

Form A
**Statement Regarding the Acquisition of Control of
or Merger with a Domestic Insurer**

MercyCare Insurance Company
and
MercyCare HMO, Inc.
Wisconsin insurers

Filed with the Office of the Commissioner of Insurance,
State of Wisconsin

by

Interstate Alliance, Inc.
Acquiring Person (Applicant)

Filed with the insurance department of Wisconsin.

Date: December 24, 2014

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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ITEM 1. INSURER AND METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and briefly describe how control is to be acquired.

The domestic insurers to which this application relates are MercyCare Insurance Company ("MCIC") and MercyCare HMO, Inc. ("MCHMO") (collectively, the "MercyCare Companies"). Their address is 3430 Palmer Road, P.O. Box 550, Janesville, WI 53547-2770.

MCIC owns 100% of the issued and outstanding shares of MCHMO. In turn, Mercy Health System Corporation, a Wisconsin nonprofit corporation ("Mercy Health System"), owns 100% of the issued and outstanding shares of MCIC. Finally, Mercy Alliance, Inc. ("MAI"), a Wisconsin nonprofit corporation, is the ultimate controlling person in the insurance holding company system by virtue of being the sole voting member of Mercy Health System.

Interstate Alliance proposes to acquire indirect control over the MercyCare Companies by becoming the sole voting member of MAI pursuant to a System Formation Agreement between MAI and Rockford Health System, a copy of which is attached as Exhibit 1. Rockford Health System is the system parent corporation of a Rockford, Illinois-based, not-for-profit health care system comprising a full continuum of health care services. Under the System Formation Agreement, the parties plan to create a strong, mission-driven organization whose combined resources and attributes will further the ability of their affiliated primary, secondary and tertiary providers to offer personalized, high-quality, coordinated care and access to all members of the diverse communities they serve.

The System Formation Agreement calls for both MAI, including the MercyCare Companies, and Rockford Health System to be operated in their current form, without any changes. Headquarters for Mercy Health System and the MercyCare Companies, collectively Rock County's largest employer, will remain in Janesville, Wisconsin. The affiliation creates a new sole corporate member, Interstate Alliance, Inc., a non-profit entity, for both MAI, the holding company for all Mercy operations including the MercyCare Companies, and Rockford Health System. Interstate Alliance possesses certain reserved powers, but a number of them are subject to supermajority vote. Further, certain powers are reserved to both MAI and Rockford Health System. MAI has 5 appointees to the 9-member Interstate Alliance board, MAI's and Mercy Health System's CEO will be the CEO for Interstate Alliance, and MAI's and Mercy Health System's board chair will serve as the first board chair for Interstate Alliance.

Moody's Investors Service affirmed MAI's A2 rating with a Stable Outlook on August 7, 2014. Discussions with Moody's since the announcement of the merger of MAI and Rockford Health System have been very positive. Their positive reaction is in response to Mercy's historically strong financial performance, market position, high level of integration, and being well positioned for population health and accountable care. Rockford Health System's financial metrics are consistent with A rated organizations including days cash on hand, debt to capitalization, debt service ratios, and market position. Also, Ziegler Investment was engaged to provide bond rating analysis using the consolidated financial projections of MAI and Rockford Health System. Their analysis confirmed that Interstate Alliance would not only perform at an A2 rating, but would also be in a position for an upgrade to A1 in future ratings.

Rockford Health System possesses no health insurance operations (its only insurance operations, Rockford Health Insurance Ltd., is a professional liability insurance captive). This affiliation/merger provides a significant opportunity for the MercyCare Companies, which are Wisconsin insurers, to expand into the Illinois marketplace and also expand their Wisconsin presence via a much more robust provider network, including that encompassing the critical and growing state-line area.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) *State the name and address of the applicant seeking to acquire control over the insurer.*

The applicant seeking to acquire control over the MercyCare Companies is Interstate Alliance, Inc. Its address is 2400 N. Rockton Ave., Rockford, IL 61103.

(b) *If the applicant is not an individual, state the nature of their business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.*

Interstate Alliance was incorporated on October 24, 2014 as an Illinois not-for-profit corporation and, therefore, has not been in existence for five years. The business intended to be done by Interstate Alliance is to act as the holding company for the strong, mission-driven organization described in Item 1, and to build on the mission, vision and values of both MAI and Rockford Health System and become one consolidated system, all as more fully set forth in the System Formation Agreement.

(c) *Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant. No affiliate need be identified if their total assets are equal to less than 0.5% of the total assets of the ultimate controlling person of the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g., corporation, trust, partnership) and the state of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.*

Interstate Alliance currently has no affiliates. A current organizational chart presenting the identities of the interrelationships among the MercyCare Companies and their affiliates is attached as Exhibit 2. An organizational chart presenting the identities of the interrelationships among Interstate Alliance and its affiliates after the proposed acquisition of control of the MercyCare Companies and Rockford Health System is attached as Exhibit 3. No court proceedings involving a reorganization or liquidation are pending with respect to Interstate Alliance or any of its proposed affiliates.

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

State the following with respect to (1) the applicant if the applicant is an individual or (2) all persons who are directors, executive officers or owners of 10% or more of the voting securities of the applicant if the applicant is not an individual.

(a) *Name and business address;*

(b) *Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;*

(c) *Material occupations, positions, offices or employment during the last 5 years, giving 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; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection with the license or registration whether pending or concluded.*

(d) *Whether or not such person has ever been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the last 10 years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.*

The information requested in (a) through (c) for directors and executive officers of Interstate Alliance is set forth in Exhibit 4. There are no owners of 10% or more of Interstate Alliance's voting securities and it has no controlling person. No person listed in this Item 3 has ever been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the last 10 years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) *Describe the nature, source and amount of funds or other considerations used, or to be used, in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.*

As noted in Item 2(b), the System Formation Agreement is designed to create a strong, mission-driven organization that will build on the mission, vision and values of both MAI and Rockford Health System and become one consolidated system. To effectuate this consolidation, Interstate Alliance will become the sole voting member of both MAI and Rockford Health System. There is no consideration for this consolidation in the traditional sense; instead, MAI

and Rockford Health System are each foregoing their operation as separate, independent entities in return for the benefits of consolidation, all as more fully set forth in the System Formation Agreement.

(b) *Explain the criteria used in determining the nature and amount of such consideration.*

The nature and amount of the consideration, such as it is, were determined by arm's-length negotiations between MAI and Rockford Health System, and are consistent with their respective status as non-profit organizations and the intended non-profit status of Interstate Alliance, Inc. Interstate Alliance's Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code was filed in November of this year, 2014.

ITEM 5. APPLICANT'S FUTURE PLANS FOR THE INSURER

Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate the insurer, to sell the insurer's assets to or merge it with any person or persons or to make any other material change in their business operations or corporate structure or management.

Interstate Alliance does not plan to cause the MercyCare Companies to declare an extraordinary dividend, to liquidate either of the MercyCare Companies, to sell the assets of the MercyCare Companies to or merge them with any person or persons or to make any other material change in their business operations or corporate structure or management.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, their affiliates and any person listed in Item 3 plan to acquire; and the terms of the offer, request, invitation, agreement or acquisition; and a statement as to the method by which the fairness of the proposal was arrived at.

Pursuant and subject to the provisions of the System Formation Agreement, Interstate Alliance will indirectly acquire control of the 10,000 shares of MCIC's common stock owned by Mercy Health System and the 100 shares of MCHMO common stock owned by MCIC. As discussed in Item 4(b), the fairness of the proposal was determined by arm's-length negotiations. As discussed in Item 1 and set forth in the System Formation Agreement, the MercyCare Companies will continue to operate without modification to their corporate and governance structure.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, their affiliates or any person listed in Item 3.

Other than as set forth in this Form A, neither Interstate Alliance, nor any of its affiliates, nor any person listed in Item 3 beneficially owns any voting securities of MCIC or MCHMO or has the right to acquire beneficial ownership of any voting securities of MCIC or MCHMO.

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

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, their affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the 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. Such description shall identify the persons with whom the contracts, arrangements or understandings have been entered into.

None other than as set forth in this Form A.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchase of any voting securities of the insurer by the applicant, their affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any shares so purchased are hypothecated.

None.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, their affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, their affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

None.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

None.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) *Attach financial statements and exhibits to this statement as an appendix, but list under this item the financial statements and exhibits so attached.*

- Exhibit 1 System Formation Agreement
- Exhibit 2 Current MAI organizational chart
- Exhibit 3 Interstate Alliance organizational chart after the proposed acquisition of control
- Exhibit 4 Biographical information for Interstate Alliance officers and directors
- Exhibit 5 Rockford Health System audited consolidated financials for the periods ended December 1, 2013 and 2012

(b) *The financial statements shall include the annual financial statements of the persons identified in Item 2(c) for the preceding 5 fiscal years (or for such lesser periods as such applicant and their affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if the information is available. The statements may be prepared either on an individual basis or, unless the commissioner otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business.*

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of their operations for the person's last fiscal year, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the annual statement of the person filed with the insurance department of the person's state of domicile and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

As a new corporation that has been inactive to date, Interstate Alliance does not prepare financial statements. Therefore, the requested financial information is not reasonably available to Interstate Alliance, because obtaining it would involve unreasonable effort or expense, and the information is omitted pursuant to Wis. Admin. Code § Ins 40.13(1). Pursuant to § Ins 40.13(1)(a), Interstate Alliance submits that the audited consolidated financial statements of MAI and Rockford Health System are information on the subject that it possesses, and incorporates the financial statements for MAI as filed by the MercyCare Companies with their Form B by reference pursuant to § Ins 40.12(1), and submits financial statements for Rockford Health System as the attached Exhibit 5.

(c) *File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contracts concerning the insurer, annual reports to the stockholders of the insurer and the applicant for the last 2 fiscal years, and any additional documents or papers required by form A or ss. Ins 40.11 and 40.13, Wis. Adm. Code.*

There are no tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of Insurer or additional soliciting

material relating thereto. There are no proposed employment, consultation, advisory or management contracts concerning the MercyCare Companies beyond any such contracts already in existence. There are no annual reports to the stockholders of the MercyCare Companies or Interstate Alliance, or any additional documents or papers required by the Form A or §§ Ins 40.11 or 40.13.

As grounds for approval of this statement, Interstate Alliance states that the proposed acquisition of the MercyCare Companies by Interstate Alliance would not violate the law or be contrary to the interests of the insureds of the MercyCare Companies and that:

- (i) After the change of control, the MercyCare Companies would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which they are presently licensed;
- (ii) The effect of the acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in Wisconsin;
- (iii) The financial condition of Interstate Alliance and its affiliates is not likely to jeopardize the financial stability of the MercyCare Companies or their parent insurance holding corporation, or prejudice the interests of their Wisconsin policyholders;
- (iv) Interstate Alliance has no plans or proposals to liquidate the MercyCare Companies or their parent insurance holding corporation, sell their assets, or consolidate or merge them with any person or make any other material change in their business or corporate structure or management; and
- (v) The competence and integrity of those persons who would control the operation of the MercyCare Companies or their parent insurance holding corporation are such that it would be in the interest of the policyholders of the MercyCare Companies and of the public to permit the acquisition of control.

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ITEM 13. SIGNATURE AND CERTIFICATION

Signature

Pursuant to the requirements of Wis. Admin. Code ch. Ins 40, Interstate Alliance, Inc. has caused this application to be duly signed on its behalf in the city of Janesville and state of Wisconsin on the 24th day of December, 2014.

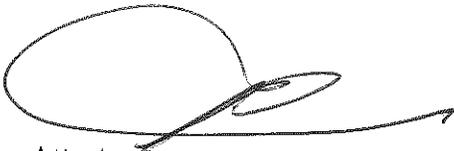
Interstate Alliance, Inc.



By: _____

Name: Javon R. Bea

Title: Chief Executive Officer



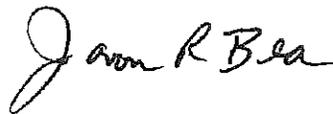
Attest: _____

Name: Paul Van Den Heuvel

Title: Vice President & General Counsel

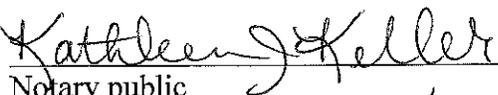
Certification

The undersigned deposes and says that deponent has duly executed the attached application dated December 24, 2014, for and on behalf of Interstate Alliance, Inc., that deponent is the Chief Executive Officer of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.



Name: Javon R. Bea

Subscribed and sworn to this
24th day of December, 2014



Notary public

My commission expires on: 9/26/2017