

FOLEY & LARDNER

ATTORNEYS AT LAW

BRUSSELS
CHICAGO
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MADISON
MILWAUKEE

FIRSTSTAR CENTER
777 EAST WISCONSIN AVENUE
MILWAUKEE, WISCONSIN 53202-5387
TELEPHONE (414) 271-2400
FACSIMILE (414) 297-4900

ORLANDO
SACRAMENTO
SAN DIEGO
SAN FRANCISCO
TALLAHASSEE
TAMPA
WASHINGTON, D.C.
WEST PALM BEACH

WRITER'S DIRECT LINE
(414) 297-5837

EMAIL ADDRESS
jbranch@foleylaw.com

CLIENT/MATTER NUMBER
016125-0107

March 9, 2001

VIA HAND DELIVERY

Connie L. O'Connell
Commissioner of Insurance
State of Wisconsin
121 East Wilson Street
Madison, WI 53707-7873

Re: Blue Cross Conversion Compliance with Order

Dear Commissioner O'Connell:

I am writing on behalf of my client Blue Cross and Blue Shield United of Wisconsin ("BCBSUW") regarding their compliance with the terms and conditions of your March 28, 2000 order on BCBSUW's conversion from a not for profit service insurance corporation to a shareholder owned insurance company ("Conversion").

I sent you a letter dated January 16, 2001 in which I indicated that BCBSUW had complied with all of the terms and conditions of your March 28, 2000 order. You then sent me a letter dated January 24, 2001 indicating that while BCBSUW had complied with many of the terms and conditions of the order, there were still issues outstanding that needed to be addressed. You then listed those outstanding issues and suggested a meeting be held between representatives of BCBSUW and your staff.

A meeting was held at the Office of the Commissioner of Insurance on February 5, 2001 to discuss the items in your letter. Representatives of BCBSUW, their lawyer and investment banker, and OCI staff and its investment banker were present. We believed that we reached resolution on a number of key items listed in your letter. Since that meeting representatives of BCBSUW and your office continued to meet to refine our understanding of how BCBSUW would meet the concerns you and your staff have raised.

You indicated to us that BCBSUW should send notification to you when BCBSUW satisfied your requirements for final approval of the plan of Conversion and Combination of BCBSUW and United Wisconsin Services, Inc. ("Conversion"). This letter is

intended to inform you that BCBSUW is in full compliance with each and every term and condition of your order.

Let me review some of what has transpired since our exchange of correspondence in January. On February 13, 2001 the Board of Directors of the Wisconsin United for Health Foundation, Inc. ("Foundation") met and approved, among other items, the articles and bylaws of the Foundation, including the terms for each director as indicated in your January 24 letter. The Foundation Board also asked our help in selecting a voting trustee for the Foundation pursuant to the terms and conditions of the Voting Trust and Divestiture Agreement approved by OCI. The Marshall & Hsley Trust Company has been contacted and, I am informed, has agreed to serve as Voting Trustee and banker for the Foundation. Foundation Chair and President Ben Brancel has indicated he intends to engage a law firm to serve the Foundation prior to the anticipated closing of the Conversion and the transfer of cash and Cobalt shares to the Foundation. Meanwhile, BCBSUW is funding the costs of the law firm of Foley and Lardner to assist the Foundation until such time that the Foundation engages a law firm.

On February 23, 2001 the shareholders of UWS met and overwhelmingly voted in favor of the Combination. On February 28, 2001 the Members of BCBSUW met and approved a resolution accepting the plan of conversion as amended by OCI.

As of the close of trading today on the New York Stock Exchange, UWS stock has closed at a price above \$5.50 per share on each of the last twenty-five of the thirty prior trading days. I have enclosed a schedule showing each of the last thirty days of trading, the number of outstanding shares, the price at the close of trading and the total amount of public float. While your standard of what was need regarding the public float was a high one by comparison to other transactions (i.e., meeting the public float requirement on twenty of thirty days), your standard has not only been met but exceeded.

BCBSUW agreed that they would request a Fairness Opinion from their banker, Bear Stearns, and they have done so. We would expect to provide you with a copy of the Bear Stearns fairness opinion immediately upon our receipt of the DBAB fairness opinion.

Finally, the Board of Directors of the Blue Cross and Blue Shield Association will be meeting on March 15 and 16, 2001 and will be asked to vote on a resolution approving the final terms of the BCBSUW Conversion. The Association Board previously voted to approve the terms of the Conversion, and is now being asked to approve the changes to the Conversion which were made after the Association gave its initial approval. Additionally, the Plan Performance and Financial Standards Committee of the Association's Board of Directors unanimously approved these changes before sending the matter to the full Board of Directors. Further, the staff of the Association has recommended approval of the resolution. Based on the Association's previous approval, the committee's approval and the staff's recommendation, we have every reason to believe that the resolution will be adopted.

All other terms and conditions of your March 28, 2000 order have been met. BCBSUW will close this transaction and transfer the cash and shares of stock to the Foundation as soon as practicable after receiving the final approvals from OCI and the Association.

We now await your final approval of the Conversion. In addition, BCBSUW will need to receive from OCI a new Certificate of Authority in order to close this transaction.

We appreciate your assistance in this matter and look forward to concluding this process so that the funds generated by this conversion may begin to improve the health of the citizens of Wisconsin.

I want to personally thank you and your staff for the considerable patience and cooperation extended throughout this entire process.

Very truly yours,



Joseph C. Branch

cc: Stephen E. Bablitch
Thomas M. Rose

United Wisconsin Services, Inc. Outstanding Shares

| Date | Total Shares Outstanding | BCBSU | Public | Closing Price | Public Float |
|-----------|--------------------------|-----------|-------------|---------------|--------------|
| | (a) | (b) | (a)-(b)=(c) | (d) | (c)x(d) |
| 1/22/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 4.6875 | 42,651,577 |
| 1/29/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 4.79 | 43,584,224 |
| 1/30/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 4.90 | 44,585,115 |
| 1/31/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 5.40 | 49,134,616 |
| 2/01/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 5.40 | 49,134,616 |
| 2/02/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.47 | 58,870,549 |
| 2/05/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.70 | 60,963,320 |
| 2/06/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.87 | 62,510,151 |
| 2/07/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.65 | 60,508,370 |
| 2/08/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.38 | 58,051,639 |
| 2/09/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.18 | 56,231,839 |
| 2/12/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.35 | 57,778,669 |
| 2/13/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.23 | 56,686,789 |
| 2/14/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.05 | 55,048,968 |
| 2/15/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.10 | 55,503,918 |
| 2/16/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.05 | 55,048,968 |
| 2/19/2001 | Holiday | | | | |
| 2/20/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.23 | 56,686,789 |

| Date | Total Shares Outstanding | BCBSU | Public | Closing Price | Public Float |
|-----------|--------------------------|-----------|-----------|---------------|--------------|
| 2/21/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.25 | 56,868,769 |
| 2/22/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.00 | 54,594,018 |
| 2/23/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.04 | 54,957,978 |
| 2/26/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.25 | 56,868,769 |
| 2/27/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.00 | 54,594,018 |
| 2/28/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.30 | 57,323,719 |
| 3/01/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.50 | 59,143,520 |
| 3/02/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.25 | 56,868,769 |
| 3/05/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.60 | 60,053,420 |
| 3/06/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 6.90 | 62,783,121 |
| 3/07/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 7.50 | 68,242,523 |
| 3/08/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 7.60 | 69,152,423 |
| 3/09/2001 | 17,048,908 | 7,949,905 | 9,099,003 | 7.75 | 70,517,273 |

Distribution: Gail Hanson, Steve Bablitch, Tom Hefty, Tim Cullen, Geoff Morgan, Joe Branch

outstandingshares