

**BEFORE THE COMMISSIONER OF SECURITIES AND INSURANCE  
OFFICE OF THE STATE AUDITOR  
STATE OF MONTANA**

**IN THE MATTER OF  
THE CONVERSION OF BLUE CROSS AND  
BLUE SHIELD OF MONTANA, INC. AND      CASE NO. INS-2012-238  
THE ALLIANCE WITH HEALTH CARE  
SERVICE CORPORATION**

**STIPULATION**

The Montana Attorney General (“AG”), and Applicants Blue Cross and Blue Shield of Montana, Inc. (“BCBSMT”) and Health Care Service Corporation, a Mutual Legal Reserve Company (“HCSC”), based on their individual review and reliance on their respective independent experts’ analysis of the effects on the public interest of the potential alliance between BCBSMT and HCSC (hereinafter “Proposed Transaction”), and the fair market value of the assets to be acquired by HCSC from BCBSMT, hereby agree and stipulate to the following:

1.      The AG agrees that with respect to section 50-4-715(2)(a)-(c) MCA, the Proposed Transaction is in the public interest.
  
2.      HCSC initially agreed to pay \$17.6 million as full consideration for the purchased assets. HCSC agrees to pay BCBSMT \$40.2 million under the Asset Purchase Agreement (“APA”). For the purpose of this stipulation, the AG, BCBSMT and HCSC agree that \$40.2 million represents a fair market value of the purchased assets. HCSC’s agreement to pay \$40.2 million will expire if any term of this stipulation is not met.

3. The Applicants and the AG will not submit additional evidence at the hearing inconsistent with the stipulated fair market value. The Applicants or the AG may submit additional evidence to support the reasonableness of the fair market value.

4. HCSC has made a good faith commitment to maintain its non-profit status for five (5) years after approval of the proposed transaction.

5. HCSC shall open a call center in Great Falls, Montana and commits to hiring no less than 100 employees within one (1) year after approval of the proposed transaction.

6. All of HCSC's obligations pursuant to this stipulation are conditioned upon the following:

(a) Montana Commissioner of Securities and Insurance ("CSI") approving the Proposed Transaction, or providing to the AG and the Applicants a commitment of approval that is acceptable to the Applicants, by March 30, 2013.

(b) In the event CSI's approval or commitment of approval acceptable to Applicants is not received by March 30, 2013, HCSC shall be under absolutely no obligation to consummate and/or close the APA with BCBSMT. Furthermore, this Stipulation will have no legal or binding effect on the AG, HCSC and/or BCBSMT if CSI's approval, or commitment of approval that is acceptable to the Applicants, is not delivered to Applicants by March 30, 2013.

Dated this 11th day of March, 2013

TIMOTHY C. FOX  
Montana Attorney General

By: Kelley L. Hubbard

Its: Assistant Attorney General

BLUE CROSS AND BLUE SHIELD OF  
MONTANA, INC.

By: Mary Batch

Its: General Counsel & Corp Sec'y

HEALTH CARE SERVICE  
CORPORATION, a Mutual Legal Reserve  
Company

By: Debra Dawn Ralston

Its: SVP, Chief Legal Off. & Corp. Sec.