

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION**

BEFORE THE DIRECTOR
OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of the Acquisition of)	Findings of Fact, Conclusions of
Control of NexDent Dental Plans,)	Law and Order
Inc.by Advantage Dental Plan, Inc.)	
and its controlling entities,)	Case No. INS-FR 19-3-005
Advantage Community Holdings		
Company, LLC, DentaQuest Care		
Group Management, LLC,		
DentaQuest, LLC, DentaQuest		
Group, Inc., and Catalyst Institute,		
Inc.		

INTRODUCTION

Advantage Dental Plan, Inc., an Oregon licensed limited health care service contractor regulated by the Oregon Department of Consumer and Business Services, Division of Financial Regulation (“ADP” or “Applicant”), as required by ORS 732.517 through 732.546, filed with the Oregon Department of Consumer and Business Services, Division of Financial Regulation (the “DFR”), a Statement regarding the Acquisition of Control of or Merger with a Domestic Insurer dated February 26, 2018 (as amended, the “Form A”), to acquire one hundred percent (100%) of NexDent Dental Plans, Inc. (“NexDent”), an Oregon licensed limited health care service contractor regulated by the Oregon Department of Consumer and Business Services, Division of Financial Regulation (DFR) an Oregon for-profit business corporation. The filing fee required under OAR 836-099-0007(12) was received by the DFR on February 27, 2018. The acquisition described in the Form A (the “activity” or the “Proposed Acquisition”) is an activity described in ORS 732.521(1). The Proposed Acquisition is a consequence of an Agreement and Plan of Stock

Purchase and Merger (“Acquisition Agreement”) dated October 31, 2017 by and among ADP, its immediate parent Company, Advantage Holding Company LLC (“Holding Company”), NexDent, the shareholders of NexDent, and TVR Sellers’ Rep LLC, solely in its capacity as the Shareholders’ Representative.

The Director of the Department of Consumer and Business Services (“Director”), acting in accordance with the procedures set forth in Oregon Revised Statutes (“ORS”) chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750, and the Oregon administrative rules (“OAR”) issued thereunder (“Insurance Code”), and specifically ORS 732.517 through 732.546 (applicable to the Proposed Acquisition via ORS 750.055), has reviewed the Form A. Upon the filing of the Form A, the DFR engaged Risk & Regulatory Consulting (“RRC”) as a financial adviser. RRC provided written and verbal advice to the DFR in connection with the Proposed Acquisition. Notice of a public hearing on the Form A was issued on March 18, 2019 and the public hearing was held on March 26, 2019. A public comments period was open until April 2, 2019. The Form A and the presentation at the public hearing by the Applicant were posted on the DFR’s website.

Now, therefore, upon due consideration of the circumstances, including the said Form A, documentation filed in support of Form A, any testimony at public hearing or public comment, and the reports and other advice provided by RRC, the Director enters the following Findings of Facts, Conclusions of Law and Order.

FINDINGS OF FACT

The Director FINDS that:

- (1) NexDent is an Oregon domestic stock corporation licensed under ORS 750 to transact insurance as a limited health care service contractor for dental. NexDent's outstanding stock is owned by Lambert Theodore Van Eerden, Jr. (42.7%), Kevin Boie (10.0%), Jerald Wilbur (4.6%), Tse Family Revocable Trust (the "Trust"), (28.5%), and Master Dentist Institute, Inc. ("MDI") (14.2%) (collectively, "The Owners").
- (2) ADP was formerly known as RDS Dental Plan, Inc., which was incorporated in Oregon on October 13, 1994, as a for-profit corporation that received its Certificate of Authority as a health care services (restricted to dental) insurer on March 3, 1995. On November 20, 1996, ADP changed its name from RDS Dental Plan, Inc. to Advantage Dental Plan, Inc.
- (3) ADP is a health care services (restricted to dental) insurer organized and licensed under the laws of Oregon and is a wholly owned direct subsidiary of Advantage Community Holding Company, LLC ("Holding Company"), a privately held Oregon Limited Liability Company. Holding Company also directly and indirectly owns and controls additional subsidiaries that (a) operate approximately sixty-five dental clinics in Oregon, and (b) contract to administer and arrange for dental services with thirteen Coordinated Care Organizations throughout the State of Oregon as well as the Oregon Health Plan.
- (4) Advantage Consolidated, LLC, an Oregon limited liability company ("Consolidated") currently owns 20% of Holding Company and Holding Company will continue to directly own and control ADP.
- (5) Catalyst Institute, Inc. ("Catalyst") is a Massachusetts non-profit corporation with multiple direct and indirect subsidiaries including DentaQuest Group, Inc., a Delaware corporation

("DQG"), DentaQuest, LLC, a Delaware limited liability company ("DentaQuest"), and DentaQuest Care Group Management, LLC, a Delaware limited liability company ("DQCGM"). DQCGM owns 80% controlling interest in Holding Company, through a Form A acquisition review completed in 2016. Except for the business conducted by Holding Company and its subsidiaries, neither Catalyst nor any of its subsidiaries currently have any business activities in Oregon.

- (6) ADP shall pay the Shareholders a total purchase price of \$1.00, plus any capital and surplus held by the Domestic Insurer, as calculated in accordance with the terms of the Acquisition Agreement. ADP will pay each of the Shareholders in accordance with their respective pro rata portion of the Domestic Insurer's.
- (7) Immediately following the closing of the purchase of the Domestic Insurer's shares, NexDent shall merge with and into ADP, the separate corporate existence of NexDent shall cease, and ADP shall continue as the surviving corporation of the merger and as a wholly-owned subsidiary of Holding Company, ADP's existing direct controller, in accordance with ORS 732.538 (the "Merger").
- (8) The Proposed Transaction is being consummated in two inter-related steps to cause the transaction to be treated as a stock sale, rather than an asset sale, for federal and applicable state income tax purposes.
- (9) The basis and terms of the Purchase Agreement, including the nature and amount of consideration, were determined through arms' length negotiations among the representatives of the Applicants, on the one hand, and the representatives of NexDent, on the other hand, and their respective legal and other advisers.

- (10) The Proposed Acquisition was approved by the Board of Directors of NexDent, ADP, Catalyst and by the Board of Managers and the equity holders of Holding Company.
- (11) Immediately prior to the Closing, NexDent shall pay an extraordinary dividend to the owners of NexDent, in accordance with their respective pro rata portion of the Domestic Insurer's shares, that is equal to one hundred percent (100%) of the capital & surplus of NexDent.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

(1) The Form A is properly supported by the required documents and meets the requirements of the Oregon Insurance Code for approval with respect to the acquisitions and mergers pursuant to ORS 732.517 to 732.546.

(2) The Director finds that there is no evidence that:

- (a) The activity is contrary to law or would result in a prohibited combination of risks or classes of insurance.

The acquisition of control of NexDent by the Applicant is permitted by ORS 732.517 to 732.546.

- (b) The activity is inequitable or unfair to the policyholders or shareholder of any insurer involved in, or to any other person affected by, the proposed activity.

NexDent is the insurer involved in the Proposed Acquisition. The basis and terms of the Agreement and Plan of Stock Purchase and Merger ("Acquisition Agreement"), including the nature and amount of consideration, were determined through arms' length negotiations among the representatives of ADP, Holding Company DentaQuest, and Catalyst, on the one hand, and representatives of NexDent, on the other hand, and their respective legal and other advisors.

The Proposed Acquisition will be effectuated pursuant to the terms of the Acquisition Agreement. The Stock Purchase Agreement effectuates the purchase of 100% of NexDent from the owners.

The Applicant will merge NexDent into ADP, with ADP as the surviving entity. The Applicant intends for ADP to continue to operate as it has historically, acting as limited licensed health care service contractor in the State of Oregon, and elsewhere, where it is licensed. Accordingly, the policyholders of NexDent should receive essentially the same level of service as prior to the Proposed Acquisition because ADP is a currently licensed and regulated health care service contractor.

- (c) The activity would substantially reduce the security of and the service to be rendered to policyholders of any domestic insurer involved in the proposed activity, or would otherwise prejudice the interests of such policyholders in the state or elsewhere.

The activity will not substantially reduce the security of or the service to be rendered to policyholders of NexDent or otherwise prejudice the interest of such policyholders in this state or elsewhere. ADP is an Oregon licensed limited health care service contractor regulated by the Oregon Department of Consumer and Business Services, Division of Financial Regulation. It is part an enterprise insurance holding company system comprised of dozens of companies, several of which are licensed providers of health insurance. The financial information submitted with the Form A demonstrates that ADP and Catalyst are adequately capitalized and the description of its business activities in the Form A suggests that ADP and Catalyst are prudently managed.

- (d) The activity provides for a foreign or alien insurer to be an acquiring party, and the insurer cannot satisfy the requirements of this state for transacting an insurance business involving classes of insurance affected by the activity.

The Proposed Acquisition does not provide for a foreign insurer to be an acquiring party. Advantage Dental Plan, Inc. is an Oregon licensed limited health care service contractor regulated by the DFR. ADP currently meets the requirements for transacting business as a limited health care service contractor in Oregon. No evidence indicates that ADP after Closing would become unable to satisfy the requirements for transacting business as a licensed health care service contractor in Oregon as a result of the Proposed Acquisition.

- (e) The activity or its consummation would substantially diminish competition in insurance in this state or tend to create a monopoly.

NexDent had 715 members and ADP had 872 members, as of December 31, 2018, for a combined total of 1,587 members. While the total number of entities authorized to provide dental insurance in Oregon will decrease, there will still be 47 insurers and health care service contractors that can offer dental coverage. Accordingly, the Proposed Acquisition will not

substantially diminish competition of insurance in this state or tend to create a monopoly.

- (f) After the change of control or ownership, the domestic insurer to which the activity applies will not be able to 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.

The Applicant is an Oregon domestic limited licensed health care service contractor. Consequently, ADP's ability to satisfy the requirements for receiving a certificate of authority will not be impacted by the Proposed Acquisition.

- (g) The financial condition of any acquiring party might jeopardize the financial stability of the insurer.

The Proposed Acquisition will not jeopardize the financial stability of ADP. The financial information submitted with the Form A demonstrates that the Applicant is adequately capitalized.

- (h) The plan or proposals that the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in the insurer's business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest.

The Applicant will merge NexDent into ADP, with ADP as the surviving entity. The Applicant intends for ADP to continue to operate as it has historically, acting as limited licensed health care service contractor in the State of Oregon, and elsewhere, where it is licensed. Accordingly, the policyholders of NexDent should receive essentially the same level of service as prior to the Proposed Acquisition because ADP is a currently licensed and regulated health care service contractor. Based upon the information provided to DFR through the filing requirements of ADP and the Form A, the merger is not considered to be unreasonable to policyholders of NexDent or not in the in the public interest.

- (i) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the activity or its consummation.

There is nothing in the DFR's investigation or the biographical information provided regarding the persons that will control the operation of NexDent and ADP that suggests that the competence, experience and integrity of those persons who will control the operations of NexDent and ADP will be contrary to the interest of the policyholders of NexDent, ADP or the public.

- (j) The activity or its consummation is likely to be hazardous or prejudicial to the insurance-buying public.

There is nothing to suggest that the Proposed Acquisition and merger will be hazardous or prejudicial to the insurance-buying public.

- (k) The activity is subject to other material and reasonable objections.

After considering all relevant information provided to the DFR, the DFR finds that there are no material or reasonable objections to the Proposed Acquisition and merger.

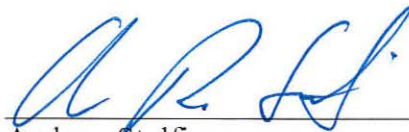
ORDER

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

- (1) The acquisition of control of NexDent by the Applicant is hereby approved upon the basis of the information contained in the Form A to date;
- (2) The Applicant shall provide the DFR with a definitive set of final closing documents within thirty days of the Closing;
- (3) The Applicant shall provide notice of any decision by the Applicant to relocate the headquarters of ADP at least three business days prior to the announcement of such decision;
- (4) The Applicant shall advise the DFR if the Proposed Acquisition does not occur within ninety (90) days of the date hereof, and the DFR reserves the right to modify or revoke this Order;
- (5) NexDent is approved to distribute an extraordinary dividend to its current shareholders, equal to the Capital & Surplus of NexDent on the date of the extraordinary dividend, in accordance with their respective pro rata portion of the NexDent's shares;

- (6) The extraordinary dividend is to be paid immediately before the closing of the transaction, for a period of time that is not to exceed two (2) calendar days before the closing of the transaction and merger of NexDent into ADP;
- (7) The Applicant shall cause to be paid the fees of any actuaries, accountants, attorneys, financial advisors and other experts not otherwise a part of the DFR's staff that the DFR contracted with in connection with the Proposed Acquisition;
- (8) Within thirty days of the Closing, or with the required filing on April 30, 2019, ADP shall file an amended holding company act statement or include details of the merger with NexDent in the filed holding company act statement;
- (9) ADP and Catalyst shall submit an enterprise risk report under ORS 732.569 each year during which the Applicant controls ADP and an acknowledgement that ADP and any affiliates that are within the Applicant's control will provide, at the Director's request, information the Director needs to evaluate enterprise risk to ADP. This filing can be satisfied by filing the enterprise risk report with the lead state of the Catalyst group ;
- (10) The effective date of the Proposed Acquisition may be any time subsequent to the approval of this order pursuant to ORS 732.528(6) (subject to paragraph (4) above).

Dated this 6th day of May, 2019



Andrew Stolfi
Administrator, Division of Financial Regulation
Department of Consumer and Business Services

NOTICE

Pursuant to ORS 732.528(7), any insurer or other Party to the proposed activity, including the insurer subject to the acquisition, within sixty days after receipt of the 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 will be deemed the findings of fact and conclusions of law of the DFR.