

December 13, 2004

Steven J. Junior, Senior Insurance Examiner
Bureau of Financial Analysis and Examinations
Office of the Commissioner of Insurance
125 South Webster Street, PO Box 7873
Madison, WI 53707-7873

COMMUNICATIONS SECTION
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RE: Acquisition of Control of Unity Health Plans Insurance Corporation
(Case No 04-C29300)
UHC Responses to Third Set of Questions

Dear Mr. Junior:

Please be advised that I am in receipt of your third set of questions as posed in your letter of December 10, 2004. Our responses to those questions appear below. Please note (a) that each exhibit number corresponds directly to the number of the question to which it is responsive; and (b) that question number one has been amended to reflect your discussion with Ms. Claudia Sanders, earlier today.

1. Please provide an analysis of the likely impact, if any, to competition in the HMO marketplace in south central and southwestern Wisconsin as a result of the University Health Care, Inc. ("UHC") acquisition of Unity Health Plans Insurance Corporation ("UHP").

Response: The acquisition of Unity by UHC, at a minimum, preserves the status quo, and may effect an increase in the number of HMO or network insurance options available to consumers in south central and southwestern Wisconsin. These include, but are not necessarily limited to:

- Compcare
- Dean Health Plan, Inc. ("DHP")
- Group Health Cooperative ("GHC")
- Physician's Plus Insurance Corporation
- Unity Health Plans Insurance Corporation
- Network HMO
- Gunderson Lutheran HMO ("Gunderson")
- Medical Associates
- MercyCare
- BCBS PPO
- The Alliance Employer Coalition
- Associates for Health Care, PPO

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- HumanaPPO
- WPPN PPO

It should be noted that UHC and/or its members have current provider agreements with each of the HMO and PPO payors noted above, and it is expected that these relationships will be maintained into the future.

The missions of the UHC members require that each achieve sufficient levels of patients seeking care at hospitals and clinics affiliated with the UW Medical School to support the teaching, research and service missions of the UW Medical School and the University of Wisconsin-Madison Schools of Nursing & Pharmacy. In order to support this mission, the UHC members are required to contract with a wide variety of payors in order to ensure a large and diverse patient mix. Their respective missions further require that each generate, negotiate, and manage relationships and/or affiliations between the UW Medical School Faculty with hospitals, clinics, health care provider organizations, third-party payors, and managed health care systems as necessary to the realization of the objectives set forth above.

The missions of the UHC members require that each provide care to Medicare and Medicaid recipients, and particularly to provide such medical care for persons who may seek such care at clinics and hospitals where Foundation physicians practice. To support this mission, UHC fully intends that UHP, under UHC ownership, will continue maintain participation in DHFS Medicaid program.

The concern has been raised that the University of Wisconsin Medical Foundation (“UWMF”), one of the UHC members, has an interest in PPIC through the Physicians Plus Investment Group (“PPIG”). PPIG is an investment group of physicians, some of whom are UW Faculty Physicians, which owns non-voting preferred stock in PPIC. In 1998 the UWMF merged with the Physicians Plus Medical Group (“PPMG”). Prior to the merger, PPMG held preferred, non-voting stock in PPIC. Before the close of the merger of UWMF with PPMG, PPMG sold its preferred PPIC stock to PPIG. UWMF does not now or has it ever held any stock interest in PPIC.

2. How did University Health Care, Inc., come to hold an 81.12% economic interest in Community Health Systems, LLC (“CHS”)?

Response: UHC was one of the original members of the CHS, LLC, holding a 20.89% membership interest. In order to facilitate a unified and consolidated exercise on both of the UHC and CHS options to reacquire UHP (as the CHS option called for acquisition of the operating company and CHS members, and the UHC option reflected the right to acquire the UHC members only), UHC made an offer to purchase the membership interests of all CHS members. That offer was made on April 8, 2004, and the amount offered was derived from an analysis of the fair market value of the CHS membership interests which came from a single valuation study commissioned jointly by both UHC and CHS. The CHS membership

accepted the UHC offer unanimously, and closings on these CHS membership interest purchases were complete as of June 1, 2004.

3. What agreement or other document mandates the buy out of Blue Cross' 18.88% economic interest in Community Health Systems, LLC in conjunction with the exercise of options by University Health Care, Inc. and Community Health systems, LLC? Please provide copies of any such agreements or documents.

Response: The buy out of the Blue Cross' 18.88% economic interest in CHS in conjunction with the exercise of the option by UHC and CHS is not mandated, and no agreement states that it is.

As noted in the response to Question No. 10 in UHC's letter to you dated November 18, 2004, it is indicated that BCBS-WI, having acceded to this CHS interest through a loan default by Community Physicians Network ("CPN"), holds an 18.88% economic interest in CHS. This interest was never converted by BCBS to a voting membership interest in CHS.

Regardless, when UHC sought to purchase the membership interests in CHS, UHC made an offer on the same basis to BCBS-WI to purchase its economic interest in recognition of such interest. The offer was not mandated but was made in order to maintain uniformity in UHC's purchase of all interests in CHS, and in recognition of and to preserve BCBS-WI's economic interest therein. The offer and acceptance has now become a part of the Sale & Purchase Agreement being finalized between UHC and BCBS-WI.

4. What agreement or other document mandates the redemption of the Term Note that Health Professionals of Wisconsin, Inc. issued to Blue Cross and Blue Shield of Wisconsin in conjunction with the exercise of options by University Health Care, Inc. and Community Health Systems, LLC? Please provide copies of any such agreements or documents.

Response: A "Term Loan Agreement" dated February 13, 2004, exists between Health Professionals of Wisconsin, Inc. ("HPW") and BCBS-WI. Section 1.3 requires the mandatory repayment of the loan at the time UHC exercises its option as set forth in the Restated Joint Venture Agreement dated September 30, 1999.

A copy of the Term Note is attached as "Exhibit 4."

5. What agreement or other documents mandates the redemption of Blue Cross' preferred stock in Health Professionals of Wisconsin, Inc., in conjunction with the exercise of options by University Health Care, Inc., and Community Health Systems, LLC and the amount to accomplish the redemption? Please provide copies of any such agreements or documents.

Response: The shareholders of HPW voted on October 25, 1999, to resolve that its Series A Preferred Stock could be redeemed at the option of either the holders of the stock or "at the

option of the Corporation, in whole or in part, at any time subsequent to the termination of the joint venture” of UHP.

A copy of the “Shareholders of Health Professionals of Wisconsin, Inc. Resolutions For Adoption at October 25, 1999 Meeting,” is attached as “Exhibit 5.”

6. How long do current provider service rate schedules continue under existing provider agreements in general, and also specifically with respect to the networks of the University of Wisconsin Hospital & Clinics Authority and the University of Wisconsin Medical Foundation, Inc.?

Response The UHC Provider Agreement with UHP terminates on December 31, 2004. A new, three year agreement is being signed and will be filed as a Form D filing no later than December 14, 2004.

Unity has provider agreements with a wide range of health care providers. Most of the contracts have provisions for auto-renewal unless notice of termination is received 180 days prior to the end of the year. More than 90% of Unity’s contracts auto-renewed for 2005. Most of those contracts have some inflationary factor based upon a CPI measure.

I understand from your conversation with James Roberts late Friday that you will be scheduling a hearing on UHC Form A filing, following UHC’s waiver of the ten (10) day notice requirement. Please advise of the hearing date and time so UHC can provide you with such waiver.

If you have any questions on our responses please contact me at 608-265-5555 or Richard Seligman at 414-277-3442.

Sincerely,



Jane Barnett

CEO University Health Care, Inc.

cc: Richard M. Seligman, Michael Best & Friedrich LLP
Claudia Sanders, University of Wisconsin Medical Foundation
James Roberts, University of Wisconsin Hospitals and Clinics Authority

TERM LOAN AGREEMENT

This TERM LOAN AGREEMENT (this "Agreement") is entered into and effective as of February 13, 2004 by and between Health Professionals of Wisconsin, Inc., (the "Borrower") and Blue Cross Blue Shield of Wisconsin (the "Lender") (collectively, "Parties").

WHEREAS, the Lender, University Community Clinics, Inc. ("UCC"), and Borrower are parties to that certain Revolving Credit Agreement dated June 20, 1997 (the "Existing Credit Agreement"). The Lender, UCC, Borrower, and University Health Care, Inc. ("UHC") are parties to certain other agreements, instruments and documents relating to the Existing Credit Agreement. The Existing Credit Agreement, together with all agreements, instruments and documents relating to the Existing Credit Agreement are herein referred to as the "Existing Credit Documents".

WHEREAS, on July 1, 2003 UCC was dissolved and substantially all of UCC's assets were assigned to the University of Wisconsin Medical Foundation, and 13,500 shares of common stock of the Borrower held by UCC were assigned to UHC.

WHEREAS, contemporaneously herewith and as a condition hereto, Lender and Borrower are entering into that certain Termination Agreement dated as of February 13, 2004 relating to, among other things, the Existing Credit Documents.

WHEREAS, contemporaneously herewith and as a condition hereto, Lender, Borrower and UHC are entering into that certain Termination Agreement dated as of February 13, 2004 relating to, among other things, that certain Term Loan Agreement between UHC and Lender.

WHEREAS, the Parties wish to replace the Existing Credit Documents in their entirety with the Loan Documents (defined in Section 1.1).

ARTICLE ILOANS AND NOTES

- 1.1 Term Loan. Contemporaneously herewith and as a condition hereto the Borrower is delivering to Lender that certain Term Note dated as of the date first written above with a face value of \$3,000,000 (the "Note") and UHC and Lender are entering into that certain Guarantee Agreement (the "Guarantee Agreement") (collectively, the "Loan Documents").
- 1.2 Optional Prepayment. The Note may be prepaid in whole or in part at the option of the Borrower at any time without premium or penalty. All prepayments shall be accompanied by interest accrued on the amount prepaid through the date of prepayment.

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1.3 Mandatory Prepayment.

1.3.1 Subjection to Section 1.3.2, in the event that (i) the Second Amended and Restated Joint Venture Agreement, dated as of September 30, 1999, by and among Unity Health Plans Insurance Corporation, UHC, Borrower, UCC, the Lender and its affiliate Crossroads Acquisition Corp., d/b/a Cobalt Corporation (then known as United Wisconsin Services, Inc.) (the "New Joint Venture Agreement") is terminated due to a breach thereof by UHC or Borrower or (ii) UHC exercises its option to acquire the UHC Business as set forth in the New Joint Venture Agreement (the "UHC Business"), then the Borrower shall immediately pay the then unpaid principal amount of the Note, together with accrued interest thereon.

1.3.2 In the event that (i) the termination of the New Joint Venture Agreement is due to a breach thereof by a party other than UHC or Borrower or (ii) the termination occurs on or after December 31, 2004 (other than in connection with the acquisition by UHC of the UHC Business as set forth in the New Joint Venture Agreement), then the Borrower shall execute and deliver to the Lender a new note in the form of Exhibit A hereto (the "Replacement Term Note") providing for the repayment of all amounts outstanding under this Agreement in twelve (12) equal monthly installments of principal, plus accrued interest, which shall commence thirty (30) days after the date of such termination and, contemporaneously therewith and as a condition thereto, Lender shall deliver the Note marked "cancelled" to Borrower. Upon the performance of the foregoing, all references in this Agreement (except Section 1.1, this Section 1.3 and Section 1.4) and the other Loan Documents shall be deemed to refer instead to the Replacement Term Note.

1.4 Computations; Non-Business Days. Interest payable on the Note shall be computed for the actual number of days elapsed using a daily rate determined by dividing the annual rate by 365. Whenever any payment to be made under the Note shall be stated to be due on a Saturday, Sunday or a public holiday under the laws of the State of Wisconsin, such payment may be made on the next succeeding business day, and such extension of time shall be included in the computation of interest under the Note.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to make the loans as provided herein, the Borrower represents and warrants to the Lender as follows:

2.1 Organization. The Borrower is a corporation duly organized and existing in good standing under Chapter 180 of the Wisconsin Statutes, and has all requisite power and

authority, corporate or otherwise, to conduct its business and to own its business in all jurisdictions other than where the failure to be so qualified would not have a material adverse effect on Borrower's ability to perform its payment obligations under the Note.

2.2 Authority. The execution, delivery and performance of the Loan Documents to which the Borrower is a party are within the corporate powers of the Borrower, have been duly authorized by all necessary corporate and other action and do not and will not:

2.2.1 Require any consent or approval of the stockholders of the Borrower or the parent company of the Borrower;

2.2.2 Violate any provision of the articles of incorporation or by-laws of the Borrower or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Borrower;

2.2.3 Require the consent or approval of, or filing or registration with, any governmental body, agency or authority; or

2.2.4 Result in a breach of or constitute a default under, or result in the imposition of any lien, charge or encumbrance upon any property of the Borrower pursuant to, any indenture or other agreement or instrument under which the Borrower is a party or by which it or its properties may be bound or affected.

2.3 This Agreement constitutes, and the Note to which the Borrower is a party, when executed and delivered hereunder, will constitute, legal, valid and binding obligations of the Borrower or other signatory enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy or similar laws affecting the enforceability of creditors' rights generally and by general principles of equity.

2.4 Financial Statements. The audited financial statements of Borrower and UHC as of December 31, 2002, heretofore furnished to the Lender, are correct and complete and truly represent the financial condition of Borrower and UHC as of such date in all material respects, and no material contingencies, indebtedness, noncompliance, litigation, or other similar arrangements or actions are not properly reflected in such financial statements. Since such date there has been no material adverse change in the property, financial condition or business operations of UHC or the Borrower other than the dissolution of UCC and other than where such change would not have a material adverse effect on Borrower's ability to perform its payment obligations under the Note.

2.5 Absence of Default. Other than where such event would not have a material adverse effect on Borrower's ability to perform its payment obligations under the Note, (i) no event has occurred which either of itself or with the lapse of time or the giving of notice or both, would give any creditor of the Borrower the right to accelerate the maturity of any material indebtedness of the Borrower for borrowed money and (ii) Borrower is not in default under any other lease, agreement or instrument, or any law, rule, regulation, order, writ, injunction, decree, determination or award.

- 2.6 Status. University Community Clinics, Inc. dissolved and began winding up its affairs effective July 1, 2003.

ARTICLE III

NEGATIVE COVENANTS

While any part of the principal of or interest on the Note remains unpaid, neither the Borrower nor Guarantor, as specified, shall do any of the following, without the prior written consent of the Lender:

- 3.1 Liquidation; Merger; Disposition of Assets. Borrower or Guarantor shall not liquidate or dissolve; or merge with or into or consolidate with or into any other corporation or entity; or sell, lease, transfer or otherwise dispose of all or substantially all of its property, assets or business (other than sales made in the ordinary course of business).
- 3.2 Partnerships; Joint Ventures. Except as provided in the New Joint Venture Agreement, Borrower shall not become a member of any partnership or joint venture.

ARTICLE IV

AFFIRMATIVE COVENANTS

While any part of the principal of or interest on any Note remains unpaid, and unless waived in writing by the Lender, the Borrower shall:

- 4.1 Insurance. Maintain insurance in such amounts and against such risks as is customary by companies engaged in the same or similar businesses and similarly situated. The Borrower shall at all times retain all the incidents of ownership of such insurance and shall not borrow upon or otherwise impair its right to receive the proceeds of such insurance.
- 4.2 Corporate Existence Obligations. Do all things necessary to:
- 4.2.1 Maintain its corporate existence and (other than where failure to so do would have a material adverse effect upon Borrower's ability to meet its payment obligations under the Note) all rights and franchises necessary or desirable for the conduct of its business;
- 4.2.2 Other than where failure would have a material adverse effect upon Borrower's ability to perform its payment obligations under the Note, comply with all applicable laws, rules, regulations and ordinances, and all restrictions imposed by governmental authorities, including those relating to environmental standards and controls; and

- 4.2.3 Other than where failure would have a material adverse effect upon Borrower's ability to perform its payment obligations under the Note, pay, before the same become delinquent and before penalties accrue thereon, all taxes, assessments and other governmental charges against it or its property, and all of its other liabilities, except to the extent and so long as the same are being contested in good faith by appropriate proceedings with adequate reserves provided for such payments.
- 4.3 Business Activities. Other than where failure would have a material adverse effect upon Borrower's ability to perform its payment obligations under the Note, continue to carry on its business activities in substantially the manner such activities are conducted on the date of this Agreement and not make any material change in the direction of its business except as contemplated by the New Joint Venture Agreement.
- 4.4 Accounting Records; Reports. Maintain a standard and modern system for accounting in accordance with generally accepted principles of accounting consistently applied throughout all accounting periods and consistent with those applied in the preparation of the financial statements referred to in Section 2.4 (other than as described in the auditor's opinion letter, the audited financial statements or the notes thereto); and furnish to the Lender such information respecting the business assets and financial condition of the Borrower as the Lender may reasonably request and, without request, furnish to the Lender:
- 4.4.1 Within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower (i) a balance sheet of the Borrower as of the close of such quarter and of the comparable quarter in the preceding fiscal year; and (ii) statements of income and surplus of the Borrower for such quarter and for that part of the fiscal year ending with such quarter and for the corresponding periods of the preceding fiscal year; all in reasonable detail and certified as true and correct in all material respects (subject to audit and normal year-end adjustments) by an officer of the Borrower; and
- 4.4.2 As soon as available, and in any event within 90 days after the date of the accountant's opinion described below, a copy of the audit report for such year and accompanying financial statements of the Borrower, as prepared by independent public accountants of recognized standing selected by the Borrower, which audit report shall be accompanied by an opinion of such accountants in customary form, to the effect that the same fairly present the financial condition of the Borrower and the results of its operations as of the relevant dates thereof, together with copies of any management letters issued by such accountants in connection with such audit; and
- 4.4.3 Promptly, and in any event within 10 days after Borrower has knowledge thereof, a statement of an officer of the Borrower describing:
- 4.4.3.1 Other than such events which would not have a material adverse effect on Borrower's ability to perform its payment obligations under the Note, any

event which, either of itself or with the lapse of time or the giving of notice or both, would constitute a default hereunder or under any other material agreement to which the Borrower is a party, together with a statement of the actions which the Borrower proposes to take with respect thereto.

- 4.5 Inspection of Records. Permit representatives of the Lender to examine any of the books and records of the Borrower at any reasonable time and as often as may be reasonably desired at Lender's sole expense.

ARTICLE V

DEFAULTS

- 5.1. Defaults. The occurrence of any one or more of the following events shall constitute an "Event of Default":

- 5.1.1. The Borrower shall fail to pay:

5.1.1.1. Any interest due on the Note, or any other amount payable hereunder (other than a principal payment on the Note) by five business days after the same becomes due; or

5.1.1.2. Any principal amount due on any Note when due;

- 5.1.2. The Borrower shall default in the performance or observance of any agreement, covenant, condition, provision or term contained in Article III or Section 4.1 of this Agreement;

- 5.1.3. The Borrower shall default in the performance or observance of any of the other agreements, covenants, conditions, provisions or terms in this Agreement or the other Loan Documents continuing for a period of 30 days after written notice thereof is given to such Borrower by the Lender;

- 5.1.4. Any representation or warranty made by the Borrower hereunder or by the Guarantor in any of the Loan Documents or any certificate delivered pursuant hereto or thereto, or any financial statement delivered to the Lender hereunder or thereunder, shall prove to have been false in any material respect as of the time when made or given and which has not been cured within 30 days after receipt of written notice specifying such breach;

- 5.1.5. The Borrower or Guarantor shall fail to pay as and when due and payable (whether at maturity, by acceleration or otherwise) all or any part of the principal of or interest on any indebtedness of or assumed by it, or of the rentals due under any lease or sublease, or of any other obligation for the payment of money, and such default shall not be cured within the period or periods of grace, if any,

specified in the instruments governing such obligations; or default shall occur under any evidence of, or any indenture, lease, sublease, agreement or other instrument governing such obligations, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such indebtedness, obligation, lease or sublease, the aggregate amount owing shall exceed \$100,000;

5.1.6. A final judgment which, together with other outstanding final judgments against the Borrower or Guarantor shall be entered against the Borrower or Guarantor exceeds an aggregate of \$100,000 and shall remain outstanding and unsatisfied, unbonded, unstayed or uninsured after 60 days from the date of entry thereof.

5.1.7. The Borrower or any Guarantor shall:

5.1.7.1. Become insolvent;

5.1.7.2. Be unable, or admit in writing its inability to pay its debts as they mature;

5.1.7.3. Be in default under any obligation for borrowed money to any person or entity and the applicable grace period with respect thereto shall have expired;

5.1.7.4. Make a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property which is not dismissed within 60 days thereafter;

5.1.7.5. Become the subject of an "order for relief" within the meaning of the United States Bankruptcy Code which is not dismissed within 60 days thereafter;

5.1.7.6. Become the subject of a creditor's petition for liquidation, reorganization or to effect a plan or other arrangement with creditors which is not dismissed within 60 days thereafter;

5.1.7.7. Apply to a court for the appointment of a custodian or receiver for any of the assets which is not dismissed within 60 days thereafter;

5.1.7.8. Have a custodian or receiver appointed for any of its assets (with or without its consent) which is not dismissed within 60 days thereafter; or

5.1.7.9. Otherwise become the subject of any insolvency proceedings or propose or enter into any formal or informal composition or arrangement with its creditors which is not dismissed within 60 days thereafter.

5.1.8. The validity or enforceability of this Agreement, the Note, the Guarantee Agreement, or the New Joint Venture Agreement at any time after their respective execution and delivery shall be contested in a judicial proceeding by the Borrower, any Shareholder of the Borrower, or any of its Affiliates that are a party thereto or the Borrower or any of its Affiliates that are a party thereto shall in a judicial proceeding wrongfully deny that it has any or further liability or obligation thereunder or hereunder as the case may be.

5.2. Termination of Commitment and Acceleration of Obligations. Upon the occurrence of any Event of Default:

5.2.1. As to any Event of Default (other than an Event of Default under Section 5.1.7) and at any time thereafter, and in each case, the Lender may, by written notice to the Borrower, immediately declare the unpaid principal balance of the Note, together with all interest accrued thereon, to be immediately due and payable; and the unpaid principal balance of and accrued interest on the Note shall thereupon be due and payable without further notice of any kind, all of which are hereby waived, notwithstanding anything to the contrary herein or in the Note contained;

5.2.2. As to any Event of Default under Section 5.1.7, the unpaid principal balance of the Note, together with all interest accrued thereon, shall immediately and forthwith be due and payable, all without presentment, demand, protest, or further notice of any kind, all of which are hereby waived, notwithstanding anything to the contrary herein or in the Note contained; and

5.2.3. As to each Event of Default, the Lender shall have all the remedies for default provided by the Loan Documents, as well as applicable law.

ARTICLE VI

MISCELLANEOUS

6.1 Definitions. Except as otherwise provided, all accounting terms shall be construed in accordance with generally accepted accounting principles consistently applied and consistent with those applied in the preparation of the financial statements referred to in Section 2.4 (except as described in the auditor's opinion, the financial statements or the notes thereto).

6.1.1 The term "Affiliate" means any person, firm or corporation, which, directly or indirectly, controls, is controlled by, or is under common control with, the Borrower, including, without limitation, the University Affiliated Entities (as collectively defined in the New Joint Venture Agreement).

6.2 Expenses. The Borrower shall pay, or reimburse the Lender for all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by Lender in connection with the preparation, execution and

delivery of this Agreement and the Loan Documents, including any amendment, supplement, modification or waiver of any of the foregoing provided that Lender acknowledges that as of the date of this Agreement, Lender has incurred no costs or expenses described above. The Parties shall pay, or reimburse one another for, all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys fees and expenses) paid or incurred by the other Party in enforcing this Agreement in the event such other Party is in breach of this Agreement.

- 6.3 Successors. Lender may not assign or transfer the Note without the prior written consent of the Borrower, except to an entity a majority of the outstanding voting stock of which is owned, directly or indirectly, by the Lender. Upon such consent, the provisions of this Agreement shall inure to the benefit of any holder of the Note. The provisions of this Note shall inure to the benefit of and be binding upon any successor to any of the parties hereto.
- 6.4 Enforcement. No delay on the part of the Lender or holder of the Note in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right, power or privilege hereunder preclude other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein specified are cumulative and are not exclusive of any rights or remedies which the Lender or the holder of the Note would otherwise have.
- 6.5 Survival. All agreements, representations and warranties made herein shall survive the execution of this Agreement, the making of the loans hereunder and the execution and delivery of the Note.
- 6.6 Wisconsin Law. This Agreement and the Notes issued hereunder shall be governed by and construed in accordance with the internal laws of the State of Wisconsin except to the extent superseded by federal law.
- 6.7 Counterparts. This agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.
- 6.8 Notices. All communications or notices required under this Agreement shall be deemed to have been duly given on the date when deposited in the United States Mail, postage prepaid, and addressed as follows (unless and until any of such parties advises the other in writing of a change in such address):

To Lender:

Blue Cross Blue Shield of Wisconsin
401 West Michigan Street
Milwaukee, Wisconsin 53203
Facsimile: 414.226.6229
Attention: Lorna J. Granger, Assistant Secretary

To Guarantor:

University Health Care, Inc.
635 Science Drive, Suite 100
Madison, Wisconsin 53711
Attention: Jane Barnett, President and Chief Executive Officer

To Borrower:


Health Professionals of Wisconsin, Inc.
635 Science Drive, Suite 100
Madison, Wisconsin 53711
Attention: Jane Barnett, President and Chief Executive Officer

- 6.9 Entire Agreement; No Agency. The Loan Documents contain the entire agreement between the Lender and the Borrower with respect to the subject matter hereof, superseding all previous communications and negotiations, and no representation, undertaking, promise or condition concerning the subject matter hereof shall be binding upon the Lender unless clearly expressed in the Loan Documents. Nothing in the Loan Documents and no action taken pursuant hereto shall cause the Borrower to be treated as an agent of the Lender or shall be deemed to constitute the Lender and the Borrower a partnership, association, joint venture or other entity.

[Signature Page Follows.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

HEALTH PROFESSIONALS OF WISCONSIN, INC.

By: 
Jane Barnett, Chief Executive Officer and President

BLUE CROSS BLUE SHIELD OF WISCONSIN

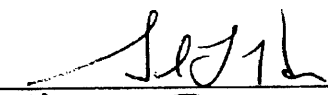
By: _____
Title: _____

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

HEALTH PROFESSIONALS OF WISCONSIN, INC.

By: _____
Jane Barnett, Chief Executive Officer and President

BLUE CROSS BLUE SHIELD OF WISCONSIN

By:  _____
Title: Chief Financial Officer

**SHAREHOLDERS
OF
HEALTH PROFESSIONALS OF WISCONSIN, INC.
RESOLUTIONS FOR ADOPTION AT OCTOBER 25, 1999 MEETING**

ELECTION OF DIRECTORS BY COMMON STOCK SHAREHOLDER

RESOLVED, that the following individuals be elected Directors of the Board by the sole Shareholder of Common Stock of the Corporation, to hold such position in accordance with the Corporation's Articles of Incorporation, bylaws and the WBCL, until his removal or resignation or until his successor is duly elected and qualified:

Curtis Bush, M.D.
Jane Barnett
Sarah Sisbach
Gordon Derzon
Dave Hanson
Venkat Rao; and be it further

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RATIFICATION OF ACTIONS

RESOLVED, that all of the decisions and actions of the Board and the Corporation's officers taken during the preceding year with respect to the management and operation of the Corporation; and be it further

GENERAL AUTHORIZATION

RESOLVED, that the officers of the Corporation be, and each of them hereby is, authorized in the name of and on behalf of the Corporation to make all such arrangements, to take all such further action, to prepare and file or cause to be prepared and filed all such documents, to make all expenditures and incur all expenses and to execute and deliver all instruments and documents, including officers' certificates, as they may deem necessary, appropriate or convenient in order to fully effectuate the purposes of each and all of the foregoing resolutions, and the execution by any such officer of any such document or instrument or the payment of any such expenditures or expenses or the performance by any officer of any act in connection with the foregoing matters shall conclusively establish his authority therefor from the Corporation and the approval and ratification by the Corporation of the documents or instruments so executed, the expenses or expenditures so paid and the action so taken; and be it further

RESOLVED, that any and all actions heretofore taken by any officer of the Corporation in connection with the matters contemplated by the foregoing resolutions be, and they hereby are, approved, ratified and confirmed in all respects.

APPROVAL OF AMENDMENT TO ARTICLES OF INCORPORATION OF HEALTH PROFESSIONALS OF WISCONSIN, INC. (HPW)

RESOLVED, that, effective January 1, 2000, Article II, B, 4(l) of the Articles of Incorporation of the HPW be amended to reflect the Second Amended and Restated Joint Venture Agreement dated September 30, 1999 and to be effective January 1, 2000 as follows:

"Optional Redemption. The Series A Preferred Stock may be redeemed, at the option of the holders thereof or at the option of the Corporation, in whole but not in part, at any time subsequent to

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the termination of the joint venture entered into by Unity Health Plans Insurance Corporation, Blue Cross & Blue Shield United of Wisconsin, United Wisconsin Services, Inc., University Health Care, Inc. University Community Clinics, Inc. and the Health Professionals of Wisconsin, Inc., pursuant to the Second Amended and Restated Joint Venture Agreement, dated as of September 30, 1999, among such parties (the "Agreement"). For purposes of this paragraph 4(i), "termination" shall mean the termination of such joint venture pursuant to Article 7 of the Agreement. Any redemption pursuant to this paragraph 4(i) shall be made at a cash redemption price equal to \$1,000 per share, together with all accrued and unpaid dividends thereon, if any, to the date of redemption."

IN WITNESS WHEREOF, the undersigned has executed this Written Consent as of the 25 day of October, 1999.

University Community Clinics, Inc.
As Sole Common Stock Shareholder

By: Jane Barnett
Jane Barnett, President

ELECTION OF DIRECTORS BY SERIES A PREFERRED STOCK SHAREHOLDER

In accordance with Article II.5.(i) of the Articles of Incorporation of the Corporation, the Series A Preferred Stock Shareholder hereby:

RESOLVED, that the following individual be elected Director of the Board of the Corporation, to hold such position in accordance with the Corporation's Articles of Incorporation, bylaws and the WBCL, until his or her removal or resignation or until his or her successor is duly elected and qualified:

Penny Siewert; and be it further

Blue Cross & Blue Shield United of Wisconsin
As Sole Series A Preferred Stock Shareholder
(as to the election of one Director only)

By: Penny Siewert

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