GOVERNANCE SESSION: STRATEGIC THINKING, FORESIGHT & THE COURAGE TO CHANGE

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President & CEO
Friends Services for the Aging

Facilitator:

LISA MCCracken
Senior Vice President
Ziegler
OBJECTIVES

- To understand the key to successful non-profit governance in today’s dynamic healthcare landscape.

- To gain insight into how to balance strategic focus and thinking while maintaining stability, identity and culture.

- To increase understanding of the relationship between board leadership and executive leadership.
AGENDA

TOpIC 1
• AN INTRODUCTION TO GOVERNANCE IN 2016 & BEYOND

TOpIC 2
• LEARNING FROM NEWTON

TOpIC 3
• WHAT IS NEEDED FROM THE BOARD

TOpIC 4
• THE COURAGE TO CHANGE

TOpIC 5
• HOW TO STAY FOCUSED ON WHAT IS IMPORTANT

TOpIC 6
• WHAT IS NEEDED FROM INDIVIDUAL BOARD MEMBERS

QUESTIONS & ANSWERS
TOPIC 1:
AN INTRODUCTION TO GOVERNANCE IN 2016 & BEYOND
SENIOR LIVING GOVERNANCE IN 2016

• Need to embrace change and successfully adapt during uncertain times

• Board members need to ensure they are educated on significant trends impacting the sector

• The relationship between the board and executive leadership is critical

• Every board has its own culture, history and governance philosophy
• About 15% indicated that they have not had a board retreat in more than 5 years; remaining 85% split between annual retreats and retreat every 2-3 years.
**ZIEGLER CFO HOTLINE**

<table>
<thead>
<tr>
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<th>All respondents</th>
<th>Multi-sites</th>
<th>Single-sites</th>
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<td>5.9%</td>
<td>7.4%</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Often</strong></td>
<td>16.4%</td>
<td>15.8%</td>
<td>16.9%</td>
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<tr>
<td><strong>Sometimes</strong></td>
<td>29.8%</td>
<td>35.8%</td>
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<tr>
<td><strong>Rarely</strong></td>
<td>27.7%</td>
<td>25.3%</td>
<td>29.6%</td>
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<td><strong>Never</strong></td>
<td>20.2%</td>
<td>15.8%</td>
<td>23.2%</td>
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Source: Ziegler CFO Hotline, December 2015
CHANGE DURING C-SUITE TRANSITIONS

• As Baby Boomers retire, C-suite positions turnover
  - New CEOs inherently bring change for the board

• Some C-suite transitions are initiated by the board who is looking for change
  - Are you truly prepared for the change you are asking for?
CEO RETIREMENT & SUCCESSION PLANNING

How many years do you estimate that your CEO has until retirement?

- More than 15 years: 16.9% (2015) vs. 18.9% (2013)
- 11-15 years: 15.5% (2015) vs. 19.0% (2013)
- 5-10 years: 28.5% (2015) vs. 33.6% (2013)
- Less than 5 years: 26.1% (2015) vs. 33.6% (2013)

35% have a formal succession plan in place for the CEO position.

Source: Ziegler CFO Hotline, July 2015
## 2014 LZ 150 CORPORATE STAFFING CHANGES

### CEO

<table>
<thead>
<tr>
<th>2015 Rank</th>
<th>System Name</th>
<th>State</th>
<th>Current (2014)</th>
<th>Previous</th>
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<td>ACTS Retirement Communities</td>
<td>PA</td>
<td>J. Mark Vanderbeck</td>
<td>Marvin Mashner</td>
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<td>30</td>
<td>National Church Residences</td>
<td>OH</td>
<td>Mark Ricketts</td>
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<td>47</td>
<td>Holland Home</td>
<td>MI</td>
<td>Mina Breuker</td>
<td>H. David Claus</td>
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<td>62</td>
<td>Virginia Baptist Homes, Inc.</td>
<td>VA</td>
<td>Jonathan Cook</td>
<td>Randall Robinson</td>
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<td>70</td>
<td>Lutheran Homes of South Carolina, Inc.</td>
<td>SC</td>
<td>Frank T Shepke</td>
<td>Thomas E Brown, Jr. DPh</td>
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<td>78</td>
<td>Northern California Presbyterian Homes &amp; Services</td>
<td>CA</td>
<td>David Berg</td>
<td>Barbara Hood</td>
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<td>86</td>
<td>St. Ann's Community</td>
<td>NY</td>
<td>Michael McRae</td>
<td>Elizabeth Mullin DiProsa</td>
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<td>98</td>
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<td>IN</td>
<td>John Dattilo</td>
<td>Richard Keenan</td>
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<td>Mark Stutrud</td>
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<td>WI</td>
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<td>LindenGrove, Inc.</td>
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<td>MA</td>
<td>Christopher Sintros</td>
<td>Rev. Herbert Taylor</td>
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### CFO

| 3         | ACTS Retirement Communities                      | PA    | Karen Christiansen      | Gerald Grant              |
| 19        | Diakon Lutheran Social Ministries                | PA    | Scott Habecker          | Richard Barger            |
| 38        | Jewish Home Lifecare                             | NY    | Robert Davis            | Vacant                    |
| 54        | Masonicare                                        | CT    | James Rude              | Scott Thelen              |
| 106       | Methodist Retirement Communities                 | TX    | Don Stephens            | Brad Stewart              |
| 112       | Landis Communities                               | PA    | Eric Bender             | Carolyn Burke             |
| 125       | Lutheran Life Ministries                          | IL    | Lori Fedyk              | Carl Moellenkamp          |
| 134       | Sunset Retirement Communities and Services       | MI    | Steven Bossenbroek      | Steven Zuidervene         |
| 135       | Deaconess Abundant Life Communities               | MA    | James McGowan           | Susan Shakoor             |
| 145       | United Methodist Retirement Communities, Inc.    | MI    | Steve Fetyko            | Mark Royce                |

### COO

| 3         | ACTS Retirement Communities                      | PA    | Gerald Grant            | J. Mark Vanderbeck        |
| 47        | Holland Home                                     | MI    | Troy Vugteveen          | Mina Breuker              |
| 75        | Presby's Inspired Life                            | PA    | Tama Carey              | Jim Polaski               |
| 100       | The Ohio Masonic Home                             | OH    | Brian Gibboney          | Jay Dettorre              |
| 107       | Garden Spot Village                              | PA    | Steve Muller            | John Farber               |
| 109       | Christian Living Ventures                        | CO    | Cindy Hogan             | Camille Thompson          |
| 124       | Lutheran Social Ministries of New Jersey, Inc.   | NJ    | Vacant                  | Peg Bucci                 |
| 140       | Lutheran Social Services of the South, Inc.      | TX    | Michael Loo            | Betsy Guthrie             |
THE IMPORTANCE OF SYNERGY WITHIN THE ORGANIZATION

- Perceived need for change
- Risk tolerance
- Pace of change
- Agreement over strategic initiatives
- Have the conversation!
  - Dialogue and self-awareness is important to effective governance
WHERE IS YOUR ORGANIZATION’S BALANCE?

- Communication of strategy and alignment are key
TOPIC 2:
WHAT DO GOVERNING
BOARDS HAVE TO LEARN
FROM SIR ISAAC NEWTON?
NEWTON’S FIRST LAW

- A body in motion stays in motion

a body a rest stays at rest ...

*unless acted upon by an “external” force*
TOPIC 3: WHAT IS NEEDED FROM THE BOARD
CLEAR AND SHARED UNDERSTANDING OF ROLES

- **Board’s Role**
  - **Strategic Leadership**
    - Mission, vision, values, goals
    - Establish strategic direction
    - Approve policies guiding organizational operations
  - **Ensure Support**
    - Effective people resources: a chief executive and the right mix of board members
    - Financial support
  - **Ensure Accountability**
    - Financial, legal, ethical, operational, and outcomes
CLEAR AND SHARED UNDERSTANDING OF ROLES

• CEO’s Role
  - Strategic leadership with board
    • Providing strategic information about the environment
    • Providing clear information in support of effective oversight
  - Operational leadership
    • Hiring and firing staff
    • Supervising operations
    • Implementing policies

- Must be periodically reviewed and defined within every organization
STAGES IN STRATEGIC THINKING PROCESS

- Strategic thinking - collect, analyze, and interpret information about the environment and competition

- Strategic decision-making - make fundamental choices about strategic initiatives and place strategic bets

- Strategic planning - translate critical decisions into priorities, objectives, and allocation of resources

- Strategic execution - undertake initiatives and actions consistent with the strategic plan, adjust over time to account for environmental changes

Kathy Trower - *The Practitioner’s Guide to Governance as Leadership*; D. Nadler, B. Behan, M. Nadler - *Building a Better Board: A Blueprint for Effective Governance*
CULTURE OF INQUIRY, DIALOGUE, DISCUSSION, AND TRUST

Culture of Inquiry

“Exceptional boards institutionalize a culture of inquiry, mutual respect, and constructive debate that leads to sound and shared decision making.”

BoardSource - Twelve Principles That Power Exceptional Boards
CULTURE OF INQUIRY, DIALOGUE, DISCUSSION, AND TRUST

• Culture of Discussion and Dialogue
  - Discussion - different views presented and defended; decisions are made; convergence on a conclusion or course of action occurs; action is often the focus of discussion; emphasis on “winning”
  - Dialogue - different views are presented as a means of discovering a new view; complex issues are explored; divergence is the goal (not seeking agreement, but a richer grasp of complex issues); emphasis is on “learning”

Peter Senge - The Fifth Discipline: The Art and Practice of the Learning Organization
LEVELS OF LISTENING

LISTENING 1: from habits
- I-in-me
- Downloading habits of judgment
- Reconfirming old opinions & judgments

LISTENING 2: from outside
- I-in-it
- Factual listening noticing differences
- Disconfirming [new] data
- Seeing through another person’s eyes

LISTENING 3: from within
- I-in-you
- Empathic listening
- Open Heart
- Connecting to an emerging future whole; shift in identity and self

LISTENING 4: from Source
- I-in-now
- Generative listening (from the future wanting to emerge)
- Open Will
LEVELS OF CONVERSATION

1. Downloading: Talking nice
   - Speaking from what they want to hear
   - Polite routines, empty phrases

2. Debate: Talking tough
   - Speaking from what I think
   - Divergent views: I am my point of view

3. Dialogue: Reflective inquiry
   - Speaking from seeing myself as part of the whole
   - From defending to inquiry into viewpoints

4. Presencing: Generative flow
   - Speaking from what is moving through
   - Stillness, collective creativity, flow
   - Generative system
FOUR LEVELS OF CHANGE

1. Reacting: quick fixes

2. Redesigning: roles, policies, practices, process and structure

3. Reframing: values, beliefs and mindset

4. Regenerating: sources of collective commitment and energy

Source of energy, inspiration and will

Collective Thinking

Process, structure

One-off Band-Aids
CULTURE OF INQUIRY, DIALOGUE, DISCUSSION, AND TRUST

• Atmosphere of Trust
  - No fear of recourse for speaking the truth
  - Board is an advisory partner, not a judgmental body looking for fault
  - Need freedom to challenge conventional wisdom

John Leifer - “Priorities from the Chair” - Trustee Magazine July/August 2016
### TECHNICAL PROBLEM OR ADAPTIVE PROBLEM

<table>
<thead>
<tr>
<th>Technical Problem</th>
<th>Adaptive Problem</th>
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<tbody>
<tr>
<td>Easy to spot</td>
<td>Difficult to identify (easy to deny)</td>
</tr>
<tr>
<td>“Know-how” exists; someone has “the answer”</td>
<td>There is no right answer</td>
</tr>
<tr>
<td>Can be solved by management</td>
<td>Requires different lenses/multiple stakeholders; Requires learning</td>
</tr>
<tr>
<td>Solutions can be implemented quickly; by edict</td>
<td>“Solutions” take time; not by edict</td>
</tr>
<tr>
<td>People are receptive to technical solutions</td>
<td>People often resist even acknowledging</td>
</tr>
<tr>
<td>Changes have simple boundaries</td>
<td>Changes cut across boundaries; complex</td>
</tr>
</tbody>
</table>

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Ron Heifitz - *Leadership Without Easy Answers*
Kathy Trower - “Beyond Lip Service: Your Board as Strategic Thinkers” presentation, April 2015
DUTY OF FORESIGHT

• Boards have a “moral” duty of foresight
  - Strategic legitimacy
  - Board stewardship
  - Readiness for learning
DIVERSITY OF PERSPECTIVES

- Diversity of perspectives required to deal with:
  - Challenges and changes in our rapidly changing world
  - Avoid group think or stagnation
  - Foster creativity and effective problem solving

Berit Lakey - “Effective Use of Differences: Key to Organizational Strength in a Changing World”; FSA Annual Meeting 2014
COMMITMENT TO ROBUST BOARD DEVELOPMENT

• “Every board must have a clear vision, rationale and plan for its activities so it can achieve proactive, strategic governance”
  

• Nominating or governance
• Board development is an ongoing process
• Recruit for strategic priorities; recruit for tomorrow
• Be clear about expectations of time, roles, and contributions
INTENTIONAL BOARD RECRUITMENT

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<tr>
<th>Board Members</th>
<th>Name</th>
<th>Yrs on Board</th>
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</thead>
<tbody>
<tr>
<td>1. Banking, Budgeting, Analytical finance, MBA curious</td>
<td></td>
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<tr>
<td>2. Board and Governance</td>
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<tr>
<td>3. Construction and Project Management</td>
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<td>4. Diversity Issues</td>
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<td>5. Education, Government &amp; Gov Relations</td>
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<tr>
<td>6. Human Resources Mgmt</td>
<td></td>
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<td>7. Information Technology</td>
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<td>8. Legal</td>
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</tr>
<tr>
<td>9a. Patient &amp; Health Care Advocacy</td>
<td></td>
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</tr>
<tr>
<td>9b. Clinical</td>
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<td></td>
</tr>
<tr>
<td>9c. Quality &amp; Patient Safety Mgmt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9d. Quality &amp; Performance Mgmt</td>
<td></td>
<td></td>
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<tr>
<td>10. Marketing, Public Affairs, Communications</td>
<td></td>
<td></td>
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<tr>
<td>11. Marketing Development</td>
<td></td>
<td></td>
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<tr>
<td>12. Strategic Planning</td>
<td></td>
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</table>
CHANGE IS INEVITABLE AND CONSTANT

- “For all its uncertainty, we cannot flee the future”
  - Barbara Jordan
CHANGE IS CONSTANT AND INEVITABLE

• “The future will not cooperate; the future will not negotiate; the future will not wait for you”

-Jeff DeCagna
NO MORE ....
COURAGE TO CHANGE

- Be aware and attuned to foundational tensions in the boardroom
  - Personalities and interpersonal dynamics
  - Individual board member <-> board-as-a-whole
  - Board <-> CEO
  - Board roles <-> staff roles
  - Volunteer board members <-> paid professionals
CULTURE OF THE BOARD ROOM

- Who sets the culture in the board room?

- Symptoms that there may be a problem
COURAGE IN THE BOARD ROOM

- Speak up - if you are sensing an issue, chances are others are too
- Ask questions - seek to understand
- Encourage others to do the same - help to establish a culture of safety, inquiry, dialogue, and courage
COURAGE TO CHANGE

- Spend time talking about what is important so change is proactive, intentional, and productive
  - What is our mission?
  - What do our organizational values mean in today’s world?
  - What are we willing to give up?
  - What will we never give up?
  - What would we never do?
  - What isn’t changing?
TOPIC 5: HOW TO STAY FOCUSED ON WHAT IS IMPORTANT
What is important is seldom urgent and what is urgent is seldom important.

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<tr>
<th>IMPORTANT</th>
<th>URGENT</th>
<th>NOT URGENT</th>
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<tbody>
<tr>
<td>Crises</td>
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<td>Prevention</td>
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<tr>
<td>• Deadlines</td>
<td>• Relationships</td>
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<td>• Problems</td>
<td>• Planning</td>
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<td>• Fire-fighting</td>
<td>• Recognizing new opportunities</td>
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<td>• Some phone calls</td>
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<td>• Some reports</td>
<td>• Time-wasters</td>
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DASHBOARDS AND BENCHMARKS

- Financial
- Quality
- Risk areas

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<td>1.93</td>
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<td>2.43</td>
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<td>18%</td>
<td>19%</td>
<td>22%</td>
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<td>22%</td>
<td>18%</td>
<td>17%</td>
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<td>1.93</td>
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<td>2.00</td>
<td>2.43</td>
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<td>4.1</td>
<td>4.2</td>
<td>4.1</td>
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</tbody>
</table>

Source: Friends Services for the Aging
MONITOR IMPLEMENTATION OF STRATEGIC PLAN

- How you will and how often you will monitor should be decided in the planning process
- Progress on key initiatives and milestones
- Changes in plan
  - Timeframes, shift in priorities, back-burner
- Adequacy of resources
- CELEBRATING SUCCESSES!!!
COMPLIANCE (AS DEFINED BY THE OIG)

- Federal Sentencing Guidelines say an organization’s governing body is responsible to “exercise reasonable oversight with respect to the implementation and effectiveness” of the compliance and ethics program.

- Boards need to have a good understanding of how the compliance program works, and its adequacy and effectiveness.

ASK QUESTIONS!!!!!!
Practical Guidance for Health Care Governing Boards on Compliance Oversight

Office of Inspector General, U.S. Department of Health and Human Services
Association of Healthcare Internal Auditors
American Health Lawyers Association
Health Care Compliance Association
COMPLIANCE - QUESTIONS, QUESTIONS, QUESTIONS

- Does the board receive regular reports on internal and external investigations and audits, allegations of material fraud, or management misconduct?
- Does the board receive reports in a timely manner and in understandable fashion?
- Do we commit adequate resources to compliance?
- How does the organization manage highest industry risks?
  - Billing issues
  - Privacy breaches
  - Quality related events
  - Referral relationships and arrangements
COMPLIANCE - CULTURE, CULTURE, CULTURE

• How are issues of self-disclosure handled? *Self-identification is encouraged?*

• Is **everyone** held accountable for Code of Conduct? Board, employees, vendors?

• Is there a culture of openness where employees feel they can raise issues without fear of retaliation?

• Is employee performance tied to “promoting and adhering” to ethics and compliance standards?
TOPIC 6: WHAT IS NEEDED FROM INDIVIDUAL BOARD MEMBERS TO SERVE PRODUCTIVELY
WHAT IS NEEDED FOR BOARD MEMBERS TO SERVE PRODUCTIVELY

- Clear understanding of expectations and willingness to meet them
- Clear understanding of role of the board and commitment to nurturing appropriate practices
- Willingness to learn
- Willing to listen and be open to a variety of perspectives
- Willingness to ask questions and the willingness to question
- Willingness to speak up
- Willingness to admit they don’t know, and work to find out!
- Emotional intelligence
WHAT IS NEEDED FROM BOARD MEMBERS TO SERVE PRODUCTIVELY

- Recognition of when it is time to step away
RESOURCES

• **Books**
  - BoardSource - *Twelve Principles That Power Exceptional Boards*
  - Ronald Heifetz - *Leadership Without Easy Answers*
  - Berit Lakey - *Board Fundamentals, The Board Building Cycle*
  - David Nadler, Beverly Behan, Mark Nadler - *Building Better Boards: A Blueprint for Effective Governance*
  - Peter Senge - *The Fifth Discipline: The Art and Practice of the Learning Organization*
  - Kathy Trower - *The Practitioner’s Guide to Governance as Leadership*
RESOURCES

• Magazines
  - Trustee Magazine

• Other Publications
QUESTIONS & ANSWERS

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