

**STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
INSURANCE DIVISION**

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS  
SERVICES

In the Matter of the Proposed Reorganization of  
the insurance holding company system of  
Trillium Community Health Plan, Inc.

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Order of Exemption

Case No. INS 06-09-001

**INTRODUCTION**

By letters dated August 15, 2006, and August 24, 2006, Trillium Community Health Plan, Inc., filed a request for exemption from the provisions of Oregon Revised Statutes (ORS) 732.521(1) pursuant to ORS 732.521(2) with regard to a proposed reorganization of its insurance holding company system.

Trillium Community Health Plan, Inc., (“Trillium”) is a for profit Oregon corporation licensed under ORS chapter 750 to transact health insurance business in Oregon as a health care service contractor. Trillium has been conditionally approved by the Centers for Medicare and Medicaid Services to offer a Medicare Advantage Plan beginning January 1, 2007. Trillium is directly owned by Lane Individual Practice Association, Inc., (“LIPA”) and Agate Resources, Inc., (“Agate”).

LIPA is a for profit Oregon corporation that operates as a fully capitated health plan providing services to Oregon Health Plan enrollees under a contract with the Oregon Office of Medical Assistance Programs (Medicaid services). LIPA is privately held and has 260 shareholders, none of which own 10% or more of LIPA shares.

Agate is a for profit Oregon corporation that provides services related to health care programs, including provider credentialing, contracting, third party administration, and durable medical equipment services. Agate holds a license as a third party administrator under

ORS chapter 744. Agate is privately held and has 292 shareholders, none of which own 10% or more of Agate shares.

Merger Sub will be formed by Agate as a for profit Oregon corporation and will function as a vehicle to accomplish the merger with LIPA

NewCo will be formed as a for profit Oregon corporation and will function as a holding company. It will be directly and wholly owned by Agate.

#### FACTS PROVIDED

(1) Under the proposed Reorganization, Agate will form Merger Sub, LIPA will merge with Merger Sub, with LIPA being the surviving corporation. LIPA shares will be automatically cancelled and converted into the right to receive shares of Agate Class B Common Stock; and each share of Merger Sub will be automatically converted into one share of common stock of LIPA (the surviving corporation). The result of this interim step is that LIPA will become a wholly-owned subsidiary of Agate and current LIPA shareholders will have the right to become shareholders of Agate.

(2) Agate will then form NewCo and Agate will contribute all of its shares of LIPA and Trillium to NewCo. The result of this last step is that Agate will own 100% of NewCo. NewCo will own 100% of LIPA and 40% of Trillium. These transactions will not alter LIPA's 60% ownership of Trillium shares.

(3) Trillium has represented that the purpose of the Reorganization is to allow better coordination of care between Trillium and LIPA for dual eligible individuals. These are individuals that are covered by both Medicare and Medicaid. In addition to providing better coordination of services, the combined companies hope to expand services and attract additional investment that will contribute to the financial stability of the companies.

(4) Trillium has represented that the Reorganization is not intended to effect a change or influence control of Trillium. The group of individuals that will constitute the boards of directors of Agate and NewCo will be drawn from the current Agate and LIPA boards of directors. No changes in the officers, directors or key management personnel of Trillium are

contemplated as a result of the Reorganization. Trillium's financial status will not be affected by the Reorganization. No dividends or payments will be made by Trillium to accomplish the Reorganization.

(5) On the basis of the request and in specific reliance on the representations made to the Director by Trillium, the Director makes the following:

#### CONCLUSION OF LAW

Since no shareholder of Agate or LIPA currently owns 10% or more of the shares of Trillium, the proposed steps in the Reorganization will not result in any person acquiring 10% or more of the shares of Agate. Therefore, no person will acquire indirect control over Trillium through this reorganization. LIPA will continue to own 60% of Trillium shares, but Agate will become the ultimate controlling entity.

The proposed Reorganization does not constitute a change of control and is not a transaction contemplated within the purpose of ORS 732.521(1). The proposed Reorganization thereby meets the requirements for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2)(b).

#### ORDER

Based on the foregoing findings of fact and for good cause appearing, it is hereby ordered that an exemption from the provisions of ORS 732.521(1), pursuant to ORS 732.521(2)(b), be granted regarding the proposed Reorganization of the insurance holding company system of Trillium Community Health Plan, Inc.

Issued this 21<sup>st</sup> day of September 2006.

  
CORY STREISINGER, Director  
Department of Consumer and Business Services