

Received

MAR 21 2008

Insurance Division
State of Oregon

Change No. 2 to FORM A effective March 5, 2008

STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

*Boyd
w/ Ltr
d. 3/20/08*

NAME OF DOMESTIC INSURER: Advantage Dental Plan, Inc.

ACQUIRING ENTITIES: Advantage Community Holding
Company, LLC (which in turn
will be acquired by Advantage
Consolidated, LLC)

FILED WITH THE DEPARTMENT
OF CONSUMER AND BUSINESS
SERVICES OF: The State of Oregon

NAME, ADDRESS, TELEPHONE
NUMBER OF INDIVIDUAL TO
WHOM NOTICES AND COR-
RESPONDENCE SHOULD BE SENT: Derek D. Simmons
Attorney at Law
Watkinson Laird et al.
P.O. Box 10567
Eugene, OR 97440
(541) 484-2277

1. ITEM 1. INSURER AND METHOD OF ACQUISITION

1.1. Insurer. The Insurer is known as follows:

Advantage Dental Plan, Inc., an Oregon corporation
442 SW Umatilla Avenue, Suite #200
Redmond, OR 97756-7038

1.2. Current Structure. Exhibit A shows the current structure of the Insurer and its
sister entities.

1.2.1. The Insurer is an Oregon corporation. Three sister entities with common
ownership are Oregon limited liability companies: Advantage Property Management,
LLC; Advantage Professional Management, LLC; and Advantage Dental Services, LLC
(collectively, "Advantage Entities").

1.2.2. The Insurer is authorized to issue 1,000,000 shares of voting common stock and 4,000,000 shares of nonvoting common stock.

1.2.2.1. All shares of voting common stock are held in equal part (100,000 each) by eight Oregon limited liability companies: Basin Dental Services, L.L.C.; Eastern Oregon Dental Services, L.L.C.; Roseburg Dental Services, L.L.C.; South Coast Dental Services, L.L.C.; Valley of the Rogue Dental Services, L.L.C.; Central Oregon Dental Services, L.L.C.; Columbia Gorge Dental Services, LLC; and Siskiyou Dental Services, LLC (collectively, the "Current Owners").

1.2.2.2. Each Current Owner also owns 185,362 shares of nonvoting common stock. The balance of the issued nonvoting common stock, 243,778 shares, is owned by individuals and entities affiliated with the Insurer (employees and independent contractors, for example).

1.2.3. Each of the other Advantage Entities is owned entirely and in equal part by the Current Owners.

1.2.4. In turn, each of the Current Owners is owned by a group of individuals (Individual Owners) within a particular geography described by the Current Owners' respective names. The Individual Owners do not own identical percentage interests in the Current Owners. Collectively, approximately 270 Individual Owners own the Current Owners.

1.3. Proposed Structure. **Exhibit B** is a diagram of the proposed ownership structure, when complete. To summarize:

1.3.1. The Individual Owners will own all of the voting Units in Advantage Consolidated, LLC, an Oregon limited liability company (Consolidated), in proportion to the Individual Owners' derivative percentage interests in the Advantage Entities.

1.3.2. Consolidated will be the sole owner of Advantage Community Holding Company, LLC, an Oregon limited liability company (Holding Company).

1.3.3. Holding Company will be the sole owner of each of the four Advantage Entities.

1.3.4. When complete, the Individual Owners will be organized into a consolidated ownership entity (Consolidated) with a wholly owned subsidiary (Holding Company). The Individual Owners will retain their exact derivative interests in the underlying assets, which are the Insurer and the other Advantage Entities.

1.4. Mechanism for Transfer of Interest.

1.4.1. Affiliates owning nonvoting common stock in the Insurer will have two options: (i) sell their stock back to the Insurer; or (ii) exchange their stock in Insurer for nonvoting Units in Consolidated. If the Insurer purchases the stock, the purchase will be at \$2.75 per share. Any amount that capital surplus in the Insurer is reduced by redemption of nonvoting common stock in Insurer will be replaced by a simultaneous and offsetting contribution of capital, in the form of cash, from Consolidated. Insurer will record this transaction as a capital contribution, and in no way will the transaction result in a liability that must be repaid by Insurer to Consolidated.

1.4.2. Each of the Current Owners will contribute its interest in the Advantage Entities to Advantage Community Holding Company, LLC, in exchange for an equal interest in Advantage Community Holding Company, LLC.

1.4.3. Each of the Current Owners will contribute its interest in Advantage Community Holding Company, LLC, to Advantage Consolidated, LLC, in exchange for an equal interest in Advantage Consolidated, LLC.

1.4.4. Each of the Current Owners will distribute its interest in Advantage Consolidated, LLC, to the Individual Owners in proportion to the Individual Owners' ownership in the respective Current Owners.

2. **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANTS**

(a) Name and Address.

Advantage Consolidated, LLC (Consolidated)
442 SW Umatilla Avenue, Suite #200
Redmond, OR 97756-7038

(Articles of Organization filed May 21, 2007)

Advantage Community Holding Company, LLC (Holding Company)
442 SW Umatilla Avenue, Suite #200
Redmond, OR 97756-7038

(Articles of Organization filed April 19, 2007)

(b) Nature of Business Intended. Consolidated was formed for the sole purpose of merging the interests of the Current Owners in the Advantage Entities. Consolidated will continue, as did each of the Current Owners, to seek the financial benefit of ownership of an entity with the legal capacity to engage in direct risk-based commercial dental care contracting. With a single ownership entity encompassing all Individual Owners, Consolidated expects to improve administrative efficiency in managing the interests of the Individual Owners. As a wholly

owned subsidiary, Holding Company will reduce the costs of ensuring compliance with the Insurer's obligations with respect to the Oregon Health Plan.

(c) Affiliates. Please see Exhibit B for a diagram of the affiliation of the applicants.

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

3.1. Management Structure. Each of the Acquiring Entities is an Oregon limited liability company organized under ORS Chapter 63. Each is manager-managed under that chapter. A table containing rosters of the Management Committees of each of the Acquiring Entities is included with this Form A as **Exhibit C**.

3.2. Biographical Affidavits. In partial response to this Item 3, included with this Form A is a Biographical Affidavit completed by each member of the Management Committee of each of the Acquiring Entities.

4. ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Holding Company will be formed pursuant to a Plan of Reorganization appended as **Exhibit D**. In summary, each Current Owner will contribute an equal percentage ownership in each of the Advantage Entities to Holding Company in exchange for an equal one-eighth interest in Holding Company.

Consolidated will be formed pursuant to a Plan of Consolidation attached as **Exhibit E**. In summary, Consolidated will be formed by each Current Owner contributing its interest in Holding Company to Consolidated in exchange for an equal one-eighth interest in Consolidated. Each Current Owner then will distribute its interest in Consolidated to its Individual Owners in proportion to their ownership interest in the Current Owner.

(b) The underlying premise of the transaction(s) is a reorganization to create a holding company and a consolidated ownership entity. Accordingly, no value is assigned to the transactions involving the Current Owners.

The one exception is the purchase of nonvoting common stock in Insurer. The purchase price is determined by the consensus of the Current Owners, in light of an informal valuation of the Insurer's current business, the associated expenses and risk incurred by the Current Owners, and the potential for economic growth of the Insurer in the future.

The consensus of the parties is that \$6,948,365 is a fair valuation of the Insurer for purposes of the transaction(s) at hand. The purchase and sale price for nonvoting shares of \$2.75 reflects the valuation divided by the number of outstanding shares of common stock, including the voting and nonvoting shares.

(c) No loans will be part of any consideration under this proposal.

5. ITEM 5. FUTURE PLANS OF INSURER

5.1. Non-Management Plans. There are no current plans to declare an extraordinary dividend, to liquidate the Insurer, or to sell the assets of or merge the Insurer with any other person or persons. There are no plans to make any material changes in the business operations of the Insurer, except as may become necessary to accommodate business growth. The Insurer will continue to provide commercial dental care insurance products.

5.2. Management Plans. The management structure will be revised extensively to reflect the new ownership structure.

5.2.1. *Consolidated*. The Individual Owners, divided regionally (as are the Current Owners), will elect eight managers, who will constitute the Management Committee of Consolidated.

5.2.2. *Holding Company*. The Individual Owners, divided regionally (as are the Current Owners), will elect eight managers. The eight elected managers will appoint four additional managers who will be representatives of the public in accordance with ORS 750.015(1). The 12 managers will constitute the Management Committee of Holding Company.

5.2.3. *Advantage Entities*. The Management Committee of Holding Company also will serve as the Management Committee for each of the Advantage Entities that is an LLC and as the Board of Directors for the Insurer.

6. ITEM 6. VOTING SECURITIES TO BE ACQUIRED

See Item 4(a) and 4(b) for discussion of the information required for this Item.

7. ITEM 7. OWNERSHIP OF VOTING SECURITIES

7.1. As of the closings of the transactions described in Item 4, Holding Company will own 90.4 percent of the outstanding common stock of the Insurer: 800,000 shares of voting common stock and 1,482,896 shares of nonvoting common stock.

7.2. In turn, Consolidated will own 100 percent of the outstanding Units in Holding Company: 100 Units.

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

As of the closings of the transactions described in Item 4, there will be three agreements to which the Acquiring Entities (along with Current Owners) will be parties that would constitute "arrangements or understandings" with respect to voting securities of the Insurer.

8.1. Consolidated Operating Agreement. By virtue of its sole ownership of Holding Company, Consolidated controls Insurer, which will be a wholly owned subsidiary of Holding Company. A copy of the most recent draft of the Consolidated Operating Agreement is attached as **Exhibit F**. Each Individual Owner will agree to be bound by the Consolidated Operating Agreement.

8.1.1. Paragraph 2.2.3 provides that the Management Committee of Consolidated may not amend the operating agreement for Holding Company for any purpose other than to maintain compliance with Oregon insurance laws and regulations without the approval of Individual Owners owning at least 75 percent the voting Units in Consolidated.

8.1.2. In addition, paragraph 3.2.2 provides that the managers of Consolidated cannot be the same individuals elected as managers of Holding Company. Accordingly, although Consolidated is a manager-managed LLC that is the sole owner of Holding Company, it is restricted from directly controlling the Insurer.

8.1.3. If the proposal is approved by the Insurance Division, Current Owners will distribute their interest in Consolidated to the Individual Owners, who will be bound by the Operating Agreement in the following manner:

8.1.3.1. No person may own or control more than 10 percent of the interest in Consolidated, including both voting and nonvoting Units.

8.1.3.2. Transfers of interest are permitted only if the transferee owns voting Units in Consolidated.

8.1.3.3. Bankruptcy, dissolution, or adjudicated incompetence (dissociation) will trigger Consolidated to buy out an Individual Owner's interest as of the end of the year the event occurs.

8.1.3.4. Death of an Individual Owner transforms the decedent's Units into nonvoting Units. The decedent's beneficiaries can withdraw at any time, effective at the end of the year of withdrawal, at which time Consolidated will buy out the decedent's interest.

8.1.3.5. An Individual Owner may withdraw from Consolidated with six months' written notice. The withdrawal takes effect at the end of the year the notice period ends, at which time Consolidated will buy out the withdrawn Individual Owner's interest.

8.1.3.6. In the case of death, withdrawal, or dissociation, the purchase price will be the "basic Unit value" times the number of purchased Units. "Basic Unit value" is the true cash value of the Advantage Entities, plus any additional value for goodwill or going concern value, determined annually by the Management Committee (or by an appraisal in certain limited circumstances). Payment will occur with a 20 percent down payment, and the balance in four equal annual installments.

8.2. Holding Company Operating Agreement. By virtue of its sole ownership and shared management of Insurer, Holding Company controls all securities of the Insurer. A copy of the draft Holding Company Restated Operating Agreement is attached as **Exhibit G**.

8.2.1. The Management Committee of ~~Consolidated~~ ^{Holding} may not sell its assets other than in the ordinary course of business without the consent of the Management Committee of Consolidated. Because the Insurer and all of its securities are among the assets of Holding Company, Holding Company will be required to obtain the consent of ~~Holding Company's~~ Management Committee.
~~Consolidated~~

8.2.2. As in the Consolidated Operating Agreement, the Management Committee cannot amend the Operating Agreement for any reason other than to comply with insurance regulations without the approval of Individual Owners owning at least 75 percent the voting Units in Consolidated.

8.2.3. Finally, the managers of Holding Company cannot be the same individuals elected as managers of Consolidated.

8.3. Insurer's Bylaws. Insurer's draft Second Restated Bylaws provide that its Board of Directors will be the Management Committee of Holding Company. A copy of the draft Second Restated Bylaws is attached as **Exhibit H**.

9. ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

There have been no prior purchases of stock of the Insurer by any or all of the Acquiring Entities or any of the persons listed in Item 3.

10. ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

To the extent that the transactions contemplated in Item 4 constitute a recommendation to purchase, each person in Item 3 has voted in favor of the transactions. Beyond that fact, there have been no recommendations to purchase stock of the Insurer by any or all of the Acquiring Entities or any of the persons listed in Item 3.

11. **ITEM 11. COPIES OF TENDER AND OTHER OFFERS**

Exhibit I represents documents describing an exchange of voting securities in Insurer and for voting securities in Holding Company, and Exhibit J represents documents describing an exchange of voting securities in Holding Company for voting securities in Consolidated.

12. **ITEM 12. AGREEMENTS WITH BROKER-DEALERS**

None.

13. **ITEM 13. FINANCIAL STATEMENTS AND EXHIBITS**

- (a) Neither of the acquiring entities had commenced business as of December 31, 2006. Holding Company commenced business on a provisional basis effective July 1, 2007. Although Holding Company expects to prepare financial statements on a consolidated basis, no such statements have been prepared as of this date.

In an effort to provide complete information, attached are five years of financial statements for each of the following entities:

1. Current Owners.

- a. Roseburg Dental Services, LLC,
- b. South Coast Dental Services, LLC,
- c. Columbia Gorge Dental Services, LLC,
- d. Valley of the Rogue Dental Services, LLC,
- e. Basin Dental Services, LLC,
dba Jefferson Dental Services
- f. Central Oregon Dental Services, LLC,
- g. Eastern Oregon Dental Services, LLC,
- h. Siskiyou Dental Services, LLC.

2. Advantage Entities.

- a. Advantage Dental Services, LLC
- b. Advantage Dental Plan, Inc.
- c. Advantage Property Management, LLC (less than five years available)
- d. Advantage Professional Management, LLC

- (b) See 13(a), above.

- (c) Attached are the following agreements and annual report information:

1. Management and Administrative Services Agreement between Advantage Professional Management, LLC (formerly known as

Northwest Professional Management, Inc.), and Advantage Dental Services, LLC (formerly known as Northwest Dental Services, LLC), effective August 1, 2002.

2. Dental Director Services Agreement between Advantage Professional Management, LLC (formerly known as Northwest Professional Management, Inc.), and RMS Dental Director, Inc., effective February 1, 1999, and two amendments.
3. Employment Agreement between Advantage Professional Management, LLC (formerly known as Northwest Professional Management, Inc.), and Barry E. Rice, effective July 1, 2004.
4. Management and Administration Agreement between Advantage Professional Management, LLC (formerly known as Northwest Professional Management, Inc.), and the Insurer, Advantage Dental Plan, Inc., effective August 1, 2002.
5. Coordination of Professional Services Agreement between Advantage Professional Management, LLC (formerly known as Northwest Professional Management, Inc.), and the Insurer, Advantage Dental Plan, Inc., effective January 1, 2002.
6. Coordination of Professional Services Agreement between Advantage Professional Management, LLC (Formerly known as Northwest Professional Management, Inc.), and Basin Dental Services, LLC, dba Jefferson Dental Services, Central Oregon Dental Services, LLC, Columbia Gorge Dental Services, LLC, Eastern Oregon Dental Services, LLC, Roseburg Dental Services, LLC, Siskiyou Dental Services, LLC, South Coast Dental Services, LLC, and Valley of the Rogue Dental Services, LLC, effective January 1, 1998.
7. Packet of information distributed to each Individual Owner at the Current Owners' annual meeting in March 2005.
8. Packet of information distributed to each Individual Owner at the Current Owners' annual meeting in March 2006.

(Signature pages follow)

14. ITEM 14. SIGNATURE AND CERTIFICATION

14.1. Advantage Community Holding Company, LLC.

14.1.1. *Signature.* Pursuant to the requirements of ORS 732.517 to 732.592, Advantage Community Holding Company, LLC, has caused this application to be duly signed on its behalf in the City of _____ and State of Oregon on the ____ day of _____, 2007.

By _____
J. Kyle House, D.D.S., Chair

ATTEST: _____
Officer

14.1.2. *Certification.* The undersigned deposes and says that the undersigned deponent has duly executed the attached application dated _____, 2007, for and on behalf of Advantage Community Holding Company, LLC; that the deponent is the Chair of such company and that the deponent is authorized to execute and file such instrument. Deponent further says that the Deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the Deponent's knowledge, information, and belief.

By _____
J. Kyle House, D.D.S., Chair

14.2. Advantage Consolidated, LLC.

14.2.1. *Signature.* Pursuant to the requirements of ORS 732.517 to 732.592, Advantage Consolidated, LLC, has caused this application to be duly signed on its behalf in the City of _____ and State of Oregon on the _____ day of _____, 2007.

By _____
Dane E. Smith, D.D.S., Chair

ATTEST: _____
Officer

14.2.2. *Certification.* The undersigned deposes and says that the undersigned deponent has duly executed the attached application dated _____, 2007, for and on behalf of Advantage Consolidated, LLC; that the deponent is the Chair of such company and that the deponent is authorized to execute and file such instrument. Deponent further says that the Deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of the Deponent's knowledge, information, and belief.

By _____
Dane E. Smith, D.D.S., Chair