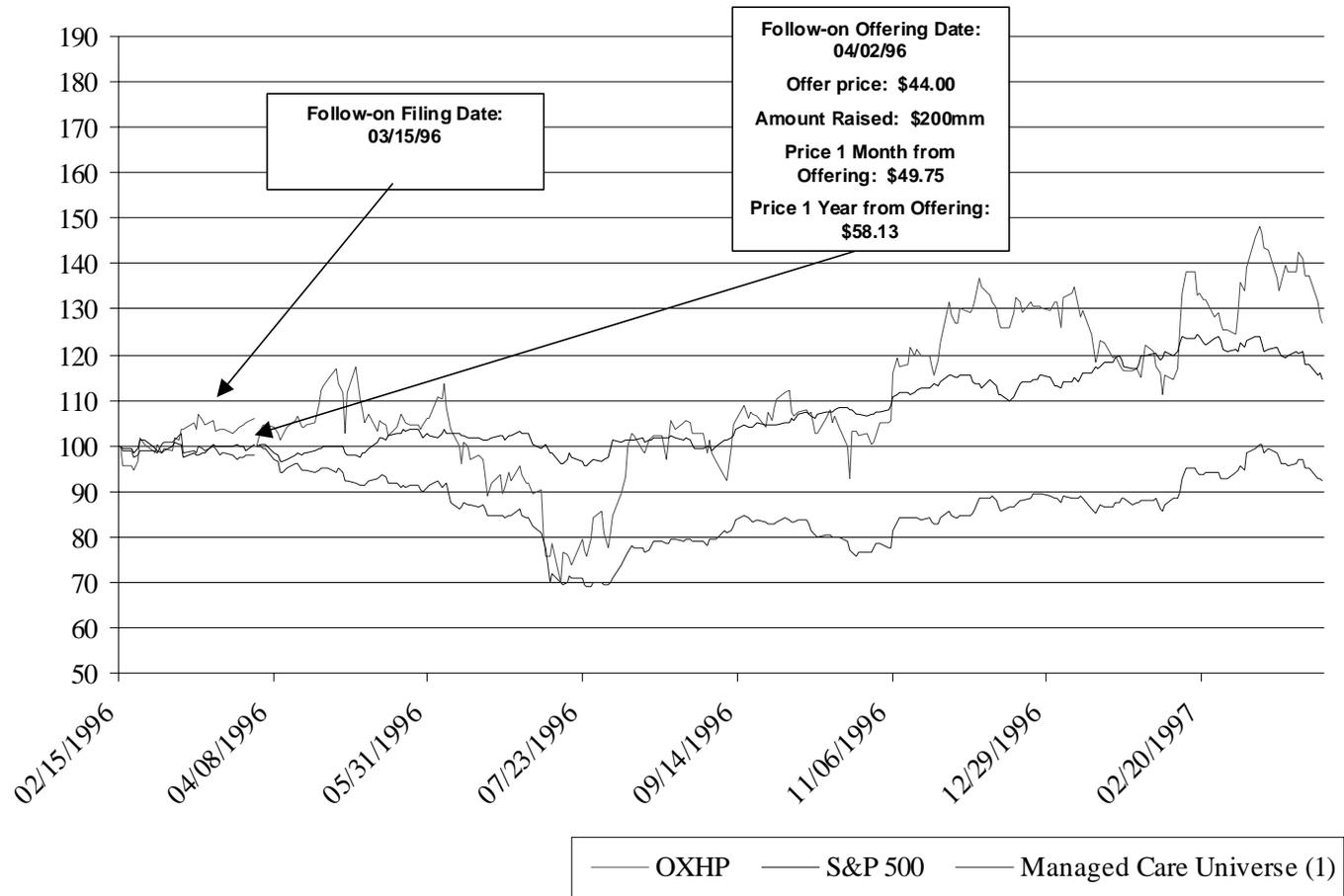
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WLP pricing 1 month before IPO filing – 1 year post IPO pricing date



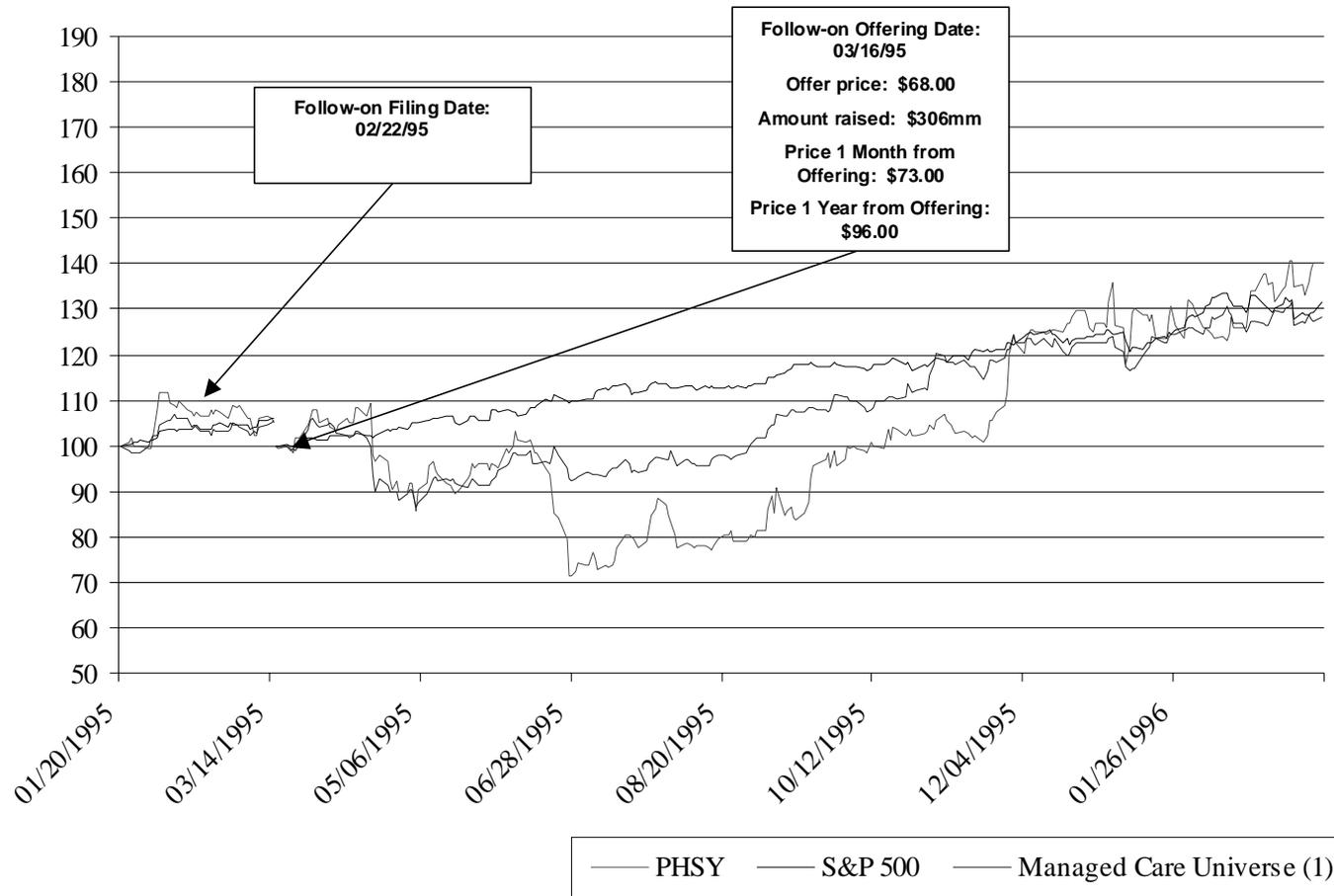
(1) Excludes WLP

OXHP pricing 1 month before follow-on filing – 1 year post follow-on pricing date



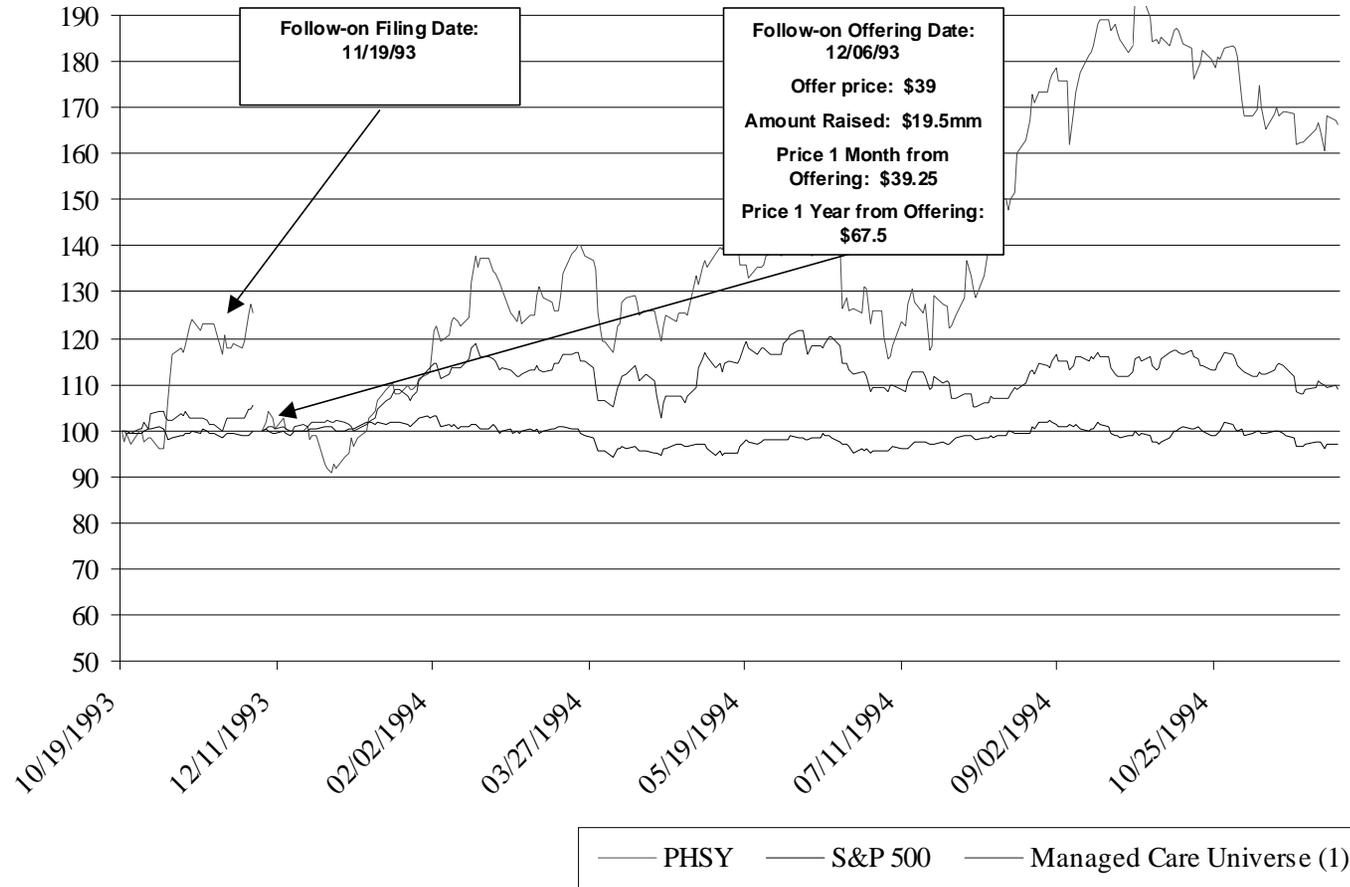
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PHSY pricing 1 month before follow-on filing – 1 year post follow-on pricing date



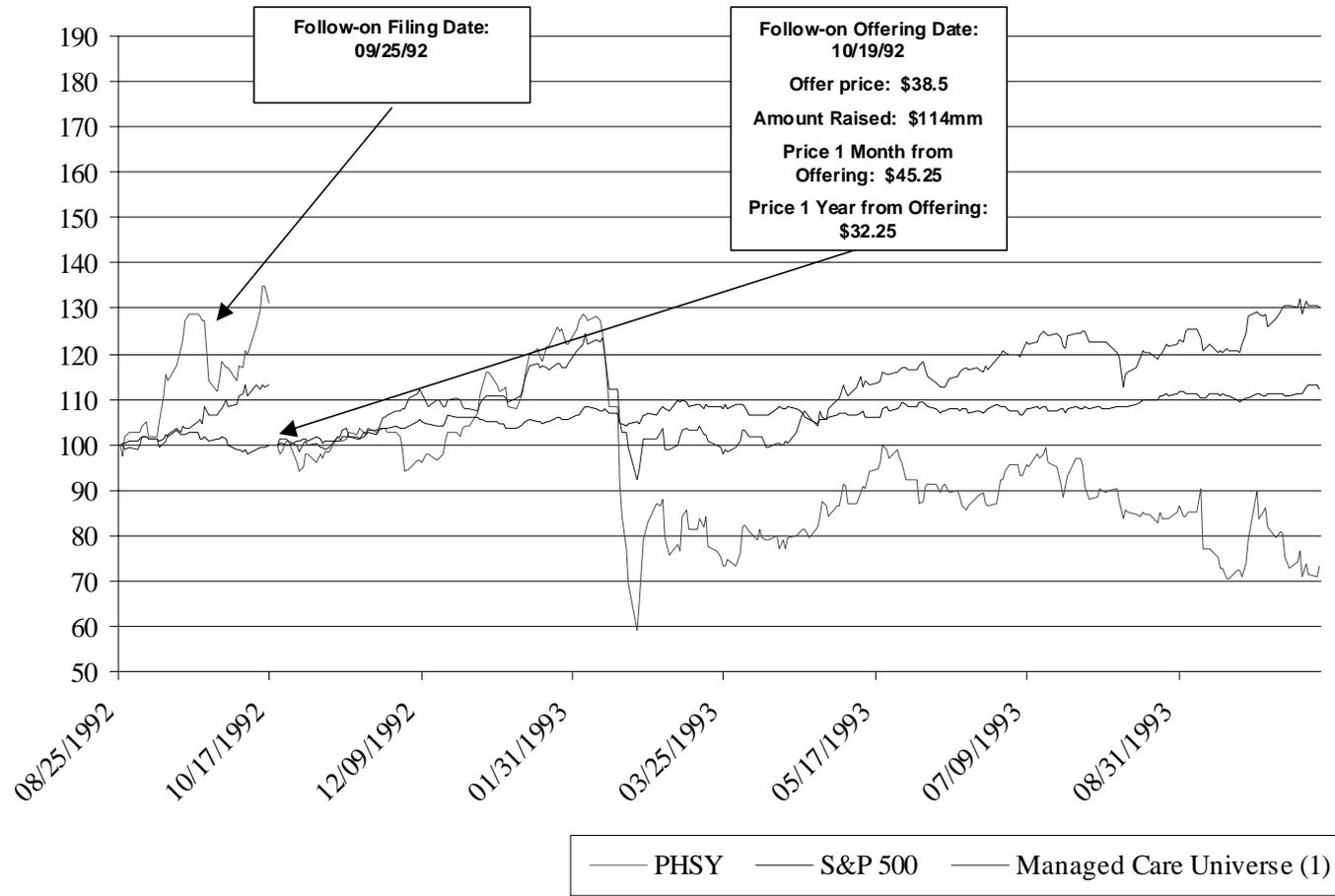
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PHSY pricing 1 month before follow-on filing – 1 year post follow-on pricing date



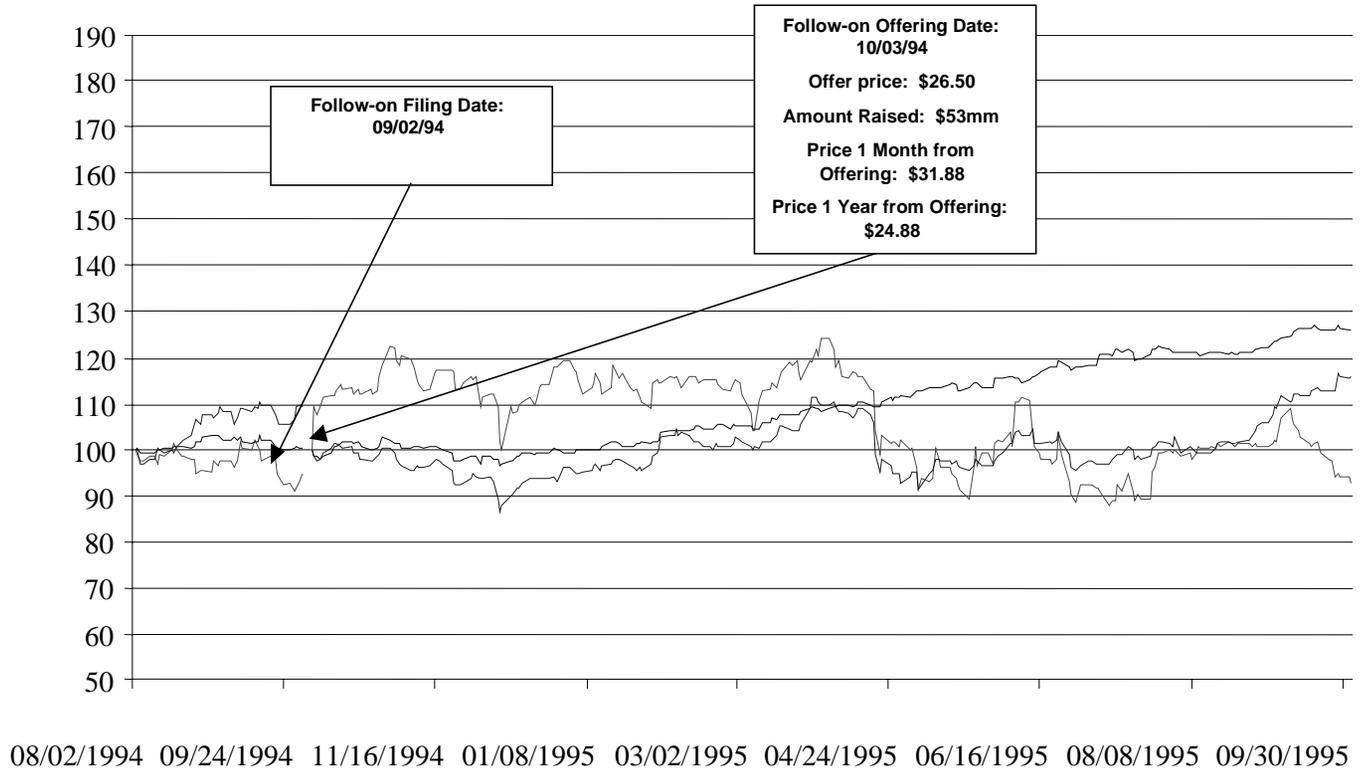
(1) excludes PHSY

PHSY pricing 1 month before follow-on filing – 1 year post follow-on pricing date



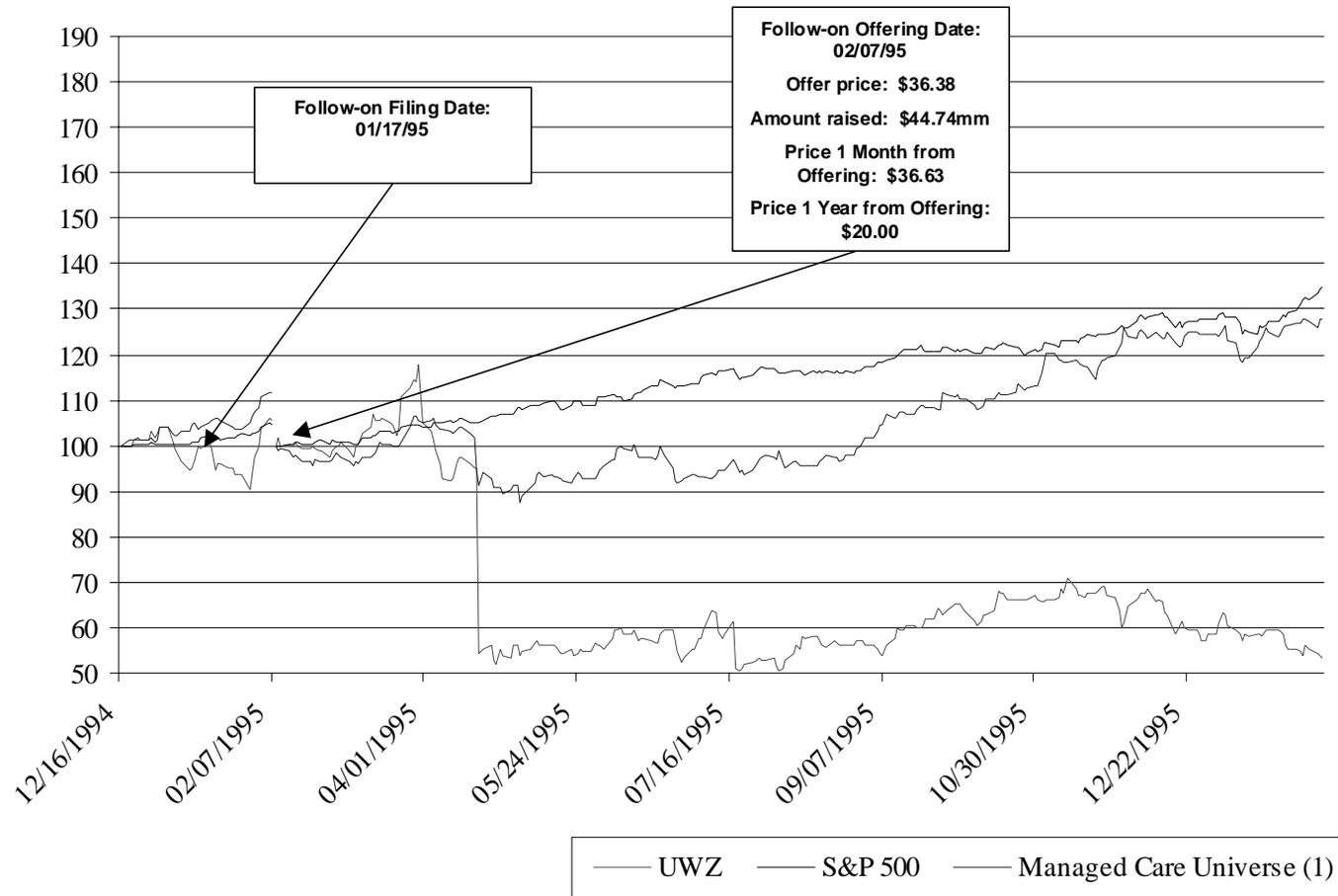
(1) excludes PHSY

SIE pricing 1 month before follow-on filing – 1 year post follow-on pricing date



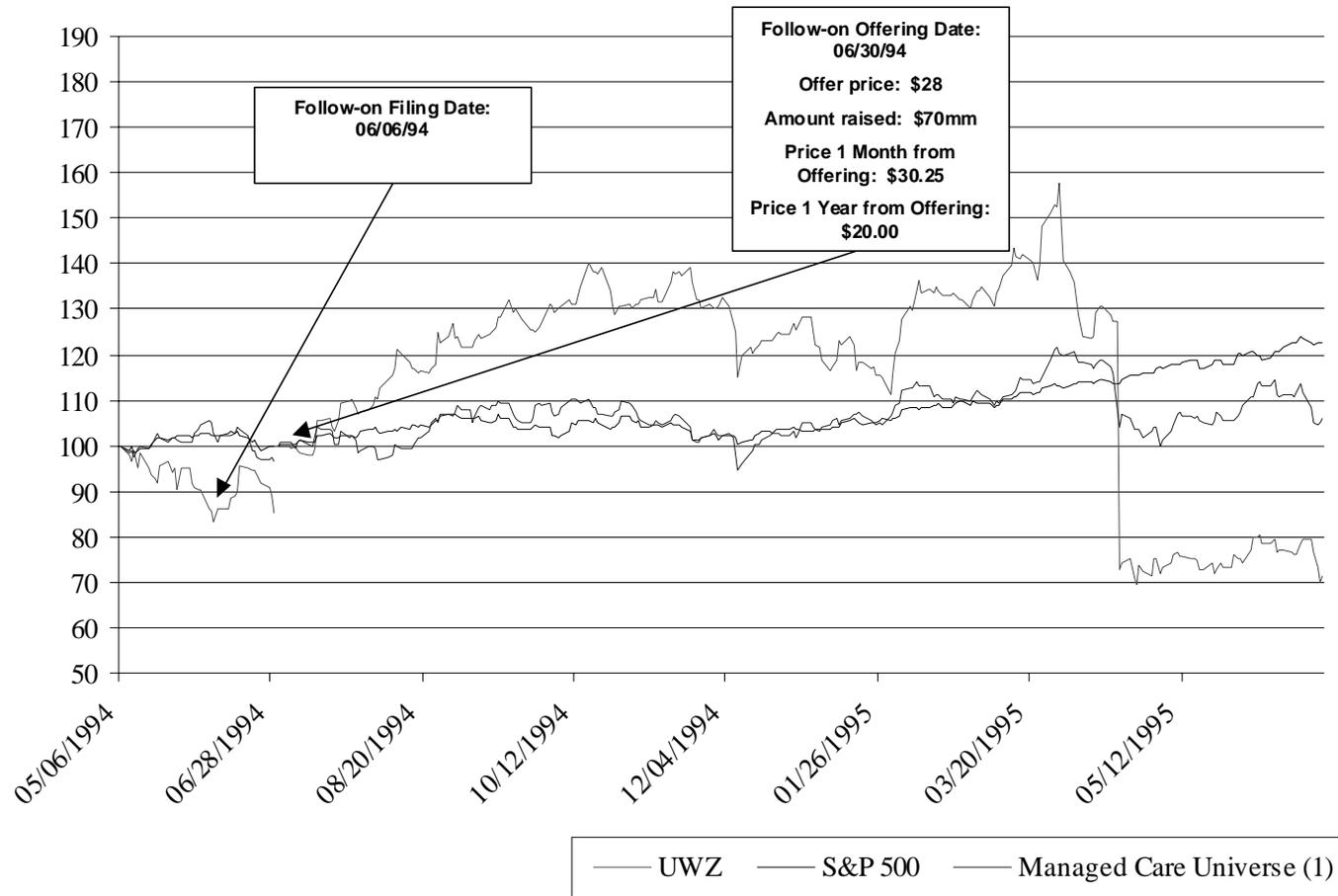
(1) Excludes SIE

UWZ pricing 1 month before follow-on filing – 1 year post follow-on pricing date



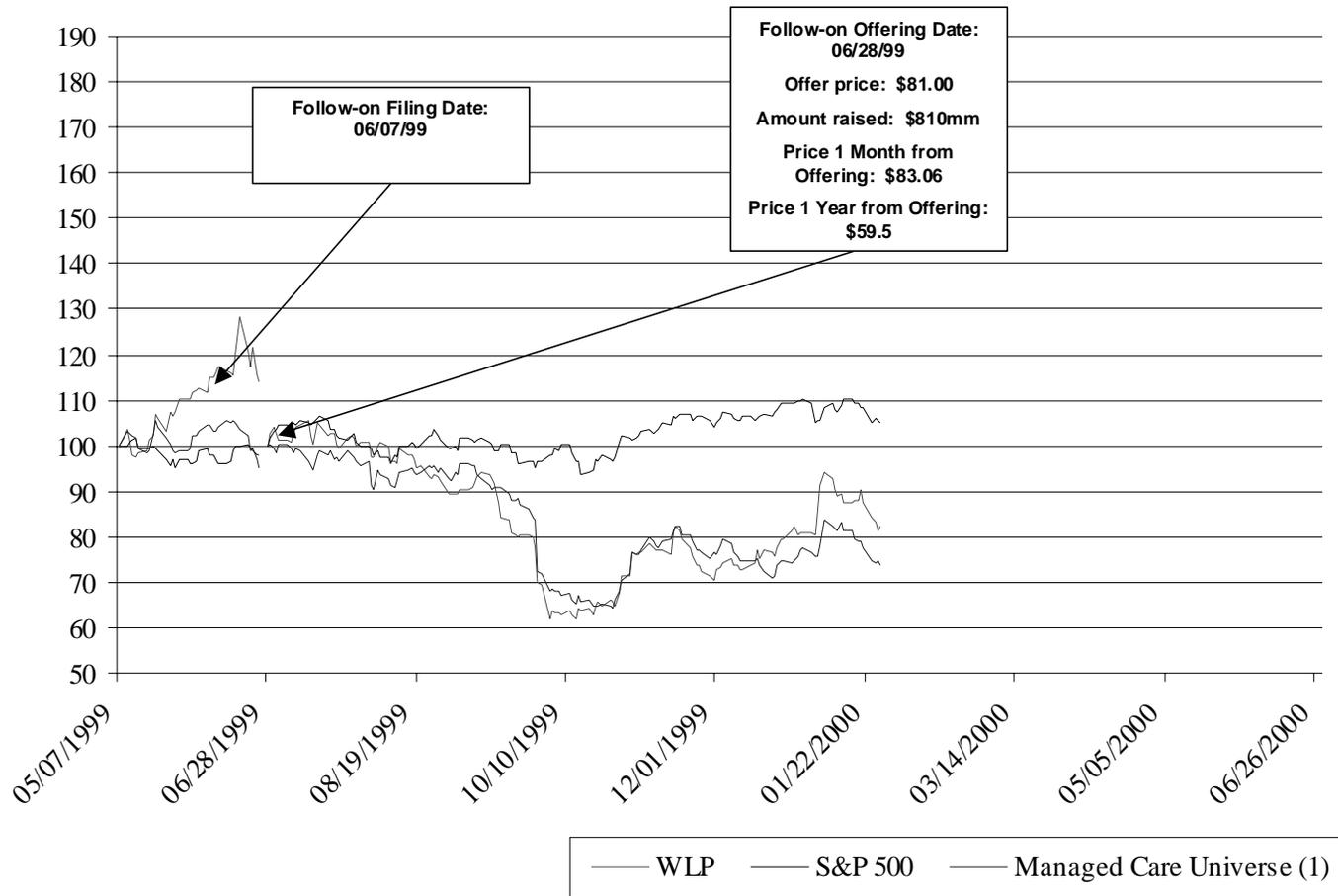
(1) Excludes UWZ

UWZ pricing 1 month before follow-on filing – 1 year post follow-on pricing date



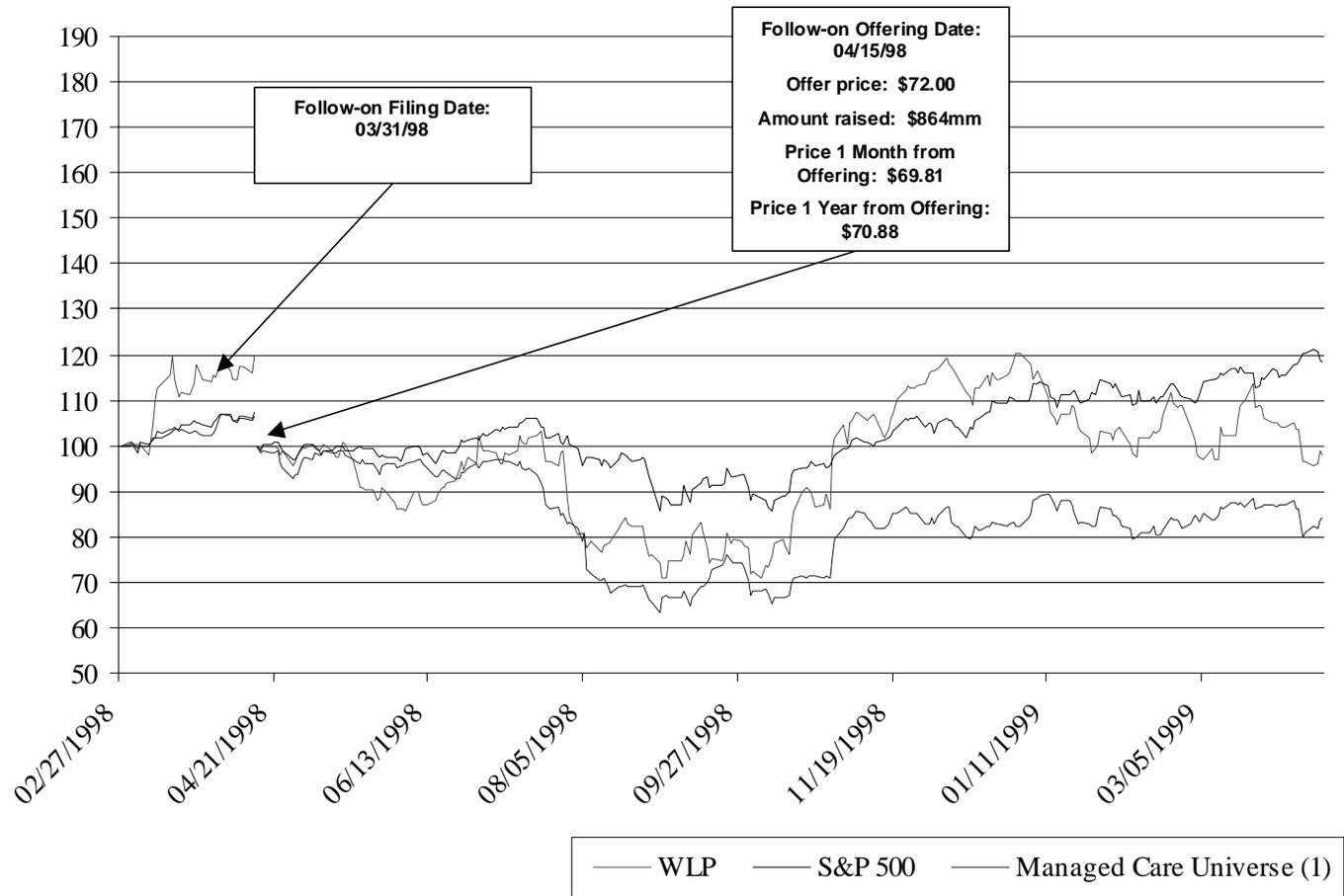
(1) Excludes UWZ

WLP pricing 1 month before follow-on pricing date – 1 year post follow-on pricing date



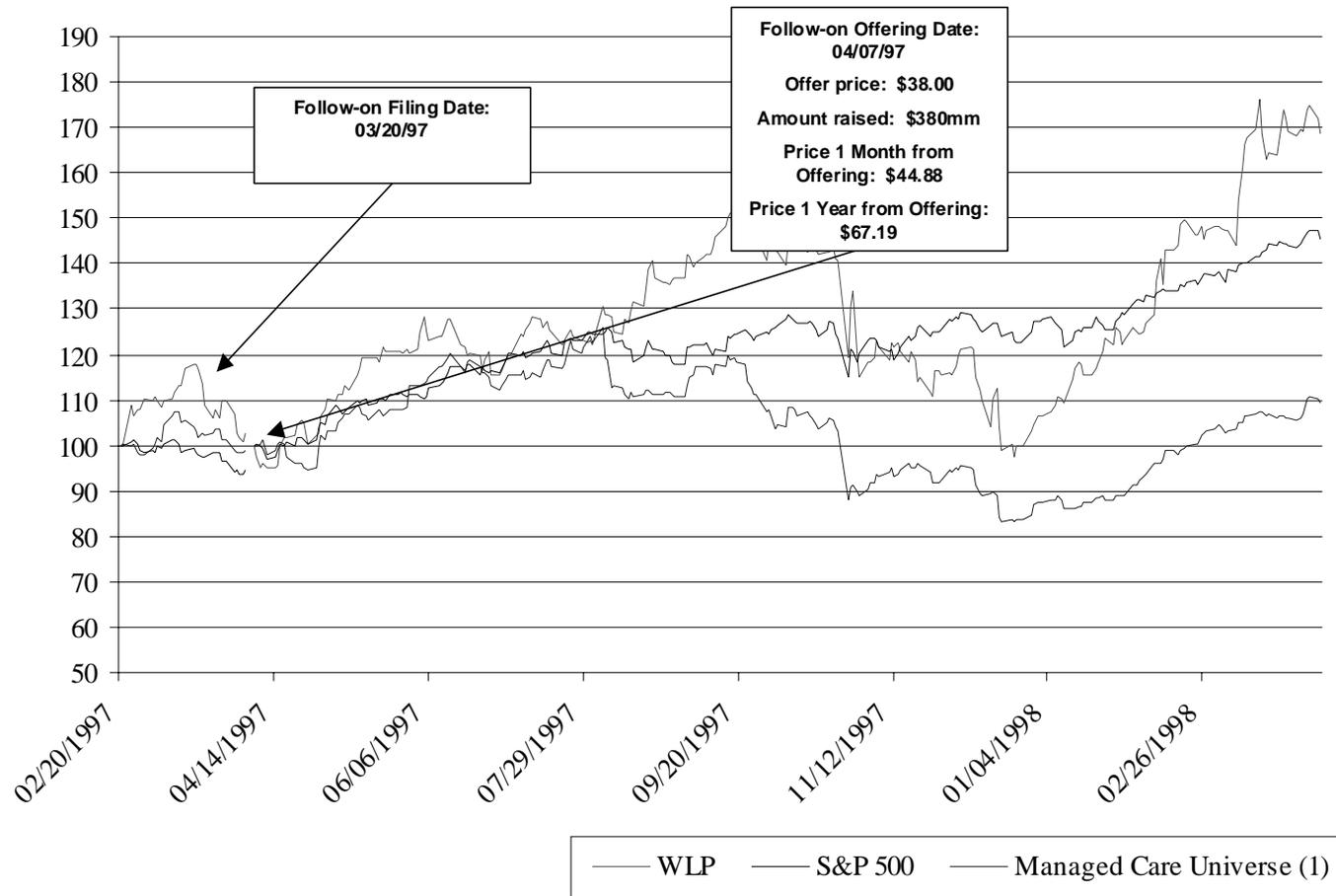
(1) Excludes WLP

WLP pricing 1 month before follow-on filing – 1 year post follow-on pricing date



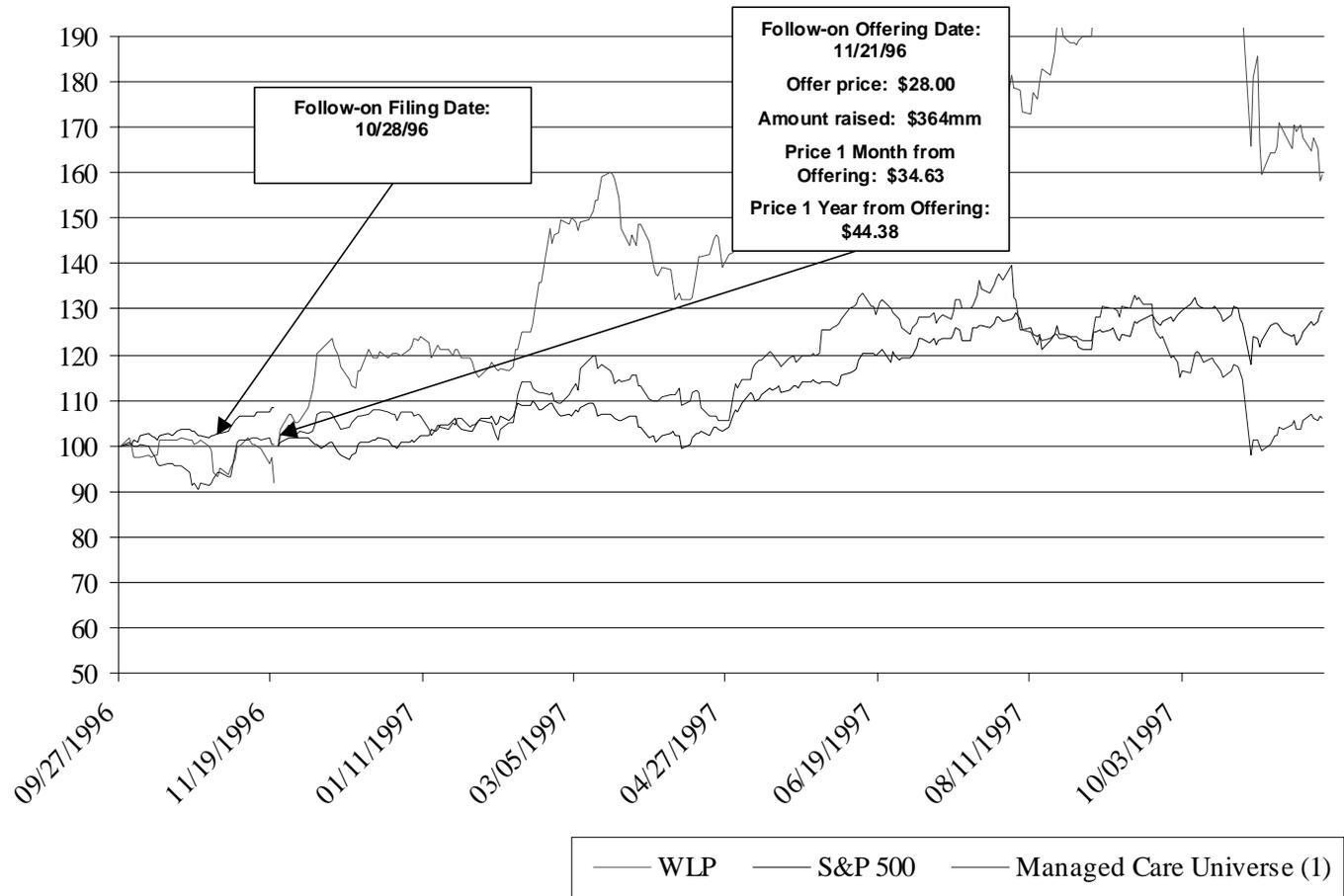
(1) Excludes WLP

WLP pricing 1 month before follow-on filing – 1 year post follow-on pricing date



(1) Excludes WLP

WLP pricing 1 month before follow-on pricing date – 1 year post follow-on pricing date



(1) Excludes WLP

Largest shareholders in publicly-traded Blues Plans

UWZ: United Wisconsin Services (Blue "controlled affiliate")

Owner Name	Holdings (shares)	Pct Held
BLUE CROSS & BLUE SHIELD WI	7,746,915	45.99%
PUTNAM INVESTMENT MANAGEMENT	1,165,253	6.92%
WEYERS RONALD A	948,433	5.63%
HILLIARD WALLACE J	865,000	5.14%
DIMENSIONAL FD ADVISORS, INC.	863,100	5.12%
WELLINGTON MANAGEMENT CO, LLP	678,000	4.02%
FIDELITY MGMT & RESEARCH CO	669,900	3.98%
HEARTLAND ADVR INC.	662,800	3.93%
AMERICAN EXPRESS FINL ADVR	440,392	2.61%
TCW GROUP, INC.	440,000	2.61%

WLP: Wellpoint Health Network

Owner Name	Holdings (shares)	Pct Held
FIDELITY MGMT & RESEARCH CO	5,777,990	8.67%
PRUDENTIAL INSUR CO OF AMERICA	5,357,406	8.04%
CALIFORNIA HEALTHCARE FOUNDATION	4,400,000	6.60%
NEUBERGER&BERMAN MGMT	4,271,296	6.41%
ALEX. BROWN INVT MGMT L.P.	3,108,733	4.67%
T. ROWE PRICE ASSOCIATES, INC.	2,618,200	3.93%
MELLON PRIVATE ASSET MGMT	1,944,312	2.92%
BARCLAYS BANK PLC	1,740,230	2.61%
RORER ASSET MGMT	1,606,003	2.41%
CAPITAL RESEARCH & MGMT CO	1,445,100	2.17%

Largest shareholders in publicly-traded Blues Plans (continued)

TGH: Trigon Healthcare

<u>Owner Name</u>	<u>Holdings (shares)</u>	<u>Pct Held</u>
CHASE MANHATTAN CORP	1,796,400	4.32%
PIMCO ADVR L P	1,188,768	2.86%
AMERICAN INTL GROUP INC	1,077,000	2.59%
BANKERS TRUST N Y CORP	1,029,800	2.48%
FIDELITY MGMT & RESEARCH CO	980,040	2.36%
NEUBERGER&BERMAN MGMT	930,700	2.24%
AIM MANAGEMENT GROUP, INC.	849,200	2.04%
MONTGOMERY ASSET MGMT, LLC	814,800	1.96%
CAPITAL RESEARCH & MGMT CO	790,300	1.90%
FLEMING ASSET MANAGEMENT (USA)	772,100	1.86%

RIT: RightChoice Managed Care

<u>Owner Name</u>	<u>Holdings (shares)</u>	<u>Pct Held</u>
HEARTLAND ADVR INC.	1,461,250	7.83%
LINDNER ASSET MANAGEMENT, INC.	696,300	3.73%
HEALTH CARE SVCS CORP	695,800	3.73%
DIMENSIONAL FD ADVISORS, INC.	211,700	1.13%
N.Y. STATE TEACH RETIRE SYS	164,000	0.88%
KENNEDY CAPITAL MGMT, INC.	119,250	0.64%
VANGUARD GROUP	42,500	0.23%
NORTHERN TRUST COMPANY OF CT	34,000	0.18%
GRANTHAM MAYO VAN OTTERLOO&CO	33,900	0.18%
SELECTIVE INS CO OF AMER	25,000	0.13%

Largest shareholders in American Medical Security Group, Inc.

AMZ: American Medical Security Group, Inc.

Owner Name	Holdings shrs/bnds	Pct Held
BLUE CROSS & BLUE SHIELD WI	6,309,525	37.89%
HEARTLAND ADVR INC.	1,646,500	9.89%
WELLINGTON MANAGEMENT CO, LLP	1,354,800	8.14%
PIMCO ADVR L P	1,112,345	6.68%
OPPENHEIMER CAPITAL	1,110,016	6.67%
MILLER V SAMUEL	974,175	5.85%
DIMENSIONAL FD ADVISORS, INC.	799,500	4.80%
DALTON GREINER HARTMAN MAHER&C	619,800	3.72%
OPPENHEIMERFUNDS INC.	523,900	3.15%
HILLIARD WALLACE J	404,500	2.43%

Section 9

BCBSUW/UWS historical transaction summary

BCBSUW/UWS historical transaction summary: pre-1990 and 1991

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1990 and prior	<ul style="list-style-type: none"> Various inter-company agreements and corporate relationships between BCBSUW and UWS 	<ul style="list-style-type: none"> BCBSUW owned 100% of UWS
1991 Pre-UWS IPO	<ul style="list-style-type: none"> Various inter-company reinsurance agreements between BCBSUW and UWS entities 	<ul style="list-style-type: none"> BCBSUW owned 100% of UWS OCI non-disapproval 06/10/91
1991 in connection with UWS IPO	<ul style="list-style-type: none"> Restructuring of BCBSUW and transfer of various subsidiaries to UWS (Compcare, Take Control, and United Heartland, Inc.) plus the Dentacare line of business Underwriting Agreement and Dividend Contribution Commitment 	<ul style="list-style-type: none"> OCI Final Decision released 09/27/91 OCI non-disapproval 09/24/91 (re: Dentacare only) UWS completed sale of newly issued stock 10/24/94; proceeds of \$17.41 million retained by UWS. Post-IPO BCBSUW owned 100% of its original UWS stock. UWS underwriters recommended that to ensure successful equity offering to retail investors, UWS must pay a quarterly stock dividend. To prevent capital flow-back to BCBSUW, the underwriting agreement provided that through 03/31/95, BCBSUW would contribute its dividends to UWS for no additional consideration. Post-IPO, BCBSUW (1) participated in tax-sharing agreement with UWS and (2) owned 81.3% of UWS. See spreadsheet.
1991 Post IPO	<ul style="list-style-type: none"> Amendment to reinsurance agreement between UWS and BCBSUW 	<ul style="list-style-type: none"> Non-substantive change re: BCBSUW as authorized reinsurer OCI non-disapproval 12/5/91

BCBSUW/UWS historical transaction summary: 1992 and 1993

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1992	<ul style="list-style-type: none"> No Form D transactions (files, if any, were unavailable) UWS paid common stockholder dividends 	<ul style="list-style-type: none"> BCBSUW received \$4.32 million in dividends and contributed \$4.32 million back to UWS (see spreadsheet) for no consideration BCBSUW owned 81.3% of UWS BCBSUW received \$4.99 million net tax benefit (see spreadsheet)
1993	<ul style="list-style-type: none"> BCBSUW guaranteed extension of credit to UWS subsidiaries (M&I Marshall & Ilsley Bank) 	<ul style="list-style-type: none"> UWS subsidiaries may borrow up to \$10 million. Availability under this facility was shared with BCBSUW BCBSUW received no consideration for the guarantee (see spreadsheet) BCBSUW owned 81.3% of UWS BCBSUW received \$6.21 million tax benefit UWS agreed to reimburse BCBSUW for any amounts advanced on UWS' behalf under the guarantee
1993	<ul style="list-style-type: none"> UWS paid common shareholder dividends 	<ul style="list-style-type: none"> BCBSUW received \$4.32 million in dividends and contributes \$4.32 million back to UWS (see spreadsheet) for no consideration
1993	<ul style="list-style-type: none"> Various administrative services agreements between UWS subsidiaries and an investment pooling agreement between BCBSUW and UWS 	<ul style="list-style-type: none"> Non-disapproval by OCI 11/5/93 Administrative agreements were between UWS group members

BCBSUW/UWS historical transaction summary: 1994

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1994	<ul style="list-style-type: none"> Various administrative services and reinsurance agreements and amendments between UWS subsidiaries 	<ul style="list-style-type: none"> OCI non-disapproval 03/23, 03/15, 04/15, 05/04, 05/24, 06/29, 08/25, 08/12/94 Administrative agreements were between UWS group members
1994	<ul style="list-style-type: none"> Service agreement between BCBSUW and UWS 	<ul style="list-style-type: none"> Broad range of services provided by BCBSUW to UWS and by UWS to BCBSUW Compensation was based on allocated costs or per hour fee OCI non-disapproval 05/24/94
1994	<ul style="list-style-type: none"> Reinsurance Agreement between BCBSUW and Valley 	<ul style="list-style-type: none"> Related to an HMO product marketed jointly by BCBSUW and Valley (a UWS subsidiary). BCBSUW received premium and assumed all risk in excess of a 95% loss ratio Only three clients purchased product OCI non-disapproval 07/27/94
1994	<ul style="list-style-type: none"> Reinsurance Agreement between BCBSUW and UWIC 	<ul style="list-style-type: none"> Related solely to BCBSUW dairy business written on UWIC paper with 100% of the risk transferred back to BCBSUW OCI non-disapproval 08/11/94
1994	<ul style="list-style-type: none"> UWS paid common stockholder dividend. 	<ul style="list-style-type: none"> BCBSUW received \$3.91 million in dividends and contributed \$3.84 million back to UWS (see spreadsheet)
1994	<ul style="list-style-type: none"> BCBSUW sold 1.67mm shares 7/1/95 	<ul style="list-style-type: none"> BCBSUW raised \$38.83 million gross proceeds in secondary equity offering. BCBSU now owned 59.7% of UWS; as this was below 80%, the tax sharing agreement became no longer effective for future periods (after June 30, 1994)
1994	<ul style="list-style-type: none"> BCBSUW and UWS cancelled tax sharing agreement 	<ul style="list-style-type: none"> BCBSUW received \$2.37 million net tax benefit

BCBSUW/UWS historical transaction summary: 1995

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1995	<ul style="list-style-type: none"> Extension of BCBSUW guarantee of UWS borrowings on joint M&I credit facility 	<ul style="list-style-type: none"> OCI non-disapproval 01/04/95 Continuation of existing agreement UWS did not provide any consideration for this guarantee (see spreadsheet)
1995	<ul style="list-style-type: none"> Various administrative service agreements and assumption and reinsurance agreement between UWS and subsidiaries 	<ul style="list-style-type: none"> OCI non-disapproval 01/04, 03/23, 07/17, 10/10, 11/07/94 Administrative agreements were between UWS group members
1995	<ul style="list-style-type: none"> Execution of \$65 million surplus note from BCBSUW to UWIC 12/15/95 	<ul style="list-style-type: none"> UWS transferred retention of medical insurance risk from UWIC to UWLIC. UWIC had excess capital that could be transferred to UWLIC. Risk-based capital ratios were 12-month rolling averages so UWLIC needed the additional capital 12 months subsequent to final transfer. BCBSUW provided \$65 million capital advance (surplus note) to UWIC with a fixed coupon of 7.25%. Surplus note was repaid with interest (\$25mm 03/31/96, \$25 million 06/30/96 and \$15 million 09/30/96) Coupon of 7.25% represented a spread to 3-month LIBOR of 1.25%, BCBSUW's then-current borrowing cost which approximated BCBSUW's expected bond portfolio yield for 1996 UWS unconditionally guaranteed full and timely repayment of the loan. UWS deposited \$65 million with an Escrow Agent to be held in trust to secure timely payment by UWS until BCBSUW and OCI instructed Agent in writing to release the funds.

BCBSUW/UWS historical transaction summary: 1995 (continued)

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1995	<ul style="list-style-type: none"> Administrative services agreement between BCBSUW and Unity 	<ul style="list-style-type: none"> BCBSUW/Unity joint venture to design and market managed care products. Unity was paid actual allocated administration costs plus 50% of any pre-tax profits.
1995	<ul style="list-style-type: none"> UWS paid common stockholder dividends 	<ul style="list-style-type: none"> OCI non-disapproval 08/04/95 BCBSUW received \$2.98 million in dividends and contributed \$0.72 million back to UWS (see spreadsheet) BCBSUW's commitment to contribute dividends to UWS expired 03/95 BCBSUW received \$0.0mm in net tax benefits due to the expiration of the tax sharing agreement as BCBSUW no longer owned >80% of UWS
1995	<ul style="list-style-type: none"> BCBSUW raised \$35.32 million gross proceeds in secondary equity offering 	<ul style="list-style-type: none"> BCBSUW owned 49.3% of UWS

BCBSUW/UWS historical transaction summary: 1996

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1996	<ul style="list-style-type: none"> • Execution of \$70 million loan from BCBSUW to UWS 	<ul style="list-style-type: none"> • BCBSUW extended a three-year loan to UWS to finance a portion of the AMS acquisition. The loan charged interest at LIBOR + 1.25%, BCBSUW's then current financing cost. • The loan was secured by a pledge of the stock of UWS' subsidiaries Compcare and UWIC
1996	<ul style="list-style-type: none"> • Various guarantee, reinsurance and administrative services agreements between UWS subsidiaries 	<ul style="list-style-type: none"> • OCI non-disapproval 02/01, 05/23, 05/31, 06/05, 06/11, 06/12, 06/25, 07/07, 07/10, 07/16, 9/16, 12/04/96 • Administrative agreements were between UWS group members
1996	<ul style="list-style-type: none"> • Administrative services agreement between BCBSUW and UWS, plus amendment 	<ul style="list-style-type: none"> • Broad range of services provided by BCBSUW to UWS and UWS to BCBSUW • Compensation was based off actual allocated costs • OCI non-disapproval 5/24, 7/5
1996	<ul style="list-style-type: none"> • UWIC Surplus note repayment 	<ul style="list-style-type: none"> • UWIC repaid entire balance of surplus note plus interest
1996	<ul style="list-style-type: none"> • UWS paid common stockholder dividends 	<ul style="list-style-type: none"> • BCBSUW received \$2.98 million in dividends and contributed \$0.0 million back to UWS (see spreadsheet)

BCBSUW/UWS historical transaction summary: 1997

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1997	<ul style="list-style-type: none"> Various guarantee, reinsurance, employee assistance, termination, reimbursement and administrative services agreements between UWS subsidiaries 	<ul style="list-style-type: none"> OCI non-disapproval 01/23, 01/28, 02/18, 03/18, 04/23, 11/17, 12/22/97 Administrative agreements were between UWS group members
1997	<ul style="list-style-type: none"> UWS paid common stockholder dividends 	<ul style="list-style-type: none"> BCBSUW received \$2.98 million in dividends and reinvested \$1.49 million in return for 54,124 additional shares (at market price) (see spreadsheet)
1997	<ul style="list-style-type: none"> Various administrative services and employee assistance services agreements between BCBSUW and UWS and/or its subsidiaries 	<ul style="list-style-type: none"> Broad range of services provided by BCBSUW to UWS, and UWS and/or its subsidiaries to BCBSUW Compensation was based off actual allocated costs, fixed per member price or cost plus basis OCI non-disapproval 01/07, 07/16, 11/26/97 BCBSUW owned 37.9% of UWS

BCBSUW/UWS historical transaction summary: 1998

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1998	<ul style="list-style-type: none"> Various guarantee, reinsurance, investigative, business transfer, administrative services and lease assignment agreements between UWS subsidiaries 	<ul style="list-style-type: none"> OCI non-disapproval 01/28, 06/05, 06/16, 07/27, 07/29, 08/17, 08/19, 09/11, 09/23, 10/14/98 Administrative agreements were between UWS group members
1998	<ul style="list-style-type: none"> Various administrative services and employee assistance services agreements between BCBSUW and UWS and/or its subsidiaries 	<ul style="list-style-type: none"> BCBSUW put in place several administrative services and employee leasing agreements with UWS and its subsidiaries. While specific terms vary, these agreements contained cost base pricing that also allowed the paying party to purchase such services elsewhere. OCI non-disapproval 03/27/98
1998	<ul style="list-style-type: none"> Execution of BCBSUW guarantee of UWS borrowings on joint M&I credit facility 	<ul style="list-style-type: none"> Continuation of existing agreement UWS agreed to reimburse BCBSUW for any payment made on its behalf under the guarantee OCI non-disapproval 10/27/98 UWS did not provide any consideration for this guarantee (see spreadsheet)
1998	<ul style="list-style-type: none"> UWS paid common stockholder dividends 	<ul style="list-style-type: none"> BCBSUW received \$2.58 million in dividends and reinvested \$0.86 million in return for 37,390 additional shares (at market price) (see spreadsheet) BCBSUW received \$0.0 million in dividends from AMZ BCBSUW owned 37.8% of UWS and 38.8% of AMZ

BCBSUW/UWS historical transaction summary: 1999

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1999	<ul style="list-style-type: none"> Various reinsurance and administrative services agreements between UWS subsidiaries 	<ul style="list-style-type: none"> OCI non-disapproval 01/25, 04/20, 06/14/99 Administrative agreements were between UWS group members
1999	<ul style="list-style-type: none"> Medicare HMO administrative services agreement between BCBSUW and MMC 	<ul style="list-style-type: none"> MMC, a subsidiary of UWS, provided managed care administrative services to BCBSUW for a fixed price per covered member OCI non-disapproval 03/11/99
1999	<ul style="list-style-type: none"> Collection, claims identification and fraud investigation services agreement between BCBSUW and MRC 	<ul style="list-style-type: none"> MRC, a subsidiary of UWS, provided various administrative services to BCBSUW for a fixed portion of recoveries and account resolutions OCI non-disapproval 06/14/99
1999	<ul style="list-style-type: none"> Execution of financial guarantee agreement whereby BCBSUW indemnified Blue Cross Association on behalf of Compcare/UWS 	<ul style="list-style-type: none"> BCBSUW was required to indemnify Blue Cross Association for the actions/inactions of its controlled affiliate, Compcare, in order for Compcare to be able to use the Blue marks Compcare's obligations to BCBSUW were secured by a guarantee from UWS and Compcare was obligated to reimburse UWS for any payments made on Compcare's behalf In return for the guarantee, Compcare paid BCBSUW between 1 and 4 basis points per annum times the amount of licensed business (based on Compcare's capital adequacy level) OCI non-disapproval 11/04/99

BCBSUW/UWS historical transaction summary:

1999 (continued)

<u>Year</u>	<u>Transaction</u>	<u>Commentary</u>
1999	<ul style="list-style-type: none"> Execution of financial guarantee agreement whereby BCBSUW indemnified Blue Cross Association on behalf of UGS 	<ul style="list-style-type: none"> BCBSUW was required to indemnify Blue Cross Association for the actions/inactions of its controlled affiliate, UGS, in order for UGS to be able to use the Blue marks In return for the guarantee, UGS paid BCBSUW 5 basis points per annum times UGS' prior year's administrative expenses UGS was a wholly-owned affiliate of BCBSUW OCI non-disapproval 11/4/99
1999	<ul style="list-style-type: none"> Extension of \$70 million loan from BCBSUW to UWS 	<ul style="list-style-type: none"> The \$70 million loan that BCBSUW made to UWS to partially finance the acquisition of AMS was scheduled to mature in 1999: this agreement extended the maturity date to 4/30/01 No consideration was paid to BCBSUW for the extension
1999	<ul style="list-style-type: none"> Various joint venture agreements between BCBSUW and Unity 	<ul style="list-style-type: none"> Contract continued and amended the 1994 joint venture between BCBSUW and Unity OCI non-disapproval 12/10/99

BCBSUW/UWS inter-company payments

Year	BCBSUW Health Premiums To UWZ	UWZ Health Gross Health Premiums to BCBSUW	BCBSUW Health Premiums to UWZ	BCBSUW Service Agreements to UWZ	UWZ Service Agreements to BCBSUW	Net UWZ Service Agreements from BCBSUW
1991*	\$3.33	NA	NA	NA	NA	NA
1992*	\$2.71	NA	NA	NA	NA	NA
1993*	\$3.22	NA	NA	\$9.92	(\$4.14)	\$5.78
1994*	\$3.81	NA	NA	\$10.96	(\$4.10)	\$6.86
1995*	\$4.57	NA	NA	\$10.03	(\$4.37)	\$5.66
1996*	\$4.37	NA	NA	\$13.32	(\$7.47)	\$5.85
1997	\$4.54	(\$1.82)	\$2.72	\$14.56	(\$9.28)	\$5.28
1998	\$4.55	(\$2.20)	\$2.35	\$14.76	(\$8.90)	\$5.86

* 1991 through 1996 reflect gross premiums received by UWS only; paid amounts were not available/disclosed.

Dollars in Millions

Section 10

BCBSUW/UWS Capital Contribution Analysis

BCBSUW/UWS capital contribution analysis, actual dollars

BCBSUW Value Received From and Capital Contributions to United Wisconsin Services, Inc.

Expressed in Actual Dollars

Date	Percentage Ownership	BCBSUW Cash Received	BCBSUW Contributions		Value to UWS Public Shareholders	Description
			Cash	Other at Book Value		
03/31/1983	100%	\$ -	\$ -	\$ (6,383,826)	\$ -	Transferred United Wisconsin Insurance Company
03/31/1983	100%	\$ -	\$ -	\$ (1,910,800)	\$ -	Transferred United Wisconsin Life Insurance Company
06/30/1987 *	100%	\$ -	\$ -	\$ (2,750,000)	\$ -	Capital Contribution
03/31/1990	100%	\$ -	\$ -	\$ (390,110)	\$ -	Capital Contribution
03/27/1991	100%	\$ -	\$ -	\$ (3,000,000)	\$ -	Capital Contribution to UWIC
03/27/1991	100%	\$ -	\$ -	\$ 3,000,000	\$ -	Dividend from UWS to offset \$3 million capital contribution to UWIC
06/30/1991 *	100%	\$ -	\$ -	\$ (10,354,170)	\$ -	Transfer Compcare Health Services Corporation
06/30/1991 *	100%	\$ -	\$ -	\$ (164,759)	\$ -	Transfer Take Control, Inc. common stock
06/30/1991 *	100%	\$ -	\$ -	\$ (62,164)	\$ -	Transfer United Heartland, Inc. common stock
				<u>\$ (22,015,829)</u>		

*Assumed transaction took place during June

Date	Percentage Ownership	BCBSUW Cash Received	BCBSUW Contributions		Value to UWS Public Shareholders	Description
			Cash	Other at Book Value		
10/24/91 IPO	81.30%	\$ -	\$ -	\$ (49,043,000)	\$ -	Initial Public Offering: \$49.043MM represents book value at 9/30/91
12/31/1991	81.30%	\$ 680,844	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
03/25/1992	81.30%	\$ 1,080,000	\$ (1,080,000)	\$ -	\$ 201,951	100% of dividends received are contributed as capital to UWS
03/31/1992	81.30%	\$ 1,246,854	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
06/24/1992	81.30%	\$ 1,080,000	\$ (1,080,000)	\$ -	\$ 201,951	100% of dividends received are contributed as capital to UWS
06/30/1992	81.30%	\$ 1,246,854	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
09/23/1992	81.30%	\$ 1,080,000	\$ (1,080,000)	\$ -	\$ 201,951	100% of dividends received are contributed as capital to UWS
09/30/1992	81.31%	\$ 1,246,854	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
12/30/1992	81.31%	\$ 1,080,000	\$ (1,080,000)	\$ -	\$ 201,951	100% of dividends received are contributed as capital to UWS
12/31/1992	81.31%	\$ 1,246,854	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
03/24/1993	81.31%	\$ 1,080,000	\$ (1,080,000)	\$ -	\$ 201,950	100% of dividends received are contributed as capital to UWS
03/31/1993	81.31%	\$ 1,552,103	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
06/23/1993	81.31%	\$ 1,080,000	\$ (1,080,000)	\$ -	\$ 201,950	100% of dividends received are contributed as capital to UWS
06/30/1993	81.31%	\$ 1,552,103	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
09/22/1993	81.31%	\$ 1,080,000	\$ (1,080,000)	\$ -	\$ 201,950	100% of dividends received are contributed as capital to UWS
09/30/1993	81.31%	\$ 1,552,103	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
12/23/1993	81.31%	\$ 1,080,000	\$ (1,080,000)	\$ -	\$ 201,950	100% of dividends received are contributed as capital to UWS
12/31/1993	81.31%	\$ 1,552,103	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
12/31/1993	81.31%	\$ -	\$ -	\$ (1,566,356)	\$ -	SFAS 109 Tax accounting adjustment. No cash was exchanged.
12/31/1993	81.15%	\$ 189,567	\$ -	\$ -	\$ -	17,000 shares contributed to Foundation

BCBSUW/UWS capital contribution analysis, actual dollars (continued)

BCBSUW Value Received From and Capital Contributions to United Wisconsin Services, Inc.

Expressed in Actual Dollars
continued

Date	Percentage Ownership	BCBSUW Cash Received	BCBSUW Contributions		Value to UWS Public Shareholders	Description
			Cash	Other at Book Value		
03/23/1994	81.15%	\$ 1,077,960	\$ (1,077,960)	\$ -	\$ 203,224	100% of dividends received are contributed as capital to UWS
03/31/1994	81.15%	\$ 1,184,631	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
06/22/1994	80.82%	\$ 1,077,960	\$ (1,077,960)	\$ -	\$ 206,783	100% of dividends received are contributed as capital to UWS
06/30/1994	73.33%	\$ 1,184,631	\$ -	\$ -	\$ -	Net tax benefit per tax sharing agreement
06/30/1994	60.40%	\$ 38,834,517	\$ -	\$ -	\$ -	Sale of Stock
06/30/1994	60.40%	\$ 4,453,565	\$ -	\$ -	\$ -	Sale of Stock - Contributed to Foundation
09/28/1994	60.40%	\$ 878,016	\$ (878,016)	\$ -	\$ 347,752	100% of dividends received are contributed as capital to UWS
12/28/1994	60.40%	\$ 878,016	\$ (807,775)	\$ -	\$ 319,932	Portion of dividends received - contributed as capital to UWS
12/31/1994	59.71%	\$ -	\$ -	\$ (3,325,947)	\$ -	Pension Credit - transferred along with employees to UWS
02/07/1995	49.27%	\$ 35,325,216	\$ -	\$ -	\$ -	Sale of Stock
03/22/1995	49.27%	\$ 744,849	\$ (715,055)	\$ -	\$ 362,793	Portion of dividends received - contributed as capital to UWS
06/21/1995	49.27%	\$ 744,849	\$ -	\$ -	\$ -	Dividends received
09/27/1995	49.27%	\$ 744,849	\$ -	\$ -	\$ -	Dividends received
12/27/1995	49.27%	\$ 744,849	\$ -	\$ -	\$ -	Dividends received
03/13/1996	49.27%	\$ 744,849	\$ -	\$ -	\$ -	Dividends received
06/12/1996	49.27%	\$ 744,849	\$ -	\$ -	\$ -	Dividends received
09/11/1996	49.27%	\$ 744,849	\$ -	\$ -	\$ -	Dividends received
12/11/1996	38.10%	\$ 744,849	\$ -	\$ -	\$ -	Dividends received
03/26/1997	37.82%	\$ 744,849	\$ -	\$ -	\$ -	Dividends received
06/25/1997	37.78%	\$ 744,849	\$ -	\$ -	\$ -	Dividends received
09/24/1997	37.86%	\$ 744,849	\$ (744,849)	\$ -	\$ -	Dividends received, reinvested
12/24/1997	37.92%	\$ 747,863	\$ (747,863)	\$ -	\$ -	Dividends received, reinvested
03/25/1998	37.92%	\$ 751,344	\$ (751,344)	\$ -	\$ -	Dividends received, reinvested
06/24/1998	37.92%	\$ 754,123	\$ (754,123)	\$ -	\$ -	Dividends received, reinvested
09/23/1998	38.07%	\$ 757,143	\$ -	\$ -	\$ -	Dividends received
12/30/1998	37.75%	\$ 315,476	\$ (315,476)	\$ -	\$ -	Dividends received, reinvested
08/17/1999	45.99%	\$ -	\$ (12,213,663)	\$ -	\$ -	Purchase of Stock (cost basis)
12/29/1999	46.29%	\$ 387,346	\$ (387,346)	\$ -	\$ -	Dividends received
		\$ 117,507,385	\$ (29,111,430)	\$ (53,935,303)	\$ 3,056,088	
02/07/2000		\$ 38,223,983	\$ -	\$ -	\$ -	Value of UWZ Stock at \$4.875
02/07/2000		\$ 36,279,769	\$ -	\$ -	\$ -	Value of AMZ Stock at \$5.75
TOTAL		\$ 192,011,137	\$ (29,111,430)	\$ (53,935,303)	\$ 3,056,088	
		TOTAL		\$ (83,046,733)		

BCBSUW/UWS capital contribution analysis, current dollars

BCBSUW Value Received From and Capital Contributions to United Wisconsin Services, Inc.

Expressed in 2/00 Dollars

Date	Percentage Ownership	Future Value Factor ⁽¹⁾	BCBSUW Cash Received	BCBSUW Contributions		Value to UWS Public Shareholders
				Cash	Other at Book Value	
03/31/1983	100%	387%	\$ -	\$ -	\$ (24,721,122)	\$ -
03/31/1983	100%	387%	\$ -	\$ -	\$ (7,399,500)	\$ -
06/30/1987 *	100%	197%	\$ -	\$ -	\$ (5,412,787)	\$ -
03/31/1990	100%	127%	\$ -	\$ -	\$ (495,405)	\$ -
03/27/1991	100%	108%	\$ -	\$ -	\$ (3,254,865)	\$ -
03/27/1991	100%	108%	\$ -	\$ -	\$ 3,254,865	\$ -
06/30/1991 *	100%	104%	\$ -	\$ -	\$ (10,777,974)	\$ -
06/30/1991 *	100%	104%	\$ -	\$ -	\$ (171,503)	\$ -
06/30/1991 *	100%	104%	\$ -	\$ -	\$ (64,708)	\$ -
					<u>\$ (49,043,000)</u>	

*Assumed transaction took place during June

(1) This Factor reflects UWS' CAGR (17.3%) from 1983 through 1991 and converts historical contributions to BCBSUW's 9/30/91 carrying/book value

Date	Percentage Ownership	Future Value Factor ⁽²⁾	BCBSUW Cash Received	BCBSUW Contributions		Value to UWS Public Shareholders
				Cash	Other at Book Value	
10/24/91 IPO	81.30%	207%	\$ -	\$ -	\$ (101,564,852)	\$ -
12/31/1991	81.30%	201%	\$ 1,367,458	\$ -	\$ -	\$ -
03/25/1992	81.30%	197%	\$ 2,132,487	\$ (2,132,487)	\$ -	\$ 398,757
03/31/1992	81.30%	197%	\$ 2,458,967	\$ -	\$ -	\$ -
06/24/1992	81.30%	194%	\$ 2,093,374	\$ (2,093,374)	\$ -	\$ 391,444
06/30/1992	81.30%	194%	\$ 2,413,812	\$ -	\$ -	\$ -
09/23/1992	81.30%	190%	\$ 2,054,262	\$ (2,054,262)	\$ -	\$ 384,130
09/30/1992	81.31%	190%	\$ 2,368,160	\$ -	\$ -	\$ -
12/30/1992	81.31%	186%	\$ 2,012,141	\$ (2,012,141)	\$ -	\$ 376,254
12/31/1992	81.31%	186%	\$ 2,322,509	\$ -	\$ -	\$ -
03/24/1993	81.31%	183%	\$ 1,973,592	\$ (1,973,592)	\$ -	\$ 369,044
03/31/1993	81.31%	182%	\$ 2,831,690	\$ -	\$ -	\$ -
06/23/1993	81.31%	179%	\$ 1,931,767	\$ (1,931,767)	\$ -	\$ 361,223
06/30/1993	81.31%	179%	\$ 2,771,582	\$ -	\$ -	\$ -
09/22/1993	81.31%	175%	\$ 1,889,942	\$ (1,889,942)	\$ -	\$ 353,402
09/30/1993	81.31%	175%	\$ 2,710,813	\$ -	\$ -	\$ -
12/23/1993	81.31%	171%	\$ 1,847,657	\$ (1,847,657)	\$ -	\$ 345,495
12/31/1993	81.31%	171%	\$ 2,650,044	\$ -	\$ -	\$ -
12/31/1993	81.31%	171%	\$ -	\$ -	\$ (2,674,379)	\$ -
12/31/1993	81.15%	171%	\$ 323,665	\$ -	\$ -	\$ -

BCBSUW/UWS capital contribution analysis, current dollars (continued)

BCBSUW Value Received From and Capital Contributions to United Wisconsin Services, Inc.

Expressed in 200 Dollars

Date	Percentage Ownership	Future Value Factor ⁽²⁾	BCBSUW Cash Received	BCBSUW Contributions		Value to UWS Public Shareholders	
				Cash	Other at Book Value		
03/23/1994	81.15%	171%	\$ 1,846,678	\$ (1,846,678)	\$ -	\$ 348,148	
03/31/1994	81.15%	171%	\$ 2,030,139	\$ -	\$ -	\$ -	
06/22/1994	80.82%	172%	\$ 1,854,137	\$ (1,854,137)	\$ -	\$ 355,676	
06/30/1994	73.33%	172%	\$ 2,038,337	\$ -	\$ -	\$ -	
06/30/1994	60.40%	172%	\$ 66,820,659	\$ -	\$ -	\$ -	
06/30/1994	60.40%	172%	\$ 7,663,032	\$ -	\$ -	\$ -	
09/28/1994	60.40%	173%	\$ 1,516,768	\$ (1,516,768)	\$ -	\$ 600,740	
12/28/1994	60.40%	173%	\$ 1,522,844	\$ (1,401,017)	\$ -	\$ 554,895	
12/31/1994	59.71%	173%	\$ -	\$ -	\$ (5,769,331)	\$ -	
02/07/1995	49.27%	170%	\$ 60,196,992	\$ -	\$ -	\$ -	
03/22/1995	49.27%	167%	\$ 1,242,760	\$ (1,193,049)	\$ -	\$ 605,310	
06/21/1995	49.27%	159%	\$ 1,186,631	\$ -	\$ -	\$ -	
09/27/1995	49.27%	151%	\$ 1,126,185	\$ -	\$ -	\$ -	
12/27/1995	49.27%	144%	\$ 1,070,057	\$ -	\$ -	\$ -	
03/13/1996	49.27%	141%	\$ 1,050,713	\$ -	\$ -	\$ -	
06/12/1996	49.27%	138%	\$ 1,029,873	\$ -	\$ -	\$ -	
09/11/1996	49.27%	135%	\$ 1,009,034	\$ -	\$ -	\$ -	
12/11/1996	38.10%	133%	\$ 988,194	\$ -	\$ -	\$ -	
03/26/1997	37.82%	129%	\$ 959,318	\$ -	\$ -	\$ -	
06/25/1997	37.78%	125%	\$ 933,245	\$ -	\$ -	\$ -	
09/24/1997	37.86%	122%	\$ 907,172	\$ (907,172)	\$ -	\$ -	
12/24/1997	37.92%	118%	\$ 884,664	\$ (884,664)	\$ -	\$ -	
03/25/1998	37.92%	115%	\$ 865,033	\$ (865,033)	\$ -	\$ -	
06/24/1998	37.92%	112%	\$ 844,642	\$ (844,642)	\$ -	\$ -	
09/23/1998	38.07%	109%	\$ 824,340	\$ -	\$ -	\$ -	
12/30/1998	37.75%	106%	\$ 332,847	\$ (332,847)	\$ -	\$ -	
08/17/1999	45.99%	102%	\$ -	\$ (12,494,724)	\$ -	\$ -	
12/29/1999	46.29%	100%	\$ 389,120	\$ (389,120)	\$ -	\$ -	
			\$ 199,287,336	\$ (40,465,074)	\$ (110,008,562)	\$ 5,444,515	
02/07/2000			\$ 38,223,983	\$ -	\$ -	\$ -	
02/07/2000			\$ 36,279,769	\$ -	\$ -	\$ -	
TOTAL			\$ 273,791,087	\$ (40,465,074)	\$ (110,008,562)	\$ 5,444,515	
				TOTAL \$ (150,473,636)			

Summary of BCBSUW/UWS capital contributions and value received

Summary of Capital Contributions	Actual \$	2/00 \$
Dividends Received by BCBSUW	\$ 24,458,586	\$ 38,319,477
Dividends Recontributed by BCBSUW pre-1996	\$ 13,196,766	\$ 23,746,873
Dividends Reinvested by BCBSUW for consideration	\$ 2,926,309	\$ 4,223,478
Total Capital raised by UWZ	\$ 65,633,688	\$ 119,649,810
Total Proceeds to BCBSUW from Sale of UWZ stock	\$ 78,802,865	\$ 135,004,348
Total BCBSUW Purchases of UWZ stock including dividend reinvestments	\$ 15,914,664	\$ 16,718,201
Total BCBSUW Contribution to UWZ at IPO at book value	\$ 49,043,000	\$ 101,564,852
Total other BCBSUW contribution to UWZ at book value ⁽¹⁾	\$ 4,892,303	\$ 8,443,710
Net Tax Benefits Received by BCBSUW (2)	\$ 11,849,175	\$ 22,218,933
Current Value of BCBSUW Holdings of UWS Stock (3)	\$ 38,223,983	\$ 38,223,983
Current Value of BCBSUW Holdings of AMZ Stock (3)	\$ 36,279,769	\$ 36,279,769
Public Benefit from dividend recontributions	\$ 3,056,088	\$ 5,444,515
Public Benefit from UWS subsidized borrowing	\$ 1,237,135	\$ 1,550,878

⁽¹⁾ Includes two items. First, on 12/31/93, there was a SFAS 109 Tax Accounting Adjustment (No Cash was exchanged). Second, on 12/31/94, a pension credit along with employees were credited to UWS

⁽²⁾ Net of potential NOL utilization foregone in 2H94 and 1995 due to full utilization of NOL due to UWS tax-sharing agreement

⁽³⁾ As of 02/04/00

BCBSUW/UWS loans and guarantees analysis

BCBSUW and Third Party Loans to UWS and subsidiaries

(calculation of UWS stand-alone funded/drawn costs)

Year	Borrower	Credit Facility / Lender	Committed Amount	Average Outstanding	Actual Interest Rate	Comp'ble Market Rate	Rate Spread: Market - Actual	Max. After Tax Annual Benefit On Loan	Est. After Tax Annual Benefit on Avg Loan Balance (Actual \$\$\$)	Est. After Tax Annual Benefit on Avg Loan Balance (2/00 \$\$\$)	BCBSUW Ownership Percentage	Estimated After Tax Benefit to Public (Actual \$\$\$)	Estimated After Tax Benefit to Public (2/00 \$\$\$)
1993	UWS	Line of Credit M&I Marshall & Ilsley Bank	\$10,000,000	\$0	Prime	Prime	0.00%	\$0	\$0	\$0	81.3%	\$0	\$0
1994	UWS	Line of Credit M&I Marshall & Ilsley Bank	\$10,000,000	\$0	Prime	Prime	0.00%	\$0	\$0	\$0	59.7%	\$0	\$0
1995	UWS	Line of Credit M&I Marshall & Ilsley Bank	\$10,000,000	\$125,000	Prime	Prime	0.00%	\$0	\$0	\$0	49.3%	\$0	\$0
	UWIC	Surplus Note BCBSUW	\$65,000,000	\$46,250,000	7.25%	9.00%	1.75%	\$705,250	\$501,813	\$794,667	49.3%	\$254,419	\$402,896
1996	UWS	Line of Credit M&I Marshall & Ilsley Bank	\$20,000,000	\$2,875,000 ¹	Prime	Prime	0.00%	\$0	\$0	\$0	38.1%	\$0	\$0
	UWS	BCBSUW	\$70,000,000	\$70,000,000	Libor + 125	Libor + 225	1.00%	\$72,333 *	\$72,333	\$99,557 *	38.1% *	\$44,774 *	\$61,626
1997	UWS	Line of Credit M&I Marshall & Ilsley Bank	\$10,000,000	\$0 ²	Libor + 125	Libor + 225	1.00%	\$62,000	\$0	\$0	37.9%	\$0	\$0
	UWS	BCBSUW	\$70,000,000	\$70,000,000	Libor + 125	Libor + 225	1.00%	\$434,000	\$434,000	\$542,520	37.9%	\$269,514	\$336,905
1998	UWS	Line of Credit M&I Marshall & Ilsley Bank	\$30,000,000	\$0 ³	Libor + 125	Libor + 225	1.00%	\$186,000	\$0	\$0	37.8%	\$0	\$0
	UWS	BCBSUW	\$70,000,000	\$70,000,000	Libor + 125	Libor + 225	1.00%	\$434,000	\$434,000	\$484,826	37.8%	\$269,948	\$301,562
1999	UWS	Line of Credit M&I Marshall & Ilsley Bank	\$10,000,000	\$4,433,333 ⁴	Libor + 100	Libor + 225	1.25%	\$77,500	\$34,358	\$35,364	46.3%	\$18,450	\$18,990
	UWS	BCBSUW	\$70,000,000	\$70,000,000	Libor + 125	Libor + 225	1.00%	\$434,000	\$434,000	\$446,704	46.3%	\$233,058	\$239,880
TOTAL									\$1,910,504			\$1,090,164	
TOTAL IN CURRENT DOLLARS										\$2,403,637			\$1,361,859

* Loan was dated October 30, 1996. The benefit is based on 2 months only.

¹ Borrowings of up to \$14.4mm during 1997 with balances of \$3.1mm, \$7.2mm, 0, and \$1.2mm respectively

² Borrowings of up to \$8.5mm during 1997 but there were no ending balances for any of the quarters

³ Borrowings of up to \$10mm during 1998 but there were no ending balances for any of the quarters

⁴ Borrowings of up to \$14.8mm during 1999 with balances of \$.5mm, \$6.7mm, \$6.1mm respectively

Tax rate = 38%

BCBSUW/UWS loans and guarantees analysis (continued)

BCSUW Credit Facility Commitment Fees

(calculation of UWS stand-alone commitment fees)

Year	Guaranty Provided for	Credit Facility	Amount	Fee	Market Fee	BCBSUW Ownership Percentage	Estimated After Tax Benefit to Public (Actual \$\$\$)	Estimated After Tax Benefit to Public (2/00 \$\$\$)
1993	UWIC/UWLIC/ Compcare	Line of Credit	\$10,000,000.0	0.0%	0.5%	81.2%	\$5,828.0	\$10,400.8
1994	UWS	Line of Credit	\$10,000,000.0	0.0%	0.5%	59.7%	\$12,493.0	\$21,498.5
1995	UWS	Line of Credit	\$10,000,000.0	0.0%	0.5%	49.3%	\$15,717.0	\$24,889.3
1996	UWS	Line of Credit	\$10,000,000.0	0.0%	0.5%	38.1%	\$19,189.0	\$26,410.9
1997	UWS	Line of Credit	\$10,000,000.0	0.0%	0.5%	37.9%	\$19,251.0	\$24,064.6
1998	UWS	Line of Credit	\$30,000,000.0	0.0%	0.5%	37.8%	\$57,846.0	\$64,620.4
1999	UWS	Line of Credit	\$10,000,000.0	0.0%	0.5%	46.3%	\$16,647.0	\$17,134.3
TOTAL							\$146,971.0	
TOTAL IN CURRENT DOLLARS								\$189,018.8

Tax rate = 38%

Section 11

Updated Healthcare and Managed Care Trading Data

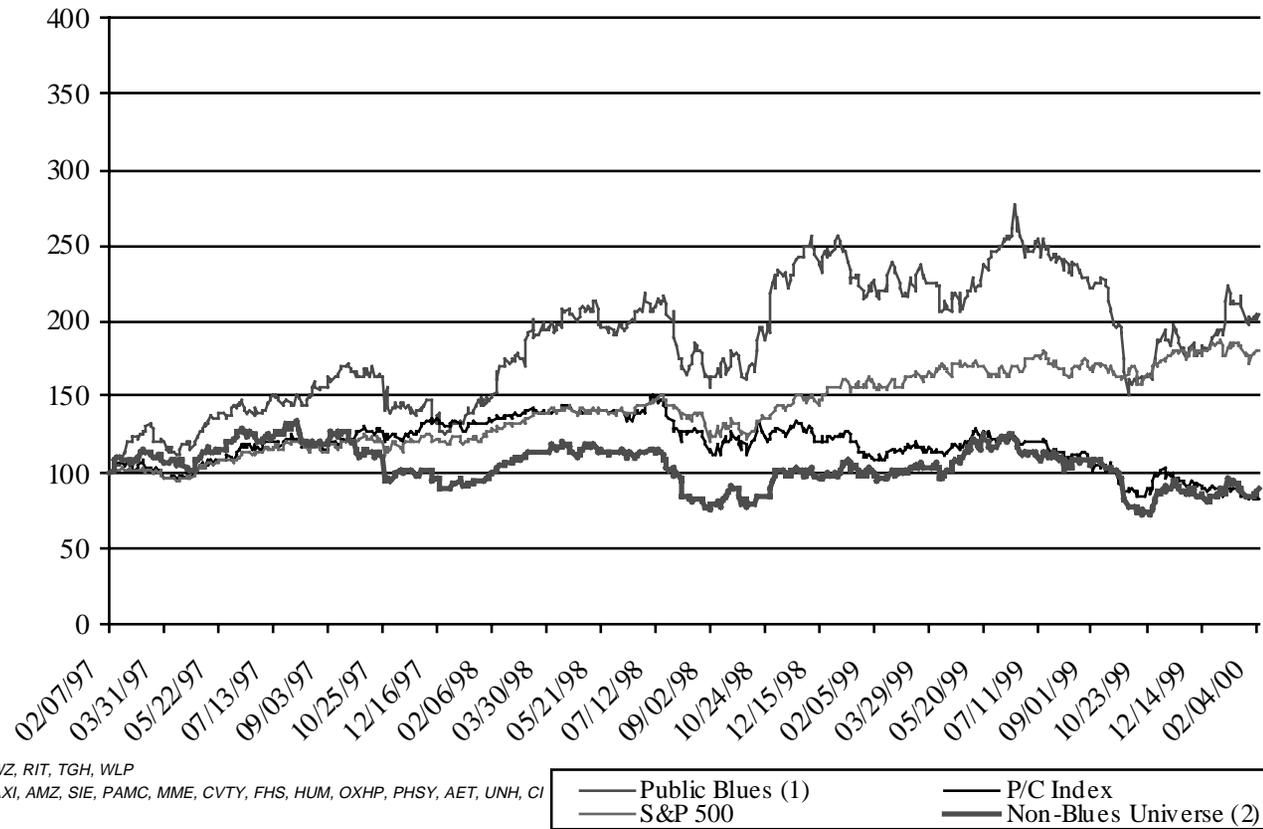
Healthcare and Managed Care Universe

02/07/2000

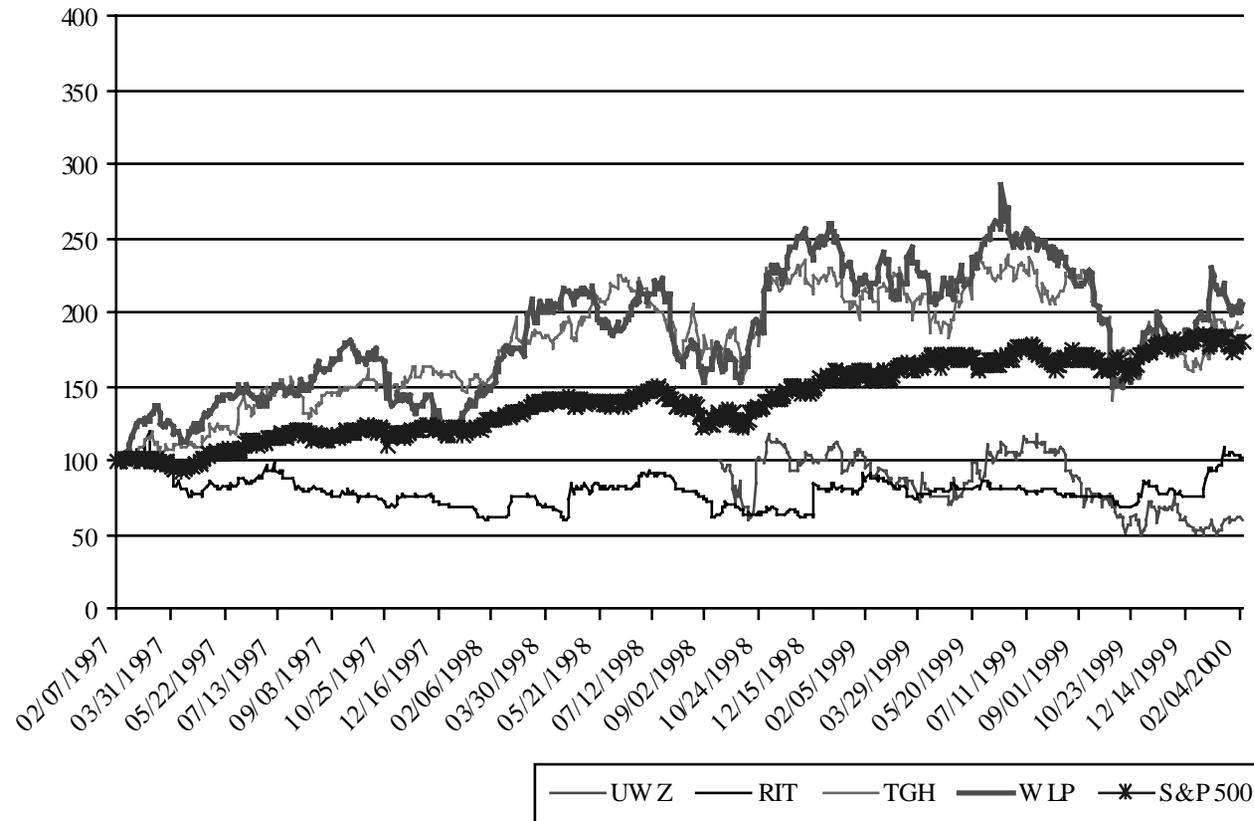
Institution	Ticker	Stock Price 2/07/00	Common Equity Mkt. Cap. (\$MM)	Enterprise Value ⁽¹⁾	Total Members (mil)	Price/			Enterprise Value/		
						Book Value	1999E EPS	2000E EPS	LTM Premiums	LTM EBITDA	Total Members
Maxicare Health Plans	MAXI	\$3.25	\$58.3	(\$4.2)	0.5	1.2 x	NM	4.9 x	0.0 x	NM	NM
United Wisconsin Services	UWZ	\$4.81	\$81.1	\$73.1	0.3	1.6 x	NM	20.9 x	0.1 x	NM	\$240.2
American Medical Security Group, Inc.	AMZ	\$5.75	\$93.6	\$141.2	0.7	0.4 x	0.2 x	9.6 x	0.1 x	NM	\$215.7
RightChoice Managed Care	RIT	\$14.31	\$267.3	\$261.3	0.4	1.7 x	15.9 x	13.4 x	0.4 x	5.4 x	\$651.6
Sierra Health Services	SIE	\$7.00	\$188.1	\$432.0	1.3	0.6 x	5.5 x	5.4 x	0.5 x	5.6 x	\$334.3
Provident American Corporation	PAMC	\$27.06	\$350.3	\$348.9	NA	NM	NM	NM	3.3 x	NM	NA
Mid Atlantic Medical Services Inc.	MME	\$8.94	\$445.9	\$435.7	0.7	2.5 x	14.7 x	11.8 x	0.4 x	8.3 x	\$596.0
Coventry Health Care	CVTY	\$7.75	\$458.6	\$273.2	1.1	0.9 x	12.1 x	9.8 x	0.1 x	2.9 x	\$242.9
Trigon Healthcare	TGH	\$31.19	\$1,224.6	\$1,462.7	2.0	1.3 x	15.2 x	11.9 x	0.7 x	10.3 x	\$747.1
Foundation Health Systems	FHS	\$10.31	\$1,260.8	\$1,669.2	4.0	1.5 x	9.5 x	7.8 x	0.2 x	4.4 x	\$418.6
Humana, Inc.	HUM	\$8.44	\$1,413.5	\$1,598.5	6.0	0.8 x	13.4 x	12.1 x	0.2 x	4.9 x	\$265.4
Oxford Health Plans	OXHP	\$14.75	\$1,200.8	\$1,269.8	1.5	7.2 x	NM	13.4 x	0.3 x	5.8 x	\$859.5
PacificCare Health Systems	PHSY	\$45.94	\$2,001.6	\$2,450.0	2.6	0.9 x	7.4 x	6.7 x	0.3 x	3.8 x	\$925.2
WellPoint Health Networks	WLP	\$68.94	\$4,482.0	\$4,339.8	7.2	3.5 x	16.0 x	13.9 x	0.7 x	7.7 x	\$602.7
Aetna, Inc.	AET	\$55.75	\$8,344.3	\$9,177.6	15.8	0.7 x	12.5 x	10.6 x	0.5 x	4.1 x	\$580.2
United Health Group	UNH	\$58.19	\$9,967.3	\$9,244.3	14.0	2.5 x	18.6 x	16.2 x	0.5 x	8.2 x	\$660.0
CIGNA	CI	\$76.25	\$14,178.8	\$13,687.8	6.7	2.0 x	14.8 x	12.3 x	0.8 x	7.2 x	\$2,043.0

MEAN:	1.8 x	12.0 x	11.3 x	0.6 x	6.1 x	\$625.5
MEDIAN:	1.4 x	13.4 x	11.9 x	0.4 x	5.6 x	\$596.0
MAXIMUM:	7.2 x	18.6 x	20.9 x	3.3 x	10.3 x	\$2,043.0
MINIMUM:	0.4 x	0.2 x	4.9 x	0.1 x	2.9 x	\$215.7

Market Capitalization Weighted Relative Price Performance of Public Blue Cross Blue Shield Plans



Market Capitalization Weighted Relative Price Performance of Public Blue Cross Blue Shield Plans



Section 12

Exhibits

Debt and Preferred issuance by health insurers and HMOs 1990-1993

Debt and Preferred Stock Issued 1990-1993 by Health Insurers and HMOs

Issue Date	Issuer	Business Description	Proceeds	Description	Spinoff's Parent	% Owned After Spinoff	Exchange
DEBT							
07/17/1990	Kaiser Foundation Hosps/Kaiser	Own and operate HMOs	\$199.3	9.550% Debentures due '05		100	OTC
12/31/1990	Health Insurance Plan Greater	Provide health insurance svcs	\$135.0	Revenue Bonds due '90			
02/01/1991	Kaiser Permanente	Own and operate HMOs	\$25.0	7.910% Medium-Term Nts due '94			OTC
06/01/1991	Complete Health Services Inc	Own and operate HMO's	\$5.0	Sub Notes due '			
09/27/1991	CIGNA Corp	Reinsurance company	\$99.9	8.750% Notes due '01			OTC
12/01/1991	PacifiCare Health Systems Inc	Own and operate HMO's	\$50.0	Senior Notes due '97			
01/06/1992	CIGNA Corp	Reinsurance company	\$100.0	8.250% Notes due '07			OTC
08/31/1992	National Medical Enterprises	Operate hospitals, related svcs	\$58.3	7.375% Notes due '97			OTC
01/04/1993	CIGNA Corp	Reinsurance company	\$99.2	8.300% Notes due '23			OTC
01/04/1993	CIGNA Corp	Reinsurance company	\$99.4	7.400% Notes due '03			OTC
03/04/1993	CIGNA Corp	Reinsurance company	\$100.0	7.650% Notes due '23			OTC
05/27/1993	Foundation Health Corp	Own and operate HMO's	\$124.5	7.750% Senior Notes due '03			OTC
07/13/1993	United Wisconsin Services Inc	Own, op HMO	\$45.0	7.750% Sub Notes due '00			OTC
08/10/1993	Aetna Life & Casualty Co	Insurance company	\$199.9	7.250% Debentures due '23			OTC
08/10/1993	Aetna Life & Casualty Co	Insurance company	\$198.6	6.375% Notes due '03			OTC
08/11/1993	Catholic Healthcare West	Own and operate HMOs	\$50.0	Revenue Bonds due '23			OTC
09/01/1993	TakeCare Inc	Own, op HMO's	\$14.0	Notes due '97			
09/07/1993	Aetna Life & Casualty Co	Insurance company	\$199.8	6.750% Debentures due '13			OTC
09/15/1993	FHP International Corp	Own and operate HMOs	\$100.0	7.000% Senior Notes due '03			OTC
PREFERRED							
06/11/1990	Oxford Health Plans Inc	Health care company	\$11.5	Cvt Pfd Shs			
06/01/1991	Complete Health Services Inc	Own and operate HMO's	\$5.0	Cvt Pfd Shs			
02/26/1992	Walker Financial Corp	Provide group hospitalization	\$15.1	Cvt Pfd Shs			
02/17/1993	Provident Life & Accident Ins	Life, accident, health ins	\$150.0	6,000,000.0 \$2.025 Cum Dpty Pfd St			NYSE

Equity issuance by health insurers and HMOs 1990-1993

Equity Issued 1990-1993 by Health Insurers and HMOs

Issue Date	Issuer	Business Description	Proceeds	Description	Spinoffs Parent	% Owned After Spinoff	Exchange
EQUITY							
01/29/1990	LifeSouth Inc	Life,accident,health ins co	\$1.3	130,000.0 Common Shares	Mutual Assurance Inc	49.0	OTC
04/05/1990	Pharmacy Management Services	Medical cost containment svcs	\$30.0	2,500,000.0 Common Shares			NASDAQ
07/11/1990	Foundation Health Corp	Own and operate HMO's	\$41.3	3,300,000.0 Common Shares			AMEX
07/31/1990	CAP Rx Ltd	Insurance holding company	\$9.0	2,700,000.0 Common Shares			NASDAQ
01/22/1991	ALTA Health Strategies Inc	Own and operate HMO's	\$14.3	1,500,000.0 Common Shares			OTC
02/21/1991	Foundation Health Corp	Own and operate HMO's	\$146.3	6,000,000.0 Common Shares			AMEX
03/12/1991	United HealthCare Corp	Own and operate HMO's	\$90.0	3,000,000.0 Common Shares			NASDAQ
03/20/1991	TakeCare Inc	Own,op HMO's	\$47.5	2,500,000.0 Common Shares			NASDAQ
03/26/1991	CareNetwork Inc	Medical health care svc plan	\$33.6	2,800,000.0 Common Shares			NASDAQ
04/16/1991	Coventry Corp	Own and operate HMO's	\$43.5	3,000,000.0 Common Shares			NASDAQ
04/23/1991	United American Healthcare	Own and operate HMO's	\$11.9	1,320,000.0 Common Shares			OTC
04/24/1991	Healthsource Inc	Own and operate HMO's	\$59.0	2,000,000.0 Common Shares			NASDAQ
05/03/1991	FHP International Corp	Own and operate HMOs	\$104.6	4,500,000.0 Common Shares			NASDAQ
06/11/1991	Qual-Med Inc	Own and operate HMO's	\$59.1	4,375,000.0 Common Shares			NASDAQ
06/19/1991	Ramsay-HMO	Own and operate HMOs	\$21.3	1,700,000.0 Common Shares			NASDAQ
06/20/1991	Coastal Healthcare Group Inc	Own and operate HMO's	\$34.5	3,000,000.0 Common Shares			NASDAQ
08/01/1991	HMO America Inc	Own and operate HMOs	\$27.3	2,000,000.0 Common Shares			NASDAQ
08/06/1991	Oxford Health Plans Inc	Health care company	\$37.5	2,500,000.0 Common Shares			NASDAQ
08/08/1991	Intergroup Healthcare Corp	Own and operate HMO's	\$47.1	3,250,000.0 Common Shares	Thomas-Davis Medical Centers	67.0	NASDAQ
10/24/1991	United Wisconsin Services Inc	Own,op HMO	\$17.4	1,200,000.0 Common Shares	Blue Cross & Blue Shield of WI	80.0	NASDAQ
11/20/1991	Gencare Health Systems	Provide health insurance svcs	\$30.0	3,000,000.0 Common Shares	General Amer Life Insurance	72.0	NASDAQ
12/13/1991	SystelMed Inc	Pvd medical services	\$13.8	2,500,000.0 Common Shares			NASDAQ
02/26/1992	Foundation Health Corp	Own and operate HMO's	\$109.1	3,697,498.0 Common Shares			NYSE
02/27/1992	United HealthCare Corp	Own and operate HMOs	\$162.0	2,000,000.0 Common Shares			NYSE
04/14/1992	Oxford Health Plans Inc	Health care company	\$33.5	1,765,154.0 Common Shares			NASDAQ
07/20/1992	PacifiCare Health Systems Inc	Own and operate HMO's	\$58.1	2,500,000.0 Non-Vtg Class B			NASDAQ
08/11/1992	Managed Health Benefits Corp	Health insurance company	\$6.2	1,237,000.0 Common Shares			OTC
09/25/1992	John Alden Financial Corp	Life,health insurance hldg co	\$88.2	5,880,000.0 Common Shares			NYSE
09/30/1992	TakeCare Inc	Own,op HMO's	\$60.0	1,600,000.0 Common Shares			NASDAQ
10/20/1992	PacifiCare Health Systems Inc	Own and operate HMO's	\$96.3	2,500,000.0 Class B Shares			NASDAQ
11/19/1992	Ramsay-HMO	Own and operate HMOs	\$33.5	1,000,000.0 Common Shares			NYSE
12/15/1992	Value Health Inc(Warburg Pinc)	Provide health plan services	\$119.0	3,305,220.0 Common Shares			NASDAQ
01/01/1993	Coventry Corp	Own and operate HMO's	\$1.9	Common Shares			
01/21/1993	Physicians Health Services Inc	Own and operate HMO's	\$52.5	3,500,000.0 Class A Shares			NASDAQ
01/27/1993	Wellpoint Health Networks Inc	Own and operate HMO's	\$380.8	13,600,000.0 Class A Shares	Blue Cross of California Inc	97.9	NYSE
03/29/1993	Physician Corp of America	Own and operate HMO's	\$45.8	3,000,000.0 Common Shares			NASDAQ
05/13/1993	MedicalControl Inc	Op hospital,med service plans	\$4.0	800,000.0 Common Shares			OTC
08/12/1993	Wellcare Management Group Inc	Own and operate HMO's	\$25.7	2,187,645.0 Common Shares			NASDAQ
08/18/1993	Healthsource Inc	Own and operate HMO's	\$63.6	1,600,000.0 Common Shares			NYSE
09/01/1993	Coventry Corp	Own and operate HMO's	\$2.3	Common Shares			
10/25/1993	Physician Corp of America	Own and operate HMO's	\$96.3	5,000,000.0 Common Shares			NASDAQ
11/02/1993	John Alden Financial Corp	Life,health insurance hldg co	\$135.6	4,800,000.0 Common Shares			NYSE
11/23/1993	Coastal Healthcare Group Inc	Own and operate HMO's	\$73.8	2,500,000.0 Common Shares			NASDAQ
12/06/1993	PacifiCare Health Systems Inc	Own and operate HMO's	\$19.5	500,000.0 Class A Shares			NASDAQ

BCBSUW NOL analysis

BCBSUW Stand-alone Tax Analysis ⁽¹⁾

(\$ in 000s)

Year	Beginning NOL Balance	BCBSUW Pretax Income	Pro Forma BCBSUW NOL Utilized	Pro Forma BCBSUW NOL Additions	Pro Forma Ending BCBSUW NOL Balance	Actual BCBSUW NOL Utilized	Pro Forma BCBSUW NOL Unutilized
1991	\$ 61,476	\$ (12,477)	\$ -	\$ 12,477	\$ 73,953	\$ -	\$ -
1992	73,953	(1,004)	-	1,004	74,957	26,810	-
1993	74,957	3,088	3,088	-	71,869	27,413	-
1994	71,869	2,970	2,970	-	68,899	7,326	1,485
1995	68,899	4,822	4,822	-	64,077	-	4,822
1996	64,077	(7,906)	-	7,906	71,982	-	-
1997	71,982	(13,865)	-	13,865	85,847	-	-
1998	85,847	(25,324)	-	<u>25,324</u>	111,171	-	-
Total NOL Utilized			\$ 10,881 ⁽²⁾	\$ 60,576		\$ 61,549	
Value of NOL utilization, at 38% tax rate:			\$ 4,135			\$ 23,388	
Pro Forma BCBSUW NOL Foregone ⁽³⁾							\$ 6,307
Present Value of BCBSUW NOL Foregone at 38% tax rate, 10% discount rate ⁽³⁾							\$ 3,723

⁽¹⁾ This analysis assumes that BCBSUW was a stand-alone entity between 1990 and 1998: on this basis BCBSUW would have utilized \$10.9 million of its NOL, and would have saved \$4.1 million in cash tax payments

⁽²⁾ Between 1992 and 1994, by filing jointly with UWS, BCBSUW utilized all \$61.5 million NOLs, saving \$23.4 million in cash tax payments

⁽³⁾ Because of the tax-sharing agreement with UWS, BCBSUW exhausted its NOLs by 6/94 (and received value for them).

However, by exhausting its NOLs, BCBSUW was not able to shield pretax income in 2H94 and 1995

Dividend analysis

Company	1991 Annualized Dividend	1991 Dividend Yield	1992 Annualized Dividend	1992 Dividend Yield	1993 Annualized Dividend	1993 Dividend Yield	1994 Annualized Dividend	1994 Dividend Yield	1995 Annualized Dividend	1995 Dividend Yield
Maxicare Health Plans	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
United Wisconsin Services	\$0.00	0.00%	\$0.48	2.10%	\$0.48	1.71%	\$0.48	1.44%	\$0.48	1.81%
RightChoice Managed Care					\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
Sierra Health Services	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
Provident American Corporation	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
Mid Atlantic Medical Services Inc.	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
Coventry Health Care	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
Trigon Healthcare									\$0.00	0.00%
Foundation Health Systems	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
Humana, Inc.	\$0.85	2.80%	\$0.90	3.88%	\$0.23 ¹	1.67%	\$0.00	0.00%	\$0.00	0.00%
Oxford Health Plans	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
PacifiCare Health Systems	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
WellPoint Health Networks	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%
Aetna, Inc.	\$2.76	6.87%	\$2.76	6.45%	\$2.76	4.99%	\$2.76	5.24%	\$2.76	4.43%
United Health Group	\$0.01	0.06%	\$0.01	0.03%	\$0.02	0.05%	\$0.03	0.06%	\$0.03	0.06%
CIGNA	\$1.01	6.37%	\$1.01	5.65%	\$1.01	4.91%	\$1.01	4.63%	\$1.01	3.57%
Dow Jones Industrial Index		2.95%		3.17%		2.68%		2.85%		2.37%
S&P 500		2.91%		2.76%		2.63%		2.89%		2.30%

¹ Dividend discontinued on 02/03/93

² Adjusted for Splits

UWS management stock options

UWS Participants ⁽¹⁾	Strike Price												Total Outstanding/ Total Vested	
	\$4-\$5	\$5-6	\$6-\$7	\$7-\$8	\$8-\$9	\$9-\$10	\$10-\$11	\$11-\$12	\$12-\$13	\$13-\$14	\$14-\$15	\$15-16		\$16-17
# Options Outstanding/# of Options Vested (in thousands)														
Sr. Mgmt.	685/0		302/110	274/0	2/2	73/59	246/94	67/62		6/6		5/3	6/3	1,664/337
Other Mgmt.	260/0		99/53	84/49	25/5	65/60	110/77	86/86		3/3	4/4		13/7	750/345
Total Mgmt.	945/0		401/164	358/49	27/6	138/119	356/172	153/148		8/8	4/4	5/3	19/9	2,414/682
AMS Participants							198/198		1,000/1,000					1,198/1,198
UWS Directors					46/46						13/9			60/55
Total All Participants	945/0		401/164	358/49	73/53	138/119	554/370	153/148	1,008/1,008	18/13	5/3	19/9		3,672/1,935

⁽¹⁾ Total Size of the Plan (Including AMS participants and UWS Directors): 4,625,000