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 Proposed Acquisition of Control of Marquis Advantage, Inc. d/b/a AgeRight Advantage Health Plan by Rimborso, LLC and its controlling entity, Avamere Group, LLC	))))))	Findings of Fact, Conclusions of Law and Order Case No. INS-FR 21-02-03

INTRODUCTION

Individually and collectively, each of Rimborso, LLC ("**Rimborso**"), Avamere Group, LLC ("**Avamere**"), Karl Rickard Miller, Jr., Karl Rickard Miller, Jr. Revocable Trust, and Dillon Family Trust (collectively the "**Applicants**"), as required by ORS 732.517 through 732.546, filed with the Oregon Department of Consumer and Business Services, Division of Financial Regulation ("**DFR**"), a Statement regarding the Acquisition of Control of or Merger with a Domestic Insurer dated February 28, 2020 and amended that Statement on or about November 9, 2020 (as amended, "**Form A**"), to acquire four hundred (400) shares of common stock equaling forty percent (40%) of the issued and outstanding shares of Marquis Advantage, Inc. ("**Marquis**"), an Oregon domestic Health Care Service Contractor, in the following manner from its current owners: (i) three hundred ten (310) shares of common stock from AllyAlign Health, Inc., a Delaware corporation ("**AllyAlign**"), and (ii) ninety (90) shares of common stock from Marquis Companies I, Inc., an Oregon corporation ("**Marquis Seller**") (each a "**Seller**" and collectively, "**Sellers**"). Collectively, the common stock being acquired by Applicants are referred to herein as the "**Marquis Shares**". Upon closing of the acquisition of the Marquis Shares (**"Closing"),** Marquis will be owned by Rimborso (40%), Marquis Seller (51%), and AllyAlign (9%).

In addition to the sale of the Marquis Shares for cash, Applicants and Sellers agreed to certain surplus note transactions that were also filed for consideration by the Director of the Department of Consumer and Business Services ("**Director**") as part of the Form A. Upon Closing, Rimborso will make a loan to Marquis in the amount of $1,472,000 to be evidenced by a Surplus Note ("**Buyer Surplus Note**"). Marquis will use the proceeds of the Buyer Surplus Note to: (i) repay to Marquis Seller $33,700 of the outstanding principal amount under that certain Subordinated Surplus Note issued to Marquis Seller, dated November 30, 2015 and (ii) repay to AllyAlign $1,088,300 of the outstanding principal amount under that certain Subordinated Surplus Note issued to AllyAlign, dated November 30, 2015. Immediately following the Closing, Marquis will issue to each of AllyAlign and Marquis Seller new Surplus Notes in the amounts of $383,700 and $2,174,300, respectively (collectively, the "**Amended Surplus Notes**") and cancel the Subordinated Surplus Notes issued to AllyAlign and Marquis Seller dated November 30, 2015. Collectively, the issuance of the Buyer Surplus Note, the repayment of the prior Subordinated Surplus Notes, and the issuance of Amended Surplus Notes will be referred to as the "**Surplus Notes Transaction**".

The filing fee required under OAR 836-099-0007(12) was paid to DFR on February 28, 2020. The acquisition described in the Form A (the "**activity**" or the "**Proposed Acquisition**") is an activity described in ORS 732.521(1).

The 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 administrative rules 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, including the Surplus Notes Transaction. Upon the filing of the Form A, the DFR engaged Risk & Regulatory Consulting ("**RRC**") as a financial adviser and Morgan, Lewis & Bockius LLP ("**MLB**") as legal advisers. Each of RRC and MLB provided written and oral advice to the DFR in connection with the Proposed Acquisition. Notice of a public hearing was issued on January 4, 2021, and a public hearing on the Form A was held on January 19, 2021. A public comment period was open from January 19, 2021, to January 26, 2021. The Form A, the presentation at the public hearing by the Applicants and public comments were posted on the DFR website.

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

FINDINGS OF FACT

The Director FINDS that:

(1) Rimborso is a wholly owned subsidiary of Avamere Group, LLC, part of the Avamere Family of Companies ("**AFOC**"), owned by the Karl Rickard Miller, Jr. Revocable Trust (62.36%), the Dillon Family Trust (31.18%), and the Odermott Family

Revocable Trust (6.46%). AFOC operates twenty independent skilled nursing facilities in Oregon and is one of the largest providers of skilled nursing services in Oregon.

(2) The corporate structure is more clearly described in the exhibits to the Form A provided and posted to the DFR website.

(3) Marquis is an Oregon for-profit business corporation, and has been licensed as a Health Care Service Contractor in Oregon since 2015. Marquis has a Medicare Advantage contract with the Centers for Medicare and Medicaid Services, whereby it operates an Institutional Special Needs Plan and provides certain Medicare covered health care benefits to qualified Medicare beneficiaries in the following Oregon counties: Clackamas, Klamath, Lane, Marion, Multnomah, Washington, and Yamhill.

(4) Pursuant to the terms of a Stock Purchase Agreement, dated as of September 23, 2020 and amended as of January 11, 2021, among Marquis, Rimborso, Marquis Seller and AllyAlign (the "**Purchase Agreement**"), Rimborso will buy the Marquis Shares from Sellers for $328,000. No borrowed funds will be used in connection with the Proposed Acquisition.

(5) At Closing, the Parties will complete, execute, pay and/or fund, as applicable, the purchase of the Marquis Shares and complete the Surplus Notes Transaction.

(6) 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 representatives of the Sellers, on the other hand, and their respective legal and other advisors. In negotiating at arm's length

the terms of the Purchase Agreement, no outside experts were retained to conduct financial due diligence or assist in the determination of a valuation of Marquis.

(7) The Applicants intend to continue Marquis' business without any material modification to its existing plan of operations or leadership, employees, or contracts other than the following: Will Saunders will resign as Chief Executive Officer of Marquis, Phillip G. Fogg, Jr. will become Marquis' President and Secretary and Steven C. Fogg will become its Treasurer.

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 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 Marquis by the Applicants is permitted by ORS 732.517 to 732.546.

The Applicants are not insurers and thus do not carry risks or classes of insurance. In addition, the Applicants do not plan any changes to Marquis's business plans. Accordingly, there is no evidence the activity would result in a prohibited combination of risks or classes of insurance.

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

Marquis is the insurer involved in the Proposed Acquisition. The basis and terms of the Purchase Agreement, including the nature and amount of consideration, which also includes the Surplus Notes Transaction, were determined through arms' length negotiations among the representatives of the Applicants, on the one hand, and representatives of the Sellers, on the other hand, and their legal counsel.

The Proposed Acquisition will be effectuated pursuant to the terms of the Purchase Agreement. Marquis Seller and AllyAlign will continue to have an ownership interest in Marquis. Marquis Seller will own 51% of Marquis's outstanding equity and AllyAlign will own the remaining 9% minority interest.

The Applicants do not anticipate any changes to the business plans of Marquis. Rather, the Applicants intend for Marquis to continue to operate as it has historically. Accordingly, Marquis' policyholders should receive the same level of service as prior to the Proposed Acquisition because no material changes are anticipated with respect to the products or services that they receive from Marquis.

(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 Marquis or otherwise prejudice the interest of such policyholders in this state or elsewhere The financial information submitted in the the Form A indicates that the Applicants are adequately capitalized, indicating that the policyholders are not likely to suffer any prejudice from the activity.

(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.

No Applicant is an insurer.

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

The Applicants have no medical health insurance business in Oregon. Accordingly, the Proposed Acquisition will not substantially diminish competition in 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 Applicants have no plans to change the business or capital structure of Marquis other than as described in the Form A. Upon closing of the Proposed Acquisition, Marquis is expected to realize a small increase in its surplus due to the issuance of the Surplus Note Transaction. Consequently, Marquis's ability to satisfy the requirements for the issuance of 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 and the financial condition of Applicants will not jeopardize the financial stability of Marquis. The Proposed Acquisition will not impact Marquis's ability to meet its on-going financial obligations.

(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.

Following the Proposed Acquisition, the Applicants do not plan any changes to Marquis's business, and the Applicants have no plans or proposals to liquidate Marquis, sell its assets, merge it with another person, or make any material changes in its corporate structure or management.

(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.

No information in the biographical information regarding the persons that will control the operation of Marquis provided by the

Applicants suggests that the competence, experience and integrity of those persons who will control Marquis's operations will be contrary to the interest of its policyholders or the public.

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

DFR has found no evidence to suggest that the Proposed Acquisition 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, including the Surplus Notes Transaction.

ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, the statements made in the Form A and in the Applicants' correspondence with DFR, it is hereby ORDERED that:

(1) The acquisition of control of Marquis by the Applicants and the Surplus Note Transaction are hereby approved upon the basis of the information contained in the Form A to date;

(2) The Applicants shall provide the DFR with a definitive set of final closing documents and the statement required by ORS 732.533 within thirty days of the Closing;

(3) The Applicants shall advise the DFR if the Proposed Acquisition does not occur within ninety (90) days of the date hereof, and, in such event, the DFR reserves the right to modify or revoke this Order;

(4) The Applicants 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;

(5) Within thirty (30) days of the Closing, Marquis shall file an amended Holding Company Act statement pursuant to ORS 732.554;

(6) Marquis shall submit an enterprise risk report under ORS 732.569 each year during which any of the Applicants control Marquis and an acknowledgement that Marquis and any affiliates that are within the control of any of the Applicants will provide, at the Director's request, information the Director needs to evaluate enterprise risk to Marquis;

(7) The effective date of the Proposed Acquisition may be any time subsequent to the issuance of this Order pursuant to ORS 732.528(6) (subject to paragraph (3) above);

(8) Pursuant to ORS 732.551 et seq. and those regulations promulgated thereunder, the Applicants shall be included within the registration statement on Form B filed by Marquis; and

(9) This Order shall be conditioned upon and subject to the following:

   a. The Applicants shall be included within Marquis's reporting on Schedule Y to its financial statements;

   b. Each Applicant and Marquis shall provide to the DFR advance notice of any modification of any agreement, charter, bylaw or other document or plan to enter into a new agreement, any of which would or purport to require that Marquis provide indemnification to any individual or entity not employed by, an officer of or board member of Marquis. Any of the foregoing shall be subject to the prior approval of DFR.

c. Any new agreement or amendment to an existing agreement which would or would reasonably be expected to alter or eliminate the authority of Karl Rickard Miller, Jr. as trustee of the Karl Rickard Miller, Jr. Revocable Trust, shall be the subject of the filing of a Form A with the DFR pursuant to the Insurance Code.

d. Any new agreement or amendment to an existing agreement which would or would reasonably be expected to alter or eliminate the authority of the Operating Manager, as that term is defined in the Avamere Operating Agreement in effect as of the date of the amended Form A ("Operating Agreement"), or change the identity of the Operating Manager from "Miller," as that term is used (but not defined) in the Operating Agreement, shall be the subject of the filing of a Form A with the DFR pursuant to the Insurance Code.

Dated this 24th day of February, 2021

T.K. Keen
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.