

On March 17, 2009, PHP submitted a financial statement as of February 28, 2009, that reflected capital and surplus totaling \$1,677,733.

On April 13, 2009, PHP submitted a financial statement as of March 31, 2009, that reflected capital and surplus totaling \$1,557,087.

On or about May 4, 2009, PHP submitted a financial statement as of April 30, 2009, that reflected capital and surplus totaling \$1,381,529, which is below the statutorily required minimum of \$2,500,000. As such, PHP continues to be impaired.

In addition to being impaired, PHP continues to have excessive operating losses in relation to its capital and surplus. PHP's net operating loss for the twelve-month period ending April 30, 2009, was \$3,348,247. The operating loss of \$3,348,247 was greater than 50 percent of PHP's capital and surplus above the required \$2,500,000 minimum. Pursuant to OAR 836-013-0110(6), as of April 30, 2009, PHP was operating in a hazardous manner.

Order Extending Appointment of Supervisor

Based on the above findings of fact, the Director finds that the conditions giving rise to the previous orders of supervision still exist. Therefore pursuant to ORS 734.043(3)(c) and (4) and ORS 734.047(2), the Director hereby notifies PHP that: (1) the period of supervision is hereby extended through July 16, 2009; (2) the Director is applying ORS 734.043 to 734.055 in conducting this supervision; and (3) the Director again appoints Tim Hurley, Insurance Division Examiner, as supervisor of PHP.

Order Prohibiting Actions by PHP

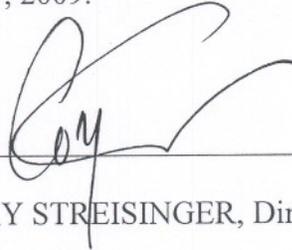
Pursuant to ORS 734.043(5), the Director orders that PHP, its directors, officers, agents and employees, and PHP's parent, Sky Lakes Medical Center, Inc. (formerly known as Merle

West), its directors, officers, agents and employees, and all others affiliated with PHP, are all prohibited from taking any of the following actions without prior written approval of the supervisor:

1. Disposing of, conveying or encumbering any of PHP's assets or its business in force;
2. Withdrawing from any of PHP's bank accounts;
3. Lending any of PHP's funds;
4. Investing any of PHP's funds;
5. Transferring any of PHP's property;
6. Incurring any debt, obligation or liability on behalf of PHP;
7. Merging or consolidating PHP with any other insurer or person;
8. Entering into any new reinsurance contract or treaty on behalf of PHP;
9. Approving any new premium or renewing any policies of PHP;
10. Terminating, surrendering, forfeiting, converting or lapsing any insurance policy, certificate or contract, except for nonpayment of premium due;
11. Releasing, paying or refunding premium deposits, unearned premiums, or other reserves on any insurance policy, certificate or contract;
12. Making any material change in management;
13. Increasing salaries and benefits of officers or directors;
14. Making or increasing preferential payment of bonuses, dividends or other payments determined by the supervisor to be preferential; and/or
15. Any other action affecting the business or condition of PHP.

The Director orders that PHP, its directors, officers, agents and employees shall not engage in any of the above acts without prior written approval of the supervisor. If permitted by the supervisor, the following classes of disbursements may be made without prior individual approval: the payment of claims obligations arising from PHP's insurance policies, related claim adjusting expenses, payroll and related benefits, taxes and other obligations to governmental entities.

DATED this 14th day of May, 2009.

A handwritten signature in black ink, appearing to read "Cory", is written over a horizontal line.

CORY STREISINGER, Director

Department of Consumer and Business Services

Notice of Right to Hearing

During the period of supervision, PHP may file a written request with the Insurance Division for a hearing to review the supervision, any action taken or proposed to be taken pursuant to the supervision or to review the order to increase capital and surplus. Such request will not suspend the supervision nor will it stay the effect of the order to increase capital and surplus. PHP must specify in its request the manner in which the action complained of would not result in improving the condition of PHP. If requested, a hearing will be held within 30 days after the filing of the request. ORS 731.385(3); 734.043(7).

If a hearing is requested, before commencement of the hearing, the parties will be notified of the time and place of the hearing. The parties will also be given information on the procedures, rights of representation and other rights relating to the conduct of hearings. At the hearing, parties may be represented by an attorney.