

FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL OF OR MERGER WITH

---

**MODA HEALTH PLAN, INC.**

(the “Domestic Insurer”)

BY

**DELTA DENTAL OF CALIFORNIA**

(the “Applicant”)

Filed with the Department of Consumer and Business Services of the State of Oregon

Dated: **August 31, 2018**

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Name, Title, address and telephone number of Individual to Whom Notices and Correspondence  
Concerning this Statement Should be Addressed:

**MICHAEL G. HANKINSON, ESQ.**  
**EXECUTIVE VICE PRESIDENT AND CHIEF LEGAL OFFICER**  
**DELTA DENTAL OF CALIFORNIA**  
**560 MISSION STREET, SUITE 1300**  
**SAN FRANCISCO, CA 94105**  
**PHONE: 415-972-8489**  
**EMAIL: [mhankinson@delta.org](mailto:mhankinson@delta.org)**

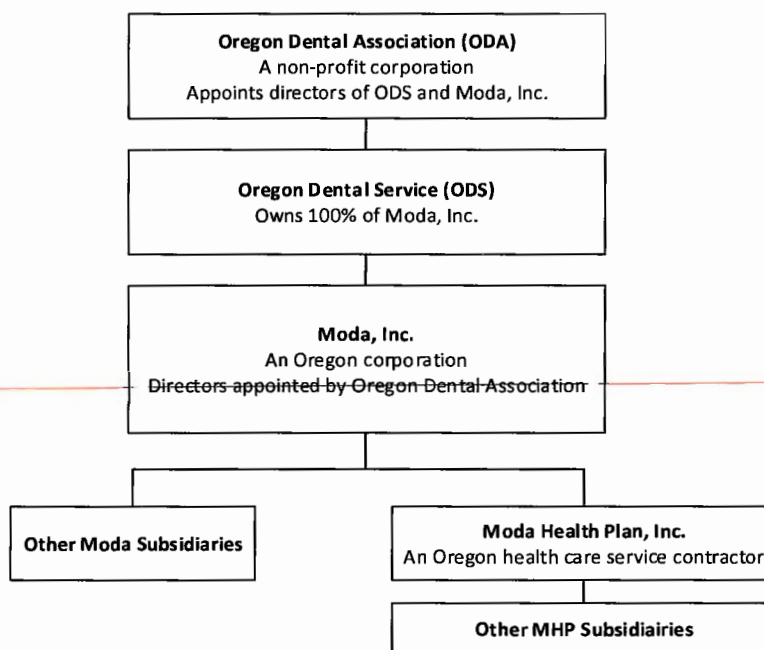
## ITEM 1. INSURER AND METHOD OF ACQUISITION

### The Domestic Insurer

This Form A Statement relates to a proposed acquisition of fifty-percent (50%) of Moda, Inc., the holding company that currently owns one-hundred percent (100%) of the Domestic Insurer, Moda Health Plan, Inc. (“MHP” or “Domestic Insurer”), an Oregon health care service contractor. The main administrative office of the Domestic Insurer is located at 601 SW Second Avenue, Portland, OR 97204. The Domestic Insurer’s NAIC number is 47098.

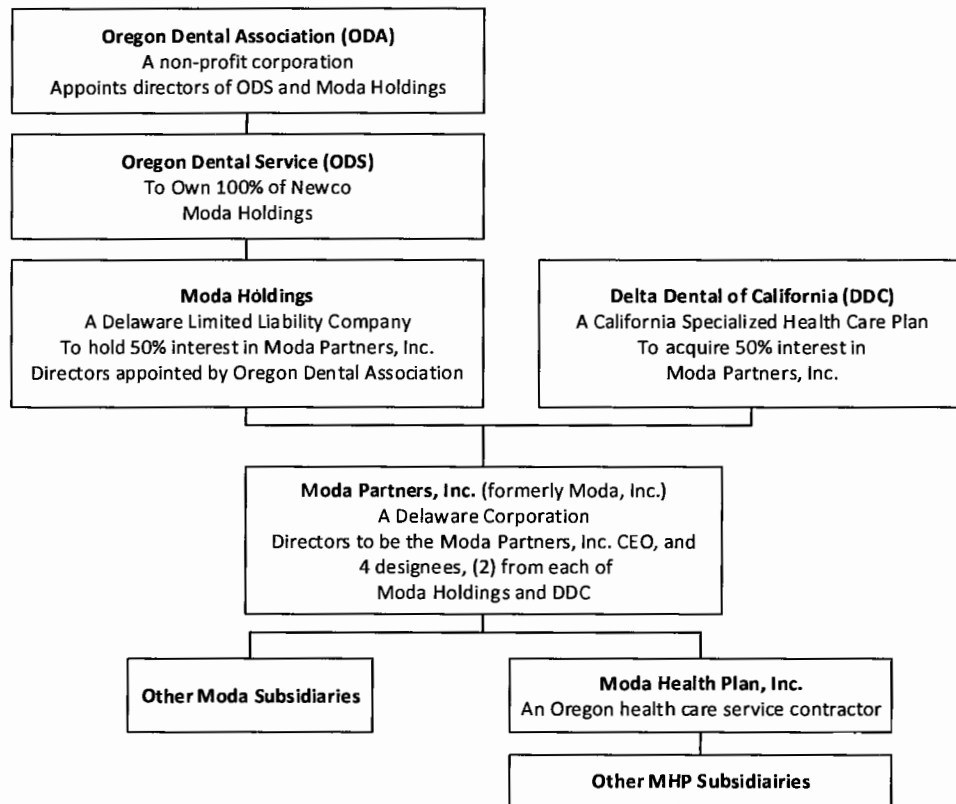
The Domestic Insurer is a direct wholly owned subsidiary of Moda, Inc. (“Moda”), an Oregon for-profit business corporation, which in turn, is a wholly owned subsidiary of Oregon Dental Service (“ODS”) dba Delta Dental Plan of Oregon, an Oregon health care service contractor, which in turn is controlled, through its ability to appoint the board of directors of ODS, by the Oregon Dental Association (“ODA”), an Oregon non-profit corporation.

The current organizational structure of the Domestic Insurer’s insurance holding company system appears below:



In connection with this transaction, two (2) new entities are being formed. The first, Moda Holdings Group, LLC (“Moda Holdings”), a Delaware limited liability company, will become a new intermediate holding company wholly-owned by ODS. The second, Moda Partners, Inc. (“Moda Partners”), a Delaware corporation, is the same legal entity as Moda, Inc., as redomesticated as a Delaware entity and renamed as of the closing of the transaction. In connection

with the formation of these new entities, ODS shall assign all of its shares in Moda, Inc. (to be renamed Moda Partners) to Moda Holdings. Therefore, following the transaction, the new organizational structure of the Domestic Insurer’s insurance holding company system will appear as follows:



## **Method of Acquisition**

### **Stock Purchase Agreement**

On August 31, 2018, the applicant, Delta Dental of California (“DDC”), Moda, ODS, and Moda Holdings entered into a Class B Common Stock Purchase Agreement (the “Stock Purchase Agreement”), a copy of which is attached as an Exhibit hereto and incorporated by reference.

The Stock Purchase Agreement provides, subject to the terms and conditions set forth therein, that, on or before the closing date, Moda, Inc. shall convert from an Oregon corporation to a Delaware Corporation (becoming “Moda Partners, Inc.”) and shall adopt the Certification of Incorporation attached as an Exhibit to the Stock Purchase Agreement. Moda Partners shall be authorized to issue 40,000 shares of capital stock in one class to be designated “Common Stock” with a par value of \$0.0001 per share. The Common Stock shall be divided into two (2) series designated respectively “Class A Common Stock” and “Class B Common Stock.” The total number of Common Stock shares that Moda Partners is authorized to issue is 20,000 of each of Class A and Class B. The purchase price for each of Class A Common Stock and Class B Common Stock is

\$15,392.50 per share. Immediately prior to closing, as a result of (i) the assignment of shares of Moda, Inc. to Moda Holdings, and (ii) the redomestication of Moda, Inc. to, and renaming of Moda, Inc. as, Moda Holdings pursuant to the Certificate of Incorporation, Moda Holdings shall hold 10,000 shares of Class A Common Stock of Moda Partners, and through the Stock Purchase Agreement, DDC shall acquire 10,000 shares of Class B Common Stock of Moda Partners. As a result of its purchase of the Class B Common Stock, DDC shall hold fifty percent (50%) of the issued and outstanding voting shares of Moda Partners. The other fifty percent (50%) of Moda Partners shall be held by Moda Holdings. Except in its capacity as the sole shareholders of Moda, Inc., ODS, and its dental insurance business, is not a part of the transaction.

This Form A Statement articulates the acquisition of a fifty percent (50%) interest in the Domestic Insurer's immediate controlling parent, Moda Partners, of note however, is that DDC is not seeking to initially directly or indirectly acquire control of MHP as its ultimate controlling person. Upon closing of this proposed transaction, MHP's upstream holding company system (from Moda Partners through Moda Holdings to ODS and ODA) will continue to be the controlling persons of the Domestic Insurer. This control will be maintained by Moda Holdings' majority control of the board of directors of Moda Partners and its continuing capacity to maintain the existing board of directors of MHP in the normal course.

#### Board Structure and Control

ODS currently owns 100% of the issued and outstanding shares of Moda. The board of directors of Moda is currently comprised of seventeen (17) directors appointed by the Oregon Dental Association. Both Moda and DDC desire that the new immediate holding company, Moda Partners, achieve a smaller, five (5) person board of directors reflective of the strategic partnership contemplated between Moda Partners and DDC. Therefore, ODS will form the new wholly-owned subsidiary holding company, Moda Holdings, assign its existing shares in Moda, Inc. to Moda Holdings, and reconstitute the current seventeen (17) director board from Moda, Inc. to Moda Holdings. Thus, ODA will elect directors to the new entity (Moda Holdings) that directly holds shares in Moda Partners.

~~The board of directors of Moda Partners will initially not exceed five (5) directors. Two (2) directors shall be appointed by Moda Partners' shareholder (Moda Holdings) and two (2) directors shall be appointed by DDC. The additional fifth (5<sup>th</sup>) director seat shall be held by the current CEO of ODS, Moda, Inc. and MHP, Robert G. Gootee. Upon the earlier to occur of (i) Mr. Gootee's voluntary or involuntary termination as CEO for any reason, or (ii) the five (5) year anniversary of the Closing Date (the "Transition Date"), DDC, as the holders of a majority in interest of the Class B Common Stock shall thereafter have the right to designate the holder of the additional 5<sup>th</sup> board seat.~~

As described above, the acquisition of control of the Domestic Insurer by DDC will not occur until the earlier to occur of (i) or (ii) above. This extension of the existing control of the Domestic Insurer for up to five (5) years is consistent with the spirit of the partnership between Moda and DDC, which has its roots beginning with the timely extension by DDC of \$90M in loans to Moda during its challenging financial period caused by the unpaid Affordable Care Act Risk Corridor Receivables.

## Other Agreements

Moda Partners and DDC have also entered into other agreements commensurate with this type of transaction. Those agreements include an Indemnification Agreement, a Stockholders Rights Agreement, a Right of First Refusal and Co-Sale Agreement and a Voting Agreement (all attached as Exhibits to the Stock Purchase Agreement and hereafter referred to collectively as the “Stock Purchase Agreement”). The Stockholders Agreement include terms relating to information rights, right of first offer regarding the issuance of any new securities, and a limited right of redemption. The Right of First Refusal and Co-Sale Agreement provide for mechanisms in the event either DDC or Moda Partners wishes to divest shares in the future following the fourth (4<sup>th</sup>) anniversary of the closing date. The new Certificate of Incorporation includes, among other things, voting rights relating to the election of directors, indemnification provisions, and standard protective provisions regarding governance and decision-making regarding the strategic relationship between Moda Holdings and DDC. The Voting Agreement provides that the first \$130 million in Affordable Care Act Risk Corridor Receivables received by the Domestic Insurer shall be retained by the Domestic Insurer, and allows for any additional balance of the Risk Corridor Receivables received to be transferred to Moda Holdings by distribution or such other means as allowed by applicable laws and regulation, and subject to the prior approval by the Oregon Department of Consumer and Business Services.

## Purchase Price

The consideration to be paid by DDC in exchange for the Moda, Inc. Class B Common Stock will be \$153,925,000 payable by DDC by (i) converting the approximately \$88M in outstanding notes (inclusive of accrued interest), and (ii) delivering at closing the balance of the purchase price, approximately \$65M in cash, net of certain transaction costs.

## **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

The Name and Address of the Applicant, a non-profit, 501(c)(4) tax-exempt organization, is:

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Delta Dental of California  
560 Mission Street, Suite 1300  
San Francisco, CA 94105

DDC is a California Knox Keene Act licensed specialized health care service plan regulated by the California Department of Managed Health Care. It has been licensed and doing business since 1955, and principally issues commercial group dental plan coverage, state and government dental programs (such as Medicaid and Medicare Advantage), and individual dental policies, on a managed care or fee-for-service basis. DDC serves as the ultimate controlling person of an enterprise insurance holding company system with a total of twenty-five (25) companies.

DDC licenses its service mark from the Delta Dental Plans Association and the DDC enterprise has the right to operate Delta Dental plans in sixteen (16) operating territories (AL, CA, D.C., DE, FL, GA, LA, MS, MT, NV, NY, PA, PR, TX, UT, WV). It also operates a second brand, Dentegra

Insurance Company and Dentegra Insurance Company of New England, enabling it to offer its dental plans using the Dentegra dental network in all fifty (50) states.

For the year ending December 31, 2017, DDC and its direct subsidiaries earned \$177.5 million in Net Income and \$211 million in Comprehensive Income on Revenues of \$7.84 billion, while holding \$1.28 billion in general reserves. For 2017, the DDC enterprise earned \$226 million in Net Income and \$262 million in Comprehensive Income on Revenues of \$9.2 billion, while holding \$1.49 billion in general reserves.

In 2017, A.M. Best affirmed the financial strength rating and the issuer credit ratings for the primary DDC enterprise companies: Delta Dental of California, Delta Dental Insurance Company, Delta Dental of New York, Inc., and Delta Dental of Pennsylvania as “A” (Excellent). The outlook for all ratings is “stable.” The DDC enterprise currently has over 36.5 million enrollees, processes 44.7 million claims annually, and employs over 3,600 team members principally operating in three locations in California (San Francisco, Oakland, Rancho Cordova), as well as in Mechanicsburg, PA and Alpharetta, GA.

Organizational charts showing the identities of and the interrelationships among the Applicant and its affiliates both prior to and following the closing of the proposed transaction are attached hereto as Exhibits and incorporated by reference. There are no court proceedings pending involving a reorganization or liquidation with respect to the Applicant or any of its affiliates.

### **ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

The following individuals are Directors and Executive Officers of the Applicant:

#### **Directors**

Lynn L. Franzoi, Chair  
Roy A. Gonella, 1<sup>st</sup> Vice Chair  
Glen F. Bergert, 2<sup>nd</sup> Vice Chair  
R. Kent Farnsworth, DDS, Secretary  
Terry A. O’Toole, Treasurer  
Andrew J. Reid, Immediate Past Chair  
Chelsea A. Grayson  
Gregory D. Kaplan, DDS  
Beverly A. Kodama, DDS  
Steven F. McCann  
Stephen R. Pickering, DDS  
Heidi Yodowitz  
Anthony S. Barth, President /CEO (Ex Officio)

### **Executive Officers**

Anthony S. Barth, President /CEO

Michael J. Castro, Executive Vice President and Chief Financial Officer

Michael G. Hankinson, Esq., Executive Vice President and Chief Legal and Compliance Officer

Belinda Martinez, Executive Vice President and Chief Sales and Marketing Officer

Nilesh C. Patel, Executive Vice President and Chief Operations Officer

Present occupation and employment information for each Director and Executive Officer of the Applicant is set forth in his or her Biographical Affidavit collectively compiled in an Exhibit attached hereto and incorporated by reference. The Biographical Affidavits contain confidential and personal information of the individuals identified therein, and the Applicant requests that such information be maintained in confidence by the Department. Additionally, information regarding material occupations, positions, offices, or employment during the past five years of each such individual, including information regarding any required licensing by or registration with any government agency, is set forth in the Biographical Affidavits.

Except as otherwise disclosed in the Biographical Affidavits and to the best knowledge and belief of the Applicant, none of the Directors or Executive Officers of the Applicant have ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last 10 years.

The Applicant has engaged Owens OnLine, Inc. to provide independent third party background checks for each Director and Executive Officer of the Applicant. Owens OnLine will submit the background checks directly to the Oregon Department of Consumer and Business Services.

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

The purchase price to DDC for the acquisition of a fifty percent 50% equity interest in Moda Partners is \$153,925,000. Of this amount, approximately \$88,000,000 will be delivered by contributing the value of all outstanding promissory notes, including all principal and accrued interest, issued to DDC by Moda, Inc., and the balance of approximately \$65,000,000 (less transaction credits) will be delivered in cash by DDC from its existing cash accounts. No loans or other means of financing were made to or used by DDC in connection with this transaction.

In negotiating at arm's length the terms of the Stock Purchase Agreement, the services of CBIZ, Inc., a national consulting firm with a leading valuations practice were engaged to conduct a financial due diligence and determine a valuation of Moda, Inc. and subsidiaries, which includes Moda Health Plan, Inc. CBIZ reviewed the following:

#### **Financial**

- Financial Statements for MHP and other Moda, Inc. subsidiaries
- Regulatory Filings for MHP
- Five year forecast provided by Moda management
- Processes in core business functions, including Operations, Finance & Technology

### Commercial

- Pacific Northwest health plan market
- Moda performance in each segment
- Performance & positioning of non-MHP companies
- Status of risk corridor receivables

### IBNR (Reserves for Incurred but not reported claims liabilities)

- Actuarial assets & liabilities with a focus on premium adequacy & competitiveness, including both MHP and Eastern Oregon Coordinated Care Organization, LLC

### Tax

- Tax returns for insurance and non-insurance Moda companies
- Significant tax positions & treatments
- NOLs and risk corridor receivables
- Related-party transactions

The valuation of Moda and its subsidiaries was conducted in accordance with generally accepted valuation standards and included such valuation tests and procedures that DDC considered necessary and appropriate. The valuation was performed on a 100% controlling interest basis, with no discount applied for a minority interest. An assessment of the reasonableness of management's forecast of revenue and expenses through 2021 was performed and that forecast drove a significant element of the valuation. The Risk Corridor receivables were explicitly excluded from this valuation.

Two methods of valuation were applied: Income approach and Market approach with varying weights applied to each as follows:

Approach	Equity Values	Weight	Valuation Conclusion
<b>Income approach</b> Discounted cash flow method	\$143,300,000	75.0%	\$107,475,000
<b>Market approach</b> Guideline public company method	\$185,800,000	25.0%	\$ 46,450,000
<b>Market value of equity</b> Controlling interest basis			<b><u>\$153,925,000</u></b>

## **ITEM 5. FUTURE PLANS OF INSURER**

The Applicant has no present plans or proposals (i) to declare an extraordinary dividend, (ii) to liquidate the Domestic Insurer, (iii) to sell its assets to or merge it with any person or persons, or (iv) to make any other material change in its business operations or corporate structure or management. To the contrary, MHP will remain under its current management team, executing to its current strategic plan and business operations. The only plans are to potentially undertake measured growth and expansion of the existing businesses in the Moda holding company system, and for DDC to partner with MHP in geographies where the bundling of a MHP and DDC dental plans can present a competitive alternative to consumers. This type of expansion will be



undertaken methodically, in compliance with state specific insurance regulations, appropriate network adequacy, sound underwriting and actuarial rating, and fair and compliant market conduct practices.

## **ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

As described in Item 1 above, Moda Partners will issue 10,000 shares of Class A Common Stock, representing a fifty percent (50%) equity interest in Moda Partners, to Moda Holdings, and will issue 10,000 shares of Class B Common Stock, representing a fifty percent (50%) equity interest in Moda Partners, to DDC.

The Applicant will not directly hold any voting securities of the Domestic Insurer, Moda Health Plan, Inc. All shares of the Domestic Insurer will continue to be held by its immediate parent, Moda Partners. By virtue of the control conferred upon the Class A Common Stock prior to the Transition Date, no change in the ultimate controlling person of the Domestic Insurer is occurring as an immediate result of this transaction.

Upon closing, purely for internal governance purposes, DDC shall assign its shares in Moda Partners to its wholly-owned downstream holding company, DDC Insurance Holdings, Inc., which is directed and managed by DDC's executive officers.

## **ITEM 7. OWNERSHIP OF VOTING SECURITIES**

Neither the Applicant, its affiliates or, to the knowledge of the Applicants, the individuals listed in Item 3 herein, currently beneficially owns any voting securities issued by the Domestic Insurer or any of its controlling persons. Except for rights to acquire voting securities of the Domestic Insurer pursuant to the terms and conditions of the Stock Purchase Agreement, neither the Applicant or its affiliates nor, to the knowledge of the Applicant, the individuals listed in Item 3 herein, has any other right to acquire beneficial ownership of any voting security issued by the Domestic Insurer or any of its controlling persons.

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Under the terms of the transaction, there will be two classes of common stock in Moda Partners, the immediate parent and 100% controlling shareholder of the Domestic Insurer. Moda Holdings, owner of the Class A Common Stock and DDC, owner of the Class B Common Stock, will each hold a fifty percent (50%) equity interest in Moda Partners, and each will be entitled to separately elect two (2) directors of the Moda Partners board of directors. Upon the earlier to occur of (i) Mr. Gootee's voluntary or involuntary termination as CEO for any reason, or (ii) the five (5) year anniversary of the Closing Date, the holders of a majority in interest of the Class B Common Stock shall thereafter have the right to designate the holder of the additional seat.

By virtue of the control conferred upon the Class A Common Stock prior to the Transition Date, no change in the ultimate controlling person of the Domestic Insurer is occurring as an immediate result of this transaction. Upon closing, DDC shall, purely for internal governance purposes, assign its shares in Moda Partners to its wholly-owned downstream holding company, DDC Insurance Holdings, Inc., subject to a voting proxy reserving its election rights of directors to the Moda Partners board.

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

Other than the Stock Purchase Agreement and the transactions contemplated therein, neither the Applicant, its affiliates nor any person identified in Item 3 is involved in any contracts, arrangements or understandings with respect to any voting security of the Domestic Insurer or any of its controlling persons.

## **ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

There have been no purchases of any voting securities of the Domestic Insurer by the Applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this Form A Statement.

## **ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

Other than the proposed acquisition by the Applicant of the shares of Moda Partners pursuant to the Stock Purchase Agreement, there have been no recommendations to purchase any voting security of the Domestic Insurer or any of its controlling persons by the Applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this Form A Statement.

## **ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

Neither the Applicant nor its affiliates or, to the knowledge of the Applicant, the directors and executive officers of the Applicant, is a party to any agreement, contract or understanding made with any broker-dealer as to the solicitation of voting securities of the Domestic Insurer or its controlling persons for tender, or in any other capacity in connection with the proposed transaction.

## **ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

- (a) – (b) The following is a list of the exhibits and financial statements to this Form A. Included are the audited financial statements of Delta Dental of California and Subsidiaries for the years 2013, 2014, 2015, 2016 and 2017. Within the audited financial statements for each of the years ending December 31<sup>st</sup>, from 2013 – 2017 are the independent auditors report certifying that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

<b>EXHIBIT</b>	<b>DESCRIPTION OF EXHIBIT</b>
A - 1	Class B Common Stock Purchase Agreement, including attached as exhibits thereto:
A - 2	Moda Partners, Inc. Certification of Incorporation (Delaware)
A - 3	Disclosure Schedule (confidential, partially redacted)
A - 4	Indemnification Agreement
A - 5	Stockholder Rights Agreement

A - 6	Right of First Refusal and Co-Sale Agreement
A - 7	Voting Agreement
A - 8	ByLaws of Moda Partners, Inc.
B - 1	Delta Dental of California Insurance Holding Company System Organizational Chart Prior to Transaction
B - 2	Delta Dental of California Insurance Holding Company System Organizational Chart Immediately After Closing the Transaction
C	Biographical Affidavits for Directors and Executive Officers of the Applicant – Confidential
E - 1	Moda Health Plan, Inc. Audited Financial Statement for the year ending December 31, 2017
E - 2	Moda Health Plan, Inc. Quarterly Statutory Financial Statement for the quarter ending March 31, 2018
E - 3	Moda Health Plan, Inc. Three Year Financial Projections
F - 1	Audited Financial Statements of Delta Dental of California for the year ended December 31, 2013
F - 2	Audited Financial Statements of Delta Dental of California for the year ended December 31, 2014
F - 3	Audited Financial Statements of Delta Dental of California for the year ended December 31, 2015
F - 4	Audited Financial Statements of Delta Dental of California for the year ended December 31, 2016
F - 5	Audited Financial Statements of Delta Dental of California for the year ended December 31, 2017

(c) Except as to the Stock Purchase Agreement to acquire voting securities of the immediate parent company of the Domestic Insurer, there are no tender offers for, requests or invitations for, tenders of, exchange offers for, or agreements to acquire or exchange any ~~voting securities of the Domestic Insurer, or soliciting materials relating thereto,~~ to be used in connection with the proposed transaction. Further, no proposed employment, consultation, advisory or management contracts concerning the Domestic Insurer are contemplated by the Applicant in connection with the Proposed Acquisition of Control.


### **ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT**

DDC hereby acknowledges its willingness and obligation, within fifteen days after the end of the month in which the proposed transaction is consummated, and thereafter annually, to file with the Department of Consumer and Business Services of the State of Oregon, an enterprise risk management report as required by Form F.

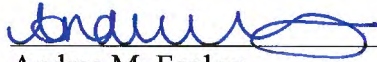
**ITEM 14. SIGNATURE AND CERTIFICATION**

Pursuant to the requirements of Oregon Revised Statutes 732.517 to 732.592, Delta Dental of California has caused this application to be duly signed on its behalf in the City of San Francisco and State of California, on the 31<sup>st</sup> day of August, 2018.

Delta Dental of California


BY   
Michael G. Hankinson  
Executive Vice President and Chief Legal Officer

Attest:

  
Andrea M. Fegley  
Vice President, Legal and Regulatory  
Delta Dental of California

**CERTIFICATION**

The undersigned deposes and says that he has duly executed the attached application dated August 31, 2018, for and on behalf of Delta Dental of California; that he is the Executive Vice President and Chief Legal Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he 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.

(Signature)   
Michael G. Hankinson

**FORM E**  
**PRE-ACQUISITION NOTIFICATION FORM**  
**REGARDING THE POTENTIAL COMPETITIVE IMPACT**  
**OF A PROPOSED MERGER OR ACQUISITION BY A**  
**NON-DOMICILIARY INSURER DOING BUSINESS IN THIS**  
**STATE OR BY A DOMESTIC INSURER**

**DELTA DENTAL OF CALIFORNIA**  
(the "Applicant")

**MODA HEALTH PLAN, INC.**  
(the "Domestic Insurer" Involved in the Acquisition)

Filed with the Department of Consumer and Business Services of the State of Oregon

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Dated: **August 31, 2018**

Name, title, address and telephone number of person completing this statement:

**MICHAEL G. HANKINSON, ESQ.**  
**EXECUTIVE VICE PRESIDENT AND CHIEF LEGAL OFFICER**  
**DELTA DENTAL OF CALIFORNIA**  
**560 MISSION STREET, SUITE 1300**  
**SAN FRANCISCO, CA 94105**  
**PHONE: 415-972-8489**  
**EMAIL: [mhankinson@delta.org](mailto:mhankinson@delta.org)**

## **ITEM 1. NAME AND ADDRESS**

The Name and Address of the Applicant, Delta Dental of California (“DDC”), a non-profit, 501(c)(4) tax-exempt organization, is:

Delta Dental of California  
560 Mission Street, Suite 1300  
San Francisco, CA 94105

The Domestic Insurer that is being acquired as a result of the proposed transaction is Moda Health Plan, Inc. (“Moda Health Plan ” or “Domestic Insurer”). Domestic Insurer is located at:

Moda Health Plan, Inc.  
601 S. W. Second Avenue  
Portland, OR 97204

## **ITEM 2. NAME AND ADDRESSES OF AFFILIATED COMPANIES**

DDC is licensed as a California Knox Keene Act specialized health care plan, and regulated by the California Department of Managed Health Care. It is the ultimate controlling person of the DDC Insurance Holding Company System as depicted in the attached Organizational Chart. All subsidiaries and/or affiliates on the chart are engaged in the providing of dental plans throughout the United States including Puerto Rico, and Mexico, in the providing of reinsurance in the case of Delta Reinsurance Corporation of Barbados, in the administration of the delivery of dental care in the case of Celebration Dental Services, LC in Florida, or in the delivery of grants relating to oral health in the case of the Delta Dental Community Care Foundation. All companies included in the Organization Chart of the DDC Insurance Holding Company System may be contacted directly through the executive offices referred to in Item 1 above, however, the addresses of the other principal operating companies in the enterprise are as follows:

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Delta Dental of Pennsylvania  
One Delta Drive  
Mechanicsburg, PA 17055

Delta Dental Insurance Company  
1130 Sanctuary Parkway  
Alpharetta, GA 30009

Delta Dental of Puerto Rico  
14 Calle 2  
Guaynabo, PR 00968-1734

### **ITEM 3. NATURE AND PURPOSE OF THE PROPOSED MERGER OR ACQUISITION**

The proposed transaction will result in DDC acquiring a 50% equity interest in Moda Partners (formerly Moda, Inc.), the immediate parent of the Domestic Insurer. Control of Moda Partners will remain with its current ultimate controlling person through its control of the majority of the board of directors of Moda Partners (and by extension the Domestic Insurer), until the earlier to occur of the departure of the current CEO or five (5) years. The Domestic Insurer will remain under its current board of directors and executive management team, executing to its current strategic plan and business operations. The future plans arising from the Proposed Acquisition of Control are to undertake measured growth and expansion of the existing businesses in the Moda holding company system, and for DDC to partner with the Domestic Insurer in other states where the bundling of a Moda Health Plan product with a DDC dental plan can present a competitive alternative to consumers. This type of expansion will be undertaken methodically, in compliance with state specific insurance regulations, appropriate network adequacy, sound underwriting and actuarial rating, and fair and compliant market conduct practices.

Over time, Moda has demonstrated the ability to conceive and develop new businesses, products and services. This capability has significant value in the health and oral care marketplaces that are undergoing rapid evolution and disruption. The synergy of this transaction is to bring together in a 50/50 strategic partnership two established enterprises, one (Moda) highly nimble and poised for growth and expansion, the other (DDC), a market leader in the oral health industry with significant reserves and a goal of pursuing strategic diversification and expansion. Both enterprises believe that the transaction will enable DDC and Moda to strengthen their respective core businesses and allow for the measured growth and expansion of subsidiaries and affiliates as diversification and market opportunities arise where their respective expertise and capital can be optimized.

### **ITEM 4. NATURE OF BUSINESS**

#### **Delta Dental of California, Applicant**

DDC is a California Knox Keene Act licensed specialized health care service plan regulated by the California Department of Managed Health Care. It has been licensed and doing business since 1955, and principally issues commercial group dental plan coverage, state and government dental programs (such as Medicaid and Medicare Advantage), and individual dental policies, on a managed care or fee-for-service basis. DDC serves as the ultimate controlling person of an enterprise insurance holding company system with a total of twenty-five (25) companies.

DDC licenses its service mark from the Delta Dental Plans Association and the DDC enterprise has the right to operate Delta Dental plans in sixteen (16) operating territories (AL, CA, D.C., DE, FL, GA, LA, MS, MT, NV, NY, PA, PR, TX, UT, WV). It also operates a second brand, Dentegra Insurance Company and Dentegra Insurance Company of New England, enabling it to offer its dental plans using the Dentegra dental network in all fifty (50) states.

For the year ending December 31, 2017, DDC and its direct subsidiaries earned \$177.5 million in Net Income and \$211 million in Comprehensive Income on Revenues of \$7.84 billion, while holding \$1.28 billion in general reserves. For 2017, the DDC enterprise earned \$226 million in

Net Income and \$262 million in Comprehensive Income on Revenues of \$9.2 billion, while holding \$1.49 billion in general reserves.

In 2017, A.M. Best affirmed the financial strength rating and the issuer credit ratings for the primary DDC enterprise companies: Delta Dental of California, Delta Dental Insurance Company, Delta Dental of New York, Inc., and Delta Dental of Pennsylvania as “A” (Excellent). The outlook for all ratings is “stable.” The DDC enterprise currently has over 36.5 million enrollees and processes 44.7 million claims annually.

**Moda Health Plan, Inc., Domestic Insurer**

Moda Health Plan, Inc. is an Oregon-domiciled health care service contractor writing approximately \$1.8B in medical plan revenue in 2017 in Oregon and Alaska. Moda Health Plan is also licensed to transact health insurance in Washington, Idaho, California and Texas, but is not currently offering insurance products in any of these states. Moda Health Plan’s ultimate parent, Oregon Dental Service (“ODS”) offers dental insurance in Oregon and Alaska; however, ODS is not a part of the proposed transaction.

**ITEM 5. MARKET AND MARKET SHARE**

DDC and its subsidiaries and affiliates do not offer, nor do they intend to offer major medical or other health plans. One of DDC’s subsidiaries, Dentegra Insurance Company (“DIC”), writes a limited amount of managed care and PPO dental plans in the State of Oregon. The five (5) years from 2013 through 2017 are shown below, with DIC having 5,233 dental members and \$3.1M in dental premiums written in Oregon in 2017.

Year	Members	Premiums Written	Market Share (%) <sup>1</sup>
2017	5,233	\$3,135,577	<.01%
2016	4,602	\$2,958,025	<.01%
2015	4,260	\$2,829,322	<.01%
2014	5,518	\$3,093,591	<.01%
2013	4,066	\$2,625,400	<.01%

1. Market share in each case is less than 1/10 of 1% of aggregate accident and health market.

Moda Health Plan, Inc. does not offer, nor does it intend to offer dental plans. The five (5) years from 2013 through 2017 are shown below, with Moda Health Plan having 71,285 insured medical members and \$552,774,141 in insured medical premiums written in Oregon in 2017.

Year	Members	Insured Premiums Written	Market Share (%)
2017	71,285	\$552,774,141	<5%
2016	115,733	\$747,906,731	8%
2015	151,313	\$699,977,198	10%
2014	161,213	\$615,544,032	11%
2013	72,809	\$252,395,386	<5%



This transaction would not violate the competitive standards in any of the states the Domestic Insurer is transacting business. The transaction will not substantially diminish competition in any line of insurance, nor may it tend to create a monopoly. Neither DDC nor DIC have any plans that endeavor to commence (i) writing medical plans in Oregon, or (ii) materially expanding the writing of dental plans in ODS' operating territory of Oregon or Alaska. Note that pursuant to operating territories licensed by the Delta Dental Plans Association, DDC is not allowed to write Delta Dental plans in Oregon, since that operating territory is licensed to ODS.

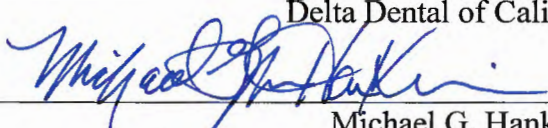
To the extent the Domestic Insurer expands its market share in the future in Oregon, it will be as a result of its strengthened financial condition enabled by the transaction, and other competitive factors, not because DDC or DIC have combined forces with Moda Health Plan in Oregon.

With respect to expansion in other states, DDC and Moda Health Plan shall work together to offer bundled products, however, growing that business will only serve to increase, not diminish, competition in those expansion territories.

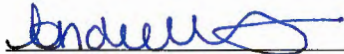
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**ITEM 6. SIGNATURE AND CERTIFICATION**

Pursuant to the requirements of Oregon Revised Statutes 732.517 to 732.592, Delta Dental of California has caused this Form E Statement to be duly signed on its behalf in the City of San Francisco and State of California, on the 31<sup>st</sup> day of August 2018.


BY   
\_\_\_\_\_  
Delta Dental of California  
Michael G. Hankinson  
Executive Vice President and Chief Legal Officer

Attest:

  
\_\_\_\_\_  
Andrea M. Fegley  
Vice President, Legal and Regulatory  
Delta Dental of California

**CERTIFICATION**

The undersigned deposes and says that he has duly executed the attached Form E Statement dated August 31, 2018, for and on behalf of Delta Dental of California; that he is the Executive Vice President and Chief Legal Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he 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.

(Signature)   
\_\_\_\_\_  
Michael G. Hankinson