

ADDITIONAL INQUIRIES

1. Minutes and agendas of any task force meetings. (“task force” means any meeting of the group of individuals from both the CMC, Inc. Board and the CMC Foundation Board who were examining the issues surrounding the disposition of CMC’s charitable assets)

RESPONSE TO QUESTION 1: The Task Force did not regularly keep minutes of its meetings although there are some Agendas and materials representing presentations made at some task force meetings. The minutes of the Board of Directors and the Foundation Board of Directors may identify other materials that may be relevant.

The Task Force met at the University of Montana on May 16, 2014. That Agenda is attached under **Tab 1**, as are copies of the presentations made to the Task Force. For the specifics of this meeting, see Response to Question 3 below. At that time, the Task Force as identified as an Agenda item, also considered the scope of its charge, discussed its objective, and considered the post-closing events.

Members of the Task Force traveled to Spokane on July 7, 2014, and met with the President and two Board members of the Empire Health Foundation. The report from that visit dated July 14, 2014, is attached under **Tab 1**, along with some other materials received by the Task Force in its review of the Empire Health Foundation. The success of that entity was a significant factor in the CMC Board’s decision to create its own foundation.

2. Minutes of the CMC Foundation Board from Jan. 1, 2014 through present.

RESPONSE TO QUESTION 2: The requested Minutes have been delivered to the AG from another source and are therefore not provided as part of this submission.

3. In your response to question 11 you state:

The Task Force was considering proposals received in response to informal requests for proposals. The proposals at that time included an education initiative, a research initiative, and an initiative to help with patient affordability. The Task Force held a meeting on or about May 16, 2014 to discuss these initiatives and other post-closing issues, such as who holds the right of first refusal, what restrictions shall there be on the use of proceeds, etc. The Task Force then heard from representatives of some initial program initiatives...

a. What person(s) put forth informal requests for proposals and to whom?

b. Describe in more detail the “informal requests for proposals”.

- c. Identify each and every person who came to the Board meeting as “representatives of some initial program initiatives.”*
- d. What proposals were presented?*
- e. Please confirm that the date these representatives presented their initial program initiatives occurred was at the Task Force meeting on or about May 16, 2014. If the proposals were heard on different dates, please identify the date of each presentation. Similarly, if the proposals were heard by any Board or committee of the Boards other than the Task Force, please identify the group and identify those present to hear the proposals.*

RESPONSE TO QUESTION 3: The members of the Board of Directors and the Board of the Foundation informally inquired of various sources what programs might be funded if the sale as proposed were to be approved. No formal written requests for proposals were ever sent out. These discussions were very preliminary, as the Task Force was trying to determine which sorts of programs might be considered for funding, either from an endowment or from an outright grant.

First, the University of Montana presented an initiative for the creation of a Mid-Level Clinician Education program at the U of M. Presenters were Dean (then Chair) Reed Humphrey and President Royce Engstrom. Second, Steve Carlson, CMC CEO together with Dr. Patrick Beatty, M.D. made a presentation for Clinical Research in Oncology. Third, Sigri Thorn-Gildea made a presentation for the expansion of The Ronald McDonald House and a program for health care cost assistance. The materials presented at that meeting are attached in response to Question 1, at **Tab 1**.

The Task Force then finalized a document entitled “CMC Post Closing Mission and Structure”, dated May 13, 2014. It is attached under **Tab 3**. This is the document that described the post-closing activities of CMC Inc., and was one of the guiding documents of the Task force. It was discussed at the meeting of the Foundation on June 17, 2014. The Minutes from that meeting are attached under **Tab 3**.

These presentations all occurred at the May 16, 2014 meeting. Some felt that the sorts of proposals contained within the research initiative and the Ronald McDonald House should perhaps more properly be addressed to the new foundation contemplated in the initial Asset Purchase Agreement or, if an existing foundation became the holder of the endowment, to that entity. The discussion concerning the proposal of the University of Montana continued through the closing of the sale, because it involved a direct gift from the proceeds of sale, not a grant from the endowment. That proposal was discussed at subsequent Task Force meetings, and a small group of board members was empanelled to draft and evaluate gift agreements with the University of Montana later in 2014. This group is referred to as the Strike Force in the CMC Minutes, in order to differentiate it

from the Task Force, and in recognition of the Board Chair's US Army background.

The Board of Directors of CMC and the Board of the Foundation had numerous discussions and presentations from the University of Montana and from other proposed foundations, all as reflected in the minutes of those boards.

There was a meeting of the CMC Foundation on October 2, 2014. One of the purposes of the meeting was to evaluate the Montana Community Foundation (MCF). Persons present included the Board of the Foundation. The October 2 Honoring the Legacy presentation made by MCF at that meeting, as well as an evaluation protocol, are attached under **Tab 3**.

The Montana Community Foundation was asked to make a presentation to the CMC Board on or about November 19, 2014. In addition to this presentation, the Task Force reviewed materials available on the MCF Website, the Pooled Portfolio Review, the list of Funds for Non-Profits as well as the list of staff and Board members. All these materials are attached under **Tab 3**.

The proposal of the MCF was not accepted by the CMC Board. Some felt that the proposal lacked detail. Some felt that the organization was not sophisticated enough to handle an endowment of this size, as most of the funds held by the MCF are much smaller. Some felt that the fact that MCF was not focused on health care or on Western Montana was a serious problem, and that the AG might reject the entity under a *cy pres* analysis. Finally, there was a question about how much control or input the CMC Board would be able to have.

4. *In your response to question 12 you state:*

The board discussed utilizing the MHCF [Montana Health Care Foundation] as a vehicle in July of 2014. Board Members of both that foundation and Caring for Montanans Inc. were contacted, and materials were reviewed.

- a.** *Identify the individuals that you contacted at MHCF and Caring For Montanans Inc.*
- b.** *Please provide the materials you reviewed.*

RESPONSE TO QUESTION 4: The Montana Health Care Foundation.

The Board had known about the Montana Health Care Foundation (MHCF) through news reports and our familiarity with Blue Cross/Blue Shield (BCBS). Barry Kenfield, Chair of the CMC Foundation and member of the CMC Board, and a member of the Task Force, met with Mike Harrington, a Board member of the MHCF, on or about

July 11, 2014, to determine the status of MHCF, its progress in obtaining staff leadership and to determine its operating budget. Mr. Kenfield reported back to the Task Force that the budget was not yet in place, nor was the staff leadership. We monitored the progress of MHCF through its web site and news reports. We obtained basic information about MHCF, its status, its board and programs from its website. Members of the Task Force reviewed the attached documents in October and/or November, 2014. These were discussed at the CMC Board meetings in October and November, 2014. The MHCF materials reviewed are attached under **Tab 4**. Even though they were reviewed earlier, some of these materials weren't printed until December when the Board was preparing its submission to the AG.

The Declaration of Trust creating MHCF was reviewed by the Task Force. MHCF was created pursuant to, and consistent with, the Montana Non-Profit Conversion Statute, MCA 50-4-701, et. seq., since BCBS was a non-profit "health entity". CMC was not a "health entity" as defined by the Statute, and therefore the restrictions and conditions imposed by that Statute would not apply to the conversion of CMC or any resulting foundation. The statutory restrictions that concerned the Task Force were that the foundation's assets may not be used to supplant government funds, (MCA 50-4-720(1)(c)); the foundation and its directors must be independent of the parties to the conversion public officials may not serve as directors (Section 50-4-720(1)(e)); the Board must reflect the geographic service area of the former entity, and the purposes of the Trust were much broader geographically than those proposed for CMC or any resulting foundation (Section 50-4-702(1)(g)); the foundation must make annual reports to the Commissioner of Insurance and the Attorney General (Section 50-4-720(2)); and the Attorney General retains oversight and monitoring authority (Section 50-4-720(4)).

MHCF was asked to give a presentation to the Board on November 19, 2014. A copy of its presentation materials, as well as other materials reviewed by the Task Force, are attached under **Tab 4**.

While the other purposes of the MCHF may have been consistent with those of a new CMC foundation, MHCF's statewide geographical focus and the restrictions coming from the Trust's organizational document and the insurance statutes were obstacles. Some felt that we may benefit from an association with the MHC Foundation in the future, particularly in investment policies and coordination of grant evaluations.

Caring for Montanans, Inc.

This is the corporation that once had been BCBS. One member of that board is also a member of the CMC Foundation Board, Larry Gianchetta. Dean Gianchetta kept members of the Task Force informed from time to time about that corporation, and the progress that was being made in eliminating the contingent liabilities and freeing up the assets so they could be transferred to MHCF. Email correspondence with Dean

Gianchetta is attached under **Tab 4**. On two occasions, once in June and once in July, 2014 Dean Gianchetta was contacted and advised the Task Force about both the Caring for Montanans and the MHCF. The materials that were reviewed regarding the Caring for Montanans entity were simply the press reports about the transaction and the Attorney General and Commissioner of Insurance administrative proceedings. Although the Task Force recognized that Caring for Montanans was a separate entity, some members were concerned that the liabilities and potential claims would impact MHCF.