

**Exhibit 29**

**Applicant's Response dated January 6, 2015 to OCI's Form A follow-up  
letter dated January 2, 2015**

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**[Re: Exhibit 16]**

Exh #	29
Date	1-12-15
Case	15-C40481
Ins. Comm.	





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January 6, 2015

**VIA EMAIL ([KRISTIN.FORSBERG@WISCONSIN.GOV](mailto:KRISTIN.FORSBERG@WISCONSIN.GOV);  
[PETER.MEDLEY@WISCONSIN.GOV](mailto:PETER.MEDLEY@WISCONSIN.GOV))  
READ RECEIPT REQUESTED**

Kristin L. Forsberg, Insurance Financial Examiner  
Peter Medley, Deputy Director  
Bureau of Financial Analysis and Examinations  
Office of the Commissioner of Insurance  
125 South Webster Street  
Madison, WI 53707-7873

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

Dear Ms. Forsberg and Mr. Medley:

Thank you for your letter dated January 2, 2015 regarding this Form A filing. Your inquiries are set forth in bold below followed by the responses of Interstate Alliance.

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.**

A copy of the MAI Amended and Restated Articles of Incorporation that will be filed with the Wisconsin Department of Financial Institutions upon closing the proposed transaction is enclosed as Exhibit 16 (continuing the exhibit numbering

of the Form A and our response to OCI's letter dated December 30, 2014). If you did want a copy of MAI's bylaws, which are not filed with the Department of Financial Institutions, we will be happy to provide those as well.

- (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.**

There will be no changes to the articles and bylaws of MCIC and MCHMO as a result of the proposed transaction.

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.**

Ziegler was engaged to provide a bond rating analysis, a copy of which was provided in response to request no. 5 of your December 30, 2014 inquiry. This analysis was used to assess the reasonableness of the proposed transaction. No other Investment Advisors were engaged by Mercy to assess the transaction.

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.**

The parties discussed exit rights and determined that, with the exception of breach of their respective obligations under the System Formation Agreement and those provided at law, neither party desired exit rights. Both systems, which are non-profit, expended significant time and effort in assessing each other's operations and culture in advance of reaching agreement to merge. Merger discussions between Mercy and Rockford date back to June of 2013. Board members and executives of the respective systems met a number of times in order to ensure the parties were a good fit for each other in terms of operations, culture, and mission. Further, protections are provided under the System Formation Agreement to ensure each system has input into future operation of the combined system.

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).**

As noted by § 7.4, joint planning for post-closing integration would have to be "consistent with scrupulous compliance with antitrust and other legal requirements." It

Kristin L. Forsberg, Insurance Financial Examiner  
Peter Medley, Deputy Director  
January 6, 2015  
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was not practical to begin such formal planning prior to closing, in part because the parties anticipated so little time between execution and closing. Therefore, there is no integration plan at the present, and significant work will not commence on that document until such time as the transaction is closed. This is in part why Mercy seeks to expedite this proceeding and appreciates your Office's efforts in that regard.

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.

The gross revenue number quoted in the news report refers to the gross amounts billed prior to applying contractual allowances and allowances for doubtful accounts. The audited financial statements present net revenue after contractual allowances and allowances for doubtful accounts, and do not report gross revenues.

\* \* \* \*

We hope this information is responsive to your inquiries. If you have any questions, please do not hesitate to contact me or Paul Van Den Heuvel, Vice President and General Counsel of Mercy Health System, at 608-756-6158 or [pvandenheuvel@mhsjvl.org](mailto:pvandenheuvel@mhsjvl.org). Thank you for your expedited consideration.

Very truly yours,

QUARLES & BRADY LLP



William J. Toman

Enclosures  
cc(w/enc.): Paul T. Van Den Heuvel

**EXHIBIT 16**

**Proposed MAI Amended and Restated Articles of Incorporation**

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AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
MERCY ALLIANCE, INC.

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These Amended and Restated Articles of Incorporation shall become effective as of 12:01 a.m. on January 1, 2015, and shall supersede and take the place of the heretofore existing Articles of Incorporation and any amendments or restatements thereof of Mercy Alliance, Inc., all pursuant to the provisions of the Wisconsin Nonstock Corporation Law, Chapter 181 of the Wisconsin Statutes.

ARTICLE I

Name

The name of the corporation is Mercy Alliance, Inc.

ARTICLE II

Purposes

The corporation is organized and shall be operated exclusively for charitable, educational, and scientific purposes, specifically, to meet the community's needs for hospital and medical services for the care and treatment of sick or injured persons, to promote wellness in the community and engage in medical and scientific research, development and education activities in furtherance of its objectives. The corporation shall operate in a manner consistent with the values of the Judeo-Christian tradition and the respect for life which that tradition encompasses. The corporation may carry out its purposes directly or by making distributions to other qualifying organizations. In carrying out the purposes of the corporation, no distinction shall be made on the basis of race, sex, creed, economic status or national origin.

The specific purposes of the corporation are to provide managerial, planning and administrative services exclusively for the maintenance, benefit and support of Mercy Health System Corporation, ("Mercy"), Mercy Assisted Care, Inc., ("MAC"), and other nonprofit hospitals which this corporation sponsors, and such Mercy, MAC and other hospital programs as the Board of Directors of this corporation from time to time deem to be suitable and appropriate. The phrase "such programs" is meant to include projects and activities which Mercy, MAC, and other sponsored hospitals conduct, sponsor, advise, or in which they participate.

### ARTICLE III

#### Activities and Restrictions

Section 1. The corporation shall be a nonstock, nonprofit corporation and no dividends, liquidating dividends, or distributions shall be declared or paid by the corporation to any private individual or officer or director of the corporation.

Section 2. No substantial part of the activities of the corporation shall consist in carrying on propaganda or otherwise attempting to influence legislation, unless by appropriate election a greater part is permitted without jeopardizing the corporation's exemption under I.R.C. Section 501(c)(3). (In these Articles, the term "I.R.C." means the United States Internal Revenue Code and references to provisions thereof are to such provisions as from time to time amended and to corresponding provisions of any future United States Internal Revenue Law.) The corporation shall neither participate in, nor intervene in, any political campaign on behalf of (or in opposition to) any candidate for public office, including the publishing or distribution of any statements.

Section 3. No part of the net earnings or net income of the corporation shall inure to the benefit of any private individual or officer or director of the corporation; provided, however, that

such a person may receive reasonable compensation for personal services rendered which are necessary to carrying out the exempt purposes of the corporation.

Section 4. Notwithstanding any other provision of these Articles of Incorporation, the corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under I.R.C. Section 501(c)(3) or by a corporation contributions to which are deductible under I.R.C. Section 170(c)(2).

Section 5. Whenever the corporation is a private foundation as defined in I.R.C. Section 509(a), the income of the corporation shall be distributed at such time and in such manner as not to subject it to tax under I.R.C. Section 4942 and the corporation shall not engage in any act of self-dealing, or retain any excess business holdings, or make any taxable expenditures as defined in I.R.C. Section 4941(d), 4943(c) and 4945(d), respectively, or make any investments in such manner as to subject it to tax under I.R.C. Section 4944; or make any indemnification which would give rise to a penalty excise tax under I.R.C. Chapter 42.

#### ARTICLE IV

##### Members

The corporation shall be a membership corporation having a sole corporate member, which shall be Interstate Alliance, Inc., an Illinois not for profit corporation. The rights, authority and responsibilities of the member shall be as specified in the Bylaws.

#### ARTICLE V

##### Directors

Subject to the rights reserved to the member in the Bylaws, the affairs of the corporation shall be managed by its Board of Directors, which shall consist of such number of persons as

shall be fixed by the Bylaws from time to time, but shall not be less than three (3). The terms of office, qualifications and method of election of the directors shall be as specified in the Bylaws.

#### ARTICLE VI

##### Officers

The officers of the corporation shall consist of a Chairperson, a Vice Chairperson, a President, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as may be deemed necessary from time to time by the Board of Directors. Officers shall be elected by the Board of Directors. The Chairperson, Secretary and Treasurer shall be members of the Board of Directors. Other officers need not be. The terms of office, qualifications and method of election of officers shall be as specified in the Bylaws. The corporation's President shall also serve as an ex officio director with vote.

#### ARTICLE VII

##### Amendment

These Articles of Incorporation may be amended or restated by Interstate Alliance, Inc., as the sole corporate member of the corporation; *provided, however,* that any such amendment or restatement shall also require the approval of the Board of Directors of the corporation as provided in the Bylaws. No amendment or restatement of these Articles of Incorporation shall substantially change the original purposes of the corporation.

#### ARTICLE VIII

##### Dissolution

In the event of the dissolution of the corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the corporation, distribute all of the assets of the corporation exclusively to Mercy Health System Corporation, if it is then

described in I.R.C. Sections 170(c)(2), 501(c)(3), 2055(a)(2) and 2522(a)(2) and is not a private foundation as defined in I.R.C. Section 509(a), or if it is not so described or if it is no longer in existence, to Mercy Assisted Care, Inc., if it is then described in I.R.C. Sections 170(c)(2), 501(c)(3), 2055(a)(2) and 2522(a)(2) and is not a private foundation as defined in I.R.C. Section 509(a), or if it is not so described or if it is no longer in existence, to one or more organizations then described in I.R.C. Sections 170(c)(2), 501(c)(3), 2055(a)(2) and 2522(a)(2) having purposes substantially similar to those of the corporation (except that no private foundation as defined by I.R.C. Section 509(a) shall be a recipient) or to one or more units or agencies of federal, state or local government to be used exclusively for public purposes, as the Board of Directors shall determine. Any of such assets not so distributed shall be distributed to one or more of such organizations as determined by the Circuit Court of the county in which the principal office of the corporation is then located.

#### ARTICLE IX

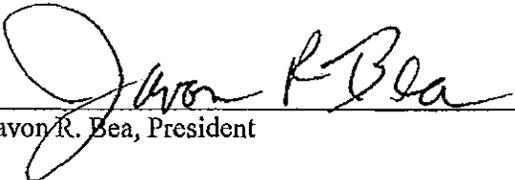
##### Principal Office; Registered Agent

The mailing address and county of the principal office of the corporation is 1000 Mineral Point Avenue, Janesville, Rock County, Wisconsin 53548. The name of the Registered Agent of the corporation at such address is Javon R. Bea.

CERTIFICATION

The undersigned officers of Mercy Alliance, Inc. hereby certify that there are no members having voting rights, and that the foregoing Amended and Restated Articles of Incorporation were adopted by the Board of Directors pursuant to Wis. Stats. Section 181.1002 at a meeting held on October 23, 2014 by the affirmative vote of a majority of the directors then in office.

Executed in duplicate this 11<sup>th</sup> day of December, 2014.

  
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Javon R. Bea, President

This document was drafted by:

Paul T. Van Den Heuvel  
Vice President and General Counsel  
Mercy Health System  
P.O. Box 5003  
Janesville, Wisconsin 53547-5003