

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

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IN THE MATTER OF THE ACQUISITION)	ORDER APPROVING
OF CONTROL OF CARECENTRIX)	ACQUISITION
OF NEW JERSEY, INC. BY WALGREENS)	
BOOTS ALLIANCE, INC. AND)	
WBA ACQUISITION 3, LLC)	

I have read the Hearing Officer’s report dated August 23, 2022 regarding the above-captioned matter, and I concur with the recommendation contained therein. Accordingly, pursuant to N.J.S.A. 17:27A-2, I hereby approve the proposal of Walgreens Boots Alliance, Inc and WBA Acquisition 3, LLC (collectively, the “Applicants”) to acquire control of CareCentrix of New Jersey, Inc. (“Domestic Insurer”) subject to the following conditions:

1. NO USE OF NEW JERSEY FUNDS FOR ACQUISITION. Upon consummation of the transaction, Applicants shall: (a) Assets: not dispose of or otherwise use assets of Domestic Insurer and/or any other subsidiaries of Domestic Insurer, 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 Domestic Insurer, 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 as approved or otherwise permitted by the relevant agency with regulatory authority; (b) Costs: not pass onto Domestic Insurer, or New Jersey insureds any acquisition costs or other consideration, including without limitation executive compensation paid to or accrued for the benefit of any executive officers of Applicants in connection with, or triggered by, the transaction; (c) Rates: not seek premium rate increases applicable to New Jersey insureds

that are intended to be used, or are used, to pay for the cost of the transaction. Applicants shall take steps to ensure that premiums and cost-sharing obligations payable (including copayments and deductibles) by New Jersey insureds for products offered by Applicants' Insurers in New Jersey, if any, shall not increase as a result of costs incurred in financing, analyzing and/or consummating the proposed acquisition of control ("Acquisition Costs"). (Such Acquisition Costs include, but are not limited to, attorneys' and investment bankers' fees, loan expenses, travel expenses, due diligence expenses, execution compensation expenses, of any form, and expenses related to current or future acquisitions by Domestic Insurer or Applicants); (d) 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. Applicants shall not make Domestic Insurer 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 Applicants in New Jersey, if any, without the express prior approval of the Commissioner for a period of three (3) years.

2. **MAINTAIN RBC AND LIQUIDITY RATIO.** For a period of five (5) years from the consummation of the transaction, Applicants shall cause Domestic Insurer to maintain a minimum Authorized Control Level, Risk-Based Capital ("RBC") level of 300% or higher at all times.

3. **NEW JERSEY BUSINESS.** The Applicants shall be committed to having the Domestic Insurer seek opportunities to expand business in New Jersey. Domestic Insurer will maintain their existing service levels and will not reduce current staffing levels within this State, if any, for a minimum of three (3) years from the consummation of the transaction.

4. NO MATERIAL CHANGE TO BUSINESS. Upon the consummation of the transaction, the Applicants, by way of any representative on the board of Directors of Domestic Insurer it designates, shall refrain from the following: (i) liquidating Domestic Insurer; (ii) selling any material portion of the assets of the Domestic Insurer; (iii) merging Domestic Insurer with any other person or persons; or (iv) making any other material change (not disclosed in the Form A Statement of Change in Control and Exhibits or those effected in the ordinary course of business) with regard to business, corporate structure, management or general plan of operations of Domestic Insurer, all without the express prior approval of the Commissioner.

Applicants represent that, other than as described in Item 5 of the Form A Statement, Applicants currently do not have, nor do the Applicants currently contemplate, any plans or proposals to liquidate Domestic Insurer, sell any of Domestic Insurer's assets, merge or consolidate Domestic Insurer with any person or persons, cause Domestic Insurer to declare a dividend or any other distribution, or make any other material change in the Domestic Insurer's business operations or corporate structure or management.

5. CYBERSECURITY. Applicants and Domestic Insurer shall provide the Department with confidential access to its cybersecurity plan for review as a part of state examination pursuant to N.J.S.A. 17:27A-5 and N.J.S.A. 17:27A-6. The parties 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. The parties 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"). The parties shall commit to serving as a resource to the Department and providing constructive input and expertise to the Department with respect thereto.

6. TAX SHARING AGREEMENTS TO BE FILED. Any Tax Sharing Agreements to which the Domestic Insurer is a party with the Applicants or their affiliates shall be filed as agreements between or among affiliates requiring regulatory approval prior to implementation pursuant to N.J.S.A. 17:27A-4 and shall comply with N.J.S.A. 17:27A-1 et seq. and implementing regulations set forth at N.J.A.C. 11:1-35.7, N.J.A.C. 11:1-35.10

7. NO PUSH-DOWN OF GOODWILL FROM DOMESTIC INSURER OR APPLICANTS. Applicants and Domestic Insurer shall not use any form of push-down accounting methods that result in the transfer or allocation of any of Domestic Insurer or Applicant's goodwill, including goodwill related to this acquisition.

8. NEW JERSEY INSURANCE HOLDING COMPANY SYSTEMS ACT. Applicants shall provide regulatory information to the Department in accordance with New Jersey Insurance Holding Company Systems Act N.J.S.A. 17:27A-1 et seq., annually and upon occurrence, including but not limited to, any development in ownership interests such that any person or entity possesses via in singular or aggregation of interests control as defined in N.J.S.A. 17:27A-1. Failure to comply with New Jersey's Insurance Holding Company Systems Act shall result in appropriate action by the Department including but not limited to the placing of the insurer under an order of supervision in accordance with N.J.S.A. 17:51A-1 et seq., as determined.

Applicants 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.

9. CORPORATE RECORDS. Domestic Insurer shall continue to maintain its books and records in a manner consistent with pre-acquisition practices and shall make all such items available for inspection by the Commissioner at any time.

10. Applicants shall assume Domestic Insurer's debt and it shall not be the responsibility of the Domestic Insurer in New Jersey to service such debt. All debt, if any, of Domestic Insurer will be paid in full at the time of the transaction.

11. BACKGROUND OF APPLICANTS. Applicants represent that, none of the individuals who will exercise control subsequent to this acquisition, directly or indirectly, over Domestic Insurer, or its subsidiaries have been found guilty of, or have pleaded guilty or nolo contendere to, a felony or a misdemeanor, other than a civil traffic offense.

If the Department determines that any individual for whom the Applicants are required to submit background information as part of this Application is unacceptable under New Jersey Law, the Applicants or their representatives, and the Domestic Insurer shall remove the individuals in question within 30 days of notice and replace them with a person or persons acceptable to the Department, or shall undertake such other corrective action as directed by the Department. Failure to act would render the acquisition hazardous or prejudicial to the insurance buying public, pursuant to N.J.S.A. 17:27A-2(d)(1)(vii). Accordingly, the Department may take administrative action as it deems appropriate upon the Certificate of Authority of the Domestic Insurer pursuant to applicable law.

12. ANNUAL AUDITED FINANCIAL STATEMENTS. Beginning with the year ended December 31, 2022, the respective parties agree to file annually the following on a confidential basis with the Department:

(a) Annual audited financial statements pursuant to N.J.S.A. 17:48H-22 and N.J.A.C. 11:22-4.9;

(b) Walgreens Boots Alliance, Inc. ("Ultimate Controlling Entity") per New Jersey Insurance Holding Company Systems Act N.J.S.A. 17:27A-1 et seq. annual audited financial

statement within 90 days after fiscal year end. Financial statements are required to be in accordance with United States generally accepted accounting principles or a comparable standard as approved by the Department.

13. CONSUMMATION OF ACQUISITION OF CONTROL. Applicants 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 and no later than 90 days after approval of this Form A filing. Applicants shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

If the proposed acquisition is not consummated within ninety (90) days of the date of this Order and the Applicants' intent to consummate the proposed acquisition, the Applicants shall submit to the Commissioner a statement requesting an extension and shall include (i) the reason for the Applicants' inability to consummate the proposed acquisition; (ii) any material changes in the information contained in the Form A filing; and (iii) the current financial statements of the Applicants and Domestic Insurer. Any and all extensions shall be with the written approval of the Commissioner.

14. Applicants represent they have or will have obtained all the required regulatory approvals in connection with the Form A filing. Approval of the Form A filing relates to the change of control of the Domestic Insurer by the Applicants and does not constitute approval or acceptance of any transactions or agreements which are either implicitly or explicitly disclosed in the Form A filing.

8/24/2022
Date



Marlene Caride
Commissioner

AR CareCentrix by WBA Acquisition Order/Orders