

**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)	Findings of Fact, Conclusions of
an Insurance Holding Company System to include)	Law and Order
Advantage Dental Plan, Inc.)	Case No. INS 08-03-007

INTRODUCTION

On October 16, 2007, Advantage Dental Plan, Inc. (“Advantage Dental”) filed a proposal to reorganize its ownership structure to create a consolidated holding company structure.

Supplemental and amended information was periodically provided until the filing was complete on April 11, 2008.

Advantage Dental is a for profit Oregon corporation licensed under ORS chapter 750 to transact health insurance business in Oregon as a health care service contractor, restricted to dental service only. Advantage Dental provides dental insurance to groups in the State of Oregon, and is also licensed in the states of Idaho and Washington. The dental insurance business is comprised of commercial group plans and Administrative Services Only contracts.

Advantage Dental is authorized to issue 1,000,000 shares of voting common stock and 4,000,000 shares of nonvoting common stock. Currently, 800,000 shares of voting common stock are issued and outstanding and 1,726,674 shares of nonvoting common shares are issued and outstanding.

Advantage Dental voting shares are owned by eight Oregon limited liability companies (“LLC”): 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, L.L.C.; and Siskiyou Dental Services, L.L.C. (collectively, the “Current Owners”). Each Current Owner owns 100,000 shares of voting common stock.

Each Current Owner also owns 185,362 shares nonvoting common stock. The remaining 243,778 shares of issued and outstanding nonvoting common stock are owned by individuals and entities affiliated with Advantage Dental (“Affiliates”).

Each of the Current Owners is owned by various individual dentists (“Individual Owners”). Collectively, approximately 270 individual dentists own the Current Owners.

Advantage Dental is affiliated through common ownership with three Oregon LLC’s: Advantage Property Management, L.L.C.; Advantage Professional Management, L.L.C.; and Advantage Dental Services, L.L.C. (collectively, the “Advantage Entities”).

Advantage Community Holding Company, LLC (“Holding”) is an Oregon limited liability company that was organized on April 19, 2007, in connection with the proposed transaction. The purpose of Holding is to direct the operations of Advantage Dental and its affiliates.

Advantage Consolidated, LLC (“Consolidated”) is an Oregon limited liability company that was organized on May 21, 2007, in connection with the proposed transaction and to consolidate the ownership of Advantage Dental and its affiliates. The purpose of Consolidated is to manage the interests of the Individual Owners.

FACTS PROVIDED

(1) The reorganization will be accomplished as follows:

(1.1) Each of the Current Owners will contribute its interest in Advantage Dental and Advantage Entities (voting and nonvoting shares) to Holding in exchange for an equal interest in Holding.

(1.2) Each of the Current Owners will then contribute its interest in Holding (voting and nonvoting shares) to Consolidated in exchange for an equal interest in Consolidated.

(1.3) Each of the Current Owners will then distribute its interest in Consolidated (voting and nonvoting shares) to the Individual Owners in proportion to their current ownership in the respective Current Owners.

(1.4) After these steps in the proposal have been completed, the Individual Owners shall have the same percentage ownership in Consolidated as they had in Advantage Dental and Advantage Entities immediately prior to the exchange. The resulting holding company system will be structured as follows on the Effective Date: The Individual Owners (collectively) will hold 100% of the equity interest in Consolidated. Consolidated will hold 100% of the equity interest in Holding. Holding will own 90.4% of the equity interest in Advantage Dental. Affiliates will own (collectively) 9.6% of the equity interest in Advantage Dental (nonvoting shares). Holding will also own 100% of the equity interest in the Advantage Entities.

(1.5) All transactions involving both voting and nonvoting shares owned by the Current Owners will take place no sooner than 60 days after the director has approved the transaction.

(2) Affiliates owning the balance of Advantage Dental's nonvoting shares, as a result of the reorganization, will have two options: (i) sell their shares to Advantage Dental ("redeem"); or (ii) exchange their stock in Advantage Dental for nonvoting units in Consolidated ("exchange"). However, the redemption or exchange of nonvoting shares remains subject to the approval provisions contained in the Nonvoting Common Stock Transfer Agreement, effective August 1, 2002.

(2.1) Before Consolidated can issue nonvoting units in exchange for nonvoting shares of Advantage Dental to Affiliates that elect to exchange their Advantage Dental nonvoting shares, Consolidated must register its securities for sale or exchange, in accordance with federal and state regulations. Redemptions will occur only after receipt of adequate funds derived either from (i) sale of new units in Consolidated, or (ii) additional capital contributions by the Individual Owners of Consolidated.

(2.2) The purchase price of each nonvoting share was determined by the consensus of the Current Owners and was set at \$2.75 per share. The price was based on an informal valuation of Advantage Dental's current business, the associated expenses and risk incurred by the Current Owners, and the potential for economic growth of Advantage Dental in the future. The value assigned to Advantage Dental for purposes of this transaction was \$6,948,365. The

Current Owners agree this is a fair valuation. The purchase price for each share of nonvoting common stock was derived by dividing the valuation by the number of outstanding shares of common stock, including the voting and nonvoting shares.

(2.3) Advantage Dental, Holding and Consolidated have provided a Representation and Warranty dated March 21, 2008, that acknowledges the potential reduction in Advantage Dental's cash reserves through redemption of nonvoting shares. The parties have provided assurance that:

Any amount that capital surplus in the corporation is reduced by redemption of nonvoting common stock in the corporation will be replaced by a simultaneous and offsetting contribution of capital, in the form of cash, from Consolidated.

(2.4) Advantage Dental and Consolidated contemplate that redemptions and exchanges will be complete within one year after the director's approval of the proposed transaction.

(3) The Management Committee of Holding is comprised of 12 members. The Individual Owners (divided regionally) will elect eight members. The eight elected members will appoint four additional members who will be representatives of the public in accordance with ORS 750.015(1). The operating agreement for Holding provides that no person may concurrently serve as a manager of Holding and a manager of Consolidated.

(4) The Management Committee of Consolidated is comprised of eight members who will be elected by the Individual Owners (divided regionally). The operating agreement for Consolidated provides that each member shall be a licensed dentist and no person may concurrently serve as a manager of Consolidated and a manager of Holding.

(5) The Management Committee of Holding will also serve as the Management Committee for each of the Advantage Entities and as the Board of Directors for Advantage Dental.

(6) It is anticipated that all current Advantage Dental officers shall remain as officers of Advantage Dental, with the exception of the vice chair.

(7) While the proposed reorganization will extensively revise management to reflect the new ownership structure, it is not intended to affect a change of, or influence control of, Advantage Dental.

(8) There are no plans to make any material changes in the business operations of Advantage Dental, except as may become necessary to accommodate business growth. Advantage Dental will continue to provide commercial dental care insurance products.

(9) There are no plans to declare an extraordinary dividend, to liquidate Advantage Dental, or to sell its assets or merge it with any other person.

(10) On the basis of the request and in specific reliance on the representations made to the director by Advantage Dental, Consolidated and Holding the director makes the following:

CONCLUSIONS OF LAW

1. The plan to reorganize the ownership structure of Advantage Dental Plan Inc., to create a consolidated holding company structure was submitted to the director, Department of Consumer and Business Services and is properly supported by the required documents. The proposed transaction meets the requirements of the Oregon Insurance Code for approval with respect to Acquisitions and Mergers pursuant to ORS 732.517 to 732.546, made applicable to health care service contractors by ORS 750.055(1)(b).

2. There is evidence that:

(a) The activity is not contrary to law and will not result in a prohibited combination of risks or classes of insurance. *See* ORS 732.528(1)(a).

The reorganization of the ownership structure and holding company system that includes Advantage Dental Plan, Inc., an Oregon domiciled health care service contractor, is permitted by ORS 732.521(1). After completion of the reorganization, the insurer, Advantage Dental, will continue to be authorized as a health care service contractor limited to dental risks. It will have capital and surplus of approximately \$2.4 million. That is adequate to transact insurance in Oregon and exceeds the \$1 million minimum capitalization requirement. *See* ORS 750.045(3)(a).

(b) The activity is not inequitable or unfair to the policyholders, members, or shareholders of any insurer involved or to any other person affected by the proposed activity. *See* ORS 732.528(1)(b).

Advantage Dental will continue to provide commercial dental care insurance products. Current policies of Advantage Dental will continue unchanged.

Each issued and outstanding share of Advantage Dental immediately before the reorganization, other than the block of nonvoting shares owned by Affiliates, shall be exchanged for an equal interest in Holding. No cash consideration will be paid in connection with the reorganization, except to Affiliates owning nonvoting shares who desire to redeem their shares.

The purchase price of each share of nonvoting common stock was determined by consensus of the Current Owners and set at \$2.75 per share. The Current Owners agree it is a fair valuation.

(c) The activity will not substantially reduce the security of and service to be rendered to policyholders of any domestic insurer involved or otherwise prejudice the interests of such policyholders in this state or elsewhere. *See* ORS 732.528(1)(c).

Advantage Dental will possess the same financial resources after the reorganization as it possessed prior to the merger. As of December 31, 2007, Advantage Dental reported assets of \$3.6 million and surplus of \$2.4 million, amounts that indicate financial stability and soundness. Additionally, Advantage Dental has been profitable for the preceding five years. It is anticipated that Advantage Dental will continue to operate in the same manner and experience similarly favorable results from its operations.

Advantage Dental subscribers are protected in the event of insolvency under ORS 750.085 and 750.095. There will be no change in policyholder security.

(d) The proposed transaction is a reorganization of the ownership structure of Advantage Dental and not an acquisition of Advantage Dental by a foreign or alien insurer.

(e) The activity or its consummation will not substantially lessen competition of insurance in this state or tend to create a monopoly. *See* ORS 732.528(1)(e).

The proposed transaction is a reorganization of the ownership structure of Advantage Dental and not an acquisition or merger of Advantage Dental. Advantage Dental will provide dental insurance coverage to the Oregon market as it did before the reorganization. Thus, there is no indication that the reorganization will lessen competition in Oregon or tend to create a monopoly.

(f) After the change of control and ownership, the domestic insurer to which the activity applies will satisfy the requirements for the issuance of a certificate of authority to transact the line or lines of insurance for which the insurer is currently authorized. *See* ORS 732.528(1)(f).

Advantage Dental possesses an Oregon certificate of authority to transact the business of a health care service contractor limited to dental coverage. The transaction will not affect Advantage Dental's capitalization as evidenced by the warranty and representation of Consolidated that no nonvoting shares will be redeemed unless there is an equal amount of funds contributed to Advantage Dental. Advantage Dental will remain adequately capitalized to transact the volume of dental health insurance business in Oregon it proposes. ORS 750.045(3)(b).

(g) The financial condition of the acquiring party will not jeopardize the financial stability of Advantage Dental. *See* ORS 732.528(1)(g).

Upon the Effective Date, the Individual Owners (collectively) will hold 100% of the equity interest in Consolidated. Consolidated will hold 100% of the equity interest in Holding. Holding will own 90.4% of the equity interest in Advantage Dental. Affiliates will own (collectively) 9.6% of the equity interest in Advantage Dental (nonvoting shares). Holding will also own 100% of the equity interest in the Advantage Entities. Holding will possess all the rights and responsibilities conferred by stock ownership as described in Advantage Dental's Articles of Incorporation. Holding is an Oregon limited liability company established on April 19, 2007. Consolidated is an Oregon limited liability company established on May 21 2007. There is no evidence that either entity's financial condition will jeopardize Advantage Dental.

(h) The acquiring party has no plans to liquidate, to sell its assets or to consolidate or merge it with any other person, or to make any other material change in the insurer's business or corporate structure or management, which changes would be unfair and unreasonable to policyholders of the insurer and not in the public interest. *See* ORS 732.528(1)(h).

With the exception of possible redemption of certain shares of nonvoting common stock owned by Affiliates, there is no proposal to liquidate and pay out assets as a part of this transaction. Consolidated has represented and warranted that no redemption of Advantage Dental nonvoting shares will occur unless there is an equal contribution by Consolidated to Advantage Dental. This is neither an unfair nor an unreasonable proposal.

(i) The competence, experience and integrity of those persons who will control the operation of the insurer will not negatively impact the interest of policyholders or of the public. *See* ORS 732.528(1)(i).

Advantage Dental has operated in Oregon under the oversight of Mr. Ralph Shirtcliff, DMD (president), Mr. William Miner, DMD (treasurer), Ms. Tamara Abbett, DDS (secretary) and Mr. Jerald House, DDS (chairman). These individuals will retain their positions at Advantage Dental. There is nothing to

suggest that these individuals lack the necessary competence, experience, or integrity to continue in the operations of Advantage Dental. The director is not aware of any person that is now a director of Advantage Dental who lacks the necessary competence, experience, or integrity to manage Advantage Dental.

(j) The activity or its consummation is not likely to be hazardous or prejudicial to the insurance-buying public. *See* ORS 732.528(1)(j).

The reorganization will have no effect on policyholders. There is no evidence that the consummation of the reorganization will be hazardous or prejudicial to the insurance-buying public.

(k) The activity is not subject to other material and reasonable objections. *See* ORS 732.528(1)(k).

The reorganization is not subject to other material and reasonable objections.

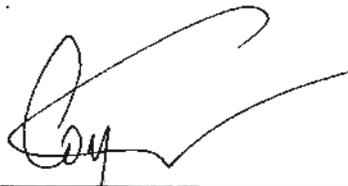
ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, it is hereby ordered that:

(1) The proposed plan filed October 16, 2007, to reorganize the ownership structure of Advantage Dental Plan Inc., to create a consolidated holding company structure is hereby approved.

(2) Advantage Dental shall promptly notify the director of any material change in circumstances of Advantage Dental, Holding and Consolidated including, changes in officers or directors or material changes in the proposal to exchange equal interest, prior to the Effective Date.

DATED this 22nd day of April, 2008.



CORY STREISINGER, Director
Department of Consumer and Business Services

NOTICE

Pursuant to ORS 732.528 (6), any insurer or other party to the proposed activity, including the insurer proposed to be acquired, within 60 days after receipt of a notice of approval or disapproval, may appeal the final order of the director as provided in ORS 183.310 to 183.550. For purposes of the judicial review the specifications required to be set forth in the written notice from the director shall be deemed the findings of fact and conclusions of law of the department.

Pursuant to OAR 441-095-0030, which implements ORS 59.095, a fairness hearing is conducted as a proceeding in other than a contested case as referenced by ORS 183.310. Jurisdiction for judicial review of orders in other than a contested case is conferred upon the Circuit Court for Marion County and upon the circuit court of the county in which the petitioner resides or has a principal business office. ORS 183.484(1). Petitions for review shall be filed within 60 days following the date the order is served. ORS 183.484(2).