

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

BEFORE THE DIRECTOR
OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of the Proposed Plan)	Findings of Fact, Conclusions
of Acquisition of Control of)	Of Law and Order
Advantage Dental Plan, Inc. by:)	
CP Monarch, L.P.;)	Case No. INS-FR 20-1-001
CP Monarch GP, LLC)	
CCP III AIV IV, L.P.;)	
Centerbridge Associates III, L.P.; and)	
CCP III Cayman GP Ltd.)	

INTRODUCTION

Individually and collectively, each of 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**"), as required by ORS 732.517 through 732.546, filed with the Oregon Department of Consumer and Business Services, Division of Financial Regulation ("**DFR**"), a Statement regarding the Acquisition of Control of or Merger with a Domestic Insurer dated July 10, 2019 ("**Form A**"), to acquire a forty percent (40%) interest in DentaQuest Group, Inc. ("**DQG**"), from its current owner, Catalyst Institute, Inc., a Massachusetts non-profit corporation ("**Catalyst**") (the "**Minority Investment**").

Pursuant to the Stock Purchase Agreement, dated as of June 18, 2019, as amended (the "**Stock Purchase Agreement**") among CP Monarch, L.P., DQG and Catalyst, Advantage Dental Plan, Inc., an Oregon domestic health care service contractor (the "**Domestic Insurer**" or "**Advantage**"), is currently a direct, wholly-owned subsidiary of Catalyst as a result of the sale of all of the outstanding equity interests of the Domestic Insurer by Advantage Community Holding Company, LLC ("**ACHC**"), a direct subsidiary of DQG, to Catalyst on January 1, 2020 in

connection with completion of the Minority Investment.

Under the Form A and as contemplated by the Stock Purchase Agreement, the Applicants are requesting approval from the DFR for the proposed acquisition of control of the Domestic Insurer by the Applicants (the "**Proposed Acquisition**"). The Proposed Acquisition will occur via the proposed sale of 100% of the outstanding stock of the Domestic Insurer by Catalyst to ACHC (the "**Saleback**").

The filing fee required under OAR 836-099-0007(12) was paid to DFR on July 2, 2019. The Proposed Acquisition, which is described in the Form A, is an activity described in ORS 732.521(1).

The Director of the Department of Consumer and Business Services ("**Director**"), acting in accordance with the procedures set forth in Oregon Revised Statutes ("**ORS**") chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750, and the administrative rules issued thereunder ("**Insurance Code**"), and specifically ORS 732.517 through 732.546 (applicable to the Proposed Acquisition via ORS 750.055), has reviewed the Form A. Upon the filing of the Form A, the DFR engaged Risk & Regulatory Consulting ("**RRC**") as a financial adviser and Morgan, Lewis & Bockius LLP ("**MLB**") as legal advisers. Each of RRC and MLB provided written and oral advice to the DFR in connection with the Proposed Acquisition. Notice of a public hearing was issued on November 13, 2019 and a public hearing on the Form A was held on December 6, 2019. A public comment period was open from December 6, 2019, to December 20, 2019. The Form A, the presentation at the public hearing by the Applicants and Advantage and public comments were posted on the DFR website.

Now, therefore, upon due consideration of the circumstances, including the said Form A, documentation filed in support of Form A, any testimony at public hearing or

public comment, and the reports and other advice provided by RRC and MLB, the Director enters the following Findings of Facts, Conclusions of Law and Order.

FINDINGS OF FACT

The Director FINDS that:

(1) The Applicants are, collectively, part of the Centerbridge group, which is a private investment management firm founded in 2005. Centerbridge currently maintains offices in both New York and London. Centerbridge focuses on industry verticals, including, among others, Financial Services and Healthcare. In addition, Centerbridge has developed several capabilities that enhance its ability to create value in its investments: (i) deep knowledge in financial services and healthcare businesses; (ii) the ability to foster operational improvement in portfolio companies; and (iii) a robust talent management capability.

(2) CP Monarch, L.P. and CP Monarch GP, LLC are entities that were organized for the purpose of consummating the transactions contemplated by the Stock Purchase Agreement. The Form A indicates that CCP III AIV IV, L.P. is the managing member of CP Monarch GP, LLC. In turn, Centerbridge Associates III, L.P. is the general partner of CCP III AIV IV, L.P. The Transaction Documents indicate that CCP III Cayman GP Ltd. (the “**Ultimate Controlling Person**” or the “**UCP**”) is the ultimate general partner of CCP III AIV, L.P.

(3) On January 2, 2020, CP Monarch, L.P. acquired 40% of the issued and outstanding shares of common stock of DQG (the “Previous Acquisition”). Upon consummation of the Saleback, CP Monarch, L.P. will continue to hold a 40% interest in DQG, which will indirectly own 100% of the outstanding stock of the Domestic Insurer. Applicants will therefore

indirectly hold a 40% interest in the Domestic Insurer. Catalyst will retain a 60% interest in DQG.

(4) The complex corporate structure is more clearly described in the exhibits to the Form A provided and posted to the DFR website.

(5) Advantage is an Oregon for-profit business corporation, and has been licensed as a Health Care Service Contractor in Oregon since October 13, 1994. Advantage currently writes only the “Dental Only” line of accident and health insurance business in Oregon. Advantage recently informed the Division of Financial Regulation that it would seek to exit the group dental market in Oregon.

(6) Pursuant to the terms of the Stock Purchase Agreement, on January 2, 2020, Catalyst sold 220,000 shares of DQG to CP Monarch, L.P. CP Monarch, L.P. paid the purchase price with cash on hand and borrowed no funds in connection with the Previous Acquisition.

(7) In connection with the transactions contemplated by the Stock Purchase Agreement, DQG has refinanced the debt of its wholly-owned subsidiary, DentaQuest, LLC. This debt financing was obtained by DQG or its subsidiaries in the form of a 5-year, \$300 million senior secured revolving credit facility (the “**Refinancing Agreement**”), funded at closing in the amount of \$225 million. None of the Domestic Insurer’s assets were or will be pledged as security for the debt. The equity interests in the Domestic Insurer owned by its direct parent entity will be pledged as security pursuant to the Refinancing Agreement following consummation of the Saleback. The Refinancing Agreement acknowledges that in the event that the lenders determine to foreclose on such security, such foreclosure will be subject to prior approval of the Department.

(8) The Applicants and Catalyst, with the assistance of their respective financial

advisors and counsel, determined the nature and amount of the consideration for the transactions contemplated by the Stock Purchase Agreement and the other terms and conditions of the transactions contemplated by the Stock Purchase Agreement through arm's-length negotiation. In addition, the Catalyst board of directors engaged outside experts to conduct a review of the transactions contemplated by the Stock Purchase Agreement and provide an opinion as to the fairness of the consideration to be paid to Catalyst by the Applicants.

- (9) The Applicants intend to continue Advantage's business without any material modification to its business operations, corporate structure or management.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

- (1) The Form A is properly supported by the required documents and meets the requirements of the Oregon Insurance Code for approval with respect to acquisitions and mergers pursuant to ORS 732.517 to 732.546.
- (2) The Director finds that there is no evidence that:
- (a) The activity is contrary to law or would result in a prohibited combination of risks or classes of insurance.

The acquisition of control of Advantage by the Applicants is permitted by ORS 732.517 to 732.546.

The Applicants and their respective affiliates and subsidiaries do not currently write any insurance business in the "Dental Only" line of accident and health insurance business in Oregon. The Applicants do not plan any changes to Advantage's business plans. Accordingly, there is no evidence the activity would result in a prohibited combination of risks or classes of insurance.

- (b) The activity is inequitable or unfair to the policyholders or shareholder of any insurer involved in, or to any other person affected by, the

proposed activity.

Advantage is the insurer involved in the Proposed Acquisition. The basis and terms of the Stock Purchase Agreement, including the nature and amount of consideration, were determined through arms' length negotiations among the representatives of the Applicants, on the one hand, and representatives of Catalyst, on the other hand, and their respective legal and other advisors.

The Proposed Acquisition will be effectuated pursuant to the terms of the Stock Purchase Agreement. The Stock Purchase Agreement contemplates the Saleback, as a result of which the Applicants, which currently own 40% of DQG, will indirectly own a 40% interest in Advantage.

The Applicants do not anticipate any changes to the business plans of Advantage. Rather, the Applicants plan to work with the current management team of DQG to continue to pursue its existing business plan in DQG's next phase of growth and development. Advantage's policyholders should receive the same level of service as prior to the Proposed Acquisition because no material changes are anticipated with respect to the products or services that they receive from Advantage.

- (c) The activity would substantially reduce the security of and the service to be rendered to policyholders of any domestic insurer involved in the proposed activity, or would otherwise prejudice the interests of such policyholders in the state or elsewhere.

The activity will not substantially reduce the security of or the service to be rendered to policyholders of Advantage or otherwise prejudice the interest of such policyholders in this state or elsewhere. The financial information submitted at Exhibit C of the Form A demonstrates that the Applicants are adequately capitalized and the description of its business activities in the Form A suggests that the Applicants are prudently managed.

- (d) The activity provides for a foreign or alien insurer to be an acquiring party, and the insurer cannot satisfy the requirements of this state for transacting an insurance business involving classes of insurance affected by the activity.

No Applicant is an insurer.

- (e) The activity or its consummation would substantially diminish

competition in insurance in this state or tend to create a monopoly.

The Applicants and their respective affiliates and subsidiaries do not currently write any insurance business in the "Dental Only" line of accident and health insurance business in Oregon, the Proposed Acquisition will not substantially diminish competition of insurance in this state or tend to create a monopoly.

- (f) After the change of control or ownership, the domestic insurer to which the activity applies will not be able to satisfy the requirements for the issuance of a certificate of authority to transact the line or lines of insurance for which the insurer is currently authorized.

The Applicants do not anticipate any changes to the business plans of Advantage. Consequently, Advantage's ability to satisfy the requirements for receiving a certificate of authority will not be impacted by the Proposed Acquisition.

- (g) The financial condition of any acquiring party might jeopardize the financial stability of the insurer.

The Proposed Acquisition will not jeopardize the financial stability of Advantage. The Proposed Acquisition will not impact Advantage's ability to meet its on-going financial obligations.

- (h) The plan or proposals that the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in the insurer's business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest.

Following the Proposed Acquisition, the Applicants have no present plans to liquidate Advantage, to sell any of Advantage's assets (other than asset sales in the ordinary course of business), or to merge Advantage with any person, or make any material changes in its business operations, corporate structure or management.

- (i) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the activity or its consummation.

There is nothing in the DFR's investigation or the biographical information provided regarding the persons that will control the operation of Advantage that suggests that the competence,

experience and integrity of those persons who will control Advantage's operations will be contrary to the interest of its policyholders or the public.

- (j) The activity or its consummation is likely to be hazardous or prejudicial to the insurance-buying public.

There is nothing to suggest that the Proposed Acquisition will be hazardous or prejudicial to the insurance-buying public.

- (k) The activity is subject to other material and reasonable objections.

After considering all relevant information provided to the DFR, the DFR finds that there are no material or reasonable objections to the Proposed Acquisition.

ORDER

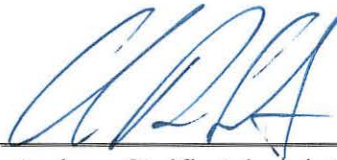
Based on the foregoing Findings of Fact and Conclusions of Law, the statements made in the Form A and in the Applicants' correspondence with DFR, it is hereby ORDERED that:

- (1) The acquisition of control of Advantage by the Applicants is hereby approved upon the basis of the information contained in the Form A to date;
- (2) The Applicants shall provide the DFR with a definitive set of final closing documents within thirty (30) days of the closing of the Saleback;
- (3) The Applicants shall advise the DFR if the Proposed Acquisition does not occur within ninety (90) days of the date hereof, and the DFR reserves the right to modify or revoke this Order;
- (4) The Applicants shall cause to be paid the fees of any actuaries, accountants, attorneys, financial advisors and other experts not otherwise a part of the DFR's staff that the DFR contracted with in connection with the Proposed Acquisition;
- (5) Within thirty (30) days of the closing of the Saleback, Advantage shall file an

- amended holding company act statement;
- (6) Catalyst shall submit an enterprise risk report under ORS 732.569 each year during which the Applicants control Advantage. Advantage and any of its affiliates that are within the Applicants' control will provide, at the Director's request, information the Director needs to evaluate enterprise risk to Advantage; .
 - (7) The effective date of the Proposed Acquisition may be any time subsequent to the approval of this Order pursuant to ORS 732.528(6) (subject to paragraph (3) above);
 - (8) Pursuant to ORS 732.551 et seq. and those regulations promulgated thereunder, the Applicants shall be included within the registration statement on Form B filed by Advantage;
 - (9) Pursuant to ORS 732.552(1)(e) and those regulations promulgated thereunder ,the financial statements of Centerbridge Capital Partners III, L.P. shall be filed with DFR; and
 - (10) This Order shall be conditioned upon and subject to the following:
 - a. The Applicants shall be included within Advantage's reporting on Schedule Y to its financial statements;
 - b. The Applicants will file with DFR the final Refinancing Agreement and any related pledge agreements;
 - c. The Applicants will give prior written notice to DFR in the event that any provision in the Refinancing Agreement or related document is proposed to be altered such that upon foreclosure on some security interest will or will reasonably be expected to result in the disruption or elimination of any service provided to the Domestic Insurer by any of its current or future affiliates;

- d. Advantage will file any new agreement or amendment to existing intercompany agreements or expense reimbursement agreements, to the extent such filing is required under ORS 732.574; and
- e. Any change in ownership of interests in any of the Applicants, or entry into any voting agreements or side letters, which would or would reasonably be expected to result in an individual (singly or with any subsidiaries or affiliates) owning or controlling 10% or more of the outstanding voting securities of such fund(s) or entity will be the subject of a Form A process.

Dated this 31~~st~~ day of January, 2020



Andrew Stolfi, Administrator
Division of Financial Regulation
Department of Consumer and Business Services

NOTICE

Pursuant to ORS 732.528(7), any insurer or other Party to the proposed activity, including the insurer subject to the acquisition, within sixty days after receipt of the notice of approval or disapproval, may appeal the final order of the Director as provided in ORS 183.310 to 183.550. For purposes of the judicial review, the specifications required to be set forth in the written notice from the Director will be deemed the findings of fact and conclusions of law of the DFR.