

In the Matter Of:

EVERGREEN HEARING

HEARING

June 07, 2017

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MARYLAND INSURANCE ADMINISTRATION

RE: EVERGREEN HEARING

BEFORE THE HEARING COMMISSIONER AL REDMER, JR.

Baltimore, Maryland

Wednesday, June 7, 2017

8:58 a.m.

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Reported by: Sheri D. Hayhurst-Smith, RPR

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1 A P P E A R A N C E S

2

3 HEARING OFFICER:

4 AL REDMER, JR., COMMISSIONER

5 MARYLAND INSURANCE ADMINISTRATION

6 200 St. Paul Place

7 Suite 2700

8 Baltimore, Maryland 21202

9 (410) 468-2090

10 ALSO PRESENT: Vincent P. O'Grady, CPA

11 J. Van Lear Dorsey, Principal Counsel

12 Ren L. Tundermann, Esquire

13 George J. Nemphos, Esquire

14 Maulik S. Joshi, DrPH

15 Calvin E. Swartley, ASA, CFA

16 Donna C. Novak, President NovaRest

17 David Krajewski, LifeBridge Health

18 Susan Stitcher, JARS Health Investments

19 Aaron Moore, Orange Element

20 Barb Van Buskirk, Vice President of
Marketing

21

22 Dr. Peter Beilenson, Vice President of
Evergreen

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EXHIBITS:
(None Offered).

1 MR. REDMER: It's 10:00 o'clock [sic]. My
2 name is Al Redmer. I am the commissioner for
3 the State of Maryland. I'm sorry. It's 9:00
4 o'clock. I've already screwed up the record.
5 With me at the table, to my right is Vinnie
6 O'Grady, who is the Associate Commissioner of
7 Examination & Auditing.

8 And to my left is Van Dorsey, who is the
9 principal counsel from the Office Of The Attorney
10 General.

11 The administration has before it the
12 application of Evergreen Health, Inc., a nonprofit
13 HMO to convert to a for profit status and be
14 acquired by certain investors.

15 The parties wishing to acquire Evergreen are
16 JARS, J-A-R-S, Health Investments, LLC, Anne Arundel
17 Health System, Inc. and LBH Evergreen Holdings, LLC.

18 The application was received by the
19 Administration on May 1st, 2017. The Administration
20 published notice of the application and of this
21 hearing, which is required by Section 6.5-203 of the
22 State Government Article of the Annotated Code of

1 Maryland.

2 I, as commissioner, may not approve the
3 conversion and acquisition unless I determine that
4 it is in the public interests.

5 In that regard, the criteria on which the
6 review is based is spelled out in the law.

7 We have asked Evergreen to provide testimony
8 today to address the criteria and to explain why
9 this proposed transaction is indeed in the public
10 interest.

11 Following the testimony, on behalf of
12 Evergreen, others present who have signed up to
13 testify may do so. Time limits may be imposed for
14 the other interested parties, if necessary. My
15 staff and I, from time to time, may pose questions.

16 For those individuals who are unable to attend
17 in person, we have established a conference call
18 line. It sounds like there's a few folks on the
19 line. I would ask that if you're not speaking, to
20 mute your phone, but please do not place it on hold.

21 As we get started, if you are on the phone,
22 would you mind identifying who you are.

1 MR. MOORE: Hi. Aaron from Orange Element
2 is here. We're representing Evergreen Health,
3 as an agency for marketing.

4 MS. BUSKIRK: Barb Van Buskirk, vice
5 president of marketing.

6 MR. REDMER: Is anybody else on the phone?
7 Okay. With that, we will move along.

8 At this time, I would like to ask Evergreen to
9 present its first witness, who I believe is
10 Dr. Peter Beilenson, the president and CEO of the
11 company.

12 Peter, welcome, and thanks for participating.

13 MR. BEILENSEN: Thanks for having me,
14 Mr. Redmer, Mr. Dorsey, Mr. O'Grady. Thank you
15 for the opportunity to present this.

16 I'm pleased to bring this transaction to you
17 and the community to demonstrate that the proposed
18 conversion and acquisition of Evergreen is in the
19 interest of its policyholders and the insurance
20 market and citizens of this state.

21 Ironically, having been initiated as a part of
22 the co-op program of the Affordable Care Act, if it

1 weren't for two arcane aspects of the ACA, being
2 outrageous payments required of us from the fatally
3 flawed risk adjustment process and the federal
4 government not paying Evergreen what we were owed
5 under the risk quota program, we would not be here
6 today.

7 In fact, prior to the imposition of the risk
8 adjustment payment, we were actually profitters, if
9 you remember.

10 In late June of 2016, after we were assessed a
11 \$24,000,000 risk adjustment payment, over 28 percent
12 of our entire revenue for the year, all of which we
13 had to pay to our chief competitor in the Maryland
14 marketplace, we found ourselves in a financially
15 untenable situation. Simply put, without
16 significant capital to refill our completed
17 reserves, we could not continue to operate.

18 With that said, July of 2016, we began pursuing
19 potential investors, seeking a transaction that
20 would save Evergreen and be good for our customers
21 in the community, in part, by continuing to provide
22 for a mutual competitor in the marketplace.

1 especially Mark Quente for working so hard to save
2 Evergreen. Mark and JARS became involved last
3 October and has stood by in the roller coaster ride
4 that has been this experience for the past several
5 months, and we are very grateful to them.

6 I'd like to thank our regulatory counsel, Ren
7 Tundermann, for her tremendous efforts in speeding
8 this process along in the midst of chaos at times.

9 I'd like to thank our brokers, many of whom
10 have worked hard to continue to sell our plans even
11 in the face of an uncertain future.

12 But most of all, I would like to thank all of
13 Evergreen's employees. This has been an incredibly
14 stressful year, not knowing whether we would survive
15 and often it felt like, with the caseload, and
16 endless limbo.

17 Our employees have worked very hard to keep the
18 company alive and moving forward, and I am very
19 proud of the entire team.

20 Finally, we are very excited about the
21 opportunities ahead for Evergreen Health. Having
22 two health systems and a cadre of experienced

1 insurance and health care executives on our team
2 opens the door to many new possibilities.

3 We look forward to Evergreen emerging stronger
4 than ever before.

5 I look forward to answering your questions and
6 look forward to having our experts and the
7 purchasers come forward after me.

8 MR. REDMER: Any questions?

9 MR. DORSEY: Two questions, I think. As
10 for as you know, it's the investors' intentions
11 to retaining you as CEO immediately following
12 the acquisition, correct?

13 MR. BEILENSON: Yes.

14 MR. DORSEY: And there are no retention
15 bonuses or anything of that nature?

16 MR. BEILENSON: That is correct.

17 MR. REDMER: Ren, did you want to say
18 anything, or are you just here to control him?

19 MS. TUNDERMANN: I'm wrangling the truth.
20 I'm fine.

21 MR. REDMER: Thank you, Van.

22 MR. DORSEY: Is the next witness

1 Ms. Novak?

2 MS. TUNDERMANN: No. The next witness
3 will be Mr. Swartley from Moss-Adams --

4 MR. DORSEY: Sure. Very good.

5 MS. TUNDERMANN: -- our valuation expert.

6 MR. SWARTLEY: Where would you like me?

7 MS. TUNDERMANN: Here. You guys can
8 switch.

9 Calvin will summarize his valuation analysis,
10 including his updated analysis, and then he will be
11 glad to answer any questions.

12 MR. REDMER: If you don't mind, give your
13 name and company for the record.

14 MR. SWARTLEY: Yes. Absolutely. My name
15 is Calvin Swartley, and I'm with Moss-Adams,
16 LLP.

17 We're a regional accounting firm based on the
18 west coast. Within that firm -- it's a traditional
19 tax and accounting firm -- I'm part of the firm's
20 valuation and services group. And I was asked to
21 perform a valuation of Evergreen.

22 We were retained last August, August of 2016,

1 and performed a valuation, with an effective date of
2 September 15th, which we provided to management in a
3 draft form.

4 After that time, we were asked to later update
5 our valuation and prepare it as of the date of
6 January 31st, 2017.

7 Within the valuation, we considered approaches
8 that would be applicable for Evergreen, including
9 income approaches, market approaches, asset-based
10 approaches. We also considered some of the
11 assumptions that are included in your state
12 statutes, which considered 100 percent of the
13 company being sold or the equity of it being sold,
14 the earnings capacity, the market, the net asset
15 value, whether or not a controlled premium would be
16 applicable, and to make sure that we considered it
17 on an ongoing concern basis, which basically assumes
18 that it will continue into the future. Not that it
19 would be liquidated.

20 Within our analysis, we looked at various
21 measures within each of the approaches. We
22 collected a great deal of data from the company,

1 including past financial performance, future
2 expectations. We looked at things that are going on
3 out in the market place, local economy demographics,
4 things of that nature to assess how the company is
5 doing and how it will perform going forward.

6 Within our analysis, we prepared an income
7 approach to look at future cash flows of the
8 company, both on a going forward basis, but we also
9 did consider a wind-down scenario, assuming that
10 this conversion, if it did not happen, what would
11 the company be like.

12 We looked out to the marketplace for comparable
13 transactions of other insurance companies that have
14 been bought and sold, as well as public companies
15 and how they trade in the marketplace.

16 And, finally, we looked at the company's
17 balance sheet and its assets versus its liabilities.

18 Based on our assessment of all of those facts,
19 characteristics, at the time of January 31st, most
20 of our approaches were indicating that there was
21 zero equity or surplus value. Although there were
22 assets on the books, the liabilities outscript those

1 and made it essentially either a zero or a negative
2 number.

3 As we have moved forward from that point, we
4 have been asked to look at the performance of the
5 company and consider what that performance would do
6 in light of the valuation and where we were coming
7 out.

8 And since that time, it's my understanding,
9 from the information I've been provided, one, there
10 were some adjustments to the year-end financials,
11 which actually made it look worse than the
12 information we have been provided, and, two, that it
13 continues to operate with losses and has had to take
14 on more surplus notes to just fund its operations.

15 So, at this point in time, unless there is
16 there something that we weren't provided, it would
17 be difficult for us to say that the value has
18 increased from the values that we have provided in
19 January.

20 MR. REDMER: Two questions: This is
21 probably pretty basic. But could you describe
22 what a controlled premium is?

1 MR. SWARTLEY: Oh, sure. That's a very
2 good question. And within our report, one of
3 the things that we show is some of the data
4 that might support that.

5 So, oftentimes, when a company is looking to
6 acquire another company, especially when you start
7 to look at public companies, you'll see that at the
8 point that there's an announcement, the buyers are
9 willing to pay a price higher than the price that
10 the shares are trading in the open market at that
11 point in time.

12 MR. REDMER: Right.

13 MR. SWARTLEY: And I think it's important
14 to note that we see that often, that the buyer
15 feels that they may have some synergies or cost
16 efficiencies or other things that make them
17 think that we can pay a premium above what the
18 market says, you know, what a tradeable amount
19 would be.

20 So, we did consider that within our analysis.

21 MR. REDMER: Got it. Let's take Evergreen
22 out of it for a second, because I think we'll

1 better job running the company. So, they can
2 come in, and I'll say fix some of the things
3 that maybe weren't working correctly, or they
4 may see that there's an opportunity to enhance
5 their own business line. So, vertical
6 integration is a term we often use.

7 So, taking that company, putting it with some
8 of the services that they already provide and trying
9 to provide a more complete package and control both
10 revenue and costs of everything that's going on.
11 Sometimes there are predatory reasons for doing
12 that, taking a competitor out of the marketplace,
13 and, also, at times, there are situations where the
14 other company that is struggling, and someone is
15 willing to come in, buy it and try to liquidate it
16 and see if they can walk away with anything at the
17 end of the day.

18 MR. REDMER: Right.

19 MR. SWARTLEY: So, those would be many of
20 the reasons that someone may be willing to pay
21 for a company, any type of company.

22 MR. REDMER: Right. Thank you. Van?

1 MR. DORSEY: Is it an accurate summary of
2 your testimony from your report, that in this
3 case, because of the liabilities exceed the
4 assets, that in your view, there are no public
5 assets in this case?

6 MR. SWARTLEY: Correct. Yes.

7 MR. REDMER: Great. Thank you.

8 MR. SWARTLEY: Thank you.

9 MS. TUNDERMANN: Next, we will hear from
10 Donna Novac. She did the community impact
11 analysis for Evergreen.

12 MS. NOVAK: Good morning. I am Donna
13 Novac with NovaRest Consulting. NovaRest
14 Consulting is an actuarial consulting firm
15 that works with state and federal insurance
16 underwriters.

17 We were asked to look at the community impact
18 of this proposed acquisition. And our final report
19 was published on or about April 27th, and it's
20 available. And, so, what I am going to be
21 summarizing is actually the April 27th report from
22 this year.

1 markets.

2 It's been showing over and over again that the
3 more competitors in the health insurance market, the
4 premiums tend to be lower. Also, Evergreen provides
5 additional choice in those markets as far as
6 products.

7 If Evergreen cannot continue, if this
8 acquisition is not in place, its members will have
9 to find another carrier, Evergreen being their
10 carrier of choice. They will have to find another
11 carrier. They will possibly have to pay higher
12 premiums for similar benefits when they change
13 carriers, and they may have to change provider
14 networks and wouldn't have the choice of providers.

15 The acquirers have said that at the beginning,
16 right after the acquisition, they do not intend to
17 change the products or the operations of Evergreen;
18 although they are intending to look at best
19 practices in the marketplace, and potentially make
20 some changes going forward.

21 Premiums will probably increase, because
22 Evergreen, right now, is not subject to premium tax,

1 and they will be subject to premium tax once it's
2 for profit. And, also, premiums will have to cover
3 any return on investment with the prior example.

4 But in support of having affordable health
5 care, being acquirers are committed to bringing the
6 risk-based capital up to 71 percent at the time of
7 acquisition, and they are going to make efforts to
8 bring the risk-based capital up to 200 percent by
9 the end of 2018.

10 As far as equitability to the current members,
11 ACA does not allow underwriting and does not allow
12 pricing on morbidity. The acquirers are not
13 intending to change the underwriting standards in
14 the large group market, but, again, if the
15 acquisition does not take place, the members will
16 have to find insurance with another carrier and
17 potentially have a higher price and potentially have
18 to change networks. Are there any questions?

19 MR. REDMER: We're good. Thank you very
20 much.

21 MS. TUNDERMANN: One of the other required
22 elements in a conversion application is an

1 analysis of the anti-trust issues.

2 Evergreen submitted a legal opinion in that
3 regard, and the principal counsel asked for some
4 additional analysis, which was provided.

5 And with that, we felt we didn't need the
6 lawyer to appear and speak to his opinion, that the
7 opinions speaks for itself.

8 MR. DORSEY: And both documents are in
9 front of you.

10 MS. TUNDERMANN: Yes. So, now, we would
11 like to introduce you to our investors, and let
12 you hear from them and talk with them about
13 their plans for Evergreen. We've arranged to
14 have one representative of each of the
15 investors, so that you may ask questions of
16 each of them. But we'll begin with the opening
17 statement.

18 MR. JOSHI: Thank you. Good morning,
19 everyone. My name is Maulik Joshi, and I'm the
20 executive vice president and chief operating
21 officer for the Anne Arundel Health System.
22 Thank you, Mr. Commissioner, Mr. Associate

1 Commissioner, Mr. Dorsey. We appreciate the
2 opportunity.

3 On behalf of the investors, JARS Health
4 Investments, LLC, LifeBridge Health and Anne Arundel
5 Health System, we appreciate the opportunity to
6 appear before you today in support of Evergreen
7 Health application to convert to a nonprofit to a
8 for profit company and our application to acquire
9 Evergreen Health.

10 As I think, as you've heard earlier, we know
11 Evergreen's path to this day has been long and
12 challenging, but we want to share with you how
13 excited we are for the commissioner and the
14 community, in terms of the path for should these
15 applications be approved.

16 So, first, speaking for Anne Arundel Health
17 System, it has been a core tenet of our strategic
18 plan to create a provider sponsored health plan. We
19 developed a strategic plan in 2009 called Vision
20 20/20, and again, the core strategic and issue is
21 developing a provider sponsored health plan.

22 Our investment in Evergreen is a strategic

1 investment. We want to further population health
2 and further integrate the delivery of care and the
3 financing.

4 Our Anne Arundel Health System mission is to
5 enhance the health of the people we serve, and
6 providing affordable health care coverage to
7 Maryland citizens is essential to health. We know
8 that health insurance is related to better access.
9 Better access relates to better care, and better
10 care relates to better health. That's the triple A,
11 and we are aligned with Evergreen on the Triple A --
12 best care, best service, lowest costs possible.

13 My colleagues and I have had many conversations
14 with the leadership of LifeBridge and with JARS, and
15 we certainly know that we share a common vision in
16 terms of where we're going. While the creation of a
17 provider sponsored health plan is not part of
18 LifeBridge's core strategic plan, they, like us,
19 view the acquisition of Evergreen as an exceptional
20 opportunity to improve the health of the citizens of
21 Maryland.

22 I know, also, that LifeBridge Health has

1 developed a geographically disseminated network of
2 providers across the health care, continuing from
3 urgent care to nursing homes, hospice care, and
4 bringing these providers into the Evergreen provider
5 network will give its members more choices and
6 easier access to services.

7 Also, Anne Arundel Health and LifeBridge Health
8 serve different areas of the state. So, our
9 interests -- and ours are complimentary, not
10 entitlement.

11 The motivation of JARS is a little different
12 than as its partners. JARS is an investment vehicle
13 founded by a group of individuals and entities with
14 over 100 years of experience working within the
15 continuing care of the Maryland health care
16 industry, including over 20 years of experience in
17 health insurance. JARS was created with the dual
18 goals of a long-term financial forum of its
19 investment, coupled with providing capital to
20 preserve competition in the Maryland marketplace
21 while insuring that the citizens of Maryland receive
22 the highest quality of care.

1 own an interest in any carrier that competes with
2 Evergreen in any market in which it participates in.

3 Our Form A application provides some
4 information regarding our plans for Evergreen's post
5 closing. We said that we have no plans to declare
6 any extraordinary dividend, to liquidate or sell any
7 of Evergreen's assets, or to merge Evergreen with
8 any other entity.

9 We said we have no plans to make any material
10 change in the business operations or corporate
11 structure of Evergreen.

12 Now, let me just provide a couple of colored
13 commentary around this. First of all, we know that
14 Evergreen's existing policyholders may be concerned
15 about this transaction and what it means for them in
16 the immediate future.

17 We will impose no mid-term changes to the
18 existing forms or rates of any current Evergreen
19 policyholder. Evergreen currently writes in a small
20 and large group markets, and we are aware that it
21 has filed forms and rates both for the small and
22 individual markets for 2018.

1 with the company post closing.

2 After closing, the board will further assess
3 the strengths and weaknesses of the leadership team
4 and group at Evergreen.

5 The purchasers expect the new board will wish
6 to have one or more management level employees as a
7 result of that assessment. We also intend to engage
8 a consultant post closing to assist in assessing
9 potential changes in management and improvements to
10 operations. There is no employee incentive or bonus
11 plan in place at Evergreen in 2017.

12 After closing, we expect a new board will
13 establish an incentive or bonus plan to align with
14 the employees' performance and with the company's
15 goals and objectives, which is the Triple A.

16 We appreciate the support and patience of the
17 administration, as well as Evergreen's
18 policyholders, brokers and employees, as we
19 undertook detailed due diligence with the company
20 and crafted a deal structure that best serves the
21 company's policyholders and the company.

22 We believe this transaction is in the public

1 interests and should be approved.

2 Now, let me introduce my two colleagues, Dave
3 and Susan.

4 MS. STITCHER: Good morning. My name is
5 Susan Stitcher. I am a member of the JARS
6 health care investment group. I have over 25
7 years of health care experience, predominantly
8 in the Maryland market. I was employed by
9 consulting companies, as well as a Maryland
10 hospital. And I currently am a small business
11 owner with an organization that focuses on
12 medical record and the accuracy.

13 I appreciate the opportunity to be part of the
14 team.

15 MR. KRAJEWSKI: Good morning. I'm very
16 excited to be here. My name is David
17 Krajewski. I have been with LifeBridge for 26
18 years now. Prior to that, I was with Arthur
19 Andersen, as a health care consultant on the
20 division side.

21 I have 31 years of experience in health care.
22 I served as the executive vice president at

1 LifeBridge and the CFO, and I'm the president of
2 LifeBridge partners, which is the entity that we
3 invested in in Evergreen.

4 MR. REDMER: So, now, thank you. Your
5 opening statement provided a laundry list of
6 questions, of which none of them have anything
7 to do with whether this is in the public
8 interests.

9 So, I look forward to asking you those
10 questions at another time. Vinnie, any questions?

11 MR. O'GRADY: Sure. So, I appreciate your
12 introductory comments on generically why you
13 all would be interested in this acquisition,
14 but let me just ask the investors collectively.

15 The valuation analysis that Moss-Adams
16 prepared, concluded that the fair market value is
17 zero, and, you know, the financial statement show a
18 negative surplus.

19 So, could you just please explain, you know,
20 why you all believe that it is a good investment for
21 you all to invest the 12,000,000 to date, plus the
22 substantial amounts that remain and the additional

1 amounts --

2 MR. KRAJEWSKI: There's two parts to that
3 answer. One is it's a strategic investment for
4 at least two of us. We believe this is an
5 investment not only that has a financial return
6 in the future, but an investment that will help
7 us to maintain the triple A to support the
8 waiver that Maryland has with Health Services
9 Cost Review Commission. So, it's a very
10 strategic asset for us.

11 In addition to it, we believe that an insurance
12 company that is well run, with proper
13 capitalization, and the right partnership -- so, we
14 believe that we bring those partnerships to the
15 table -- will, in the future, have value. There's
16 risks associated with that, certainly, and there is
17 going to take some period of time to get it to that
18 point where it would be producing profit and surplus
19 and have future value. But we believe we can get it
20 there.

21 MR. O'GRADY: Do you have any further
22 specifics about how you think you will get

1 company.

2 MR. O'GRADY: So, you mentioned the
3 commitments to bring the surplus to certain
4 levels.

5 So, let's assume for a moment that the MIA
6 approves transactions. And let's assume for a
7 moment, for the sake of discussion, the company
8 continues to incur losses. Let's just make that
9 assumption.

10 Have the investors determined any point at
11 which you would walk away from the monies invested
12 to date as opposed to continuing to invest any
13 additional monies?

14 MR. JOSHI: We have invested in Evergreen
15 to make it successful. So, we understand the
16 capital requirements, and we understand that
17 there will be further capital requirements.

18 Again, we are not walking away easily. We are
19 here to make this -- and as David has said, "this is
20 a strategic investment." So, we're here to make it
21 worth it.

22 MR. DORSEY: You've done your due

1 diligence.

2 MR. JOSHI: We've done our due diligence.

3 MR. DORSEY: To follow up that question,
4 in the stock purchase agreement, there is a
5 commitment to get the RBC levels to 200 percent
6 RBC.

7 I just want to hear who you acknowledged tat,
8 if I could. And because that's a significant factor
9 for us in determining whether the surplus levels are
10 going to be at a sufficient level.

11 MR. KRAJEWSKI: Right. We understand
12 that, and when we did our due diligence, that
13 was in our prior capital planning process, that
14 we need to get the company to 200 percent RBC.
15 So, all three of the investors have looked at
16 that, and at this point in time, we believe that
17 that is something we are willing to form again.

18 MR. DORSEY: In the stock purchase
19 agreement, it uses the phrase "commercially
20 reasonable efforts to get it to that level."
21 What does that mean to you?

22 MS. TUNDERMANN: In some ways, that's a

1 lawyer question. So, if you ever --

2 MR. REDMER: Aren't they all?

3 MS. TUNDERMANN: I mean, feel free to
4 answer. But if you would like to refer to
5 George Nemphos, I'm sure he will be glad to
6 answer.

7 MR. DORSEY: In this case, I'll just ask
8 if you agree with counsel.

9 MR. KRAJEWSKI: We will defer to George.
10 Understand that the investors are going to be
11 putting 25,000,000 to \$30,000,000 on the onset.
12 So, we're not taking that type of investment
13 lightly.

14 So, we would not walk away very easily. That
15 is a large investment, and we anticipate future
16 investments beyond that.

17 But I'll let George answer the lawyer part of
18 the question.

19 MR. NEMPHOS: Thanks. Good morning. The
20 term "commercially reasonable efforts," Van, as
21 you know, is a legal term.

22 Specifically, from a legal standpoint, it means

1 such efforts that a person or a business in the same
2 position would reasonably take to ensure the outcome
3 necessary to be sought.

4 In this case, what we view that as is that as
5 it moves forward, Evergreen is clearly its own
6 entity, with the guidance, help and support of these
7 three individual partners. It's the intention, as
8 you've heard this morning already, that it become a
9 financially viable and capable company in delivering
10 the product and assisting in the health care that is
11 in the state of Maryland.

12 To do that, there is certain regulatory
13 requirements with regard to RBC level. And as
14 investors, they are willing to take the steps that
15 another person or entity would be in in a similar
16 situation would be in and reasonably would take, and
17 we're to ensure that.

18 Does that mean that these three partners, in
19 the end, will continue to work and try to
20 financially support and finance the needs? Yes.
21 But as a living, breathing entity, in and of itself,
22 they will have to examine the situation each time

1 for what's the best method, the best way, and the
2 best process in which to get to 200 percent.

3 And as in any business, those commercially
4 reasonable efforts could include a variety of
5 different things, including what you all have been
6 alluding to, which is the financial agreement with
7 these gentlemen and Susan and her team.

8 MR. REDMER: Which brings a question for
9 Susan. A lot of the conversation has been
10 focused on the cash that's going to be going
11 out of the investors' checkbook into Evergreen
12 as part of the -- I'll refer to it as for
13 profit investments.

14 What do you think is the realistic timeline for
15 there being any kind of return on that investment?

16 MS. STITCHER: So, from JARS' perspective,
17 we are looking at this being a long-term
18 commitment and a long-term investment.

19 We understand that the losses today really need
20 to be scrutinized in understanding where we can
21 start to make a turn.

22 I would say in the short term, we do need to

1 minimize that. That would be the goal. But long
2 term, I would say within 18 months to 24 months. We
3 would really hope that this will be something that
4 can stand on its own, to be able support these three
5 investors, to be able to give the existing
6 management team to perform at a different level than
7 before.

8 MR. REDMER: Thank you. Van, do you have
9 anymore?

10 MR. DORSEY: No.

11 MR. REDMER: We're good. Thank you.

12 MS. TUNDERMANN: So, Commissioner, if I
13 may just wrap up before I hand it back to you
14 to see if there are any others who wish to
15 speak.

16 As you said at the opener, we have worked hard
17 in the last year to draw up the transaction to bring
18 to you for your approval that protects the company
19 and its policyholders and the community. We
20 developed these comprehensive applications, both
21 conversion and acquisition applications. We have
22 submitted written testimony. We have responded to

1 your questions in writing, and are happy to continue
2 to do so, as you deliberate on these applications.

3 But we think we have built a record that meets
4 every element of the required statutes, and we are
5 certainly hoping that you will approve both the
6 conversion and the acquisition as being in the best
7 interests of the community.

8 MR. REDMER: Thank you.

9 MR. DORSEY: Thank you all for signing up
10 with regard to the hearing.

11 As I reviewed the hearing sheet, it does not
12 appear that there are any others who wish to step
13 forward and testify.

14 If I'm inaccurate in that, if there are any
15 folks up there, out there who wish to testify,
16 please come forward.

17 MR. REDMER: Should we pull one or two out
18 and make them say something?

19 MR. DORSEY: So, the transcript will be
20 made part of the record. We, the MI, will be
21 reviewing the transcript, as well as the
22 testimony that both are written and will be

1 heard today, as well as the other elements of
2 the application, both confidential and what
3 have been made to the public.

4 So, we hope to have the answer soon. And if
5 you all have any questions, let us know.

6 MR. REDMER: Is there anybody on the phone
7 that wishes to comment?

8 MS. BUSKIRK: I think we're good.

9 MR. REDMER: All right. Real good. That
10 concludes this public hearing. Thank you for
11 coming.

12 (The Evergreen Hearing was concluded at
13 9:39 a.m.)

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1 CERTIFICATE OF SHORTHAND REPORTER - NOTARY PUBLIC

2 I, Sheri D. Smith, Registered Professional
3 Reporter, the officer before whom the foregoing
4 deposition was taken, do hereby certify that the
5 foregoing transcript is a true and correct record
6 the testimony given; that said testimony was taken
7 by me stenographically and thereafter reduced to
8 typewriting under my direction and that I am neither
9 counsel for, related to, nor employed by any of the
10 parties to this case and have no interest, financial
11 or otherwise, in its outcome.

12 IN WITNESS WHEREOF, I have hereunto set my
13 hand and affixed my notarial seal this 15th day of
14 June, 2017.

15 My commission expires November 4, 2020.

16

17 _____

18 REGISTERED PROFESSIONAL REPORTER

19 NOTARY PUBLIC FOR THE STATE OF MARYLAND

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<p style="text-align: center;">\$</p> <hr/> <p>\$12,000,000 28:8</p> <p>\$24,000,000 8:11</p> <p>\$30,000,000 38:11</p> <hr/> <p style="text-align: center;">1</p> <hr/> <p>100 13:12 26:14</p> <p>11 20:20</p> <p>12,000,000 33:21</p> <p>15 35:17,21</p> <p>15th 13:2</p> <p>18 41:2</p> <p>19th 9:8</p> <p>1st 9:12</p> <hr/> <p style="text-align: center;">2</p> <hr/> <p>20 26:16</p> <p>20/20 24:20</p> <p>200 22:8 37:5,14 40:2</p> <p>2009 24:19</p> <p>2016 8:10,18 12:22</p> <p>2017</p>	<p>9:8,12 13:6 20:14 31:11</p> <p>2018 22:9 29:22</p> <p>24 41:2</p> <p>25 32:6</p> <p>25,000,000 38:11</p> <p>26 32:17</p> <p>27th 19:19,21</p> <p>28 8:11</p> <hr/> <p style="text-align: center;">3</p> <hr/> <p>31 32:21</p> <p>31st 13:6 14:19</p> <p>35,000 27:9</p> <hr/> <p style="text-align: center;">7</p> <hr/> <p>71 22:6</p> <p>75 9:1</p> <hr/> <p style="text-align: center;">8</p> <hr/> <p>85 35:15,20</p> <hr/> <p style="text-align: center;">9</p> <hr/> <p>9:39 43:13</p>	<p style="text-align: center;">A</p> <hr/> <p>a.m. 43:13</p> <p>Aaron 7:1</p> <p>Absolutely 12:14</p> <p>ACA 8:1 22:11</p> <p>acceptable 20:9</p> <p>access 20:5 25:8,9 26:6</p> <p>accounting 12:17,19</p> <p>accuracy 32:12</p> <p>accurate 19:1</p> <p>achieve 27:17 35:7</p> <p>acknowledged 37:7</p> <p>acquire 16:6 24:8</p> <p>acquirers 21:15 22:5,12</p> <p>acquisition 7:18 11:12 19:18 20:2, 21:8,16 22:7,15 25:19 33:13 41:21 42:6</p> <p>Act 7:22</p> <p>actuarial 19:14</p> <p>addition 34:11</p> <p>additional 21:5 23:4 28:10,15 33:22 36:13</p>	<p>adjustment 8:3,8,11 35:5</p> <p>adjustments 15:10</p> <p>administration 30:2 31:17</p> <p>advised 30:5</p> <p>advisory 30:16</p> <p>affiliated 20:20,21</p> <p>affordable 7:22 22:4 25:6 27:11</p> <p>agency 7:3</p> <p>agree 38:8</p> <p>agreement 37:4,19 40:6</p> <p>ahead 10:21</p> <p>align 31:13</p> <p>aligned 25:11</p> <p>alive 10:18</p> <p>alluding 40:6</p> <p>amount 16:18 17:8</p> <p>amounts 33:22 34:1</p> <p>analysis 12:9,10 13:20 14:6 16:20 19:11 20:2 23:1,4 33:15</p> <p>Andersen 32:19</p> <p>Anne 9:4 23:21 24:4,16</p>
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