

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION)	
OF CONTROL OF DENTAQUEST OF NEW)	ORDER APPROVING
JERSEY, LLC BY CP MONARCH, L.P., CP)	ACQUISITION SUBJECT TO
MONARCH GP, LLC, CCP III AIV IV, L.P.,)	CONDITIONS
CENTERBRIDGE ASSOCIATES III, L.P.,)	
AND CCP III CAYMAN GP LTD.)	

I have read the Hearing Officer’s report dated December 26, 2019 regarding the above-captioned matter, and I concur with the recommendation contained therein. The proposal was submitted by CP Monarch, L.P., CP Monarch GP, LLC, CCP III AIV IV, L.P., Centerbridge Associates III, L.P., and CCP III Cayman GP Ltd., (collectively “the applicants”) to acquire control of DentaQuest of New Jersey, LLC (“DentaQuest”). All of the membership interests in DentaQuest are currently indirectly owned by DentaQuest Group, Inc., and all of the issued and outstanding shares of common stock are currently indirectly owned by Catalyst Institute, Inc. The applicants are part of the Centerbridge group (“Centerbridge”) which is a private investment management firm founded in 2005. The applicants together with DentaQuest Group, Inc. and Catalyst Institute Inc. will be referred to collectively as “the parties”.

Accordingly, pursuant to N.J.S.A. 17:27A-2, I hereby approve the proposal of the applicants to acquire control of DentaQuest subject to the following conditions:

1. DentaQuest shall continue to comply with the requirements of N.J.S.A. 17:48H-1 to -35; N.J.S.A. 17:27A-1 to -14; N.J.A.C. 11:22-4.1 to -4.14 and N.J.A.C. 11:2-39A.1 to – 39A.15; including submission of Quarterly and Annual Financial Statements and an annual

Risk-Based Capital Report, and consents to application of proceedings pursuant to Life and Health Insurers Rehabilitation and Liquidation Act N.J.S.A. 17B:32-31 to -92 if the financial condition warrants institution of delinquency proceedings in this State.

2. **NO USE OF NEW JERSEY FUNDS FOR ACQUISITION.** Upon consummation of the transaction, the parties shall: (a) *Assets:* not dispose of or otherwise use assets of DentaQuest and/or any other subsidiaries of the parties, if any, that are licensed, authorized or certified by the New Jersey Department of Banking and Insurance (“Department”) to transact business in New Jersey for the purpose of repaying any debt incurred, to finance the transaction, use no part of the assets of DentaQuest to pay, reimburse, or otherwise fund both the cash financing portion of the transaction and the debt related to the financing of the transaction except, with respect to this clause (a) as approved or otherwise permitted by the relevant agency with regulatory authority; (b) *Costs:* not pass onto DentaQuest any acquisition costs or other consideration, including without limitation executive compensation paid to or accrued for the benefit of any executive officers of the parties in connection with, or triggered by, the transaction; (c) *No Dividends:* refrain from declaring and/or paying any dividends (ordinary or extraordinary), without the express prior approval of the Commissioner of Banking and Insurance (“Commissioner”) for a period of three (3) years from the consummation of the transaction. The parties shall not cause DentaQuest to declare or pay dividends, make other distributions of cash or property or in any other way upstream any funds or property to their shareholders or any shareholders of the parties in NJ, if any, without the express prior approval of the Commissioner for a period of three (3) years.

3. **MAINTAIN RBC.** For a period of five (5) years from the consummation of the transaction, the parties shall direct their respective representatives on the board of directors

of DentaQuest Group, Inc. to have DentaQuest Group, Inc. cause DentaQuest to maintain a minimum Authorized Control Level Risk Based Capital (RBC) level of 300% at all times.

4. **MAINTAIN PRODUCTS, SERVICES AREA, NETWORKS.** The parties agree that, for a period of three (3) years from consummation of the transaction: DentaQuest shall use reasonable efforts to maintain its current networks of providers without material changes, except to the extent such changes are otherwise approved by the Department. Nothing herein shall preclude DentaQuest or the parties from offering different networks or from contracting with carriers to entering new markets in New Jersey.

5. **NEW JERSEY BUSINESS.** The parties shall be committed to having DentaQuest Group, Inc. and DentaQuest seek opportunities to write new business in New Jersey. During the three (3) year period from the consummation of the transaction, the parties will make reasonable efforts to have DentaQuest Group, Inc. and DentaQuest contract with carriers to enter into New Jersey's individual health coverage market, including the issuance of business through any established exchange, and DentaQuest Group, Inc. DentaQuest will report to the Department annually regarding such efforts.

6. **NO MATERIAL CHANGE TO BUSINESS.** Upon the consummation of the transaction, the parties shall refrain from the following actions: (i) liquidating DentaQuest; (ii) selling any material portion of the assets of DentaQuest; (iii) merging DentaQuest with any other person or persons; or (iv) making any other material change with regard to business, corporate structure, management or general plan of operations of DentaQuest, all without the express prior approval of the Commissioner.

7. DentaQuest will maintain any service agreement necessary to conduct its business in New Jersey by retaining its existing management team and without any reduction

of current staffing levels within the state, if any, so as to conduct its business, for a minimum of three (3) years from the consummation of the transaction.

8. DentaQuest shall provide reports, in a format to be supplied by the Department, of principal and interest payments on all overturned Utilization Management Appeals, overturned Provider Payment Appeals, as well as claim payments that are re-issued on improperly recouped and over-recouped, and a list of all claims recouped after eighteen (18) months with the reason for recoupment, and a list of all claims identified as improperly denied or underpaid, with principal and interest amounts paid.

9. **CYBERSECURITY.** DentaQuest Group, Inc., Catalyst Institute, Inc. and DentaQuest, shall provide the Department with confidential access to its cybersecurity plan for review as a part of the state examination pursuant to N.J.S.A. 17:27A-5 and N.J.S.A. 17:27A-6, commencing in 2020. They shall provide notice to the Department when and if a cybersecurity breach takes place and shall work with the Department to protect New Jersey policyholders if they are affected. They shall take no action to oppose regulation and/or legislation regarding cybersecurity, the same as or substantially similar to, the Insurance Data Security Model Law adopted by the National Association of Insurance Commissioners (“NAIC”). They shall commit to serving as a resource to the Department and providing constructive input and expertise to the Department with respect thereto.

10. **TAX SHARING AGREEMENTS TO BE FILED AS MATERIAL MODIFICATIONS.** After the closing date of the acquisition, if any of the parties to the transaction desire to amend, change, terminate or replace its tax sharing agreements, as previously filed with and approved by the Department, the parties, if applicable, shall file any changes to those tax sharing agreements as a Notice of Material Modification in accordance with the standards

set forth at N.J.S.A. 17:27A-3, N.J.S.A. 17:27A-4, N.J.A.C. 11:1-35.3, and N.J.A.C. 11:1-35.7, N.J.A.C. 11:1-35.10.

11. The parties shall direct their respective representatives on the board of directors of DentaQuest Group, Inc. to cause DentaQuest Group, Inc. and DentaQuest to annually provide updated group and allocated Supplemental Compensation Exhibits ("SCE") following the consummation of the transaction in order to comply with the provisions of Bulletin No. 18-03, and any subsequent amendments thereto.

12. **NO PUSH-DOWN OF GOODWILL FROM THE PARTIES AND DENTAQUEST.** The parties and DentaQuest shall not use any form of push-down accounting methods that result in the transfer or allocation of any of the parties' or DentaQuest's goodwill to or from DentaQuest, including goodwill related to this Acquisition.

13. The parties shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.

14. The parties shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

15. The parties shall provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to N.J.S.A. 17:27A-1 to -14 and N.J.A.C. 11:1-35.1 to 35.14.

16. Following the acquisition, DentaQuest shall continue to maintain its books and records in their current approved locations and shall make all such items available for inspection by the Commissioner at any time.

17. DentaQuest is not assuming any debt in connection with the acquisition. The parties acknowledge and agree that it shall not be the responsibility of DentaQuest to service such debt. The parties shall not take any action to cause DentaQuest to become responsible for servicing the debt of the parties. The parties shall direct their respective representatives on the board of directors of DentaQuest Group, Inc. to not cause DentaQuest to become responsible for servicing such debt.

18. **PARENTS ANNUAL AUDITED FINANCIAL STATEMENTS.** Beginning with the year ended December 31, 2019, the respective parties agree to file annually the following on a confidential basis with the Department:

- (a) DentaQuest Group, Inc. annual audited financial statement within 120 days after fiscal year end;
- (b) Catalyst Institute, Inc. annual audited financial statement within 120 days after fiscal year end;
- (c) Centerbridge Capital Partners III, L.P. annual audited financial statement within 120 days after fiscal year end.

Financial statements are required to be in accordance with United States generally accepted accounting principles.

19. If the proposed acquisition is not consummated within ninety (90) days of the date of this Order and Centerbridge intends to consummate the proposed acquisition, Centerbridge shall submit to the Commissioner a statement requesting an extension and shall include (i) the reason for Centerbridge's inability to consummate the proposed acquisition; (ii) any material changes in the information contained in the application; and (iii) the current financial statements of Centerbridge and DentaQuest. Any and all extensions shall be with

the written approval of the Commissioner.

20. Prior to the acquisition, DentaQuest shall forward to the Department, the sum of \$523,500.00, which represents payment in full of the fine issued to DentaQuest for violation of State laws.

12/30/19
Date

Marlene Caride
Marlene Caride
Commissioner

LC DentaQuest by Centerbridge acquisition order/order