



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

**Tommy G. Thompson**  
Governor

**Connie L. O'Connell**  
Commissioner

January 24, 2001

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Advanced Via Facsimile

Mr. Joseph C. Branch  
Foley & Lardner  
Firststar Center  
777 E. Wisconsin Avenue  
Milwaukee, WI 53202-5367

Re: Blue Cross Conversion – Compliance with Order

Dear Mr. Branch:

This acknowledges receipt of your filing of January 16, 2001, regarding Blue Cross & Blue Shield United of Wisconsin's compliance with the terms and conditions of the March 28, 2000 order for its conversion.

In reviewing the filing, we note that the transaction, as proposed, meets many of the requirements of the March 28, 2000 order. However, our review of your January 16, 2001 filing and United Wisconsin Services' (UWS) Form S-4 filing with the Securities and Exchange Commission (SEC) indicates a number of issues concerning certain aspects of the transaction, as we perceive it, which require resolution:

- Blue Cross' retention of its ownership interest in its parent, UWS/Cobalt, post-conversion.
- Independent information as to whether the proposed conversion transaction, taken as a whole, is fair, from a financial point of view, to Blue Cross, the Foundation, and the public at large, including Blue Cross' policyholders.
- Achieving the minimum public float contemplated by the order.
- The nomination and election of Cobalt directors by non-Foundation stockholders.
- Articles and Bylaws of the Foundation and Cobalt.
- Fully functional Foundation, including:
  - Specific terms for the Foundation board members. As we have previously discussed with you, the public members of the board were to be weighted to the longest terms, while the medical school representatives were to be staggered evenly over the earlier terms. Accordingly, each of the initial members of the board of Wisconsin United for Health Foundation, Inc. should have the following terms:

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➤ Louise G. Trubek	March 2008
➤ Dr. Howard Fuller	March 2008
➤ David G. Meissner	March 2007
➤ Thomas L. Lyon	March 2007
➤ Ben Brancel	March 2008
➤ Robert F. Froehlke	March 2006
➤ George K. Steil, Sr.	March 2007
➤ Katherine M. Hudson	March 2006
➤ John W. Daniels, Jr.	March 2006

- The Voting Trust and Divestiture Agreement.
- The Registration Rights Agreement.

We suggest that a meeting between representatives of your client and OCI staff be held as soon as you have had an opportunity to review this letter so that we can discuss these issues in greater detail.

We look forward to working with you and your client to discuss the remaining issues in order to effectuate the conversion under the terms of the March 28, 2000 order.

Sincerely,

Connie L. O'Connell  
Commissioner of Insurance

cc: Thomas R. Hefty