

THE AGREEMENT

CONNECTICUT HEALTH FOUNDATION - CONNECTICARE

The agreement calls for an investment in ConnectiCare by affiliates of two private equity investment firms -- The Carlyle Group and Liberty Partners. As a result of this agreement, the Connecticut Health Foundation will receive over \$130 million and ConnectiCare will receive \$20 million.

THE INVESTORS

The Carlyle Group is a leading global private equity investment firm founded in 1987. Carlyle has invested more than \$4.5 billion in equity in corporate and real estate transactions with an aggregate acquisition value of \$13.9 billion. The firm conducts its investment activities through focused industry groups, including healthcare, telecommunications, aerospace, and information technology.

Liberty Partners is a \$1.5 billion private equity firm. With a professional staff of ten individuals, Liberty focuses on growth equity investments in the technology and healthcare sectors as well as capital investments in traditional leveraged buyouts. For more information about Liberty Partners, including a description of its portfolio companies, see www.libertypartners.com.

THE FOUNDATION

The Connecticut Health Foundation was created as a non-profit entity in July 1999 as part of ConnectiCare's reorganization into a for-profit entity. As a result of the reorganization, the Foundation was established as the sole ConnectiCare stockholder. The reorganization plan envisioned the eventual sale of the Foundation's ConnectiCare stock to fund future Foundation health-oriented initiatives.

CONNECTICARE

ConnectiCare, Inc. is one of Connecticut's largest health maintenance organizations and is recognized as one of America's highest rated health plans. Together with its affiliate, ConnectiCare of Massachusetts, Inc., it serves over 240,000 members in Connecticut and western Massachusetts and has a network of more than 6,000 participating health care providers and 34 hospitals. ConnectiCare Holding Company, Inc. was created in July 1999 at the time of ConnectiCare, Inc.'s reorganization to for-profit status.

BENEFITS

The State of Connecticut: The State will have a large, well-funded health foundation to support programs designed to serve the health care needs of the people of Connecticut. Members, employers, and the State health care marketplace will benefit from ConnectiCare's continued competitive presence as an independent, locally focused, Connecticut-based HMO. The transaction will result in continued availability of ConnectiCare coverage for employers in Connecticut, which has implications for job growth and competitive issues and continued economic expansion.

Connecticut Health Foundation: The transaction will provide more than \$130 million to the Foundation, making it the largest of its kind in the State and a powerful positive force for health care. The monies will be used by the Foundation, among other things, to provide grants to groups, organizations and health-related agencies designed to improve the health of the citizens of Connecticut. The Foundation will be financially able to fulfill its mission of having a significant positive impact on the health of state residents. Initiatives designed to reduce ethnic and racial health disparities, as well as to support oral health and children's mental health needs, have been identified as top funding priorities.

ConnectiCare, members and employees: The company will continue as an independent, Connecticut-based, health maintenance organization, which is known for its best in class service, quality and financial performance. A portion of the new capital investment in ConnectiCare will be used to expand its products and services, as well as to enhance the health plan's high-quality, member-focused services. ConnectiCare will continue to increase its focus on growth, competitiveness, strength, and service to its members and employers, and will continue to be an important partner in improving the health of Connecticut residents.

THE PROCESS

The selection of The Carlyle Group and Liberty Partners required a vigorous process designed to ensure fairness to the Foundation, as defined, monitored and approved by Connecticut Attorney General Richard Blumenthal.

The next step is for a review of the agreement by the Connecticut Department of Insurance with closing expected about the end of the first quarter of 2001.

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