

March 14, 2013

Via Hand Delivery

Ronald J. Pastuch, CPA
Holding Company Manager
Company Supervision Division
Office of Insurance Commissioner
5000 Capitol Blvd.
Tumwater, WA 98501

Re: Plan of Reorganization

Dear Mr. Pastuch:

We are submitting the following documents in connection with the proposed reorganization of Washington Dental Service:

- Reorganization Plan
- Exhibit A Amended and Restated Bylaws of Washington Dental Service
- Exhibit B Amended and Restated Bylaws of WDS Merger Sub
- Exhibit C Amendment and Restated Bylaws of DD of Washington
- Exhibit D Articles of Merger for the merger into Washington Dental Service of WDS Merger Sub and Plan of Merger
- Exhibit E UCAA Corporate Amendments Application for Name Change (which includes Washington Dental Service's Original Certificate of Authority along with a check for filing fees)
- Exhibit F Articles of Amendment to the Articles of Incorporation of Delta Dental of Washington
- Exhibit G Articles of Amendment to the Articles of Incorporation of DD of Washington
- Exhibit H Form D filing for Intercompany Services Agreement
- Exhibit I Form D Filing for Agency Agreement for Paymaster Services
- Exhibit J Notice of Distribution
- Exhibit K Diagrams of Holding Company Structure

The Reorganization Plan provides is a narrative with the background to the proposed transaction and the steps for implementation. As you know, this process was initiated with a solicitation permit filed June 16, 2009. In our meeting on January 29, 2013, we provided copies of the Bylaws of DD of Washington, Bylaws of WDS Merger Sub, Articles of Merger for the merger into Washington Dental Service of WDS Merger Sub

and Plan of Merger, all marked to show changes from the original versions of those documents filed in 2009. As a result, we have not included marked documents in this filing.

Should you have any questions or require additional information, please contact me at (206) 528-2304 or spickard@deltadentalwa.com, or contact Barbara Shickich, who is representing Washington Dental Service in this matter, at (206) 389-1680 or bshickich@riddellwilliams.com. We look forward to hearing from you as to whether the filing is complete and you are ready to refer the matter to the Hearings Unit. Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sean Pickard". The signature is stylized and written in a cursive-like font.

Sean Pickard
Director of Government Relations

Enclosures

Washington Dental Service Reorganization Plan

Background

Washington Dental Service (“WDS”) is a Washington non-stock nonprofit corporation under Chapter 24.03 RCW and exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. WDS is registered as a domestic health care service contractor under Chapter 48.44 RCW and is subject to the Health Carrier Holding Company Act under Chapter 48.31C RCW.

In 2009, WDS began its effort to reorganize its business into the well-established and traditional holding company structure used by many companies to segregate their corporate activities. The purpose of this reorganization is to better enable WDS and the new holding company to sustain and enhance WDS’s core business (providing dental coverage) and also fulfill its broader public benefit mission of improving oral health. The holding company approach not only preserves the sanctity of WDS’s core business with continuing management attention and substantial reserves, but also assures WDS the ability to fulfill its public benefit purpose and places it in a better position to retain its tax exempt status.

On June 17, 2009, WDS filed a proposed reorganization with the Office of Insurance Commissioner (“OIC”) describing the various steps necessary for the creation of a new nonprofit, tax-exempt holding company which would become the sole member of WDS. On July 7, 2009, the OIC issued Order No. 09-0089 Granting Exemption to RCW 48.31C.030, which ordered that the proposed transaction in which WDS is reorganizing its holding company structure is exempt from the requirements of RCW 48.31C.030. The OIC also issued a solicitation permit for the initial financing of a domestic health carrier holding corporation (Amended Permit No.369). Articles of incorporation were filed for two new nonprofit corporations under Chapter 24.03 RCW, the proposed holding company, DD of Washington, and a corporation called WDS Merger Sub which is a subsidiary of DD of Washington as a result of DD of Washington being its sole member. The sole purpose of WDS Merger Sub is to facilitate the establishment of DD of Washington as the holding company of WDS through the merger of WDS and WDS Merger Sub as described below.

In October 2009, DD of Washington obtained an affiliate license from Delta Dental Plans Association and filed an application with the Internal Revenue Service for tax exempt status under Section 501(c)(4) of the Internal Revenue Code. On December 21, 2012 the Internal Revenue Service issued its determination granting DD of Washington tax exempt status under Section 501(c)(4). Now that DD of Washington has been granted tax-exempt status, WDS is prepared to take the remaining steps necessary to implement the reorganization.

WDS understands that its reorganization plan is being reviewed under RCW 48.31.010. As described in more detail in the implementation steps below, the proposed

reorganization is fair, equitable, consistent with law, and no reasonable objection exists. The merger of WDS and WDS Merger Sub will be governed in all respects by the laws of the State of Washington relating to nonprofit corporations.

Implementation

1. Amended Bylaws Adopted by DD of Washington and WDS Merger Sub. The Bylaws of WDS Merger Sub and the Bylaws of DD of Washington have been amended by their boards of directors to reflect the changes to the WDS Bylaws adopted by the members of WDS since 2009. This ensures the members of WDS will have the same rights with respect to DD of Washington after the reorganization as they currently have with respect to WDS. Copies of the Amended and Restated Bylaws for WDS, WDS Merger Sub, and DD of Washington are enclosed as Exhibit A, Exhibit B, and Exhibit C, respectively.

2. WDS and WDS Merger Sub merge. WDS, a nonprofit corporation under Chapter 24.03 RCW, and WDS Merger Sub, also a nonprofit corporation under Chapter 24.03 RCW, will merge in accordance with the Washington laws applicable to the merger of such nonprofit corporations, specifically RCW 24.03.185 and RCW 24.03.195 through RCW 24.03.205.

Enclosed as Exhibit D are Articles of Merger and Plan of Merger for the merger of WDS and WDS Merger Sub. The day after the filing of the Articles of Merger and Plan of Merger with the Washington Secretary of State's Office, the merger of WDS and WDS Merger Sub will be effective. This will be a "reverse" merger, meaning WDS itself will be the surviving corporation. As a part of the merger, WDS (the surviving corporation), will change its name from WDS to "Delta Dental of Washington" as described in paragraph 3 below. The surviving corporation, will retain all of the rights, assets, liabilities, and obligations it had prior to the merger. The directors and officers of WDS immediately prior to the effective date of the merger will continue to be the directors and officers of the surviving corporation. All existing dental benefits coverage agreements and all of the participating provider agreements with dentists will remain with the surviving corporation and the surviving corporation will remain registered as a health care service contractor. However, the articles of incorporation and bylaws of WDS Merger Sub will become the articles of incorporation and bylaws of surviving corporation, making DD of Washington the sole member of the surviving corporation.

As provided in the articles of incorporation and the bylaws of DD of Washington, individuals who are members in good standing with WDS on the effective date of the merger will become members of DD of Washington. Members of DD of Washington will have all of the same membership rights with respect to DD of Washington as they currently have with respect to WDS. The current board of directors of WDS is the initial board of directors of DD of Washington. The process for electing future members of the board of directors of DD of Washington is the same as the current process for electing the board of directors of WDS.

The merger of WDS and WDS Merger Sub is fair and equitable to WDS policy holders and participating providers. The merger will not change any existing dental benefits coverage agreements or any participating provider agreements. All of those agreements will remain in full force and effect with the surviving corporation.

No director, officer, member, or subscriber of WDS will receive any fee, commission, other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting in the merger. Directors and officers will continue to receive reasonable compensation for the services they provide to WDS, in accordance with state and federal law, members, who are also participating providers, will continue to receive compensation for the services they provide to WDS subscribers, and subscribers will continue to receive the benefits of their coverage agreements with WDS. However, none of the ongoing compensation or consideration is in any way related to the merger.

3. Name Change. The Articles of Merger provide the name of the surviving corporation will be "Delta Dental of Washington." As instructed, enclosed is the UCAA Corporate Amendments Application for changing of name of WDS to Delta Dental of Washington. See Exhibit E. WDS is developing a transition and communication plan to minimize any confusion regarding the proposed name changes.

4. Amend Articles of Incorporation of Delta Dental of Washington. The objective of the proposed reorganization is to establish a holding company structure in which the ultimate controlling entity (DD of Washington) oversees both the core business of providing dental benefits coverage (Delta Dental of Washington, formerly known as WDS) and the public benefit activities of Washington Dental Service Foundation LLC, the Institute for Oral Health LLC, and WDS Holdings LLC currently overseen by Delta Dental of Washington (f/k/a WDS). In order to fulfill this objective, Delta Dental of Washington must distribute its interest in Washington Dental Services Foundation LLC, the Institute for Oral Health LLC, and WDS Holdings LLC, to DD of Washington.

WDS is currently organized under Chapter 24.03 RCW, which prohibits distributions to members. Following the merger with WDS Merger Sub, the sole member of Delta Dental of Washington will be DD of Washington, but Delta Dental of Washington will still be organized under Chapter 24.03 RCW. There is another Washington nonprofit corporation act, Chapter 24.06 RCW, which allows distributions to members. A Washington corporation is permitted by RCW 24.06.525 to reorganize under Chapter 24.06 RCW simply by filing articles of amendment with the Secretary of State. The board of directors of DD of Washington, the sole member of Delta Dental of Washington (f/k/a WDS) after the merger, and the board of directors of Delta Dental of Washington have approved the amendment of the articles of incorporation of Delta Dental of Washington to elect to be organized under Chapter 24.06 RCW and to permit distributions by Delta Dental of Washington to its member. Articles of Amendment and Amended and Restated Articles of Incorporation for Delta Dental of Washington are enclosed as Exhibit F.

5. Amend Articles of Incorporation of DD of Washington. The articles of incorporation of DD of Washington will be amended to change the name of DD of Washington to Washington Dental Service. See Exhibit G.

6. Form D Filings. WDS is submitting two Form D filings regarding proposed services agreements within the reorganized holding company. One agreement is an Intercompany Services Agreement between Delta Dental of Washington (f/k/a WDS) and Washington Dental Service (f/k/a DD of Washington) pursuant to which Delta Dental of Washington will provide certain management services to Washington Dental Service. This Intercompany Services Agreement is in substantially the same form and contains substantially the same terms as the existing Intercompany Services Agreements between Delta Dental of Washington and the Washington Dental Service Foundation and the Institute for Oral Health, both of which have been reviewed and approved by the OIC.

The second agreement is an Agency Agreement for Paymaster Services between Delta Dental of Washington (f/k/a WDS) and Washington Dental Service (f/k/a DD of Washington), the Washington Dental Service Foundation and the Institute for Oral Health. The Agency Agreement for Paymaster Services spells out certain payroll services Delta Dental of Washington will be providing to Washington Dental Service, Washington Dental Service Foundation, and the Institute for Oral Health, for the fees set forth in the Intercompany Services Agreements. See Exhibit H and Exhibit I.

7. Notice of Extraordinary Distribution. The final step in the proposed reorganization is filing a notice for approval of an extraordinary distribution by Delta Dental of Washington (f/k/a WDS) to Washington Dental Service (f/k/a DD of Washington). The distribution is the following entities and their assets: Washington Dental Service Foundation LLC, the Institute for Oral Health LLC, and WDS Holdings LLC with its investment in Healthentic. The distribution of these LLC investments will enable Washington Dental Service to guide, monitor and coordinate the activities of Delta Dental of Washington and these other affiliated entities to achieve the dual tax exempt purposes of both Washington Dental Service and Delta Dental of Washington--the provision of dental benefits coverage and the public benefit mission of improving oral health. The notice of distribution is enclosed as Exhibit J.

Corporate Approvals

The board of directors of WDS (to be known after the reorganization as Delta Dental of Washington) has authorized the corporate officers to obtain necessary regulatory approvals to effectively implement the reorganization. They have approved: the merger between WDS and WDS Merger Sub; amending the articles of incorporation to be governed by Chapter 24.06 RCW following the effective date of the merger; obtaining similar approval from the holding company as its sole member; the Intercompany Services Agreement and Agency Agreement for Paymaster Services; and the extraordinary distribution of Washington Dental Service Foundation LLC, the Institute for Oral Health LLC, and WDS Holdings LLC with its investment in Healthentic.

The board of directors of WDS Merger Sub approved the Articles of Merger and the Plan of Merger and their execution after the corporate officers determine the reorganization can be effectively implemented.

The board of directors of DD of Washington approved the implementation of the reorganization, including: the Articles of Merger and the Plan of Merger; amending WDS's articles of incorporation to elect to be governed under Chapter 24.06 RCW and provide for distributions to its member upon effectiveness of the merger between WDS and WDS Merger Sub; to accept the distribution and transfer from Delta Dental of Washington of Washington Dental Service Foundation LLC, the Institute for Oral Health LLC, and WDS Holdings LLC and its investment in Healthentic; the Intercompany Services Agreement and Agency Agreement for Common Paymaster Services; and amending the articles of incorporation of DD of Washington to change the name to "Washington Dental Service."

Reorganization Diagrams

Attached as Exhibit K are diagrams showing the current holding company structure of WDS, post-merger structure before distribution, and final reorganized structure.

EXHIBIT A

**AMENDED AND RESTATED
BYLAWS OF WASHINGTON DENTAL SERVICE**

**ARTICLE I
MEMBERSHIP**

SECTION 1. GENERAL.

Any dentist duly licensed by the State of Washington to engage in the practice of dentistry in this state and who is actively practicing dentistry and who executes a service contract with Washington Dental Service shall be eligible for membership in this corporation.

Applications for membership shall be made on a form approved by the corporation. The corporation shall accept or reject all applications.

Upon approval of the application, the dentist is obligated to provide services under Washington Dental Service group dental care contracts and other contracts issued or approved by the corporation. Members shall have no interest in the property of the corporation. A membership is not transferable or assignable.

When used throughout these bylaws, the word “member” shall mean a person holding a membership in this corporation, unless otherwise provided.

SECTION 2. RESIGNATION.

A member may resign his or her membership by giving thirty (30) days advance written notice to the corporation through its Secretary.

SECTION 3. TERMINATION.

- A.** Membership in this corporation shall terminate upon the retirement from active practice or the death of the member dentist or when a member’s Washington State Dentistry License is forfeited, suspended, revoked, surrendered or not renewed.
- B.** Membership in this corporation may be terminated for any one of the following grounds which constitute “not in good standing:”
 - (1) Violation of any state or federal law or regulation relating to the practice of dentistry or the reimbursement of dental services.
 - (2) Unprofessional conduct as defined by the laws of the state of Washington or by regulations adopted pursuant to the Washington Administrative Code.

- (3) Submission to this corporation of a false claim or claims as defined by state or federal laws or regulations.
- (4) Aiding or abetting the submission of a false claim or claims to this corporation.
- (5) Willful violation of any material obligation of the member under a contract entered into by this corporation.
- (6) Failure to render professional services in accordance with the standards of dentistry in the member's area.
- (7) Failure to comply with Washington Dental Service member dentist rules and regulations, with the Washington Dental Service Member Dentist Agreement or with any other agreement between the Member Dentist and this corporation.

SECTION 4. NOTICE OF TERMINATION AND HEARING PROCEDURES.

- A.** Termination of membership pursuant to Article I, Section 3(A) of these Bylaws shall be automatic and without hearing upon receipt by the corporation of notification that a member's Washington State Dentistry License has been forfeited, suspended, revoked, surrendered or not renewed by the State of Washington.
- B.** Upon receipt of any evidence of one or more of the grounds for termination of a membership described in Article I, Section 3(B) of these Bylaws, the President and CEO, with the concurrence of the Chair of the Board or the Chair's designee or designees, may order such membership terminated. The President and CEO shall notify the member of his/her action in writing by certified mail to the address shown on the records of the corporation. The action of the President and CEO shall be final unless written notice of appeal is received by the corporation within thirty (30) days of the date of the President and CEO's order. An appeal shall be conducted in accordance with Washington Dental Service Member Dentist Rules and Regulations.

ARTICLE II

MEMBERSHIP MEETINGS

SECTION 1. ANNUAL MEETINGS.

An annual meeting of the members of the corporation shall be held on the second Friday in November and at a time designated by the Board, the Chair or the President and CEO. If the Board determines that for good cause, the meeting cannot be held on the second Friday in November, the meeting shall be held as soon thereafter as practicable. Notice, in the form of a record, in a tangible medium, or in an electronic transmission, stating the date, time, and place of each annual meeting shall be given to each member of record in good standing on the date of such notice, and such notice shall be given not less than thirty (30) nor more than fifty (50) days in advance by the Secretary. The notice may be accompanied by materials pertinent to the

annual meeting, such as bios of director candidates, but shall not be contained within another publication.

The notice shall include an agenda that lists the matters to be discussed at the meeting. Such additional matters as may be requested by a written petition signed by at least twenty-five (25) members, or a majority of the members who practice in a given component dental society geographic area, whichever is smaller, and presented to the Secretary at least twenty (20) days prior to the meeting shall also be included on the agenda. At the discretion of the Chair, items may be added to the agenda at any time. No business shall be transacted during an annual meeting unless it was placed on the agenda by the Chair of the Board or by a duly filed petition.

SECTION 2. SPECIAL MEETINGS.

Special meetings of the members of this corporation may be held at the principal place of business or such other convenient place as may be designated by the Board of Directors. Special meetings may be called by a vote of a majority of the total Board of Directors or by a petition signed by at least ten percent (10%) of the members of the corporation. Any such call or petition for a special meeting of the members must contain a description of the item or items to be discussed at that meeting.

Within thirty (30) days of a call by the Board of Directors or the receipt of a petition, the Secretary shall give not less than thirty (30) nor more than fifty (50) days' notice in the form of a record, in a tangible medium, or in an electronic transmission, stating the time, date, place and agenda items for any special meeting to each member of record in good standing on the date of such notice. Time shall be computed by excluding the first and including the last day of such notice. Personal delivery of the notice of the meeting or deposit of the same in the United States mail, with postage thereon fully prepaid, addressed to a member at the last address given the Secretary of the corporation, shall constitute due notice.

SECTION 3. LOCATION

The annual meeting and any special meeting of the members shall be held within 20 miles of the corporation's principal office in a venue large enough to accommodate at least twenty-five percent (25%) of the members of the corporation in the meeting room.

SECTION 4. QUORUM, MANNER OF ACTING, AND VOTING.

Ten percent (10%) of the members in good standing of the corporation of record on the date of notice of the meeting shall constitute a quorum at an annual or a special meeting of the members, which may be satisfied by attendance in person or by proxy.

A majority of the votes entitled to be cast on a matter to be voted upon by the members present at a meeting (in person or by proxy) at which a quorum is present shall be necessary for the adoption thereof unless a greater proportion is required by law or by these Bylaws.

Each member shall be entitled to one (1) vote on each matter submitted to a vote of the membership at an annual or special meeting. Cumulative voting shall not be allowed. Members may vote by proxy, and the corporation shall send a proxy form with the notice of meeting that permits a member to designate a member of the Board or another member of the corporation as proxy for all or limited purposes.

SECTION 5. PARLIAMENTARY PROCEDURE.

Meetings of the members of the corporation shall be governed by parliamentary procedure as set forth in the current edition of Robert's Rules of Order.

ARTICLE III

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ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. BOARD OF DIRECTORS.

A. General Powers. The affairs of the corporation shall be managed by its Board of Directors.

B. Size, Composition, Qualifications, Terms, Nomination and Election.

(1) **Size and Composition.** The Board of Directors shall consist of at least nine (9) but no more than thirteen (13) Directors. The number of Directors may at any time be increased or decreased within this range by the Board of Directors, but no decrease shall have the effect of shortening the term of any incumbent director. Independent Directors shall at all times after January 1, 2012 comprise a majority of incumbent Directors.

(2) **Qualifications.** The Board of Directors shall comprise three different categories of Directors, with the following qualifications:

(a) **Independent Directors.** Each Independent Director must, when elected and during his or her term of office: (i) satisfy the definition for an "independent" member of a governing body set forth in the instructions to Internal Revenue Service Form 990 (as it may be amended from time to time) or such other IRS definition of independence as Delta Dental Plans Association may from time to time reference in connection with its membership standards; (ii) not be the President and CEO or otherwise an employee of the corporation; (iii) not be a member of the corporation, nor

an individual with a D.D.S. or D.M.D. degree; and (iv) not have a financial interest in any dental care organization.

- (b) **Member Directors.** Each Member Director must, when elected and during his or her term of office, be a member of the corporation; and shall forfeit his or her office as a Director upon loss of his or her membership in the corporation under Section 3 of Article I of these Bylaws.
- (c) **Ex Officio Director.** The President and CEO shall, by virtue of holding such office, automatically be a member of the Board of Directors for the period that he or she holds such office.

(3) **Terms, Classifications, Term Limits.**

- (a) **Standard Terms.** Except in situations where shorter terms are expressly permitted under these Bylaws, each Independent Director and Member Director shall be elected to serve a term of three (3) years commencing at the next meeting of the Board of Directors following his or her election.
- (b) **Classified Director Terms; Transitional Terms.** Independent Directors and Member Directors shall, as a group, be divided into three (3) classes and, after January 1, 2012, each such class shall be as equal in number to the others as possible. The Directors within each such class shall all serve terms that expire in the same year, and the expiration of the terms of Directors in the three (3) different classes shall occur in three (3) successive years. A Director elected to fill the seat of a Director whose term has expired or whose seat has become vacant for any reason shall be elected to the same class of Directors to which the predecessor belonged. The Board of Directors shall have authority to designate the members of such classes and their respective terms, and may from time to time prescribe terms of less than three (3) years for particular Independent Directors or Member Director nominees to the extent it considers such shortened terms to be reasonably necessary to achieve or maintain the required balance of classified terms among the Directors; provided, that no action by the Board of Directors under this Section 1.B.3.b shall have the effect of shortening the term of any previously elected Independent Director or Member Director.
- (c) **Term Limits.** Each Independent Director and Member Director ordinarily may serve no more than three (3) full terms consecutively, exclusive of time served to complete the term of a previous Director. However, a Director may be nominated and elected to an additional term of one, two or three years following the Director's completion of three (3) consecutive full terms if the Governance and Nominating Committee and the Board of Directors determine that such is necessary to assure continuity on the Board of Directors.

(4) **Nomination and Election of Directors.**

- (a) **Independent Directors.** The Independent Directors shall be nominated by a majority of the Independent Directors who are members of the Governance and Nominating Committee, and a nomination by such majority shall be deemed to be a nomination by such committee. The Governance and Nominating Committee shall submit its recommended slate of such nominees to the Board of Directors at least sixty (60) days prior to the Board of Directors' annual meeting preceding the end of the term of the incumbent Independent Director(s). The Board of Directors shall at such meeting, by a majority vote of those Independent Directors whose terms are not expiring, elect at least one nominee from the Governance and Nominating Committee's slate for the seat of each Independent Director whose term is then expiring (unless the Board of Directors has resolved to reduce the overall size of the Board of Directors under Section 1.B.1 of this Article IV).
- (b) **Member Directors.** The Member Directors shall be nominated by the Governance and Nominating Committee, which shall submit its recommended slate of such nominees to the Board of Directors at least sixty (60) days prior to the Board of Directors' annual meeting preceding the end of the term of the incumbent Member Director(s). The Board of Directors shall at such meeting select at least one nominee from the Governance and Nominating Committee's slate for the seat of each Member Director whose term is then expiring (unless the Board of Directors has resolved to reduce the overall size of the Board of Directors under Section 1.B.1 of this Article IV), and shall then direct the Secretary of the corporation to submit such nominees to the members for election pursuant to Section 4 of Article II of these Bylaws.
- (c) **President and CEO.** The President and CEO shall automatically be a member of the Board of Directors, and is not required to be elected or reelected.

C. Powers and Duties of the Board of Directors. Subject to the limitations contained in the Articles of Incorporation, these Bylaws, and the nonprofit corporation laws applicable to this corporation, all corporate powers shall be exercised by or under the authority of the Board of Directors including, but without limitation, the following:

- (1) To select and remove the President and CEO of the corporation, prescribe his/her authority and duties, and fix his/her compensation.
- (2) To nominate Member Director candidates for election by the members in accordance with these Bylaws, and, by majority vote of the Independent Directors whose terms are not expiring, to elect Independent Directors in accordance with these Bylaws.

- (3) To conduct, manage and control the property and business of the corporation, and to make such rules and regulations therefor, as they may deem best advised.
- (4) To fix the address of the principal office for the transaction of business of the corporation within the State of Washington and to fix and locate from time to time such subsidiary offices of the corporation as they may deem necessary or convenient for transaction of the affairs of the corporation.
- (5) To call membership meetings both regular and special, and to determine what matters shall be submitted to such meetings on behalf of the Board of Directors.
- (6) To borrow money and incur indebtedness for the purpose of the corporation, and to cause to be executed and delivered therefor in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecation of other evidence of debt and security therefor.
- (7) To set fees for service on the Board of Directors in accordance with these Bylaws.

D. Vacancies. As soon as practical after a vacancy in a Member Director (including a vacancy occurring as described in Section 4 of Article II of these Bylaws) or an Independent Director position on the Board of Directors occurs, the Board of Directors shall elect a successor to serve the unexpired term of the original Member Director, or a majority of the Independent Directors shall elect a successor to serve the unexpired term of the original Independent Director.

E. Meetings. The annual meeting of the Board of Directors shall be held annually on a date and at a time and location determined by the Board of Directors.

Regular meetings of the Board of Directors shall be held according to a schedule approved in advance by the Directors, but not less than once per calendar quarter unless an affirmative vote of 75% of the directors eliminates a meeting. No particular notice of a regular meeting is required.

Special meetings of the Board of Directors may be called by the Chair of the Board or by a majority vote of all directors. Notice of the date, time and place of such special meeting shall be furnished to each director not less than fifteen (15) days before the time of the meeting. Meetings of the Board of Directors shall be held at the principal office of the corporation or at any other convenient place determined by the Board of Directors.

Regardless of how called, a consent in the form of a record of all of the members of the Board of Directors to the holding of a meeting of the Board of Directors filed with the minutes of the meeting shall constitute sufficient call and notice of any meeting of the Board of Directors. A meeting so held shall have the same force and effect as if the meeting were regularly called upon notice as herein above provided.

A director will be subject to removal if he or she fails to attend at least seventy-five percent (75%) of the directors' meetings during each calendar year, unless excused by the Chair of the Board at his/her discretion.

F. Action by Consent in Lieu of Board Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors execute a consent in the form of a record that describes the action to be taken. Such consent shall be filed with the minutes of the proceedings of the Board of Directors. Such action approved by consent shall have the same force and effect as a unanimous vote of the directors at a meeting duly held upon proper notice and may be described as such in any record. An action taken by consent shall be effective when the last director executes the consent, unless the consent specified a later effective date.

G. Quorum, Manner of Acting and Voting. A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business of any meeting of the Board of Directors, except that a majority of the Independent Directors whose terms are not expiring shall constitute a quorum for the election of Independent Directors in accordance with these Bylaws

The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by law or by these Bylaws; provided, the approval of a majority of the Independent Directors whose terms are not expiring shall be required in order to elect an Independent Director in accordance with these Bylaws.

Each Director shall have one (1) vote except the Chair of the Board, who shall only vote in case of a tie. Proxies will not be allowed.

H. Fees and Compensation. Directors, as such, and officers of the corporation appointed pursuant to Article V shall not receive any salary for their services, but shall receive reimbursement for expenses of attending any meetings of the Board of Directors and a reasonable fee to reimburse directors for the time spent attending those meetings. This fee shall be set taking into consideration prevailing industry practices and may be changed from time to time by the vote or written assent of a majority of the Board of Directors.

I. Parliamentary Procedure. Meetings of the Board of Directors shall be governed by parliamentary procedure as set forth in the current edition of Robert's Rules of Order.

J. Reserves. The Board of Directors may establish a revolving or reserve fund or funds to cover contingent obligations for paying for dental services and anticipated future needs of the corporation which are reasonably likely to occur. The Directors, in their discretion, shall invest or cause to be invested so much of such funds in securities or other investments consistent with applicable laws of the State of Washington as the directors determine to be in the best interest of the corporation.

K. Removal of Director. At a meeting duly called, either a Member Director or an Independent Director of this corporation may be removed from office for cause by, respectively, a two-thirds (2/3) affirmative vote of the other Member Directors then serving on the Board of Directors or of the other Independent Directors then serving on the Board of Directors. The call for such a meeting must state with reasonable specificity the cause(s) for removal. Cause for removal shall consist of a director's willful or negligent disregard of the duties assigned to him/her by law, by these Bylaws, or by the Board of Directors; breach of fiduciary duty as a director; and failure to timely disclose to the Board of Directors any conflict of interest involving the director and the corporation or any action of the corporation. In addition, termination of the membership of a Member Director pursuant to Article I shall also operate to remove him or her from office as a Member Director, without further action by the Board of Directors.

L. Standing and Special Committees.

- (1) **General.** Standing or special committees to facilitate the conduct and effectiveness of the Board of Directors, but not having or exercising the authority of the Board of Directors in the management of the corporation, may be established in such a manner as may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. The Board of Directors shall appoint members of any standing or special committee except for the Independent Directors on the Provider Compensation Committee. Any member of such a committee may be removed by the person or persons authorized to appoint him/her whenever in their judgment the best interests of the corporation would be served by such removal.
- (2) **Standing Committees** shall include the Audit Committee, the Governance and Nominating Committee and the Human Resources and Compensation Committee.
 - (a) **Audit Committee** shall assist the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of the financial statements of the company, of the company's compliance with legal and regulatory requirements, of the independence and qualifications of the independent auditor, and of the performance of the company's internal audit function and independent auditors. The Audit Committee will be comprised of three or more members as determined by the Board of Directors. Committee members may be removed by the Board of Directors at its discretion. A majority of the committee shall consist of independent members who shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the committee. No person who is a member dentist or has business dealings as a vendor or business partner of the company may be regarded as an independent member of the committee. All members of the committee shall have or obtain a sufficient familiarity with basic finance and accounting practices to allow

them to discharge their responsibilities and at least one member shall be a financial expert. The Audit Committee shall be directly responsible for the appointment, compensation and oversight of the accounting firm conducting the annual audit of the corporation, and shall meet at least annually with the accounting firm and report its findings and recommendations to the Board of Directors.

- (b) **Governance and Nominating Committee** shall be comprised of at least five (5) members, including the Chair of the Board, as well as at least one of the other officers of the Board of Directors and such other additional directors as may be appointed by the Board of Directors. At least three Independent Directors must be members of the Governance and Nominating Committee at any given time. Members of the committee will be excluded from discussing and voting for their own nominations. The Governance and Nominating Committee (or the Independent Directors on the Committee) shall perform the functions described for it in Sections 1.B.2 of Article IV of these Bylaws and assist the Board of Directors by developing and recommending changes in the governance structure and processes that will improve board effectiveness.
 - (c) **Human Resources and Compensation Committee** shall be comprised of non-management members of the Board of Directors and shall assist the Board of Directors in fulfilling its oversight responsibilities by formulating policy recommendations in such areas as compensation and benefits as specifically referred to the committee by the Board. The Human Resources and Compensation Committee shall periodically receive management updates on the corporation's human resources programs. The committee shall ensure that the senior executives of the corporation are compensated effectively in a manner consistent with the stated strategy of the corporation, competitive practices in the marketplace, any internal equity considerations, and any applicable legal or regulatory requirements. The committee also shall ensure the existence of an operative leadership succession plan that will perpetuate an effective management team for the corporation.
- (3) **Special Committees.** The Board of Directors may establish from time to time, special committees to aid them in managing the affairs of the corporation.
 - (4) **Term of Office.** Each member of a standing committee shall continue as such until the next annual meeting of the Directors of the corporation and until a successor is appointed, unless these Bylaws provide otherwise, or unless the committee shall be terminated sooner, or unless such member be removed from the committee, or unless the member shall cease to qualify as a member of the committee.

- (5) **Chair.** One member of each committee shall be appointed chair by the person or persons authorized to appoint the members of that committee, except as otherwise provided in these Bylaws. All standing committees shall have a director as chair of the committee at all times unless otherwise directed by the Chair of the Board, in consultation with the President and CEO, because of unusual circumstances.
- (6) **Vacancies.** Vacancies in the membership of a committee may be filled by appointments made in the same manner as provided in the case of the original appointment. This action will be initiated within thirty (30) days of notification of a vacancy by the Chair of the Board or the President and CEO.
- (7) **Quorum.** Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.
- (8) **Rules.** Each committee may adopt rules for its own governance not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

M. Provider Compensation Committee.

- (1) **General.** Notwithstanding any other provision of these Bylaws, there is hereby established a Provider Compensation Committee (the “PC Committee”), which shall have ultimate authority and responsibility for those matters described below concerning compensation paid by the corporation to members and other dentists. This Bylaw is an irrevocable delegation of authority over such matters by the Board of Directors to the Provider Compensation Committee (hereinafter the “PC Committee”) pursuant to RCW 24.03.115.
- (2) **Size and Selection.** The Committee shall consist of five (5) directors, three (3) of whom shall be Independent Directors who shall be appointed from time to time by a majority vote of the Independent Directors then serving on the Board of Directors, and two (2) of whom shall be appointed by the Board of Directors.
- (3) **Removal and Vacancies.** A PC Committee member who is an Independent Director may be removed from office only by a vote of two-thirds (2/3) of the other Independent Directors then serving on the Board of Directors. A PC Committee member who was appointed by the Board may be removed from office by the Board whenever the best interests of the corporation would be served by such a removal. Any vacancy created by the removal or resignation of a PC Committee member shall be filled, for the balance of his or her term, by the same method by which the former PC Committee member was appointed.
- (4) **Term.** Each Independent Director appointed to the PC Committee shall serve a term of office coterminous with his or her term of office as a director, unless such person is earlier removed from office or resigns. Each person appointed to the PC

Committee by the Board shall serve a term continuing until the next annual meeting of the Board of Directors and until his or her successor is duly appointed and qualified, unless the person is sooner removed from office or resigns.

- (5) **Meetings.** The PC Committee shall meet at least once annually, and more frequently when required to perform its functions. Meetings of the PC Committee may be called by the chair of the PC Committee or by any two (2) members of the PC Committee. Notice in the form of a record, in a tangible medium, or in an electronic transmission, stating the time and place of each such meeting shall be furnished to each member of the PC Committee not less than five (5) days before the date of the meeting. Meetings of the PC Committee shall be held at the principal office of the corporation or at any other convenient place determined by the chair of the Committee.
- (6) **Procedures.** The PC Committee shall choose its own chair, who shall always be an Independent Director, and its own secretary. Meetings of the PC Committee shall be governed by parliamentary procedure as set forth in the most recent edition of Robert's Rules of Order. If the committee chair is elected Chair of the Board, that individual will resign as the Provider Compensation Committee chair and the remaining members of the PC Committee shall choose a different Independent Director as the PC Committee's new chair.
- (7) **Quorum, Manner of Acting and Voting.** Three members of the PC Committee shall constitute a quorum for the transaction of business at any meeting of the PC Committee, provided that at least two of such members must be Independent Directors. The act of a majority of PC Committee members present at a meeting at which a quorum is present shall be the act of the PC Committee, unless the act of a greater number is required by law or by these Bylaws. Each PC Committee member shall have one (1) vote. Proxies will not be allowed. Any action required or permitted to be taken by the PC Committee may be taken without a meeting if all members of the PC Committee execute a consent in the form of a record that describes the action to be taken and such action by consent shall have the same force and effect as a unanimous vote of the members of the PC Committee. All minutes of meetings of the PC Committee, and all such consents, shall be retained in the corporation's records.
- (8) **Powers and Duties of PC Committee.** The authority of the Board of Directors in the following matters is vested in, and shall be exercised by, the PC Committee:
 - (a) **Filed Fee Program.** The PC Committee shall undertake studies, from time to time, whether the Filed Fee Program used by the corporation pursuant to its standard Washington Dental Service Member Dentist Agreement (all capitalized terms not defined herein shall have the meanings given them in said form of agreement), as presently operated or with such changes as the PC Committee may have previously directed,

enables the corporation to purchase dental services from members and non-members at the most favorable terms, consistent with the corporation's need to maintain and continue the size and composition of its active networks, the quality of service from the providers within such population, and the degree of access to such dentists for those persons whose dental care coverage the corporation has assumed responsibility (hereinafter "enrollees"). After each such study, the PC Committee shall direct changes to any of the features of the corporation's Filed Fee Program described below that, in the PC Committee's judgment, will enable the corporation to obtain more favorable terms from member dentists and other dentists for services provided to the corporation's enrollees consistent with the foregoing considerations. Such changes may affect any of the following features of the Filed Fee Program:

- (i) The method of determination of the maximum fee for a particular procedure in a particular location that will be accepted in a proposed Survey of Fees at any time;
- (ii) The method of determination of the intervals at which that maximum fee will be recalculated during the course of a year;
- (iii) The method by which the Composite Index, if applicable, is calculated and applied in determining the acceptability of a proposed Survey of Fees at any time;
- (iv) The method of determination of the intervals at which the Composite Index, if applicable, will be recalculated during the course of a year;
- (v) The frequency with which a member is permitted to file a new Survey of Fees to replace a previously-approved Survey of Fees or a previously-submitted Survey of Fees that was not approved by the corporation;
- (vi) The method of determination of the amount of compensation paid to a nonmember dentist for service to one of the corporation's enrollees;
- (vii) The method of determination of the maximum fee that WDS will pay to a nonmember dentist for a particular service; and
- (viii) The method of determination of the intervals at which the maximum fee for compensation of a nonmember dentist for a particular service will be recalculated.

- (b) **Other Compensation Programs.** The PC Committee shall assume responsibility for, and thereafter undertake studies and make changes to, any other program of compensation to professional providers of services to the corporation's enrollees that may be adopted by the corporation and referred to the PC Committee by the Board of Directors. The PC Committee shall from time to time make such changes in the terms and conditions of the compensation program that the PC Committee believes will enable the corporation to obtain more favorable compensation terms from providers in the future for services provided to enrollees, taking into consideration the corporation's need to maintain and continue the size and composition of its active networks delivering those services, the quality of such services from the providers in the networks, and the degree of access to such providers for enrollees.
- (c) **Sensitive Price Information.** The PC Committee shall have the authority to require changes to the methods and manner in which the corporation receives, processes, analyzes, distributes, disseminates and uses fee and claims information submitted by member dentists and other dentists in order to ensure the strict confidentiality of all such information and, in particular, consistent with state and federal laws and regulations, take reasonable steps to ensure that such information shall not be intentionally or inadvertently made available to other providers.
- (9) **Relation with Paid Assistants.** The President and CEO of the corporation and his or her staff shall report to and serve the PC Committee with respect to those matters within its jurisdiction as if the PC Committee was the Board of Directors, provided, however, that the PC Committee shall have no authority to alter the terms of employment of the President and CEO or any staff person. The President and CEO and staff shall implement any change directed by the PC Committee in accordance with these provisions and shall provide to the PC Committee such information, analyses, recommendations and other data from the corporation's records as may be appropriate or useful to the PC Committee's activities.
- (10) **Change in Contract Terms.** The corporation shall make no change in the terms of contracts with providers that establish or define the Filed Fee Program or any other program of compensation, without the prior consent of the PC Committee.
- N. Attendance by Communications Equipment.** At the discretion of the Chair, Members of the Board of Directors or any committee may participate in a meeting of such Board or committee by means of any communications equipment which enables all persons participating in the meeting to hear each other simultaneously during the meeting. Individuals who join meetings via communications equipment must attend all discussions of any item on which they vote. In addition, the provision will not be available if its use presents an undue administrative burden. A Director or committee member who

participates by means of communications equipment is deemed to be present in person at the meeting.

SECTION 2. MEMBER ADVISORY PANEL

- A. General.** There shall be a Member Advisory Panel consisting of ten (10) to fifteen (15) members who are from time to time selected by the Board of Directors from a pool of candidates recommended by the Governance and Nominating Committee. No less than one (1) and no more than three (3) of the panel members must be Member Directors; each of the other individuals comprising the balance of the Member Advisory Panel must, at the time of his or her appointment thereto and during his or her term of service thereon, be a member in good standing of the corporation who is not a member of the Board of Directors. In recommending and appointing Member Directors or other individuals to serve on the Member Advisory Panel, the Governance and Nominating Committee and the Board of Directors shall also give due consideration to achieving a relative balance of geographic representation thereon. Individuals serving on the Member Advisory Panel must be willing to serve in such capacity, if so requested by the Board of Directors, for up to three (3) years, but shall remain at all times subject to replacement by the Board of Directors. The Member Advisory Panel shall meet at least three (3) times each year, on such dates and at such times and locations as may be designated by the Board of Directors, the Chair of the Board, or the President and CEO. A chair of the Member Advisory Panel shall be selected and appointed by the Chair of the Board, from among the Member Directors from time to time serving on the Member Advisory Panel.
- B. Duties and Authority.** The Member Advisory Panel shall not be deemed to be a committee or other organ of the Board of Directors; and shall have no power or authority, delegated or otherwise, to make any decisions, take any actions or incur any obligations on behalf of the corporation. As such, individuals serving on the Member Advisory Panel shall not, solely by reason of such service, owe any fiduciary obligations to the corporation or its members. The Member Advisory Panel shall, however, perform the following functions in good faith:
- (a) identifying and recommending to the Governance and Nominating Committee potential candidates for nomination to be elected as Member Directors;
 - (b) consulting with and advising the PC Committee on such matters within the scope of that committee's powers and duties as the chair of the PC Committee may request; and
 - (c) consulting with and advising the Board of Directors with respect to the formulation of policies relating to dental procedures, claims processing and adjudication, and relations with the dental profession, to the extent requested to do so by the Chair of the Board.

SECTION 3. INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

- A. Right to Indemnification.** Each person who was, is or is threatened to be made a named party to or is otherwise involved (including, without limitation, as a witness) in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (hereinafter a “proceeding”), by reason of the fact that he or she is or was a director or officer of the corporation or served on the Member Advisory Panel of the corporation or, that being or having been such a director officer or an employee of the corporation, he or she is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, employee benefit plan or other enterprise (hereinafter an “indemnatee”), whether the basis of a proceeding is alleged action in an official capacity as such a director, officer, partner, trustee, employee, agent or panel member or in any other capacity while serving as such a director, officer, partner, trustee, employee, agent or panel member, shall be indemnified and held harmless by the corporation against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such indemnatee in connection therewith, and such indemnification shall continue as to an indemnatee who has ceased to be a director, officer, partner, trustee, employee, agent or panel member and shall inure to the benefit of the indemnatee’s heirs, executors and administrators. Except as provided in Section 3.D. of this Article IV with respect to proceedings seeking to enforce rights to indemnification, the corporation shall indemnify any such indemnatee in connection with a proceeding (or part thereof) initiated by such indemnatee only if the proceeding (or part thereof) was authorized or ratified by the Board of Directors. The right to indemnification conferred in this Section 3.A. shall be a contract right.
- B. Restrictions on Indemnification.** No indemnification shall be provided to any such indemnatee for acts or omissions of the indemnatee finally adjudged to be intentional misconduct or a knowing violation of law, for conduct of the indemnatee finally adjudged to be in violation of Section 23B.08.310 of the Washington Business Corporation Act, for any transaction with respect to which it was finally adjudged that such indemnatee personally received a benefit in money, property or services to which the indemnatee was not legally entitled, or if the corporation is otherwise prohibited by applicable law from paying such indemnification, except that if Section 23B.08.560 or any successor provision of the Washington Business Corporation Act is hereafter amended, the restrictions on indemnification set forth in this Section 3.B. shall be as set forth in such amended statutory provision.
- C. Advancement of Expenses.** The right to indemnification conferred in Section 3.A. of this Article IV shall include the right to be paid by the corporation the expenses incurred in defending any proceeding in advance of its final disposition (hereinafter an “advancement of expenses”). An advancement of expenses shall be made upon delivery to the corporation of an undertaking (hereinafter an “undertaking”), by or on behalf of

such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 3.C.

- D. Right of Indemnitee to Bring Suit.** If a claim under Section 3.A .or 3.C. of this Article is not paid in full by the corporation within 60 days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part, in any such suit or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. The indemnitee shall be presumed to be entitled to indemnification under this Section 3. upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses, where the required undertaking has been tendered to the corporation), and, thereafter, the corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled.
- E. Procedures Exclusive.** Pursuant to Section 23B.08.560(2) or any successor provision of the Washington Business Corporation Act, the procedures for indemnification and advancement of expenses set forth in this Section 3. are in lieu of the procedures required by Section 23B.08.550 or any successor provision of the Washington Business Corporation Act.
- F. Nonexclusivity of Rights.** The right to indemnification and the advancement of expenses conferred in this Section 3 shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, provision of the Articles or the Bylaws of the corporation, by general or specific action of the Board of Directors, or by contract or otherwise.
- G. Insurance, Contracts and Funding.** The corporation may maintain insurance, at its expense, to protect itself and any director, officer, partner, trustee, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Washington Business Corporation Act. The corporation may enter into contracts with any director, officer, partner, trustee, employee or agent of the corporation in furtherance of the provisions of this Section 3 and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit)to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Section 3.
- H. Indemnification of Employees and Agents of the Corporation.** The corporation may, by action of the Board of Directors, grant rights to indemnification and advancement of expenses to employees and agents or any class or group of employees and agents of the corporation (a) with the same scope and effect as the provisions of this Section 3 with respect to the indemnification and advancement of expenses of directors and officers of

the corporation, (b) pursuant to rights granted under, or provided by, the Washington Business Corporation Act, or (c) as are otherwise consistent with law.

- I. Persons Serving Other Entities.** Any person who, while a director, officer or employee of the corporation, is or was serving (a) as a director or officer of another foreign or domestic corporation of which a majority of the shares entitled to vote in the election of its directors is held by the corporation or (b) as a partner, trustee or otherwise in an executive or management capacity in a partnership, joint venture, limited liability company, trust or other enterprise of which the corporation or a wholly owned subsidiary of the corporation is a general partner or has a majority ownership shall be deemed to be so serving at the request of the corporation and entitled to indemnification and advancement of expenses under Sections 3.A. and 3.C. of this Article.

ARTICLE V

OFFICERS

SECTION 1. OFFICERS.

The officers of the corporation shall be a Chair of the Board, Vice Chair, Secretary, Treasurer and such other officers as the Board of Directors may appoint from time to time at its discretion. No person may hold more than one (1) such office in the corporation at the same time. The President and CEO may not be elected to the offices of Chair of the Board or Vice Chair.

SECTION 2. TERMS AND ELECTION.

The Chair of the Board, Vice Chair, Secretary and Treasurer shall be elected by the Board of Directors from among the Directors then in office at the annual meeting of the Board. The intent is that the Chair of the Board will serve up to two one-year terms, although a third term may be added upon a determination by the Governance and Nominating Committee and by the Board of Directors that such is necessary to assure continuity or address other extraordinary circumstances. The intent is further that the Vice Chair shall succeed to the office of Chair of the Board at completion of the term(s) of the current Chair, or when that post becomes vacant by resignation or other reason. The term of each office shall be until the next annual meeting of the Board of Directors and the election and qualification of successor. If any office becomes vacant for any reason, the Board of Directors shall, by majority vote, elect a successor who shall hold office for the unexpired term. Any officer may be removed during the term of his/her office by a vote of two-thirds (2/3) of the Board of Directors.

SECTION 3. DUTIES OF OFFICERS.

- A. Chair of the Board.** The Chair of the Board shall preside at all meetings of the membership and at all meetings of the Board of Directors. He/she shall be subject to the control and direction of the Board of Directors. The Chair of the Board shall be an ex-officio member of all standing and special committees except the Audit Committee and the Provider Compensation Committee. The Chair of the Board shall have such other

and further powers and duties as may be prescribed for him/her by the Board of Directors or these Bylaws.

The Chair of the Board shall have responsibility for liaison with staff officers between meetings of the Board to insure Board policies are carried out.

- B. Vice Chair.** In the absence or disability of the Chair of the Board, the Vice Chair shall perform the duties of the Chair of the Board and all the responsibilities of the Chair of the Board. In addition, the Board of Directors may fix and assign such duties for the office of Vice Chair as in its discretion it deems advisable, and the Chair of the Board may sub-delegate to the Vice Chair such of his/her authority as he/she believes is in the best interest of continuity of the office. The Vice Chair shall be an ex-officio member of all standing and special committees except the Provider Compensation Committee. The Vice Chair shall have such other and further powers and duties as may be prescribed for him/her by the Board of Directors or these Bylaws.

The Vice Chair will be the successor to the office of Chair of the Board when that post becomes vacant by resignation, completion of term(s), or any other reason.

C. Secretary.

- (1) **Minutes.** The Secretary shall keep, or cause to be kept, a complete book of the minutes at the principal office of the corporation of all meetings of the Directors and of the members together with all calls and notices upon which meetings were held, a roster of all members, including the applications for membership of each member, and a record of payment or nonpayment of fees and assessments.

- (2) **Notices.** The Secretary shall give, or cause to be given, the notice of all meetings of membership as directed by these Bylaws and also notice of all annual, regular and special meetings of the Board of Directors of the corporation as directed by the Board, the Chair of the Board, or other officers authorized to call such meetings.

- D. Treasurer.** Subject to the direction and control of the Board of Directors, the Treasurer shall have the care and custody of and be responsible for all funds and investments of the corporation and shall cause to be kept regular books of account. Such books shall be kept current and shall be open to inspection by any officer or Director of the corporation. The Treasurer shall cause to be deposited all funds and other valuable effects in the name of the corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall cause to be prepared and shall submit a financial report at the annual meeting of the members and, in general, shall perform all of the duties incident to the office of the Treasurer.

ARTICLE VI

PAID ASSISTANTS

SECTION 1. GENERAL.

The Board is authorized to engage on behalf of the corporation all necessary employees and assistants, including certified public accountants, attorneys-at-law, and others in advancement of the affairs of the corporation. The Board shall have authority to arrange with such employees, assistants, certified public accountants and attorneys-at-law for payment by the corporation for their services.

SECTION 2. PRESIDENT AND CEO.

The Board of Directors shall appoint a President, who shall be the chief executive officer of the corporation. He/she shall have general supervision, direction and control of the affairs of the corporation and its staff officers subject to the policies established by the Board of Directors and its Chair of the Board. He/she shall be a full-time employee and need not be a dental licentiate of the State of Washington.

ARTICLE VII

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

SECTION 1. CONTRACTS.

The Board of Directors may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 2. CHECK, DRAFTS, ETC.

All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board, such instruments shall be signed by the Treasurer or his/her staff designee, and countersigned by the Chair of the Board or the President and CEO of the corporation.

SECTION 3. DEPOSITS AND INVESTMENTS

All funds of the corporation shall be deposited or invested in a timely fashion to the credit of the corporation in such banks, trust companies or other depositories and investment vehicles as the Board of Directors may select.

SECTION 4. GIFTS.

The Board of Directors may accept on behalf of the corporation any contribution, gift, bequest or device for the general purposes or for any special purpose of the corporation.

ARTICLE VIII

BOOKS AND RECORDS

The corporation shall keep correct and complete books of record and account and shall also keep minutes of the proceedings of its members and Board of Directors and shall keep at its registered or principal office a record giving the names and addresses of the members entitled to vote at any membership meetings. All such books and records of the corporation may be inspected by any member or his or her agent or attorney, for any proper purpose at any reasonable time upon reasonable advance notice.

ARTICLE IX

WAIVER OF NOTICE

Wherever any notice is required to be given under the provisions of the Washington State Nonprofit Corporation Act, or under the provisions of the articles of incorporation or these Bylaws, a waiver of such notice in the form of a record executed by the person or persons entitled to such notice, whether before or after the time stated in the notice, shall be deemed equivalent to the giving of such notice.

ARTICLE X

CHANGES IN BYLAWS

These Bylaws may be amended or repealed by the vote of two thirds of the votes entitled to be cast by the members present in person or proxy at an annual or special meeting of the members, provided that the proposed amendment or revision shall have been delivered to each member of this corporation along with the notice of meeting. Notwithstanding the foregoing, further non-material technical amendments to the proposed amendment or revision may be introduced on the floor of the meeting without the need to adjourn the meeting and provide a new notice. In addition, any amendment or repeal of Sections 1.B, 1.D, 1.G, 1.K, 1.L.2.b or 1.M of Article IV, and any adoption of any Bylaw provision that would subject the Independent Directors to rights, privileges, liabilities and duties different from those of other directors hereunder, shall, in addition, require the approval of at least a majority of the Independent Directors then in office.

ARTICLE XI

DISSOLUTION OF CORPORATION

Approval by the members, in a manner provided in these Bylaws, is required for voluntary dissolution pursuant to RCW 24.03.220 or successor statute. Any assets remaining after payment of all just obligations of the corporation shall accrue to a fund to be distributed to a dentally related foundation to be chosen by the Board of Directors.

ARTICLE XII

CONFLICT

Should any of these Bylaws be in conflict with any statutes, codes, rulings, or the Constitution of the State of Washington or of the United States of America, the particular section or part of any section shall become immediately inoperative. However, should any such conflict of any part of these Bylaws be declared, it shall not render the other Bylaws inoperative or void.

ARTICLE XIII

ELECTRONIC TRANSMISSIONS

Notice to members and directors in electronic transmission is effective only with respect to members and directors who have consented, in the form of a record, to receive electronically transmitted notices and have designated the message format accessible to the member or director, and the address, location or system to which these notices may be electronically transmitted. A member or director who has consented to receive electronically transmitted notices may revoke the consent by delivering a revocation to the corporation in the form of a record. The consent of any member or director is revoked if the corporation is unable to electronically transmit two consecutive notices given by the corporation in accordance with the consent.

ARTICLE [intentionally left unnumbered]

INFORMATION

The corporation shall give prepare and mail an annual report to each member no later than seven months after the close of the corporation's fiscal year. The annual report shall contain the corporation's latest audited financial statements, a general assessment about the state of the corporation and the marketplace for dental care (paying due regard to preserving any proprietary information), and include the a compensation discussion and analysis in the same form as required for publicly-traded companies.

ARTICLE XIV

TRANSITION

SECTION 1. EFFECTIVE DATE.

The adoption of these amended and restated Bylaws is hereby made effective as of December 9, 2011.

EXHIBIT B

**AMENDED AND RESTATED
BYLAWS OF WDS MERGER SUB**

**ARTICLE I
MEMBERSHIP**

SECTION 1. SOLE MEMBER

This corporation is formed for the initial purpose of entering into a merger (the “Merger”) with and into Washington Dental Service (“WDS”), an existing Washington nonprofit corporation, which after the Merger will be the surviving corporation (under a new name, “Delta Dental of Washington”) and will be governed by these Bylaws. As a result of the Merger, all members in good standing of WDS at the time of the Merger will automatically become members of DD of Washington, an existing Washington nonprofit corporation which will be renamed “Washington Dental Service” after the Merger (referred to as the “Sole Member”). The Sole Member is the only member of this corporation prior to the Merger, and following the Merger will be the sole member of the surviving corporation.

SECTION 2. VOTING RIGHTS OF SOLE MEMBER

The Sole Member will be a voting member, with voting rights as to: the election of directors; any amendment of the corporation’s Articles of Incorporation; the Merger, and any other merger, consolidation or reorganization of the corporation; any sale, lease, exchange or other disposition of all or substantially all of the property and assets of the corporation; and dissolution of the corporation.

**ARTICLE II
MEMBERSHIP MEETINGS**

SECTION 1. ANNUAL MEETINGS

An annual meeting of the Sole Member of the corporation shall be held at the corporation’s principal office or such other convenient place, on a day and at a time designated by the Board, the Chair or the President and CEO. Notice, in the form of a record, in a tangible medium, or in an electronic transmission, stating the date, time, and place of each annual meeting shall be given to the Sole Member not less than thirty (30) nor more than fifty (50) days in advance by the Secretary.

Such additional matters as may be requested by a written petition signed by the Sole Member and presented to the Secretary at least twenty (20) days prior to the meeting shall also be included on the agenda. At the discretion of the Chair, items may be added to the agenda at any time. No business shall be transacted during an annual meeting unless it was placed on the agenda by the Chair of the Board or by a duly filed petition.

SECTION 2. SPECIAL MEETINGS

Special meetings of the Sole Member of this corporation may be held at the principal place of business or such other convenient place as may be designated by the Board of Directors. Special meetings may be called by a vote of a majority of the total Board of Directors or by a petition signed by the Sole Member of the corporation. Any such call or petition for a special meeting of the Sole Member must contain a description of the item or items to be discussed at that meeting.

Within thirty (30) days of a call by the Board of Directors or the receipt of a petition, the Secretary shall give not less than thirty (30) days' notice in the form of a record, in a tangible medium, or in an electronic transmission, stating the time, date, place and agenda items for any special meeting to the Sole Member. Time shall be computed by excluding the first and including the last day of such notice. Personal delivery of the notice of the meeting or deposit of the same in the United States mail, with postage thereon fully prepaid, addressed to the Sole Member at the last address given the Secretary of the corporation, shall constitute due notice.

SECTION 3. QUORUM, MANNER OF ACTING, AND VOTING

The presence of the Sole Member, by duly authorized representative, shall constitute a quorum at any annual or special member meeting.

The affirmative vote of the Sole Member on any matter to be voted upon at a meeting at which a quorum is present shall be necessary for the adoption thereof.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. BOARD OF DIRECTORS

A. General Powers. The affairs of the corporation shall be managed by its Board of Directors.

B. Size, Composition, Qualifications, Terms, Nomination and Election.

(1) **Size and Composition.** The Board of Directors shall consist of at least nine (9) no more than thirteen (13) Directors. The number of Directors may at any time be increased or decreased within this range by the Board of Directors, but no decrease shall have the effect of shortening the term of any incumbent director. Independent Directors shall at all times after January 1, 2012 comprise a majority of incumbent Directors.

(2) **Qualifications.** The Board of Directors shall comprise three different categories of Directors, with the following qualifications:

(a) **Independent Directors.** Each Independent Director must when elected and during his or her term of office: (i) satisfy the definition for an "independent" member of a governing body set forth in the instructions to Internal Revenue Service Form 990 (as it may be amended from time to time) or such other IRS definition of independence as Delta Dental Plans

Internal Revenue Service Form 990 (as it may be amended from time to time) or such other IRS definition of independence as Delta Dental Plans Association may from time to time reference in connection with its membership standards; (ii) not be the President and CEO or otherwise an employee of the corporation; (iii) not be a member of the corporation, nor or an individual with a D.D.S. or D.M.D. degree; and (iv) not have a financial interest in any dental care organization.

- (b) **Member Directors.** Each Member Director must, when elected and during his or her term of office, be a member of the Sole Member; and shall forfeit his or her office as a Director upon loss of such membership under Section 3 of Article I of the Sole Member's bylaws.
- (c) **Ex Officio Director.** The President and CEO shall, by virtue of holding such office, automatically be a member of the Board of Directors for the period that he or she holds such office.
- (3) **Congruent Boards.** The Sole Member shall elect to the Board of Directors the same individuals who, at any given time, have been elected or otherwise serve as Member Directors or Independent Directors of the Sole Member in accordance with its bylaws.
- (4) **Term.** Each director shall be elected to serve a term of office that is coterminous with the Director's service on the Sole Member's board of directors.

C. Powers and Duties of the Board of Directors. Subject to the limitations contained in the Articles of Incorporation, these Bylaws, and the nonprofit corporation laws applicable to this corporation, all corporate powers shall be exercised by or under the authority of the Board of Directors including, but without limitation, the following:

- (1) To select and remove the President and CEO of the corporation, prescribe his/her authority and duties, and fix his/her compensation.
- (2) To conduct, manage and control the property and business of the corporation, and to make such rules and regulations therefor, as they may deem best advised.
- (3) To fix the address of the principal office for the transaction of business of the corporation within the State of Washington and to fix and locate from time to time such subsidiary offices of the corporation as they may deem necessary or convenient for transaction of the affairs of the corporation.
- (4) To call membership meetings both regular and special, and to determine what matters shall be submitted to such meetings on behalf of the Board of Directors.
- (5) To borrow money and incur indebtedness for the purpose of the corporation, and to cause to be executed and delivered therefor in the corporate name, promissory

notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecation of other evidence of debt and security therefor.

(6) To set fees for service on the Board of Directors in accordance with these Bylaws.

D. Vacancies. As soon as practical after a vacancy in a Member Director or an Independent Director position on the Board of Directors occurs, the Sole Member shall elect a successor to serve the unexpired term of the original Member Director or Independent Director in each such case in a manner consistent with Article III.1.B.3 above.

E. Meetings. The annual meeting of the Board of Directors shall be held annually on a date and at a time and location determined by the Board of Directors.

Regular meetings of the Board of Directors shall be held according to a schedule approved in advance by the Directors, but not less than once per calendar quarter unless an affirmative vote of 75% of the directors eliminates a meeting. No particular notice of a regular meeting is required.

Special meetings of the Board of Directors may be called by the Chair of the Board or by a majority vote of all directors. Notice of the date, time and place of such special meeting shall be furnished to each director not less than fifteen (15) days before the time of the meeting. Meetings of the Board of Directors shall be held at the principal office of the corporation or at any other convenient place determined by the Board of Directors.

Regardless of how called, a consent in the form of a record of all of the members of the Board of Directors to the holding of a meeting of the Board of Directors filed with the minutes of the meeting shall constitute sufficient call and notice of any meeting of the Board of Directors. A meeting so held shall have the same force and effect as if the meeting were regularly called upon notice as herein above provided.

A director will be subject to removal if he or she fails to attend at least seventy-five percent (75%) of the directors' meetings during each calendar year, unless excused by the Chair of the Board at his/her discretion.

F. Action by Consent in Lieu of Board Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors execute a consent in the form of a record that describes the action to be taken. Such consent shall be filed with the minutes of the proceedings of the Board of Directors. Such action approved by consent shall have the same force and effect as a unanimous vote of the directors at a meeting duly held upon proper notice and may be described as such in any record. An action taken by consent shall be effective when the last director executes the consent, unless the consent specified a later effective date.

G. Quorum, Manner of Acting and Voting. A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business of any meeting of the

Board of Directors. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by law or by these Bylaws. Each Director shall have one (1) vote except the Chair of the Board, who shall only vote in case of a tie. Proxies will not be allowed.

- H. Fees and Compensation.** Directors, as such, and officers of the corporation appointed pursuant to Article IV shall not receive any salary for their services, but shall receive reimbursement for expenses of attending any meetings of the Board of Directors and a reasonable fee to reimburse directors for the time spent attending those meetings. This fee shall be set taking into consideration prevailing industry practices and may be changed from time to time by the vote or written assent of a majority of the Board of Directors.
- I. Parliamentary Procedure.** Meetings of the Board of Directors shall be governed by parliamentary procedure as set forth in the current edition of Robert's Rules of Order.
- J. Reserves.** The Board of Directors may establish a revolving or reserve fund or funds to cover contingent obligations for paying for dental services and anticipated future needs of the corporation which are reasonably likely to occur. The Directors, in their discretion, shall invest or cause to be invested so much of such funds in securities or other investments consistent with applicable laws of the State of Washington as the directors determine to be in the best interest of the corporation.
- K. Removal of Director.** At a meeting duly called, either a Member Director or an Independent Director of this corporation may be removed from office for cause by, respectively, a two-thirds (2/3) affirmative vote of the other Member Directors then serving on the Board of Directors or of the other Independent Directors then serving on the Board of Directors. The call for such a meeting must state with reasonable specificity the cause(s) for removal. Cause for removal shall consist of a director's willful or negligent disregard of the duties assigned to him/her by law, by these Bylaws, or by the Board of Directors; breach of fiduciary duty as a director; and failure to timely disclose to the Board of Directors any conflict of interest involving the director and the corporation or any action of the corporation. In addition, termination of the membership of a Member Director pursuant to Article I of the Sole Member's bylaws shall also operate to remove him or her from office as a Member Director, without further action by the Board of Directors.

L. Standing and Special Committees.

- (1) **General.** Standing or special committees to facilitate the conduct and effectiveness of the Board of Directors, but not having or exercising the authority of the Board of Directors in the management of the corporation, may be established in such a manner as may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. The Board shall appoint members of any standing or special committee except for the Independent Directors on the Provider Compensation Committee. Any member

of such a committee may be removed by the person or persons authorized to appoint him/her whenever in their judgment the best interests of the corporation would be served by such removal.

(2) **Standing Committees** shall include the Audit Committee, the Governance and Nominating Committee and the Human Resources and Compensation Committee.

(a) **Audit Committee** shall assist the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of the financial statements of the company, of the company's compliance with legal and regulatory requirements, of the independence and qualifications of the independent auditor, and of the performance of the company's internal audit function and independent auditors. The Audit Committee will be comprised of three or more members as determined by the Board of Directors. Committee members may be removed by the Board of Directors at its discretion. A majority of the committee shall consist of independent members who shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the committee. No person who is a member dentist of the Sole Member or has business dealings as a vendor or business partner of the corporation or the Sole Member may be regarded as an independent member of the committee. All members of the committee shall have or obtain a sufficient familiarity with basic finance and accounting practices to allow them to discharge their responsibilities and at least one member shall be a financial expert. The Audit Committee shall be directly responsible for the appointment, compensation and oversight of the accounting firm conducting the annual audit of the corporation, and shall meet at least annually with the accounting firm and report its findings and recommendations to the Board of Directors.

(b) **Governance and Nominating Committee** shall be comprised of at least five (5) members, including the Chair of the Board, as well as at least one of the other officers of the Board of Directors and such other additional directors as may be appointed by the Board of Directors. At least three Independent Directors must be members of the Governance and Nominating Committee at any given time. The Governance and Nominating Committee shall recommend candidates for the Member Advisory Panel, and otherwise assist the Board of Directors by developing and recommending changes in the governance structure and processes that will improve board effectiveness.

(c) **Human Resources and Compensation Committee** shall be comprised of non-management members of the Board of Directors and shall assist the Board of Directors in fulfilling its oversight responsibilities by formulating policy recommendations in such areas as compensation and benefits as specifically referred to the committee by the Board. The

Human Resources and Compensation Committee shall periodically receive management updates on the corporation's human resources programs. The committee shall ensure that the senior executives of the corporation are compensated effectively in a manner consistent with the stated strategy of the corporation, competitive practices in the marketplace, any internal equity considerations, and any applicable legal or regulatory requirements. The committee also shall ensure the existence of an operative leadership succession plan that will perpetuate an effective management team for the corporation.

- (3) **Special Committees.** The Board of Directors may establish from time to time, special committees to aid them in managing the affairs of the corporation.
- (4) **Term of Office.** Each member of a standing committee shall continue as such until the next annual meeting of the Directors of the corporation and until a successor is appointed, unless these Bylaws provide otherwise, or unless the committee shall be terminated sooner, or unless such member be removed from the committee, or unless the member shall cease to qualify as a member of the committee.
- (5) **Chair.** One member of each committee shall be appointed chair by the person or persons authorized to appoint the members of that committee, except as otherwise provided in these Bylaws. All standing committees shall have a director as chair of the committee at all times unless otherwise directed by the Chair of the Board, in consultation with the President and CEO, because of unusual circumstances.
- (6) **Vacancies.** Vacancies in the membership of a committee may be filled by appointments made in the same manner as provided in the case of the original appointment. This action will be initiated within thirty (30) days of notification of a vacancy by the Chair of the Board or the President and CEO.
- (7) **Quorum.** Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.
- (8) **Rules.** Each committee may adopt rules for its own governance not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

M. Provider Compensation Committee.

- (1) **General.** Notwithstanding any other provision of these Bylaws, there is hereby established a Provider Compensation Committee (the "PC Committee"), which shall have ultimate authority and responsibility for those matters described below concerning compensation paid by the corporation to the Sole Member's members and other dentists. This Bylaw is an irrevocable delegation of authority over such

matters by the Board of Directors to the Provider Compensation Committee (hereinafter the "PC Committee") pursuant to applicable corporations law.

- (2) **Size and Selection.** The Committee shall consist of five (5) directors, three (3) of whom shall be Independent Directors who shall be appointed from time to time by a majority vote of the Independent Directors (then serving on the Board of Directors, and two (2) of whom shall be appointed by the Board of Directors.
- (3) **Removal and Vacancies.** A PC Committee member who is an Independent Director may be removed from office only by a vote of two-thirds (2/3) of the other Independent Directors then serving on the Board of Directors. A PC Committee member who was appointed by the Board may be removed from office by the Board whenever the best interests of the corporation would be served by such a removal. Any vacancy created by the removal or resignation of a PC Committee member shall be filled, for the balance of his or her term, by the same method by which the former PC Committee member was appointed.
- (4) **Term.** Each Independent Director appointed to the PC Committee shall serve a term of office coterminous with his or her term of office as a director, unless such person is earlier removed from office or resigns. Each person appointed to the PC Committee by the Board shall serve a term continuing until the next annual meeting of the Board of Directors and until his or her successor is duly appointed and qualified, unless the person is sooner removed from office or resigns.
- (5) **Meetings.** The PC Committee shall meet at least once annually, and more frequently when required to perform its functions. Meetings of the PC Committee may be called by the chair of the PC Committee or by any two (2) members of the PC Committee. Notice in the form of a record, in a tangible medium, or in an electronic transmission, stating the time and place of each such meeting shall be furnished to each member of the PC Committee not less than five (5) days before the date of the meeting. Meetings of the PC Committee shall be held at the principal office of the corporation or at any other convenient place determined by the chair of the Committee.
- (6) **Procedures.** The PC Committee shall choose its own chair, who shall always be an Independent Director, and its own secretary. Meetings of the PC Committee shall be governed by parliamentary procedure as set forth in the most recent edition of Robert's Rules of Order. If the committee chair is elected Chair of the Board, that individual will resign as the Provider Compensation Committee chair and the remaining members of the PC Committee shall choose a different Independent Director as the PC Committee's new chair.
- (7) **Quorum, Manner of Acting and Voting.** Three members of the PC Committee shall constitute a quorum for the transaction of business at any meeting of the PC Committee, provided that at least two of such members must be Independent Directors. The act of a majority of PC Committee members present at a meeting at which a quorum is present shall be the act of the PC Committee, unless the act

of a greater number is required by law or by these Bylaws. Each PC Committee member shall have one (1) vote. Proxies will not be allowed. Any action required or permitted to be taken by the PC Committee may be taken without a meeting if all members of the PC Committee execute a consent in the form of a record that describes the action to be taken and such action by consent shall have the same force and effect as a unanimous vote of the members of the PC Committee. All minutes of meetings of the PC Committee, and all such consents, shall be retained in the corporation's records.

(8) **Powers and Duties of PC Committee.** The authority of the Board of Directors in the following matters is vested in, and shall be exercised by, the PC Committee:

(a) **Filed Fee Program.** The PC Committee shall undertake studies, from time to time, whether the Filed Fee Program used by the corporation pursuant to its standard Member Dentist Agreement (all capitalized terms not defined herein shall have the meanings given them in said form of agreement), as presently operated or with such changes as the PC Committee may have previously directed, enables the corporation to purchase dental services from the Sole Member's members and non-members at the most favorable terms, consistent with the corporation's need to maintain and continue the size and composition of its active networks, the quality of service from the providers within such population, and the degree of access to such dentists for those persons whose dental care coverage the corporation has assumed responsibility (hereinafter "enrollees"). After each such study, the PC Committee shall direct changes to any of the features of the corporation's Filed Fee Program described below that, in the PC Committee's judgment, will enable the corporation to obtain more favorable terms from dentists who are members of the Sole Member and other dentists for services provided to the corporation's enrollees consistent with the foregoing considerations. Such changes may affect any of the following features of the Filed Fee Program:

- (i) The method of determination of the maximum fee for a particular procedure in a particular location that will be accepted in a proposed Survey of Fees at any time;
- (ii) The method of determination of the intervals at which that maximum fee will be recalculated during the course of a year;
- (iii) The method by which the Composite Index, if applicable, is calculated and applied in determining the acceptability of a proposed Survey of Fees at any time;

- (iv) The method of determination of the intervals at which the Composite Index, if applicable, will be recalculated during the course of a year;
- (v) The frequency with which a member of the Sole Member is permitted to file a new Survey of Fees to replace a previously-approved Survey of Fees or a previously-submitted Survey of Fees that was not approved by the corporation;
- (vi) The method of determination of the amount of compensation paid to a dentist who is not a member of the Sole Member for service to one of the corporation's enrollees;
- (vii) The method of determination of the maximum fee that the corporation will pay to a dentist who is not a member of the Sole Member for a particular service; and
- (viii) The method of determination of the intervals at which the maximum fee for compensation of a dentist who is not a member of the Sole Member for a particular service will be recalculated.

(b) **Other Compensation Programs.** The PC Committee shall assume responsibility for, and thereafter undertake studies and make changes to, any other program of compensation to professional providers of services to the corporation's enrollees that may be adopted by the corporation and referred to the PC Committee by the Board of Directors. The PC Committee shall from time to time make such changes in the terms and conditions of the compensation program that the PC Committee believes will enable the corporation to obtain more favorable compensation terms from providers in the future for services provided to enrollees, taking into consideration the corporation's need to maintain and continue the size and composition of its active networks delivering those services, the quality of such services from the providers in the networks, and the degree of access to such providers for enrollees.

(c) **Sensitive Price Information.** The PC Committee shall have the authority to require changes to the methods and manner in which the corporation receives, processes, analyzes, distributes, disseminates and uses fee and claims information submitted by dentists who are members of the Sole Member and other dentists in order to ensure the strict confidentiality of all such information and, in particular, consistent with state and federal laws and regulations, take reasonable steps to ensure that such information shall not be intentionally or inadvertently made available to other providers.

(9) **Relation with Paid Assistants.** The President and CEO of the corporation and his or her staff shall report to and serve the PC Committee with respect to those

matters within its jurisdiction as if the PC Committee was the Board of Directors; provided, however, that the PC Committee shall have no authority to alter the terms of employment of the President and CEO or any staff person. The President and CEO and staff shall implement any change directed by the PC Committee in accordance with these provisions and shall provide to the PC Committee such information, analyses, recommendations and other data from the corporation's records as may be appropriate or useful to the PC Committee's activities.

(10) **Change in Contract Terms.** The corporation shall make no change in the terms of contracts with providers that establish or define the Filed Fee Program or any other program of compensation, without the prior consent of the PC Committee.

N. Attendance by Communications Equipment. At the discretion of the Chair, Members of the Board of Directors or any committee may participate in a meeting of such Board or committee by means of any communications equipment which enables all persons participating in the meeting to hear each other simultaneously during the meeting. Individuals who join meetings via communications equipment must attend all discussions of any item on which they vote. In addition, the provision will not be available if its use presents an undue administrative burden. A Director or committee member who participates by means of communications equipment is deemed to be present in person at the meeting.

O. Joint Meetings with Sole Member's Board. Meetings of the Board of Directors of this corporation may be held jointly or contemporaneously, with meetings of the Sole Member's board of directors, so long as the distinct matters considered and actions taken by each body are correctly and separately recorded in their separate minutes.

SECTION 2. MEMBER ADVISORY PANEL

A. General. There shall be a Member Advisory Panel consisting of ten (10) to fifteen (15) members of the Sole Member who are from time to time selected by the Board of Directors from a pool of candidates recommended by the Governance and Nominating Committee. No less than one (1) and no more than three (3) of the panel members must be Member Directors; each of the other individuals comprising the balance of the Member Advisory Panel must, at the time of his or her appointment thereto and during his or her term of service thereon, be a member in good standing of the Sole Member who is not a member of the Board of Directors. In recommending and appointing Member Directors or other individuals to serve on the Member Advisory Panel, the Governance and Nominating Committee and the Board of Directors shall also give due consideration to achieving a relative balance of geographic representation thereon. Individuals serving on the Member Advisory Panel must be willing to serve in such capacity, if so requested by the Board of Directors, for up to three (3) years, but shall remain at all times subject to replacement by the Board of Directors. The Member Advisory Panel shall meet at least three (3) times each year, on such dates and at such times and locations as may be designated by the Board of Directors, the Chair of the Board, or the President and CEO. A chair of the Member Advisory Panel shall be

selected and appointed by the Chair of the Board, from among the Member Directors from time to time serving on the Member Advisory Panel.

B. Duties and Authority. The Member Advisory Panel shall not be deemed to be a committee or other organ of the Board of Directors; and shall have no power or authority, delegated or otherwise, to make any decisions, take any actions or incur any obligations on behalf of the corporation. As such, individuals serving on the Member Advisory Panel shall not, solely by reason of such service, owe any fiduciary obligations to the corporation or its Sole Member. The Member Advisory Panel shall, however, perform the following functions in good faith:

- (a) identifying and recommending to the Governance and Nominating Committee potential candidates for nomination to be elected as Member Directors;
- (b) consulting with and advising the PC Committee on such matters within the scope of that committee's powers and duties as the chair of the PC Committee may request; and
- (c) consulting with and advising the Board of Directors with respect to the formulation of policies relating to dental procedures, claims processing and adjudication, and relations with the dental profession, to the extent requested to do so by the Chair of the Board.

SECTION 3. INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

A. Right to Indemnification. Each person who was, is or is threatened to be made a named party to or is otherwise involved (including, without limitation, as a witness) in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the corporation or served on the Member Advisory Panel of the corporation or, that being or having been such a director officer or an employee of the corporation, he or she is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, employee benefit plan or other enterprise (hereinafter an "indemnitee"), whether the basis of a proceeding is alleged action in an official capacity as such a director, officer, partner, trustee, employee, agent or panel member or in any other capacity while serving as such a director, officer, partner, trustee, employee, agent or panel member, shall be indemnified and held harmless by the corporation against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, partner, trustee, employee, agent or panel member and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Except as provided in Section 3.D. of this Article III with respect to proceedings seeking to enforce rights to indemnification, the corporation shall

indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if the proceeding (or part thereof) was authorized or ratified by the Board of Directors. The right to indemnification conferred in this Section 3.A. shall be a contract right.

- B. Restrictions on Indemnification.** No indemnification shall be provided to any such indemnitee for acts or omissions of the indemnitee finally adjudged to be intentional misconduct or a knowing violation of law, for conduct of the indemnitee finally adjudged to be in violation of Section 23B.08.310 of the Washington Business Corporation Act, for any transaction with respect to which it was finally adjudged that such indemnitee personally received a benefit in money, property or services to which the indemnitee was not legally entitled, or if the corporation is otherwise prohibited by applicable law from paying such indemnification, except that if Section 23B.08.560 or any successor provision of the Washington Business Corporation Act is hereafter amended, the restrictions on indemnification set forth in this Section 3.B. shall be as set forth in such amended statutory provision.
- C. Advancement of Expenses.** The right to indemnification conferred in Section 3.A. of this Article III shall include the right to be paid by the corporation the expenses incurred in defending any proceeding in advance of its final disposition (hereinafter an "advancement of expenses"). An advancement of expenses shall be made upon delivery to the corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 3.C.
- D. Right of Indemnitee to Bring Suit.** If a claim under Section 3.A. or 3.C. of this Article is not paid in full by the corporation within 60 days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part, in any such suit or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. The indemnitee shall be presumed to be entitled to indemnification under this Section 3. upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses, where the required undertaking has been tendered to the corporation), and, thereafter, the corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled.
- E. Procedures Exclusive.** Pursuant to Section 23B.08.560(2) or any successor provision of the Washington Business Corporation Act, the procedures for indemnification and advancement of expenses set forth in this Section 3. are in lieu of the procedures required by Section 23B.08.550 or any successor provision of the Washington Business Corporation Act.

- F. Nonexclusivity of Rights.** The right to indemnification and the advancement of expenses conferred in this Section 3 shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, provision of the Articles or the Bylaws of the corporation, by general or specific action of the Board of Directors, or by contract or otherwise.
- G. Insurance, Contracts and Funding.** The corporation may maintain insurance, at its expense, to protect itself and any director, officer, partner, trustee, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Washington Business Corporation Act. The corporation may enter into contracts with any director, officer, partner, trustee, employee or agent of the corporation in furtherance of the provisions of this Section 3 and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Section 3.
- H. Indemnification of Employees and Agents of the Corporation.** The corporation may, by action of the Board of Directors, grant rights to indemnification and advancement of expenses to employees and agents or any class or group of employees and agents of the corporation (a) with the same scope and effect as the provisions of this Section 3 with respect to the indemnification and advancement of expenses of directors and officers of the corporation, (b) pursuant to rights granted under, or provided by, the Washington Business Corporation Act, or (c) as are otherwise consistent with law.
- I. Persons Serving Other Entities.** Any person who, while a director, officer or employee of the corporation, is or was serving (a) as a director or officer of another foreign or domestic corporation of which a majority of the shares entitled to vote in the election of its directors is held by the corporation or (b) as a partner, trustee or otherwise in an executive or management capacity in a partnership, joint venture, limited liability company, trust or other enterprise of which the corporation or a wholly owned subsidiary of the corporation is a general partner or has a majority ownership shall be deemed to be so serving at the request of the corporation and entitled to indemnification and advancement of expenses under Sections 3.A. and 3.C. of this Article.

ARTICLE IV

OFFICERS

SECTION 1. OFFICERS

The officers of the corporation shall be a Chair of the Board, Vice Chair, Secretary, Treasurer and such other officers as the Board of Directors may appoint from time to time at its discretion. No person may hold more than one (1) such office in the corporation at the same time. The President and CEO may not be elected to the offices of Chair of the Board or Vice Chair.

SECTION 2. TERMS AND ELECTION

The Chair of the Board, Vice Chair, Secretary and Treasurer shall be elected by the Board of Directors from among the Directors then in office at the annual meeting of the Board. The intent is that the Chair of the Board will serve up to two one-year terms, although a third term may be added upon a determination by the Governance and Nominating Committee and by the Board of Directors that such is necessary to assure continuity or address other extraordinary circumstances. The intent is further that the Vice Chair shall succeed to the office of Chair of the Board at completion of the term(s) of the current Chair, or when that post becomes vacant by resignation or other reason. The term of each office shall be until the next annual meeting of the Board of Directors and the election and qualification of successor. If any office becomes vacant for any reason, the Board of Directors shall, by majority vote, elect a successor who shall hold office for the unexpired term. Any officer may be removed during the term of his/her office by a vote of two-thirds (2/3) of the Board of Directors.

SECTION 3. DUTIES OF OFFICERS

A. Chair of the Board. The Chair of the Board shall preside at all meetings of the membership and at all meetings of the Board of Directors. He/she shall be subject to the control and direction of the Board of Directors. The Chair of the Board shall be an ex-officio member of all standing and special committees except the Audit Committee and the Provider Compensation Committee. The Chair of the Board shall have such other and further powers and duties as may be prescribed for him/her by the Board of Directors or these Bylaws.

The Chair of the Board shall have responsibility for liaison with staff officers between meetings of the Board to insure Board policies are carried out.

B. Vice Chair. In the absence or disability of the Chair of the Board, the Vice Chair shall perform the duties of the Chair of the Board and all the responsibilities of the Chair of the Board. In addition, the Board of Directors may fix and assign such duties for the office of Vice Chair as in its discretion it deems advisable, and the Chair of the Board may sub-delegate to the Vice Chair such of his/her authority as he/she believes is in the best interest of continuity of the office. The Vice Chair shall be an ex-officio member of all standing and special committees except the Provider Compensation Committee. The Vice Chair shall have such other and further powers and duties as may be prescribed for him/her by the Board of Directors or these Bylaws.

The Vice Chair is intended to be the successor to the office of Chair of the Board when that post becomes vacant by resignation, completion of term(s), or any other reason.

C. Secretary.

- (1) **Minutes.** The Secretary shall keep, or cause to be kept, a complete book of the minutes at the principal office of the corporation of all meetings of the Directors and of the members together with all calls and notices upon which meetings were held, a roster of all members, including the applications for membership of each member, and a record of payment or nonpayment of fees and assessments.

- (2) **Notices.** The Secretary shall give, or cause to be given, the notice of all meetings of membership as directed by these Bylaws and also notice of all annual, regular and special meetings of the Board of Directors of the corporation as directed by the Board, the Chair of the Board, or other officers authorized to call such meetings.

D. Treasurer. Subject to the direction and control of the Board of Directors, the Treasurer shall have the care and custody of and be responsible for all funds and investments of the corporation and shall cause to be kept regular books of account. Such books shall be kept current and shall be open to inspection by any officer or Director of the corporation. The Treasurer shall cause to be deposited all funds and other valuable effects in the name of the corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall cause to be prepared and shall submit a financial report at the annual meeting of the members and, in general, shall perform all of the duties incident to the office of the Treasurer.

ARTICLE V

PAID ASSISTANTS

SECTION 1. GENERAL

The Board is authorized to engage on behalf of the corporation all necessary employees and assistants, including certified public accountants, attorneys-at-law, and others in advancement of the affairs of the corporation. The Board shall have authority to arrange with such employees, assistants, certified public accountants and attorneys-at-law for payment by the corporation for their services.

SECTION 2. PRESIDENT AND CEO

The Board of Directors shall appoint, as President and chief executive officer of the corporation, the same individual who is at any given time appointed by the Sole Member's board of directors to serve as the president and chief executive officer of the Sole Member. He/she shall have general supervision, direction and control of the affairs of the corporation and its staff officers subject to the policies established by the Board of Directors and its Chair of the Board. He/she shall be a full-time employee of the Sole Member and the corporation and need not be a dental licentiate of the State of Washington.

ARTICLE VI

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

SECTION 1. CONTRACTS

The Board of Directors may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 2. CHECK, DRAFTS, ETC.

All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board, such instruments shall be signed by the Treasurer or his/her staff designee, and countersigned by the Chair of the Board or the President and CEO of the corporation.

SECTION 3. DEPOSITS AND INVESTMENTS

All funds of the corporation shall be deposited or invested in a timely fashion to the credit of the corporation in such banks, trust companies or other depositories and investment vehicles as the Board of Directors may select.

SECTION 4. GIFTS

The Board of Directors may accept on behalf of the corporation any contribution, gift, bequest or device for the general purposes or for any special purpose of the corporation.

ARTICLE VII

BOOKS AND RECORDS

The corporation shall keep correct and complete books of record and account and shall also keep minutes of the proceedings of its members and Board of Directors and shall keep at its registered or principal office a record giving the names and addresses of the members entitled to vote at any membership meetings. All such books and records of the corporation may be inspected by any member or his or her agent or attorney, for any proper purpose at any reasonable time upon reasonable advance notice.

ARTICLE VIII

WAIVER OF NOTICE

Wherever any notice is required to be given under the provisions of the applicable corporations law, or under the provisions of the articles of incorporation or these Bylaws, a waiver of such notice in the form of a record executed by the person or persons entitled to such notice, whether before or after the time stated in the notice, shall be deemed equivalent to the giving of such notice.

ARTICLE IX

CHANGES IN BYLAWS

These Bylaws may be amended or repealed by the vote of the Sole Member at a meeting or by assent of the Sole Member in the form of a record, provided that, any amendment or repeal of Sections 1.B, 1.D, 1.K, 1.L.2.b or 1.M of Article III, and any adoption of any Bylaw provision

that would subject the Independent Directors to rights, privileges, liabilities and duties different from those of other directors hereunder, shall, in addition, require the approval of at least a majority of the Independent Directors then in office.

ARTICLE X

DISSOLUTION OF CORPORATION

Approval by the Sole Member is required for voluntary dissolution pursuant to applicable corporations law. Any assets remaining after payment of all just obligations of the corporation shall be distributed in accordance with the corporation's Articles of Incorporation.

ARTICLE XI

CONFLICT

Should any of these Bylaws be in conflict with any statutes, codes, rulings, or the Constitution of the State of Washington or of the United States of America, the particular section or part of any section shall become immediately inoperative. However, should any such conflict of any part of these Bylaws be declared, it shall not render the other Bylaws inoperative or void.

ARTICLE XII

ELECTRONIC TRANSMISSIONS

Notice to the Sole Member or to directors in electronic transmission is effective only with respect to members and directors who have consented, in the form of a record, to receive electronically transmitted notices and have designated the message format accessible to the member or director, and the address, location or system to which these notices may be electronically transmitted. The Sole Member or any director who has consented to receive electronically transmitted notices may revoke the consent by delivering a revocation to the corporation in the form of a record. The consent of the Sole Member or any such director is revoked if the corporation is unable to electronically transmit two consecutive notices given by the corporation in accordance with the consent.

ARTICLE XIII

TRANSITION

SECTION 1. EFFECTIVE DATE

The adoption of these amended and restated Bylaws is hereby made effective as of February 8, 2013.

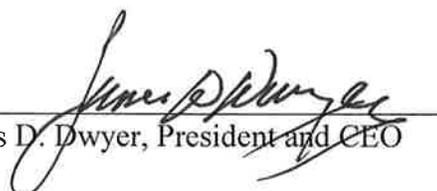
By 
James D. Dwyer, President and CEO

EXHIBIT C

**AMENDED AND RESTATED
BYLAWS OF DD OF WASHINGTON**

**ARTICLE I
MEMBERSHIP**

SECTION 1. GENERAL.

This corporation will have no members until such time as it has acquired control of Washington Dental Service (“referred to as “Former WDS” since its corporate name will be changed contemporaneously to “Delta Dental of Washington”). Effective immediately upon such acquisition of control of Former WDS (the “Reorganization”), all individuals who were members in good standing of Former WDS at the time of the Reorganization shall automatically (and without the necessity of any further action by such individual or this corporation) become members of this corporation. After the Reorganization, any dentist duly licensed by the State of Washington to engage in the practice of dentistry in this state and who is actively practicing dentistry and who executes a service contract with Former WDS shall be eligible for membership in this corporation.

Applications for membership shall be made on a form approved by the corporation. The corporation shall accept or reject all applications.

Upon approval of the application, the dentist shall be obligated to provide services under group dental care contracts and other contracts issued or approved by Former WDS or this corporation. Members shall have no interest in the property of the corporation. A membership is not transferable or assignable.

When used throughout these bylaws, the word "member" shall mean a person holding a membership in this corporation, unless otherwise provided.

SECTION 2. RESIGNATION.

A member may resign his or her membership by giving thirty (30) days advance written notice to the corporation through its Secretary.

SECTION 3. TERMINATION.

- A.** Membership in this corporation shall terminate upon the retirement from active practice or the death of the member dentist or when a member's Washington State Dentistry License is forfeited, suspended, revoked, surrendered or not renewed.
- B.** Membership in this corporation may be terminated for any one of the following grounds which constitute “not in good standing:”

- (1) Violation of any state or federal law or regulation relating to the practice of dentistry or the reimbursement of dental services.
- (2) Unprofessional conduct as defined by the laws of the state of Washington or by regulations adopted pursuant to the Washington Administrative Code.
- (3) Submission to Former WDS or this corporation of a false claim or claims as defined by state or federal laws or regulations.
- (4) Aiding or abetting the submission of a false claim or claims to Former WDS or this corporation.
- (5) Willful violation of any material obligation of the member under a contract entered into by Former WDS or this corporation.
- (6) Failure to render professional services in accordance with the standards of dentistry in the member's area.
- (7) Failure to comply with Former WDS's or this corporation's Member Dentist Rules and Regulations, or with the Member Dentist Agreement or any other agreement between the member and Former WDS or this corporation.

SECTION 4. NOTICE OF TERMINATION AND HEARING PROCEDURES.

- A.** Termination of membership pursuant to Article I, Section 3(A) of these Bylaws shall be automatic and without hearing upon receipt by the corporation of notification that a member's Washington State Dentistry License has been forfeited, suspended, revoked, surrendered or not renewed by the State of Washington.
- B.** Upon receipt of any evidence of one or more of the grounds for termination of a membership described in Article I, Section 3(B) of these Bylaws, the President and CEO, with the concurrence of the Chair of the Board or the Chair's designee or designees, may order such membership terminated. The President and CEO shall notify the member of his/her action in writing by certified mail to the address shown on the records of the corporation. The action of the President and CEO shall be final unless written notice of appeal is received by the corporation within thirty (30) days of the date of the President and CEO's order. An appeal shall be conducted in accordance with the corporation's Member Dentist Rules and Regulations (which, in the absence of separate Rules and Regulations being adopted by this corporation, shall be deemed to be the same as Former WDS's Member Dentist Rules and Regulations).

ARTICLE II

MEMBERSHIP MEETINGS

SECTION 1. ANNUAL MEETINGS.

An annual meeting of the members of the corporation shall be held on the second Friday in November and at a time designated by the Board, the Chair or the President and CEO. If the Board determines that for good cause, the meeting cannot be held on the second Friday in November, the meeting shall be held as soon thereafter as practicable. Notice, in the form of a record, in a tangible medium, or in an electronic transmission, stating the date, time, and place of each annual meeting shall be given to each member of record in good standing on the date of such notice, and such notice shall be given not less than thirty (30) nor more than fifty (50) days in advance by the Secretary. The notice may be accompanied by materials pertinent to the annual meeting, such as bios of director candidates, but shall not be contained within another publication.

The notice shall include an agenda that lists the matters to be discussed at the meeting. Such additional matters as may be requested by a written petition signed by at least twenty-five (25) members, or a majority of the members who practice in a given component dental society geographic area, whichever is smaller, and presented to the Secretary at least twenty (20) days prior to the meeting shall also be included on the agenda. At the discretion of the Chair, items may be added to the agenda at any time. No business shall be transacted during an annual meeting unless it was placed on the agenda by the Chair of the Board or by a duly filed petition.

SECTION 2. SPECIAL MEETINGS.

Special meetings of the members of this corporation may be held at the principal place of business or such other convenient place as may be designated by the Board of Directors. Special meetings may be called by a vote of a majority of the total Board of Directors or by a petition signed by at least ten percent (10%) of the members of the corporation. Any such call or petition for a special meeting of the members must contain a description of the item or items to be discussed at that meeting.

Within thirty (30) days of a call by the Board of Directors or the receipt of a petition, the Secretary shall give not less than thirty (30) nor more than fifty (50) days' notice in the form of a record, in a tangible medium, or in an electronic transmission, stating the time, date, place and agenda items for any special meeting to each member of record in good standing on the date of such notice. Time shall be computed by excluding the first and including the last day of such notice. Personal delivery of the notice of the meeting or deposit of the same in the United States mail, with postage thereon fully prepaid, addressed to a member at the last address given the Secretary of the corporation, shall constitute due notice.

SECTION 3. LOCATION

The annual meeting and any special meeting of the members shall be held within 20 miles of the corporation's principal office in a venue large enough to accommodate at least twenty-five percent (25%) of the members of the corporation in the meeting room.

SECTION 4. QUORUM, MANNER OF ACTING, AND VOTING.

Ten percent (10%) of the members in good standing of the corporation of record on the date of notice of the meeting shall constitute a quorum at an annual or a special meeting of the members, which may be satisfied by attendance in person or by proxy.

A majority of the votes entitled to be cast on a matter to be voted upon by the members present at a meeting (in person or by proxy) at which a quorum is present shall be necessary for the adoption thereof unless a greater proportion is required by law or by these Bylaws.

Each member shall be entitled to one (1) vote on each matter submitted to a vote of the membership at an annual or special meeting. Cumulative voting shall not be allowed. Members may vote by proxy, and the corporation shall send a proxy form with the notice of meeting that permits a member to designate a member of the Board or another member of the corporation as proxy for all or limited purposes.

SECTION 5. PARLIAMENTARY PROCEDURE.

Meetings of the members of the corporation shall be governed by parliamentary procedure as set forth in the current edition of Robert's Rules of Order.

ARTICLE III

[intentionally left vacant]

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. BOARD OF DIRECTORS.

A. General Powers. The affairs of the corporation shall be managed by its Board of Directors.

B. Size, Composition, Qualifications, Terms, Nomination and Election.

- (1) **Size and Composition.** The Board of Directors shall consist of at least nine (9) but no more than thirteen (13) Directors. The number of Directors may at any time be increased or decreased within this range by the Board of Directors, but no decrease shall have the effect of shortening the term of any incumbent director. Independent Directors shall at all times after January 1, 2012 comprise a majority of incumbent Directors.

(2) **Qualifications.** The Board of Directors shall comprise three different categories of Directors, with the following qualifications:

- (a) **Independent Directors.** Each Independent Director must, when elected and during his or her term of office: (i) satisfy the definition for an “independent” member of a governing body set forth in the instructions to Internal Revenue Service Form 990 (as it may be amended from time to time) or such other IRS definition of independence as Delta Dental Plans Association may from time to time reference in connection with its membership standards; (ii) not be the President and CEO or otherwise an employee of the Corporation; (iii) not be a member of the corporation, nor an individual with a D.D.S. or D.M.D. degree; and (iv) not have a financial interest in any dental care organization.
- (b) **Member Directors.** Each Member Director must, when elected and during his or her term of office, be a member of the corporation; and shall forfeit his or her office as a Director upon loss of his or her membership in the corporation under Section 3 of Article I of these Bylaws.
- (c) **Ex Officio Director.** The President and CEO shall, by virtue of holding such office, automatically be a member of the Board of Directors for the period that he or she holds such office.

(3) **Terms, Classifications, Term Limits.**

- (a) **Standard Terms.** Except in situations where shorter terms are expressly permitted under these Bylaws, each Independent Director and Member Director shall be elected to serve a term of three (3) years commencing at the next meeting of the Board of Directors following his or her election.
- (b) **Classified Director Terms; Transitional Terms.** Independent Directors and Member Directors shall, as a group, be divided into three (3) classes and, after January 1, 2012, each such class shall be as equal in number to the others as possible. The Directors within each such class shall all serve terms that expire in the same year, and the expiration of the terms of Directors in the three (3) different classes shall occur in three (3) successive years. A Director elected to fill the seat of a Director whose term has expired or whose seat has become vacant for any reason shall be elected to the same class of Directors to which the predecessor belonged. The Board of Directors shall have authority to designate the members of such classes and their respective terms, and may from time to time prescribe terms of less than three (3) years for particular Independent Directors or Member Director nominees to the extent it considers such shortened terms to be reasonably necessary to achieve or maintain the required balance of classified terms among the Directors; provided, that no action by the Board of Directors under this Section 1.B.3.b shall have the

effect of shortening the term of any previously elected Independent Director or Member Director.

- (c) **Term Limits.** Each Independent Director and Member Director ordinarily may serve no more than three (3) full terms consecutively, exclusive of time served to complete the term of a previous Director. However, a Director may be nominated and elected to an additional term of one, two or three years following the Director's completion of three (3) consecutive full terms if the Governance and Nominating Committee and the Board of Directors determine that such is necessary to assure continuity on the Board of Directors.

(4) **Nomination and Election of Directors.**

- (a) **Independent Directors.** The Independent Directors shall be nominated by a majority of the Independent Directors who are members of the Governance and Nominating Committee, and a nomination by such majority shall be deemed to be a nomination by such committee. The Governance and Nominating Committee shall submit its recommended slate of such nominees to the Board of Directors at least sixty (60) days prior to the Board of Directors' annual meeting preceding the end of the term of the incumbent Independent Director(s). The Board of Directors shall at such meeting, by a majority vote of those Independent Directors whose terms are not expiring, elect at least one nominee from the Governance and Nominating Committee's slate for the seat of each Independent Director whose term is then expiring (unless the Board of Directors has resolved to reduce the overall size of the Board of Directors under Section 1.B.1 of this Article IV).
- (b) **Member Directors.** The Member Directors shall be nominated by the Governance and Nominating Committee, which shall submit its recommended slate of such nominees to the Board of Directors at least sixty (60) days prior to the Board of Directors' annual meeting preceding the end of the term of the incumbent Member Director(s). The Board of Directors shall at such meeting select at least one nominee from the Governance and Nominating Committee's slate for the seat of each Member Director whose term is then expiring (unless the Board of Directors has resolved to reduce the overall size of the Board of Directors under Section 1.B.1 of this Article IV), and shall then direct the Secretary of the corporation to submit such nominees to the members for election pursuant to Section 4 of Article II of these Bylaws.
- (c) **President and CEO.** The President and CEO shall automatically be a member of the Board of Directors, and is not required to be elected or reelected.

C. Powers and Duties of the Board of Directors. Subject to the limitations contained in the Articles of Incorporation, these Bylaws and the nonprofit corporation laws applicable to this corporation, all corporate powers shall be exercised by or under the authority of the Board of Directors including, but without limitation, the following:

- (1) To select and remove the President and CEO of the corporation, prescribe his/her authority and duties, and fix his/her compensation.
- (2) To nominate Member Director candidates for election by the members in accordance with these Bylaws, and, by majority vote of the Independent Directors whose terms are not expiring, to elect Independent Directors in accordance with these Bylaws.
- (3) To conduct, manage and control the property and business of the corporation, and to make such rules and regulations therefor, as they may deem best advised.
- (4) To fix the address of the principal office for the transaction of business of the corporation within the State of Washington and to fix and locate from time to time such subsidiary offices of the corporation as they may deem necessary or convenient for transaction of the affairs of the corporation.
- (5) To call membership meetings both regular and special, and to determine what matters shall be submitted to such meetings on behalf of the Board of Directors.
- (6) To borrow money and incur indebtedness for the purpose of the corporation, and to cause to be executed and delivered therefor in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecation of other evidence of debt and security therefor.
- (7) To set fees for service on the Board of Directors in accordance with these Bylaws.

D. Vacancies. As soon as practical after a vacancy in a Member Director (including a vacancy occurring as described in Section 4 of Article II of these Bylaws) or an Independent Director position on the Board of Directors occurs, the Board of Directors shall elect a successor to serve the unexpired term of the original Member Director, or a majority of the Independent Directors shall elect a successor to serve the unexpired term of the original Independent Director.

E. Meetings. The annual meeting of the Board of Directors shall be held annually on a date and at a time and location determined by the Board of Directors.

Regular meetings of the Board of Directors shall be held according to a schedule approved in advance by the Directors, but not less than once per calendar quarter unless an affirmative vote of 75% of the directors eliminates a meeting. No particular notice of a regular meeting is required.

Special meetings of the Board of Directors may be called by the Chair of the Board or by a majority vote of all directors. Notice of the date, time and place of such special meeting shall be furnished to each director not less than fifteen (15) days before the time of the meeting. Meetings of the Board of Directors shall be held at the principal office of the corporation or at any other convenient place determined by the Board of Directors.

Regardless of how called, a consent in the form of a record of all of the members of the Board of Directors to the holding of a meeting of the Board of Directors filed with the minutes of the meeting shall constitute sufficient call and notice of any meeting of the Board of Directors. A meeting so held shall have the same force and effect as if the meeting were regularly called upon notice as herein above provided.

A director will be subject to removal if he or she fails to attend at least seventy-five percent (75%) of the directors' meetings during each calendar year, unless excused by the Chair of the Board at his/her discretion.

F. Action by Consent in Lieu of Board Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors execute a consent in the form of a record that describes the action to be taken. Such consent shall be filed with the minutes of the proceedings of the Board of Directors. Such action approved by consent shall have the same force and effect as a unanimous vote of the directors at a meeting duly held upon proper notice and may be described as such in any record. An action taken by consent shall be effective when the last director executes the consent, unless the consent specified a later effective date.

G. Quorum, Manner of Acting and Voting. A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business of any meeting of the Board of Directors, except that a majority of the Independent Directors whose terms are not expiring shall constitute a quorum for the election of Independent Directors in accordance with these Bylaws.

The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by law or by these Bylaws; provided, the approval of a majority of the Independent Directors whose terms are not expiring shall be required in order to elect an Independent Director in accordance with these Bylaws.

Each Director shall have one (1) vote except the Chair of the Board, who shall only vote in case of a tie. Proxies will not be allowed.

H. Fees and Compensation. Directors, as such, and officers of the corporation appointed pursuant to Article V shall not receive any salary for their services, but shall receive reimbursement for expenses of attending any meetings of the Board of Directors and a reasonable fee to reimburse directors for the time spent attending those meetings. This fee shall be set taking into consideration prevailing industry practices and may be changed from time to time by the vote or written assent of a majority of the Board of Directors.

- I. Parliamentary Procedure.** Meetings of the Board of Directors shall be governed by parliamentary procedure as set forth in the current edition of Robert's Rules of Order.
- J. Reserves.** The Board of Directors may establish a revolving or reserve fund or funds to cover contingent obligations for paying for dental services and anticipated future needs of the corporation which are reasonably likely to occur. The Directors, in their discretion, shall invest or cause to be invested so much of such funds in securities or other investments consistent with applicable laws of the State of Washington as the directors determine to be in the best interest of the corporation.
- K. Removal of Director.** At a meeting duly called, either a Member Director or an Independent Director of this corporation may be removed from office for cause by, respectively, a two-thirds (2/3) affirmative vote of the other Member Directors then serving on the Board of Directors or of the other Independent Directors then serving on the Board of Directors. The call for such a meeting must state with reasonable specificity the cause(s) for removal. Cause for removal shall consist of a director's willful or negligent disregard of the duties assigned to him/her by law, by these Bylaws, or by the Board of Directors; breach of fiduciary duty as a director; and failure to timely disclose to the Board of Directors any conflict of interest involving the director and the corporation or any action of the corporation. In addition, termination of the membership of a Member Director pursuant to Article I shall also operate to remove him or her from office as a Member Director, without further action by the Board of Directors.
- L. Standing and Special Committees.**
- (1) **General.** Standing or special committees to facilitate the conduct and effectiveness of the Board of Directors, but not having or exercising the authority of the Board of Directors in the management of the corporation, may be established in such a manner as may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. The Board of Directors shall appoint members of any standing or special committee except for the Independent Directors on the Provider Compensation Committee. Any member of such a committee may be removed by the person or persons authorized to appoint him/her whenever in their judgment the best interests of the corporation would be served by such removal.
- (2) **Standing Committees** shall include the Audit Committee, the Governance and Nominating Committee and the Human Resources and Compensation Committee.
- (a) **Audit Committee** shall assist the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of the financial statements of the company, of the company's compliance with legal and regulatory requirements, of the independence and qualifications of the independent auditor, and of the performance of the company's internal audit function and independent auditors. The Audit Committee will be comprised of three or more members as determined by the Board of Directors. Committee members may be removed by the Board of

Directors at its discretion. A majority of the committee shall consist of independent members who shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the committee. No person who is a member dentist or has business dealings as a vendor or business partner of the company may be regarded as an independent member of the committee. All members of the committee shall have or obtain a sufficient familiarity with basic finance and accounting practices to allow them to discharge their responsibilities and at least one member shall be a financial expert. The Audit Committee shall be directly responsible for the appointment, compensation and oversight of the accounting firm conducting the annual audit of the corporation, and shall meet at least annually with the accounting firm and report its findings and recommendations to the Board of Directors.

- (b) **Governance and Nominating Committee** shall be comprised of at least five (5) members, including the Chair of the Board, as well as at least one of the other officers of the Board of Directors and such other additional directors as may be appointed by the Board of Directors. At least three Independent Directors must be members of the Governance and Nominating Committee at any given time. Members of the committee will be excluded from discussing and voting for their own nominations. The Governance and Nominating Committee (or the Independent Directors on the Committee) shall perform the functions described for it in Sections 1.B.4 of Article IV of these Bylaws and assist the Board of Directors by developing and recommending changes in the governance structure and processes that will improve board effectiveness.
 - (c) **Human Resources and Compensation Committee** shall be comprised of non-management members of the Board of Directors and shall assist the Board of Directors in fulfilling its oversight responsibilities by formulating policy recommendations in such areas as compensation and benefits as specifically referred to the committee by the Board. The Human Resources and Compensation Committee shall periodically receive management updates on the corporation's human resources programs. The committee shall ensure that the senior executives of the corporation are compensated effectively in a manner consistent with the stated strategy of the corporation, competitive practices in the marketplace, any internal equity considerations, and any applicable legal or regulatory requirements. The committee also shall ensure the existence of an operative leadership succession plan that will perpetuate an effective management team for the corporation.
- (3) **Special Committees.** The Board of Directors may establish from time to time, special committees to aid them in managing the affairs of the corporation.

- (4) **Term of Office.** Each member of a standing committee shall continue as such until the next annual meeting of the Directors of the corporation and until a successor is appointed, unless these Bylaws provide otherwise, or unless the committee shall be terminated sooner, or unless such member be removed from the committee, or unless the member shall cease to qualify as a member of the committee.
- (5) **Chair.** One member of each committee shall be appointed chair by the person or persons authorized to appoint the members of that committee, except as otherwise provided in these Bylaws. All standing committees shall have a director as chair of the committee at all times unless otherwise directed by the Chair of the Board, in consultation with the President and CEO, because of unusual circumstances.
- (6) **Vacancies.** Vacancies in the membership of a committee may be filled by appointments made in the same manner as provided in the case of the original appointment. This action will be initiated within thirty (30) days of notification of a vacancy by the Chair of the Board or the President and CEO.
- (7) **Quorum.** Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.
- (8) **Rules.** Each committee may adopt rules for its own governance not inconsistent with these Bylaws or with rules adopted by the Board of Directors.

M. Attendance by Communications Equipment. At the discretion of the Chair, Members of the Board of Directors or any committee may participate in a meeting of such Board or committee by means of any communications equipment which enables all persons participating in the meeting to hear each other simultaneously during the meeting. Individuals who join meetings via communications equipment must attend all discussions of any item on which they vote. In addition, the provision will not be available if its use presents an undue administrative burden. A Director or committee member who participates by means of communications equipment is deemed to be present in person at the meeting.

N. Joint Meetings with the Former WDS Board. Meetings of the Board of Directors of this corporation may be held jointly or contemporaneously with meetings of the Former WDS board of directors, so long as the distinct matters considered and actions taken by each body are correctly and separately recorded in their separate minutes.

SECTION 2. INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

A. Right to Indemnification. Each person who was, is or is threatened to be made a named party to or is otherwise involved (including, without limitation, as a witness) in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or

informal (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the corporation or, that being or having been such a director officer or an employee of the corporation, he or she is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, employee benefit plan or other enterprise (hereinafter an "indemnitee"), whether the basis of a proceeding is alleged action in an official capacity as such a director, officer, partner, trustee, employee, agent or in any other capacity while serving as such a director, officer, partner, trustee, employee or agent shall be indemnified and held harmless by the corporation against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, partner, trustee, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Except as provided in Section 3.D. of this Article IV with respect to proceedings seeking to enforce rights to indemnification, the corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if the proceeding (or part thereof) was authorized or ratified by the Board of Directors. The right to indemnification conferred in this Section 2.A. shall be a contract right.

- B. Restrictions on Indemnification.** No indemnification shall be provided to any such indemnitee for acts or omissions of the indemnitee finally adjudged to be intentional misconduct or a knowing violation of law, for conduct of the indemnitee finally adjudged to be in violation of Section 23B.08.310 of the Washington Business Corporation Act, for any transaction with respect to which it was finally adjudged that such indemnitee personally received a benefit in money, property or services to which the indemnitee was not legally entitled, or if the corporation is otherwise prohibited by applicable law from paying such indemnification, except that if Section 23B.08.560 or any successor provision of the Washington Business Corporation Act is hereafter amended, the restrictions on indemnification set forth in this Section 2.B. shall be as set forth in such amended statutory provision.
- C. Advancement of Expenses.** The right to indemnification conferred in Section 2.A. of this Article IV shall include the right to be paid by the corporation the expenses incurred in defending any proceeding in advance of its final disposition (hereinafter an "advancement of expenses"). An advancement of expenses shall be made upon delivery to the corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Section 2.C.

- D. Right of Indemnitee to Bring Suit.** If a claim under Section 2.A .or 2.C. of this Article is not paid in full by the corporation within 60 days after a written claim has been received by the corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the indemnitee may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim. If successful in whole or in part, in any such suit or in a suit brought by the corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. The indemnitee shall be presumed to be entitled to indemnification under this Section 2. upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses, where the required undertaking has been tendered to the corporation), and, thereafter, the corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled.
- E. Procedures Exclusive.** Pursuant to Section 23B.08.560(2) or any successor provision of the Washington Business Corporation Act, the procedures for indemnification and advancement of expenses set forth in this Section 2. are in lieu of the procedures required by Section 23B.08.550 or any successor provision of the Washington Business Corporation Act.
- F. Nonexclusivity of Rights.** The right to indemnification and the advancement of expenses conferred in this Section 2 shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, provision of the Articles or the Bylaws of the corporation, by general or specific action of the Board of Directors, or by contract or otherwise.
- G. Insurance, Contracts and Funding.** The corporation may maintain insurance, at its expense, to protect itself and any director, officer, partner, trustee, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Washington Business Corporation Act. The corporation may enter into contracts with any director, officer, partner, trustee, employee or agent of the corporation in furtherance of the provisions of this Section 2 and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Section 2.
- H. Indemnification of Employees and Agents of the Corporation.** The corporation may, by action of the Board of Directors, grant rights to indemnification and advancement of expenses to employees and agents or any class or group of employees and agents of the corporation (a) with the same scope and effect as the provisions of this Section 2 with respect to the indemnification and advancement of expenses of directors and officers of the corporation,

(b) pursuant to rights granted under, or provided by, the Washington Business Corporation Act, or (c) as are otherwise consistent with law.

- I. Persons Serving Other Entities.** Any person who, while a director, officer or employee of the corporation, is or was serving (a) as a director or officer of another foreign or domestic corporation of which a majority of the shares entitled to vote in the election of its directors is held by the corporation or (b) as a partner, trustee or otherwise in an executive or management capacity in a partnership, joint venture, limited liability company, trust or other enterprise of which the corporation or a wholly owned subsidiary of the corporation is a general partner or has a majority ownership shall be deemed to be so serving at the request of the corporation and entitled to indemnification and advancement of expenses under Sections 2.A. and 2.C. of this Article.

ARTICLE V

OFFICERS

SECTION 1. OFFICERS.

The officers of the corporation shall be a Chair of the Board, Vice Chair, Secretary, Treasurer and such other officers as the Board of Directors may appoint from time to time at its discretion. No person may hold more than one (1) such office in the corporation at the same time. The President and CEO may not be elected to the offices of Chair of the Board or Vice Chair.

SECTION 2. TERMS AND ELECTION.

The Chair of the Board, Vice Chair, Secretary and Treasurer shall be elected by the Board of Directors from among the Directors then in office at the annual meeting of the Board. The intent is that the Chair of the Board will serve up to two one-year terms, although a third term may be added upon a determination by the Governance and Nominating Committee and by the Board of Directors that such is necessary to assure continuity or address other extraordinary circumstances. The intent is further that the Vice Chair shall succeed to the office of Chair of the Board at completion of the term(s) of the current Chair, or when that post becomes vacant by resignation or other reason. The term of each office shall be until the next annual meeting of the Board of Directors and the election and qualification of successor. If any office becomes vacant for any reason, the Board of Directors shall, by majority vote, elect a successor who shall hold office for the unexpired term. Any officer may be removed during the term of his/her office by a vote of two-thirds (2/3) of the Board of Directors.

SECTION 3. DUTIES OF OFFICERS.

A. Chair of the Board. The Chair of the Board shall preside at all meetings of the membership and at all meetings of the Board of Directors. He/she shall be subject to the control and direction of the Board of Directors. The Chair of the Board shall be an ex-officio member of all standing and special committees except the Audit Committee. The Chair of the Board shall

have such other and further powers and duties as may be prescribed for him/her by the Board of Directors or these Bylaws.

The Chair of the Board shall have responsibility for liaison with staff officers between meetings of the Board to insure Board policies are carried out.

B. Vice Chair. In the absence or disability of the Chair of the Board, the Vice Chair shall perform the duties of the Chair of the Board and all the responsibilities of the Chair of the Board. In addition, the Board of Directors may fix and assign such duties for the office of Vice Chair as in its discretion it deems advisable, and the Chair of the Board may sub-delegate to the Vice Chair such of his/her authority as he/she believes is in the best interest of continuity of the office. The Vice Chair shall be an ex-officio member of all standing and special committees. The Vice Chair shall have such other and further powers and duties as may be prescribed for him/her by the Board of Directors or these Bylaws.

The Vice Chair is intended to be the successor to the office of Chair of the Board when that post becomes vacant by resignation, completion of term(s), or any other reason.

C. Secretary.

- (1) **Minutes.** The Secretary shall keep, or cause to be kept, a complete book of the minutes at the principal office of the corporation of all meetings of the Directors and of the members together with all calls and notices upon which meetings were held, a roster of all members, including the applications for membership of each member, and a record of payment or nonpayment of fees and assessments.
- (2) **Notices.** The Secretary shall give, or cause to be given, the notice of all meetings of membership as directed by these Bylaws and also notice of all annual, regular and special meetings of the Board of Directors of the corporation as directed by the Board, the Chair of the Board, or other officers authorized to call such meetings.

D. Treasurer. Subject to the direction and control of the Board of Directors, the Treasurer shall have the care and custody of and be responsible for all funds and investments of the corporation and shall cause to be kept regular books of account. Such books shall be kept current and shall be open to inspection by any officer or Director of the corporation. The Treasurer shall cause to be deposited all funds and other valuable effects in the name of the corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall cause to be prepared and shall submit a financial report at the annual meeting of the members and, in general, shall perform all of the duties incident to the office of the Treasurer.

ARTICLE VI

PAID ASSISTANTS

SECTION 1. GENERAL.

The Board is authorized to engage on behalf of the corporation all necessary employees and assistants, including certified public accountants, attorneys-at-law, and others in advancement of the affairs of the corporation. The Board shall have authority to arrange with such employees, assistants, certified public accountants and attorneys-at-law for payment by the corporation for their services.

SECTION 2. PRESIDENT AND CEO.

The Board of Directors shall appoint a President, who shall be the chief executive officer of the corporation. He/she shall have general supervision, direction and control of the affairs of the corporation and its staff officers subject to the policies established by the Board of Directors and its Chair of the Board. He/she shall be a full-time employee of the corporation and **Former WDS** and need not be a dental licentiate of the State of Washington.

ARTICLE VII

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

SECTION 1. CONTRACTS.

The Board of Directors may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 2. CHECK, DRAFTS, ETC.

All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board, such instruments shall be signed by the Treasurer or his/her staff designee, and countersigned by the Chair of the Board or the President and CEO of the corporation.

SECTION 3. DEPOSITS AND INVESTMENTS.

All funds of the corporation shall be deposited or invested in a timely fashion to the credit of the corporation in such banks, trust companies or other depositories and investment vehicles as the Board of Directors may select.

SECTION 4. GIFTS.

The Board of Directors may accept on behalf of the corporation any contribution, gift, bequest or device for the general purposes or for any special purpose of the corporation.

ARTICLE VIII

BOOKS AND RECORDS

The corporation shall keep correct and complete books of record and account and shall also keep minutes of the proceedings of its members and Board of Directors and shall keep at its registered or principal office a record giving the names and addresses of the members entitled to vote at any membership meetings. All such books and records of the corporation may be inspected by any member or his or her agent or attorney, for any proper purpose at any reasonable time upon reasonable advance notice.

ARTICLE IX

WAIVER OF NOTICE

Wherever any notice is required to be given under the provisions of the Washington State Nonprofit Corporation Act, or under the provisions of the articles of incorporation or these Bylaws, a waiver of such notice in the form of a record executed by the person or persons entitled to such notice, whether before or after the time stated in the notice, shall be deemed equivalent to the giving of such notice.

ARTICLE X

CHANGES IN BYLAWS

These Bylaws may be amended or repealed by the vote of two thirds of the votes entitled to be cast by the members present in person or by proxy at an annual or special meeting of the members, provided that the proposed amendment or revision shall have been delivered to each member of this corporation along with the notice of meeting. Notwithstanding the foregoing, further non-material technical amendments to the proposed amendment or revision may be introduced on the floor of the meeting without the need to adjourn the meeting and provide a new notice. In addition, any amendment or repeal of Sections 1.B, 1.D, 1.G, 1.K or 1.L.2.b of Article IV, and any adoption of any Bylaw provision that would subject the Independent Directors to rights, privileges, liabilities and duties different from those of other directors hereunder, shall, in addition, require the approval of at least a majority of the Independent Directors then in office.

ARTICLE XI

DISSOLUTION OF CORPORATION

Approval by the members, in a manner provided in these Bylaws, is required for voluntary dissolution pursuant to applicable corporate laws. Any assets remaining after payment of all just obligations of the corporation shall be distributed in accordance with the corporation's Articles of Incorporation.

ARTICLE XII

CONFLICT

Should any of these Bylaws be in conflict with any statutes, codes, rulings, or the Constitution of the State of Washington or of the United States of America, the particular section or part of any section shall become immediately inoperative. However, should any such conflict of any part of these Bylaws be declared, it shall not render the other Bylaws inoperative or void.

ARTICLE XIII

ELECTRONIC TRANSMISSIONS

Notice to members and directors in electronic transmission is effective only with respect to members and directors who have consented, in the form of a record, to receive electronically transmitted notices and have designated the message format accessible to the member or director, and the address, location or system to which these notices may be electronically transmitted. A member or director who has consented to receive electronically transmitted notices may revoke the consent by delivering a revocation to the corporation in the form of a record. The consent of any member or director is revoked if the corporation is unable to electronically transmit two consecutive notices given by the corporation in accordance with the consent.

ARTICLE XIV

INFORMATION

The corporation shall prepare and mail an annual report to each member no later than seven months after the close of the corporation's fiscal year. The annual report shall contain the corporation's latest audited financial statements, a general assessment about the state of the corporation and the marketplace for dental care (paying due regard to preserving any proprietary information), and include a compensation discussion and analysis in the same form as required for publicly-traded companies.

ARTICLE XV

TRANSITION

SECTION 1. EFFECTIVE DATE.

The adoption of these amended and restated Bylaws is hereby made effective as of February 8, 2013.

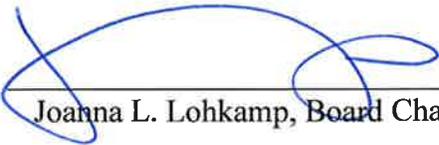
By  _____
Joanna L. Lohkamp, Board Chair

EXHIBIT D

**ARTICLES OF MERGER
FOR THE MERGER INTO
WASHINGTON DENTAL SERVICE
OF
WDS MERGER SUB**

Pursuant to RCW 24.03.200, the following Articles of Merger are executed, in duplicate, for the purpose of merging WDS Merger Sub, a Washington not-for-profit corporation organized under RCW Ch. 24.03 (the “*Disappearing Corporation*”), with and into Washington Dental Service, a Washington not-for-profit corporation organized under RCW Ch. 24.03 (the “*Surviving Corporation*”).

1. The Plan of Merger is attached hereto as Exhibit A.
2. The Plan of Merger was duly approved on February 8, 2013 by both the unanimous vote of the Board of Directors of the Disappearing Corporation, and the affirmative vote of the Disappearing Corporation’s sole member having voting rights with regard to the question.
3. The Plan of Merger was duly approved on February 8, 2013 by the unanimous vote of the Board of Directors of the Surviving Corporation. Approval of the Plan of Merger by members of the Surviving Corporation was not required, pursuant to RCW 24.03.195(2), since prior to the Merger it had no members having voting rights with regard to the question.
4. The Plan of Merger was also duly approved on February 8, 2013 by the unanimous vote of the Board of Directors of DD of Washington, a Washington not-for-profit corporation organized under RCW Ch. 24.03, which had no members prior to the merger but will, by virtue of its Articles of Incorporation and Bylaws and the terms of the Plan of Merger, succeed to the Surviving Corporation’s list of members in good standing and itself become the sole member of the Surviving Corporation.
5. The name of the Surviving Corporation shall be changed by operation of the merger to “Delta Dental of Washington”.
6. The merger shall be effective at 12:01 a.m. on the day after these articles have been filed with both the Office of the Insurance Commissioner and the Secretary of State of the State of Washington (the “*Effective Time*”).

WASHINGTON DENTAL SERVICE

By: _____
James D. Dwyer
President and Chief Executive Officer

WDS MERGER SUB

By: _____
James D. Dwyer
President and Chief Executive Officer

DD OF WASHINGTON

By: _____
James D. Dwyer
President and Chief Executive Officer

PLAN OF MERGER

This Plan of Merger (the “*Plan of Merger*”) is made effective as of _____, 2013 by and between Washington Dental Service, a Washington not-for-profit corporation organized under RCW Ch. 24.03 (“*WDS*”), and WDS Merger Sub, a Washington not-for-profit corporation organized under RCW Ch. 24.03 (“*MergerSub*”). WDS and MergerSub are sometimes referred to individually as a “*Constituent Corporation*” or collectively as the “*Constituent Corporations*.”

RECITALS

WDS and MergerSub have, in conjunction with MergerSub’s sole member, DD of Washington (also a Washington not-for-profit corporation organized under RCW Ch. 24.03, referred to as “*Holding Company*”), concluded that it is in the best interests of WDS and MergerSub, and their respective members, subscribers and other stakeholders, for MergerSub to be merged with and into WDS (the “*Merger*”) as authorized by the laws of the State of Washington and pursuant to the terms and conditions of this Plan of Merger.

AGREEMENT

In consideration of the foregoing recitals, the covenants and agreements hereinafter set forth, and other good and valuable consideration, and for the purpose of prescribing the terms and conditions of the Merger, the parties agree as follows:

1. Merger; Effectiveness

(a) MergerSub shall be merged with and into WDS (which is hereinafter sometimes called the “*Surviving Corporation*”), pursuant to the applicable provisions of the Washington Nonprofit Corporation Act (RCW Ch. 24.03) and in accordance with the terms and conditions of this Plan of Merger.

(b) Upon the execution by each Constituent Corporation of Articles of Merger incorporating this Plan of Merger, and the filing of such Articles of Merger with the Secretary of State of the State of Washington, the Merger shall become effective at the date and time specified in the Articles of Merger so filed (the “*Effective Time*”).

2. Name of Surviving Corporation

The name of the Surviving Corporation shall be changed by operation of the Merger to “Delta Dental of Washington”.

3. Articles of Incorporation

The Articles of Incorporation of MergerSub as in effect immediately prior to the Effective Time shall, upon and after the Effective Time, be the Articles of Incorporation of the

Surviving Corporation, subject to the change of name mentioned above and any subsequent amendment thereof as may be lawfully adopted. Differences between the respective Articles of Incorporation of MergerSub and WDS as they were in effect immediately prior to the Effective Time shall be deemed to be changes to the latter effected by the Merger.

4. Bylaws

The Bylaws of MergerSub in effect immediately prior to the Effective Time shall, upon and after the Effective Time, become the Bylaws of the Surviving Corporation.

5. Board of Directors; Officers

The directors and officers of WDS immediately prior to the Effective Time shall continue as the directors and officers of the Surviving Corporation.

6. Effect on Members

At the Effective Time, by virtue of the Merger, the Surviving Corporation will cease to have any members other than Holding Company, and all persons who were members in good standing of WDS immediately prior to the Effective Time will automatically become members of Holding Company, in accordance with Holding Company's Articles of Incorporation and Bylaws.

7. Effect on Rights, Assets, Liabilities and Obligations

At the Effective Time, the separate existence of MergerSub shall cease, and MergerSub shall be merged in accordance with the provisions of this Plan of Merger with and into the Surviving Corporation, which (a) shall possess all the properties and assets, choses in action and other interests, and all the rights, privileges, powers, immunities and franchises, of whatever nature and description, of or belonging to each of the Constituent Corporations, and (b) shall be subject to all debts due on whatever account, restrictions, disabilities, duties, liabilities and obligations of each of the Constituent Corporations. All such matters in the preceding clauses (a) and (b) shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed; and the title to any real estate, or any interest therein, vested by deed or otherwise in either of the Constituent Corporations, shall be vested in the Surviving Corporation without reversion or impairment. Any claim existing or action or proceeding, whether civil, criminal or administrative, pending by or against either Constituent Corporation, may be prosecuted to judgment or decree as if the Merger had not taken place, and the Surviving Corporation may be substituted in any such action or proceeding. Neither the rights of creditors nor any liens upon the property of any Constituent Corporation shall be impaired by the Merger.

8. Implementation

(a) Each of the Constituent Corporations hereby agrees that at any time or from time to time as and when requested by the Surviving Corporation, or by its successors or assigns, it will so far as it is legally able, execute and deliver, or cause to be executed and delivered in its

name by its last acting officers, or by the corresponding officers of the Surviving Corporation, each of whom is hereby irrevocably appointed as attorney-in-fact for such purposes, all such conveyances, assignments, transfers, deeds or other instruments, and will take or cause to be taken such further or other actions as the Surviving Corporation, its successors or assigns, may deem necessary or desirable, in order to evidence the transfer, vesting and devolution of any property, right, privilege, power, immunity or franchise to the Surviving Corporation or its successors or assigns, or to vest or perfect in or confirm to the Surviving Corporation or its successors or assigns title to and possession of all the property, rights, privileges, powers, immunities, franchises and interests referred to in this Plan of Merger, or otherwise to carry out the intent and purposes hereof.

(b) Each of the Constituent Corporations shall take, or cause to be taken, all action or do, or cause to be done, all things necessary, proper or advisable under the laws of the State of Washington to consummate and make the Merger effective.

9. Termination and Amendment

This Plan of Merger may be terminated or amended by mutual action of the boards of directors of both WDS and MergerSub, at any time prior to the Effective Time.

WASHINGTON DENTAL SERVICE

By: _____
James D. Dwyer
President and Chief Executive Officer

WDS MERGER SUB

By: _____
James D. Dwyer
President and Chief Executive Officer