



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
Theodore K. Nickel, Commissioner

Wisconsin.gov

January 2, 2015

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WILLIAM J TOMAN ESQ  
QUARLES & BRADY LLP  
33 EAST MAIN STREET  
SUITE 900  
MADISON WI 53703

Re: Form A – Acquisition of Control of MercyCare Insurance Company and MercyCare HMO, Inc. by Interstate Alliance, Inc. – Second Application Follow-up Letter

Dear Mr. Toman:

The State of Wisconsin Office of the Commissioner of Insurance (“OCI”) has performed a second preliminary review of the above-referenced Form A filing submitted on December 26, 2014 by Interstate Alliance, Inc. (“Applicant”). To ensure that the Form A review process continues to move forward expeditiously, please provide the following information at your earliest convenience (in addition to the items requested in OCI’s application follow-up letter dated December 30, 2014):

1. Restated and Amended Organizational Documents: The System Formation Agreement indicated that the organizational documents of MAI will be amended and restated to effect the proposed transaction, and that each Affiliate’s corporate and governance structure shall remain substantially the same as of the Closing Date, subject to such changes as may be required or appropriate to reflect the existence of the New Parent for the New System: Please provide the following items:
  - (a) A copy of the MAI Amended and Restated Bylaws that will be filed with the Wisconsin Dept. of Financial Institutions upon Closing.
  - (b) Will there be any changes to the Articles and Bylaws of MCIC and MCHMO as a result of the transaction? If so, please submit a copy of the proposed Amended and Restated Articles and Bylaws.
2. Investment Advisor: Please state whether MAI hired an independent investment advisor to assess the reasonableness of the proposed transaction from MAI’s perspective. If yes, please provide a copy of the investment advisor’s report.
3. Exit Rights: The System Formation Agreement does not contain any provisions for unwinding the transaction should one of the parties desire to exit the affiliation. Please discuss whether exit rights have been discussed and formally documented, and if so, please provide the applicable document.
4. Integration Plan: Article 7.4 of the System Formation Agreement states that: “The Parties agree to commence integration planning immediately upon execution of this Agreement; provided, however, that to the extent that plans are not completed before the Closing Date, the Parties shall agree on a process to complete such plans as soon as practicable thereafter.” Please provide a copy of the Integration Plan (or a current draft).
5. Revenue: Mercy CEO Javon Bea was quoted in a Rockford Register Star newspaper article, in late October, that Mercy had about \$1.5 Billion of gross revenue in 2013, and Rockford had gross revenue of about \$1 Billion. In the most recent audited financial statements provided in Mercy’s Holding

Company filing and in the Form A filing, Mercy Alliance, Inc., reported Total Revenue of \$502 Million as of 6/30/2013, and Rockford Health System reported Total Revenue of \$429 Million as of 12/31/2013. Please explain the differences between Mr. Bea's comments and the audited financial statements.

Please feel free to call me at (608) 266-9896 if you have any questions.

Sincerely,



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Insurance Financial Examiner  
Bureau of Financial Analysis and Examinations  
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cc: Paul Van Den Heuvel, Mercy Alliance, Inc.