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OTHER OFFICES
ORANGE COUNTY
(714) 641-1688
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(916) 447-1688

December 10, 1999

Mr. Lawrence M. Noble
Federal Election Commission
Office of General Counsel
999 E Street, N.W.
Washington, D.C. 20463

AOR 1999-39
VIA FEDERAL EXPRESS

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL
DEC 13 10 22 AM '99

Re: WellPoint Health Networks "WELLPAC"

Dear Mr. Noble:

This is a reply to the letter dated November 10, 1999, in which you requested additional information regarding WellPoint Health Networks, Inc. ("WellPoint") and Blue Cross of California's ("BCC") relationship with the Blue Cross and Blue Shield Association ("BCBSA"). You asked us to draft two organizational charts, to discuss the BCBSA membership standards and to provide copies of certain other documents.

Organizational Charts

You asked us to provide two organizational charts showing changes in control and organization in the WellPoint and Blue Cross of California group of entities ("WellPoint/BCC") between 1992 and the present.

We have prepared these two charts, which are enclosed. Chart 1 illustrates the relationships among the entities in December 1992, shortly before the former WellPoint corporation was formed as a subsidiary of BCC. Chart 2 illustrates the relationships among the entities in December 1999, after various reorganizations and recapitalizations have occurred. These charts show that the relationship between BCBSA and WellPoint/BCC has materially changed since WellPoint was spun off from BCC in January 1993.

Specifically, in 1992, WellPoint/BCC was a California organization headed by BCC, which directly operated various health plans such as the Blue Cross Prudent Buyer Plan, CaliforniaCare HMO, BCC Medicare Services and dental and pharmacy plans. At that time, BCC had two small subsidiaries which focused on life insurance services. However, after the series of transactions that began in January 1993, WellPoint was reorganized as the parent of BCC and acquired a number of other subsidiaries. Today, WellPoint/BCC is a national organization which provides managed care and related services under various brand names.

Mr. Lawrence M. Noble
December 10, 1999
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BCBSA Membership Standards

Your letter requested a detailed explanation as to the application of BCBSA Membership Standards to WellPoint. Before the reorganization of WellPoint and BCC commenced in 1993, BCC and the other member plans of BCBSA were subject to a number of Membership Standards.¹ With the exception of a change discussed below, the membership standards that existed in 1992 are still in place.

The membership requirements we described in our November 4, 1999 letter were the Membership Standards in effect at the time of the spin off and the license agreement provisions adopted in order to implement these standards. In order to accommodate WellPoint and other member plans which prefer to operate as for-profit corporations, BCBSA no longer maintains the standard that required each plan to be operated as a nonprofit entity. In addition, BCBSA has adopted a new membership standard which requires the member plans to emphasize their independence from BCBSA and each other in communications with their customers and the public. In order to implement this standard, BCBSA issued brand regulations which require most advertisements, contracts and other materials containing the BCBSA marks to disclose that each member plan is an independent licensee of BCBSA.

To summarize, in December 1992, most of the managed care and specialty plans offered by WellPoint/BCC were subject to the membership standards, since these plans were directly operated by BCC. However, as of December 1999, the standards only apply to three out of the twenty-four entities in the WellPoint/BCC organization.

¹ Under the Membership Standards effective in 1992, the regular member plans of BCBSA were required to:

- Operate as a nonprofit entity;
- Maintain a board of directors not controlled by any special interest group;
- Obtain an annual private rating of its financial strength and furnish to BCBSA reports and records relating to compliance with the Membership Standards and the License Agreement with BCBSA;
- Operate in a manner that provides reasonable financial assurance that it can fulfill its contractual obligations to its customers and that is responsive to customer needs and requirements;
- Participate in national programs adopted by the Member Plans for the purposes of providing portability of membership among the Plans and ease of claims processing for customers receiving benefits outside of the Plan's service area;
- Take such action as required to ensure its financial performance when it participates in programs or enters into contracts involving BCBSA or other Member Plans;
- Cooperate with BCBSA's board of directors and Plan Performance and Financial Standards Committee in the administration of the Plan Performance Response Process;
- Use its best efforts in its designated service area to promote and build the value of the BCBSA marks; and
- Not cause or permit an entity other than another Plan to obtain control of the Plan or a Controlled Affiliate or to acquire a substantial portion of its assets related to licensable services.

Mr. Lawrence M. Noble
December 10, 1999
Page Three

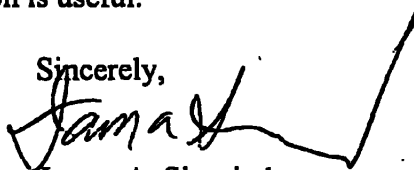
Other Documents

We have enclosed the following documents you also requested in your letter:

- (1) WellPoint's Charter (Certificate of Incorporation)
- (2) WellPoint's Bylaws
- (3) Blue Cross License Agreement (and Addendum dated June 12, 1998)

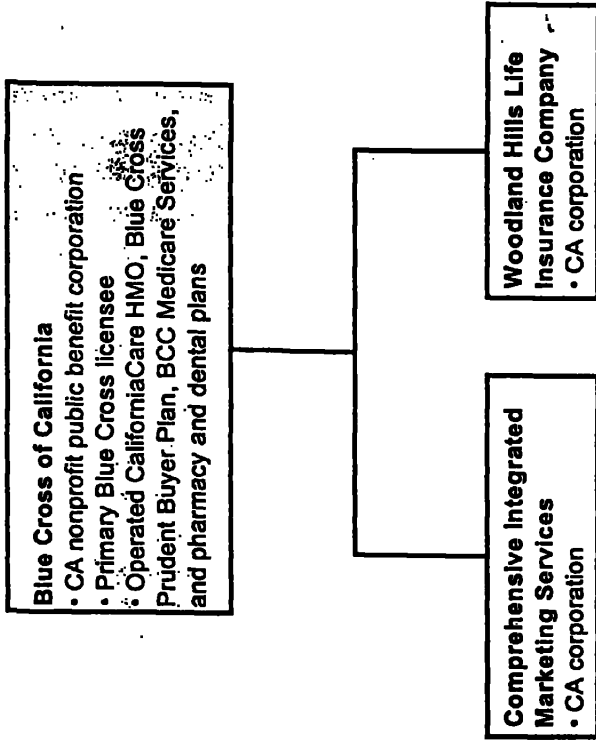
We hope this additional information is useful.

Sincerely,

A handwritten signature in black ink, appearing to read "James A. Sivesind", with a long, sweeping horizontal stroke extending to the right.

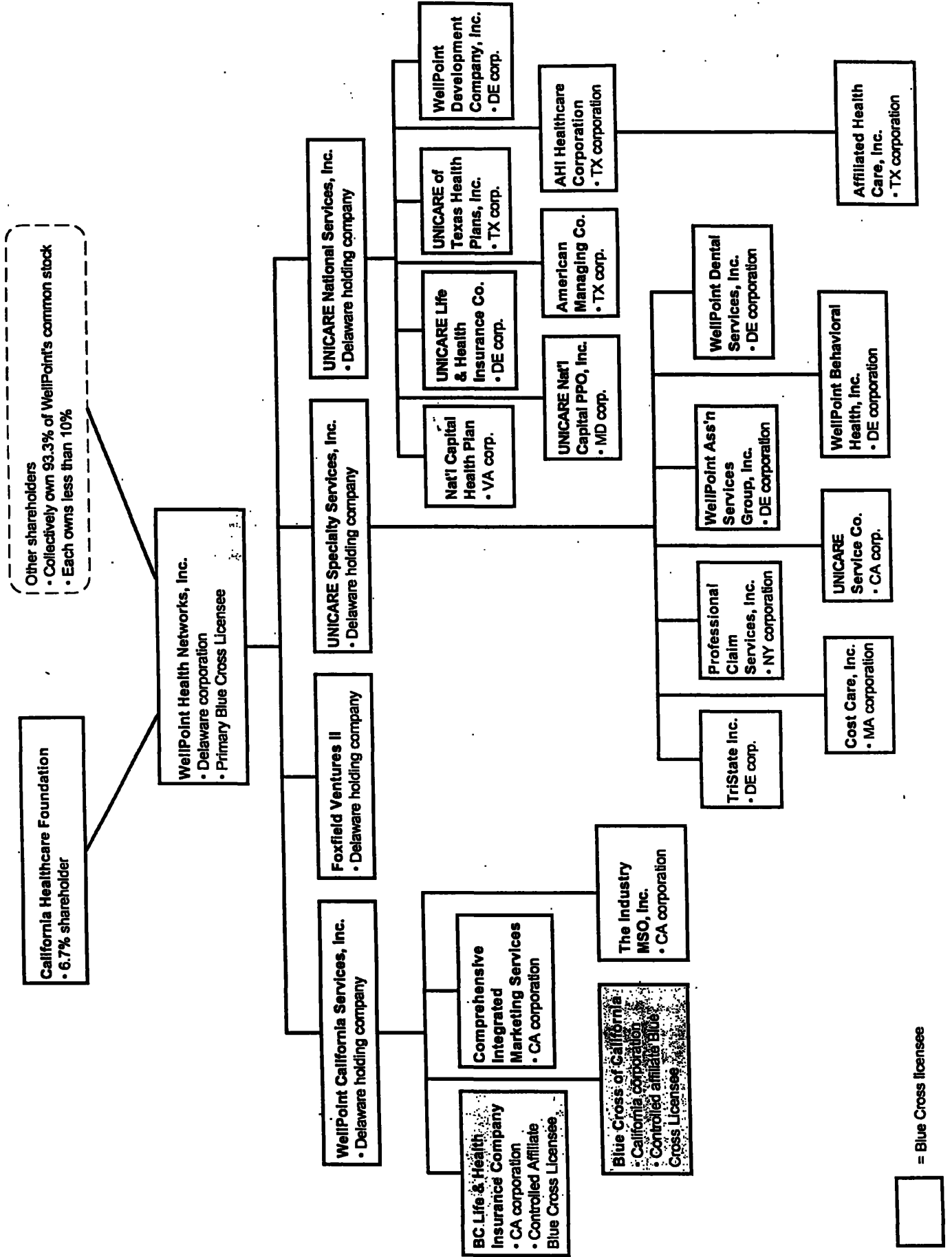
James A. Sivesind

Organizational Chart 1: December 1992



 = Blue Cross licensee

Organizational Chart 2: December 1999



☐ = Blue Cross licensee

ATTACHMENT:
Corporations Listed on the 1993 and 1999 Organizational Charts

- Affiliated Health Care, Inc.:
-Texas rental PPO network
- AHI Healthcare Corporation:
-Holding company; parent of Affiliated Health Care, Inc.
- American Managing Company:
-Manages the American Fraternal Benefit Society
- BC Life & Health Insurance Company:
-Incorporated in 1991 as Woodland Hills Life Insurance Company;
named changed in 1993 and 1996
-Life and disability insurer
- Blue Cross of California:
-Nonprofit corporation formed in 1982 through the merger of Blue Cross of Southern California and Blue Cross of Northern California
-Competes with Blue Shield of California, another BCBSA member plan, in Northern and Southern California
-Operates the CaliforniaCare HMO, Prudent Buyer PPO, Dental Net HMO and BCC Medicare Services
- CaliforniaCare Health Plans:
-HMO
-Incorporated in 1992; merged into WellPoint Health Networks in 1997
- Comprehensive Integrated Marketing Services:
-Incorporated in 1981 as Blue Life Insurance Services; named changed in 1982 and 1992
-Employs licensed agents and brokers
- Cost Care, Inc.:
-Acquired from John Hancock Mutual Life Insurance Company in 1997
-Medical consulting services; certified UR provider in 26 states
- Foxfield Ventures II, Inc.:
-Holding company for passive investments
- The Industry MSO, Inc.:
-50% owned by WellPoint California Services, Inc.
-Incorporated in 1994
- National Capital Health Plan, Inc.:
-74% owned by UNICARE National Services, Inc.
- Professional Claim Services, Inc.:
-Acquired in 1994
-DBA WellPoint Pharmacy Management and Pro-Serv
-Pharmacy benefit management company
- TriState Inc.:
-40% owned by Cost Care, Inc.
-Acquired from John Hancock Mutual Life Insurance Company in 1997
-Rental networks in Connecticut, New Jersey and New York
- UNICARE Life & Health Insurance Company:
-Acquired from Massachusetts Mutual Life Insurance Company in 1996
-Group life and health insurance
- UNICARE National Capital Preferred Provider Organization, Inc.:
-78% owned by UNICARE National Services, Inc.
- UNICARE of Texas Health Plans, Inc.:
-HMO incorporated in October 1993
- UNICARE Service Co.:
-Acquired by WellPoint in 1994
- WellPoint Association Services Group, Inc.:
-Acquired from John Hancock Mutual Life Insurance Company in 1997
-COBRA administrator
- WellPoint Behavioral Health, Inc.:
-Incorporated in 1998
-Mental health services outside of California
- WellPoint California Services, Inc.:
-Holding company incorporated in July 1997
- WellPoint Dental Plan:
-Incorporated as Americross Dental Plan in 1992; merged into BCC in 1997
- WellPoint Dental Services, Inc.:
-Incorporated in 1997
-National dental network development
- WellPoint Development Company, Inc.:
-Incorporated in 1997
-National medical network development
- WellPoint Pharmacy Plan:
-Incorporated as Americross Pharmacy Plan in 1992; merged into BCC in 1997
- Woodland Hills Life Insurance Company:
-Incorporated in 1991; name changed to BC Life & Health Insurance Company in 1996

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "WELLPOINT HEALTH NETWORKS INC.", FILED IN THIS OFFICE ON THE FIRST DAY OF AUGUST, A.D. 1997, AT 9 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.



Edward J. Freel

Edward J. Freel, Secretary of State

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971256461

AUTHENTICATION: 8586687

DATE: 08-01-97

**RESTATED
CERTIFICATE OF INCORPORATION
OF
WELLPOINT HEALTH NETWORKS INC.**

(Pursuant to Section 245)

The undersigned, **LEONARD D. SCHAEFFER** and **THOMAS C. GEISEK**, hereby certify that:

ONE: They are the Chief Executive Officer and Secretary, respectively, of WellPoint Health Networks Inc. (the "Corporation"). WellPoint Health Networks Inc. was originally incorporated under the same name, and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 29, 1996.

TWO: Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, this Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Certificate of Incorporation of this Corporation.

THREE: The Certificate of Incorporation of the Corporation is hereby restated and amended to read in its entirety as follows:

**ARTICLE I
NAME**

The name of the corporation (hereinafter called the "Corporation") is WellPoint Health Networks Inc.

**ARTICLE II
PURPOSE**

SECTION 1. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware ("DGCL").

**ARTICLE III
AUTHORIZED CAPITAL STOCK**

SECTION 1. The total number of shares of all classes of stock which the Corporation shall have authority to issue is three hundred and fifty million (350,000,000) shares as follows: (a) three hundred million (300,000,000) shares of Common Stock, \$0.01 par value per share ("Common Stock"), and (b) fifty million (50,000,000) shares of Preferred Stock, \$0.01 par value per share ("Preferred Stock").

SECTION 2. The rights, preferences, privileges and restrictions of the classes of stock of the Corporation and the express grant of authority to the Board of Directors to fix by

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resolution the rights, preferences, privileges and restrictions relating to the classes of stock of the Corporation which are not fixed by this Restated Certificate of Incorporation, are as follows:

COMMON STOCK

A. DIVIDENDS.

Subject to any other provisions of this Restated Certificate of Incorporation, as amended from time to time, holders of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation as may be declared thereon from time to time by the Board of Directors of the Corporation (the "Board of Directors") out of assets or funds of the Corporation legally available therefor.

B. VOTING.

(i) At every meeting of the stockholders, every holder of Common Stock shall be entitled to one (1) vote in person or by proxy for each share of Common Stock standing in his or her name on the transfer books of the Corporation.

(ii) The provisions of this Article III of this Restated Certificate of Incorporation shall not be modified, revised, altered or amended, repealed or rescinded, in whole or in part, without the affirmative vote of the holders of a majority of the shares of Common Stock.

PREFERRED STOCK

The Board of Directors is authorized to provide, by resolution, for the issuance of one or more series of Preferred Stock out of the unissued shares of Preferred Stock and the Board of Directors is authorized to determine the designation and to fix the number of shares of each series. Except as may be required by law, the shares in any series of Preferred stock need not be identical to any other series of Preferred Stock or any other class.

The Board of Directors of the Corporation is further authorized to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock, and to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of Preferred Stock subsequent to the issue of shares of that series.

ARTICLE IV BOARD OF DIRECTORS AND STOCKHOLDER MEETINGS

The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

SECTION 1. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than nine nor more than seventeen directors, the exact number of directors to be determined in accordance with the Bylaws of the Corporation. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. At each annual meeting of stockholders beginning in 1998, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

SECTION 2. In the case of any vacancy on the Board of Directors, including any vacancy created by the removal of a director, or in the case of any newly created directorship, a director elected to fill the vacancy or the newly created directorship for the unexpired portion of the term being filled shall be elected pursuant to the procedures set forth in the Bylaws of the Corporation. The director elected to fill a vacancy shall hold office for the unexpired term in respect of which the vacancy occurred and until his successor shall be elected and shall qualify or until his or her earlier death, resignation or removal.

SECTION 3. Any director or the entire Board of Directors may be removed, with or without cause, by the affirmative vote of the holders of a majority of the voting power of the shares of the Corporation's stock entitled to vote at an election of directors. However, a director may not be removed without cause if the votes cast against removal of the director would be sufficient to elect the director if voted cumulatively (without regard to whether shares may otherwise be voted cumulatively) at an election at which the same total number of votes were cast and either the number of directors elected at the most recent annual meeting of the stockholders, or if greater, the number of directors for whom removal is being sought, were then being elected.

SECTION 4. Whenever the holders of any series of Preferred Stock issued by the Corporation or of any other securities of the Corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation applicable thereto.

SECTION 5. Election of Directors need not be by ballot unless a stockholder demands election by ballot at the meeting and before the voting begins or unless the Bylaws so require.

SECTION 6. The Board of Directors shall have the concurrent power with the stockholders to make, alter, amend, change, add to or repeal (collectively, "Change") the Bylaws of the Corporation.

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SECTION 7. Meetings of the stockholders of the Corporation for any purpose or purposes may be held within or without the State of Delaware, as the Bylaws may provide.

SECTION 8. No action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken by written consent without a meeting of such stockholders.

SECTION 9. Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by the Chairman of the Board, the President, a majority of the members of the Board of Directors or the holders of shares entitled to cast not less than 10% of the votes at the meeting. Such special meeting may not be called by any other person or persons or in any other manner.

SECTION 10. The approval of the greater of at least two-thirds or seven of the directors of the Corporation then in office shall be required for the Board of Directors to approve and authorize any of the following:

(a) any amendment to this Restated Certificate of Incorporation of the Corporation;
and

(b) the amendment of Sections 8 and 10 of Article II, Sections 2, 3 and 14 of Article III, Sections 1 and 2 of Article IV, and Sections 6 and 7 of Article V of the Bylaws of the Corporation.

ARTICLE V INDEMNIFICATION

SECTION 1. Other than in the case of an action by, or in the right of, the Corporation, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or an officer of the Corporation or of a Predecessor Corporation, against expenses (including, but not limited to, attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding to the fullest extent and in the manner set forth in and permitted by the DGCL and any other applicable law, as from time to time in effect. To the maximum extent permitted by the DGCL, the Corporation shall advance expenses (including attorneys' fees) incurred by any person indemnified hereunder in defending any civil, criminal, administrative or investigative action, suit or proceeding upon an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation. Such rights of indemnification and advancement of expenses shall not be deemed to be exclusive of any other rights to which such director or officer may be entitled apart from the foregoing provisions. The foregoing provisions of this Section 1 shall be deemed to be a contract between the Corporation (or any Predecessor Corporation) and each director and officer who serves in such capacity at any time while this Section 1 and the relevant provisions of the DGCL and other applicable law, if any, are in effect, and any repeal or modification thereof shall not affect any rights or

obligations then existing, with respect to any state of facts then or theretofore existing, or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts. For purposes hereof "Predecessor Corporation" shall mean WellPoint Health Networks Inc., a California corporation ("WellPoint California").

SECTION 2. The Corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceedings whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was an employee or agent of the Corporation (or a Predecessor Corporation), or is or was serving at the request of the Corporation (or a Predecessor Corporation), as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including, but not limited to, attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the extent and in the manner set forth in and permitted by the DGCL and any other applicable law as from time to time in effect. Such right of indemnification shall not be deemed to be exclusive of any other rights to which any such person may be entitled apart from the foregoing provisions.

ARTICLE VI LIABILITY FOR BREACH OF FIDUCIARY DUTY

A Director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, iii) under Section 174 of the Delaware General Corporation Law, or iv) for any transaction from which the Director derived any improper personal benefit. If the Delaware General Corporation Law is hereafter amended to authorize, with the approval of a corporation's stockholders, further reductions in the liability of the corporation's directors for breach of fiduciary duty, then a Director of the Corporation shall not be liable for any such breach to the fullest extent permitted by the Delaware General Corporation Law as so amended. Any repeal or modification of the foregoing provisions of this Article VI by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

ARTICLE VII RESTRICTION ON TRANSFER

SECTION 1. No Person (as defined in Section 14 below) shall Beneficially Own (as defined in Section 14 below) shares of Capital Stock (as defined in Section 14 below) in excess of the Ownership Limit (as defined in Section 14 below). Any Transfer (as defined in Section 14 below) that, if effective, would result in any Person Beneficially Owning Capital Stock in excess of the Ownership Limit shall result in such intended transferee acquiring no rights in such shares of Capital Stock (other than those rights expressly granted in this Article VII) and such number of shares of Capital Stock shall be deemed transferred to the Share Escrow Agent (as defined in Section 14 below) as set forth in this Article VII.

SECTION 2. If, notwithstanding any other provisions of this Article VII, there is a purported Transfer or other change in the capital structure of the Corporation such that any Person would Beneficially Own shares of Capital Stock in excess of the Ownership Limit (a "Purported Owner"), then, upon such Transfer or change in capital structure, such shares of Capital Stock in excess of the Ownership Limit shall be Excess Shares for purposes of this Article VII; provided, however, that in the event that any Person becomes a Purported Owner as a result of Beneficial Ownership of Capital Stock of one Person being aggregated with another Person, then the number of Excess Shares subject to this Article VII shall be allocated pro rata among each Purported Owner in proportion to each Person's total Beneficial Ownership (without regard to any aggregation with another Person pursuant to Section 14(b)(4) or (5) of this Article VII). Upon the occurrence of any event that would cause any Person to exceed the Ownership Limit (including without limitation the expiration of a voting trust, without being renewed on substantially similar terms, that entitled such Person to an exemption from the Ownership Limit), all shares of Capital Stock Beneficially Owned by such Person in excess of the Ownership Limit shall also be Excess Shares for purposes of this Article VII, such Person shall be deemed the Purported Owner of such Excess Shares and such Person's rights in such Excess Shares shall be as prescribed in this Article VII. Excess Shares shall not constitute a separate class of Capital Stock.

SECTION 3. If the Corporation at any time determines that a Transfer has taken place in violation of Section 1 of this Article VII or that a Purported Owner intends to acquire or has attempted to acquire Beneficial Ownership of any shares of Capital Stock in violation of Section 1 of this Article VII, the Corporation shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer, including, without limitation, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin or rescind such Transfer; provided, however, that any purported Transfers in violation of Section 1 of this Article VII shall automatically result in all shares of Capital Stock in excess of the Ownership Limit being deemed Excess Shares. Notwithstanding the foregoing, nothing contained in this Article VII shall limit the authority of the Corporation to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders.

SECTION 4. Any Purported Owner who acquires or attempts to acquire shares of Capital Stock in violation of Section 1 of this Article VII, or any Purported Owner who is a transferee such that any shares of Capital Stock are deemed Excess Shares under Section 2 of this Article VII, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request.

SECTION 5. Each certificate for Capital Stock issued by the Corporation shall bear the following legend:

The shares of stock represented by this certificate are subject to restrictions on ownership and transfer. No Person shall Beneficially Own shares of Capital Stock in excess of the Ownership Limit (as defined in Article VII, Section 14 of the Restated Certificate of Incorporation of the Corporation). Subject to certain limited specific exemptions, Beneficial Ownership of 5% or more of the outstanding shares of any class of Capital

Stock will exceed the Ownership Limit. These provisions have been designed to ensure that the Corporation will not violate the terms of the License Agreement between the Corporation and the Blue Cross and Blue Shield Association (the "BCBSA"). The Corporation maintains at its principal executive office a copy of the applicable requirements of the BCBSA relating to such restrictions on ownership and transfer, as such requirements may be amended from time to time, which are open to inspection by the stockholders, at all reasonable times during office hours. Any Person who attempts to beneficially own shares in violation of this limitation must immediately notify the Corporation. All capitalized terms in this legend have the meanings ascribed to them in the Corporation's Restated Certificate of Incorporation, as the same may be amended from time to time, a copy of which, including the restrictions on ownership and transfer, will be sent without charge to each stockholder who so requests. Upon the occurrence of any event that would cause any Person to exceed the Ownership Limit (including without limitation the expiration of a voting trust that entitled such Person to an exemption from the Ownership Limit), all shares of Capital Stock Beneficially Owned by such Person in excess of the Ownership Limit will automatically be deemed Excess Shares and be transferred immediately to the Share Escrow Agent and be subject to the provisions of the Corporation's Restated Certificate of Incorporation and the Share Escrow Agent Agreement, a copy of which the Corporation maintains at its principal executive office. The foregoing summary of the restrictions on ownership and transfer is qualified in its entirety by reference to the Corporation's Restated Certificate of Incorporation.

SECTION 6. Upon the occurrence of a Transfer or an event that results in Excess Shares pursuant to Section 2 of this Article VII, such Excess Shares shall automatically be transferred immediately to the Share Escrow Agent, which Excess Shares, subject to the provisions of this Article VII, shall be held by the Share Escrow Agent until such time as the Excess Shares are transferred to a Person whose acquisition thereof will not violate the Ownership Limit (a "Permitted Transferee") and the Share Escrow Agent shall be authorized to execute any and all documents sufficient to transfer title to any Permitted Transferee, even in the absence of receipt of certificate(s) representing Excess Shares. The Corporation shall take such actions as it deems necessary to give effect to such transfer to the Share Escrow Agent, including by issuing a stop transfer order to the Corporation's transfer agent with respect to any attempted transfer by the Purported Owner or its nominee of any Excess Shares and by giving effect, or by instructing the Corporation's transfer agent to give effect, to such transfer to a Permitted Transferee on the books of the Corporation. Excess Shares so held shall be issued and outstanding shares of Capital Stock. The Purported Owner shall have no rights in such Excess Shares except as provided in Sections 7, 8, and 11 of this Article VII and the administration of the Excess Shares escrow shall be governed by the terms of a Share Escrow Agent Agreement.

SECTION 7. The Share Escrow Agent, as record holder of Excess Shares, shall be entitled to receive all dividends and distributions as may be declared by the Board of Directors with respect to Excess Shares (the "Excess Share Dividends") and shall hold the Excess Share Dividends until disbursed in accordance with the provisions of Section 11

following. The Purported Owner, with respect to Excess Shares purported to be Beneficially Owned by such Purported Owner prior to such time that the Corporation determines that such shares are Excess Shares, shall repay to the Share Escrow Agent the amount of any Excess Share Dividends received by it that (i) are attributable to any Excess Shares and (ii) the record date of which is on or after the date that such shares become Excess Shares. The Corporation shall take all measures that it determines reasonably necessary to recover the amount of any Excess Share Dividends paid to a Purported Owner, including, if necessary, withholding any portion of future dividends or distributions payable on shares of Capital Stock Beneficially Owned by any Purported Owner (including on shares which fall below the Ownership Limit as well as on Excess Shares), and, as soon as practicable following the Corporation's receipt or withholding thereof, shall pay over to the Share Escrow Agent the dividends so received or withheld, as the case may be.

SECTION 8. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of, or any distribution of the assets of, the Corporation, the Share Escrow Agent shall be entitled to receive, ratably with each other holder of Capital Stock of the same class or series, that portion of the assets of the Corporation that is available for distribution to the holders of such class or series of Capital Stock. The Share Escrow Agent shall distribute to the Purported Owner the amounts received upon such liquidations, dissolution or winding up or distribution in accordance with the provisions of Section 11 of this Article VII.

SECTION 9. The Share Escrow Agent shall be entitled to vote all Excess Shares. The Share Escrow Agent shall be instructed by the Corporation to vote, consent or assent the Excess Shares as follows: (i) if the matter concerned is the election of directors, the Share Escrow Agent shall vote, consent or assent the whole number of Excess Shares held by the Share Escrow Agent for each director by multiplying the number of votes held in escrow by a fraction, the numerator of which is the number of Nonaffiliated Votes cast for the director and the denominator of which is the number of Nonaffiliated Votes that could have been cast in the election of the director and are present in person or by proxy at the meeting; (ii) where the matter under the DGCL or this Restated Certificate of Incorporation or the Bylaws of the Corporation requires at least an absolute majority of all outstanding shares of Common Stock in order to be effected, then the Share Escrow Agent shall vote, assent or consent all of such Excess Shares in favor of or in opposition to such matter as the majority of all Nonaffiliated Votes are cast; and (iii) on all other matters, the Share Escrow Agent shall at all times vote, assent or consent all of such shares in the identical proportion in favor of or in opposition to such matter as Nonaffiliated Votes are cast. If any calculation of votes under the preceding sentence would require a fractional vote, the Share Escrow Agent shall vote the next lower number of whole Excess Shares. The Share Escrow Agent shall use all reasonable commercial efforts to ensure, with respect to Excess Shares, that such Excess Shares are counted as being present for the purposes of any quorum required for stockholder action of the Corporation and to vote as set forth above. For purposes of this Restated Certificate of Incorporation, "Nonaffiliated Votes" shall mean the votes cast by stockholders other than any Share Escrow Agent with respect to Excess Shares.

SECTION 10.

(a) In an orderly fashion so as not to materially adversely affect the price of Common Stock on the New York Stock Exchange or, if Common Stock is not listed on the New York Stock Exchange, on the exchange or other principal market on which Common Stock is traded, the Share Escrow Agent shall sell or cause the sale of Excess Shares at such time or times as the Share Escrow Agent determines to be appropriate. The Share Escrow Agent shall have the right to take such actions as the Share Escrow Agent deems appropriate to seek to restrict sale of the shares to Permitted Transferees.

(b) The Share Escrow Agent shall have the power to convey to the purchaser of any Excess Shares sold by the Share Escrow Agent ownership of the Excess Shares free of any interest of the Purported Owner of those Excess Shares and free of any other adverse interest arising through the Purported Owner.

(c) Upon acquisition by any Permitted Transferee of any Excess Shares sold by the Share Escrow Agent or the Purported Owner, such shares shall upon such sale cease to be Excess Shares and shall become regular shares of Capital Stock in the class to which the Excess Shares belong, and the purchaser of such shares shall acquire such shares free of any claims of the Share Escrow Agent or the Purported Owner.

(d) To the extent permitted by law, none of the Corporation, the Share Escrow Agent or anyone else shall have any liability to the Purported Owner or anyone else by reason of any action or inaction the Corporation or the Share Escrow Agent shall take which either shall in good faith believe to be within the scope of its authority under this Article VII or by reason of any decision as to when or how to sell any Excess Shares or by reason of any other action or inaction in connection with activities under this Article VII which does not constitute gross negligence or willful misconduct. Without limiting by implication the scope of the preceding sentence, to the extent permitted by law, (a) neither the Share Escrow Agent nor the Corporation shall have any liability on grounds that either failed to take actions which would have produced higher proceeds for any of the Excess Shares or by reason of the manner or timing for any disposition of any Excess Shares and (b) the Share Escrow Agent shall not be deemed to be a fiduciary or Agent of any Purported Owner.

SECTION 11. The proceeds from the sale of the Excess Shares to a Permitted Transferee and any Excess Share Dividends shall be distributed as follows: (i) first, to the Share Escrow Agent for any costs and expenses incurred in respect of its administration of the Excess Shares that have not theretofore been reimbursed by the Corporation; (ii) second, to the Corporation for all costs and expenses incurred by the Corporation in connection with the appointment of the Share Escrow Agent, the payment of fees to the Share Escrow Agent with respect to the services provided by the Share Escrow Agent in respect of the escrow and all funds expended by the Corporation to reimburse the Share Escrow Agent for costs and expenses incurred by the Share Escrow Agent in respect of its administration of the Excess Shares and for all fees, disbursements and expenses incurred by the Share Escrow Agent in connection with the sale of the Excess Shares; and (iii) third, the remainder thereof (as the case may be) to the Purported Owner or the Person who was the holder of record before the shares were transferred to the Share Escrow Agent (depending on who shall at such time be

entitled to any economic interest in the Excess Shares); provided, however, if the Share Escrow Agent shall have any questions as to whether any security interest or other interest adverse to the Purported Owner shall have existed with respect to any Excess Shares, the Share Escrow Agent shall not be obligated to disburse proceeds for those shares until the Share Escrow Agent is provided with such evidence as the Share Escrow Agent shall deem necessary to determine the parties who shall be entitled such proceeds.

SECTION 12. Subject to Section 13 of this Article VII, nothing contained in this Article VII or in any other provision of this Restated Certificate of Incorporation shall limit the authority of the Corporation to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders.

SECTION 13. Nothing in this Restated Certificate of Incorporation shall preclude the settlement of any transactions entered into through the facilities of the New York Stock Exchange or any other exchange or through the means of any automated quotation system now or hereafter in effect.

SECTION 14. The following definitions shall apply with respect to this Article VII:

(a) "affiliate" and "associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended or supplemented (the "Exchange Act") at the time as of which the term shall be applied and any other federal law which BCBSA shall reasonably judge to have replaced or supplemented the coverage of the Exchange Act as in effect at May 20, 1996.

(b) Except as is provided in (c) of this Section 14, a Person shall be deemed to "Beneficially Own," be the "Beneficial Owner" of or have "Beneficial Ownership" of any Capital Stock:

(1) in which such Person shall then have a direct or indirect beneficial ownership interest;

(2) in which such Person shall have the right to acquire any direct or indirect beneficial ownership interest pursuant to any option or other agreement (either immediately or after the passage of time or the occurrence of any contingency);

(3) which such Person shall have the right to vote;

(4) in which such Person shall hold any other interest which would count in determining whether such Person would be required to file a Schedule 13D; or

(5) which shall be Beneficially Owned (under the concepts provided in the preceding clauses) by any affiliate or associate of the particular Person or by any other Person with whom the particular Person or any such affiliate or associate has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities and other than pursuant to that certain Registration Rights Agreement between the

Corporation and Western Health Partnerships dated as of May 20, 1996 relating to the acquisition, holding, voting or disposing of any securities of the Corporation).

(c) The following provisions are included to clarify (b) above:

(1) A Person shall not be deemed to Beneficially Own, be the Beneficial Owner of, or have Beneficial Ownership of Capital Stock by reason of possessing the right to vote if (i) such right arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act, and (ii) such Person is not the Purported Owner of any Excess Shares, is not named as holding a beneficial ownership interest in any Capital Stock in any filing on Schedule 13D and is not an affiliate or associate of any such Purported Owner or named Person.

(2) A member of a national securities exchange or a registered depository shall not be deemed to Beneficially Own, be the Beneficial Owner of or have Beneficial Ownership of Capital Stock held directly or indirectly by it on behalf of another Person (and not for its own account) solely because such member or depository is the record holder of such Capital Stock, and (in the case of such member), pursuant to the rules of such exchange, such member may direct the vote of such Capital Stock without instruction on matters which are uncontested and do not affect substantially the rights or privileges of the holders of the Capital Stock to be voted but is otherwise precluded by the rules of such exchange from voting such Capital Stock without instruction on either contested matters or matters that may affect substantially the rights or the privileges of the holders of such Capital Stock to be voted.

(3) A Person who in the ordinary course of business is a pledgee of Capital Stock under a written pledge agreement shall not be deemed to Beneficially Own, be the Beneficial Owner of or have Beneficial Ownership of such pledged Capital Stock solely by reason of such pledge until the pledgee has taken all formal steps which are necessary to declare a default or has otherwise acquired the power to vote or to direct to vote such pledged Capital Stock, provided that;

(i) the pledge agreement is bona fide and was not entered into with the purpose nor with the effect of changing or influencing the control of the Corporation, nor in connection with any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) promulgated under the Exchange Act; and

(ii) the pledge agreement does not grant to the pledgee the right to vote or to direct the vote of the pledged securities prior to the time the pledgee has taken all formal steps which are necessary to declare a default.

(4) A Person engaged in business as an underwriter or a placement agent for securities who enters into an agreement to acquire or acquires Capital Stock solely by reason of its participation in good faith and in the ordinary course of its business in the capacity of underwriter or placement agent in any underwriting or agent representation registered under the Securities Act of 1933, as amended and in effect at May 20, 1996 (the

"Securities Act"), a bona fide private placement, a resale under Rule 144A promulgated under the Securities Act or in any foreign or other offering exempt from the registration requirements under the Securities Act shall not be deemed to Beneficially Own, be the Beneficial Owner of or have Beneficial Ownership of such securities until the expiration of forty (40) days after the date of such acquisition so long as (i) such Person does not vote such Capital Stock during such period and (ii) such participation is not with the purpose or with the effect of changing or influencing control of the Corporation, nor in connection with or facilitating any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) promulgated under the Exchange Act.

(5) If the Corporation shall sell shares in a transaction not involving any public offering, then each purchaser in such offering shall be deemed to obtain Beneficial Ownership in such offering of the shares purchased by such purchaser, but no particular purchaser shall be deemed to Beneficially Own or have acquired Beneficial Ownership or be the Beneficial Owner in such offering of shares purchased by any other purchaser solely by reason of the fact that all such purchasers are parties to customary agreements relating to the purchase of equity securities directly from the Corporation in a transaction not involving a public offering, provided that:

(i) all the purchasers are persons specified in Rule 13d-1(b)(1)(ii) promulgated under the Exchange Act;

(ii) the purchase is in the ordinary course of each purchaser's business and not with the purpose nor with the effect of changing or influencing control of the Corporation, nor in connection with or as a participant in any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) promulgated under the Exchange Act;

(iii) there is no agreement among or between any purchasers to act together with respect to the Corporation or its securities except for the purpose of facilitating the specific purchase involved; and

(iv) the only actions among or between any purchasers with respect to the Corporation or its securities subsequent to the closing date of the nonpublic offering are those which are necessary to conclude ministerial matters directly related to the completion of the offer or sale of the securities sold in such offering.

(6) The Share Escrow Agent shall not be deemed to be the Beneficial Owner of any Excess Shares held by such Share Escrow Agent pursuant to a Share Escrow Agent Agreement, nor shall any such Excess Shares be aggregated with any other share of Capital Stock held by affiliates or associates of such Share Escrow Agent.

(d) "Capital Stock" shall mean shares (or any other basic unit) of any class or series of any voting security which the Corporation may at any time issue or be authorized to issue, that entitles the holder thereof to vote on any election, but not necessarily all elections, of directors. To the extent that classes or series of Capital Stock vote together in the election of directors with equal votes per share, they shall be treated as a single class of Capital Stock

for the purpose of computing the relevant Ownership Limit or the right to amend this Restated Certificate of Incorporation.

(e) "License Agreement" shall mean the license agreement between the Corporation and the BCBSA, including any and all addenda thereto, now in effect and, as it may be amended, modified, superseded and/or replaced from time to time, with respect to, among other things, the "Blue Cross" name and mark.

(f) "Ownership Limit" shall mean the following:

(1) Except as otherwise expressly provided in this Subsection (f) and subject to Section 15(a), the Ownership Limit shall be that number of shares of Capital Stock one share lower than the number of shares of Capital Stock which would represent 5% of the Voting Power.

(2) In the event the Corporation and BCBSA shall agree in writing, through an amendment of the License Agreement or otherwise, that an Ownership Limit of a higher percentage than that prescribed in clause (1) shall apply, then the Ownership Limit shall be as specified in such written agreement.

(3) In the event any particular Person shall Beneficially Own shares of Capital Stock in excess of the Ownership Limit which would apply were it not for this clause (3) (the "Regular Limit"), such ownership shall not be deemed to exceed the Ownership Limit provided that (i) such Person shall not at any time Beneficially Own shares of Capital Stock in excess of the Regular Limit plus 1% and (ii) within thirty (30) days of the time when the particular Person becomes aware of the fact that the regular Limit has been exceeded, the particular Person reduces such Person's Beneficial Ownership below the Regular Limit.

(g) "Person" shall mean any individual, firm, partnership, corporation, trust, association, joint venture or other entity, and shall include any successor (by merger or otherwise) of any such entity.

(h) "Schedule 13D" means a report on Schedule 13D under Regulation 13D of the Exchange Act as in effect at May 20, 1996 and any report which may be required in the future under any requirements which BCBSA shall reasonably judge to have any of the purposes served by Schedule 13D as in effect at May 20, 1996.

(i) "Share Escrow Agent" shall mean the Person appointed by the Corporation to act as escrow agent with respect to some or all of the Excess Shares.

(j) "Transfer" shall mean any sale, transfer, gift, hypothecation, pledge, assignment, devise or other disposition of Capital Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Capital Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Capital Stock), whether voluntary or involuntary, whether of record, constructively or beneficially and whether by operation of law or otherwise.

(k) "Voting Power." The percentage of the voting power attributable to the shares of Capital Stock Beneficially Owned by any particular Person shall be equal to the percentage of all votes which could be cast in any election of any director which could be accounted for by the shares of Capital Stock Beneficially Owned by that particular Person. If in connection with an election for any particular position on the Board, shares in different classes or series are entitled to be voted together for purposes of such election, then in determining the number of "all votes which could be cast" in the election for that particular position for purposes of the preceding sentence, the number shall be equal to the number of votes which could be cast in the election for that particular position if all shares entitled to be voted in such election (regardless of series or class) were in fact voted in such election. If the Corporation shall issue any series or class of shares for which positions on the Board are reserved or shall otherwise issue shares which have voting rights which can arise or vary based upon terms governing that class or series, then the percentage of the voting power represented by the shares of Capital Stock Beneficially Owned by any particular Person shall be the highest percentage of the total votes which could be accounted for by those shares in any election of any director.

SECTION 15. (a) This Article VII shall not be applicable with respect to any outstanding shares of Capital Stock of the Corporation owned by the California HealthCare Foundation (the "Foundation") which were (i) issued by the Corporation in exchange for "Original Shares" (such shares of Capital Stock being referred to as "Exchange Shares") or (ii) acquired by the Foundation with respect to Exchange Shares as a result of a stock dividend, stock split, conversion, recapitalization, exchange of shares or the like, so long as such Capital Stock of this Corporation shall be Beneficially Owned by the Foundation or an affiliate of the Foundation or by a trustee for the account of the Foundation or affiliate of the Foundation. "Original Shares" means shares of capital stock of WellPoint California owned by the Foundation which were outstanding on May 20, 1996, and shares of WellPoint California acquired by the Foundation with respect to such shares after such time as a result of a stock dividend, stock split, conversion, recapitalization, exchange of shares or the like. All (1) Exchange Shares and such other shares of Capital Stock received by the Foundation or affiliate of the Foundation or by a trustee for the account of the Foundation or affiliate of the Foundation as a result of a stock dividend, stock split, conversion, recapitalization, exchange of shares or the like relating to such Exchange Shares shall be aggregated with (2) any other shares of Capital Stock for which the Foundation or affiliate or trustee of the Foundation becomes a Beneficial Owner, including shares of Capital Stock issued in exchange for shares of WellPoint California which were not Original Shares (all such shares referred to in the immediately preceding clause (2) being defined as "After Acquired Shares"), in determining if such After Acquired Shares are Excess Shares. Upon the transfer of any Beneficial Ownership interest in any Exchange Shares and such other shares of Capital Stock received by the Foundation or affiliate of the Foundation or by a trustee for the account of the Foundation or affiliate of the Foundation as a result of a stock dividend, stock split, conversion, recapitalization, exchange of shares or the like relating to such Exchange Shares, from the Foundation or affiliate or trustee thereof to any unaffiliated transferee, that Capital Stock shall become fully subject to this Article VII from and at all times after such transfer.

Any Exchange Shares and such other shares of Capital Stock received by the Foundation or affiliate of the Foundation or by a trustee for the account of the Foundation or

affiliate of the Foundation as a result of a stock dividend, stock split, conversion, recapitalization, exchange of shares or the like relating to such Exchange Shares shall automatically become subject to this Article VII upon transfer to any affiliate or trustee of the Foundation, unless such affiliate or trustee is subject to a binding obligation to vote such shares in the manner prescribed by the terms of the Voting Agreement dated May 20, 1996 or Voting Trust Agreement dated May 8, 1996 (as such agreements or replacements thereof may be in effect from time to time), whichever is applicable, entered into by the Foundation with respect to Original Shares subject to such agreement. For purposes of this Section 15(a), neither The California Endowment nor any of its successors in interest or affiliates shall be deemed to be an affiliate of the Foundation.

(b) This Article VII shall become ineffective and of no further force and effect in the event that the Corporation ceases to be subject to any License Agreement.

(c) Subject to (a) and (b) above, the Board of Directors of the Corporation has the power to interpret this Article VII and, in the absence of manifest error, any interpretation by the Board of Directors of the Corporation shall be binding, provided, however, that in making any such interpretation, the Board of Directors of the Corporation shall consider the Corporation's obligations to the BCBSA, wherever relevant.

ARTICLE VIII NO PREFERENTIAL RIGHTS

No stockholder of the Corporation shall, by reason of his, her or its holding shares of any class, have any preemptive or preferential rights to purchase or subscribe to any shares of the Corporation now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class now or hereafter to be authorized (whether or not the issuance of any such shares or such notes, debentures, bonds or other securities would adversely affect the dividend or voting rights of such stockholder) other than such rights, if any, as the Board of Directors in its discretion from time to time may grant and at such price as the Board of Directors may fix; and the Board of Directors may issue shares of the Corporation or any notes, debentures, bonds or other securities, convertible into or carrying options or warrants to purchase shares without offering any such shares, either in whole or in part, to the existing stockholders.

ARTICLE IX NO CUMULATIVE VOTING

Stockholders are not entitled to cumulate votes at any election of directors.

ARTICLE X BOOKS AND RECORDS

The books and records of the Corporation may be kept (subject to any provision contained in the statutes) at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

**ARTICLE XI
RIGHT TO AMEND RESTATED CERTIFICATE OF INCORPORATION**

The Corporation reserves the right to Change any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; *provided, however,* that subject to the powers and rights provided for herein with respect to Preferred Stock issued by the Corporation, if any, but not withstanding anything else contained in this Restated Certificate of Incorporation to the contrary, (a) the affirmative vote of the holders of at least seventy-five percent (75%) of each class of the shares of Capital Stock, represented and voting at a duly held meeting of stockholders of the Corporation at which a quorum is present, voting by class, shall be required to Change Sections 1, 2, 6, 8 and 10 of Article IV, Article VII, Article IX or this Article XI; (b) no amendment of this Restated Certificate of Incorporation as described in the preceding clause (a) shall be effective unless approved by the affirmative vote of a majority of the outstanding shares of Capital Stock entitled to vote, (c) the provisions of clause (a) above shall not apply to any amendment to Article VII to conform Article VII to a change to the terms of the License Agreement or to any amendment to Article VII required or permitted by the BCBSA (whether or not constituting a change to the terms of the License Agreement) and (d) the provisions of clauses (a), (b) and (c) above shall become ineffective and of no further force and effect in the event that the Corporation ceases to be subject to any License Agreement.

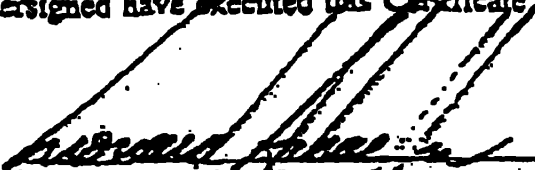
**ARTICLE XII
REGISTERED AGENT**

The address of the registered office of the corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

FOUR: The foregoing amendment and restatement of the Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the Delaware General Corporation Law.

We further declare under penalty of perjury under the laws of the State of Delaware that the matters set forth in this Certificate are true and correct of our own knowledge.

IN WITNESS WHEREOF, the undersigned have executed this Certificate on July 29, 1997.


Leonard D. Schaeffer,
Chief Executive Officer


Thomas C. Geiser, Secretary

The undersigned certify under penalty of perjury that they have read the foregoing Restated Certificate of Incorporation and know the contents thereof and that the statements therein are true and correct.

Executed at Los Angeles, California, on July 29, 1997.

Leonard D. Schaeffer
Leonard D. Schaeffer,
Chief Executive Officer

Thomas C. Geiser
Thomas C. Geiser, Secretary

BYLAWS OF WELLPOINT HEALTH NETWORKS INC.

ARTICLE I
OFFICES

SECTION 1. PRINCIPAL OFFICE

The Board of Directors shall fix the location of the principal executive office of the Corporation at any place within or outside the State of Delaware. If the principal executive office is located outside this state, and the Corporation has one or more business offices in this state, the Board of Directors shall fix and designate a principal business office in the State of Delaware.

SECTION 2. OTHER OFFICES

The Board of Directors may at any time establish branch or subordinate offices at any place or places within or outside the State of Delaware as the Board of Directors may from time to time determine or as the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

SECTION 1. PLACE OF MEETINGS

Meetings of stockholders shall be held at any place within or outside the State of Delaware designated by the Board of Directors. In the absence of any such designation by the Board of Directors, stockholders' meetings shall be held at the principal executive office of the Corporation.

SECTION 2. ANNUAL MEETINGS

The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before such meeting shall be held on the second Tuesday of May each year at 10:00 A.M., if not a legal holiday under the laws of the place where such meeting is to be held, and if a legal holiday, then on the next succeeding day not a legal holiday under the laws of that place, or on such other date and at such hour as may be fixed from time to time by the Board of Directors.

SECTION 3. SPECIAL MEETINGS

Subject to the rights of holders of any class or series of stock having a preference over the Corporation's common stock (the "Common Stock"), a special meeting of the stockholders may be called at any time by a majority of the entire Board of Directors, the Chairman of the Board, the President or the holders of shares entitled to cast not less than 10% of the votes at the meeting.

If a special meeting is called by any person or persons other than the Board of Directors, the Chairman of the Board or the President, the request shall be in writing, specifying the time of such

meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board, the President, any Vice President, or the Secretary of the Corporation.

SECTION 4. NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings of stockholders shall be sent or otherwise given in accordance with Section 5 of this Article II not less than 10 nor more than 60 days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted or (ii) in the case of the annual meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the stockholders. The notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by the Board of Directors for election.

If action is proposed to be taken at any meeting for approval of (i) amendment of the Certificate of Incorporation, pursuant to Section 242 of the Delaware General Corporation Law (the "DGCL"), (ii) a merger or consolidation of the Corporation, pursuant to Subchapter IX of the DGCL, or (iii) a voluntary dissolution of the Corporation, pursuant to Subchapter X of the DGCL; the notice shall also state the general nature of that proposal.

SECTION 5. MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Notice of any meeting of stockholders shall be given either personally or by first-class mail or telegraphic or other written communication, charges prepaid, addressed to the stockholder at the address of that stockholder appearing on the books of the Corporation or given by the stockholder to the Corporation for the purpose of notice. If no such address appears on the Corporation's books or is given, notice shall be deemed to have been given if sent to that stockholder by first-class mail or telegraphic or other written communication to the Corporation's principal executive office, or if published at least once in a newspaper of general circulation in the county in which that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a stockholder at the address of that stockholder appearing on the books of the Corporation is returned to the Corporation by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the stockholder at that address, all future notices or reports shall be deemed to have been duly given without further mailing if such notices or reports shall be available to the stockholder on written demand of the stockholder at the principal executive office of the Corporation for a period of one year from the date of the giving of such notice or report to other stockholders.

An affidavit of the mailing or other means of giving any notice of any stockholders' meeting shall be executed by the Secretary, Assistant Secretary, or any transfer agent of the Corporation giving the notice, and shall be filed and maintained in the minute book of the Corporation.

SECTION 6. QUORUM

The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of stockholders shall constitute a quorum (unless reduced by an amendment to the Certificate of Incorporation of the Corporation, but in any case no fewer than one-third of the shares entitled to vote) for the transaction of business. The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

SECTION 7. ADJOURNED MEETING; NOTICE

Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 6 of this Article II.

When any meeting of stockholders, either annual or special, is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than 30 days from the date set for the original meeting, in which case the Board of Directors shall set a new record date. Notice of any such adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting in accordance with the provisions of Sections 4 and 5 of this Article II. At any adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting.

SECTION 8. VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 11 of this Article II, subject to the provisions of Section 217 of the DGCL (relating to voting shares held by a fiduciary, pledges or in joint ownership). The stockholders' vote may be by voice vote (unless required by law or determined by a majority of the Board of Directors to be unadvisable) or by ballot; PROVIDED, HOWEVER, that any election for directors must be by ballot if demanded by any stockholder before the voting has begun. Any stockholder may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the stockholder fails to specify the number of shares which such stockholder is voting affirmatively, it will be conclusively presumed that the stockholder's approving vote is with respect to all shares that such stockholder is entitled to vote. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter (other than the election of directors) shall be the act of the stockholders, unless the vote of a greater number or voting by classes is required under applicable law or by the Certificate of Incorporation.

At a stockholders' meeting at which directors are to be elected, no stockholder shall be entitled to cumulate votes.

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At any meeting of stockholders at which shares of Common Stock are voted that are held of record by the trustee pursuant to the Voting Trust Agreement (the "Foundation Voting Trust") effective as of May 20, 1996 by and between California HealthCare Foundation and Wilmington Trust Company, as trustee (the "Foundation Trust Shares") (or any successor agreement thereto) or held by the Share Escrow Agent pursuant to Article VII of the Corporation's Certificate of Incorporation ("Excess Shares"), the polls at such meeting shall be conditionally closed following such time as stockholders have cast their votes either by proxy or by ballot. Thereafter, following a preliminary tabulation of the votes cast at such meeting, the polls shall be reopened solely for the purpose of permitting the Foundation Trust Shares, and any Excess Shares pursuant to Article VII of the Corporation's Certificate of Incorporation, if any, to be voted in accordance with the Foundation Voting Trust, or Article VII of the Corporation's Certificate of Incorporation, as the case may be.

SECTION 9. WAIVER OF NOTICE OR CONSENT BY ABSENT STOCKHOLDERS

The transactions of any meeting of the stockholders, either annual or special, however called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each person entitled to vote thereat, not present in person or by proxy, signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of stockholders. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance by a person at a meeting shall also constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is expressly made at the meeting.

SECTION 10. STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Notwithstanding anything contained in these Bylaws to the contrary, no action required or permitted to be taken at any meeting of stockholders of the Corporation may be taken by written consent without a meeting of stockholders.

SECTION 11. RECORD DATE FOR STOCKHOLDER NOTICE AND VOTING

For purposes of determining the stockholders entitled to notice of any meeting or to vote, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 days nor less than 10 days before the date of any such meeting, and in this event only stockholders of record on the date so fixed are entitled to notice and to vote, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided in the DGCL.

If the Board of Directors does not so fix a record date, the record date for determining

stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

SECTION 12. PROXIES

Every person entitled to vote for directors or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary of the Corporation. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the stockholder or the stockholder's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the Corporation stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Corporation before the vote pursuant to that proxy is counted; PROVIDED, HOWEVER, that no proxy shall be valid after the expiration of three (3) years from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL.

SECTION 13. INSPECTORS OF ELECTION

Before any meeting of stockholders, the Board of Directors shall appoint a person other than nominees for office, directors or stockholders to act as inspectors of election at the meeting or its adjournment. If any person appointed as inspector fails to appear or fails or refuses to act, the chairman of the meeting shall appoint a person to fill that vacancy.

The inspector shall:

- (a) Determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;
- (b) Receive votes or ballots;
- (c) Hear and determine all challenges and questions in any way arising in connection with the right to vote;
- (d) Count and tabulate all votes;
- (e) Determine when the polls shall close;
- (f) Determine the result; and
- (g) Do any other acts that may be proper to conduct the election or vote with fairness to

all stockholders.

ARTICLE III
DIRECTORS

SECTION 1. POWERS

Subject to the provisions of the DGCL and any limitations in the Corporation's Certificate of Incorporation relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

Without prejudice to these general powers, and subject to the same limitations, the directors shall have the power to:

(a) Select and remove all officers, agents, and employees of the Corporation; prescribe any powers and duties for them that are consistent with law, with the Certificate of Incorporation, and with these Bylaws; fix their compensation; and require from them security for faithful service.

(b) Change the registered office in the State of Delaware from one location to another; cause the Corporation to be qualified to do business in any other state, territory, dependency, or country and conduct business within or outside the State of Delaware; and designate any place within or outside the State of Delaware for the holding of any stockholders' meeting, or meetings, including annual meetings.

(c) Adopt, make, and use a corporate seal; prescribe the forms of certificates of stock; and alter the form of the seal and certificates.

(d) Authorize the issuance of shares of stock of the Corporation on any lawful terms, in consideration of money paid, labor done, services actually rendered, debts or securities cancelled, or tangible or intangible property actually received.

(e) Borrow money and incur indebtedness on behalf of the Corporation, and cause to be executed and delivered for the Corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

SECTION 2. NUMBER AND QUALIFICATION OF DIRECTORS

Until the expiration of the Initial Period, the Board of Directors shall consist of nine (9) members. For purposes hereof, "Initial Period" shall mean the period commencing as of May 20, 1996 and ending upon the date on which California HealthCare Foundation and its affiliates, when taken together, cease to Beneficially Own Capital Stock (as defined in Section 14(d) of Article VII of the Corporation's Certificate of Incorporation) in excess of the Ownership Limit (as defined in Section 14(f) of Article VII of the Corporation's Certificate of Incorporation).

Each of the directors of the Corporation shall hold office for the term for which he or she is elected and until (i) his or her successor has been elected and qualified or (ii) his or her earlier death, resignation or removal. The directors of the Corporation shall be classified, with respect to the time for which they hold office, into three classes as nearly equal in number as possible: Class I, consisting of Roger E. Birk, Elizabeth A. Sanders and Sheila P. Burke, whose term expires at the annual meeting of stockholders held in 2000, and Class II, consisting of David R. Banks and Stephen L. Davenport, whose term expires at the annual meeting of stockholders held in 1998 and Class III, consisting of Julie A. Hill, W. Toliver Besson and Leonard D. Schaeffer, whose term expires at the annual meeting of stockholders held in 1999, with each class to hold office until its successors are elected and qualified. If the number of directors is changed by the Board of Directors, then any newly created directorships or any decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal as possible; PROVIDED, that no decrease in the number of directors shall shorten the term of any incumbent director. At each annual meeting of the stockholders, subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Directors need not be stockholders. In any election of directors, the persons receiving a plurality of the votes cast, up to the number of directors to be elected in such election, shall be deemed to be elected.

SECTION 3. VACANCIES

In the case of any vacancy on the Board of Directors or in the case of any newly created directorship, a director elected to fill the vacancy or the newly created directorship for the unexpired portion of the term being filled, shall be elected by a vote of not less than a majority of the directors of the Corporation then in office, from a list of one or more persons proposed in accordance with the nominating process specified in Article IV, Section 2 of these Bylaws, or, in the absence of such list being arrived at in accordance with the nominating process specified in Article IV, Section 2 of these Bylaws, then by the vote of a majority of the Board of Directors, PROVIDED, HOWEVER, during the Initial Period, in the case of replacing or filling a vacancy of a BCC Designee (as such term is defined in Article IV, Section 2), the vote shall be of not less than a majority of the remaining BCC Designees and, in the case of replacing or filling a vacancy of a WellPoint Designee (as such term is defined in Article IV, Section 2), the vote shall be of not less than a majority of the remaining WellPoint Designees. Each director so elected shall hold office until the next annual meeting of the stockholders at which the class for which such director has been chosen is elected and until a successor has been elected and qualified. A vacancy or vacancies in the Board of Directors shall be deemed to exist in the event of the death, resignation, or removal of any director, or if the Board of Directors by resolution declares vacant the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of directors is increased, or if the stockholders fail, at any meeting of stockholders at which any director or directors are elected, to elect the number of directors to be voted for at that meeting.

The stockholders may elect a director or directors at any time to fill any vacancy or

vacancies not filled by the directors.

Any director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

SECTION 4. REMOVAL OF DIRECTORS

Any or all of the directors may be removed, with or without cause, by the affirmative vote of the holders of a majority of the voting power of the shares of the Corporation's stock entitled to vote at an election of directors. However, a director may not be removed without cause if the votes cast against removal of the director would be sufficient to elect the director if voted cumulatively (without regard to whether shares may otherwise be voted cumulatively) at an election at which the same total number of votes were cast and either the number of directors elected at the most recent annual meeting of the stockholders, or if greater, the number of directors for whom removal is being sought, were then being elected.

SECTION 5. PLACE OF MEETINGS AND MEETINGS BY TELEPHONE

Regular meetings of the Board of Directors may be held at any place within or outside the State of Delaware that has been designated from time to time by resolution of the Board of Directors. In the absence of such a designation, regular meetings shall be held at the principal executive office of the Corporation. Special meetings of the Board of Directors shall be held at any place within or outside the State of Delaware that has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, at the principal executive office of the Corporation. Any meeting, regular or special, may be held by conference telephone, electronic video screen communication or other communications equipment, if (1) each member participating in the meeting can communicate with all of the other members concurrently, (2) each member is provided the means of participating in all matters before the Board of Directors, including the capacity to propose, or to interpose an objection, to a specific action to be taken by the Corporation, and (3) the Corporation adopts and implements some means of verifying that (a) a member communicating by telephone, electronic video screen, or other communications equipment is a director entitled to participate in the meeting and (b) all statements, questions, actions, or votes were made by that director and not by another person not permitted to participate as a director. Participation in a meeting as permitted by this Section 5 constitutes presence in person at such meeting.

SECTION 6. REGULAR MEETINGS

Regular meetings of the Board of Directors shall be held without call at such time as shall from time to time be fixed by the Board of Directors. Such regular meetings may be held without notice.

SECTION 7. SPECIAL MEETINGS

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board, the President or by a majority of directors.

Notice of the time and place of special meetings (but the purpose need not be stated) shall be delivered personally or by telephone, facsimile, or electronic mail message to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's residence or usual place of business. In case the notice is mailed, it shall be deposited in the United States mail at least two (2) calendar days before the time of the holding of the meeting. In case the notice is delivered personally, or by telephone, facsimile, electronic mail message, or telegram, it shall be delivered personally or by telephone, facsimile, electronic mail message, or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. As used herein, notice by telephone shall be deemed to include a voice messaging system or other system or technology designed to record and communicate messages, or wireless, to the recipient, including the recipient's designated voice mailbox or address on such a system.

SECTION 8. QUORUM

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except as so provided in Section 14 of this Article and as provided in Article IV. Every act done or decision made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of Section 144 of the DGCL (as to approval of contracts or transactions in which a director has a direct or indirect material financial interest), Section 141 of the DGCL (as to appointment of committees), and Section 145 of the DGCL (as to indemnification of directors). A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

SECTION 9. WAIVER OF NOTICE

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement the lack of notice to that director.

SECTION 10. ADJOURNMENT

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

SECTION 11. NOTICE OF ADJOURNMENT

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than 24 hours, in which case notice of the time and place shall be given prior to the time of the adjourned meeting, in the manner specified in Section 7 of this Article III, to the directors who were not present at the time of the adjournment.

SECTION 12. ACTION WITHOUT MEETING

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

SECTION 13. FEES AND COMPENSATION OF DIRECTORS

Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be fixed or determined by resolution of the Board of Directors. This Section 13 shall not be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation for those services.

SECTION 14. RULES AND REGULATIONS

The Board of Directors may adopt such rules and regulations not inconsistent with the provisions of the Certificate of Incorporation, these Bylaws or applicable law for the conduct of its meetings and management of the affairs of the Corporation as the Board of Directors may deem to be proper.

SECTION 15. LOANS BY THE CORPORATION TO OFFICERS

The Board of Directors, acting alone (by a vote sufficient without counting the vote of any interested director or directors), and without any approval of the stockholders of the Corporation, shall be authorized to approve the making of any loan of money or property by the Corporation to, or the guarantee by the Corporation of the obligation of, any officer (whether or not a director) of the Corporation, or an employee benefit plan authorizing such a loan or guaranty to an officer (whether or not a director), if the Board of Directors determines that such a loan or guaranty or plan may reasonably be expected to benefit the Corporation.

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ARTICLE IV
COMMITTEES

SECTION 1. COMMITTEES

The Board may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board, PROVIDED, HOWEVER, that any executive committee established pursuant to this provision shall, during the Initial Period, have at least one member who shall be a BCC Designee (as hereinafter defined) and a majority of members who shall be non-BCC Designees. Subject to Section 2 of this Article IV, the Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. Any committee, to the extent allowed by law and provided in these Bylaws or the resolution establishing the committee, shall have all the authority of the Board in the management and of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board when required.

SECTION 2. NOMINATING COMMITTEE

There shall be a Nominating Committee of the Board which shall consist of three directors, at least one of whom shall be a BCC Designee and a majority of members who shall be non-BCC Designees, and all of whom shall be independent, but none of whom shall consist of the Chairman of the Board so long as the Chairman of the Board is also an executive officer of the Corporation. The Nominating Committee shall continue in existence, with the power and authority specified in this Section 2, at least until the expiration of the Initial Period. So long as it shall remain in existence, the Nominating Committee shall have the power, acting by majority vote, to nominate persons to serve as directors of the Corporation, subject (i) to any rights of stockholders under law to nominate persons to serve as directors, (ii) in the case of a person nominated to be a replacement for any BCC Designee on the Board, the BCC Designee member(s) of the Nominating Committee shall have a veto vote, (iii) in the case of a person nominated to be a replacement for any WellPoint Designee on the Board, the Nominating Committee shall not nominate such a person if a majority of the WellPoint Designee members of the Nominating Committee oppose such a nomination, (iv) to any contractual obligations of the Corporation, and (v) to the next paragraph hereof.

So long as the Nominating Committee shall remain in existence, if the Nominating Committee is unable to nominate a candidate for the Corporation's Board of Directors as set forth above on a timely basis, nominations shall be made by vote of a majority of the Board of Directors, PROVIDED, HOWEVER, in the case of replacing a BCC Designee, by vote of a majority of the remaining BCC Designees or, in the case of replacing a WellPoint Designee, by vote of a majority of the remaining WellPoint Designees and with respect to any other position on the Board, by a vote of a majority of the Board of Directors.

As used in these Bylaws, "BCC Designee" means each of W. Toliver Besson, Stephen L. Davenport and Sheila P. Burke, or a direct or indirect replacement thereof; "WellPoint Designees" shall mean Leonard D. Schaeffer, David R. Banks, Roger E. Birk, Julie A. Hill and Elizabeth E. Sanders, or a direct or indirect replacement thereof.

SECTION 3. POWERS OF COMMITTEES

Any committee, to the extent allowed by law and provided in these Bylaws or the resolution of the Board of Directors establishing the committee, shall have all the authority of the Board of Directors, except with respect to:

- (a) the approval of any action which, under the DGCL, also requires stockholders' approval or approval of the outstanding shares;
- (b) the filling of vacancies on the Board of Directors or in any committee;
- (c) the fixing of compensation of the directors for serving on the Board of Directors or on any committee;
- (d) the amendment or repeal of Bylaws or the adoption of new Bylaws;
- (e) the amendment or repeal of any resolution of the Board of Directors;
- (f) a distribution to the stockholders of the Corporation, except at a rate or in a periodic amount or within a price range set forth in the Corporation's Certificate of Incorporation or determined by the Board of Directors; or
- (g) the appointment of any other committees of the Board of Directors or the members of these committees.

SECTION 4. MEETINGS AND ACTION OF COMMITTEES

Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these Bylaws, Section 5 (place of meetings), Section 6 (regular meetings), Section 7 (special meetings and notice), Section 8 (quorum), Section 9 (waiver of notice), Section 10 (adjournment), Section 11 (notice of adjournment), and Section 12 (action without meeting), with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee; special meetings of committees may also be called by resolution of the Board of Directors; and notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V
OFFICERS

SECTION 1. OFFICERS

The officers of the Corporation shall be a Chairman of the Board, a President, a Secretary, and a Chief Financial Officer. The Treasurer is the Chief Financial Officer of the Corporation unless the Board of Directors has by resolution determined a Vice President or other officer to be the Chief Financial Officer. The Corporation may also have, at the discretion of the Board of Directors, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. Any number of offices may be held by the same person.

SECTION 2. ELECTION OF OFFICERS

The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article V, shall be chosen by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of any officer under an express written contract of employment.

SECTION 3. SUBORDINATE OFFICERS

The Board of Directors may appoint, and may empower the President to appoint, such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors or the President may from time to time determine.

SECTION 4. REMOVAL AND RESIGNATION OF OFFICERS

Except as otherwise provided in these Bylaws and subject to the rights, if any, of any officer under an express written contract of employment, any officer may be removed, either with or without cause, by the Board of Directors, at any regular or special meeting of the Board of Directors, or except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

SECTION 5. VACANCIES IN OFFICES

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

SECTION 6. CHAIRMAN OF THE BOARD

The Chairman of the Board shall, when present, preside at meetings of the Board of Directors and, when present, preside at the meetings of the stockholders. The Chairman of the Board shall perform such duties and possess such powers as are usually vested in the office of the Chairman of the Board or as may be vested in the Chairman of the Board by the Board of Directors, subject to the terms of his or her employment agreement.

SECTION 7. PRESIDENT/CHIEF EXECUTIVE OFFICER

The President shall be the chief operating officer of the Corporation. He shall also be the chief executive officer of the Corporation, unless such title is assigned to the Chairman of the Board. The President shall perform such duties and possess such powers as are usually vested in the office of the President or as may be vested in the President by the Board of Directors, subject to the terms of his or her employment agreement.

SECTION 8. VICE PRESIDENT

In the absence or disability of the President, the vice presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the Bylaws, and the President, or the Chairman of the Board.

SECTION 9. SECRETARY

The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings.

The Secretary shall keep or cause to be kept, at the principal executive office or at such other place as designated by the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by the Bylaws or by law to be given, and he shall keep the seal of the Corporation if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

SECTION 10. CHIEF FINANCIAL OFFICER

The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, shall render to the President and directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of the Corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

ARTICLE VI INDEMNIFICATION OF DIRECTORS, OFFICERS, AGENTS AND FIDUCIARIES

SECTION 1. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Corporation shall be required, to the maximum extent permitted by the DGCL, to indemnify each of its directors and officers against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that any such person is or was a director, officer, employee, or other agent of the Corporation or a Predecessor Corporation or is or was serving at the request of the Corporation or a Predecessor Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise. For purposes hereof, "Predecessor Corporation" shall mean WellPoint Health Networks Inc., a California corporation ("WellPoint").

SECTION 2. INDEMNIFICATION OF OTHER AGENTS

The Corporation may, in its absolute discretion, up to the maximum extent permitted by the DGCL, indemnify each of its agents who are not required to be indemnified under Section 1 of this Article VI against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that any such person is or was an agent of the Corporation or a Predecessor Corporation. For purposes of this Section 2, an "agent" of the Corporation includes any person who is or was an employee or other agent of the Corporation or a Predecessor Corporation, or is or was serving at the request of the Corporation or a Predecessor Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise.

SECTION 3. INDEMNIFICATION OF FIDUCIARIES

The Corporation shall indemnify any director, officer, employee, or other agent of the

Corporation against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that any such person is or was a trustee, investment manager, or other fiduciary under any employee benefit plan of the Corporation (or a Predecessor Corporation). The provisions of this Section 3 shall be deemed to constitute a contract between the Corporation (or any Predecessor Corporation) and any such indemnified person, or for the benefit of any such indemnified person.

SECTION 4. ADVANCES OF EXPENSES

To the extent permitted by the DGCL, expenses incurred in defending any proceeding in the cases described in Sections 1 and 3 of this Article VI shall, and in the case described in Section 2 of this Article VI may, be advanced by the Corporation prior to the final disposition of such proceeding upon receipt of any undertaking by or on behalf of the agent to repay such amount, if it shall be determined ultimately that the agent is not entitled to be indemnified as authorized in this section.

ARTICLE VII RECORDS AND REPORTS

SECTION 1. MAINTENANCE AND INSPECTION OF SHARE REGISTER

The Corporation shall keep at its principal executive office, or at the office of its transfer agent or registrar, if either be appointed and as determined by resolution of the Board of Directors, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of shares held by each stockholder.

Any stockholder of the Corporation may upon written demand under oath stating the proper purpose thereof (i) inspect and copy the records of stockholders' names and addresses and shareholdings during usual business hours upon five (5) days' prior written demand on the Corporation, or (ii) obtain from the transfer agent of the Corporation, upon the tender of such transfer agent's usual charges for such list, a list of the stockholders' names and addresses entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which that list has been compiled or as of a date specified by the stockholder subsequent to the date of demand. This list shall be made available to any such stockholder by the transfer agent on or before the later of five days after the demand is received or the date specified in the demand as the date as of which the list is to be compiled. The record of stockholders shall also be open to inspection on the written demand of any stockholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a stockholder or as the holder of a voting trust certificate. Any inspection and copying under this Section 1 may be made in person or by an agent or attorney of the stockholder or holder of a voting trust certificate making the demand.

SECTION 2. MAINTENANCE AND INSPECTION OF BYLAWS

The Corporation shall keep at its principal executive office the original or a copy of the Bylaws as amended to date, which shall be open to inspection by the stockholders at all reasonable

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times during office hours.

SECTION 3. MAINTENANCE AND INSPECTION OF OTHER CORPORATE RECORDS

The accounting books and records and minutes of proceedings of the stockholders and the Board of Directors and any committee or committees of the Board of Directors shall be kept at such place or places designated by the Board of Directors, or, in the absence of such designation, at the principal executive office of the Corporation. The minutes shall be kept in written form and the accounting books and records shall be kept either in written form or in any other form capable of being converted into written form. The minutes and accounting books and records shall be open to inspection upon the written demand of any stockholder or holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to the stockholder's interests as a stockholder or as the holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and to make extracts.

SECTION 4. INSPECTION BY DIRECTORS

Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

ARTICLE VIII GENERAL CORPORATE MATTERS

SECTION 1. RECORD DATE FOR PURPOSES OTHER THAN NOTICE AND VOTING

For purposes of determining the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before any such action, and in that case only stockholders of record on the date so fixed are entitled to receive the dividend, distribution, or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date so fixed, except as otherwise provided in the DGCL.

If the Board of Directors does not so fix a record date, the record date for determining stockholders for any such purpose shall be at the close of business on the date on which the Board of Directors adopts the applicable resolution.

SECTION 2. CHECKS, DRAFTS, EVIDENCES OF INDEBTEDNESS

All checks, drafts, or other orders for payment of money, notes, or other evidences of indebtedness, issued in the name of or payable to the Corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

SECTION 3. EXECUTING CORPORATE CONTRACTS AND INSTRUMENTS

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and this authority may be general or confined to specific instances; and, unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

SECTION 4. CERTIFICATES FOR SHARES

A certificate or certificates for shares of the capital stock of the Corporation shall be issued to each stockholder when any of these shares are fully paid, and the Board of Directors may authorize the issuance of certificates or shares as partly paid provided that these certificates shall state thereon the amount of the consideration to be paid for them and the amount paid. All certificates shall be signed in the name of the Corporation by the Chairman of the Board or the President or Vice President and by the Chief Financial Officer or an Assistant Treasurer or the Secretary or any Assistant Secretary, certifying the number of shares and the class or series of shares owned by the stockholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be that officer, transfer agent, or registrar before that certificate is issued, it may be issued by the Corporation with the same effect as if that person were an officer, transfer agent, or registrar at the date of issue.

SECTION 5. LOST CERTIFICATES

Except as provided in this Section 5, no new certificates for shares shall be issued to replace an old certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Board of Directors may, in case any share certificate or certificate for any other security is lost, stolen, or destroyed, authorize the issuance of a replacement certificate on such terms and conditions as the Board of Directors may require, including provision for indemnification of the Corporation secured by a bond or other adequate security sufficient to protect the Corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft, or destruction of the certificate or the issuance of the replacement certificate.

SECTION 6. REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The Chairman of the Board, the President, or any Vice President, or any other person authorized by resolution of the Board of Directors or by any of the foregoing designated officers, is authorized to vote on behalf of the Corporation any and all shares of any other corporation or corporations, foreign or domestic, standing in the name of the Corporation. The authority granted to these officers to vote or represent on behalf of the Corporation any and all shares held by the Corporation in any other corporation or corporations may be exercised by any of these officers in person or by any person authorized to do so by a proxy duly executed by these officers.

SECTION 7. CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

**ARTICLE IX
AMENDMENTS**

SECTION 1. AMENDMENT BY STOCKHOLDERS

New Bylaws may be adopted or these Bylaws may be amended or repealed by the vote of holders of a majority of the outstanding shares entitled to vote, except as otherwise provided by law or in the Certificate of Incorporation.

SECTION 2. AMENDMENT BY DIRECTORS

Subject to the rights of the stockholders as provided in Section 1 of this Article IX, to adopt, amend, or repeal Bylaws, and subject to the provisions of the Certificate of Incorporation, Bylaws may be adopted, amended, or repealed by the Board of Directors; PROVIDED, HOWEVER, that the Board of Directors may adopt a Bylaw or amendment of a Bylaw changing the authorized number of directors only for the purpose of fixing the exact number of directors within the limits specified in the Certificate of Incorporation.

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BLUE CROSS LICENSE AGREEMENT

This agreement by and between Blue Cross and Blue Shield Association ("BCBSA") and The Blue Cross Plan, known as WellPoint Health Networks Inc. (the "Plan").

Preamble

WHEREAS, the Plan and/or its predecessor(s) in interest (collectively the "Plan") had the right to use the BLUE CROSS and BLUE CROSS Design service marks (collectively the "Licensed Marks") for health care plans in its service area, which was essentially local in nature;

WHEREAS, the Plan was desirous of assuring nationwide protection of the Licensed Marks, maintaining uniform quality controls among Plans, facilitating the provision of cost effective health care services to the public and otherwise benefiting the public;

WHEREAS, to better attain such ends, the Plan and the predecessor of BCBSA in 1972 simultaneously executed the BCA License Agreement (s) and the Ownership Agreement; and

WHEREAS, BCBSA and the Plan desire to supercede said Agreement(s) to reflect their current practices and to assure the continued integrity of the Licensed Marks and of the BLUE CROSS system;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Agreement

1. BCBSA hereby grants to the Plan, upon the terms and conditions of this License Agreement, the right to use BLUE CROSS in its trade and/or corporate name (the "Licensed Name"), and the right to use the Licensed Marks, in the sale, marketing and administration of health care plans and related services in the Service Area set forth and defined in paragraph 5 below. As used herein, health care plans and related services shall include acting as a nonprofit health care plan, a for-profit health care plan, or mutual health insurer operating on a not-for-profit or for-profit basis, under state law; financing access to health care services; providing health care management and administration; administering, but not underwriting, non-health portions of Worker's Compensation insurance; and delivering health care services.

2. The Plan may use the Licensed Marks and Name in connection with the offering of: a) health care plans and related services in the Service Area through Controlled Affiliates, provided that each such Controlled Affiliate is separately licensed to use the Licensed Marks and Name under the terms and conditions contained in the Agreement attached as Exhibit 1 hereto (the "Controlled Affiliate License Agreement"); and: b) insurance coverages offered by life insurers under the applicable law in the Service Area, other than those which the Plan may offer in its own name, provided through Controlled Affiliates, provided that each such Controlled Affiliate is separately licensed to use the Licensed Marks and Name under the terms and conditions contained in the Agreement attached as Exhibit 1A hereto (the "Controlled Affiliate License Agreement Applicable to Life Insurance Companies") and further provided that the offering of such services does not and will not dilute or tarnish the unique value of the Licensed Marks and Name; and c) administration and underwriting of Workers' Compensation Insurance Controlled Affiliates, provided that each such Controlled Affiliate is separately licensed to use the Licensed Marks and Name under the terms and conditions contained in the Agreement attached as Exhibit 1 hereto (the "Controlled Affiliate License.") With respect to any HMO previously sublicensed as provided in a License Addendum between BCBSA and the Plan, the Plan shall have one (1) year from the date hereof to obtain execution of the direct license required herein. As used herein, a Controlled Affiliate is defined as an entity organized and operated in such a manner that it is subject to the bona fide control of a Plan or Plans and, if the entity meets the standards of subparagraph B but not subparagraph A of this paragraph, the entity, its owners, and persons with authority to select or appoint members or board members, other than a Plan or Plans, have received written approval of BCBSA. Absent written approval by BCBSA of an alternative method of control, bona fide control shall mean:

- A. The legal authority, directly or indirectly through wholly-owned subsidiaries: (a) to select members of the Controlled Affiliate's governing body having not less than 51% voting control thereof; (b) to exercise operational control with respect to the governance thereof; and (c) to prevent any change in its articles of incorporation, bylaws or other governing documents deemed inappropriate. In addition, a Plan or Plans shall own at least 51% of any for-profit Controlled Affiliate; or
- B. The legal authority directly or indirectly through wholly-owned subsidiaries (a) to select members of the Controlled Affiliate's governing body having not less than 50% voting control; (b) the legal ability to prevent any change in the articles of incorporation, bylaws or other establishing or governing documents of the Controlled Affiliate with which it does not concur; (c) at least equal control over the operations of the Controlled Affiliate; and (d) to concur before the Controlled Affiliate can:

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1. Change its legal and/or trade name;
2. Change the geographic area in which it operates;
3. Change the types of businesses in which it engages;
4. Create, or become liable for by way of guarantee, any indebtedness, other than indebtedness arising in the ordinary course of business;
5. Sell any assets, except for sales in the ordinary course of business or sales of equipment no longer useful or being replaced;
6. Make any loans or advances except in the ordinary course of business;
7. Enter into any arrangement or agreement with any party directly or indirectly affiliated with any of the owners of the Controlled Affiliate or persons or entities with the authority to select or appoint members or board members of the Controlled Affiliate, other than the Plan or Plans (excluding owners of stock holdings of under 5% in a publicly traded Controlled Affiliate);
8. Conduct any business other than under the Licensed Marks and Name;
9. Take any action that Plan or BCBSA reasonably believes will adversely affect the Licensed Marks or Names.

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3. The Plan may engage in activities not required by BCBSA to be directly licensed through Controlled Affiliates and may indicate its relationship thereto by use of the Licensed Name as a tag line, provided that the engaging in such activities does not and will not dilute or tarnish the unique value of the Licensed Marks and Name and further provided that such tag line use is not in a manner likely to cause confusion or mistake. Consistent with the avoidance of confusion or mistake, each tag line use of the Plan's Licensed Name: (a) shall be in the style and manner specified by BCBSA from time-to-time; (b) shall not include the design service marks; (c) shall not be in a manner to import more than the Plan's mere ownership of the Controlled Affiliate; and (d) shall be restricted to the Service Area. No rights are hereby created in any Controlled Affiliate to use the Licensed Name in its own name or otherwise. At least annually, the Plan shall provide BCBSA with representative samples of each such use of its Licensed Name pursuant to the foregoing conditions.

4. The Plan recognizes the importance of a comprehensive national network of independent BCBSA licensees which are committed to strengthening the Licensed Marks and Name. The Plan further recognizes that its actions within its Service Area may affect the value of the Licensed Marks and Name nationwide. The Plan agrees (a) to maintain in good standing its membership in BCBSA; (b) promptly to pay its dues to BCBSA, said dues to represent the royalties for this License Agreement; (c) materially to comply with all applicable laws; (d) to comply with the Membership Standards Applicable to Regular Members of BCBSA, a current copy of which is attached as Exhibit 2 hereto; and (e) reasonably to permit BCBSA, upon a written, good faith request and during reasonable business hours, to inspect the Plan's books and records necessary to ascertain compliance herewith. As to other Plans and third parties, BCBSA shall maintain the confidentiality of all documents and information furnished by the Plan pursuant hereto, or pursuant to the Membership Standards, and clearly designated by the Plan as containing proprietary information of the Plan.

5. The rights hereby granted are exclusive to the Plan within the geographical area(s) served by the Plan on June 30, 1972, and/or as to which the Plan has been granted a subsequent license, which is hereby defined as the "Service Area," except that BCBSA reserves the right to use the Licensed Marks in said Service Area, and except to the extent that said Service Area may overlap areas served by one or more other licensed Blue Shield Plans as of said date or subsequent license, as to which overlapping areas the rights hereby granted are nonexclusive as to such other Plan or Plans only.

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6. Except as expressly provided by BCBSA with respect to National Accounts, Government Programs and certain other necessary and collateral uses, the current rules and regulations governing which are attached as Exhibit 3 and Exhibit 4 hereto, or as expressly provided herein, the Plan may not use the Licensed Marks and Name outside the Service Area or in connection with other goods and services, nor may the Plan use the Licensed Marks or Name in a manner which is intended to transfer in the Service Area the goodwill associated therewith to another mark or name. Nothing herein shall be construed to prevent the Plan from engaging in lawful activity anywhere under other marks and names not confusingly similar to the Licensed Marks and Name, provided that engaging in such activity does and will not dilute or tarnish the unique value of the Licensed Marks and Name.

7. The Plan agrees that it will display the Licensed Marks and Name only in such form, style and manner as shall be specifically prescribed by BCBSA from time-to-time in regulations of general application in order to prevent impairment of the distinctiveness of the Licensed Marks and Name and the goodwill pertaining thereto. The Plan shall cause to appear on all materials on or in connection with which the Licensed Marks or Name are used such legends, markings and notices as BCBSA may reasonably request in order to give appropriate notice of service mark or other proprietary rights therein or pertaining thereto.

8. BCBSA agrees that: (a) it will not grant any other license effective during the term of this License Agreement for the use of the Licensed Marks or Name which is inconsistent with the rights granted to the Plan hereunder; and (b) it will not itself use the Licensed Marks in derogation of the rights of the Plan or in a manner to deprive the Plan of the full benefits of this License Agreement. The Plan agrees that it will not attack the title of BCBSA in and to the Licensed Marks or Name or attack the validity of the Licensed Marks or of this License Agreement. The Plan further agrees that all use by it of the Licensed Marks and Name or any similar mark or name shall inure to the benefit of BCBSA, and the Plan shall cooperate with BCBSA in effectuating the assignment to BCBSA of any service mark or trademark registrations of the Licensed Marks or any similar mark or name held by the Plan or a Controlled Affiliate of the Plan, all or any portion of which registration consists of the Licensed Marks.

9. (a). Should the Plan fail to comply with the provisions of paragraphs 2-4, 6, 7 and/or 12, and not cure such failure within thirty (30) days of receiving written notice thereof (or commence curing such failure within such thirty day period and continue diligent efforts to complete the curing of such failure if such curing cannot reasonably be completed within such thirty day period), BCBSA shall have the right to issue a notice that the Plan is in a state of noncompliance. Except as to the termination of a Plan's License Agreement or the merger of two or more Plans, disputes as to noncompliance, and all other disputes between or among BCBSA, the Plan, other Plans and/or Controlled Affiliates, shall be submitted promptly to mediation and mandatory dispute resolution pursuant to the rules and regulations of BCBSA, a current copy of which is attached as Exhibit 5 hereto, and shall be timely presented and resolved. The mandatory dispute resolution panel shall have authority to issue orders for specific performance and assess monetary penalties. If a state of noncompliance as aforesaid is undisputed by the Plan or is found to exist by a mandatory dispute resolution panel and is uncured as provided above, BCBSA shall have the right to seek judicial enforcement of the License Agreement. Except, however, as provided in paragraphs 9(d)(iii) and 15(a)(i)-(viii) below, no Plan's license to use the Licensed Marks and Name may be finally terminated for any reason without the affirmative vote of three-fourths of the Plans and three-fourths of the total then current weighted vote of all the Plans.

(b). Notwithstanding any other provision of this License Agreement, a Plan's license to use the Licensed Marks and Name may be forthwith terminated by the affirmative vote of three-fourths of the Plans and three-fourths of the total then current weighted vote of all the Plans at a special meeting expressly called by BCBSA for the purpose on ten (10) days written notice for: (i) failure to comply with any minimum capital or liquidity requirement under the Membership Standard on Financial Responsibility; or (ii) impending financial insolvency; or (iii) the pendency of any action instituted against the Plan seeking its dissolution or liquidation or its assets or seeking appointment of a trustee, interim trustee, receiver or other custodian for any of its property or business or seeking the declaration or establishment of a trust for any of its property of business, unless this License Agreement has been earlier terminated under paragraph 15(a); or (iv) such other reason as is determined in good faith immediately and irreparably to threaten the integrity and reputation of BCBSA, the Plans and/or the Licensed Marks.

(c). To the extent not otherwise provided therein, neither: (i) the Membership Standards Applicable to Regular Members of BCBSA; nor (ii) the rules and regulations governing National Accounts, Government Programs and certain other uses; nor (iii) the rules and regulations governing mediation and mandatory dispute resolution, may be amended unless and until each such amendment is first adopted by the affirmative vote of three-fourths of the Plans and of three-fourths of the total then current weighted vote of all the Plans.

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9. (d). The Plan may operate as a for-profit company on the following conditions:

(i) The Plan shall discharge all responsibilities which it has to the Association and to other Plans by virtue of this Agreement and the Plan's membership in BCBSA.

(ii) The Plan shall not use the licensed Marks and Name, or any derivative thereof, as part of its legal name or any symbol used to identify the Plan in any securities market. The Plan shall use the licensed Marks and Name as part of its trade name within its service area for the sale, marketing and administration of health care and related services in the service area.

(iii) The Plan's license to use the Licensed Marks and Name shall automatically terminate effective: (a) thirty days after the Plan knows, or there is an SEC filing indicating that, any Institutional Investor, has become the Beneficial Owner of securities representing 10% or more of the voting power of the Plan ("Excess Institutional Voter"), unless such Excess Institutional Voter shall cease to be an Excess Institutional Voter prior to such automatic termination becoming effective; (b) thirty days after the Plan knows, or there is an SEC filing indicating that, any Noninstitutional Investor has become the Beneficial Owner of securities representing 5% or more of the voting power of the Plan ("Excess Noninstitutional Voter") unless such Excess Noninstitutional Voter shall cease to be an Excess Noninstitutional Voter prior to such automatic termination becoming effective; (c) thirty days after the Plan knows, or there is an SEC filing indicating that, any Person has become the Beneficial Owner of 20% or more of the Plan's then outstanding common stock or other equity securities which (either by themselves or in combination) represent an ownership interest of 20% or more pursuant to determinations made under paragraph 9(d)(iv) below ("Excess Owner"), unless such Excess Owner shall cease to be an Excess Owner prior to such automatic termination becoming effective; (d) ten business days after individuals who at the time the Plan went public constituted the Board of Directors of the Plan (together with any new directors whose election to the Board was approved by a vote of 2/3 of the directors then still in office who were directors at the time the Plan went public or whose election or nomination was previously so approved) (the "Continuing Directors") cease for any reason to constitute a majority of the Board of Directors; or (e) ten business days after the Plan consolidates with or merges with or into any person or conveys, assigns, transfers or sells all or substantially all of its assets to any person other than a merger in which the Plan is the surviving entity and immediately after which merger, no person is an Excess Institutional Voter, an Excess Noninstitutional Voter or an Excess Owner: provided that, if requested by the affected Plan in a writing received by BCBSA prior to such automatic termination becoming effective, the provisions of this paragraph 9(d)(iii) may be waived, in whole or in part,

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upon the affirmative vote of a majority of the disinterested Plans and a majority of the total then current weighted vote of the disinterested Plans. Any waiver so granted may be conditioned upon such additional requirements (including but not limited to imposing new and independent grounds for termination of this License) as shall be approved by the affirmative vote of a majority of the disinterested Plans and a majority of the total then current weighted vote of the disinterested Plans. If a timely waiver request is received, no automatic termination shall become effective until the later of: (1) the conclusion of the applicable time period specified in paragraphs 9(d)(iii)(a)-(d) above, or (2) the conclusion of the first Member Plan meeting after receipt of such a waiver request.

In the event that the Plan's license to use the Licensed Marks and Name is terminated pursuant to this Paragraph 9(d)(iii), the license may be reinstated in BCBSA's sole discretion if, within 30 days of the date of such termination, the Plan demonstrates that the Person referred to in clause (a), (b) or (c) of the preceding paragraph is no longer an Excess Institutional Voter, an Excess Noninstitutional Voter or an Excess Owner.

(iv) The Plan shall not issue any class or series of security other than (i) shares of common stock having identical terms or options or derivatives of such common stock, (ii) non-voting, non-convertible debt securities or (iii) such other securities as the Plan may approve, provided that BCBSA receives notice at least thirty days prior to the issuance of such securities, including a description of the terms for such securities, and BCBSA shall have the authority to determine how such other securities will be counted in determining whether any Person is an Excess Institutional Voter, Excess Noninstitutional Voter or an Excess Owner.

(v) For purposes of paragraph 9(d)(iii), the following definitions shall apply:

(a) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended and in effect on November 17, 1993 (the "Exchange Act").

(b) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

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(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) relating to the acquisition, holding, voting (except to the extent contemplated by the proviso to (b)(ii)(B) above) or disposing of any securities of the Plan.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Plan, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

(c) A Person shall be deemed an "Institutional Investor" if (but only if) such Person (i) is an entity or group identified in the SEC's Rule 13d-1(b)(1)(ii) as constituted on June 1, 1997, and (ii) every filing made by such Person with the SEC under Regulation 13D-G (or any successor Regulation) with respect to such Person's Beneficial Ownership of Plan securities shall have contained a certification identical to the one required by item 10 of SEC Schedule 13G as constituted on June 1, 1997.

Amended as of September 17, 1997

(d) "Noninstitutional Investor" means any Person who is not an Institutional Investor.

(e) "Person" shall mean any individual, firm, partnership, corporation, trust, association, joint venture or other entity, and shall include any successor (by merger or otherwise) of such entity.

Amended as of September 17, 1997

10. This License Agreement shall remain in effect: (a) until terminated as provided herein; or (b) until this and all such other License Agreements are terminated by the affirmative vote of three-fourths of the Plans and three-fourths of the total then current weighted vote of all the Plans; or (c) until termination of the aforesaid Ownership Agreement; or (d) until terminated by the Plan upon six (6) months written notice to BCBSA.

11. Except as otherwise provided in paragraph 15 below or by the affirmative vote of three-fourths of the Plans and three-fourths of the total then current weighted vote of all the Plans, or unless this and all such other License Agreements are simultaneously terminated by force of law, the termination of this License Agreement for any reason whatsoever shall cause the reversion to BCBSA of all rights in and to the Licensed Marks and Name, and the Plan agrees that it will promptly discontinue all use of the Licensed Marks and Name, will not use them thereafter, and will promptly, upon written notice from BCBSA, change its corporate name so as to eliminate the Licensed Name therefrom.

12. The license hereby granted to Plan to use the Licensed Marks and Name is and shall be personal to the Plan so licensed and shall not be assignable by any act of the Plan, directly or indirectly, without the written consent of BCBSA. Said license shall not be assignable by operation of law, nor shall Plan mortgage or part with possession or control of this license or any right hereunder, and the Plan shall have no right to grant any sublicense to use the Licensed Marks and Name.

13. BCBSA shall maintain appropriate service mark registrations of the Licensed Marks and BCBSA shall take such lawful steps and proceedings as may be necessary or proper to prevent use of the Licensed Marks by any person who is not authorized to use the same. Any actions or proceedings undertaken by BCBSA under the provisions of this paragraph shall be at BCBSA's sole cost and expense. BCBSA shall have the sole right to determine whether or not any legal action shall be taken on account of unauthorized use of the Licensed Marks, such right not to be unreasonably exercised. The Plan shall report any unlawful usage of the Licensed Marks to BCBSA in writing and agrees, free of charge, to cooperate fully with BCBSA's program of enforcing and protecting the service mark rights, trade name rights and other rights in the Licensed Marks.

14. The Plan hereby agrees to save, defend, indemnify and hold BCBSA and any other Plan(s) harmless from and against all claims, damages, liabilities and costs of every kind, nature and description which may arise exclusively and directly as a result of the activities of the Plan. BCBSA hereby agrees to save, defend, indemnify and hold the Plan and any other Plan(s) harmless from and against all claims, damages, liabilities and costs of every kind, nature and description which may arise exclusively and directly as a result of the activities of BCBSA.

15. (a). This Agreement shall automatically terminate upon the occurrence of any of the following events: (i) a voluntary petition shall be filed by the Plan or by BCBSA seeking bankruptcy, reorganization, arrangement with creditors or other relief under the bankruptcy laws of the United States or any other law governing insolvency or debtor relief, or (ii) an involuntary petition or proceeding shall be filed against the Plan or BCBSA seeking bankruptcy, reorganization, arrangement with creditors or other relief under the bankruptcy laws of the United States or any other law governing insolvency or debtor relief and such petition or proceeding is consented to or acquiesced in by the Plan or BCBSA or is not dismissed within sixty (60) days of the date upon which the petition or other document commencing the proceeding is served upon the Plan or BCBSA respectively, or (iii) an order for relief is entered against the Plan or BCBSA in any case under the bankruptcy laws of the United States, or the Plan or BCBSA is adjudged bankrupt or insolvent (as that term is defined in the Uniform Commercial Code as enacted in the state of Illinois) by any court of competent jurisdiction, or (iv) the Plan or BCBSA makes a general assignment of its assets for the benefit of creditors, or (v) the Department of Insurance or other regulatory agency assumes control of the Plan or delinquency proceedings (voluntary or involuntary) are instituted, or (vi) an action is brought by the Plan or BCBSA seeking its dissolution or liquidation of its assets or seeking the appointment of a trustee, interim trustee, receiver or other custodian for any of its property or business, or (vii) an action is instituted by any governmental entity or officer against the Plan or BCBSA seeking its dissolution or liquidation of its assets or seeking appointment of a trustee, interim trustee, receiver or other custodian for any of its property or business and such action is consented to or acquiesced in by the Plan or BCBSA or is not dismissed within one hundred thirty (130) days of the date upon which the pleading or other document commencing the action is served upon the Plan or BCBSA respectively, provided that if the action is stayed or its prosecution is enjoined, the one hundred thirty (130) day period is tolled for the duration of the stay or injunction, and provided further, that the Association's Board of Directors may toll or extend the 130 day period at any time prior to its expiration, or (viii) a trustee, interim trustee, receiver or other custodian for any of the Plan's or BCBSA's property or business is appointed, or (ix) the Plan shall fail to pay its dues and shall not cure such failure within thirty (30) days of receiving written notice thereof. Notwithstanding any other provision of this Agreement, a declaration or a request for declaration of the existence of a trust over any of the Plan's or BCBSA's property or business shall not in itself be deemed to constitute or seek appointment of a trustee, interim trustee, receiver or other custodian for purposes of subparagraphs 15(a)(vii) and (viii) of this Agreement.

Amended November 20, 1997

(b). BCBSA, or the Plans (as provided and in addition to the rights conferred in Paragraph 10(b) above), may terminate this Agreement immediately upon written notice upon the occurrence of either of the following events: (a) the Plan or BCBSA becomes insolvent (as that term is defined in the Uniform Commercial Code enacted in the state of Illinois), or (b) any final judgment against the Plan or BCBSA remains unsatisfied or unbonded of record for a period of sixty (60) days or longer.

(c). If this License Agreement is terminated as to BCBSA for any reason stated in subparagraphs 15(a) and (b) above, the ownership of the Licensed Marks shall revert to each of the Plans as provided in the Ownership Agreement.

(d). Upon termination of this License Agreement or any Controlled Affiliate License Agreement of a Larger Affiliate, as defined in Exhibit 1 to this License Agreement:

- (i) The terminated entity shall send a notice through the U.S. mails, with first class postage affixed, to all individual and group customers, providers, brokers and agents of products or services sold, marketed, underwritten or administered by the terminated entity or its Controlled Affiliates under the Licensed Marks and Name. The form and content of the notice shall be specified by BCBSA and shall, at a minimum, notify the recipient of the termination of the license, the consequences thereof, and instructions for obtaining alternate products or services licensed by BCBSA. This notice shall be mailed within 15 days after termination or, if termination is pursuant to paragraph 10(d) of this Agreement, within 15 days after the written notice to BCBSA described in paragraph 10(d).
- (ii) The terminated entity shall deliver to BCBSA within five days of a request by BCBSA a listing of national accounts in which the terminated entity is involved (in a Control, Participating or Servicing capacity), identifying the national account and the terminated entity's role therein. For those accounts where the terminated entity is the Control Plan, the Plan must also indicate the Participating and Servicing Plans in the national account syndicate.

Amended as of September 19, 1996

- (iii) Unless the cause of termination is an event stated in paragraph 15(a) or (b) above respecting BCBSA, the Plan and its Licensed Controlled Affiliates shall be jointly liable for payment to BCBSA of an amount equal to \$25 multiplied by the number of Licensed Enrollees of the terminated entity and its Licensed Controlled Affiliates; provided that if any other Plan is permitted by BCBSA to use marks or names licensed by BCBSA in the Service Area established by this Agreement, the payment shall be multiplied by a fraction, the numerator of which is the number of Licensed Enrollees of the terminated entity and its Licensed Controlled Affiliates and the denominator of which is the total number of Licensed Enrollees in the Service Area. Licensed Enrollee means each and every person and covered dependent who is enrolled as an individual or member of a group receiving products or services sold, marketed or administered under marks or names licensed by BCBSA as determined at the earlier of (a) the end of the last fiscal year of the terminated entity which ended prior to termination or (b) the fiscal year which ended before any transactions causing the termination began. Notwithstanding the foregoing, the amount payable pursuant to this subparagraph (d)(iii) shall be due only to the extent that, in BCBSA's opinion, it does not cause the net worth of the Plan to fall below 100% of the capital benchmark formula or its equivalent under any successor formula, as set forth in the applicable financial responsibility standards established by BCBSA, measured as of the date of termination and adjusted for the value of any transactions not made in the ordinary course of business.
- (iv) BCBSA shall have the right to audit the books and records of the terminated entity and its Licensed Controlled Affiliates to verify compliance with this paragraph 15(d).

Amended as of September 19, 1996

(v) As to a breach of 15 (d) (i), (ii), (iii) or (iv), the parties agree that the obligations are immediately enforceable in a court of competent jurisdiction. As to a breach of 15 (d) (i), (ii) or (iv) by the Plan, the parties agree there is no adequate remedy at law and BCBSA is entitled to obtain specific performance.

(e) BCBSA shall be entitled to enjoin the Plan or any related party in a court of competent jurisdiction from entry into any transaction which would result in a termination of this License Agreement unless the License Agreement has been terminated pursuant to paragraph 10 (d) of this Agreement upon the required six (6) month written notice.

(f) BCBSA acknowledges that it is not the owner of assets of the Plan.

16. This Agreement supersedes any and all other agreements between the parties with respect to the subject matter herein, and contains all of the covenants and agreements of the parties as to the licensing of the Licensed Marks and Name. This Agreement may be amended only by the affirmative vote of three-fourths of the Plans and three-fourths of the total then current weighted vote of all the Plans as officially recorded by the BCBSA Corporate Secretary.

17. If any provision or any part of any provision of this Agreement is judicially declared unlawful, each and every other provision, or any part of any provision, shall continue in full force and effect notwithstanding such judicial declaration.

18. No waiver by BCBSA or the Plan of any breach or default in performance on the part of BCBSA or the Plan or any other licensee of any of the terms, covenants or conditions of this Agreement shall constitute a waiver of any subsequent breach or default in performance of said terms, covenants or conditions.

19a. All notices provided for hereunder shall be in writing and shall be sent in duplicate by regular mail to BCBSA or the Plan at the address currently published for each by BCBSA and shall be marked respectively to the attention of the President and, if any, the General Counsel, of BCBSA or the Plan.

19b. Except as provided in paragraphs 9(b), 9(d)(iii), 15(a), and 15(b) above, this Agreement may be terminated for a breach only upon at least 30 days' written notice to the Plan advising of the specific matters at issue and granting the Plan an opportunity to be heard and to present its response to the Member Plans.

Amended as of November 20, 1997

20. Nothing herein contained shall be construed to constitute the parties hereto as partners or joint venturers, or either as the agent of the other, and Plan shall have no right to bind or obligate BCBSA in any way, nor shall it represent that it has any right to do so. BCBSA shall have no liability to third parties with respect to any aspect of the business, activities, operations, products, or services of the Plan.

21. This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of Illinois.

IN WITNESS WHEREOF, the parties have caused this License Agreement to be executed, effective as of the date of last signature written below.

BLUE CROSS AND BLUE SHIELD ASSOCIATION

By _____

Title _____

Date _____

WELLPOINT HEALTH NETWORKS INC.

By *Richard A. ...*

Title Chief Executive Officer

Date August 1, 1997

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CALIFORNIA BLUE CROSS LICENSE ADDENDUM

AMENDED AND RESTATED AS OF JUNE 12, 1998

This License Addendum ("this Addendum") has been amended and restated as of June 12, 1998 (the "date hereof") by the Blue Cross and Blue Shield Association ("BCBSA"), WellPoint Health Networks Inc. ("WellPoint"), and the corporation identified herein as "California Blue Cross." Capitalized terms not otherwise defined herein shall have the meanings given them in Article VII of WellPoint's Charter.

Whereas: It is fundamental to the integrity of the Blue Cross and Blue Shield names and marks that each primary licensee remain independent of any control or influence by any particular economic interest or other special interest which might impair its ability to (i) exercise independent judgment as to the programs which will best meet the needs of the communities in the state or area for which it is responsible or (ii) function as an integral part of the Blue Cross and Blue Shield national system of health benefits.

Whereas: WellPoint was incorporated in Delaware for the purpose of becoming the ultimate parent corporation in an organization (the "WellPoint Organization") which among other things provides health care plans and related services in California under the "Blue Cross" name and under various related marks.

Whereas: WellPoint has assumed its position as the ultimate parent in the WellPoint Organization as a result of a number of inter-related actions which are collectively called the "Reincorporation" in this Addendum. The Reincorporation occurred effective as of August 4, 1997.

Whereas: Prior to the Reincorporation, the WellPoint Organization was headed by a corporation incorporated in California which had the name "WellPoint Health Networks Inc." (and which is called "California Blue Cross" in this Addendum). As a result of the Reincorporation: (i) every share of common stock issued by California Blue Cross and outstanding immediately prior to the Reincorporation was converted into a share of common stock issued by WellPoint; (ii) California Blue Cross became an indirect wholly owned subsidiary of WellPoint; and (iii) the name of California Blue Cross was changed to "Blue Cross of California."

Whereas: Prior to May 1996, California Blue Cross was organized as a nonprofit public benefit corporation. In May 1996, California Blue Cross was converted into a for-profit business stock corporation as part of a series of interrelated actions which in this Addendum are collectively called the "1996 For-Profit Conversion." As part of the 1996 For-Profit Conversion, California Blue Cross issued shares of its common stock to a California nonprofit public benefit corporation which (i) then had the name "Western Health Partnerships," (ii) now has the name "California HealthCare Foundation," and (iii) is called the "Foundation" in this Addendum. The common shares issued to

the Foundation (i) represented a substantial majority of California Blue Cross's common stock outstanding immediately after the 1996 For-Profit Conversion and (ii) carried voting power significantly in excess of the amount which BCBSA's licensing requirements allow to be concentrated in the hands of any single shareholder of a primary licensee.

Whereas: To mitigate the risks and disadvantages of the concentration of common stock in the hands of the Foundation (i) certain mechanisms and covenants (the "Original Basic Protections") were incorporated in the Articles of Incorporation and Bylaws governing California Blue Cross and in agreements between California Blue Cross and the Foundation and (ii) California Blue Cross entered into a License Addendum dated as of May 17, 1996 (the "Original Addendum") which provided among other things that the primary Blue Cross license for the WellPoint Organization would automatically terminate if there were any failure to comply with any of the Original Basic Protections specified in the Original Addendum.

Whereas: In the Reincorporation, the common stock previously held by the Foundation in California Blue Cross was converted on a share for share basis to common stock issued by WellPoint in the Reincorporation. The Foundation held the same percentage of WellPoint's common stock outstanding immediately after the Reincorporation as the percentage of the outstanding common stock which the Foundation held in California Blue Cross immediately prior to the Reincorporation. The voting power attributable to the WellPoint common stock held by the Foundation immediately after the Reincorporation was, and as of the date hereof continues to be, significantly higher than the percentage that BCBSA's licensing requirements allow to be concentrated in the hands of any single shareholder of a primary licensee.

Whereas: In connection with the Reincorporation, WellPoint requested that notwithstanding the concentration of its common stock in the hands of the Foundation resulting from the Reincorporation, BCBSA issue the following licenses (the "New Licenses"): a Primary Blue Cross License to WellPoint to replace the primary license held prior to the Reincorporation by California Blue Cross; a Controlled Affiliate License to California Blue Cross to entitle it to conduct operations in California under the Blue Cross name; and various other affiliate licenses to other WellPoint subsidiaries to enable them to continue to conduct operations under the "Blue Cross" name and/or related names.

Whereas: To induce BCBSA to issue the New Licenses, WellPoint: (i) incorporated into its Certificate of Incorporation and Bylaws mechanisms designed to protect WellPoint from being controlled by the Foundation (or any other large shareholder which might emerge in the future) which are analogous to the mechanisms previously incorporated into California Blue Cross' governing instruments; (ii) agreed with the Foundation and California Blue Cross to amend and restate the agreements previously made by California Blue Cross with the Foundation to obtain for WellPoint the benefit of the covenants in those agreements designed to protect WellPoint from being controlled by the Foundation; and (iii) entered into a new license addendum dated August 4, 1997 (the "Delaware Addendum") to take the place of the Original Addendum.

Whereas: The parties entered into an amendment and restatement of the Delaware Addendum (which is dated as of December 30, 1997 and is herein called the "12-30-97 Restatement") in order to, among other things, (i) implement revised restrictions on beneficial ownership of WellPoint securities embodied in Section 2.1(e) hereof, and (ii) modify the definition of the term "Ownership Limit."

Whereas: The parties have executed this amendment and restatement of the License Addendum in order, among other things, to reflect an amendment dated the date hereof to the Voting Trust Agreement identified herein under which the Foundation has the ability to decrease the proportion of Original Blue Cross Directors (as defined in Section 2.7(c)) on its Board in exchange for earlier contributions of its shares to the Voting Trust. Each of the terms "License Addendum," "this Addendum," "herein," "hereof" and so forth as used in this instrument refers to the Delaware Addendum as constituted after giving effect to the amendment and restatement set forth in this instrument.

The parties hereby amend and restate the License Addendum to read as follows:

1. Waiver. BCBSA hereby agrees that the ownership of WellPoint shares by the Foundation in excess of the number permitted by the Primary Blue Cross License will not be deemed to provide grounds for termination of the Primary Blue Cross License so long as the conditions specified in Part 2 of this Addendum are satisfied. BCBSA also consents to the amendment to the Voting Trust Agreement dated the date hereof. In order to obtain the waiver and consent in the preceding sentences, WellPoint agrees that its right to hold and utilize the Primary Blue Cross License will at all times be subject to the conditions in Part 2 of this Addendum and hereby covenants not to take or allow any action which could provide grounds for termination of the Primary Blue Cross License.

2. Automatic Termination.

2.1 Except as otherwise expressly provided in this Part 2, WellPoint's Primary Blue Cross License shall automatically terminate effective at the end of the Applicable Interval following the occurrence of any of the following events:

- (a) Any of the provisions in Article VII of WellPoint's Charter or any of the other Basic Protections identified in Section 3.5 shall expire or be amended (other than to extend its term), eliminated or otherwise impaired or any person shall be permitted, by the ruling of any court or otherwise, to take any action contrary to the terms of any of the Basic Protections without the written consent of BCBSA.
- (b) Any VA Shares (identified as prescribed in Section 3.8) shall not be voted as prescribed by the terms of the Voting Agreement identified in Section 3.5(b)(3).

- (c) Subject to Section 2.7, at any time before May 20, 2001, the Foundation's board of directors does not contain at least a majority of Original Blue Cross Directors (determined as prescribed in Section 2.7(c)).
- (d) The Foundation shall not be independent of all state governmental authority over its affairs including any authority over the composition and membership of its board of directors, other than customary regulatory powers exercised by the California Attorney General over similar situated entities and other than in accordance with California Blue Cross' Undertakings to the California Department of Corporations dated March 5, 1996 as provided to BCBSA prior to May 17, 1996.
- (e) The Foundation Beneficially Owns WellPoint shares not on deposit in the Voting Trust identified in Section 3.5(b)(4) representing:
 - (1) 50% or more of the voting power at any time between the date hereof and May 20, 1999; or
 - (2) 20% or more of the voting power at any time from and including May 20, 1999 to but not including May 20, 2001; or
 - (3) 5% or more of the voting power at any time on or after May 20, 2001.
- (f)
 - (i) any Institutional Investor shall become the Beneficial Owner of WellPoint shares representing 10% or more of the voting power of WellPoint (an "Excess Institutional Voter"), unless such Excess Institutional Voter shall cease to be an Excess Institutional Voter prior to the end of the Applicable Interval arising from such Beneficial Ownership; or
 - (ii) any Noninstitutional Investor other than the Foundation shall become the Beneficial Owner of WellPoint shares representing 5% or more of the voting power of WellPoint (an "Excess Noninstitutional Voter") unless such Excess Noninstitutional Voter shall cease to be an Excess Noninstitutional Voter prior to the end of the Applicable Interval arising from such Beneficial Ownership; or
 - (iii) any person other than the Foundation shall become the Beneficial Owner of 20% or more of WellPoint's then-outstanding common stock or other equity securities which (either by themselves or in combination) represent an ownership interest of 20% or more pursuant to determinations made under paragraph 2.6 below (each, an "Excess Owner"), unless such Excess Owner shall cease to be an Excess Owner prior to the end of the Applicable Interval arising from such Beneficial Ownership; or

(iv) WellPoint consolidates with or merges with or into any person or conveys, assigns, transfers or sells all or substantially all of its assets to any person other than a merger in which WellPoint is the surviving entity and immediately after which merger no person is an Excess Institutional Voter, an Excess Noninstitutional Voter or an Excess Owner.

For the purposes hereof, a person shall be deemed to be an "Institutional Investor" if (but only if) (x) such person is an entity or group identified in Rule 13d-1(b)(1)(ii) of the rules and regulations promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") as constituted on June 1, 1997, and (y) every filing made by such person with the Securities and Exchange Commission under Regulation 13D-G (or any successor Regulation) under the Exchange Act with respect to such person's Beneficial Ownership shall have contained a certification having substantially identical terms to the one required by Item 10 of Schedule 13G as constituted on June 1, 1997. For the purposes hereof, the term "Noninstitutional Investor" means any person who is not an Institutional Investor.

- (g) Any shares on deposit in the Voting Trust identified in Section 3.5(b)(4) shall not be voted in accordance with the terms of the Voting Trust Agreement identified in Section 3.5(b)(4).
- (h) Any shares known by WellPoint to be Excess Shares shall not be voted in accordance with the terms in Section 9 of Article VII of WellPoint's Charter as constituted immediately after the Reincorporation.
- (i) Less than a majority of the positions on the WellPoint Board shall be held by Independent Directors.
- (j) WellPoint shall fail to comply with the requirements of Part 4 of this Addendum.

2.2 Applicable Interval.

- (a) The "Applicable Interval" with respect to any event specified in clause (d) or (j) of Section 2.1 shall begin upon the occurrence of that event and shall end on the 40th day after WellPoint shall first learn of such event.
- (b) The "Applicable Interval" with respect to any event specified in clause (f) (i), or (ii) or (iii) of Section 2.1 shall begin upon the occurrence of that event and shall end on the 30th day after the earlier of the time WellPoint shall first learn of such event or the occurrence of a public filing with the Securities and Exchange Commission disclosing such event.

- (c) The "Applicable Interval" with respect to the event specified in clause (c) shall be determined as prescribed in Section 2.7(b).
- (d) The "Applicable Interval" with respect to any event specified in any other clause of Section 2.1 shall begin upon the occurrence of that event and shall end on the 10th day after WellPoint shall first learn of such event.

2.3 Waiver. WellPoint shall have the right to request any time prior to the expiration of the Applicable Interval that any termination which would otherwise be caused by the occurrence of any event listed in Section 2.1 or Section 2.7(a) be waived. Once such request has been made by WellPoint to BCBSA, the Primary Blue Cross License and any related controlled affiliate license shall be deemed to remain in full force and effect until a determination has been made by BCBSA. Such determination shall be made by BCBSA's disinterested member plans and any requested waiver shall be deemed to have been denied unless it shall be approved at the meeting called to consider such waiver by the affirmative vote of a majority of the disinterested BCBSA member plans and a majority of the then current weighted vote of the disinterested BCBSA member plans. Any such waiver may be conditioned upon such additional requirements (including but not limited to requirements imposing new independent grounds for termination of the Primary Blue Cross License) as shall be approved by such vote by the disinterested BCBSA member plans.

2.4 Notice. WellPoint shall notify BCBSA in writing immediately after WellPoint learns of (i) the occurrence of any event specified in Section 2.1 or Section 2.7(a) or (ii) any development or state of facts which it is reasonably possible will lead to the occurrence of any event specified in Section 2.1 or Section 2.7(a) or Section 2.7(a).

2.5 No Implied Exemption for Other Changes. The references in the definitions of "WellPoint's Charter," "WellPoint's Bylaws," "Voting Agreement" and "Voting Trust Agreement" to possible future amendments thereto or to instruments which may supersede such original instruments in the future shall not be deemed to exempt any amendment or replacement of any such instrument from the operation of Section 2.1 and Section 2.7(a) and any such amendment or replacement shall be deemed to cause an automatic termination at the end of the Applicable Interval if it changes or impacts any of the terms of the Basic Protections in a manner which causes such termination under the terms in Section 2.1 or Section 2.7(a).

2.6 Restrictions on Issuance of Securities. WellPoint shall not issue any class or series of securities other than (i) shares of common stock having identical terms or options or derivatives of common stock; (ii) non-voting, non-convertible debt securities; or (iii) such other securities as WellPoint may approve, provided that BCBSA shall receive notice at least 30 days prior to the issuance of such securities, including a description of the terms of such securities, and BCBSA shall have the authority to determine how such securities will be counted in determining whether any person is an Excess Institutional Voter, Excess Noninstitutional Voter or an Excess Owner.

2.7 Early Changes in Foundation Board.

(a) Notwithstanding the provisions of Section 2.1(c) above, if, at any time prior to May 20, 2001, the Foundation's board of directors does not contain at least a majority of directors who are Original Blue Cross Directors, such event shall cause an automatic termination of the Primary Blue Cross License at the end of the Applicable Interval only if:

- (1) at any time on or after the date on which the number of directors that are not Original Blue Cross Directors first becomes equal to the number of directors that are Original Blue Cross Directors (the "Even Division Date"), the Foundation Beneficially Owns WellPoint shares not on deposit in the Voting Trust identified in Section 3.5(b)(4) representing 20% or more of the voting power; or
- (2) at any time on or after the earlier to occur of (i) the first anniversary of the Even Division Date and (ii) the date on which the number of directors that are not Original Blue Cross Directors first becomes greater than the number of directors that are Original Blue Cross Directors (the "Minority Date"), the Foundation Beneficially Owns WellPoint shares not on deposit in the Voting Trust identified in Section 3.5(b)(4) representing 5% or more of the voting power.

(b) The "Applicable Interval" for purposes of Section 2.1(c) and Section 2.7(a) shall begin on whichever of the following shall earlier occur:

- (1) the earliest date which shall occur on or after the Even Division Date on which the Foundation shall Beneficially Own WellPoint shares not on deposit in the Voting Trust identified in Section 3.5(b)(4) representing 20% or more of the voting power, or
- (2) the earliest date as of which the Foundation shall Beneficially Own WellPoint shares not on deposit in the Voting Trust identified in Section 3.5(b)(4) representing 5% or more of the voting power which shall occur on or after the earlier of (i) the first anniversary of the Even Division Date or (ii) the Minority Date.

An Applicable Interval which shall begin pursuant to this Section 2.7(b) shall end on the 10th day after WellPoint shall first learn of the events causing such Applicable Interval to begin.

- (c) An individual shall be deemed an "Original Blue Cross Director" if that individual served as a director of California Blue Cross prior to May 17, 1996. In the event an Original Blue Cross Director shall cease to be a Foundation director because of death or permanent disability and the position on the Foundation Board left vacant by such death or disability shall be filled with an individual approved by a majority of the Original Blue Cross directors then remaining on the Foundation's Board, then the individual so approved shall be deemed to be an "Original Blue Cross Director." For purposes of determining whether and when the Even Division Date or the Minority Date shall have occurred, such vacant position shall be counted as if it were held by an Original Blue Cross Director for a period beginning when the vacancy arises and ending at the earliest of (i) 60 days after such vacancy shall arise, (ii) the date such vacancy is filled by an individual not approved by a majority of the Original Blue Cross directors then remaining on the Foundation's Board or (iii) the approval by the Foundation Board of any course of action which would provide grounds for termination of the Primary Blue Cross License.

3. Definitions. The following terms shall have the following meanings as used herein:

3.1 Primary Blue Cross License. The term "Primary Blue Cross License" means the license to use the Blue Cross name and all other rights granted under or by reason of the Blue Cross License Agreement dated as of August 4, 1997 between BCBSA and WellPoint and under any amendments or supplements to, or restatements or replacements of, that Agreement. The Primary Blue Cross License shall at all times be subject to this Addendum and in the event of any conflict between the Primary Blue Cross License and this Addendum, this Addendum shall control. In the event the Primary Blue Cross License shall terminate, such termination shall have the effect of terminating the right of any WellPoint subsidiary to use the Blue Cross name and all other names or rights licensed from BCBSA.

3.2 Voting Power. The WellPoint shares Beneficially Owned by any particular person shall be deemed to represent a percentage of the voting power equal to the percentage of all votes which could be cast in any election of any WellPoint director which could be accounted for by the shares Beneficially Owned by that particular person. If in connection with an election for any particular position on the WellPoint Board, shares in different classes or series are entitled to be voted together for purposes of such election, then in determining the number of "all votes which could be cast" in the election for that particular position for purposes of the preceding sentence, the number shall be equal to the number of votes which would be cast in the election for that particular position if all shares entitled to be voted in such election (regardless of series or class) were in fact voted in such election. If WellPoint shall issue any series or class of shares for which positions on the Board are reserved or shall otherwise issue shares which have voting rights which can arise or vary based upon terms governing that class or series, then the percentage of the voting power represented by the WellPoint shares Beneficially Owned by any particular person shall be the

highest percentage of the total votes which could be accounted for by those shares in any election of any director.

3.3 WellPoint Share. The term "WellPoint share" designates and includes a share of common stock and a share (or other basic unit) of any class or series of any other equity security which WellPoint may at any time issue or be authorized to issue.

3.4 Beneficial Ownership:

- (a) Except as otherwise provided in Section 3.4(b), any particular person shall be deemed to Beneficially Own and to be the Beneficial Owner of:
- (1) Any WellPoint share in which such person shall then have a direct or indirect beneficial ownership interest;
 - (2) Any WellPoint share in which such person shall have the right to acquire any direct or indirect beneficial ownership interest pursuant to any option or other agreement (either immediately or after the passage of time or the occurrence of any contingency);
 - (3) Any WellPoint share which such person shall have the right to vote;
 - (4) Any WellPoint share (i) which constitutes an "Excess Share" under Article VII of WellPoint's Charter or any successor to such provision and (ii) of which such person is the "Purported Owner" under such Article VII (or has an equivalent position under any such successor provision);
 - (5) Any WellPoint share in which such person shall hold any other interest which would count in determining whether such person would be required to file a Schedule 13D; and
 - (6) Any WellPoint share which shall be Beneficially Owned (under the concepts provided in the preceding clauses) by any affiliate or associate of the particular person or by any other person with whom the particular person or any such affiliate or associate has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities or other than that certain Amended and Restated Registration Rights Agreement between WellPoint and the Foundation dated as of August 4, 1997) relating to the acquisition, holding, voting or disposing of any WellPoint shares. For purposes of this Addendum, the terms "affiliate" and "associate" have the same meanings they have under Rule

12b-2 under the Exchange Act as such Rule is constituted and interpreted on June 1, 1997.

(b) Exceptions:

- (1) A person shall not be deemed to "Beneficially Own" or have "Beneficial Ownership" of any particular WellPoint shares by reason of possessing the right to vote if (i) such right arises solely from a revocable proxy or consent given to such person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act, and (ii) such person is not the Purported Owner of any Excess Shares (as those terms are used in Article VII of WellPoint's Charter), is not named as holding a beneficial ownership interest in any WellPoint shares in any filing on Schedule 13D, and is not an affiliate or associate of any such Purported Owner or named person.
- (2) A member of a national securities exchange or a registered depository shall not be deemed to "Beneficially Own" or have "Beneficial Ownership" of any particular WellPoint shares held directly or indirectly by it on behalf of another person (and not for its own account) solely because such member or depository is the record holder of such WellPoint shares, and (in the case of such member) pursuant to the rules of such exchange, such member may direct the vote of those WellPoint shares without instruction on matters which are uncontested and do not affect substantially the rights or the privileges of the holders of the shares to be voted, but is precluded by the rules of such exchange from voting those particular WellPoint shares without instruction on either contested matters or matters that may affect substantially the rights or the privileges of the holders of the WellPoint shares to be voted.
- (3) A person who in the ordinary course of business is a pledgee of WellPoint shares under a written pledge agreement shall not be deemed to "Beneficially Own" or have "Beneficial Ownership" of those pledged WellPoint shares solely by reason of such pledge until the pledgee has taken all formal steps which are necessary to declare a default or has otherwise acquired the power to vote or to direct the vote of such pledged WellPoint shares, provided that:
 - (A) The pledge agreement is bona fide and was not entered into with the purpose nor with the effect of changing or influencing the control of WellPoint, nor in connection with any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b)

promulgated under the Exchange Act as constituted on June 1, 1997;
and

- (B) The pledge agreement does not grant to the pledgee the right to vote or to direct the vote of such pledged WellPoint shares prior to the time the pledgee has taken all formal steps which are necessary to declare a default.
- (4) A person engaged in business as an underwriter or a placement agent for securities who enters into an agreement to acquire or acquires any particular WellPoint shares solely by reason of its participation in good faith and in the ordinary course of its business in the capacity of underwriter or placement agent in any underwriting or agent representation registered under the Securities Act of 1933, as amended and as constituted on the date hereof (the "Securities Act"), a bona fide private placement, a resale under Rule 144A promulgated under the Securities Act or in any foreign or other offering exempt from the registration requirements under the Securities Act shall not be deemed to "Beneficially Own" or have "Beneficial Ownership" of those particular WellPoint shares until the expiration of forty (40) days after the date of such acquisition so long as (i) such person does not vote such WellPoint shares during such period and (ii) such participation is not with the purpose or with the effect of changing or influencing control of WellPoint, nor in connection with or facilitating any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) promulgated under the Exchange Act as such Rule is constituted on June 1, 1997.
- (5) If WellPoint shall sell shares in a transaction not involving any public offering, then each purchaser in such offering shall be deemed to obtain Beneficial Ownership in such offering of the shares purchased by such purchaser but no particular purchaser shall be deemed to have acquired Beneficial Ownership in such offering of shares purchased by any other purchaser solely by reason of the fact that all such purchasers are parties to customary agreements relating to the purchase of equity securities directly from WellPoint in a transaction not involving a public offering, provided that:
- (A) All the purchasers are persons specified in Rule 13d-1(b)(1)(ii) promulgated under the Exchange Act as such Rule is constituted on June 1, 1997;
 - (B) The purchase is in the ordinary course of each purchaser's business and not with the purpose nor with the effect of changing or

influencing control of WellPoint, nor in connection with or as a participant in any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) promulgated under the Exchange Act as such Rule is constituted on June 1, 1997;

- (C) There is no agreement among or between any purchasers to act together with respect to WellPoint or any WellPoint shares except for the purpose of facilitating the specific purchase involved; and
- (D) The only actions among or between any purchasers with respect to WellPoint or its securities subsequent to the closing date of the nonpublic offering are those which are necessary to conclude ministerial matters directly related to the completion of the offer or sale of the WellPoint shares sold in such offering.

3.5 Basic Protections:

- (a) The term "Basic Protections" designates and includes the following provisions in WellPoint's Charter: Section 1 of Article IV; all provisions in Article VII and Article IX; and the provision in Article XI which requires the affirmative vote of at least 75% of each class of WellPoint shares, represented and voting at a duly held meeting at which a quorum is present, voting by class to amend any of the provisions cited in this sentence or to amend Sections 2, 6, 8 or 10 in Article IV of WellPoint's Charter. (The term "WellPoint's Charter" as used in this Addendum means WellPoint's Restated Certificate of Incorporation as in effect from time to time after the Reincorporation. In the event WellPoint's Charter shall be replaced by another governing instrument as a result of a merger, a reorganization or other similar event, if any, then the term "WellPoint's Charter" shall thereafter refer to such other governing instrument and the citations and terms used in this agreement shall be deemed adjusted to refer to the appropriate provisions in such subsequent instrument.)
- (b) Until the Diversity Goal (identified in Section 3.6) is achieved, the term "Basic Protections" also means:
 - (1) Sections 2, 6, 8, and 10 in Article IV in WellPoint's Charter.
 - (2) The following provisions in WellPoint's Bylaws: Sections 2 and 3 of Article III; and Section 2 of Article IV. (The term "WellPoint's Bylaws" as used in this Addendum means WellPoint's Bylaws as in effect from time to time after the Reincorporation. In the event WellPoint's Bylaws shall be replaced by another governing instrument as a result of a merger, a

reorganization or other similar event, if any, then the term "WellPoint's Bylaws" shall thereafter refer to such other governing instrument and the citations and terms used in this agreement shall be deemed adjusted to refer to the appropriate provisions in such subsequent instrument.)

- (3) The Voting Agreement. (The term "Voting Agreement" whenever it is used in this Addendum means the Amended and Restated Voting Agreement dated as of August 4, 1997 between WellPoint, California Blue Cross and the Foundation as in effect from time to time after the Reincorporation. In the event the Voting Agreement shall be replaced by another agreement as a result of a merger, a reorganization or other similar event, if any, then the term "Voting Agreement" shall thereafter refer to that replacement agreement and the citations and terms used in this agreement shall be deemed adjusted to refer to the appropriate provisions in that replacement agreement.)
- (4) The Voting Trust Agreement. (The term "Voting Trust Agreement" whenever it is used in this Addendum means the Amended and Restated Voting Trust Agreement dated as of August 4, 1997 between the Foundation and Wilmington Trust Company as constituted after giving effect to the amendment thereto dated the date hereof. In the event the agreement in the preceding sentence shall be amended after the date hereof, then the term "Voting Trust Agreement" shall thereafter mean that agreement as so amended. In the event the Voting Trust Agreement shall be replaced by another agreement as a result of a merger, a reorganization or other similar event, if any, then the term "Voting Trust Agreement" shall thereafter refer to that replacement agreement and the citations and terms used in this agreement shall be deemed adjusted to refer to the appropriate provisions in that replacement agreement. The term "Voting Trust" whenever it is used in this Addendum means the voting trust governed by the Voting Trust Agreement.)
- (5) Section 12 of the Amended and Restated Registration Rights Agreement among WellPoint, California Blue Cross and the Foundation.

3.6 Diversity Goal. The Foundation's Diversity Goal shall be deemed to be achieved when the Foundation shall Beneficially Own WellPoint shares representing less than 5% of the voting power and shall not be an Excess Owner.

3.7 Independent Director. Any particular individual shall be deemed to be a "Independent Director" if (but not unless) such individual

- (a) either (i) is David R. Banks, W. Toliver Besson, Roger E. Birk, Sheila P. Burke, Stephen L. Davenport, Julie A. Hill, Elizabeth A. Sanders, or Leonard D. Schaeffer or (ii) was elected to the Board after the date hereof with the approval of two thirds of the directors then in office who then constituted Independent Directors

and

- (b) does not Beneficially Own WellPoint shares which represent more than 5% of the voting power,

and

- (c) was not nominated by a person who Beneficially Owns WellPoint shares representing more than 5% of the voting power or who is an "Excess Owner" and, prior to such individual's election, did not have any agreement, arrangement or understanding with any such Beneficial Owner with respect to any action to be taken by such individual as a director:

3.8 VA Shares. All WellPoint shares which shall be Beneficially Owned by the Foundation at any particular time shall be deemed to be "VA Shares" except that (i) WellPoint shares which are held in the voting trust created by the Voting Trust Agreement and are voted as required by the terms of the Voting Trust Agreement shall not be deemed VA Shares so long as they are so held and voted and (ii) the Foundation shall be entitled to Beneficially Own at any particular time WellPoint shares representing up to 5% of the voting power free of (and without being subject in any way to) the voting requirements in either the Voting Trust Agreement or the Voting Agreement and none of the WellPoint shares Beneficially Owned by the Foundation at or below this 5% limit shall be deemed VA Shares. Without limiting by implication the generality of the preceding sentence, so long as the only Capital Stock outstanding is Common Stock, any share of Common Stock which shall be Beneficially Owned by the Foundation at any particular time in excess of 5% of the number of shares of Common Stock then outstanding shall be deemed a VA Share unless at that particular time it is on deposit in the voting trust created by the Voting Trust Agreement and is required to be voted in accordance with the terms of the Voting Trust Agreement.

3.9 Exchange Act. The term "Exchange Act" means the Securities Exchange Act of 1934 as amended or supplemented at the time as of which the term shall be applied and any other federal law which BCBSA shall reasonably judge to have replaced or supplemented the coverage of the Securities Exchange Act of 1934 as in effect on the date hereof.

3.10 Schedule 13D. The term "Schedule 13D" means a report on Schedule 13D under Regulation 13D under the Exchange Act as constituted on the date hereof and any report which may be required in the future under any requirement which BCBSA shall reasonably judge to have any of the purposes served by Schedule 13D on the date hereof.

3.11 Ownership Limit.

- (a) From and after the date hereof, the term "Ownership Limit" defined in Article VII of WellPoint's Restated Certificate of Incorporation shall for all purposes mean the following:
- (1) For all stockholders that are Noninstitutional Investors (as defined herein), that number of shares of Capital Stock one share lower than the number of shares of Capital Stock which would represent 5% of the Voting Power (as defined in the Restated Certificate of Incorporation); and
 - (2) For all stockholders that are Institutional Investors (as defined herein), that number of shares of Capital Stock one share lower than the number of shares of Capital Stock which would represent 10% of the Voting Power.
- (b) The parties hereto intend that the revisions contained herein to the definition of the term "Ownership Limit" shall constitute an agreement in writing between the parties hereto within the meaning of Section 14(f)(2) of Article VII of WellPoint's Restated Certificate of Incorporation and as such shall apply to the interpretation of such term for all purposes under WellPoint's Restated Certificate of Incorporation.

4. Commitment to Use Blue Cross Marks.

4.1 WellPoint covenants that all Relevant Businesses conducted in the State of California by WellPoint or any of its affiliates will be conducted after the date hereof under the name "Blue Cross of California" and will be conducted utilizing the Blue Cross name and marks in identifying such business. The term "Relevant Businesses" means all health care benefits businesses which were conducted on February 13, 1996 by California Blue Cross or its subsidiary which then had the name "CaliforniaCare Health Plans" and the businesses in California which may develop or evolve from those businesses after February 13, 1996. The term "Relevant Businesses" shall not include (except as provided in Section 4.2) the business acquired by California Blue Cross from Massachusetts Mutual Life Insurance Company on March 31, 1996 (the "MassMutual Business") and shall not include the workers' compensation business conducted by WellPoint's subsidiary UniCARE Insurance Company.

4.2 The MassMutual Business comprised of accounts with California headquarters ("California Accounts") shall be transitioned to being offered by WellPoint, California Blue Cross, or BC Life & Health Insurance Company on or prior to May 17, 2001 and after such transition shall use the Blue Cross name and marks to the extent required by this Part 4 for businesses operated by those companies. No new California Accounts shall become part of the MassMutual Business after May 17, 1996, but rather all new accounts with California headquarters arising after May 17, 1996

shall be offered by WellPoint, California Blue Cross, or BC Life & Health Insurance Company and shall use the Blue Cross name and marks to the extent required by this Part 4 for businesses operated by those companies.

4.3 BC Life & Health Insurance Company and WellPoint shall take the actions necessary so that BC Life & Health Insurance Company (i) continuously meets all qualifications necessary to hold a controlled affiliate license from BCBSA, (ii) utilizes the Blue Cross of California name and Blue Cross marks in marketing materials, (iii) identifies its products in marketing materials as being brought to its subscribers by "Blue Cross of California," and (iv) shall identify itself in marketing materials as an affiliate of Blue Cross of California.

4.4 Transfers of businesses from WellPoint or California Blue Cross to BC Life & Health Insurance Company after January 13, 1997 (the "Transferred Businesses") shall not violate this Part 4 if, on or prior to May 17, 2001, the Transferred Businesses do not comprise in excess of 50% of the Relevant Businesses, based on relative annual premium revenues, and such Transferred Businesses are marketed under the Blue Cross of California name and Blue Cross marks.

4.5 The covenants in this Part 4 are in addition to and distinct from WellPoint's obligations under the Primary Blue Cross License. For purposes of this Part 4 only, the term "affiliate" does not include the Foundation.

5. No Other Waiver. Nothing herein shall constitute a waiver of BCBSA's rights to terminate the Primary Blue Cross License for any reason allowed under the Primary Blue Cross License other than the reason expressly waived in Part 1 of this Addendum. All agreements, understandings or other circumstances which were made or arose prior to the issuance of the Primary Blue Cross License granting WellPoint, California Blue Cross or any of their respective subsidiaries or predecessors licenses or rights in the Blue Cross name or other rights licensed by BCBSA are hereby terminated effective as of the issuance of the Primary Blue Cross License, and neither WellPoint nor California Blue Cross nor any of their respective affiliates shall have any rights under or by reason of such earlier agreements, understandings or other circumstances. The rights of WellPoint, California Blue Cross and their respective subsidiaries to use the Blue Cross name and other rights licensed by BCBSA shall instead be derived from the date of issuance of the Primary Blue Cross License exclusively from the Primary Blue Cross License and related written agreements granted on or after the time of the issuance of the Primary Blue Cross License. The Delaware Addendum shall govern during the period from the issuance of the Primary Blue Cross License to but not including December 30, 1997; the terms of the 12-30-97 Restatement shall govern from and including December 30, 1997 to but not including the date hereof, and the terms of this amendment and restatement of the License Addendum shall govern from and after the date hereof.

6. Miscellaneous

6.1 WellPoint shall not assign its rights or obligations under this Addendum to any other person without the prior written consent of BCBSA. BCBSA shall have the right to assign its rights under this Addendum to any corporation or other entity which shall assume any of its responsibility for the Blue Cross name or other rights licensed under the Primary Blue Cross License Agreement. This Addendum and the provisions hereof shall be binding upon each of the parties, and their successors and assigns, and shall inure to the benefit of each party's successors and permitted assignees.

6.2 Any term or provision of this Addendum may be amended, and the observance of any term of this Addendum may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a writing signed by the party to be bound thereby. Without limiting by implication the generality of the preceding sentence, every time any event listed in Section 2.1 or Section 2.7(a) shall occur, it shall constitute a separate and self-sufficient cause for automatic termination of the Primary Blue Cross License regardless of whether any prior occurrence of such event or any other event shall have been waived absolutely or conditionally. The failure of any party to enforce any of the provisions hereof shall not be construed to be a waiver of the right of such party thereafter to enforce such provisions.

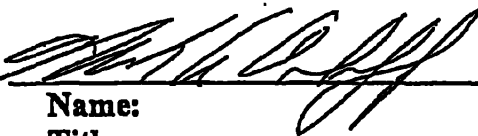
6.3 Each of the parties acknowledges that the other party will be irreparably harmed and that there will be no adequate remedy at law for a violation of any of the covenants of the other party set forth herein. Therefore, it is agreed that, in addition to any other remedies that may be available to either party to this Addendum in connection with any such violation or prospective violation, such party shall have the right to enforce such covenant by specific performance, by injunctive relief or by any other means available to such party at law or in equity.

6.4 WellPoint warrants to BCBSA that: (i) the Merger identified in the proxy statement issued on May 9, 1997 by California Blue Cross has become effective in Delaware and California on the terms and with the effect described in that proxy statement; (ii) WellPoint provided BCBSA prior to August 4, 1997 with complete and accurate copies of WellPoint's Charter, WellPoint's Bylaws, the Voting Agreement, the Voting Trust Agreement and the Registration Rights Agreement as constituted immediately after the Reincorporation; (iii) there has been no change to any of the things cited in clause (ii) except for the amendment to the Voting Trust Agreement dated the date hereof and WellPoint provided a complete and accurate copy of that amendment to BCBSA prior to the date hereof; (iv) the Foundation has executed and delivered the Voting Agreement, the Voting Trust Agreement, the amendment to the Voting Trust Agreement dated the date hereof, and the Registration Rights Agreement; (v) on the date hereof, the Foundation Beneficially Owns approximately 25.6% of WellPoint's common stock outstanding; and (vi) no person other than the Foundation Beneficially Owns WellPoint shares representing more than 5% of the voting power.

6.5 The internal laws of the State of Illinois (irrespective of its choice of law principles) shall govern all issues concerning the validity of this Addendum, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties.

Each of the parties has executed this amendment and restatement of the New Addendum to evidence its agreement to be bound by all of its terms.

Blue Cross and Blue Shield Association

By: 
Name:
Title:

WellPoint Health Networks Inc.
(a Delaware corporation identified herein as "WellPoint")

By: Thomas C. Reisin
Name:
Title:

Blue Cross of California
(a California corporation identified herein as "California Blue Cross")

By: Thomas C. Reisin
Name:
Title:



FEDERAL ELECTION COMMISSION

Washington, DC 20463

November 10, 1999

**James A. Sivesind
Reed & Davidson
520 South Grand Avenue
Suite 700
Los Angeles, CA 90071-2645**

Dear Mr. Sivesind:

This refers to your letter dated November 4, 1999, on behalf of WellPoint Health Networks Political Action Committee, concerning the application of the Federal Election Campaign Act of 1971, as amended ("the Act"), and Commission regulations to the question of its affiliation with Blue Cross and Blue Shield Association PAC.

You have presented information as to the corporate reorganization surrounding WellPoint Health Networks, Inc. ("WellPoint") and Blue Cross of California ("BCC") and its effect on the relationship between WellPoint and the Blue Cross and Blue Shield Association ("BCBSA"). You also present other information as to WellPoint's organizational relationships with various corporate entities.

The Act authorizes the Commission to issue an advisory opinion in response to a "complete written request" from any person with respect to a specific transaction or activity by the requesting person. 2 U.S.C. §437f(a). Commission regulations explain that such a request "shall include a complete description of all facts relevant to the specific transaction or activity with respect to which the request is made." 11 CFR 112.1(c).

In view of the cited requirements, you will need to provide certain documents and additional information. Please send copies of WellPoint's charter and bylaws and WellPoint's licensing agreement with BCBSA. In order to obtain a clear picture of how the organizational relationships have changed, we will also need two charts. One should show how the BCC group of entities was organized (control and ownership relationships) prior to the series of conversions and recapitalizations that began in 1993, and the relationship of such entities to BCBSA. The second chart should show the same kinds of information for the present. The chart should be accompanied by clarifying explanations.

In addition, please provide a more detailed explanation as to the application of the BCBSA membership standards to WellPoint. Specifically, please explain which membership standards have been waived and which remain in effect, and how such waivers affect BCBSA's relationship with WellPoint.

Upon receiving the requested documents and information, this office will give further consideration to your inquiry. If you have any questions concerning the advisory opinion process or this letter, please contact Jonathan Levin, a senior attorney in this office, at 202-694-1650.

Sincerely,

Lawrence M. Noble
General Counsel

BY:


N. Bradley Litchfield
Associate General Counsel

Rec'd OGC
11-5-99
DL

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OF COUNSEL
BRADLEY W. HERTZ

November 4, 1999

Federal Election Commission
Office of General Counsel
999 E Street, N.W.
Washington, D.C. 20463

Re: WellPoint Health Networks "WELLPAC"

Dear Mr. Noble:

On behalf of WellPoint Health Networks Political Action Committee ("WELLPAC"), we seek an Advisory Opinion finding that WELLPAC is no longer affiliated with the Blue Cross and Blue Shield Political Action Committee ("BluePac"), the separate segregated fund of the Blue Cross and Blue Shield Association ("BCBSA"). In 1990, the Commission issued an opinion concluding that BCBSA was affiliated with each of its regular member plans. [FEC AO 1990-22 (Nov. 15, 1990) (the "1990 Advisory Opinion")]. However, since that time, WellPoint Health Networks Inc. ("WellPoint") has reorganized, and significant changes have occurred in WellPoint's and its Blue Cross of California ("BCC") subsidiary's relationship with BCBSA. We believe that these changes warrant a finding by the Commission that WELLPAC and BluePac are no longer affiliated¹.

WellPoint is a publicly traded managed care company with subsidiaries that offer a variety of health care plans and specialty products such as preferred provider organizations, pharmacy benefit management, dental, behavioral health and life insurance. WellPoint's subsidiaries operate under the Blue Cross and UNICARE brand names in California and under the UNICARE brand name in other states. WellPoint and BCC have signed license agreements² with BCBSA granting WellPoint, BCC and Blue Cross Life & Health Insurance Company ("BC Life") the exclusive use of the Blue Cross name and marks in California. WellPoint's subsidiaries provide medical plans

¹This Advisory Opinion request is limited to the issue of the disaffiliation of BluePac and WELLPAC based on significant changes related to the corporate organization of WellPoint since the 1990 Advisory Opinion. We express no view on whether BluePAC should be disaffiliated from other member PACs.

² WellPoint has a primary license agreement with BCBSA; BCC and BC Life, wholly-owned subsidiaries of WellPoint, have a controlled affiliate license agreement with BCBSA.

and specialty products under the UNICARE name to members in all fifty states, with offices in Alabama, the District of Columbia, Georgia, Illinois, Maryland, Massachusetts, Michigan, Mississippi, Nevada, New York, North Carolina, Ohio, Texas and Virginia.

BCC was originally established in 1937 as a nonprofit public benefit corporation. Between 1993 and 1996, BCC underwent a for-profit conversion and recapitalization in which it merged with and became a subsidiary of one of its former subsidiaries, WellPoint. Eighty percent of the shares issued by WellPoint during the conversion were transferred to California HealthCare Foundation ("CHF"), a charitable foundation. Since its 1996 establishment, CHF has sold its shares of WellPoint stock in several public offerings. CHF now holds approximately 6.7 percent of WellPoint's common stock and is among WellPoint's largest shareholders.

Affiliation Analysis

WELLPAC and BluePac are not automatically affiliated since they are not sponsored by a single corporation or its subsidiaries. Here, we will address each of the affiliation factors listed in Sections 100.5(g)(4)(ii) and 110.3(a)(3)(ii) of the Commission regulations. We believe that the facts demonstrate that BCBSA does not exercise a substantial degree of participation and control over the policies, practices and daily operations of WellPoint, and that the nature of the relationship between WellPoint and BCBSA has materially changed since 1990. Therefore, the separate segregated funds of these two organizations are not affiliated.

A. Controlling Interest

BCBSA does not own any direct or indirect interest in WellPoint. In addition, these two sponsoring organizations do not have common shareholders since BCBSA is a non-stock corporation.

B. Corporate Authority

BCBSA refers to itself as "An Association of Independent Blue Cross and Blue Shield Plans," and its publications emphasize that all of its member plans are independently owned and operated companies. A Blue Cross membership standard adopted after 1990 requires WellPoint to include a notice that it is an independent licensee of BCBSA on all public communications, including advertising, annual reports to shareholders, and contracts with providers and subscribers. Furthermore, WellPoint's license does not permit the corporation to imply that its obligations are backed up by BCBSA or to refer to the Blue Cross or Blue Shield plans as a single organization. BCBSA adopted these requirements so that BCBSA and its other licensees would not be held liable for the debts or obligations of a licensee.

The license agreements between WellPoint, BCC, BC Life and BCBSA also require WellPoint and California HealthCare Foundation, a minority shareholder of WellPoint, to comply with certain other membership standards.³ While several of these membership standards are restated in WellPoint's Charter (Certificate of Incorporation) and Bylaws, these provisions were added primarily for the purposes of diminishing CHF's influence at the time CHF had a controlling interest in WellPoint and preventing other special interests, such as health care providers, from acquiring control over WellPoint. Significantly, CHF no longer has a controlling interest in WellPoint and now holds less than 7% of the WellPoint stock. In short, these provisions should in no way be viewed as providing any authority to BCBSA with respect to directing or participating in the governance of WellPoint.

However, the membership standards are not mandatory. For example, WellPoint does not satisfy the standard that a BCBSA member plan must be operated as a nonprofit corporation. In recent years, BCBSA member plans in Georgia and other states have also gone through for-profit conversions. Additionally, Directors of BCBSA may approve a waiver of a membership standard. WellPoint requested and obtained a waiver of the membership limits.

We are aware of several Advisory Opinions in which the Commission determined that a corporation was affiliated with its licensees, but we believe the facts in those opinions demonstrated a much closer relationship between participation and control among the affected

³ The requirements that affect WellPoint include the following:

- WellPoint must seek approval from BCBSA for any transfer of control or assignment of rights or obligations related to the use of the Blue Cross name and marks;
- WellPoint must maintain certain levels of capital in order to remain a licensee;
- Institutional investors may not beneficially own more than 10 percent and non-institutional investors may not own more than five percent of WellPoint's shares;
- At least a majority of the positions on the WellPoint board must be held by directors who do not own more than a five percent interest in WellPoint and are not employees or shareholders of a health care provider;
- WellPoint must make a commitment to operate all its California healthcare businesses, other than certain businesses acquired from Massachusetts Mutual Life Insurance Company, under the Blue Cross name.

The requirements that affect the California Healthcare Foundation, a minority shareholder in WellPoint include the following:

- CHF must dispose of or deposit into a voting trust all except five percent of its WellPoint common stock by June 12, 1999;
- Certain shares covered by a voting agreement or a voting trust agreement with CHF must voted according to the terms of those agreements;
- Until CHF owns no more than five percent of WellPoint's stock, WellPoint is required to have a nominating committee comprised of three directors, including at least one designated by BCC;
- For a defined period, a majority of CHF's directors (and then at least 50%) were required to be former directors of California Blue Cross.

entities than now exists between BCBSA and WellPoint. For example, in Advisory Opinion 1985-31 (Nov. 22, 1985), the Commission decided that an insurance carrier was affiliated with each insurance agency that had entered into a "Full Service Agency Agreement" with the carrier. The agreement required the agency to sell only the carrier's policies and to obtain the carrier's prior approval before selling or transferring the agency. In return, the carrier paid one half of the agency's public relations expenses and provided other funds and services. In Advisory Opinion 1992-7 (Apr. 10, 1992), the Commission concluded that H & R Block, Inc. was affiliated with its franchisees, which were required to provide tax preparation and related services under the H & R Block name and marks only. The license agreements included covenants not to compete with H & R Block, Inc. and its other franchisees; prohibitions against divulging trade information; and requirements concerning the franchisee's hours of operation, maintenance of offices and equipment and hiring decisions. Other Advisory Opinions which discuss affiliation between a restaurant chain and its franchisees emphasize the license agreements' "extensive and detailed specifications concerning all aspects of the operation" of the franchisee, including "staffing, service, and building maintenance and design." [FEC AO 1988-46 (Nov. 30, 1988); FEC AO 1979-38 (July 31, 1979); FEC AO 1978-61 (Oct. 10, 1978); FEC AO 1977-70 (Mar. 29, 1978)].

WellPoint's license agreement with BCBSA contains a limited number of restrictions, but does not include the extensive and detailed specifications concerning all aspects of the operation of the licensee's business which were typically found in the prior licensee Advisory Opinions. [See FEC AO 1978-61 (Oct. 10, 1978); FEC AO 1977-70 (Mar. 29, 1978)]. BCBSA has no authority to control WellPoint's and its subsidiaries' decisions regarding staffing, service, and building maintenance and design. [Id.]

Moreover, unlike the licensees discussed in these opinions, WellPoint is not required to operate its health, life insurance and other related businesses solely under the Blue Cross name. [See FEC AO 1992-7 (Apr. 10, 1992); FEC AO 1985-31 (Nov. 22, 1985)]. WellPoint owns a number of other businesses that do not operate under the Blue Cross name. These corporations include UNICARE medical plans and various specialty businesses and plans that serve 30 million members. The nature and extent of the BCBSA license agreement does not demonstrate the kind of direction and control over WellPoint that existed in the previously issued Advisory Opinions.

BCBSA's relationship with WellPoint is comparable to the contractual business relationship found between Anheuser-Busch Companies, Inc. and its wholesale distributors, which was discussed in Advisory Opinion 1985-7 (Mar. 15, 1985). Under each Wholesaler Equity Agreement between Anheuser-Busch and a wholesaler, Anheuser-Busch was granted "a limited degree of influence over the management of the wholesaler, and also [had] the right to approve certain transfers and changes in the ownership of the wholesaler." In addition, the agreement included "provisions spelling out various operating, sales and merchandising methods and standards that must be adhered to by the wholesaler." Nevertheless, the Commission concluded that Anheuser-Busch

was not affiliated with any wholesaler because each wholesaler "maintain[ed] its status as an independent business, and its independence [was] not significantly impaired by its contractual relationship with Anheuser-Busch." The Commission noted that the wholesaler had the right to choose its own manager without interference from Anheuser-Busch and was permitted to market the products of other brewers.

WellPoint is currently planning to acquire another BCBSA licensee, Cerulean Companies, Inc. ("Cerulean"), the parent company of Blue Cross and Blue Shield of Georgia and other managed care and specialty plans. Pursuant to the reorganization plan, Cerulean will merge into a subsidiary of WellPoint. The merger plan, which is awaiting approval from the Georgia Department of Insurance, was approved by the shareholders of Cerulean on June 25, 1999. Cerulean provides managed care and related services under other brand names as well as the Blue Cross and Blue Shield brand name. Thus, as a result of the merger, WellPoint will acquire three separate subsidiaries: Blue Cross and Blue Shield of Georgia, HMO Georgia and Greater Georgia Life Insurance Company.

In the last few years, WellPoint has acquired other subsidiaries that are not Blue Cross licensees. These acquisitions, which have significantly increased WellPoint's membership, were completed by WellPoint independently of its business contract with BCBSA. For example, WellPoint purchased the Life and Health Benefits Management Division of Massachusetts Mutual Life Insurance Company in 1996. Similarly, in 1997, WellPoint completed the acquisition of the Group Benefits Operations of John Hancock Mutual Life Insurance Company. These businesses now operate under the UNICARE brand name.

In sum, the corporate authority factor has materially changed since the 1990 Advisory Opinion, and this is but one factor for the Commission to consider in reaching a determination as to the affiliation of BluePAC and WELLPAC.

C. Hiring Authority

BCBSA does not have any authority to hire, demote or control WellPoint's officers and employees. No employees or officers of BCBSA serve on WellPoint's board of directors. WellPoint's CEO and Chairman, Leonard D. Schaeffer, is a member of BCBSA's board of directors. However, because there are 56 other directors on BCBSA's board, Schaeffer has little influence over BCBSA's decisions to hire, demote or control BCBSA's officers and employees.

The 1990 Advisory Opinion stated that "BCBSA, through its membership standards, exerts control over the composition of the governing board of the Plans." However, BCBSA currently has no ability to influence the selection of WellPoint's officers, employees and directors.

WellPoint's bylaws include certain provisions relating to the composition of its board and nominating committee, but these provisions do not enable BCBSA to influence the selection process.

D. Common or Overlapping Membership

BCBSA and WellPoint have no overlapping members.

E. Common or Overlapping Officers, Employees and Directors

As mentioned above, Leonard D. Schaeffer, who is Chairman and CEO of WellPoint's seven-member board of directors and Chairman and CEO of Blue Cross of California, is a member of BCBSA's 56-member board of directors. There are no additional overlapping officers, employees or directors. In one recent Advisory Opinion, the Commission decided that two SSFs were not affiliated even though two persons who were high-ranking officers and directors of one sponsoring organization were appointed to the board of directors of the other sponsoring organization. [FEC AO 1997-25 (Jan. 16, 1998)].

F. Former Officers and Employees

Approximately three of WellPoint's employees are former employees of BCBSA. These employees are Michael Lohnberg, a BCC vice president; Ernst Gabora, a BCC department director; and James Inglese, a BCC project manager. Because WellPoint has over 11,000 employees, the presence of these few former employees of BCBSA does not even suggest any formal or ongoing relationship between the corporations.

G. Providing Funds or Goods

BCBSA provides very limited administrative services to WellPoint and other member plans, such as serving as the master contractor for large scale contracts with the federal government and a few other clients. However, BCBSA is compensated for these services, as well as for WellPoint's use of the Blue Cross name and mark. This suggests an arm's length relationship between the two corporations. In past Advisory Opinions, the Commission determined that two corporations engaging in arm's length transactions after a spinoff were not providing significant funds or goods to each other. [FEC AO 1996-23 (July 12, 1996); FEC AO 1995-36 (Nov. 2, 1995)]. Also, although BCBSA hires lobbyists to represent the association, WellPoint and BCBSA do not share registered lobbyists in Washington. WellPoint does not rely on BCBSA for its lobbying activities and has, in fact, retained its own lobbyists in Washington, D.C.

WELLPAC makes contributions to other industry-related PACs. In 1998 and 1999, WELLPAC contributed \$5,000 to BluePac. WELLPAC regularly contributes the same amount to the political action committees of other health care associations of which WellPoint is a member. For example, in April of this year, WELLPAC contributed \$5,000 to the Health Insurance Political Action Committee in Washington, D.C. Other than the two limited contributions to BluePAC, and license fees which are the result of an arm's length transaction, there have been no funds transferred between WellPoint or WELLPAC and BCBSA or BluePac.

H. Arranging for the Provision of Funds or Goods

BCBSA offers WellPoint and other membership plans certain voluntary contractual arrangements with vendors such as AT&T, IBM and United Airlines. These services are insubstantial and do not constitute the provision of funds or goods in a significant amount or on an ongoing basis.

I. Formation

In the 1990 Advisory Opinion, the Commission noted that "BCBSA seems to have an active or significant role in the formation of the Member Plans. In order for the Member Plans to function as Blue Cross and/or Blue Shield Plans, under those names, the Plans must be admitted for membership and granted the license to operate as such by BCBSA." [FEC AO 1990-22 (Nov. 15, 1990)]. When WellPoint was reorganized as the parent of BCC in 1996, WellPoint included certain provisions in its Certificate of Incorporation and Bylaws to satisfy the conditions of the license agreement. However, WellPoint was not formed for the sole purpose of operating the Blue Cross of California plan. In fact, WellPoint operates a number of other subsidiaries in California and other states that remain completely unaffected by these standards. In California, for example, WellPoint offers pharmacy benefit management services through a subsidiary which does not utilize the Blue Cross name:

J. Similar Contribution Pattern

BluePac does not solicit or receive contributions from WellPoint's restricted class, and WELLPAC does not solicit or receive contributions from BCBSA's restricted class. In addition, WELLPAC does not consult or coordinate with BluePac regarding the committees' contributions or on any other matters. Although WELLPAC and BluePac may occasionally contribute to the same candidates, this overlap is most likely the result of both corporations' interest in insurance and health care issues and does not indicate a formal or ongoing relationship between the PACs. We should note that WELLPAC contributes primarily to candidates from either California or states in which WellPoint's UNICARE subsidiaries conduct business, often in direct competition with BCBSA licensees.

I. Competition

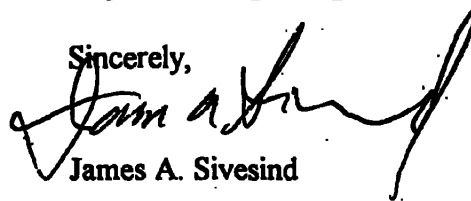
In past Advisory Opinions, the Commission has noted that competition between two sponsoring organizations may be a significant factor in disaffiliation analysis. [FEC AO 1996-42 (Nov. 18, 1996); FEC AO 1995-36 (Nov. 2, 1995)]. WellPoint competes directly with Blue Shield of California, another BCBSA member plan in California. In addition, WellPoint's UNICARE subsidiaries compete with BCBSA member plans in several states. For example, both UNICARE and Blue Cross companies currently offer managed care plans in Georgia, Illinois, Indiana, Maryland, Massachusetts, North Carolina, Ohio, Texas and Virginia. WellPoint's license agreement with BCBSA does not prohibit WellPoint from directly competing with other BCBSA licensees in these regions and does not restrict WellPoint from serving California employees of UNICARE members that are located outside of California.

Conclusion

WellPoint and its BCBSA licensed subsidiaries are contractually obligated to follow certain membership standards as part of their license agreements with BCBSA. However, the license requirements relating to WellPoint's structure were intended primarily to limit CHF's influence over WellPoint and its subsidiaries rather than to establish BCBSA's control over WellPoint. In addition, these requirements may be waived and are far less restrictive than the terms of the license agreements at issue in the Advisory Opinions in which the Commission has found affiliation between a licensor and a licensee. Moreover, WellPoint is not restricted from engaging in other specialty businesses within California and has significantly expanded its operations under the UNICARE brand name in other states. In fact, many of WellPoint's UNICARE subsidiaries directly compete with other BCBSA licensees including the direct competition between WellPoint and Blue Shield of California. Once WellPoint completes its acquisition of Cerulean, it will offer managed care services under both the UNICARE and Blue Cross and Blue Shield brand names in Georgia. These facts demonstrate that BCBSA no longer has substantial control and direction over the business policies, practices and procedures of WellPoint, and the Commission should determine that these two entities are not affiliated.

Please call us if you have any additional questions regarding this matter.

Sincerely,



James A. Sivesind

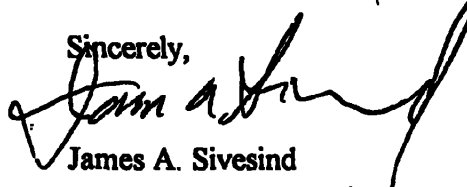
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