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Sarah W. Schroeder, President
Rector & Associates, Inc.
172 E. State St. #305
Columbus, OH 43215

**RE: Louisiana Health Service & Indemnity Company d/b/a Blue Cross Blue Shield of Louisiana (“BCBSLA”)
Responses to Rector & Associates, Inc. Questions dated 8/11/2023**

Dear Ms. Schroeder:

BCBSLA is in receipt of the above-referenced letter to us dated August 11, 2023 concerning that certain Agreement and Plan of Reorganization Regarding the Conversion from a Mutual Insurance Company to a Stock Insurance Company. The questions set forth in the 8/11/2023 Inquiry are reproduced below in their entirety, and set forth below those questions in blue text are BCBSLA’s responses to such questions. Consistent with the LDI’s April 11, 2023 letter to BCBSLA, we are providing the requested information to you with the understanding that you will use this information only for the purpose of your analysis and recommendations to the Louisiana Commissioner of Insurance with respect to the above referenced Plan of Reorganization and will keep this response letter confidential as provided for in LA. R.S. 22:691.10 and 22:1983(J). and will not provide this letter to any third party. If you have any further questions or wish to discuss, please let us know.

1. Why is the Accelerate Louisiana Initiative, Inc. (Foundation) intended to be a 501(c)(4) social welfare organization rather than a 501(c)(3) charitable organization?

Response: A 501(c)(4) organization is permitted to conduct the same charitable endeavors under the Internal Revenue Code (IRC) that a 501(c)(3) organization is permitted to conduct. A core benefit accorded to a qualified 501(c)(3) organization is the ability of donors to deduct donations from their adjusted gross income within limitations of the IRC.

The Foundation is not intended to be a charitable organization that engages in fundraising to support the charitable activities of the Foundation. Therefore, the Foundation would not benefit from the ability that qualified 501(c)(3) organizations possess to collect tax deductible contributions from donors.

Note, like a 501(c)(3) organization, the Foundation will be subject to stringent oversight and transparency measures to ensure its public interest mission. As an organization exempt under IRC section 501(c)(4), the federal tax code requires the Foundation to “exclusively” serve the social welfare needs of its community.

In addition, similar to charities exempt under section 501(c)(3), an organization exempt under section 501(c)(4) may not distribute its earnings to insiders (i.e., they are subject to the same private inurement prohibition as charities), and they likewise cannot serve private interests. Said another

way, a 501(c)(4) organization cannot allow its income to inure to the benefit of any owner or private parties. This means that any profit cannot be distributed among the members or directors, either while the organization is operating, or upon dissolution.

Both 501(c)(3) organizations and 501(c)(4) organizations receive similar tax exempt status under the IRC. However, this tax-exempt status is not identical for both types of organizations.

Qualified 501(c)(3) organizations are subject to the following requirements and restrictions under the IRC, which 501(c)(4) organizations are not:

- 1.39% annual excise tax on investment income; and
- Requirement to expend at least 5% of assets yearly.

Because the Foundation will not avail itself of the benefits of the IRC with respect to donors' ability to deduct charitable contributions from adjusted gross income, the Foundation can avoid paying federal excise taxes on its investment income thereby permitting a larger amount of its corpus to be spent engaging in charitable activities within the state of Louisiana. In addition, the requirement to expend at least 5% of assets annually on charitable activities could constrain the Foundation and require it to engage in charitable endeavors that may not be ripe at a particular time.

Significant due diligence and deliberations were undertaken to position the Foundation so that it could deliver the greatest charitable benefit to the people of Louisiana, consistent with its mission.

2. According to the IRS, 501(c)(4) organizations may engage in lobbying if the lobbying is related to the organization's exempt purpose and may engage in political campaigns on behalf of or in opposition to candidates for public office provided that such intervention does not constitute the organization's primary activity. **Does the Foundation intend, or reserve the right, to engage in any lobbying or political campaign activities? If so, what types of causes, campaigns or organizations would it intend to lobby or campaign for or against?**

Response: The Articles of Incorporation of the Foundation impose upon the Foundation the same restrictions that apply to 501(c)(3) organizations with respect influencing legislation and participating in political campaign activity. The mission of the Foundation is to improve the health and lives of the people of Louisiana through partnerships with other charitable organizations and there are no plans to engage in lobbying or political campaigns even to the extent as would be permitted for a 501(c)(3) organization.

Thank you for the opportunity to address these questions. Please let us know if we can assist further.

Sincerely,

McGlinchey Stafford PLLC



Ronnie L. Johnson