

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](mailto:spickard@deltadentalwa.com), or contact Barbara Shickich, who is representing Washington Dental Service in this matter, at (206) 389-1680 or [bshickich@riddellwilliams.com](mailto: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 black ink, appearing to read "Sean Pickard". The signature is stylized with a large initial "S" and a long horizontal stroke at the end.

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.