

**MINUTES OF THE APPRAISAL COMMITTEE
for the Conversion of
Blue Cross & Blue Shield United of Wisconsin**

December 17, 1999
Conference Rm. 6 of the Lake Terrace State Office Building
121 East Wilson Street
Madison, Wisconsin

Committee members present: Randy Blumer, Mark Femal, and Patricia Lipton

OCI staff members present: Guenther Ruch, Fred Nepple, and Steven Junior

Representatives of Deutsche Banc Alex. Brown: Thomas W. Johnson, Giles E. Harrison, Kenneth M. Trujillo and Patrick Brennan

Other members of the public present: Ben Adams, Stephen E. Bablitch, Sybil Better, L. Jane Hamblen, Gail L. Hanson, Bart Reuter, William Tolman, and Wade M. Williams

Prior to the meeting, each Appraisal Committee member, OCI staff member, and public attendee received a packet of documents, including the following items:

- a. Draft agenda for the meeting of December 17, 1999
- b. Draft minutes for the meeting of December 9, 1999
- c. A redlined version of the Appraisal Committee's working list of issues entitled, "Issues Concerning Valuation for the Appraisal Committee for the Conversion of Blue Cross & Blue Shield United of Wisconsin (Case No. 99-C26038)"
- d. An outline for the Appraisal Committee Report
- e. Draft Deutsche Banc Alex. Brown Working Plan dated December 17, 1999
- f. A memo to the Appraisal Committee from Steven Junior dated December 15, 1999

The Appraisal Committee meeting commenced at 9:15 a.m.

Committee Chairman Mr. Femal introduced the draft of the minutes of the appraisal committee meeting as of December 9, 1999, and inquired if any committee member had changes to discuss. After the committee members indicated their general satisfaction, the minutes were approved unanimously.

Mr. Femal introduced the agenda for today's meeting, and asked if anyone on the committee had any changes to suggest. The committee approved the agenda by consensus.

Mr. Femal introduced a revised version of the Appraisal Committee's working list of issues entitled, "Issues Concerning Valuation for the Appraisal Committee for the Conversion of Blue Cross & Blue Shield United of Wisconsin (Case No. 99-C26038)". The revisions to the list were comprised of the addition of wording to include consideration of blank check preferred stock and the possibility of a merger between United Heartland Group, Inc. and United Wisconsin Services, Inc. and issue #8 had been revised for greater clarity.

The revisions were accepted by the committee. Mr. Johnson suggested that the committee might wish to have this and each successive draft of this document tracked by the date authorized by the committee. In that way, the committee could track the evolution of this document over time. The committee unanimously agreed with this suggestion. As a result of this discussion the original list of issues was dated November 19, 1999, which reflected the original preparation of the first version of this document, with December 9, 1999, the date on which the latest

substantive changes were authorized. Future versions of this document also would be tracked in this way.

Mr. Femal introduced the outline for the Appraisal Committee Report. Mr. Femal asked whether Section IV could be filled out in greater detail with specific issues. Mr. Ruch explained that he envisioned that the specific issues addressed in Section IV would parallel the Appraisal Committee's working list of issues entitled, "Issues Concerning Valuation for the Appraisal Committee for the Conversion of Blue Cross & Blue Shield United of Wisconsin (Case No. 99-C26038)". After some discussion, the committee accepted the outline unanimously.

Mr. Femal noted that there had been discussion during the last meeting about the Appraisal Committee Report about the possibility of including a fixed dollar valuation or range of values on Blue Cross & Blue Shield United of Wisconsin. Mr. Femal renewed discussion of the topic so that the committee could review the matter and arrive at a consensus. He asked the other committee members for their view on not including a fixed dollar valuation or range of values in the Appraisal Committee Report. Ms. Lipton did not see reason to include such figures in the report. Mr. Blumer said that in certain other Blue Cross conversions, where there is a negotiated settlement for cash or securities, a fixed dollar valuation or range of values is useful. This is not the kind of transaction submitted to OCI by Blue Cross Blue Shield United of Wisconsin. A valuation made now would not be necessarily be reflective of the value of the stock held by the foundation at future points in time.

The committee solicited the opinions of OCI staff. After some discussion, OCI staff offered its suggestion that the committee perform a thorough review of the process through which it is proposed that the public health foundation is to receive the fair and reasonable value of Blue Cross & Blue Shield United of Wisconsin, availing itself of the assistance of OCI staff and the Deutsche Bank team. If, as a result of their review, the committee believes that the conversion plan should be changed for the foundation to receive fair and reasonable value, the committee will suggest conditions that the commissioner might include in her decision. The committee decided that it would proceed in this direction.

Mr. Femal introduced the work plan prepared by Deutsche Banc Alex. Brown. Mr. Femal noted that the committee members had received this work plan only at the beginning of the meeting, so there would be little point to discussing the document in much detail without preparation.

Ms. Lipton asked if the plan dovetails with the Appraisal Committee's working list of issues.

Mr. Johnson responded that the work plan was designed to dovetail with the committee's list of issues, and to obtain background information that he believed would be important for the committee to have. The work plan is subject to further development. The Deutsche Banc team wanted to give the committee its preliminary thoughts.

Mr. Blumer suggested that he and the other committee members should review the work plan and contact Mr. Ruch with questions or concerns.

Mr. Femal expressed the desire for an interim report from Deutsche Banc.

Mr. Johnson proceeded to summarize the work plan. The plan consists broadly of four sections. He noted that the section entitled, "Review of Selected Issues Identified by the OCI Appraisal Committee" referred to the appendix. The appendix was the Appraisal Committee's working list of issues, with comments on how the Deutsche Banc team could help the committee with each issue. The appendix was consistent with the detailed discussion the committee had at its last meeting on December 9, 1999, so he would not discuss each item, but would be responsive to

any specific questions. Starting at the beginning of the document was a section on review of the proposed transaction. He proceeded to provide a general overview of the work plan. Mr. Johnson briefly explained the section of the work plan entitled, "Overview of BCBSU". This section consists of a review of Blue Cross & Blue Shield United of Wisconsin as a business, and its place in Wisconsin's insurance marketplace.

Mr. Ruch suggested that he could serve as the committee's point of contact on progress of the work plan, including key meetings.

Discussion turned to the logistics of the committee's obtaining interim reports and information, and ensuring the prompt availability of documents. The committee agreed to the following:

- a. Any concerns or questions with the work plan or work-in-progress from individual members would be referred to Mr. Ruch,. Mr. Ruch will incorporate those suggestions in the direction to Deutsche Banc and will bring any significant issues to the attention of the committee.
- b. Deutsche Banc would copy OCI staff on all data requests. OCI, in turn, would e-mail the committee members and place the data requests on the OCI website.

Mr. Femal thanked Mr. Johnson for his summary of the work plan, and his contribution of advice on the logistics of committee involvement.

Mr. Femal asked if there were any other matters for the committee's consideration. Mr. Junior provided Mr. Femal and Ms. Lipton with a complete copy of the transcripts of hearings in the matter of the Application for Conversion of Blue Cross & Blue Shield United of Wisconsin. Mr. Junior provided all committee members written suggestions on testimony that specifically concerns valuation matters. Mr. Junior explained that he provided complete transcripts so that the committee members could check the context of valuation-specific testimony and so that there would be no impediment to their review of any portion of testimony that may be of interest. Mr. Blumer mentioned, for the benefit of all attendees, that the complete transcripts of hearings were available on the OCI website.

Discussion then turned to the next available meeting dates. The committee agreed to hold its next meeting on Friday, January 14, 2000, starting at 9:00 a.m., with the possibility of continuing as long as 2:00 p.m., if necessary. The committee members agreed to hold Thursday, January 27, 2000, from 9:00 a.m. to 2:00 p.m., open on their respective calendars for a subsequent meeting.

Mr. Femal inquired whether there was any further business or if anyone cared to make a motion to adjourn. Ms. Lipton moved to adjourn. The motion was seconded by Mr. Blumer, and carried unanimously. The committee adjourned at 10:00 a.m.