

**Thelen Reid & Priest LLP**

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September 22, 2006

**VIA FACSIMILE (323-783-7101) & PERSONAL DELIVERY**

Mr. Justen Deal  
Kaiser Permanente  
1515 North Vermont Avenue, Floor 4  
Los Angeles, CA 90027-5337

Dear Mr. Deal,

I am writing in response to your September 18, 2006 letter addressed to the Board of Directors of Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals (collectively, "Kaiser"). Our firm serves as counsel to Kaiser.

Kaiser is in receipt of your August 4 and September 8, 2006 letters, and accompanying documentation, addressed to Kaiser's Chief Compliance Officer, Daniel Garcia, regarding your concerns about KP-IT. We also understand that Mr. Garcia and members of the Compliance Department have held two extensive interviews with you in order to understand fully your concerns and to gather any additional information.

As I am sure you are aware, and which I presume is the reason why you addressed your communications to him, as the Chief Compliance Officer, Mr. Garcia has the responsibility and authority for the oversight of all compliance-related issues involving Kaiser. As a result, Mr. Garcia's Department is conducting an independent compliance investigation of the KP-IT operations issues you have raised. Upon completion of the investigation, if any compliance violations are discovered, appropriate action will be promptly taken.

Accordingly, this matter is being aptly handled by Kaiser's Compliance Department and the investigation results will be made available to the Board of Directors. Further, please rest assured that the Board understands its duties and responsibilities to the organization, has properly discharged those duties, and shall continue to do so.

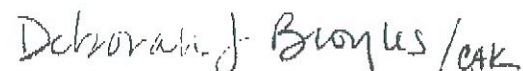
If you have any additional information that you have not yet provided and that you believe would be pertinent to the investigation, I would request that you send that information directly to Mr. Garcia so that it may be properly and timely considered.

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Mr. Justen Deal  
September 22, 2006  
Page 2

If you have any other questions, please do not hesitate to contact the undersigned.

Sincerely,

Handwritten signature of Deborah J. Broyles in black ink, followed by the initials "/CAK".

Deborah J. Broyles

DJB/ab  
cc: Mr. Daniel Garcia  
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