

**FORM A**

**STATEMENT REGARDING THE  
ACQUISITION OF CONTROL OF OR MERGER WITH  
A DOMESTIC INSURER**

**BCBSD, Inc.**

*Name of Domestic Insurer*

*By*

**WellPoint Health Networks Inc.**

*Name of Acquiring Person (Applicant)*

*Filed with the Insurance Department of:*

**Delaware**

*(State of domicile of insurer being acquired)*

*Dated:* January 11, 2002

*Name, Title, Address and Telephone Number of Individual To Whom Notices and Correspondence Concerning This Statement Should Be Addressed:*

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*Summary*

This Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the "Acquisition Statement") seeks the prior approval of the Commissioner of Insurance of the State of Delaware for the acquisition of control of BCBSD, Inc., doing business as Blue Cross Blue Shield of Delaware, as an indirect result of the acquisition of CareFirst, Inc., a Maryland corporation ("CareFirst") operating through three wholly owned affiliates: BCBSD, CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc., together doing business under the name CareFirst BlueCross BlueShield, by WellPoint Health Networks Inc., a Delaware corporation ("WellPoint" or

the “Acquiring Party” or the “Applicant”) (the proposed transaction is hereafter referred to as the “Merger”).

#### Item 1. Insurer and Method of Acquisition

*State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.*

The name of the insurer to be acquired is:

BCBSD, Inc.  
d/b/a/ Blue Cross Blue Shield of Delaware  
One Brandywine Gateway  
Wilmington, DE 19899

BCBSD, Inc. (“BCBSD”) is a Delaware non-stock corporation and a Health Service Corporation operated pursuant to Chapter 63 of Title 18 of the Delaware Code. CareFirst is the sole voting member of BCBSD. Although the largest health insurer in Delaware in terms of the number of Delaware residents insured under a plan or policy underwritten by BCBSD, BCBSD nevertheless held just 19.68% of the overall Accident and Health market in Delaware for the year 2000 (measured in direct written premium).

Prior to March 22, 2000, the voting members of BCBSD were certain prominent members of the business community in the State of Delaware. Pursuant to a Business Affiliation Agreement executed between BCBSD and CareFirst on December 23, 1998, CareFirst became the sole voting member of BCBSD (the “Affiliation”) on March 22, 2000.

The Affiliation was the subject of regulator approvals in the States of Delaware and Maryland. On March 20, 2000, Donna Lee H. Williams, Insurance Commissioner of the State of Delaware, approved the Affiliation, subject to numerous conditions. Relevant to the Merger proposed herein are the following conditions imposed by such Order and which are, or may be, implicated by this Acquisition Statement:

- BCBSD is to maintain a separate corporate existence for legal, tax, accounting, financial and insurance regulatory purposes;
- Changes in the post-Affiliation structure of the BCBSD board of directors must receive the approval of the Delaware Insurance Commissioner;
- BCBSD must maintain its not-for-profit status until March 22, 2002. Any conversion thereafter requires the approval of the Delaware Insurance Commissioner and other governmental authorities;
- Any change in the corporate structure of CareFirst or its affiliates that must be filed with another regulator must also be filed with the Delaware Insurance Commissioner; and

- Any approval required pursuant to the Commissioner's approval of the Affiliation must also be provided to the Delaware Attorney General.

The Applicant anticipates that each such condition will be fully addressed in connection with the approval sought herein.

*Method of Acquisition.*

WellPoint intends to acquire control of CareFirst through the merger of CareFirst with Congress Acquisition Corp., a Maryland corporation ("CFAC") that is a wholly-owned subsidiary of WellPoint created for the purpose of carrying out the Merger, thereby acquiring direct control of CareFirst, and indirect control of its subsidiaries, including CareFirst of Maryland, Inc., Group Hospitalization and Medical Services, Inc., and BCBSD (together the "Acquired Subsidiaries").

CareFirst and the Acquired Subsidiaries are all presently organized as not-for-profit entities. Prior to the closing of the Merger (the "Closing"), CareFirst and the Acquired Subsidiaries will each convert into for-profit stock corporations (the "Conversion"), and the Acquired Subsidiaries will each issue 100% of their issued and outstanding stock to CareFirst. Immediately following the Conversion, CareFirst will contribute 100% of its issued and outstanding stock to three tax-exempt entities (the "TEEs"), one each established in Delaware, Maryland and the District of Columbia. The TEEs will have been established by the governments of Delaware, Maryland and the District of Columbia prior to the Closing, and will have such purposes and carry on such businesses as their respective charters shall provide. Upon the Conversion, BCBSD will become organized as a Delaware domiciled stock health insurer, bearing appropriate certificates of authority.

At Closing, WellPoint will pay a combination of stock, cash and, perhaps, subordinated notes, into each of the TEEs in exchange for all of their CareFirst stock. Thereafter, CFAC will be merged with and into CareFirst, causing CareFirst, the surviving entity, to become a wholly-owned subsidiary of WellPoint.

The acquisition will be effected pursuant to an Agreement and Plan of Merger, dated as of November 20, 2001 ("Merger Agreement"), between CareFirst, WellPoint and CFAC. A copy of the signed Merger Agreement is attached hereto as Exhibit 1-A1. All summaries and descriptions of, and references to, the Merger Agreement made herein are qualified in their entirety by the terms and conditions of the Merger Agreement. The final structure and consideration set forth in the Merger Agreement was the result of extensive arms'-length negotiations conducted between WellPoint and CareFirst. The negotiation process, in which legal counsel and financial advisors from each side actively participated, resulted in what the parties and their financial advisors believe to be fair consideration for the Merger, and the Merger Agreement and the transactions contemplated therein have thus been duly authorized by the Boards of Directors of WellPoint, CFAC, CareFirst and the Acquired Subsidiaries. Copies of the resolutions providing such authorization are attached hereto as Exhibit 1-A2. The Merger

Agreement contains representations, warranties, covenants and conditions applicable to the acquisition, which the parties believe are standard in transactions of this nature.

WellPoint, CareFirst and the Acquired Subsidiaries are each members of the Blue Cross and Blue Shield Association (“BCBSA”), which licenses the Blue Cross and Blue Shield names and marks to independent health plans throughout the United States. WellPoint currently operates Blue Cross of California and Blue Cross and Blue Shield of Georgia, and is in the process of merging with RightCHOICE Managed Care, Inc., d/b/a Blue Cross and Blue Shield of Missouri (“RightCHOICE”).

## Item 2. Identity and Background of the Applicant

*(a) State the name and address of the applicant seeking to acquire control over the insurer.*

The name of the Applicant is WellPoint Health Networks Inc. and its principal place of business is located at 1 WellPoint Way, Thousand Oaks, California 91362.

*(b) If the applicant is not an individual, state the nature of its business operations for the past five years or for such lesser period as such person and any predecessors thereof shall have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.*

### WELLPOINT

WellPoint is currently one of the nation’s largest publicly-traded managed health care companies. The common stock of WellPoint (symbol: WLP) (“WellPoint Common Stock”) is traded on the New York Stock Exchange (“NYSE”). WellPoint, through its subsidiary, UNICARE Life & Health Insurance Company, a Delaware domiciled stock health insurance corporation, has limited health insurance operations in Delaware, writing business primarily in the large employer group market. UNICARE wrote \$173,354 in accident and health insurance premium during 2000 which, on a direct written premium basis, constituted just .02% of the Delaware accident and health market for that year. UNICARE also wrote an insignificant \$13,225 in life insurance premium for 2000. Approximately 530 Delaware residents have health insurance through UNICARE, and approximately 760 Delaware residents are covered under self insured plans to which UNICARE provides administrative services only.

Through its affiliated companies, WellPoint serves the health care needs of approximately 10 million medical members and approximately 42 million specialty members nationwide. WellPoint offers a broad spectrum of network-based health care benefit plans, including health maintenance organizations, preferred provider organizations, point-of-service plans, and other hybrid plans and traditional indemnity plans to large and small employers, individual and senior markets. In addition, WellPoint offers services for self-funded employers under management services contracts, including claims processing, actuarial services, network access, medical cost management and other administrative services. WellPoint also provides a broad array of specialty and

other products, including pharmacy benefit management, dental, utilization management, vision, life, preventive care, disability, behavioral health, long term care insurance, COBRA, Medicare supplement and flexible benefits account administration. For a more detailed description of WellPoint's business, see WellPoint's Annual Reports on Form 10-K for the years ended December 31, 2000, 1999, 1998, 1997 and 1996, together attached hereto as Exhibit 2-B1 (the "Annual Reports on Form 10-K"), WellPoint's 2000, 1999, 1998, 1997 and 1996 Annual Reports to Stockholders, together attached hereto as Exhibit 2-B2 (the "Annual Reports to Stockholders"), and WellPoint's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2001, attached hereto as Exhibit 2-B3 (the "Quarterly Report on Form 10-Q"). WellPoint's financial condition, including the amount and character of its total assets and total liabilities as of December 31, 2000, 1999, 1998, 1997 and 1996 and as of September 30, 2001, is set forth in its Annual Reports on Form 10-K, in its Annual Reports to Stockholders and in its Quarterly Report on Form 10-Q. As of September 30, 2001, WellPoint had assets of \$7.2 billion and total stockholders' equity of \$2.0 billion. For the nine months ended September 30, 2001, WellPoint had gross revenues of \$9.0 billion, operating income of \$600.0 million, and net income after tax of \$304.9 million. As of December 31, 2000, WellPoint had assets of \$5.5 billion and total stockholders' equity of \$1.6 billion. For the year ended December 31, 2000, WellPoint had gross revenues of \$9.2 billion and net income after tax of \$342.3 million.

WellPoint was organized in 1992 to own and operate substantially all of the prepaid health care business of Blue Cross of California ("BCC"). This business was transferred from BCC to WellPoint, BCC's then wholly-owned subsidiary, effective as of February 1, 1993. WellPoint then conducted an initial public offering of its shares of common stock. Since January 27, 1993, WellPoint Common Stock has been listed on the NYSE. On May 20, 1996, WellPoint and BCC underwent a recapitalization transaction which resulted in the combination of WellPoint and BCC into the entity now known as WellPoint. In connection with this recapitalization transaction, WellPoint formed two new charitable foundations that received cash and WellPoint Common Stock that resulted in an initial charitable endowment of approximately \$3 billion, which has now grown to approximately \$4 billion, largely as a result of the performance of the WellPoint stock each had received. That same year, WellPoint acquired the Life and Health Benefits Management Division of Massachusetts Mutual Life Insurance Company. In 1997, WellPoint acquired the Group Benefits Operation of John Hancock Mutual Life Insurance Company. In August 1997, WellPoint reincorporated in the State of Delaware. In 2000, WellPoint completed the acquisition of Rush Prudential Health Plans, an Illinois general partnership, and a mail-order pharmacy fulfillment facility, which now operates under the name of PrecisionRx. Effective March 15, 2001, WellPoint acquired and merged with Cerulean Companies, Inc., a Georgia corporation which resulted in WellPoint acquiring, among other subsidiaries of Cerulean, Blue Cross and Blue Shield of Georgia, Inc. On October 17, 2001, WellPoint announced its intent to merge with RightCHOICE.

A brief description of the primary health insurance affiliates of WellPoint follows:

## UNICARE

UNICARE Life and Health Insurance Company is WellPoint's Delaware domiciled national non-"blue" brand dedicated to the delivery of quality health care plans and products since 1996. Serving approximately 2.3 million medical members, UNICARE employs over 3,800 full-time associates. As noted above, UNICARE writes a small amount of large employer group business and an insignificant amount of life insurance business within the State of Delaware.

With a reputation for innovation, UNICARE is committed to establishing a relationship with its customers as a trusted partner. UNICARE's strategy is to offer a diversified mix of products that preserve member choice at competitive prices while focusing on the development of hybrid plans which merge the best characteristics of traditional managed care and innovative open access models.

## BLUE CROSS OF CALIFORNIA

Blue Cross of California has been serving the health care benefit needs of California since 1937. As the California operating subsidiary of WellPoint, Blue Cross of California, together with its branded affiliates, provides services to approximately 5.6 million California members. Blue Cross of California employs more than 6,200 full-time associates.

Offering a full continuum of product coverage options, Blue Cross of California provides customers with unparalleled choice and flexibility in meeting their health plan needs. These options are continually fine-tuned to enhance access to affordable, quality health care benefits. With its strong track record for innovation, Blue Cross of California focuses on products and services designed put Californians in control of their health-care and financial decisions. Unique product offerings available in the individual, small group, large group, senior and Medi-Cal markets include a full range of medical and specialty products.

## BLUE CROSS AND BLUE SHIELD OF GEORGIA

Blue Cross and Blue Shield of Georgia is WellPoint's operating subsidiary in Georgia. Blue Cross and Blue Shield of Georgia employs 2,900 associates and is Georgia's largest and oldest health insurer, providing health benefits to more than 1.8 million Georgians.

Founded in 1937, Blue Cross and Blue Shield of Georgia is headquartered in Atlanta, with major operations centers in Atlanta and Columbus. Blue Cross and Blue Shield of Georgia offers significant value to its members by providing a wide range of products including traditional indemnity insurance, open-access plans and managed care products. Blue Cross and Blue Shield of Georgia also markets specialty products, including life insurance, dental, vision, mental health and pharmacy.

RightCHOICE MANAGED CARE, INC.

On November 19, 2001, WellPoint filed a Form A with the State of Missouri regarding the intended merger of RightCHOICE with and into a subsidiary of WellPoint. RightCHOICE serves approximately 2.8 million total members and is the largest provider of health care benefits in Missouri. Through its HealthLink subsidiary, RightCHOICE also provides network rental, administrative services, workers' compensation and other non-underwritten health benefit programs in Missouri and other states. RightCHOICE is an independent licensee of the Blue Cross and Blue Shield Association.

Except as stated in Item 5, WellPoint intends to continue to conduct its business, and to cause its subsidiaries to continue to conduct their businesses, substantially in the manner in which such businesses are now conducted. WellPoint intends to continue to expand its own and its subsidiaries' operations through internal growth and possible further acquisitions. CareFirst, Inc. has retained an independent consultant, Accenture, to evaluate the community impact of the Merger on all of the affected communities. Accenture has determined that "it is reasonable to conclude that the availability, accessibility and affordability of health care in Maryland, Delaware and Washington D.C. has a strong potential to be positively impacted by the proposed transaction." Accenture's report is attached to this Acquisition Statement as Exhibit 2-B4.

*(c) Furnish a chart or listing clearly presenting the identities of the inter-relationships among the applicant and all affiliates of the applicant. No affiliate need be identified if its total assets are equal to less than 1/2 of 1% of the total assets of the ultimate controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. corporation, trust, partnership) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced*

Attached as Exhibit 2-C1 are two organizational charts depicting the pre-transaction organizational structure of WellPoint and its affiliates, each of which is a corporation or limited liability company (other than UNICARE Health Plans, which is a general partnership). One chart shows WellPoint after the RightCHOICE merger, while the other depicts WellPoint without the inclusion of RightCHOICE and its affiliates. The jurisdiction of incorporation or formation of each affiliate is indicated. Each affiliate identified in Exhibit 2-C1 is owned 100% by its immediate parent, or another direct or indirect wholly-owned subsidiary of WellPoint, except that WellPoint owns (i) only 50% of the voting securities of The Industry MSO, Inc., a California corporation; (ii) only 50% of the voting securities of MCS Health Management Options, Inc., a Puerto Rico corporation; (iii) only 51% of the voting securities of CSRA Healthcare Partners, Inc., a Georgia corporation; (iv) only 51% of the voting securities of Atlanta Healthcare

Partners, Inc., a Georgia corporation; and (v) approximately 78% of the voting securities of UNICARE National Capital Preferred Provider Organization, Inc., a Maryland corporation.

Attached as Exhibit 2-C2 is the proposed organizational structure of WellPoint and its affiliates, assuming the closing of the Merger and the transaction involving RightCHOICE. In addition to the WellPoint affiliates mentioned above, the following are anticipated to be affiliates in which WellPoint anticipates having less than a 100% ownership but may control within the meaning of 18 *Del. C.* § 5001(3): (i) EPOCH Group, L.L.C., which is a joint venture in which WellPoint will indirectly own a 50% interest through its ownership of RightCHOICE, (ii) Potomac Physicians, PA, which is wholly owned by three physicians one of whom is employed by CareFirst of Maryland, Inc., (iii) Three Owings Mills Corporate Center Limited Partnership -- CareFirst of Maryland, Inc. is a limited partner only, and (iv) Four Owings Mills Corporate Center Limited Partnership -- CareFirst of Maryland, Inc. is a limited partner only. All other entities set forth on Exhibit 2-C2 will be wholly owned by WellPoint or a WellPoint affiliate (including CareFirst).

### Item 3. Identity and Background of Individuals Associated with the Applicant

*State the following with respect to (1) the applicant if (s)he is an individual or (2) all persons who are directors, executive officers or owners of 10% or more of the voting securities of the applicant if the applicant is not an individual.*

*(a) Name and business address:*

The current directors of WellPoint are Leonard D. Schaeffer, Chairman of the Board of Directors and Chief Executive Officer, and independent directors W. Toliver Besson, Roger E. Birk, Sheila P. Burke, Stephen L. Davenport, Julie A. Hill, Elizabeth A. Sanders and Warren Y. Jobe. The Merger Agreement provides that following the closing of the Merger, a member of the CareFirst Board of Directors will be added to the WellPoint Board of Directors. The business addresses of each director are set forth in the NAIC Biographical Affidavits attached hereto as Exhibit 3-A1.

The current executive officers of WellPoint are Leonard D. Schaeffer, Chairman of the Board of Directors and Chief Executive Officer, D. Mark Weinberg, Executive Vice President, Individual and Small Group Division, David S. Helwig, Executive Vice President, Large Group Division, Joan E. Herman, Executive Vice President, Senior, Specialty and State-Sponsored Programs Division, David C. Colby, Executive Vice President and Chief Financial Officer, Thomas C. Geiser, Executive Vice President, General Counsel and Secretary, Kenneth C. Zurek, Senior Vice President, Controller and Taxation, Rebecca Kapustay, Executive Vice President, Blue Cross Blue Shield of Georgia, and Woodrow A. Myers, Jr., M.D., Executive Vice President and Chief Medical Officer. The business addresses of each executive officer are set forth in the NAIC Biographical Affidavits attached hereto as Exhibit 3-A1.

*(b) Present principal business activity, occupation or employment including position and office held, and the name, principal business and address of any corporation or other organization in which such employment is carried on:*

The affidavits in Exhibit 3-A1 set forth for each person, among other information, his or her present principal business activity, occupation or employment, including position and office held, and the name, principal business and address of any corporation or other organization in which such employment is carried on, as well as material occupations, positions, offices or employments held during the period specified therein, but in no event for less than the last five years. Except as set forth in such biographical affidavits, no such occupation, position, office or employment required licensing by or registration with any federal, state, county or municipal governmental agency. None of such persons has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

*(c) Material occupations, positions, offices or employment during the last five years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.*

See response to Item 3(b) above.

*(d) Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.*

See response to Item 3(b) above.

#### Item 4. Nature, Source and Amount of Consideration

*(a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.*

The aggregate consideration payable by WellPoint in connection with the Merger is One Billion Three Hundred Million Dollars (\$1,300,000,000) (the “Merger Consideration”). At Closing, each issued and outstanding share of CareFirst common stock will be converted into a right to receive fully paid and nonassessable WellPoint Common Stock

with a value not to exceed \$850 million (\$850,000,000), and an additional amount of cash, such cash consideration to be not less than \$450 million (\$450,000,000). In the event the average of the daily closing price of the WellPoint Common Stock falls below \$70.00 per share during the twenty trading days preceding the fifth trading day before the Closing date, WellPoint has the right to calculate the number of shares to be issued to CareFirst shareholders as if such WellPoint stock were valued at \$70.00 per share, and to make up the difference with the issuance of subordinated notes to CareFirst shareholders. The interest rate that these subordinated notes will bear is to be set such that their market value equals their face value at Closing. In order to allow the TEEs to immediately sell the WellPoint Common Stock in compliance with securities laws, the WellPoint Common Stock to be issued as a part of the Merger Consideration shall be subject to (i) a 180 day shelf registration statement effective at the close of the merger, (ii) one demand registration right for the period from 180 days post-Closing to one year after Closing, and (iii) piggyback registration rights. The description of the Merger Consideration herein contained is qualified in its entirety by reference to the full text of the Merger Agreement.

*(b) Explain the criteria used in determining the nature and amount of such consideration.*

The amount and nature of the Merger Consideration set forth in the Merger Agreement was the result of extensive arm's-length negotiations conducted between WellPoint and CareFirst. The negotiation process, in which legal counsel and financial advisors from each side actively participated, resulted in what the parties and their financial advisors believe to be fair consideration for the Merger. In determining such amount, the parties considered, among other factors, the value of CareFirst and each of the Acquired Subsidiaries including, without limitation, their earnings and cash flow, the character and quality of their assets, and the extent of their liabilities.

CareFirst's Board of Directors obtained a written opinion from Credit Suisse First Boston Corporation ("Credit Suisse First Boston") regarding the fairness of the Merger Consideration from a financial point of view. Specifically, on November 20, 2001, Credit Suisse First Boston rendered an opinion to the CareFirst Board of Directors that, as of that date and based on and subject to the assumptions made, matters considered and limitations described in that opinion, the Merger Consideration was fair to the putative holders of CareFirst common stock. The description of the Credit Suisse First Boston opinion contained herein is qualified in its entirety by reference to the full text thereof, which is attached hereto as Exhibit 4-B1.

*(c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, he must specifically request that the identity be kept confidential.*

The cash portion of the Merger Consideration in the amount of approximately \$450 million will be paid from WellPoint's cash on hand, supplemented by borrowings under WellPoint's existing \$1.0 billion revolving credit facility with a syndicate of banks led by Bank of America N.A. and The Chase Manhattan Bank and/or borrowings under WellPoint's commercial paper program. A copy of WellPoint's credit agreements comprising its revolving credit facility are attached hereto as Exhibit 4-C1.

Notwithstanding any borrowings, WellPoint anticipates its leverage ratio will remain well within acceptable parameters.

#### Item 5. Future Plans of Insurer

*Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate such insurer, to sell its assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.*

WellPoint has no plans to cause CareFirst or any Acquired Subsidiary to declare any extraordinary dividend, to liquidate any or all of them, to sell any of their assets, or to merge or consolidate any or all of them with any person or persons, other than the Merger. Also, there are presently no plans to make any other material change in any Acquired Subsidiary's business operations or corporate structure, other than as may be provided herein or as may arise in the ordinary course of business, and other than to achieve the synergies that normally arise in substantial acquisitions. WellPoint has proven expertise in the development of cost-effective and innovative health insurance and health benefit products. After studying local markets, WellPoint may augment the product offerings of BCBSD.

CareFirst and each of the Acquired Subsidiaries will convert to a for-profit status immediately prior to the Closing. Thus, assuming all regulatory approvals are obtained, BCBSD will amend its chartering documents and become a for-profit Delaware corporation. Immediately following the Conversion, 100% of its issued and outstanding stock will be held by CareFirst, Inc.

WellPoint is currently reviewing who will serve as the directors of CareFirst, and the Acquired Subsidiaries, and the extent, if any, to which any changes in officers will be made, other than the addition of certain officers of WellPoint and its affiliates. One existing CareFirst board member will be selected to serve on the WellPoint board of directors, to serve the longest term permitted under the WellPoint By-Laws. Information required by Item 3 will be filed for any proposed new directors or new executive officers of CareFirst, or the Acquired Subsidiaries, identified prior to the approval of this Acquisition Statement, and Exhibit 3-A1 hereto will be amended accordingly.

An advisory board will be formed for each of the Acquired Subsidiaries. Each person presently serving on the respective boards of the Acquired Subsidiaries will be invited to serve on the appropriate advisory board. Additionally, the directors of CareFirst, Inc. who are not directors of one of the Acquired Subsidiaries will also be invited to serve on one of the advisory boards. Each advisory board will provide advice to its respective Acquired Subsidiary regarding the company's relationship with subscribers, providers and the general public.

Under the terms of the Merger Agreement, each of the Acquired Subsidiaries will retain headquarters in their respective states. The present Chief Executive Officer of CareFirst

will be named President of WellPoint's Southeast U.S. Business Region, and other CareFirst senior executives will be assigned significant responsibilities within CareFirst post-Closing.

#### Item 6. Voting Securities To Be Acquired

*State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.*

The aggregate consideration payable by WellPoint in connection with the Merger is One Billion Three Hundred Million Dollars (\$1,300,000,000). The consideration to be used in effecting the Merger will consist of a combination of WellPoint Common Stock and cash. Post-Closing, 100% of the issued and outstanding shares of CareFirst will be held by WellPoint.

At Closing, each issued and outstanding share of CareFirst common stock will be converted into a right to receive fully paid and nonassessable WellPoint Common Stock and an additional amount of cash, such cash consideration to be, in the aggregate, at least \$450 million. In the event WellPoint stock falls below \$70.00 per share as of the date the cash/stock apportionment of the purchase price is calculated, WellPoint has the right to calculate the number of shares to be issued to CareFirst shareholders as if such WellPoint stock was valued at \$70.00 per share, and to make up the difference with the issuance of subordinated notes to CareFirst shareholders. The interest rate that these subordinated notes will bear is to be set such that their market value equals their face value at Closing.

100% of the voting securities of the Acquired Subsidiaries will be issued to, and held by, CareFirst post-Closing. No person listed in Item 3 hereof plans to acquire directly any of the stock or any of the voting securities of the Acquired Subsidiaries.

The fairness of the Merger Consideration was determined through arm's-length negotiation among the parties to the Merger Agreement. As described above, CareFirst received a written opinion dated November 20, 2001 from Credit Suisse First Boston to the effect that, as of that date, and based on and subject to various assumptions, matters considered and limitations described in that opinion, the Merger Consideration was fair, from a financial point of view, to the putative holders of CareFirst Common Stock.

#### Item 7. Ownership of Voting Securities

*State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.*

Neither the Applicant, nor any of its affiliates, nor any person listed in Item 3 hereof, has any legal or beneficial interest in any voting security of CareFirst or any Acquired Subsidiary. Other than the rights of WellPoint existing under the Merger Agreement, neither WellPoint, nor any of its affiliates, nor any person listed in Item 3 hereof, has any right or has entered into any agreement to purchase or otherwise acquire any such voting security.

Item 8. Contracts, Arrangements, or Understanding with Respect to Voting Securities of the Insurer

*Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved including, but not limited to, transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom such contracts, arrangements or understandings have been entered into.*

Except for the Merger Agreement and the transactions contemplated thereby, there are no contracts, arrangements or understandings with respect to any voting security of CareFirst or any Acquired Subsidiary, in which WellPoint, its affiliates or any person listed in Item 3 is involved including, but not limited to, transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or of profits, division of losses or profits or the giving or withholding of proxies of CareFirst or any Acquired Subsidiary.

Item 9. Recent Purchases of Voting Securities

*Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this Statement. Include in such description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any such shares so purchased are hypothecated.*

Neither WellPoint nor any of its affiliates, nor any person listed in Item 3 hereof, has at any time during the twelve (12) calendar months preceding the filing of this Acquisition Statement made any purchase of the voting securities of CareFirst or any Acquired Subsidiary.

Item 10. Recent Recommendations to Purchase

*Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at*

*the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.*

Neither WellPoint nor any of its affiliates, nor any person listed in Item 3 hereof, nor any other person as the result of an interview with or at the suggestion of WellPoint, any of its affiliates, or any person listed in Item 3 hereof, has, directly or indirectly, at any time during the twelve (12) calendar months preceding the filing of this Acquisition Statement, made to any person any recommendation to purchase any voting security or make any contract, arrangement or understanding with respect to any voting security, loan or option arrangement, put or call, guarantee of loans, guarantee against loss or of profits, division of losses or profits or the giving or withholding of proxies of CareFirst or any Acquired Subsidiary.

#### Item 11. Agreements with Broker-Dealers

*Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.*

No agreement, arrangement or understanding has been made by WellPoint, CFAC or CareFirst with any broker-dealer as to solicitation of voting securities of CareFirst or any Acquired Subsidiary for tender.

#### Item 12. Financial Statements and Exhibits

*(a) Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.*

The Financial Statements of WellPoint and Exhibits relating to this Acquisition Statement are attached hereto and incorporated herein by reference, and are listed in Item 12(b) below. The Financial Statements of WellPoint for the preceding five (5) fiscal years and most recent calendar quarter are provided in Exhibit 2-B1, Exhibit 2-B2 and Exhibit 2-B3. These financial statements contain consolidated financial statements for WellPoint and its affiliates.

*(b) The financial statements shall include the annual financial statements for the persons identified in Item 2(c) for the preceding five fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if such information is available. Such statements may be prepared on either an individual basis or, unless the Commissioner otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business. The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the result of*

*its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of such person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of such state.*

List of Financial Statements and Exhibits.

<b>Exhibit Reference</b>	<b>Description of Exhibit</b>
<u>Exhibit 1-A1</u>	Agreement and Plan of Merger dated November 20, 2001 between WellPoint, CFAC and CareFirst
<u>Exhibit 1-A2</u>	Resolutions of the Boards of Directors of CareFirst, WellPoint, CFAC, CareFirst of Maryland, Inc., Group Hospitalization and Medical Services, Inc. and BCBSD, each authorizing the Merger
<u>Exhibit 2-B1</u>	Annual Report on Form 10-K for WellPoint for the years ending December 31, 1996, 1997, 1998, 1999 and 2000
<u>Exhibit 2-B2</u>	Annual Report to Stockholders for WellPoint for the years ending December 31, 1996, 1997, 1998, 1999, 2000
<u>Exhibit 2-B3</u>	Quarterly Report on Form 10-Q for WellPoint for the period ending September 30, 2001
<u>Exhibit 2-B4</u>	Community Impact Statement prepared by Accenture, dated January 10, 2002
<u>Exhibit 2-C1</u>	Pre-Acquisition Organizational Structure of WellPoint and its Affiliates
<u>Exhibit 2-C2</u>	Post-Acquisition Organizational Structure of WellPoint and its Affiliates
<u>Exhibit 3-A1</u>	NAIC Biographical Affidavits for all Current Directors and Executive Officers of WellPoint
<u>Exhibit 4-B1</u>	Fairness Opinion issued by Credit Suisse First Boston
<u>Exhibit 4-C1</u>	WellPoint Unsecured Revolving Credit Facility Agreements
<u>Exhibit 12-C1</u>	BCBSD Annual Report for the year ending December 31, 1999
<u>Exhibit 12-C2</u>	CareFirst Annual Report for the year ending December 31, 2000

(c) File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contract concerning the insurer, annual reports to the stockholders of the insurer and the applicant for the last two fiscal years, and any additional documents or papers required by Form A or Regulation Sections 4 and 6.

The Merger Agreement is the only agreement between WellPoint and CareFirst for the Acquisition and there are no other tender offers for, requests or invitations for, tenders of, exchange offers for, or other agreements involving WellPoint or its affiliates to acquire or exchange any voting securities of CareFirst. Attached as Exhibit 12-C1 is the BCBSD, Annual Report for 1999 (its 2000 annual report was consolidated into the CareFirst Annual Report for that same year, which is attached hereto as Exhibit 12-C2).

Item 13. Signature and Certification

Signature and certification required as follows:

**SIGNATURE**

Pursuant to the requirements of Section 5003 of the Delaware Insurance Holding Company System Registration Act and Regulation No. 13, WellPoint Health Networks Inc. has caused this application to be duly signed on its behalf in the City of Thousand Oaks and State of California on the 11th day of January, 2002.

WELLPOINT HEALTH NETWORKS INC. (SEAL)  
Name of Applicant

By Thomas C. Geiser Executive Vice President,  
(Name) (Title) General  
THOMAS C. GEISER Counsel + Secretary

Attest:

Robert A. Goley  
(Signature of Officer)

Assistant Secretary  
(Title)

**CERTIFICATION**

The undersigned deposes and says that ~~she~~ he has duly executed the attached application dated January 11, 2002, for and on behalf of WellPoint Health Networks Inc. (Name of Applicant); that ~~she~~ he is the Exec. VP, Gen Counsel & Secretary (Title of Officer) of such company and that ~~she~~ he is authorized to execute and file such instrument. Deponent further says that ~~she~~ he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/~~her~~ knowledge, information and belief.

Thomas C Geiser  
(Signature)

THOMAS C GEISER  
(Type or print name beneath)