

AMENDMENT NO. 1 TO FORM A
STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER
ADVANTAGE DENTAL PLAN, INC.

by

DENTAQUEST CARE GROUP MANAGEMENT, LLC
and its controlling entities,
DENTAL SERVICE OF MASSACHUSETTS, INC
DENTAQUEST GROUP, INC.
DENTAQUEST MANAGEMENT, INC.
DQ MASSACHUSETTS BUSINESS TRUST
DENTAQUEST, LLC

Filed with the Division of Financial Regulation of the State of Oregon

Dated: March 4, 2016

Name, Title, Address and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should be Addressed:

James P. Hawkins
DentaQuest, LLC
465 Medford Street
Boston, MA 02129
(617) 886-1511
james.hawkins@dentaquest.com

With a copy to:

Peter S. Rice
DLA Piper LLP
33 Arch Street
Boston, MA 02110
(617) 406-6072
Peter.Rice@dlapiper.com

ITEM 1. METHOD OF ACQUISITION

(a) Name and Address of the Domestic Insurer

The name and address of the domestic insurer to which this application relates is:

Advantage Dental Plan, Inc.
442 SW Umatilla Avenue
Redmond, OR 97756

(b) Method of Acquisition of Control

DentaQuest, LLC ("DentaQuest LLC") has entered into a Unit Purchase Agreement dated December 29, 2015 (together with all agreements, exhibits and schedules thereto, the "Purchase Agreement") with Advantage Consolidated, LLC ("Consolidated") whereby DentaQuest LLC or its designee will acquire an 80% controlling interest (the "Interest") in Advantage Community Holding Company, LLC (the "Company"). At or prior to the closing, DentaQuest LLC will assign its rights under the Purchase Agreement to its wholly owned subsidiary, DentaQuest Care Group Management, LLC (the "Purchaser").

The terms of the Purchase Agreement are as follows:

- Closing will occur upon satisfaction of all of the closing conditions set forth in the Purchase Agreement. These include the receipt of each of the required regulatory approvals, including the approval requested by this Statement.
- The nominal purchase price for the Interest is set forth on Supplemental Exhibit A, which is submitted under separate cover.
- Additional "earn out" payments as set forth on Supplemental Exhibit A may be made based on certain earnings measures during the three years following the closing.
- The Purchase Agreement also provides for certain adjustments to the purchase price based on the Company's working capital as of the closing date.
- At closing, DentaQuest and Consolidated will enter into a new Operating Agreement of the Company reflecting their respective ownership interests and membership rights and obligations.

Advantage Dental Plan, Inc. (the "Domestic Insurer") is a health care service contractor organized and licensed under the laws of Oregon and is a wholly owned direct subsidiary of the Company. As a result of the proposed acquisition of the Company, the Domestic Insurer will become an indirect 80% owned subsidiary of Purchaser and an indirect 80% owned subsidiary of the Purchaser's intermediate and ultimate parent companies. These entities are Dental Service of Massachusetts, Inc. ("DSM"); DentaQuest Group, Inc.; DentaQuest Management, Inc.;

DentaQuest Massachusetts Business Trust; and DentaQuest, (along with the Purchaser, the “Applicants”). An organizational chart attached hereto as Exhibit 2 shows the relationship of these entities to one another.

Specifically, the ultimate parent company is Dental Service of Massachusetts, Inc., a Massachusetts non-profit corporation with no owners. Below it in the chain of ownership are DentaQuest Group, Inc., a Delaware corporation; DentaQuest Management, Inc., a Maryland corporation; DentaQuest Massachusetts Business Trust, a Massachusetts business trust; and DentaQuest, a Delaware limited liability company. Each of these entities is managed by individuals employed by DentaQuest. Purchaser is a member-managed Delaware limited liability company and DentaQuest is the sole member. The Applicants, together with their subsidiaries are collectively referred to herein as “DentaQuest.”

As a result of the terms of the Purchase Agreement and the relationship among the Applicants described above, the Applicants will acquire control of the Domestic Insurer within the meaning of ORS 732.548 (the “Proposed Transaction”).

A copy of all agreements and exhibits and schedules thereto related to the Proposed Transaction are attached hereto as Exhibit 1.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANTS

(a) Names and Addresses of the Applicants

The names and business addresses of the Applicants are:

Dental Service of Massachusetts, Inc.
DentaQuest Group, Inc.
DentaQuest Management, Inc.
DQ Massachusetts Business Trust
DentaQuest, LLC
DentaQuest Care Group Management, LLC
465 Medford Street
Boston, MA 02129

(b) Business Operations of the Applicants For the Past Five Years

DSM is a Massachusetts not-for-profit corporation and, through its various subsidiaries, is one of the largest dental benefits administrator in the United States. DSM is regulated by the Massachusetts Commissioner of Insurance, pursuant to Massachusetts General Laws Chapter 176E. All of the DentaQuest companies are part of the holding company system regulated by the Massachusetts Commissioner of Insurance pursuant to the Massachusetts Insurance Holding Company Act.

DSM operates in Massachusetts under the Delta Dental brand name. It generated total revenues from this business of \$248.7 million for 2014, down from \$276.8 million in 2010. This decrease primarily reflects a shift by its customers toward an Administrative Services Only (ASO) model

where the customers contract with the Applicant to act as a third party administrator for their self-insured dental plans. This business is sold to companies operating or headquartered in Massachusetts.

Through DSM's direct subsidiaries, the Applicants also do business under the "DentaQuest" brand name serving customers nationally. These companies do business on a risk and ASO basis, contracting with state governments (servicing their Medicaid dental offerings) and working with other health insurers to provide dental and vision benefits for their health care customers (under government and marketplace programs and plans) on a private label basis. The state government business has undergone significant growth during the last five years. A contract with the state of Texas to provide dental benefits to its Medicaid and CHIP programs has generated over \$400 million in annual revenue beginning in 2012 and the estimated revenue for 2015 is approximately \$690 million. This business is written by DentaQuest USA Insurance Company, Inc. DentaQuest companies also offer stand-alone dental plans on the marketplace in ten states.

DSM's subsidiaries include five insurance companies which hold health insurance licenses in more than 40 U.S. jurisdictions and a number of other entities (primarily the LLCs shown on the attached organization chart) that hold third party administrator and/or utilization review licenses (or the equivalents) in more than 30 states.

Altogether, DentaQuest currently serves more than 24 million members. For 2015, its estimated revenue was approximately \$1.8 billion.

DentaQuest intends to continue its existing lines of business. It will pursue additional state Medicaid dental benefit contracts as they come up for bid and continue to expand its health plan relationships for government, commercial and exchange business for both dental and vision benefit plans.

In addition, the Proposed Transaction will significantly expand DentaQuest's care delivery business as the Company has approximately forty owned dental clinics in Oregon. DentaQuest companies currently operate more than thirty clinics in three other states and DentaQuest intends to continue to grow its care delivery business, particularly in conjunction with existing relationships or new opportunities to administer dental benefits for state Medicaid programs on an integrated basis. This is the model the Company has pioneered in Oregon. DentaQuest's primary interest in the Proposed Transaction is this expansion of its care delivery business. The acquisition of the Domestic Insurer is incidental to this purpose.

(c) **Organizational Chart**

An organizational chart of the Applicants is attached hereto as Exhibit 2. An abbreviated post-closing organizational chart of the Applicants, showing the Domestic Insurer's place within the Applicants' organizational structure, is attached hereto as Exhibit 3.

No court proceedings involving a reorganization or liquidation are pending with respect to any entity identified in Exhibit 2.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANTS.

A list setting forth the names and business addresses of the directors, executive officers and owners of ten percent (10%) or more of the voting securities of the Applicants and the persons who will serve as directors and executive officers of the Domestic Insurer after the Proposed Transaction is attached hereto as Exhibit 4. Biographical affidavits for all above-named persons are attached hereto as Exhibit 5 or will be submitted under separate cover. Third-party background checks of each such person have been (or, upon receipt of the affidavit, will be) ordered to be conducted by LexisNexis, which will report the results of those checks directly to the Department.

None of the persons listed above has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

ITEM 4. NATURE, SOURCE, AND AMOUNT OF CONSIDERATION

(a) Nature, Source, and Amount of Consideration

DentaQuest will pay the entire purchase price for the Proposed Transaction in cash. Some or all of such cash payable at closing will be drawn against DentaQuest's credit facility, as described in paragraph (c) below. The purchase price has several components and potential adjustments, as follows:

- A portion of the purchase price is payable at closing.
- There is also an earn-out component, as indicated in Item 1(b), above, spread out over three years, based on a formula set forth in Section 2.06(a) of the Purchase Agreement. The calculation is based on the adjusted EBITDA of the Company during each of those three years. DentaQuest would expect to fund any earn-out payments from the earnings that the Company would distribute to it, as the 80% equityholder, with respect to each such year.
- There may be an adjustment to the purchase price based on the Company's working capital as of the closing date.

(b) Criteria Used in Determining Nature and Amount of Consideration

The consideration for the Interest was negotiated at arm's length, taking into consideration the actual and projected financial performance of the Company and comparable transactions in the market. Prior to approving the proposed transaction, the Applicant's Board of Directors obtained a fairness opinion in support of the terms of the Purchase Agreement from the national valuation firm of Alvarez and Marsal (the "Fairness Opinion").

The Domestic Insurer's only business is to provide insurance for employees of other Company affiliates, so there are no independent earnings, book of business or goodwill value attributable to the Domestic Insurer. Therefore, the portion of the purchase price attributable to the Domestic Insurer is approximately \$856,000, which represents 80% of its surplus of approximately \$1.07 million, as of December 31, 2015.

(c) Loans

DentaQuest intends to fund the portion of the purchase price payable at closing by restructuring, and then accessing funds available to it under, its credit facility with a group of independent lenders (the “Lenders”). Bank of America (“BoA”) serves as the agent for the Lenders. DentaQuest is the borrower under the loan agreement and its subsidiaries (other than the insurance companies) are guarantors. The credit is otherwise entirely unsecured. The current credit facility permits borrowings up to \$150 million. In order to fund the Proposed Transaction and to provide access to sufficient working capital and capital for other growth initiatives, DentaQuest intends to restructure its credit arrangements with the Lenders by adding a \$100 million term loan to the existing \$150 million revolving credit facility. The entire facility will remain unsecured – no assets or securities of any type will be pledged. In addition to the existing DentaQuest company loan parties, the Company and its subsidiaries (other than the Domestic Insurer, which will be excluded in the same manner as the Applicants’ other insurance company subsidiaries) will become guarantors.

As such, the Applicants’ interest in the Domestic Insurer will not be used to secure the credit facility, nor will the Domestic Insurer incur any current or contingent liability for any of DentaQuest’s loan obligations or otherwise be impacted by any of the financing arrangements related to the Acquisition. BoA and the Lenders are just beginning their due diligence with respect to the new credit structure and no loan documents yet exist. The Applicants will provide copies of the loan documents as they become available.

ITEM 5. FUTURE PLANS OF THE INSURER

The Applicants do not plan any changes in the Domestic Insurer’s business plans and the Applicants have no plans or proposals to have the Domestic Insurer declare an extraordinary dividend or to liquidate the Domestic Insurer, sell its assets, merge it with another person, or make any material changes in its corporate structure or management.

The Domestic Insurer will continue to operate as it has historically, acting as the dental insurer for the employees of all of the Advantage companies, as well as receiving revenue for the use of its networks from PacificSource. There are no current plans for the Domestic Insurer to offer any insurance products to the public or to make any other use of its insurance license.

As provided in the Purchase Agreement, the Board of Managers of the Company will be restructured at closing to include four DentaQuest representatives (who will be selected from DentaQuest’s senior executive team) and two Consolidated representatives. We will provide the identities of these individuals to the Division when they become known. In addition, there will be changes at closing in the directors and officers of the Domestic Insurer, as reflected in the list attached as Exhibit 4.

The Proposed Transaction will have no effect on market concentration in Oregon. The Applicant and its subsidiaries have no business currently in Oregon. As such, the proposed Acquisition will not lessen competition in Oregon or tend to create a monopoly, so there are no issues to be considered under ORS 732.537. The Applicant has also confirmed this information in its Pre-acquisition Notification submitted separately pursuant to OAC 836-027-0100.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

The Company holds 100% of the shares of the Domestic Insurer's outstanding voting securities and will continue to do so following the Acquisition. The Applicant will indirectly hold an 80 % membership interest in the Company and, as such, will be deemed to have acquired those securities.

The Company was represented by Deloitte Corporate Finance as financial advisors, which conducted a bidding process in which DentaQuest was one of the participants. DentaQuest was the successful bidder. The terms of the Acquisition were negotiated at arm's length, taking into consideration the actual and projected financial performance of the Company and comparable transactions in the market. The Fairness Opinion supports the fairness of transaction.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Except as contemplated by the Purchase Agreement, neither the Applicants, their affiliates, nor any person listed in Item 3 of this Application beneficially owns or has a right to acquire beneficial ownership of the voting securities of the Company or the Domestic Insurer.

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

Except as contemplated by the Purchase Agreement, neither the Applicants, their affiliates, nor any person listed in Item 3 of this Application is a party to any contract, arrangement or understanding with respect to any voting securities of the Domestic Insurer, including, but not limited to, the transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

To the knowledge of the Applicants, there have been no purchases, direct or indirect, during the twelve calendar months preceding the filing of this Statement of any voting securities of the Domestic Insurer which were effected by the Applicants, or any person controlling, controlled by or under common control with the Applicants, any of their affiliates or subsidiaries identified in Exhibit 2 or any person identified in Item 3.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

To the knowledge of the Applicants, there have been no recommendations to purchase any voting securities of the Domestic Insurer made by the Applicants, any of its affiliates or subsidiaries identified in Exhibit 3 or any person identified in Item 3.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

The Applicants have made no agreement, contract or understanding with any broker-dealer as to solicitation of voting securities of the Domestic Insurer for tender.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) Exhibits

The following information is attached as an appendix:

Exhibit 1	Purchase Agreement
Exhibit 2	Current DentaQuest Organizational Chart
Exhibit 3	Abbreviated Post-closing Organizational Chart
Exhibit 4	List of Officers and Directors of the Applicants and Insurer
Exhibit 5	Biographical Affidavits of the Directors and Executive Officers of the Applicants
Exhibit 6	Financial Statements of the Applicants A – Audited annual B – Unaudited quarterly
Exhibit 7	Pro formas of the Domestic Insurer
Supplemental Exhibit A	Purchase Price and Earn Out Payments

(b) Financial Statements

Audited financial statements of the Applicants for the last five fiscal years and unaudited quarterly reports for the most recently completed fiscal year are attached as Exhibit 6.

(c) Financial Projections

Three year pro forma projections for the Domestic Insurer are attached as Exhibit 7.

(d) Tender Offer, Agreements for Voting Securities, Annual Reports

Other than as contemplated by the Purchase Agreement, there were no tender offers for, requests of invitations for tenders of, exchange offers for or agreements to acquire or exchange any voting securities of the Domestic Insurer in connection with the Proposed Transaction. By acquiring the Interest, the Applicants are indirectly acquiring 80% of the issued and outstanding capital stock of the Domestic Insurer pursuant to the Purchase Agreement. Therefore, no tender offer is necessary or contemplated.

Neither the Applicants nor the Domestic Insurer issue annual reports.

ITEM 13. AGREEMENT TO REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

The Applicants agree to provide to the best of its knowledge and belief, the information required by Form F within fifteen business days after the end of the month in which the acquisition of control occurs.

ITEM 14. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of ORS 732.517 to 732.592, the Applicants have caused this Amendment No. 1 to be duly signed on its behalf in the City of Boston in the Commonwealth of Massachusetts on the 4th day of March, 2016.

(SEAL)

DENTAL SERVICE OF MASSACHUSETTS,
INC.

DENTAQUEST GROUP, INC.

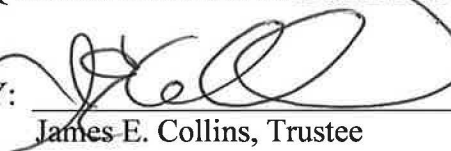
DENTAQUEST MANAGEMENT, INC.


DENTAQUEST, LLC

DENTAQUEST CARE GROUP
MANAGEMENT, LLC

BY: 
James E. Collins, Treasurer of each

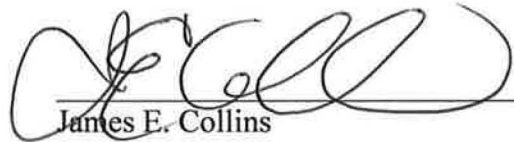
DQ MASSACHUSETTS BUSINESS TRUST

BY: 
James E. Collins, Trustee

Attest: 
James P. Hawkins, Secretary

CERTIFICATIONS

The undersigned deposes and says that the undersigned deponent has duly executed the attached application dated March 4, 2016, for and on behalf of Dental Service of Massachusetts, Inc.; DentaQuest Group, Inc.; DentaQuest Management, Inc.; DentaQuest, LLC; DentaQuest Care Group Management, LLC; and DentaQuest Massachusetts Business Trust, and that the deponent is the Treasurer or Trustee of each such company, as indicated above, and that the deponent is authorized to execute and file the instrument on behalf of each such company. Deponent further says that the deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.



James E. Collins