

FORM A

**STATEMENT REGARDING THE ACQUISITION OF
CONTROL OF OR MERGER WITH A DOMESTIC INSURER**

**SECURITY HEALTH PLAN OF WISCONSIN, INC.,
a subsidiary of Marshfield Clinic Health System, Inc.,
both Wisconsin nonstock, nonprofit corporations,
(Name of Domestic Insurer)**

BY

**SANFORD,
a North Dakota nonprofit corporation
(Name of Acquiring Person (Applicant))**

**Filed with the Office of the Commissioner of Insurance,
State of Wisconsin
(State of Domicile of Insurer Being Acquired)**

Dated: September 13, 2024

Name, title, address and telephone number of individual to whom notices and correspondence concerning this statement should be addressed:

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With a copy to:

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Sanford Health, the largest rural health system in the U.S., headquartered in Sioux Falls, South Dakota, and Marshfield Clinic Health System, a physician-led integrated health system serving rural Wisconsin and Michigan's Upper Peninsula, have agreed to combine their complementary assets and capabilities and create an integrated health system dedicated to advancing world-class care in the rural Midwest. Both organizations share a rich history of delivering exceptional rural health care to the patients and communities they collectively serve.

The partnership will bring together two strong physician-driven organizations, each with a reputation for excellence in quality, safety and patient experience. Together, the combined organization will advance national leadership in physician-led integrated care; lead the way in research with an emphasis on underrepresented populations; foster a healthy operating performance; and put patients, people and communities at the forefront.

The combined nonprofit system will enable vital investment in the care of patients and communities across the rural Midwest to meet health care needs today and into the future. The nonprofit combination will, for example:

- Improve patient outcomes through broader population health initiatives, value-based care programs and new innovative care delivery models;
- Harness the full promise of technology, including virtual care, digital health, data analytics, AI and genomic medicine to advance the health of communities; and
- Expand capabilities that allow for greater investment in clinical needs, directly supporting patients, providers and communities.

The combined system will bring together nearly 56,000 employees, 56 hospitals, 4,300 providers, two fully integrated health plans, specialty pharmacies and nationally recognized research institutions.

The combination will be implemented by Sanford, a North Dakota nonprofit corporation ("Sanford" and the "Applicant") becoming the sole member of Marshfield Clinic Health System, Inc., a Wisconsin nonstock, nonprofit corporation ("MCHS"), pursuant to the Definitive Agreement dated as of September 13, 2024 (the "Agreement"), by and between MCHS and Sanford. As the sole member of MCHS, Sanford will also control Security Health Plan of Wisconsin, Inc., a Wisconsin domestic nonstock service insurance corporation organized under Chapter 613 of the Wisconsin Statutes (the "Company"); therefore, Sanford is submitting this Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (including all exhibits attached hereto, this "Form A"),

The Applicant respectfully requests approval from the Commissioner (the "Commissioner") of the Office of the Commissioner of Insurance for the State of Wisconsin (the "Office") pursuant to Wis. Stat. § 617.11(1) and Wis. Admin. Code § Ins 40.02 for the acquisition of control described herein.

ITEM 1. INSURER AND METHOD OF ACQUISITION

(a) Name and Address of the Domestic Insurer

The names and addresses of the domestic insurer to which the Form A relates is as follows:

Security Health Plan of Wisconsin, Inc.
1515 North Saint Joseph Avenue
Marshfield, WI 54449

The federal identification number of the Company is 39-1572880, and the NAIC number of the Company is 96881. The Company is a Wisconsin domestic nonstock service insurance corporation organized under Chapter 613 of the Wisconsin Statutes and licensed as a health maintenance organization as defined in Wis. Stat. § 600.03(23c). The Company writes health coverage in the individual and group markets, Medicare Supplement plans, Medicaid managed care plans, and Medicare Advantage HMO plans in Wisconsin only. MCHS is the sole corporate member of the Company. The current organizational structure of the Company and its affiliates is shown on the chart attached as Exhibit 2.

(b) Method of Acquisition

Subject to the terms and conditions of the Agreement, Sanford and MCHS (collectively, the “Parties”) will combine their respective healthcare systems. As of the effective date set forth in the Agreement, MCHS will amend and restate its Articles of Incorporation and Bylaws (together, the “MCHS Organizational Documents”) to appoint Sanford as its sole corporate member. Subject to the provisions of the amended and restated MCHS Organizational Documents, the Applicant will have the power to control MCHS as defined in Wis. Stat. § 600.03(13).

Pursuant to the Agreement, as of the Closing (defined below), Sanford’s Board of Trustees will consist of fifteen members, three of which shall have been nominated by MCHS. One of the three members nominated by MCHS shall be an independent physician representative on the current MCHS Board of Directors and one MCHS nominee will be elected to the Sanford Executive Committee as Treasurer at the Closing.

Consummation of the Agreement is expected to take place on or about January 1, 2025, subject to customary closing conditions, including the approval of the Commissioner sought herein (the “Closing”).

The Agreement is attached as Exhibit 1, with certain confidential information redacted. A second, unredacted Agreement is attached as Exhibit CE-1 to the Confidential Supplement to this Form A. The draft Amended and Restated Articles of Incorporation of MCHS, as well as the draft Amended and Restated Bylaws of MCHS, are included as exhibits to the Agreement.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) Names and Address of the Applicant

The name and address of the Applicant seeking to acquire control of the Company is:

Sanford
2301 E. 60th St. N.
Sioux Falls, South Dakota 57104

Attached hereto as Exhibit 9 is a Consent to Jurisdiction Statement for the Applicant in accordance with Wis. Stat. § 617.11(5).

(b) Nature of the Applicant's Business Operations

Sanford, the largest rural health system in the United States, is dedicated to transforming the health care experience and providing access to world-class health care in America's heartland. The organization serves more than 1.4 million patients and nearly 200,000 health plan members across 250,000 square miles. The integrated health system has 48 medical centers, 211 clinic locations, more than 160 Good Samaritan Society senior living centers, 2,900 Sanford physicians and advanced practice providers, 540 active clinical trials and nine world clinic locations around the globe.

Sanford and MCHS are each committed to their missions to deliver accessible, high quality and affordable health care to rural communities through their respective integrated health care systems. The Parties believe that the combination of their systems through the transaction contemplated in the Agreement will promote and enhance the efficient and effective delivery of high quality, cost-effective and accessible health care services through a continuum of care to those served by Sanford and MCHS and will unite organizations with shared visions, values, philosophies, and missions, all of which will further strengthen health care availability and access in the areas served currently and in the future by the Parties .

(c) Organizational Chart.

The organizational chart attached hereto as Exhibit 3 presents the identities of and inter-relationships among the Applicant and its affiliates prior to the Closing. Such chart indicates the percentage of voting securities of each entity owned or controlled by the Applicant or any other such entity, as well as the type of organization and the state or other jurisdiction of domicile of each entity specified therein. Unless otherwise indicated on such chart or in this Form A, each entity is a corporation and control is maintained by the ownership or control of voting securities. The Applicant is a North Dakota nonprofit corporation and therefore has no voting securities. No person controls the Applicant, other than as described herein. No court proceeding involving a reorganization or liquidation is pending with respect to the Applicant or any of its affiliates.

Attached as Exhibit 4 is a chart reflecting the pro forma organizational structure of the Applicant and its affiliates following the Closing.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

(a)(1) Names and Business Addresses

The names and titles of the trustees¹ and executive officers of the Applicant are set forth in Exhibit 5. Their biographical affidavits are included as Exhibit CE-2 in the Confidential Supplement to this Form A.

(a)(2) Owners of Ten Percent or More of the Voting Securities of the Applicant

The Applicant is a North Dakota nonprofit corporation and therefore has no voting securities. No person controls the Applicant.

(b) Present Principal Business Activity

The principal business activity, occupation, or employment of the trustees and executive officers of the Applicant are stated in Item 3(a) above. Additional employment information about the trustees and executive officers of the Applicant is stated in the biographical affidavits for such persons, which, as described above, are being filed as Exhibit CE-2 to the Confidential Supplement to this Form A.

(c) Material Occupations, Positions, Offices and Employment

The material occupations, positions, offices or employment during the last five years, including the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on, with respect to the trustees and executive officers of the Applicant, are stated in the biographical affidavits for such persons, which, as described above, are being filed as Exhibit CE-2 to the Confidential Supplement to this Form A. Except as set forth in such biographical affidavits, no such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency. The current status of any such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith, are stated in such biographical affidavits.

(d) Criminal Proceedings

Except as otherwise indicated in Exhibit CE-2 to the Confidential Supplement to this Form A, to the best knowledge, information and belief of the Applicant, no trustee or executive officer of the Applicant has been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the past ten years.

¹ The Board of Trustees is Sanford's governing body. Sanford does not have directors.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Nature, Source and Amount of Funds or Other Consideration Used or to Be Used in Effecting the Merger or Other Acquisition of Control

In light of the status of the Parties as nonprofit entities, and typical of such transactions between nonprofit entities, there is no consideration in the traditional sense; instead, Sanford and MCHS are each foregoing their operation as separate, independent entities in return for the benefits of combination, all as more fully set forth in the Agreement. Thus, no part of the consideration is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of the proposed combination.

Following the Closing, Sanford will support the ongoing routine and strategic capital requirements of MCHS to support its continued growth and development; as such, Sanford has committed to invest not less than \$500 million of capital for MCHS within five years following the effective date of the Agreement.

(b) Criteria Used in Determining the Nature and Amount of Such Consideration

The terms of the Agreement resulted from arm's length negotiations between the Parties, which were represented by independent legal counsel, after customary due diligence, and are consistent with their respective statuses as non-profit, tax-exempt organizations.

ITEM 5. APPLICANT'S FUTURE PLANS FOR THE INSURER

Other than as described in this Form A, the Applicant has no present plans or proposals to cause the Company to declare any extraordinary dividend, to liquidate the Company, to sell the Company's assets, or to merge the Company with any person or persons. Further, there are no current plans or proposals to make any other material change in the Company's business operations or corporate structure, except as may otherwise occur in the ordinary course of business.

Immediately following the Closing, the persons listed in Exhibit 6 will serve as the Company's directors and executive officers. Biographical affidavits for these individuals are being filed as Exhibit CE-3 to the Confidential Supplement to this Form A to the extent not already on file with the Office.

Also following the Closing, the Bylaws of the Company will be amended and restated. The proposed Amended and Restated Bylaws of the Company are being filed as Exhibit 7. Sanford requests permission for the business plan change represented by the Amended and Restated Bylaws of the Company pursuant to Wis. Stat. § 613.28 and Wis. Admin. Code § Ins 9.06(1).

A restated business plan for the Company, including pro forma balance sheets and income statements of the Company for three years following consummation of the Agreement, are attached in Exhibit CE-4 to the Confidential Supplement to this Form A. To the extent required, Sanford requests permission for any business plan change represented by the restated business plan of the Company pursuant to Wis. Stat. § 613.28 and Wis. Admin. Code § Ins 9.06(1).

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

The Company is a Wisconsin domestic nonstock service insurance corporation and has no voting securities. MCHS is the sole corporate member of the Company. Following the Closing, the Applicant will acquire indirect ultimate control of the Company by becoming the sole member of MCHS pursuant to the Agreement (which sets forth the terms of the proposed combination and all terms under which Sanford, its affiliates, or any person listed in Item 3 will acquire control over the Company).

ITEM 7. OWNERSHIP OF VOTING SECURITIES

The Company is a Wisconsin domestic nonstock service insurance corporation and has no voting securities. That said, neither Sanford, nor its affiliates, nor any person listed in Item 3 has any beneficial ownership or the right to acquire beneficial ownership of any membership interest in the Company, other than the Agreement.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

The Company is a Wisconsin domestic nonstock service insurance corporation and has no voting securities. That said, neither Sanford, nor its affiliates, nor any person listed in Item 3 has any contracts, arrangements or understandings, directly or indirectly, with respect to any membership interest in the Company, including any transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies, other than the Agreement. Sanford will acquire control over the Company by becoming the sole member of MCHS, pursuant to the Agreement (which, along with this Form A, sets forth all contracts, arrangements or understandings with respect to control of the Company in which Sanford, its affiliates or any person listed in Item 3 is involved).

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

The Company is a Wisconsin domestic nonstock service insurance corporation and has no voting securities. That said, neither Sanford, nor its affiliates, nor any person listed in Item 3 has purchased, directly or indirectly, any membership interest in the Company during the 12 calendar months preceding the filing of this Form A.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

The Company is a Wisconsin domestic nonstock service insurance corporation and has no voting securities. That said, there were no recommendations by Sanford, its affiliates, or any person listed in Item 3 for acquisition of any membership interest in the Company during the 12 calendar months preceding the filing of this Form A other than in relation to the Agreement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

The Company is a Wisconsin domestic nonstock service insurance corporation and has no voting securities. That said, there have been no agreements, contracts or understandings made with any

broker-dealer as to solicitation of any membership interest in the Company for tender and no fees, commissions or other compensation have been paid to any broker-dealer.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) – (b) Financial Statements, Financial Projections, and Exhibits

Set forth below is a list of the financial statements and exhibits filed with this Form A.

<u>Description</u>	<u>Exhibit</u>
Redacted Definitive Agreement dated as of September 13, 2024 by and between Sanford and MCHS	<u>Exhibit 1</u>
Pre-Acquisition Organizational Chart for the Company and its Affiliates	<u>Exhibit 2</u>
Pre-Acquisition Organizational Chart for the Applicant and its Affiliates	<u>Exhibit 3</u>
Pro Forma Post-Acquisition Organizational Chart for the Applicant and its Affiliates	<u>Exhibit 4</u>
List of the Trustees and Executive Officers of the Applicant	<u>Exhibit 5</u>
List of the Directors and Executive Officers of the Company Post-Acquisition	<u>Exhibit 6</u>
Proposed Amended and Restated Bylaws of the Company	<u>Exhibit 7</u>
Audited Financial Statements of Sanford for the Five Fiscal Years Ended December 31, 2019 Through 2023.	<u>Exhibit 8-A</u>
Quarterly Financial Statement of Sanford as of and for the Six Months Ended June 30, 2024	<u>Exhibit 8-B</u>
Consent to Jurisdiction	<u>Exhibit 9</u>

The following is a list of the exhibits are included in the Confidential Supplement to this Form A:

<u>Description</u>	<u>Exhibit</u>
Unredacted Definitive Agreement dated as of September 13, 2024 by and among Sanford and MCHS	<u>Exhibit CE-1</u>
Biographical Affidavits for the Trustees and Executive Officers of the Applicant	<u>Exhibit CE-2</u>

Biographical Affidavits for the Directors and Executive Officer of the Company Post-Acquisition	<u>Exhibit CE-3</u>
Restated Business Plan of the Company, including Three-Year Financial Projections	<u>Exhibit CE-4</u>

(c) Tender Offer Documents and Certain Proposed Agreements

The Company is a Wisconsin domestic nonstock service insurance corporation and has no voting securities. That said, there are no tender offers for, requests or invitations for, tenders of, exchange offers for or agreements to acquire or exchange any membership interest in the Company, or additional soliciting materials relating thereto, nor are there any proposed employment, consultation, advisory or management contracts concerning the Company entered into in connection with the Agreement, nor annual reports of the Company or the Applicant for the last two fiscal years, other than as disclosed herein. There are no additional documents or papers required by the Form A or Wis. Admin. Code §§ Ins 40.11 or 40.13.

(d) Pre-Acquisition Notification and Competitive Standard

The proposed transaction is exempt from the pre-acquisition notification and competitive standards of Wis. Admin. Code § Ins 40.025, pursuant to § Ins 40.025(2)(d)2., because there is no overlap of insurance premiums of the Applicant and the Company in the State of Wisconsin. The Applicant and its subsidiaries have no insurance business in Wisconsin; excluding the Company, Marshfield and its subsidiaries have no other insurance business in Wisconsin. Consequently, the combination of Sanford and MCHS will not increase any market share, and Sanford respectfully requests that OCI determine that the § Ins 40.025(2)(d)2. exemption is satisfied. The Proposed Acquisition may also satisfy one or both of the remaining exemptions in § Ins. 40.025(2)(d), and Sanford reserves the right to present such information, if necessary.

(e) Grounds for Approval

Sanford states that the plan for the combination would not violate the law or be contrary to the interests of the insureds of the Company and that:

- (1) Following the consummation of the proposed transaction, the Company would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;
- (2) The effect of the consummation of the proposed transaction would not be to create a monopoly or substantially to lessen competition in insurance in Wisconsin;
- (3) The financial condition of Sanford is not likely to jeopardize the financial stability of the Company, or prejudice the interests of its Wisconsin policyholders;
- (4) Sanford has no plans or proposals to liquidate the Company, sell its assets, or merge it with any person or make any other material change in its business or corporate structure or management, other than as stated in this Form A and such plans or proposals are fair and reasonable to policyholders of the Company and in the public interest; and

(5) The competence and integrity of those persons who would control the operation of the Company are such that it would be in the interest of the policyholders of the Company and of the public to permit the proposed transaction.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

The Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within 15 days after the end of the month in which the acquisition of control occurs and annually thereafter for so long as control exists. Sanford acknowledges that Sanford and all subsidiaries within its control in the insurance holding company system will provide information to the commissioner upon request as necessary to evaluate enterprise risk to the Company.


[Signature page follows]


ITEM 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of ch. Ins. 40, Wis. Adm. Code, Sanford has caused this application to be duly signed on its behalf in the City of Sioux Falls and State of South Dakota on the 13th day of September, 2024.


SANFORD

By: 
Name: Bill Gassen
Title: President and CEO

Attest:

Name: Nick Olson
Title: Executive Vice President, CFO


CERTIFICATION

The undersigned deposes and says that he has duly executed the attached application dated September 13, 2024, for and on behalf of Sanford; that he is the President and CEO of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.


Name: Bill Gassen
Title: President and CEO

State of South Dakota
County of Minnehaha

Subscribed and sworn to this 13th day of September, 2024.


(Signature)
Misty Ham-Quick
(Printed Name)

My commission expires on 08/29/2030

