

UNITED STATES DISTRICT COURT
DISTRICT OF DELAWARE

SHIVA STEIN,

Plaintiff,

v.

MAGELLAN HEALTH, INC., STEVEN J.
SHULMAN, SWATI ABBOTT,
CHRISTOPHER J. CHEN, KEN FASOLA,
PETER A. FELD, MURAL R. JOSEPHSON,
SCOTT MACKENZIE, LESLIE V.
NORWALK, and GUY P. SANSONE.,

Defendants.

:
:
: Civil Action No. _____
:
:

: **COMPLAINT FOR VIOLATIONS OF**
: **SECTIONS 14(a) AND 20(a) OF THE**
: **SECURITIES EXCHANGE ACT OF**
: **1934**
:
: **JURY TRIAL DEMANDED**

Shiva Stein (“Plaintiff”), by and through her attorneys, alleges the following upon information and belief, including investigation of counsel and review of publicly-available information, except as to those allegations pertaining to Plaintiff, which are alleged upon personal knowledge:

1. This is an action brought by Plaintiff against Magellan Health, Inc. (“Magellan” or the “Company”) and the members of Magellan’s board of directors (the “Board” or the “Individual Defendants” and collectively with the Company, the “Defendants”) for their violations of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), in connection with the proposed acquisition of Magellan by Centene Corporation (“Centene”) and Centene’s affiliates.

2. Defendants have violated the above-referenced sections of the Exchange Act by causing a materially incomplete and misleading Preliminary Proxy Statement on Schedule 14A (the “Proxy Statement”) to be filed on February 8, 2021 with the United States Securities and

Exchange Commission (“SEC”) and disseminated to the Company’s stockholders. The Proxy Statement recommends that the Company’s stockholders vote in favor of a proposed transaction whereby Mayflower Merger Sub, Inc. (“Merger Sub”) will merge with and into Magellan, with Magellan surviving the merger and becoming a wholly-owned subsidiary of Centene (the “Proposed Transaction”). Pursuant to the terms of the definitive agreement and plan of merger the companies entered into (the “Merger Agreement”), each Magellan common share issued and outstanding will be converted into the right to receive \$95.00 in cash (the “Merger Consideration”).

3. As discussed below, Defendants have asked Magellan’s stockholders to support the Proposed Transaction based upon the materially incomplete and misleading representations and information contained in the Proxy Statement, in violation of Sections 14(a) and 20(a) of the Exchange Act. Specifically, the Proxy Statement contains materially incomplete and misleading information concerning the Company’s financial forecasts and financial analyses conducted by the financial advisors of the Company, Goldman Sachs & Co. LLC (“Goldman Sachs”) and Guggenheim Securities, LLC (“Guggenheim”), in support of their fairness opinions, and relied upon by the Board in recommending the Company’s stockholders vote in favor of the Proposed Transaction.

4. It is imperative that the material information that has been omitted from the Proxy Statement is disclosed to the Company’s stockholders prior to the forthcoming stockholder vote so that they can properly exercise their corporate suffrage rights.

5. For these reasons and as set forth in detail herein, Plaintiff seeks to enjoin Defendants from taking any steps to consummate the Proposed Transaction unless and until the material information discussed below is disclosed to Magellan’s stockholders or, in the event the

Proposed Transaction is consummated, to recover damages resulting from the Defendants' violations of the Exchange Act.

JURISDICTION AND VENUE

6. This Court has subject matter jurisdiction pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1331 (federal question jurisdiction) as Plaintiff alleges violations of Section 14(a) and 20(a) of the Exchange Act and SEC Rule 14a-9.

7. Personal jurisdiction exists over each Defendant either because the Defendant conducts business in or maintains operations in this District, or is an individual who is either present in this District for jurisdictional purposes or has sufficient minimum contacts with this District as to render the exercise of jurisdiction over defendant by this Court permissible under traditional notions of fair play and substantial justice.

8. Venue is proper in this District under Section 27 of the Exchange Act, 15 U.S.C. § 78aa, as well as under 28 U.S.C. § 1391, because Magellan is incorporated in this District.

PARTIES

9. Plaintiff is, and has been at all relevant times, the owner of Magellan common stock and has held such stock since prior to the wrongs complained of herein.

10. Individual Defendant Steven J. Shulman has served as a member of the Board since 2019 and is the Chairman of the Board.

11. Individual Defendant Swati Abbott has served as a member of the Board since 2018.

12. Individual Defendant Christopher J. Chen has served as a member of the Board since 2020.

13. Individual Defendant Ken Fasola has served as a member of the Board since 2019 and is the Company's Chief Executive Officer.

14. Individual Defendant Peter A. Feld has served as a member of the Board since 2019.

15. Individual Defendant Mural R. Josephson has served as a member of the Board since 2020.

16. Individual Defendant Scott MacKenzie has served as a member of the Board since 2016.

17. Individual Defendant Leslie V. Norwalk has served as a member of the Board since 2019.

18. Individual Defendant Guy P. Sansone has served as a member of the Board since 2019.

19. Defendant Magellan is incorporated in Delaware and maintains its principal offices at 4801 E. Washington Street, Phoenix, Arizona 85034. The Company's common stock trades on the NASDAQ Stock Exchange under the symbol "MGLN."

20. The defendants identified in paragraphs 10-18 are collectively referred to as the "Individual Defendants" or the "Board."

21. The defendants identified in paragraphs 10-19 are collectively referred to as the "Defendants."

SUBSTANTIVE ALLEGATIONS

A. The Proposed Transaction

22. Magellan, together with its subsidiaries, provides healthcare management services in the United States. The Company operates in Healthcare and Pharmacy Management segments. The Healthcare segment offers carve-out management services for behavioral health; employee assistance plans (EAP); and other areas of specialty healthcare, including diagnostic imaging, musculoskeletal management, cardiac, and physical medicine. It also contracts with state

Medicaid agencies, and the centers for Medicare and Medicaid services to manage care for beneficiaries under Medicaid and Medicare programs, such as healthcare and long-term support services through its network of medical and behavioral health professionals, clinics, hospitals, nursing facilities, home care agencies, and ancillary service providers. The Pharmacy Management segment comprises products and solutions that provide clinical and financial management of pharmaceuticals paid under medical and pharmacy benefit programs. Further, it offers pharmacy benefit management services, such as pharmaceutical dispensing services; pharmacy benefit administration for state Medicaid and other government sponsored programs; clinical and formulary management programs; medical pharmacy management programs; and programs for the integrated management of specialty drugs that treat complex conditions. In addition, the company provides services to health plans and other managed care organizations, employers, labor unions, various military and governmental agencies, and third party administrators. Magellan was incorporated in 1969 and is headquartered in Phoenix, Arizona.

23. On January 4, 2021, Magellan and Centene jointly announced that they had entered into a proposed transaction:

ST. LOUIS and PHOENIX, Jan. 4, 2021 /PRNewswire/ -- Centene Corporation (NYSE: CNC) and Magellan Health, Inc. (NASDAQ: MGLN) today announced that they have entered into a definitive merger agreement under which Centene will acquire Magellan Health for \$95 per share in cash for a total enterprise value of \$2.2 billion. The transaction, which was unanimously approved by the Boards of Directors of both companies, will broaden and deepen Centene's whole health capabilities and establish a leading behavioral health platform. The combined platform lays the foundation by which the company will continue to invest and innovate for its members, enabling improved health outcomes and faster, diversified growth.

The combination brings together the companies' complementary capabilities in behavioral health, specialty healthcare and pharmacy management. As a result of the transaction, Centene will establish one of the nation's largest behavioral health platforms across 41 million unique members with enhanced capabilities to deliver better health outcomes for complex, high-cost populations. Magellan Health will also add to Centene's leadership in government sponsored healthcare, bringing 5.5

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