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2013 MAR 11 A 8:51

March 3, 2013

Hearings Unit, DIC
Patricia D. Peterson
Chief Hearing Officer

Judge Patricia D. Peterson
Chief Hearing Officer
Office of Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

RE: Matter # 13-0038
Approval of Change of Control
Over Columbia United Providers from
Southwest Washington Health System to PeaceHealth

Dear Judge Peterson,

I write to confirm the points I presented orally in yesterday's pretrial conference regarding the above-referenced matter. The current Form A, as supplemented, proposes to transfer control over approximately ninety percent (90%) of the outstanding shares of Columbia United Providers ("CUP") from Southwest Washington Health System ("SWHS") to PeaceHealth ("PH") through a statutory merger of SWHS into PH. Subsequent to the submission of the Form A and Mr. Pastuch's review of it, I have learned that there may be a need to retain the SWHS corporation and its tax-exempt status for use in another pending transaction. This unanticipated need to retain the SWHS corporation has resulted from a substantial increase in the amount of time needed to process private letter rulings on tax exemption through the national office of the IRS.

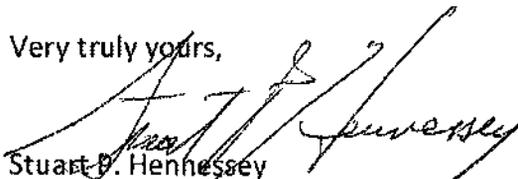
I won't know with certainty for about two weeks whether PH will need to retain the SWHS corporation for this alternative use. If it turns out that PH does need to retain the SWHS corporation, then PH will propose to achieve the transfer of control over 90% of the CUP stock through a stock transfer agreement rather than a statutory merger. I will be discussing the implications of such a change with Mr. Pastuch during the next week.

Because of this issue I have requested, and Ms. Aronson and Mr. Montgomery have concurred, that you defer setting the hearing on this matter and re-convene a pretrial conference in approximately two weeks, at which time the hearing date and time could be set. You have granted that request and further indicated that waiting this additional

two weeks to set the hearing should not substantially delay it. Thank you for granting this additional time.

I hope I have accurately set forth the discussions and decisions of yesterday. I am copying all others who participated. If you or they feel I have materially misstated or omitted anything, please let me know.

Very truly yours,



Stuart P. Hennessey
Senior Vice President for Legal Affairs
PeaceHealth

cc: Robin Aronson, Esq.
Greg Montgomery, Esq.
Katherine Reynolds, Esq.
Ronald Pastuch, CPA