

BLUE CROSS BLUE SHIELD BALLOT FOR  
BOARD OF DIRECTORS AND REORGANIZATION PLAN

SUGGESTED MOTION:

Authorize the county auditor to act as county agent and sign the ballot as instructed by the Cass County Commission for the Blue Cross Blue Shield election on board of directors and reorganization plan.



ND

RECEIVED  
CASS COUNTY COMMISSION

NOV 5 2018

October 31, 2018

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CASS COUNTY GOVERNMENT  
Mike Montplaisir  
Cass County Commissioner  
PO Box 2806  
Fargo, ND 58108-2806



 **PLEASE  
VOTE**



Dear Mike,

As a voting member of Noridian Mutual Insurance Company (NMIC), you play an important role in determining the leadership of the NMIC Board of Directors and helping NMIC to obtain the requisite approval for its planned reorganization. NMIC is a member-owned, not-for-profit insurance company headquartered in Fargo that does business as Blue Cross Blue Shield of North Dakota. I encourage you to vote on the upcoming election and proposed reorganization, and join me at the annual meeting on:

Friday, December 7, 2018  
8 a.m. registration  
9 a.m. - 10 a.m. meeting  
Dakota Rooms  
Blue Cross Blue Shield of North Dakota  
4510 13th Avenue South  
Fargo, North Dakota 58121

During the meeting, NMIC will hold elections for five seats on the Board of Directors (biographies enclosed), seek approval for NMIC's proposed Plan of Reorganization and conduct other member business. Please see the enclosed proxy statement for additional information on the matters to be voted on at the annual meeting and the enclosed proxy card for instructions on how to vote if you are unable to attend the annual meeting. To learn more about the voting process at the annual meeting, please visit [www.BCBSND.com/election](http://www.BCBSND.com/election).

I look forward to your participation in December, and thank you for your membership.

Sincerely,

Tim Huckle  
President and CEO  
Blue Cross Blue Shield of North Dakota



To our members –

**Vote for a healthy future for North Dakotans and for our company.**

As the governing board of your health insurance company, our goal is to keep Blue Cross Blue Shield of North Dakota (BCBSND) a strong, non-profit, member-owned company to ensure that we can best serve you for years to come. That's why the BCBSND board has approved and adopted a plan to reorganize our corporate structure, forming a new legal non-profit holding company called HealthyDakota Mutual Holdings.

This new structure will enable BCBSND to develop innovative products while investing in tools to improve all aspects of how we do business. The proposed structure enhances the ability to form deeper partnerships and collaborations with other plans like ours that can create economies of scale without having to merge or be acquired. Ultimately, this means BCBSND can improve affordability for you while expanding the range of products and services offered.

The proposed new structure supports prudent risk management, transferring several for-profit subsidiaries from under BCBSND to HealthyDakota Mutual Holdings. While these for-profit businesses are successful today, they can present additional risks and liabilities at times. By transferring these companies to HealthyDakota Mutual Holdings, we're ensuring financial strength for you—member-owners of BCBSND.

**The board has unanimously voted in support of this new structure, and we're asking you to vote in support of the new structure.** The final step in the reorganization process is member approval. Eligible voting members can vote by returning the enclosed, completed proxy form or in-person at the Annual Meeting to be held at Blue Cross Blue Shield of North Dakota headquarters located at 4510 13th Avenue South in Fargo on December 7, 2018, from 9-10 a.m., with registration beginning at 8 a.m. With voting member approval, this new structure would go into effect January 2019.

Join us in best serving members through the next era of health care,

David Sprynczynatyk  
Chairman of the Board  
Blue Cross Blue Shield of North Dakota



# ND

As a voting member of Noridian Mutual Insurance Company (member-owned, not-for-profit mutual insurance company headquartered in Fargo, ND) doing business as Blue Cross Blue Shield of North Dakota, we are asking you to vote in the election of the NMIC Board of Directors and on the Plan of Reorganization.

## HOW YOU VOTE

Please choose **ONLY ONE** of the following voting methods.

- 1) **IN PERSON AT THE NMIC ANNUAL MEETING.** Vote at the NMIC Annual Meeting of Members on December 7, 2018, in Fargo, ND. **DO NOT FILL OUT THE PROXY CARD** if you plan to vote in person at the annual meeting.
- 2) **BY PROXY BALLOT, IF YOU ARE NOT ATTENDING THE NMIC ANNUAL MEETING.** Vote by proxy card by either:
  - a) Completing, signing and returning the proxy card in the enclosed postage paid envelope (must be received in our office by December 3, 2018) or;
  - b) Completing online at [www.BCBSND.com/election](http://www.BCBSND.com/election) by midnight CST, December 3, 2018. Login with the User Key (exactly as it appears below) and the first three characters of your last name.
 

**User Key: 3736137200**  
Mike Montplaisir  
PO Box 2806  
Fargo, ND 58108-2806

ONLY THE VOTING MEMBER can complete this process. If you have questions about online voting, please call 800-342-4718.
- 3) **AUTHORIZE ANOTHER MEMBER TO VOTE AT THE ANNUAL MEETING ON YOUR BEHALF.** To obtain the appropriate form, please call 800-342-4718 or 701-277-2227.

## PROXY CARD

Please choose **EITHER Option A or Option B, BUT NOT BOTH.**  
**THE PROXY CARD MUST BE SIGNED FOR EITHER OPTION.**

### OPTION A:

#### MY DIRECTOR VOTES:

Election of Provider Directors (Vote for 1 Candidate)

Greg Glasner, MD

Election of Consumer Directors (Vote for 4 Candidates)

Barb Groutt

Michael Schumacher

Todd Kumm

David Sprynczynatyk

James Larson

Michael St. Onge

Vance Reinbold

Casey Stoudt

#### MY VOTE ON THE PLAN OF REORGANIZATION:

FOR approval of the Plan of Reorganization

AGAINST approval of the Plan of Reorganization

I delegate the NMIC Proxy Committee on my behalf to vote as indicated above at the December 7, 2018 NMIC Annual Meeting of Members.

The proxy committee is comprised of NMIC Directors Dennis Hill (Chair), Lynette Dickson and Niles Hushka.

OR

### OPTION B:

I authorize the NMIC Proxy Committee to vote on my behalf in the election of NMIC directors and on the approval of the Plan of Reorganization at the NMIC Annual Meeting of Members on December 7, 2018.

The proxy committee is comprised of NMIC Directors Dennis Hill (Chair), Lynette Dickson, and Niles Hushka.

**— YOU MUST SIGN BELOW TO VALIDATE YOUR VOTE —**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Signature must match voting member name listed to the left.

*If you sign this Proxy, but do not complete either OPTION A or B, you authorize the NMIC Proxy Committee to exercise its discretion on the election of NMIC directors and on the Plan of Reorganization at the Annual Meeting of Members on December 7, 2018.*

*If you would like to revoke your vote, you must attend the December 7th 2018 annual meeting in Fargo and personally sign an official NMIC Revocation Form. You will also need to bring valid personal identification. Following signing the form, you can cast an in-person new vote during the Annual Meeting.*

**BLUE CROSS AND BLUE SHIELD OF NORTH DAKOTA  
PROXY STATEMENT**

**2018 ANNUAL MEETING OF MEMBERS**

Noridian Mutual Insurance Company (d/b/a Blue Cross Blue Shield of North Dakota) ("NMIC" or "the Company") is furnishing this Proxy Statement and the enclosed proxy in connection with the solicitation of proxies by the Board of Directors of NMIC for use at the Annual Meeting of Members to be held on December 7, 2018, at 9 a.m. local time, at 4510 13th Avenue South, Fargo, North Dakota, and at any adjournments thereof (the "Annual Meeting"). These materials are being provided to members of NMIC (the "Members") on or about November 3, 2018.

**ABOUT THE ANNUAL MEETING**

*What is the purpose of the Annual Meeting?*

The items of business scheduled to be voted on at the Annual Meeting are:

- To elect five (5) nominees to the Board of Directors (the "Nominees"), each to terms of three (3) years commencing January 1, 2019;
- To approve a Plan of Reorganization (the "Plan") of NMIC and the transactions contemplated thereby; and
- To consider other business that properly comes before the Annual Meeting.

*What are the Board's voting recommendations?*

**The Board of Directors (the "Board") is not providing any recommendation on the voting of nominees for election to the Board. The Board recommends that you vote "FOR" the Plan and the transactions contemplated thereby.**

*Who is entitled to vote?*

Only persons who, on the basis of the records of NMIC and under the Bylaws of NMIC, were Members of NMIC as of November 2, 2018 (the record date established by the Board pursuant to statutory requirements, the "Record Date") are eligible to vote at the Annual Meeting.

Each Member of record on the Record Date (each, an "Eligible Member" and, collectively, the "Eligible Members") is entitled to one vote. Members may vote by submitting their proxy in accordance with the voting instructions included on the proxy card enclosed with this Proxy Statement. All proxies received by NMIC that are properly executed and have not been revoked will be voted in accordance with the instructions contained in the proxy cards. A proxy that is signed but not marked FOR or AGAINST the Plan or that is marked both FOR and AGAINST the Plan will not count and will not be treated as votes cast with respect to the Plan, and the transactions contemplated thereby. If you sign the proxy, but do not mark either OPTION A or B with respect to the election of directors, you authorize the NMIC Proxy Committee to exercise its discretion on the election of directors and approval of the Plan and any other business before the membership at the Annual Meeting of Members on December 7, 2018.

*What constitutes a quorum?*

A quorum at the Annual Meeting will consist of all Members present and voting in person or by proxy.

*What is a proxy?*

A proxy is your designation of another person to vote on your behalf. If you designate someone as your proxy in a written document, that document also is called a proxy or a proxy card. When you designate a proxy, you also may direct the proxy how to vote your shares. We refer to this as your "proxy vote." The members of the NMIC Proxy Committee, Dennis Hill (Chair), Lynette Dickson and Niles Hushka are designated as proxies for our Annual Meeting.

*How do I vote at the Annual Meeting?*

There are four different ways to vote:

1. In Person: If you are a Member as of the Record Date, you may vote in person at the Annual Meeting. Submitting a proxy will not prevent a Member from attending the Annual Meeting and voting in person.
2. By Internet: You may submit a proxy over the Internet by following the instructions at [www.BCBSND.com/newstructure](http://www.BCBSND.com/newstructure) by midnight CST, December 3, 2018.
3. By Mail: You may complete, sign and return the proxy card in the postage-paid envelope provided (must be received in NMIC's office by December 3, 2018).
4. By Proxy: You may authorize another member to vote at the annual meeting on your behalf. To obtain the appropriate form, please call 800-342-4718.

*Can I change my vote after I return my proxy card or after I vote over the Internet?*

A Member of record may revoke a proxy at any time before it is voted at the Annual Meeting by (a) delivering a proxy revocation or another duly executed proxy bearing a later date to the Secretary of NMIC at Blue Cross Blue Shield of North Dakota, 4510 13th Avenue South, Fargo, North Dakota, 58121, or (b) attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not revoke a proxy unless the Member actually votes in person at the meeting.

*What vote is required to approve each matter that comes before the meeting?*

Nominees for election to the Board shall be elected by majority vote of the Members present or represented by proxy at the Annual Meeting.

The Plan of Reorganization is approved upon the affirmative vote of at least a majority of votes cast in person or by proxy by the Members of NMIC, with regard to this proposal.

*Who will bear the costs of soliciting votes for the meeting?*

The proxy card accompanying this Proxy Statement is solicited by the Board of Directors of NMIC. NMIC will pay all of the costs of soliciting proxies.

*Who can help answer my questions?*

If you have any questions or need assistance voting your shares or if you need additional copies of this Proxy Statement, the enclosed proxy card, the Plan of Reorganization included as Annex A, the exhibits thereto, or the written order of the North Dakota Insurance Department approving the Plan of Reorganization (the "Order"), please contact Member Services at 800-342-4718. In addition, this Proxy Statement, the Plan of Reorganization included in Annex A, including all exhibits thereto, and the Order are each publicly available on the Company's website at the following address: [www.BCBSND.com/newstructure](http://www.BCBSND.com/newstructure).

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## SUMMARY

This summary highlights selected information from this Proxy Statement and may not contain all the information that is important to you. For more information regarding the proposals, including the reorganization, and for a more complete description of the legal terms of the Plan of Reorganization, Members should carefully read Annex A and the materials available at [www.BCBSND.com/newstructure](http://www.BCBSND.com/newstructure), in their entirety.

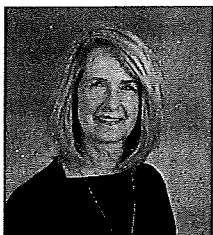
### Proposal 1: Election of Directors

NMIC will hold elections for five (5) seats on the Board of Directors. The Board of Directors currently consists of thirteen (13) persons and is comprised of eight (8) directors who are Members, or officers, directors or trustees of Members who are not providers of health care services and who are not employees of, or persons having a financial interest in, any provider of health care services ("Consumer Directors"); and five (5) directors who are providers of health care services, including physicians, persons affiliated with hospitals, or individuals working in the health care delivery industry determined to be qualified ("Provider Directors"). As a voting member of NMIC, you are entitled to vote in the election of the NMIC Board of Directors. Information concerning each of the nominees standing for election to the Board at the Annual Meeting is set forth below. Each of the nominees has been recommended for nomination by the Nominating and Corporate Governance Committee and nominated by our Board of Directors.

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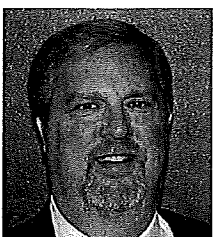
### Biographies of the 2018 Nominees Consumer Directors

#### Barbara Groutt



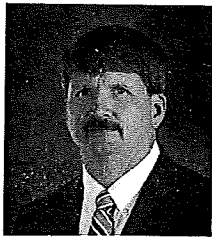
Barbara Groutt, Minot, recently retired as CEO of Quality Health Associates (QHA), a non-profit company dedicated to improving health and health care for the people of North Dakota. As CEO she was responsible for overall management of the organization including personnel, compliance, communications, finance and strategic planning. Prior to assuming the role of CEO, she served for several years as the Director of statewide initiatives to improve the quality of care in a variety of settings including hospitals, physician offices, nursing homes, home health agencies and public health. She has served on the board of directors of the Great Plains Quality Innovation Network, the American Health Quality Association and the Minot Family YMCA. Groutt graduated from Minot State University with a degree in English, and earned a master's degree in Administration - Health Care from Central Michigan University.

#### Todd Kumm



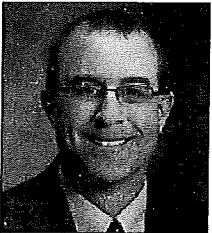
Todd Kumm, Fargo, retired, was the former CEO of Fargo-based Dakota Supply Group. Kumm has more than 25 years of senior management experience, launching start-up ventures and revitalizing non-performing operations. Kumm has served on the boards of the Fargo Moorhead Economic Development Corporation and National Association of Electrical Distributors (NAED). He has also served as board chairman of D&M Industries, Industry Data Exchange Association (IDEA) and chairman of the NAED's Education and Research Foundation Board and Certified Electrical Professional Program. Kumm earned a bachelor's degree from Concordia College of Moorhead, Minn., and completed the Minnesota Executive Program (MEP) in business at the University of Minnesota's Carlson School of Management in Minneapolis. Kumm has served on the NMIC Board since 2016.

### James Larson



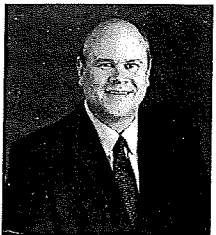
James Larson, Fargo, is the Finance Director with the Fargo Park District, and has held that position for the past 25 years. Larson was responsible for all facets of Human Resources at the Park District until the fall of 2015. In his finance role with the Fargo Park District, he oversees financial management, financial reporting and budgeting. He is also heavily involved in the development of new parks as the City of Fargo continues to expand. Larson is a member of the North Dakota Society of CPAs. He has served on the board of Inspiration Point Bible Camp since 2002, and for the past seven years has held the position of president of the board. Larson holds a bachelor's degree in accounting from Minnesota State University Moorhead. He achieved his Certified Public Accountant (CPA) certificate in 1989. Larson has served on the NMIC Board since 2014.

### Vance Reinbold



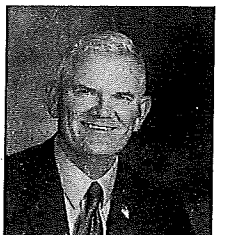
Vance Reinbold, Bismarck, is the chief financial officer of Capital Credit Union and has been with the credit union since 2006. Capital Credit Union is a full service financial organization and has branches in Bismarck, Mandan, Fargo, Hazen, Beulah and New Salem, all in North Dakota. Reinbold's health care industry experience includes being vice president of finance and controller for St. Alexius Medical Center where he was employed from 1989 to 2006. Reinbold has served on the board for Enable Inc. since 2003. Enable is a non-profit organization that serves individuals with needs. Reinbold also served for five years on the parent advisory committee for Bismarck High, volunteers at track meets every year and loves the outdoors. He earned a bachelor of science degree in accounting from Minnesota State University Moorhead and is a Certified Public Accountant.

### Michael Schumacher



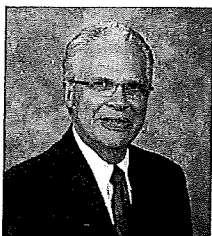
Michael Schumacher, Fargo, is chief financial officer for Dakota Medical Foundation and Impact Foundation. Schumacher directs the financial management, budgeting and reporting of the foundations and oversees human resources and information technology. Schumacher has more than 29 years of experience in the health care and nonprofit industries, including serving as the chief financial officer for Sanford Medical Center Bismarck and as a health care audit partner with Eide Bailly LLP. He is a member of the American Institute of Certified Public Accountants, the North Dakota CPA Society and the North Dakota Chapter of Healthcare Financial Management Association (NDHFMA). He has served as a volunteer on various boards, including 13 years with the Boys & Girls Club of the Red River Valley/Youth Commission (current board chair) and eight years with NDHFMA (president 2007-08). Schumacher is a member of the Minnesota State University Moorhead (MSUM) Paseka School of Business Advisory Council, a graduate of the Fargo-Moorhead Leadership Program, and currently serves youth in the community as a football coach with FM Athletics. Schumacher earned a bachelor's degree in accounting from Minnesota State University Moorhead. He received his Certified Public Accountant (CPA) certificate in 1990 and was awarded the Founders Medal of Honor Award from NDHFMA in 2012.

### David Sprynczynatyk



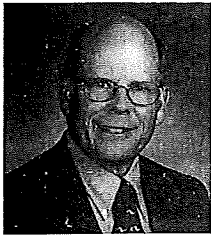
David Sprynczynatyk, Bismarck, is a retired adjutant general for the state of North Dakota (ND). He was responsible for leading 4,400 ND National Guard Soldiers, Airmen, and 1,100 full-time employees of the Bismarck-based Office of the Adjutant General, carrying out state and federal missions. Sprynczynatyk served as director of the ND Department of Emergency Services, including the Department of Homeland Security and the Division of State Radio for local, state and federal disaster response efforts. He currently serves as the president of the Northern Lights Boy Scout Council and as the chairman of the ND Water Coalition. He has served as treasurer of the Adjutants General Association of the United States, finance vice president of the Northern Lights Council of the Boy Scouts of America, and was a board member and founding member of the Gateway to Science. He has also served or been a member of the National Guard Association of the United States, the National Guard Officers Association of ND, the National and ND Water Users Associations, the National and ND Society of Professional Engineers, the American and the Western Association of State Highway and Transportation Officials, the Far West Rotary Club, and served as hospitality minister at the Cathedral of the Holy Spirit. Sprynczynatyk earned a bachelor of science degree in civil engineering from North Dakota State University. Sprynczynatyk has served on the NMIC Board since 2013.

### Michael St. Onge



Michael St. Onge, Grand Forks, is recently retired. He worked his last years with Titan Machinery as Valley Regional Manager and Store Manager in a combination hardware store/implement dealership. Prior to that he spent 13 years with Alerus Financial as Northern Valley Market President and other executive level positions. The previous 23 years were spent with Sperry New Holland, Ford New Holland and finally Fiat Agri. He has more than 44 years of experience in finance, sales management, budgeting, strategic planning, risk management, retirement planning, product development, product distribution and customer relations. His industry experience includes banking, financial management, agriculture, manufacturing, insurance and retirement planning. Mike earned a bachelor's degree in business administration from Ferris State University and an associate degree in insurance from Ferris State University.

**Casey Stoudt**



Casey Stoudt, Jamestown, is president and owner of R.M. Stoudt, Inc., a Ford dealership in Jamestown. Stoudt is also president and owner of the Stoudt Ross Ford, Inc. and Miller Motors, Inc., car dealerships in Valley City. He is past president and is currently secretary of the Jamestown Dollars for Scholars and a member of the Jamestown Community Foundation Board. Stoudt is a past chair of the Jamestown Area Chamber of Commerce, Valley City Area Chamber of Commerce, Stutsman County Housing Authority and Jamestown/Stutsman Development Corp. Stoudt was a three-term member of the Ford National Dealer Council and has served as a member of the University of Jamestown Board of Trustees. He is currently Chairman of the Anne Carlsen Center board and is a currently a vestry member and is a past senior warden at Grace Episcopal Church. Stoudt earned a bachelor's degree in psychology from St. Olaf College in Northfield, Minn. Stoudt has served on the NMIC Board since 2013.

**Provider Director**

**Dr. Greg Glasner**



Dr. Greg Glasner, Fargo, is president and chief medical officer of the West Region of Essentia Health, Fargo. He is a fellow in the American College of Obstetrics and Gynecology and is a member of the North Dakota OB/GYN Society and the North Dakota Medical Society. Glasner also served on the board of directors of Dakota Clinic, Innovis Health and Medical Properties, Inc. Dr. Glasner received his medical degree from the University of North Dakota School of Medicine, Grand Forks. He completed a residency in obstetrics and gynecology at Sparrow Hospital, Michigan, and is certified by the American Board of Obstetrics/Gynecology. Glasner has served on the NMIC Board since 2010.

Directors shall be elected for a term of three (3) years unless election is to a vacant position, in which case the term of office shall be the unexpired portion of the preceding Director's term. No Director shall serve more than four (4) successive three (3) year terms or fourteen (14) years in total, whichever is longer.

**The Board is not providing any recommendation on the voting of nominees for election to the Board.**

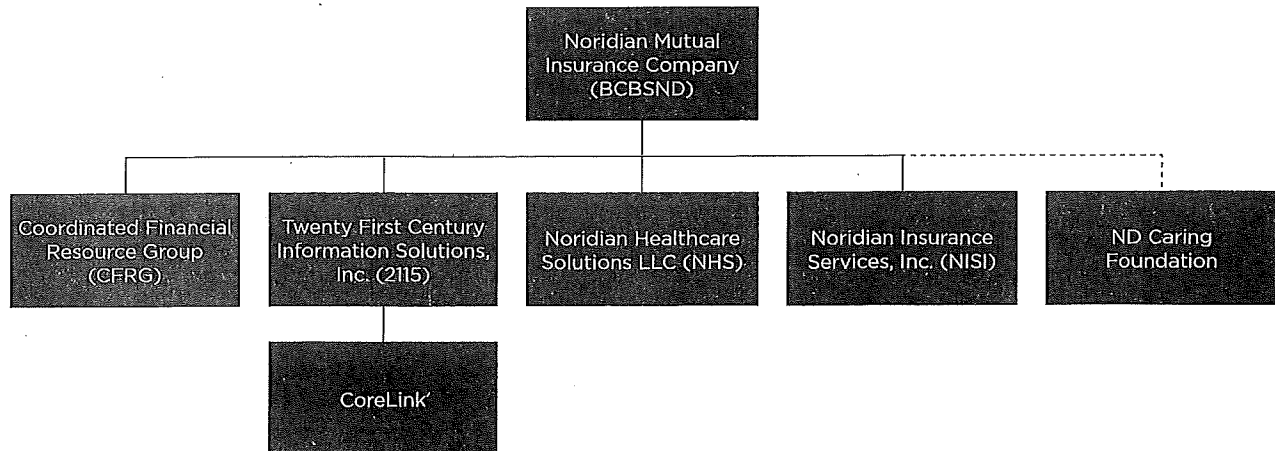
**Proposal 2: The Reorganization**

Under the Plan, NMIC will reorganize to create a nonprofit holding company structure in which a newly formed nonprofit holding company to be named HealthyDakota Mutual Holdings ("Holdings") will become the sole member of NMIC by operation of law. Upon its reorganization, the Company will continue its corporate existence as a North Dakota nonprofit mutual insurance company and will be renamed Blue Cross Blue Shield of North Dakota (hereinafter referred to as "BCBSND"). NMIC insurance policies (the "Policies") will continue to be the contractual obligations of NMIC from and after the reorganization contemplated by the Plan (the "Reorganization").

The Plan also contemplates that NMIC will distribute all of its partnership interests, membership interests and shares of preferred stock and common stock in certain subsidiaries (the "Transferred Subsidiaries") constituting the entirety of NMIC's ownership of such subsidiaries prior to the reorganization to Holdings after the proposed reorganization. NMIC will also transfer certain cash and cash equivalents to Holdings in the amount of \$10 million as working capital. The aggregate value of the subsidiaries and other assets to be transferred to Holdings as part of the Plan is approximately \$54 million.

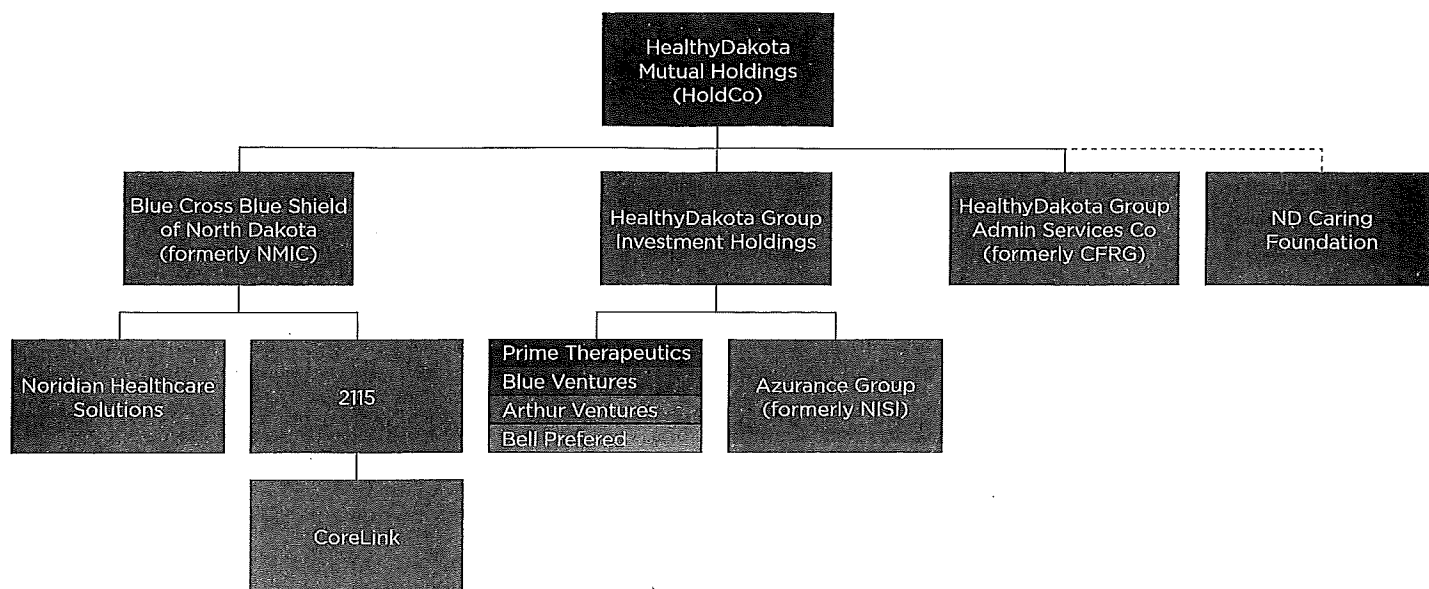
The following diagrams depict the organizational structure of NMIC before and after the Reorganization.

**Before the Reorganization**





## After the Reorganization



NMIC submitted an application to the North Dakota Insurance Department (the "Department"), which included the Plan, and various exhibits thereto including proposed revised articles and bylaws for NMIC, proposed articles and bylaws of Holdings, the list of Transferred Subsidiaries, authorizing resolutions by NMIC's Board of Directors approving the Plan, pro-forma financial statements, pre-Reorganization and post-Reorganization organizational charts and the proposed Directors and Officers for BCBSND and Holdings following the Reorganization. A public hearing on the Reorganization Plan was held on April 11, 2018 in Bismarck, North Dakota by the Department. The Insurance Commissioner approved the Reorganization Plan on April 18, 2018 via signed order (the "Order"). This Proxy Statement, the Plan of Reorganization included in Annex A, including all exhibits thereto, and the Order are each publicly available on the Company's website at the following address: [www.BCBSND.com/newstructure](http://www.BCBSND.com/newstructure). Members are encouraged to read the Plan and each of these materials carefully and fully.

A Member of NMIC at the time the Plan becomes effective will become a Member of Holdings automatically and will remain a Member until such Member's policy with BCBSND expires or otherwise is terminated. In addition, a person who purchases a BCBSND insurance policy after the Plan becomes effective automatically will become a member of Holdings and similarly will remain a member until the expiration or other termination of such policy.

Holdings will not be authorized to issue capital stock and will not have any shareholders. After the Reorganization, Holdings will be under the direction of its Board of Directors and all voting rights will be held by policyholders or persons named as a subscriber or certificate holder under a group accident and health insurance policy or health service contract that is in force (the "Policyholders") who become the members of Holdings. Such members will be entitled to vote on all matters requiring action by the members, including the election of Directors. Policyholders will remain members as long as Policies that are owned by them as Policyholders of BCBSND remain in force. The Reorganization is described following "Recommendation to Members" below.

### Reasons for the Reorganization

The Board believes that the nonprofit holding company structure available to nonprofit mutual insurance companies under North Dakota law provides benefits to NMIC and its Members. The Board is also aware that other insurers associated with Blue Cross Blue Shield, including Blue Cross and Blue Shield of Florida and Blue Cross and Blue Shield of Nebraska, have engaged in holding company restructurings in recent years that have provided these entities with additional operational flexibility. This nonprofit holding company preserves a nonprofit status, at both the NMIC and the Holdings level, while providing flexibility for the use of for-profit entities within the holding company structure. It will allow for better growth and scalability of NMIC's business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help NMIC achieve its mission to improve the health and wellness of its Members and communities. The holding company structure will preserve the ownership interest held by NMIC's Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise as well as increase NMIC's ability to operate more effectively with affiliates, subsidiaries and other companies in support of NMIC's mission. The holding company structure will also allow NMIC to protect its insurance business and related business functions from risks that accompany the operations of the Transferred Subsidiaries. The Board believes that a holding company structure will provide the organizational and financial flexibility needed to advance NMIC's mission, ensure prudent risk management, keep NMIC financially strong for its Members and enable diversification, while retaining the long-term, consistent focus of a mutual company. The Reorganization is expected to:

- permit NMIC to realize the benefit of preserving the Members' Membership Interests at the Holdings level, including the right to elect directors of Holdings and vote on amendments to the articles of incorporation of Holdings;
- allow the declaration and payment of dividends from subsidiaries for capital deployment within the holding company structure;

- permit Holdings to make investments that may otherwise be limited under the present structure; and
- enhance NMIC's structural flexibility and support for its current and future business opportunities, including potential joint ventures, mergers and acquisitions.

Specifically, the Board believes that Reorganization under the Plan will be beneficial for both NMIC and its Members for the following reasons:

**Maintaining the Benefits of Mutuality and Company Mission.** Reorganizing NMIC into a nonprofit mutual insurance company whose sole member is a nonprofit holding company enables NMIC to achieve the benefits described below while continuing NMIC's mission to improve the health and wellness of its Members.

**Increased Protection of Assets.** Under the Plan of Reorganization, NMIC will no longer be the parent of the Transferred Subsidiaries and their businesses that at times present additional risks and liabilities to the nonprofit mutual insurance company. Under the holding company structure, BCBSND will have more limited exposure to these risks and claims.

**Enhanced Ability to Deploy Available Capital.** The Plan of Reorganization contemplates that the Transferred Subsidiaries will no longer be subsidiaries of BCBSND but will instead be subsidiaries of Holdings. As such, under a holding company structure, capital of non-regulated subsidiaries may be declared and paid as a dividend, which will enable the use of such capital relative to their business purpose.

**Greater Flexibility in Pursuing and Structuring Business Combinations.** Holdings will have the ability to pursue mergers and acquisitions with other insurance companies subject to the Commissioner's approval. The ability to combine with another insurance company in a way that preserves the identities and cultures of both companies will be less disruptive than a statutory merger to the relationships between the companies and their respective policyholders and will make BCBSND a potentially more attractive partner.

#### **Adoption of Amended Articles of Incorporation and Bylaws of NMIC Pursuant to Reorganization.**

Pursuant to the Plan, after certifying that the requisite vote of Eligible Members was sufficient to approve the Plan, Holdings will become the sole member of NMIC and the Articles of Incorporation and Bylaws of Holdings will become effective. In connection with the reorganization, NMIC will also file with the North Dakota Secretary of State the fully executed Amended and Restated Articles of Incorporation and NMIC will adopt Amended and Restated Bylaws as BCBSND. The Restated Articles and Bylaws of BCBSND are similar to the current Bylaws of NMIC, except that the sole member of BCBSND will be Holdings and all membership interests of all members of BCBSND will be converted into membership interests in Holdings.

Members are encouraged to read these documents, each of which is publicly available on the Company's website at the following address: [www.BCBSND.com/newstructure](http://www.BCBSND.com/newstructure).

#### **Comparison of Articles of Incorporation and Bylaws of Holdings with Current Bylaws of NMIC**

The proposed Articles of Incorporation (sometimes referred to here as the "Articles") and Bylaws of Holdings are substantially similar to the current Articles and Bylaws of NMIC. In particular, the policyholders of BCBSND will constitute the members of Holdings, just as the policyholders of NMIC currently are the members of NMIC and will enjoy the same voting rights with respect to Holdings as they previously had in NMIC. Certain provisions of the proposed Articles and Bylaws are summarized below. This summary is not complete and it does not identify all provisions that may, under given circumstances, be material for Members, and is subject in all respects to the North Dakota Statutes and the proposed Articles of Incorporation and Bylaws of Holdings.

#### **Organization**

Holdings is formed in order to restructure NMIC and allow for the transfer of certain subsidiaries under the Plan. After the Effective Date, Holdings will become, by operation of law, the sole member of BCBSND and membership interests held by members in NMIC will be automatically converted into membership interests in Holdings. Holdings will be permitted to engage in all acts permitted or not prohibited for a nonprofit holding company under North Dakota law. Holdings will not be engaged in the business of insurance. By contrast, NMIC is, and BCBSND will be, a nonprofit insurance company formed for the purpose of providing health insurance coverage to its Members.

#### **Board of Directors**

Pursuant to its current Bylaws, NMIC is governed by a Board of Directors that must consist of thirteen persons comprised as follows: (i) eight (8) Directors that are Members of NMIC, or officers, directors or trustees of Members of NMIC or officers, directors or trustees of Members of the Corporation who are not providers of health care services and who are not employees of, or persons having a financial interest in, any provider of health care services ("Consumer Directors"); and (ii) five (5) Directors shall be providers of health care services, including physicians, persons affiliated with hospitals, or individuals working in the health care delivery industry determined to be qualified ("Provider Directors"). The provisions with respect to the Board of Directors in the proposed Bylaws of Holdings are identical to the provisions in the current Bylaws of NMIC other than with respect to the number of directors and the inclusion of "At-Large Directors" on Holdings' Board of Directors. Subsequent to the Effective Date, Holdings' Board of Directors shall consist of at least nine (9) persons and no more than fifteen (15) persons, distributed among three classes of Directors: (a) Members of the corporation, or officers, directors or trustees of Members of the corporation, who are not providers of health care services and who are not employees of, or persons having a financial interest in, any provider of health care services ("Consumer Directors"), (b) providers of health care services, including physicians, persons affiliated with hospitals, or individuals working in the health care delivery industry determined to be qualified ("Provider Directors"), and (c) persons who meet neither the qualifications to be a Consumer Director nor a Provider Director ("At Large Directors"). At least a majority of the Directors shall be Consumer Directors and in no event shall there be more At Large Directors than Provider Directors. In addition, although, the initial Directors of Holdings shall consist of the same thirteen (13) individuals who serve as the Directors of NMIC on the Effective Date, subsequent to the Effective Date, Holdings' Board of Directors may opt not to fill any vacancy occurring on the Board of Directors due to death, resignation, legal incapacity or removal of a Director.

## Officers

The Bylaws of Holdings authorize the election or appointment by the Board of Directors of corporate officers, including a Chair, Vice Chair, CEO, President, Treasurer, Secretary, Internal Audit Officer and Compliance Officer. Following the Reorganization, the provisions with respect to duties of these officers in the Bylaws of Holdings will be identical to those in the amended Bylaws of BCBSND. The Bylaws of Holdings and the amended Bylaws of BCBSND will provide that the President and CEO positions may be held separately by two people or may be held by the same person as determined by the Board of Directors.

## Member Meetings

Both the Bylaws of Holdings and the current Bylaws of NMIC provide for annual member meetings and special member meetings.

## Amendment of Bylaws

With respect to amendments, the proposed Bylaws of Holdings are identical to the current Bylaws of NMIC.

## Risks of the Reorganization

Following the Reorganization, BCBSND will continue to be subject to the investment limitations under North Dakota law, which generally restricts the investments of insurance companies to those types of investments which are relatively liquid and stable, but Holdings and other subsidiaries of Holdings that are not insurance companies will not be subject to those investment limitations. The Board believes that the benefit of expanding Holdings' potential investment opportunities outweighs any theoretical risk to Members. There are other potential risks as well, which are described in the Plan, attached as Annex A of this Proxy Statement. Members should carefully consider the potential risks of the Reorganization. The Board has concluded, however, that these possible disadvantages are outweighed by the benefits to Members following the Reorganization.

## Recommendation to Members

NMIC's Board of Directors believes that the Reorganization is fair and equitable to the Members of NMIC. The Board unanimously recommends that Members vote "FOR" approval of the Plan and the transactions contemplated thereby.

## Membership Interests Before and After the Reorganization

Policies in force with NMIC at the Effective Date will continue as Policies of BCBSND. The Plan will not increase or otherwise adversely change the premiums required to be paid on Policies of BCBSND. The following table provides a brief description of the effects of the Reorganization on the contract rights and Member rights of Members.

	Definition	Before Reorganization	After Reorganization
<b>Contract Rights</b>	Right to receive, as Member, Policy benefits.	Policy benefits which consist of health insurance coverage under NMIC Member agreements are obligations of NMIC.	Policy obligations to provide health insurance continue unchanged for the Members, who will continue as policyholders of BCBSND.
<b>Membership Interests</b>	Voting in election of directors and on other corporate matters.	Each Member is entitled to one vote.	Voting rights in NMIC become voting rights in Holdings, which, under the Plan, will have voting control over BCBSND. Each Member will continue to be entitled to one vote as before the Reorganization.

## Federal Income Tax Consequences of the Reorganization

NMIC expects its reorganization as described in the Plan will be a tax-free reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code and that Holdings and NMIC will be "parties to the reorganization" within the meaning of Section 368(b) of the Code. No gain or loss will be recognized by Members of NMIC as a result of the conversion of their membership interests in NMIC to membership interests in Holdings. Neither Holdings nor NMIC will recognize gain as a result of the reorganization, other than deferred intercompany gain recognized to NMIC with respect to NMIC's distribution of the Transferred Assets, to the extent that the value of any Transferred Asset exceeds its adjusted tax basis in the hands of NMIC. Such deferred intercompany gain would not be subject to current tax at the time of the distribution or thereafter until the occurrence of a triggering event as described in the Income Tax Regulations governing corporations that include their affiliate corporations in a federal consolidated tax return.

Members should consult their own tax advisors regarding any federal, state, local or applicable foreign tax consequences of the Reorganization not addressed in this Proxy Statement or arising from their particular circumstances. The Company does not undertake any responsibility to advise Members of any changes or subsequent developments in the application, operation or interpretation of the U.S. federal income tax laws. No ruling has been or will be requested from the Internal Revenue Service concerning the U.S. federal income tax consequences of the reorganization. The opinions of the Company's independent tax adviser, referenced in the following paragraph, represent such adviser's best legal judgment, and have no binding effect or official status; no assurance can be given that contrary positions may not be taken by the Internal Revenue Service or that a court considering the issues would not hold otherwise.

The Reorganization is subject to NMIC having received on or before the Effective Date one or more tax opinions of its independent tax adviser with regard to any of the federal income tax consequences of the Reorganization.

#### **Conditions to the Effectiveness of the Plan**

The consummation of the Reorganization is subject to the satisfaction of certain conditions, including approval of the Plan and the transactions contemplated thereby by the requisite vote of the Eligible Members at the Annual Meeting; and receipt by NMIC of one or more tax opinions from the Company's independent tax adviser with regard to the federal income tax consequences of the Reorganization. Pursuant to the Plan, NMIC will also obtain a "no-action" letter from the Securities and Exchange Commission ("SEC") to the effect that the membership interests of Holdings do not require registration under the Securities Act of 1933, as amended or the Exchange Act of 1934, as amended. Assuming that the remaining conditions are satisfied, it is anticipated that NMIC will consummate the Reorganization effective January 1, 2019.

**The Board recommends that you vote "FOR" the Plan and the transactions contemplated thereby.**

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**ANNEX A - PLAN OF REORGANIZATION**  
**PLAN OF REORGANIZATION**  
**OF**  
**NORIDIAN MUTUAL INSURANCE COMPANY D/B/A BLUE CROSS BLUE SHIELD OF NORTH DAKOTA**  
**UNDER CHAPTER 26.1-17-33.1-12, NORTH DAKOTA CENTURY CODE**  
**DATED AS OF FEBRUARY 23, 2018**

#### **INDEX OF EXHIBITS**

EXHIBIT A	Proposed Articles of Incorporation of HealthyDakota Mutual Holdings
EXHIBIT A-1	Comparison of Proposed Articles of Incorporation of HealthyDakota Mutual Holdings and Current Amended and Restated Articles of Incorporation of Noridian Mutual Insurance Company d/b/a Blue Cross Blue Shield of North Dakota
EXHIBIT B	Proposed Bylaws of HealthyDakota Mutual Holdings
EXHIBIT B-1	Comparison of Proposed Bylaws of HealthyDakota Mutual Holdings and Current Amended and Restated Bylaws of Noridian Mutual Insurance Company d/b/a Blue Cross Blue Shield of North Dakota
EXHIBIT C	Proposed Amended and Restated Articles of Incorporation of Blue Cross Blue Shield of North Dakota (f/k/a Noridian Mutual Insurance Company d/b/a Blue Cross Blue Shield of North Dakota)
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EXHIBIT D-1	Comparison of Proposed Amended and Restated Bylaws of Blue Cross Blue Shield of North Dakota (f/k/a Noridian Mutual Insurance Company d/b/a Blue Cross Blue Shield of North Dakota) and Current Amended and Restated Bylaws of Noridian Mutual Insurance Company d/b/a Blue Cross Blue Shield of North Dakota
EXHIBIT E	List of Subsidiaries
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EXHIBIT J	Communications Timeline for Reorganization of Noridian Mutual Insurance Company d/b/a Blue Cross Blue Shield of North Dakota
EXHIBIT K	Directors and Officers of BCBSND and HealthyDakota Mutual Holdings following the Reorganization

**PLAN OF REORGANIZATION  
OF  
NORIDIAN MUTUAL INSURANCE COMPANY D/B/A BLUE CROSS BLUE SHIELD OF NORTH DAKOTA**

**Under Subsection 12 of Section 33.1 of Chapter 26.1-17, North Dakota Century Code**

This Plan of Reorganization (hereinafter, the "Plan") has been approved and adopted by the Board of Directors of Noridian Mutual Insurance Company d/b/a Blue Cross Blue Shield of North Dakota ("BCBSND"), a nonprofit mutual insurance company under Chapters 10-33 and 26.1-12 of the Century Code of North Dakota (the "Century Code"), at a meeting duly called and held on February 23, 2018.

This Plan provides for the reorganization, pursuant to Subsection 12 of Section 33.1 of Chapter 26.1-17 of the Century Code ("Subsection 12"), of BCBSND to create a nonprofit holding company to be named HealthyDakota Mutual Holdings. Pursuant to Subsection 12, HealthyDakota Mutual Holdings will become the sole member of BCBSND by operation of law and the membership interests of all members of BCBSND will concurrently be converted into membership interests in HealthyDakota Mutual Holdings. In connection with this reorganization of BCBSND, certain of its subsidiaries will become subsidiaries of HealthyDakota Mutual Holdings. The laws of North Dakota relating to and affecting nonprofit charitable and benevolent corporations will be applicable to both BCBSND and HealthyDakota Mutual Holdings as provided in Subsection 10 of Section 33.1 of Chapter 26.1-17 of the Century Code.

Please see Sections 2.02 and 7.02(b) for a chronology of sequence of events of the transactions that will take place in connection with the Reorganization of BCBSND under this Plan.

**ARTICLE I:  
DEFINITIONS**

As used in this Plan the following capitalized terms have the following meanings:

- "Adoption Date" means February 23, 2018, the date on which this Plan was adopted by the Board.
- "Association" means the Blue Cross and Blue Shield Association, a national federation of independent, community-based and locally operated Blue Cross® and Blue Shield® companies, of which BCBSND is presently a licensee and of which Holdco will also be a licensee following the Reorganization.
- "Board" means the Board of Directors of BCBSND.
- "BCBSND" means Noridian Mutual Insurance Company, doing business as "Blue Cross Blue Shield of North Dakota," which is a nonprofit mutual insurance company under Chapters 10-33 and 26.1-12 of the Century Code and following the Reorganization will be changed to Blue Cross Blue Shield of North Dakota.
- "Commissioner" means the Commissioner of the North Dakota Insurance Department.
- "Department" means the North Dakota Insurance Department, or such governmental officer, body or authority as may succeed the Department as the primary regulator of BCBSND and Holdco under applicable law.
- "Effective Date" means the Effective Date of this Plan, as determined in accordance with Section 7.01(a).
- "Effective Time" has the meaning specified in Section 7.02(a).
- "Eligible Members" means all Persons who, as reflected on the records of BCBSND, are owners of in-force Policies of BCBSND as of 5:00 p.m. EDT on such date as may be adopted by the Board in connection with a meeting of its members to approve the Plan.
- "Foundation" means Blue Cross and Blue Shield of North Dakota Caring Foundation, a 501(c)(3) charitable organization organized in North Dakota, also known as "BCBSND Caring Foundation."
- "Holdco" means HealthyDakota Mutual Holdings, a nonprofit mutual company to be organized under Chapter 10-33 of the Century Code.
- "Member" means, in accordance with the articles of incorporation and bylaws of BCBSND, a Person who is a policyholder of a Policy issued by BCBSND.
- "Membership Interests" means (a) with respect to BCBSND (prior to the Reorganization), the membership interests of Members arising under the laws of the State of North Dakota and the articles of incorporation and bylaws of BCBSND, including, without limitation, the right to vote for directors and on other matters or (b) with respect to Holdco (following the Reorganization), the membership interests of members arising under the laws of the State of North Dakota and the articles of incorporation and bylaws of Holdco, including, without limitation, the right to vote for directors and on other matters. Membership Interests do not include the contractual rights and interests arising under Policies issued by BCBSND.
- "Person" means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee or fiduciary, or any similar entity.
- "Plan of Reorganization" or "Plan" means this Plan of Reorganization (including all Schedules and Exhibits hereto), as it may be amended or corrected from time to time in accordance with Section 8.06.
- "Policies" means a written agreement or contract for or effecting insurance from BCBSND, other than reinsurance.
- "Reorganization" means the transactions which accomplish the reorganization of BCBSND to create a nonprofit holding company structure under North Dakota law in accordance with this Plan of Reorganization.
- "Subsidiaries" means each of the subsidiaries listed in Exhibit E, in which BCBSND owns partnership interests, membership interests or shares of preferred stock or common stock prior to the Effective Date.
- "Working Capital" means certain cash and cash equivalents in the amount of \$10,000,000.

## ARTICLE II:

### EFFECT OF REORGANIZATION

- 2.01 Changing the Organizational Structure. The principal effects of the Reorganization will be to restructure BCBSND by forming a nonprofit holding corporation that will be called HealthyDakota Mutual Holdings, or "Holdco". Holdco will become, by operation of law, the sole member of BCBSND following the Reorganization. On the Effective Date, the membership interests held by members in BCBSND will be automatically converted into membership interests in Holdco. The Reorganization will occur in a manner consistent with Subsection 12 and will involve the organization of one or more companies, amendment or restatement of the articles of incorporation and bylaws of one or more companies, and certain transfer of assets and liabilities.
- 2.02 Process of Reorganization. As part of the Reorganization:
- a. Holdco's articles of incorporation and bylaws attached hereto as Exhibit A and Exhibit B, respectively, shall become effective;
  - b. BCBSND's Articles of Incorporation shall be amended and restated for purposes of reorganizing under a nonprofit holding company structure as set forth in Exhibit C, and the Amended and Restated Bylaws of BCBSND as set forth in Exhibit D hereto shall become effective;
  - c. Holdco shall become, by operation of law, the sole member of BCBSND, having the rights set forth in BCBSND's Amended and Restated Articles of Incorporation and Amended and Restated Bylaws;
  - d. The Membership Interests of Members of BCBSND shall become Membership Interests in Holdco in accordance with the articles of incorporation and bylaws of Holdco and the Members' Membership Interests in BCBSND shall be extinguished;
  - e. BCBSND shall distribute the Working Capital and all of its partnership interests, membership interests and shares of preferred stock and common stock in the Subsidiaries constituting the entirety of BCBSND ownership of the Subsidiaries prior to the Reorganization, and Holdco shall assume the liabilities and obligations associated therewith; and
  - f. Subsequent to the Reorganization, BCBSND may transfer certain of its employees to the Subsidiaries.
- 2.03 Continuation of Existing Policies, Rights and Benefits. The coverage terms and provisions of the existing Policies held by Members will not be changed as a result of the Reorganization. In addition, the benefits and the rights of Members specified in their existing Policies will not be reduced or altered in any way, and the premiums required to be paid as specified in those Policies will not be increased as a result of the Reorganization. BCBSND will remain fully obligated under all of BCBSND's Policies. Notwithstanding the foregoing, upon the renewal of the Policies, the forms and endorsements issued to the Members as policyholders of BCBSND may be made on new forms, in which case they will be filed with and approved by the Department. The coverage and benefits and associated premiums for such coverage and benefits under the new policy forms and endorsements are not expected to differ materially from those provided under the Policies.
- 2.04 Contractual Obligations. Following the Reorganization, the material terms and conditions of contractual obligations of BCBSND, other than those arising under the Policies, shall, subject to the rights of Holdco under applicable law, and to the extent such obligations are not otherwise satisfied or terminated in accordance with their terms or retained by Holdco or BCBSND, remain in full force and effect as obligations of BCBSND or, to the extent applicable, upon the transfer of such obligations to, and assumption of such obligations by, Holdco.

## ARTICLE III:

### BACKGROUND OF REORGANIZATION

- 3.01 Reasons and Purposes of Reorganization. The Board believes that the nonprofit holding company structure available to nonprofit mutual insurance companies under North Dakota law provides benefits to BCBSND and its Members. This nonprofit holding company preserves a nonprofit mutual status, at both the BCBSND and the Holdco level, while providing flexibility for the use of for-profit entities within the holding company structure. It will allow for better growth and scalability of BCBSND's business and the ability to adapt to the changing business environment in ways not currently available, which will ultimately help BCBSND achieve its mission to improve the health and wellness of its Members and communities. The holding company structure will preserve the ownership interest held by BCBSND's Members and, at the same time, allow more flexibility in how assets can be used across the entire enterprise as well as increase BCBSND's ability to operate more effectively with affiliates, subsidiaries and other companies in support of BCBSND's mission. The holding company structure will also allow BCBSND to further protect its nonprofit insurance business and related business functions from risks that accompany the operations of for-profit Subsidiaries. The Board believes that a holding company structure will provide the organizational and financial flexibility needed to advance BCBSND's mission, ensure prudent risk management, keep BCBSND financially strong for its Members and enable diversification, while retaining the long-term, consistent focus of a mutual company. The Reorganization is expected to:
- vii. Permit BCBSND to realize the benefit of preserving the Members' Membership Interests at the Holdco level, including the right to elect directors of Holdco and vote on amendments to the articles of incorporation of Holdco;
  - viii. Allow the declaration and payment of dividends from subsidiaries for capital deployment within the holding company structure;
  - ix. Permit Holdco to make investments that may otherwise be limited under the present structure; and
  - x. Enhance BCBSND's structural flexibility and support for its current and future business opportunities, including potential joint ventures, mergers and acquisitions.

As set forth in Section 3.02 below, the Board believes that the nonprofit holding company structure and the enhanced ability to deploy capital will better enable it to develop innovative products, to invest in technology and to achieve economies of scale that are expected to address affordability for Members and expand the range of products and services offered, while continuing the benefits of mutuality, including protecting the voting rights and ownership interests of Members.

- 3.02 Specific Benefits of Reorganization to Members. The Board believes that Reorganization under the Plan will be beneficial for both BCBSND and its Members for the following reasons:
- a. Maintaining the Benefits of Mutuality and Company Mission. Reorganizing BCBSND into a nonprofit mutual insurance company whose sole member is a nonprofit mutual holding company enables BCBSND to achieve the benefits described below while continuing BCBSND's mission to improve the health and wellness of its Members.
  - b. Increased Protection of Assets. Under the Plan of Reorganization, BCBSND will no longer be the parent of the Subsidiaries and their for-profit businesses that at times may present additional risks and liabilities to the nonprofit mutual insurance company. Under the holding company structure, BCBSND will have more limited exposure to these risks and claims.
  - c. Enhanced Ability to Deploy Available Capital. The Plan of Reorganization contemplates that the Subsidiaries will no longer be subsidiaries of BCBSND but will instead be subsidiaries of Holdco. As such, under a holding company structure, capital of non-regulated subsidiaries may be declared and paid as a dividend, which will enable the use of such capital relative to their business purpose.
  - d. Greater Flexibility in Pursuing and Structuring Joint Ventures and Business Combinations. Holdco will have increased ability to pursue investments and joint ventures with business partners to enhance the operations of BCBSND and the Subsidiaries. Holdco will continue to have the ability to pursue mergers and acquisitions with other insurance companies subject to the Commissioner's approval. However, the ability to combine with another insurance company at the Holdco level would help preserve the identities and cultures of both involved companies and would be less disruptive than a statutory merger to the relationships between the companies and their respective policyholders and will make BCBSND a potentially more attractive partner.
- 3.03 Risks of the Reorganization. While the Board believes that Reorganization under the Plan pursuant to North Dakota law is in the best interest of both BCBSND and its Members, the Board considered the following risks of the Reorganization, among others:
- a. Investments Not Subject to Limitations Placed on Insurance Companies. After the Reorganization, BCBSND will continue to be subject to the investment limitations of Sections 26.1-05-18, 26.1-05-19, and 26.1-10 of the Century Code, which generally restrict the investments of insurance companies to those types of investments which are relatively liquid and stable, but Holdco and other subsidiaries of Holdco that are not insurance companies will not be subject to those investment limitations. The Board believes that the benefit of expanding Holdco's potential investment opportunities outweighs any theoretical risk to Members.
  - b. Additional Costs. BCBSND anticipates that there will be some incremental external vendor, tax and advisor costs associated with the Reorganization and with respect to operating in a holding company structure following the Reorganization. The Board determined that such costs were likely to be nominal and that the benefits outlined above outweighed such costs.
  - c. Potential Dissatisfaction by Members. BCBSND considered the interests of a variety of stakeholders prior to proposing the Reorganization. For example, the Board considered the possibility that Members could be unsatisfied with the process, results, or other aspects of the Reorganization. The Board determined that this risk was substantially mitigated by the proposed structure of the Reorganization in which Members would retain substantially identical rights with respect their Membership Interests including the ability to vote on the election of directors to Holdco's board.

#### **ARTICLE IV:**

##### **ADOPTION AND APPLICATION**

- 4.01 Adoption by the Board. This Plan has been approved and adopted by the unanimous affirmative vote of the Board at a meeting held on February 23, 2018. This Plan provides for the creation of Holdco and the reorganization such that the sole member of BCBSND is Holdco. Concurrently with this reorganization, all Members of BCBSND will become Members of Holdco by operation of law. This Plan also provides for BCBSND's ownership of the Subsidiaries and Working Capital to be transferred from BCBSND to Holdco as set forth in Sections 2.02 and 7.02(b).
- 4.02 Submission of Plan. BCBSND will submit to the Department for approval by the Commissioner, in accordance with Subsection 12, or as otherwise required by the Department, an application for restructuring consisting of the following:
- a. this Plan of Reorganization;
  - b. proposed articles of incorporation and bylaws of Holdco, attached hereto as Exhibit A and Exhibit B, respectively;
  - c. proposed amended and restated articles of incorporation and bylaws of BCBSND for purposes of reorganizing under a nonprofit holding company structure, attached hereto as Exhibit C and Exhibit D, respectively;
  - d. a list of Subsidiaries that will be transferred to Holdco in connection with the Reorganization, attached hereto as Exhibit E, and the organizational documents for the formation of an investment holding company subsidiary of Holdco; and
  - e. authorizing resolutions of the Board approving the Plan.

**ARTICLE V:  
REGULATORY APPROVAL**

This Plan is subject to the approval by the Department pursuant to Subsection 12.

**ARTICLE VI:  
APPROVAL BY ELIGIBLE MEMBERS**

Pursuant to Subsection 12, this Plan shall be submitted to a vote of Eligible Members. The Board will schedule a meeting to be held for such purpose and shall publish notice of such meeting in the official newspaper of the county in which the principal office of the BCBSND is located as required by law and outlined in the bylaws of BCBSND. The notice will be published at least twice, the first publication to be made at least sixty (60) days before the meeting. A notice of the time, place, and object of the meeting shall also be mailed to all members at least sixty (60) days before the meeting. The Plan shall be approved upon by the affirmative vote of at least a majority of votes cast by Eligible Members either in person or by proxy. If the Plan is not approved by the requisite vote of Eligible Members, then none of the transactions contemplated by the Reorganization as described in Section 7.02 of this Plan shall occur.

**ARTICLE VII:  
THE REORGANIZATION**

7.01 Effectiveness of Plan.

- a. The effective date of this Plan (the "Effective Date") shall be the later of (i) the date of recording of the articles of incorporation of Holdco and (ii) January 1, 2019. This Plan shall be deemed to have become effective on the Effective Date at 12:01 a.m., Central Time (the "Effective Time").
- b. At the Effective Time, the steps to the Plan shall occur in the following order:
  - i. Holdco's articles of incorporation and bylaws attached hereto as Exhibit A and Exhibit B, respectively, shall become effective;
  - ii. BCBSND's articles of incorporation shall be amended and restated for purposes of reorganizing under a nonprofit holding company structure, as set forth in Exhibit C, and the amended and restated bylaws of BCBSND as set forth in Exhibit D hereto shall become effective;
  - iii. The Membership Interests of Members of BCBSND shall become Membership Interests in Holdco in accordance with the articles of incorporation and bylaws of Holdco and the Members' Membership Interests in BCBSND shall be extinguished;
  - iv. BCBSND shall distribute the Working Capital and all of its partnership interests, membership interests and shares of preferred stock and common stock in the Subsidiaries constituting the entirety of BCBSND ownership of the Subsidiaries prior to the Reorganization to Holdco who shall in turn contribute such interests and a portion of the Working Capital to the investment holding company subsidiary formed by Holdco, and Holdco shall assume the liabilities and obligations associated therewith; and
  - v. Subsequent to the Reorganization, BCBSND may transfer certain of its employees to the Subsidiaries.
- c. BCBSND shall not change any coverage terms and provisions of the Policies solely as a result of the Reorganization other than those relating to the conversion of Membership Interests in BCBSND into Membership Interests of Holdco.

7.02 Tax Considerations. The completion of this Plan is subject to BCBSND's having received on or prior to the Effective Date one or more opinions of its independent tax adviser substantially to the effect that:

- a. Members will not recognize gain or loss for federal income tax purposes as a result of the consummation of the transactions described in Section 7.02 of this Plan;
- b. The summary of federal income tax consequences to Members of the consummation of this Plan set forth in the proxy statement provided to Members in connection with their vote on this Plan was correct and complete in all material respects as of the date thereof and, except for any changes in law, regulations or official interpretations thereof the effect of which the Board, in its discretion, has determined (taking into account any remedial action the Board may authorize or direct) to be not adverse to the interests of the Members in any material respect, remains correct and complete as of the Effective Date; and
- c. (i) BCBSND's reorganization as described in Section 7.02 of this Plan will be a reorganization within the meaning of Section 368(a)(1) of the Internal Revenue Code; (ii) BCBSND will be a "party to the reorganization" within the meaning of Section 368(b) of the Code; and (iii) the formation of Holdco as contemplated by this Plan will not be subject to tax under the Internal Revenue Code.

7.03 Securities Law Considerations. The completion of this Plan is also subject to BCBSND having received on or prior to the Effective Date a "no-action" letter from the Securities and Exchange Commission relating to matters pertaining to the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.



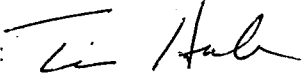
## ARTICLE VIII:

### MISCELLANEOUS PROVISIONS

- 8.01 Continuation of Corporate Existence. Upon the reorganization of BCBSND under the terms of this Plan, BCBSND's restructuring into a holding company with Holdco as its sole member shall be a continuation of its prior corporate existence as a nonprofit mutual insurer. Except with respect to the Working Capital and the ownership of the Subsidiaries, the benefits of which shall accrue to Holdco upon the Reorganization, all rights, franchises, licenses and interests of BCBSND in and to every type of property, real, personal and mixed, and all choses in action shall continue unaffected and uninterrupted by the Reorganization and shall accrue to BCBSND. This Plan shall not be construed to result in any real or constructive issuance or exchange of any insurance Policy or any other transfer of any assets, rights or obligations by BCBSND. Except with respect to the Working Capital and the ownership of the Subsidiaries, the obligations and liabilities of which shall be assumed by Holdco upon the Reorganization, all obligations and liabilities of BCBSND shall continue unaffected and uninterrupted by the Reorganization. No action or proceeding pending at the Effective Date to which BCBSND is a party shall be abated or discontinued by reason of the Reorganization but may be prosecuted to final judgment by BCBSND in the same manner as if the Reorganization had not taken place. For all purposes, BCBSND shall be deemed to have been organized on January 30, 1998, the initial date of organization of BCBSND.
- 8.02 Boards of Directors and Officers. From and after the Effective Date, (a) the boards of directors of Holdco and BCBSND shall consist of the individuals identified in Exhibit K until new directors have been duly elected and qualified pursuant to Holdco's and BCBSND's respective articles of incorporation and bylaws, and (b) the board of directors of the wholly-owned Subsidiaries and all other direct and indirect subsidiaries of Holdco (other than BCBSND) shall consist of the same individuals as those serving on such boards of directors immediately prior to the Effective Date until new directors have been duly elected and qualified pursuant to their respective articles of incorporation, bylaws or other organizational documents.
- 8.03 Compensation of Directors and Officers. No director or officer of BCBSND shall receive any fee, commission or other valuable consideration, other than his or her usual, regular salary or compensation, for aiding, promoting or assisting with the Reorganization. There are no plans to change any existing executive compensation plans or adopt any new compensation plans as a result of the Reorganization.
- 8.04 Dividends of Holdco. The articles of incorporation of Holdco shall provide that Holdco may not pay dividends or make any other distributions to its members.
- 8.05 Notices. If BCBSND complies substantially and in good faith with the terms of this Plan with respect to the giving of any required notice to Members, its failure in any case to give such notice to any person or persons entitled thereto shall not impair the validity of the actions and proceedings taken under this Plan.
- 8.06 Amendment, Corrections or Withdrawal of Plan. This Plan may be amended by a majority vote of the Board in response to the comments or recommendations of the Department, or any other state or federal agency or governmental entity, before any solicitation of proxies from Members to vote on the Plan pursuant to Article VI, or at any time with the consent of the Department, except that any material amendment after the Members' approval shall require the Members' approval. This Plan may be terminated by the Board at any time before Members vote on the Plan and, otherwise, at any time with the consent of the Department. The articles of incorporation of BCBSND and Holdco may be further amended after the Effective Date pursuant to applicable law.
- 8.07 Failure of Plan to Become Effective. If the Plan does not become effective, BCBSND will remain a nonprofit mutual insurer, and none of the transactions described in Section 7.02 of this Plan shall occur, in which case the Membership Interests will remain unchanged. The expenses incurred in the process of proposing the Reorganization contemplated by the Plan shall be borne exclusively by BCBSND.
- 8.08 Governing Law. The terms of this Plan shall be governed by and construed and enforced in accordance with the laws of the state of North Dakota, without regard to such state's principles of conflicts of laws or choice of law that will require the application of the laws of a jurisdiction other than that state.

IN WITNESS OF WHEREOF, Noridian Mutual Insurance Company d/b/a Blue Cross Blue Shield of North Dakota, by authority of its Board, has caused this Plan to be signed by its Chief Executive Officer and attested by its Chief Legal Officer this 19th of March, 2018.

**NORIDIAN MUTUAL INSURANCE COMPANY D/B/A  
BLUE CROSS BLUE SHIELD OF NORTH DAKOTA**

By: 

Tim Huckle  
President and Chief Executive Officer

**ATTEST:**

  
(Signature of officer)

Dan Conrad  
Chief Legal Officer