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February 24, 1999

Certified Mail # Z 559 625 153

2520032905027

Top Hat Plan Exemption  
Pension and Welfare Benefits Administration  
Room N-5644  
U.S. Department of Labor  
200 Constitution Avenue N.W.  
Washington, D.C. 20210

Re: Blue Cross and Blue Shield of Minnesota Specially Negotiated  
Supplemental Retirement Plan

Dear Sir/Madam:

In accordance with Department of Labor regulation section 2520.104-23, you are hereby advised that Blue Cross and Blue Shield of Minnesota has established the Blue Cross and Blue Shield of Minnesota Specially Negotiated Supplemental Retirement Plan. The Plan was adopted on February 19, 1999 and was established to provide deferred compensation for a select group of management and highly compensated employees. The Specially Negotiated Supplemental Retirement Plan currently covers two employees. A copy of the Plan document is enclosed. The employer identification number of Blue Cross and Blue Shield of Minnesota is 41-0984460. The address for Blue Cross and Blue Shield of Minnesota is 3535 Blue Cross Road, P.O. Box 64560, St. Paul, Minnesota 55164-0560.

If you have any questions regarding this notice and/or need any further information with respect to the Specially Negotiated Supplemental Retirement Plan, please contact the undersigned.

Very truly yours,



Anthony R. Battles

ARB/das  
enclosures

cc: Diane Pozdolski (w/o enclosure)  
Roger Kleppe (w/o enclosure)

BLUE CROSS AND BLUE SHIELD OF MINNESOTA  
SPECIALLY NEGOTIATED SUPPLEMENTAL RETIREMENT PLAN  
(As Adopted Effective January 1, 1998)

Article I

General

1.1 Name of Plan. The name of the plan set forth herein is "Blue Cross and Blue Shield of Minnesota Specially Negotiated Supplemental Retirement Plan." It is sometimes referred to herein as the "Plan".

1.2 Company. The "Company" is Blue Cross and Blue Shield of Minnesota and any successor employer thereto.

1.3 Purpose. The Plan has been established to provide certain benefits which cannot be provided by the Blue Cross and Blue Shield of Minnesota Pension Equity Plan (the "Pension Equity Plan") and/or the Blue Cross and Blue Shield of Minnesota Employee Savings Plan (the "Savings Plan") because of legal restrictions under the Internal Revenue Code (the "Code") or because the terms of the Pension Equity Plan or Savings Plan do not provide for these benefits. These additional benefits may be based on grants of additional past service credit, additional vesting service or inclusion of certain compensation, which are not recognized under the Pension Equity Plan or the Savings Plan.

1.4 Top Hat Plan. By providing such benefits, the Plan is intended to be a "top hat plan," which is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensation employees as described in Sections 201(2), 301(a)(3) and 401(a)(1) of the Employment Retirement Income Security Act of 1974 ("ERISA"). Because the Plan provides deferred compensation for a select group of management or highly compensated employees, it is exempt from most requirements of ERISA.

1.5 Definitions. Unless otherwise specified herein, capitalized terms used herein shall have the meaning specified in the Pension Equity Plan and the Savings Plan as amended from time to time.

1.6 Participating Employers. An employer that is a Participating Employer under the Pension Equity Plan or the Savings Plan is also a Participating Employer under this Plan.

## Article II

### Benefits

2.1 Eligibility to Receive a Benefit. Upon a Participant's Termination of Employment, a benefit shall be payable under this Plan if benefits under the Pension Equity Plan or the Savings Plan are limited as described in Sec. 1.3. Each employee or former employee eligible to receive a benefit under this Plan is a "Participant" in this Plan if the Company has agreed to provide additional benefits outside of the Pension Equity Plan and Savings Plan, as evidenced by an Individual Agreement, described in Sec. 2.2.

2.2 Individual Agreements. Benefits provided by this Plan must be evidenced by individual agreements between the Company and individuals who are, or may become, eligible for such benefits (Individual Agreements). Benefits under the Plan will be paid only to the extent provided in an Individual Agreement. An Individual Agreement may be attached to this Plan as an appendix, but that is not required so long as the Individual Agreement specifically references this Plan. Any such Individual Agreement may provide for additional benefits over and above those payable under this Plan.

2.3 Amount Payable. The benefit payable with respect to a Participant shall be determined and paid as follows:

- (a) The "Specially Negotiated Supplemental Pension" payable under this Plan is a lump sum amount payable to the Participant, surviving spouse or Beneficiary in an amount equal to the amount, if any, by which (1) exceeds (2):
  - (1) The lump sum amount which would have been payable under the Pension Equity Plan and/or Savings Plan if the limitations referred to in Sec.1.3 did not apply and taking into account the special terms of the Participant's Individual Agreement
  - (2) The lump sum amount actually payable under the Pension Equity Plan and/or Savings Plan.
- (b) The Specially Negotiated Supplemental Pension shall be paid to the Participant in the form of a lump sum as soon as practicable following the Participant's Termination of Employment. If the Participant dies before receiving the lump sum distribution from this Plan, the Specially Negotiated Supplemental Pension will be paid to the same individuals and in the same manner as death benefits are to be paid under the Pension Equity Plan and/or the Savings Plan.
- (c) If it is necessary to use actuarial equivalents to calculate the portion of the Specially Negotiated Supplemental Pension that is based on the Pension

Equity Plan, the “Actuarial Equivalent” factors used in calculating the lump sum amount will be the same as are used for that purpose in the Pension Equity Plan.

2.4 No Duplication of Benefits. Benefits under this Plan shall not duplicate benefits payable under the Blue Cross and Blue Shield of Minnesota Supplemental Retirement Plan, which is an excess benefit plan designed to provide benefits in excess of the limitations under Code sections 415 and 401(a)(17). This Plan will be administered and construed accordingly.

### Article III

#### Administrative and Miscellaneous Provisions

3.1 Administration of Plan. The Plan shall be administered by the Company. The Company has discretionary authority to construe the terms of the Plan and to make all decisions and interpretations incident thereto. The Company may from time to time adopt such rules for the administration of the Plan as it deems appropriate. The decision of the Company on any matter affecting the Plan or the rights and obligations arising under the Plan is final and binding upon all persons.

3.2 No Assignment of Alienation. No Participant or Beneficiary shall have any right to assign, pledge, transfer or otherwise hypothecate this Plan or the payments hereunder, in whole or in part. Benefits under this Plan will not be subject to execution, attachment, garnishment or similar process.

3.3 Unfunded Promise to Pay. This Plan constitutes the Company’s unconditional promise to pay the amounts which become payable pursuant to the terms hereof. A Participant’s rights are solely those of an unsecured creditor. This Plan does not give any Participant or Beneficiary a security interest in any specific assets of the Company.

3.4 No Contract of Employment. This Agreement shall not be construed as a contract of employment and does not restrict the right of the Company or any of its subsidiaries to discharge the Participant or the right of the Participant to terminate employment.

3.5 Rules of Construction and Applicable Law. The provisions of this Agreement shall be construed and enforced according to the laws of Minnesota to the extent such laws are not preempted by ERISA.

3.6 Agreement Binding on Successors and Assigns. This Agreement shall be binding upon and for the benefit of the successors and assigns of the Company, whether by way of merger, consolidation, operation of the law, assignment, purchase or other acquisition of substantially all of the assets or business of the Company, and any such successor or assign shall absolutely and unconditionally assume all of the Company’s obligations hereunder.

3.7 Indemnification. In addition to any other applicable provisions of indemnification, the Company agrees to indemnify and hold harmless, to the extent permitted by law, each employee of the Company (collectively referred to herein as "Indemnitee") against any and all liabilities, losses, costs or expenses (including legal fees) of whatsoever kind and nature which may be imposed on, reasonably incurred by, or asserted against such person at any time by reason of such person's services in connection with the Plan, but only if such person did not act dishonestly or in bad faith or in willful violation of the law or regulations under which such liability, loss, cost or expense arises. The Company shall have the right, but not the obligation, to select counsel and control the defense and settlement of any action against the Indemnitee for which the Indemnitee may be entitled to indemnification under this provision.

Article IV

Amendment or Termination

4.1 Amendment. The Company, or a person or persons so authorized by the Company, may amend the Plan from time to time.

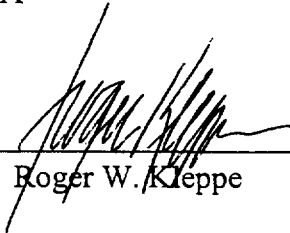
4.2 Termination. The Company, by a person or persons so authorized by the Company, may terminate the Plan at any time.

4.3 Preservation of Benefits. Notwithstanding any provisions of Sec. 4.1 or Sec. 4.2 to the contrary, no amendment or termination of the Plan under said sections shall have the effect of reducing a Participant's aggregate benefit under this Plan and the Pension Equity Plan and/or the Savings Plan to less than the amount which would have been payable if the amendment or termination had not occurred, said amount to be based solely on compensation and service prior to the effective date of the amendment or termination.

**IN WITNESS WHEREOF, BLUE CROSS AND BLUE SHIELD OF MINNESOTA** has caused this instrument to be adopted by its Vice President Human Resources, Quality Management, and Strategic Development.

BLUE CROSS AND BLUE SHIELD OF  
MINNESOTA

2/19/99  
Date

By   
Roger W. Kleppe

**AGREEMENT TO PROVIDE ADDITIONAL  
RETIREMENT BENEFITS UNDER SPECIALLY  
NEGOTIATED SUPPLEMENTAL RETIREMENT PLAN**

Pursuant to this Agreement, Blue Cross Blue Shield of Minnesota (the "Company") hereby agrees to provide, Douglas J. Hiza ("Executive") with certain benefits under the Blue Cross Blue Shield of Minnesota Specially Negotiated Supplemental Retirement Plan, as follows:

WHEREAS, the Company wishes to obtain the services of Executive; and

WHEREAS, the Company wishes to provide Executive with additional retirement benefits that cannot be legally provided under the Blue Cross Blue Shield of Minnesota Pension Equity Plan (the "Pension Equity Plan"), and/or the Blue Cross Blue Shield of Minnesota Employee Savings Plan (the "Savings Plan") due to the legal restrictions under the Internal Revenue Code or because the terms of the Pension Equity Plan or Savings Plan do not recognize certain past service or certain compensation.

WHEREAS, these supplemental benefits will be provided through the Blue Cross Blue Shield of Minnesota Specially Negotiated Supplemental Retirement Plan.

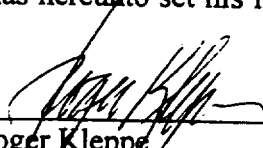
NOW, THEREFORE, the Company hereby agrees to provide the additional retirement benefits under the Specially Negotiated Supplemental Retirement Plan based on the following:

- Your service with First Plan, retroactive to July 1, 1977, is recognized for vesting and credited service for purposes of the additional benefit that will be calculated using the benefit formula under the Pension Equity Plan.
- You are treated as vested under the Savings Plan.

All of the items listed above will be used to calculate the additional amount payable to Executive under this Plan and will not increase the amounts payable under the Pension Equity Plan or the Savings Plan.

IN WITNESS WHERE OF, the undersigned has hereunto set his hand this 19 day of

February, 1999.

  
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Roger Kleppe  
Vice President, Human Resources

**AGREEMENT TO PROVIDE ADDITIONAL  
RETIREMENT BENEFITS UNDER SPECIALLY  
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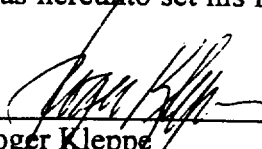
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IN WITNESS WHERE OF, the undersigned has hereunto set his hand this 19 day of

February, 1999.

  
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Roger Kleppe  
Vice President, Human Resources