

**CONFIDENTIAL****Confidential Discussion**

Blue Cross of California  
Pre-Effective Amendment No. 5 to Notice of Material Modification Regarding  
Proposed Change in Control of Ultimate Parent Company  
April 21, 2004

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Blue Cross of California ("BCC") hereby files this Pre-Effective Amendment No. 5 to Notice of Material Modification Regarding Proposed Change in Control of Ultimate Parent Company (this "Amendment").

Background

On February 27, 2004, BCC filed a Notice of Material Modification Regarding Proposed Change in Control of Ultimate Parent Company (the "Notice of Material Modification"). The Department of Managed Health Care (the "Department") accepted the Notice of Material Modification for filing on March 1, 2004.

The Notice of Material Modification seeks the Department's approval for the merger of WellPoint Health Networks Inc. ("WellPoint") with and into an unaffiliated entity, Anthem Holding Corp. ("AHC") or, in lieu of AHC, ATH Holding Company, LLC ("ATH-LLC"). WellPoint is the ultimate parent company of BCC. AHC is an Indiana corporation and is a wholly owned subsidiary of Anthem, Inc. ("Anthem"), which is the ultimate parent company of a number of Blue Cross and Blue Shield companies that operate outside California. ATH-LLC is an Indiana single member limited liability company, disregarded as a separate entity for federal tax purposes, and also is a wholly owned subsidiary of Anthem.

This Amendment

Kathleen A. McKnight, Senior Counsel (Specialist), sent Thomas C. Geiser a letter dated April 14, 2004 (the "April 14 Letter"). Representatives of BCC, WellPoint, and Anthem discussed the April 14 Letter with Ms. McKnight and Mark Wright, Chief, Division of Financial Oversight, at the Department in a telephone conference held on April 20, 2004 (the "April 20 Telephone Conference"). This Amendment provides BCC's response to the April 14 Letter.

This Confidential Discussion

Representatives of BCC, WellPoint, and Anthem discussed Comment 1 in the April 14 Letter with Ms. McKnight and Mr. Wright in the April 20 Telephone Conference. BCC agreed to provide the Department with information as to bonus or severance compensation payable to executive management at BCC, WellPoint, and Anthem as a result of or in connection with the proposed merger and information as to the vesting of stock options and restricted stock in this regard. BCC provided a general discussion of these matters in Exhibit E-1 in the public portion of this Amendment, and BCC stated that it included a more detailed discussion of these matters in the

confidential portion of this filing. The following material constitutes the more detailed discussion, which BCC has included in the confidential portion of this filing.

As BCC previously has informed the Department, no compensation is payable to any director or officer of Anthem, ATH, ATH-LLC, WellPoint, or BCC solely as a result of the merger. While completion of the merger, alone, will not result in the payment of compensation to any of these individuals, completion of the merger and the occurrence of certain other events may result in the payment of certain bonus or severance compensation and may cause the accelerated vesting of certain stock options and the early lapse of restrictions under certain restricted stock grants.

WellPoint and BCC. With regard to WellPoint and BCC, these compensation matters relate to a "change-in-control" plan, better described as a "continuity-in-control" plan, and to certain unvested stock options.

*The Change-in-Control Plan.* WellPoint adopted the WellPoint Health Networks Inc. Officer Change in Control Plan (the "CIC Plan") in 1998 and amended it in 2001. This plan seeks to ensure continuity of management at WellPoint and its affiliates in the event of a change in control.

The CIC Plan provides for the following with respect to designated participants at WellPoint, BCC, and other, current affiliates:

1. If a participant in the CIC Plan remains with WellPoint, BCC, or their current affiliates after the effective time of the change in control, he or she may receive a change in control completion bonus equal to one year's base salary plus bonus. One-half of the change in control completion bonus is payable on the first anniversary of the closing of the merger, and one-half is payable on the second anniversary. The plan participant must remain employed on the first or second anniversary date of the closing in order to receive the applicable payment.
2. If a participant in the CIC Plan is involuntarily terminated or constructively terminated at any time within three years after the effective time of the change in control, he or she will become entitled to receive a cash severance payment. The payment will be made in a lump sum and, depending on the participant's title, will be between two and three times the participant's annual base salary plus bonus. The amount of any severance payment will be reduced by the amount of any change in control completion bonus that the participant has received.

These arrangements apply to 293 participants at WellPoint and BCC and their other, current affiliates, not just to directors and officers of BCC. In the April 20 Telephone Conference, WellPoint and BCC agreed to provide the Department with information regarding the maximum compensation in these categories for each of the following groups: WellPoint's executive officers; BCC's named officers; other senior management at BCC, and all participants in the CIC Plan. BCC has included that information in charts entitled "Merger Completion Bonus" and "Maximum Potential Severance Payments" in the confidential portion of this filing.

As these materials indicate, WellPoint and BCC estimated that, as of April 15, 2004, the maximum aggregate payments for the change in control completion bonus would be \$147,276,952 and the

maximum aggregate severance payments would be \$356,375,966. There are several important points to keep in mind with regard to these amounts:

- > Participants will be eligible to receive either a change in control completion bonus or a cash severance payment, but not both. As a result, these numbers establish the expected range of the maximum aggregate cash payments under the CIC Plan, which is \$147,276,952 to \$356,375,966.
- > As discussed above, the CIC Plan seeks to ensure continuity of management at WellPoint and its current affiliates. WellPoint and BCC expect a large majority of plan participants to remain with WellPoint (which will be merged with and into AHC or ATH-LLC) and BCC and their other, current affiliates after the effective time of the merger. As a result, BCC currently expects that the aggregate cash payments made under the CIC Plan will equal an amount closer to the maximum aggregate payments for the change in control completion bonus than the maximum aggregate severance payments. In fact, BCC previously estimated that the aggregate cash payments under the CIC Plan would be \$200,000,000. Please see Schedule B in the projected financial statements included in Exhibit HH-2 in the confidential portion of the Notice of Material Modification, as initially filed. Schedule B included a line item that reads "Retention, Severance and Change in Control Costs (approximately 280 officers and employees)" and estimated those costs at \$200,000,000.
- > Anthem and AHC or ATH-LLC, as the surviving entity in the merger with WellPoint, will fund any payments due under the CIC Plan. No such amounts will be paid by BCC by means of an administrative services agreement or other allocation of administrative costs.

*Vesting of Stock Options.* BCC also has included a chart entitled "Unvested Stock Options" in the confidential portion of this Amendment. If employees of WellPoint, BCC, and their other, current affiliates are involuntarily terminated or constructively terminated at any time within three years after the closing of the merger, any then-unvested stock options they have will vest immediately. This chart provides the Department with the dollar value of gain from the exercise of those options for the participants in the CIC Plan based on the options currently outstanding and the value of WellPoint's common stock as of April 15, 2004.

Anthem, AHC, and ATH-LLC. Anthem does not have any merger completion bonus or arrangements, any severance payment plans or arrangements, or other similar plans or arrangements under which payments to any directors, officers, or employees of Anthem, AHC, or ATH-LLC will be required as a result of the merger, except that (1) certain outstanding stock purchase options granted to non-employee directors and certain executive officers of Anthem will become vested earlier than otherwise would be the case and (2) there will be an early lapse of restrictions on restricted stock grants to certain executive officers of Anthem.<sup>1</sup>

In the April 20 Telephone Conference, Anthem agreed to provide the Department with information regarding the maximum compensation in these categories for each of the following groups:

<sup>1</sup> Without regard to the merger, all of these Anthem stock options would fully vest by May 2006 and all of the restrictions on the stock grants would lapse by December 2005.

Anthem's non-employee directors; Anthem's executive officers; and other senior management at Anthem. BCC has included the information Anthem has provided in this regard in the confidential portion of this Amendment.

Additional Requests

Following the April 20 Telephone Conference, Ms. McKnight asked BCC to provide the Department with certain additional, related information regarding the compensation of BCC's named officers and certain related matters. BCC has included that information on three additional pages of materials included in the confidential portion of this filing.

**Attachment 1**

**Merger Completion Bonus**

<b>Group</b>	<b># of Incumbents</b>	<b>Merger Completion Bonus</b>
WellPoint Executive Officers (1)	13	\$31,473,162
Named BCC Officers (2)	9	\$20,369,507
Other Senior BCC Management	39	\$16,674,907
All CIC Plan Participants	293	\$147,276,952

- In order to ensure continuity of management, each Change-in-Control Plan participant remaining with the merged company will become entitled to receive a merger completion bonus equal to one years' salary and bonus.
- The merger completion bonus is payable one-half on the first anniversary of the closing and one-half on the second anniversary of the closing, assuming the participant remains employed with the merged company on the relevant payment date.
- The merger completion bonus is not payable if the participant's employment with the merged company has terminated.

**(1) WellPoint Executive Officers**

Leonard D. Schaeffer, Chairman and CEO  
 David S. Helwig, President & CEO, Blue Cross of California  
 Joan Herman, President & CEO, Senior, Specialty and State Sponsored Programs  
 Rebecca Kapustay, President & CEO, Blue Cross Blue Shield of Wisconsin  
 John O'Rourke, President & CEO, Central Region  
 John S. Watts, Jr., President & CEO, Blue Cross Blue Shield of Georgia  
 Denny Weinberg, President & CEO, Arcus Enterprises  
 David Colby, EVP, Chief Financial Officer  
 Thomas C. Geiser, EVP, General Counsel and Secretary  
 Gene L. Householter, EVP, Central Services  
 Woodrow A. Myers Jr., MD, EVP, Chief Medical Officer  
 Ron J. Ponder, EVP, Chief Information Officer  
 Alice Rosenblatt, EVP, Integration Planning / Implementation and Chief Actuary

(2) Named Blue Cross of California Officers

Leonard D. Schaeffer - Chairman of the Board

David S. Helwig - President & CEO

Joan E. Herman - EVP

Woodrow A. Myers, Jr., M.D. - EVP

Kenneth C. Zurek - CFO

R. David Kretschmer - Treasurer

Vincent G. Mace - Chief Actuary

Thomas C. Geiser - Secretary

Robert A. Kelly - Assistant Secretary

**Maximum Potential Severance Payments**

<b>Group</b>	<b># of Incumbents</b>	<b>Severance for 7/1/04 Termination</b>
WellPoint Executive Officers (1)	13	\$103,474,458
Named BCC Officers (2)	9	\$64,661,038
Other Senior BCC Management	39	\$37,720,044
All CIC Plan Participants	293	\$356,375,966

- If a participant is involuntarily terminated or constructively terminated at any time within three years after the closing, he or she will become entitled to a cash severance payment.
- Any payment will be made in a lump sum and, depending on the participant's title, will be between two and three times the participant's annual salary and bonus.
- For these purposes, "constructive termination" includes a material reduction in the participant's title, status or duties or compensation or a requirement that the participant relocate more than 35 miles from his or her current employment location. In cases of constructive termination, the participant must actually terminate his or her employment before receiving the payment.
- Severance payments will be reduced by the amount of any merger completion bonus (discussed on the preceding page) paid.

**(1) WellPoint Executive Officers**

Leonard D. Schaeffer, Chairman and CEO  
 David S. Helwig, President & CEO, Blue Cross of California  
 Joan Herman, President & CEO, Senior, Specialty and State Sponsored Programs  
 Rebecca Kapustay, President & CEO, Blue Cross Blue Shield of Wisconsin  
 John O'Rourke, President & CEO, Central Region  
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Joan E. Herman - EVP  
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Kenneth C. Zurek - CFO  
R. David Kretschmer - Treasurer  
Vincent G. Mace - Chief Actuary  
Thomas C. Geiser - Secretary  
Robert A. Kelly - Assistant Secretary



**Unvested Stock Options**

<b>Group</b>	<b># of Incumbents</b>	<b>Unvested Options</b>	<b>Value of Unvested Options @ \$112.00</b>
WellPoint Executive Officers (1)	13	2,804,985	\$93,391,302
Named BCC Officers (2)	9	1,666,147	\$56,572,247
Other Senior BCC Management	39	773,865	\$24,676,250
All CIC Plan Participants	293	7,662,377	\$251,154,413

- If a participant is involuntarily terminated or constructively terminated at any time within three years after the closing, any then-unvested stock options will immediately vest.
- "Constructive termination" has the same definition for stock options as for cash severance payments described on the preceding page. Again, the participant must actually terminate his or her employment in order for the then-unvested options to vest.
- The dollar value shown above is based on the participants' unvested options as of April 15, 2004 and assumes a WellPoint stock price of \$112.00 per share. In order to realize the amounts shown, the participants would have to exercise the stock options. The value shown is net of exercise price for the stock options. Any amounts actually realized would be reduced by federal and state income taxes at ordinary income rates.

(1) WellPoint Executive Officers

Leonard D. Schaeffer, Chairman and CEO  
 David S. Helwig, President & CEO, Blue Cross of California  
 Joan Herman, President & CEO, Senior, Specialty and State Sponsored Programs  
 Rebecca Kapustay, President & CEO, Blue Cross Blue Shield of Wisconsin  
 John O'Rourke, President & CEO, Central Region  
 John S. Watts, Jr., President & CEO, Blue Cross Blue Shield of Georgia  
 Denny Weinberg, President & CEO, Arcus Enterprises  
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(2) Named Blue Cross of California Officers

Leonard D. Schaeffer - Chairman of the Board  
David S. Helwig - President & CEO  
Joan E. Herman - EVP  
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Kenneth C. Zurek - CFO  
R. David Kretschmer - Treasurer  
Vincent G. Mace - Chief Actuary  
Thomas C. Geiser - Secretary  
Robert A. Kelly - Assistant Secretary

**Attachment 2**

**Confidential**

**Merger Completion Bonuses and Severance Payments**

Anthem does not have any merger completion bonus plans or arrangements, any severance payment plans or arrangements, or any other similar plans or arrangements (except as described below) under which payments to any directors, officers or employees of Anthem will be required or "triggered" as result of the merger.

**Accelerated Vesting of Stock Options**

Under the Anthem 2001 Stock Incentive Plan, the merger will result in certain outstanding stock purchase options granted to non-employee directors and certain executive officers of Anthem, Inc. becoming fully vested. Following is a table that reflects the amount and value of these stock options granted to executive officers (based on the market price of Anthem's common stock at the close of business on Friday, April 16, 2005). It should be noted that, without the merger, all of these shares would vest by May 2006.

<b>Group (includes all executive officers of Anthem and all officers and directors of Anthem Holding Corp. / LLC)</b>	<b># of Participants</b>	<b>Shares of Common Stock under Stock Options that will Vest (3)</b>	<b>Value of Stock Options that will Vest, @ \$87.35 (4)</b>
Anthem Non-employee Directors	14	140,000	\$2,235,467
Anthem Executive Officers (1)	6	406,667	\$6,344,072
Other Anthem Senior Management (2)	8	109,667	\$1,710,823

(1) Anthem Executive Officers:

Larry C. Glasscock\*, Chairman, President and Chief Executive Officer of Anthem, Inc.  
 David R. Frick\*, Executive Vice President and Chief Legal and Administrative Officer of Anthem, Inc.  
 Michael L. Smith\*, Executive Vice President and Chief Financial and Accounting Officer of Anthem, Inc.

Keith R. Faller, President, Anthem Midwest  
 Marjorie W. Dorr, President, Anthem East  
 Thomas J. Snead, Jr., President, Anthem Southeast

*\*Directors and officers of Anthem Holding Corp. and ATH Holding Company LLC.*

(2) Other Anthem Senior Management:

Samuel R. Nussbaum, M.D., Executive Vice President and Chief Medical Officer of Anthem, Inc.  
 Michael D. Houk, President, National Accounts  
 Carolyn S. Mathews, Chief Operating Officer, Anthem Blue Cross and Blue Shield in Colorado and Nevada  
 John M. Murphy, President, Specialty Business  
 Jane E. Niederberger, Senior Vice President and Chief Information Officer of Anthem, Inc.  
 Mark Boxer, Senior Vice President, Chief Strategy and Business Development Officer of Anthem, Inc.

George D. Martin\*, Treasurer of Anthem, Inc.  
Nancy L. Purcell\*, Secretary of Anthem, Inc.  
\*Officers of Anthem Holding Corp. and ATH Holding Company LLC.

- (3) Without the merger, all of these shares would vest by May 2006, with approximately 2/3 vesting in May 2005 and the remainder vesting in May 2006. (Shares that will vest in May 2004, before the merger closes, are excluded from the table.)
- (4) Value is net of the exercise price under each stock option.

**Early Lapse of Restrictions under Restricted Stock Grants**

Under the Anthem 2001 Stock Incentive Plan, the merger will result in the lapse of restrictions under restricted stock granted to certain executive officers of Anthem, Inc. Following is a table that reflects the amount and value of these shares of stock (based on the market price of Anthem's common stock at the close of business on Friday, April 16, 2003). It should be noted that, without the merger, all of these shares would vest by December 2005.

<b>Group (includes all executive officers of Anthem and all officers and directors of Anthem Holding Corp. / LLC)</b>	<b># of Participants</b>	<b>Shares of Common Stock that will Vest (3)</b>	<b>Value of Stock that will Vest, @ \$87.35</b>
Anthem Executive Officers (1)	6	93,000	\$8,175,960
Other Anthem Senior Management (2)	8	0	\$0

(1) Anthem Executive Officers:

Larry C. Glasscock\*, Chairman, President and Chief Executive Officer of Anthem, Inc.  
 David R. Frick\*, Executive Vice President and Chief Legal and Administrative Officer of Anthem, Inc.  
 Michael L. Smith\*, Executive Vice President and Chief Financial and Accounting Officer of Anthem, Inc.  
 Keith R. Faller, President, Anthem Midwest  
 Marjorie W. Dorr, President, Anthem East  
 Thomas J. Snead, Jr., President, Anthem Southeast  
*\*Directors and officers of Anthem Holding Corp. and ATH Holding Company LLC.*

(2) Other Anthem Senior Management: (2) Other Anthem Senior Management:

Samuel R. Nussbaum, M.D., Executive Vice President and Chief Medical Officer of Anthem, Inc.  
 Michael D. Houk, President, National Accounts  
 Carolyn S. Mathews, Chief Operating Officer, Anthem Blue Cross and Blue Shield in Colorado and Nevada  
 John M. Murphy, President, Specialty Business  
 Jane E. Niederberger, Senior Vice President and Chief Information Officer of Anthem, Inc.  
 Mark Boxer, Senior Vice President, Chief Strategy and Business Development Officer of Anthem, Inc.  
 George D. Martin\*, Treasurer of Anthem, Inc.  
 Nancy L. Purcell\*, Secretary of Anthem, Inc.  
*\*Officers of Anthem Holding Corp. and ATH Holding Company LLC.*

(3) Without the merger, all of these shares would vest by December 2005, with 1/2 vesting in December 2004 and 1/2 vesting in December 2005.

**LEONARD D. SCHAEFFER**  
**VALUE OF WELLPOINT STOCK AND STOCK OPTIONS**  
**DATA AS OF APRIL 21, 2004**  
**At \$112.00 Per Share**

	<b>NUMBER</b>	<b>VALUE</b>
<b>Shares Owned (1)</b>	854,777	\$95,735,024
<b>Options (2)</b>	3,207,541	\$152,905,685

Notes:

- (1) The value of shares owned is represented as 854,777 shares x \$112.00 per share.
- (2) The value of options is the pre-tax gain based on an average option exercise price of \$64.3293124.

**Additional Materials****2003 BASE SALARIES OF BLUE CROSS OF CALIFORNIA OFFICERS**

<b>OFFICER - TITLE</b>	<b>2003 BASE SALARY</b>
Leonard D. Schaeffer - Chairman of the Board	1,308,750
David S. Helwig - President & CEO	515,000
	510,000
	455,375
	268,648
	227,720
	250,607
Thomas C. Geiser - Secretary	526,538
	201,455

**WellPoint Health Networks  
Officer Change-In-Control Program**

Potential Value of Continued Health care (Medical, Prescription Drugs, Dental) Benefits

Estimated Company Cost: \$3,400,000

Notes:

1. Assumes all 293 eligible person are terminated.
2. These benefits expire early for persons who become eligible for such benefits from a successor employer's plans. This estimate assumes that payment is made for the full term of benefit.