

REPORT ON EXAMINATION AS TO THE CONDITION OF

DENTAL SERVICES ORGANIZATION, LLC

1030 SAINT GEORGES AVENUE, AVENEL, NEW JERSEY 07001

AS OF DECEMBER 31, 2024

NAIC COMPANY CODE 11234

FILED

MAR 25 2026

**COMMISSIONER
NJ DEPT OF BANKING & INSURANCE**

TABLE OF CONTENTS

	<u>Page</u>
SCOPE OF EXAMINATION	2
HISTORY	3
HOLDING COMPANY SYSTEM	5
MANAGEMENT AND CONTROL	6
CORPORATE RECORDS	6
POLICY ON CONFLICTS OF INTEREST	7
FIDELITY BOND AND OTHER INSURANCE COVERAGES	7
POLICY FORMS AND UNDERWRITING PRACTICES	7
TERRITORY AND PLAN OF OPERATION	7
ADVERTISING	8
TREATMENT OF POLICYHOLDERS	8
CONTINUITY OF OPERATIONS	8
ACCOUNTS AND RECORDS	8
SUBSEQUENT EVENTS	9
FINANCIAL STATEMENTS AND OTHER EXHIBITS	9
NOTES TO FINANCIAL STATEMENTS	13
CONCLUSION	14



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

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SUSAN OCHS
Acting Commissioner

January 30, 2026

Honorable Susan Ochs
Acting Commissioner
Department of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the revised statutes of New Jersey N.J.S.A. 17:48D-11.a, an examination has been made of the assets, liabilities, methods of conducting business and other affairs of the:

Dental Services Organization, LLC
1030 Saint Georges Avenue, Suite 104, Avenel, New Jersey 07001
NAIC COMPANY CODE 11234

Hereinafter referred to as the "Company", or "DSO".

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter “NJDOBI” or “Department”) pursuant to the authority granted by N.J.S.A. 17:23-22.

The Department conducted a financial condition examination of DSO for the five-year period ending December 31, 2024, which included a review of material transactions and/or events occurring subsequent to the examination date. The examination addressed the period from December 31, 2019, the date of the last examination, to December 31, 2024.

The Department conducted the examination in accordance with the 2024 edition of the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “NAIC Handbook”). The NAIC Handbook requires the NJDOBI to plan and perform a risk focused examination to evaluate the financial condition and identify prospective risks of the Company. To meet these objectives, the NJDOBI obtained information regarding the Company’s corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated the Company’s system of internal controls and procedures used to mitigate identified risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation, management’s compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

According to the NAIC Handbook, “One of the increased benefits of the enhanced risk focused approach is to include consideration of other than financial risks that could impact the insurer’s future solvency. By utilizing the risk focused approach, the examiner reviewed the “financial” and “enterprise” risks that existed at the examination “as of” date and will be positioned to assess “financial” and “enterprise” risks that extend or commence during the time the examination was conducted and “prospective” risks which are anticipated to arise or extend past the point of examination completion. Using this approach, examiners will be better positioned to make recommendations for appropriate future supervisory plans (i.e., earlier statutory exams, limited-scope exams, key areas for financial analysts to monitor, etc.) for each insurer.”

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

Pursuant to the provisions of N.J.A.C. 11:2-26.4, annual independent audits were performed by WithumSmith + Brown, P.C. for 2020 through 2022, and CPA firm of Baker Tilly US, LLP (“BT”) for 2023 and 2024 for the years under examination and filed with the New Jersey Commissioner of Banking and Insurance. BT provided an unmodified audit opinion in conformity with accounting practices permitted by NJDOBI of the Company’s year-end financial statements for the reporting year period ending December 31, 2024.

Relevant work performed by the CPA firm during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers whenever feasible to facilitate efficiencies.

HISTORY

The Company was incorporated as “FSNS, Inc.” on January 2, 1997, with the authority to issue 1,000 common stock shares. The Certificate of Incorporation was amended on February 7, 2001, which changed the name of the Company to “Dental Services Organization, Inc.” (“DSOI”) and listed 100 shares of common stock as outstanding and entitled to vote.

On April 2, 2009, the Company was granted a perpetual Certificate of Authority as a dental plan organization by the NJDOBI.

On January 20, 2016, DSO Holdings, Inc., (“DSOH”), a New Jersey domestic profit corporation, filed a Certificate of Formation with the Delaware Department of State to cause the creation of Dental Services Organization, LLC, a general-purpose limited liability company (“LLC”), under the laws of Delaware.

On February 11, 2016, DSOI and DSO executed and filed a Certificate of Merger with the New Jersey Department of the Treasury (“NJDT”), which identified DSO as the successor company effective as of February 12, 2016. Concurrently, the NJDT issued DSO a Certificate of Authority certifying its registration as a Foreign Limited Liability Company in the state of New Jersey.

On February 12, 2016, the stockholders of DSOI sold all their outstanding common stock shares to DSOH pursuant to the terms of a Reorganization and Contribution Agreement. Simultaneous with the sale, the merger described above went into effect, converting DSOI from a corporation to a Limited Liability Company pursuant to a Plan of Merger Agreement.

Immediately following the completion of the merger, DSOH assigned its entire membership interests in the Company to Dimensional Seller Holdings, LLC (“DSH”), a Delaware general-purpose limited liability company, pursuant to a Contribution and Exchange Agreement. DSH, in turn, assigned all of its membership interests to Dimensional Dental Opco, LLC (“DDO”), a Delaware limited liability company.

Before the LLC formation in 2016, DDO submitted an application to acquire DSOI and change its name to reflect the Company’s reorganization as an LLC. The application was approved by the Department on November 17, 2015, resulting in the reissuance of a new Certificate of Authority granting the LLC permission to write business as a Dental Plan Organization (“DPO”) in New Jersey, effective as of the approval date.

On February 28, 2021, Eastern Smiles Holdings, LLC filed an application with the NJDOBI to reflect a prospective change in ownership of the Company. The application concerned a modification (“Modification”) to the Company’s Certificate of Authority,

which was made pursuant to N.J.S.A. 17:48D-4 and N.J.A.C. 11:10-1.4(b)5. Based on the Department’s review, dated September 15, 2021, it has been determined that the Certificate of Authority, dated November 17, 2015, will remain in effect if and after the Modification is completed in accordance with all applicable laws relating to the change in ownership of the Company. The Company will continue to be authorized to operate as a DPO in the state of New Jersey permitted by and subject to all conditions of N.J.S.A. 17:48D- 1 et seq., N.J.A.C. 11:10, and any amendments and supplements hereto.

During the third quarter of 2024, SSC Lender began discussions with entities associated with Branford Castle Partners, LP., a management company for Branford Dental Purchaser LLC (“Purchaser”), a Delaware limited liability company, as the proposed acquiring party of the Company (“Proposed Acquiring Party”) as well as the Branford Castle Fund II, L.P. The Branford Castle Fund II, L.P. is the private equity fund that is the ultimate owner of the Proposed Acquiring Party.

The Proposed Acquiring Party entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) on December 19, 2024, by and among Purchaser, SSC Lender, LLC, a Delaware limited liability company, SSC Eastern Smiles Blocker, LLC, a Delaware limited liability company, Staple Street Capital II GP, L.P., a Delaware limited partnership, Staple Street Capital II L.P., a Delaware limited partnership, Staple Street Capital II-A, LP, a Delaware limited partnership, and certain other parties named therein (the “Proposed Transaction”).

The parties structured the Purchase Agreement into two phases to address the need to obtain regulatory non-disapproval of Purchaser’s acquisition of DSO. Under the first phase of the Purchase Agreement, on December 19, 2024, Eastern Smiles was reorganized to enable Purchaser to acquire ED Phase One Holdings, LLC, the ultimate parent of DDM Other Assets Acquisition Holdings, LLC, Smile Solutions, LLC, Eastern Smiles OPCO, LLC and Eastern DSO, LLC. The acquisition in the first phase was structured such that DSO’s existing ownership was left in place, and only the equity of the non-DSO operating entities was acquired by Purchaser.

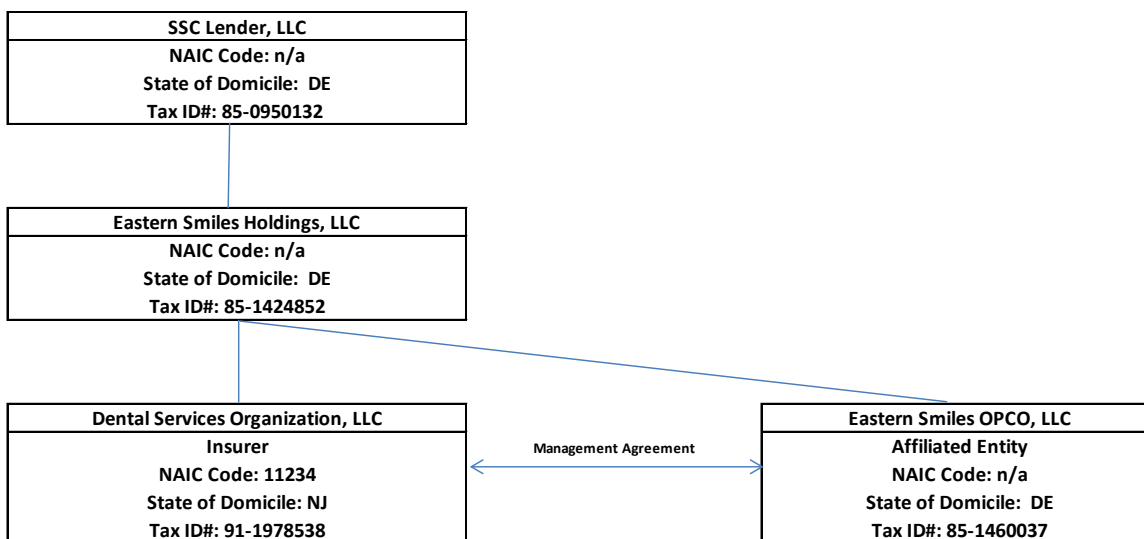
As part of the second phase of the Purchase Agreement, it is contemplated that Purchaser will acquire DSO’s equity, subject to receipt of a letter of non-disapproval of the Proposed Transaction from DSO’s primary regulator, the NJDOBI. Until this non-disapproval letter is received, DSO will continue under its current ownership.

The Company’s main administrative and statutory home office is located at 1030 Saint Georges Avenue, Suite 104, Avenel, New Jersey 07001. In compliance with N.J.S.A. 42:2C-14c, effective February 8, 2025, the Company has named Raymond Iannaccone, Chief Executive Officer of Eastern Smiles OPCO, LLC., as the registered agent upon whom process may be served. The address of that company is the same as that of DSO’s home office.

HOLDING COMPANY SYSTEM

The Company, as a DPO domiciled in New Jersey, is not subjected to the registration requirements of N.J.S.A. 17:27A-3 because it meets the state’s statutory exemption thresholds for DPOs. DSO is therefore not required to submit holding company filings. However, it is subject to material change filings pursuant to N.J.S.A. 17:48D-1 et seq. and N.J.A.C. Title 11, Chapter 10 and more specifically relating to the requirements set forth in N.J.S.A. 17:48D-4 and N.J.A.C. 11:10-1.4(b)5 including required filings and approvals for ownership changes and dividend payments.

The following is an abridged organizational chart illustrating the Company’s affiliated entities as of December 31, 2024:



A membership interest represents an owner’s share in an LLC, expressed as a percentage. As shown in the chart, Eastern Smiles Holdings, LLC owns all membership interests in the Company and is thus its sole member (“the Member”).

Inter-Company Agreements

The Company has no employees. All administrative functions of the Company are performed by employees of its affiliate Eastern Smiles OPCO, LLC (successor by merger to Dimensional Dental Management, LLC and Dimensional Management Corporation) pursuant to a written management agreement that was executed on November 11, 1999. Under this agreement, ESO LLC is responsible for managing the day-to-day operations of the Company, including maintenance of books and records and hiring personnel. The Company is permitted to either accept or reject matters and materials recommended, developed, prepared, or established by ESO LLC. The Company is required to reimburse ESO LLC for management fees within thirty days of notice. The contract renews automatically on an annual basis unless either party provides notice of termination as required. For year-end 2024, the Company paid ESO LLC \$200,000 in management fees related to the agreement.

MANAGEMENT AND CONTROL

The Company is bound to an Amended and Restated Limited Liability Company Agreement (“Operating Agreement”), effective February 12, 2016, which provides a framework for governing the operation of DSO as a limited liability company as permitted by N.J.S.A. 42:2C-11. As a DPO meeting minimum qualifying standards, the Company is exempt from the corporate governance provisions of N.J.S.A. 17:27A-4d.

Board of Directors

According to Article V, Section 5.1 of the Operating Agreement, the Member has sole discretion in managing the business and affairs of the Company as well as the power to do any act necessary in furtherance of the Company’s purpose and business, to include the appointment of officers. Upon the Company’s conversion to an LLC, and by unanimous consent in lieu of meeting, the Member elected to exercise its discretion by appointing a Board of Directors (“the Board”) to manage the affairs of the Company.

The following directors were elected and serving at December 31, 2024:

<u>Name</u>	<u>Principal Occupation</u>
Ray Iannaccone	CEO Eastern Smiles OPCO, LLC.
Kristen Schlechtweg	Vice President – Managed Care Eastern Smiles OPCO, LLC.

There were no committees appointed during the examination period. The Board’s location for all correspondence and meetings is the DSO administrative office in Avenel, New Jersey.

Officers

The Operating Agreement states that the Company may have a number of officers as determined by the Member, consisting of a president, one or more vice-presidents, a treasurer, a secretary, and such other officers and assistant officers as the Member deems necessary or desirable. One person may hold multiple offices.

The following officers were elected and serving at December 31, 2024:

<u>Name</u>	<u>Office(s)</u>
Ray Iannaccone	President
Kristen Schlechtweg	Vice President and Secretary

CORPORATE RECORDS

The Member and directors’ consents and resolutions were reviewed for the examination period. They indicated that the Company’s overall business transactions were adequately supported and approved.

POLICY ON CONFLICTS OF INTEREST

The Company has adopted a code of conduct that represents the Company's commitment to the highest ethical standards and adherence to applicable laws and regulations. It includes a conflict-of-interest policy. Acknowledgement of policy and signed questionnaires were reviewed for officers and directors as of December 31, 2024. No potential or actual conflict of interests were reported or disclosed.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

As of December 31, 2024, the Company is a named insured on a financial crime coverage underwritten by Axis Insurance Company. The policy provides the Company with a single loss limit of liability of \$1,000,000 and a single loss deductible of \$25,000 for various risks covered under the policy. Based on the NAIC exposure index guidelines for minimum amounts of fidelity insurance, the amount of coverage for the Company is adequate.

The Company also maintains business property and liability insurance coverage designed to protect its assets from perils associated with conducting its business. The following insurance policies were in force as of December 31, 2024:

- Commercial general liability and automobile liability with Pennsylvania Manufacturers Association Insurance Company.
- Workers' compensation and employers liability policy and an umbrella policy with Pennsylvania Manufacturers Indemnity Company.

POLICY FORMS AND UNDERWRITING PRACTICES

The Company filed DPO rate forms for the examination period in accordance with the provisions of N.J.S.A. 17:48D-10 and N.J.A.C. 11:10-12. Rates are developed and managed by DSO staff, who are not actuaries, based on a rating methodology originally established by Milliman & Robertson, Inc., an external actuarial firm. These rates are submitted and approved through SERFF.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to operate as a DPO to provide managed care dental services within the confines of the state of New Jersey as permitted by and subject to N.J.S.A. 17:48D-1 et seq. The Company writes only one line of business, dental.

The Company, as a DPO, enters into capitation contracts to provide dental services to plan members in New Jersey. The contracted dental offices are compensated based on a fixed periodic payment per person or enrollee. Under these capitated arrangements, all risk is transferred to the dentist. The Company receives premiums based on a contractual amount per plan member. The payments to providers are not made until premiums are collected.

The Company markets its offerings to group employers and works with its insurance brokers to acquire the business. The Company collects premiums from small and large

groups for various dental plans whose services are provided by a panel of twenty-two (22) dental offices throughout New Jersey. As of December 31, 2024, the Company had eighty-seven (87) groups from which it collected premiums. DSO pays approximately ninety percent (90%) of premiums (net of commissions) to the providing dental offices and retains ten percent (10%) as administrative expenses and profit. The providers are under contract and have agreed to accept the percentages set forth above as their compensation.

Membership Trends - 5 Year Historical Data

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Group Contracts	72	70	66	77	87
Group Employees	7,537	6,928	6,419	6,988	8,922
Group Dependents	9,739	8,643	7,787	8,256	9,965
Total Enrollees	<u>17,276</u>	<u>15,571</u>	<u>14,206</u>	<u>15,244</u>	<u>18,887</u>

ADVERTISING

A review of sampled advertisement materials submitted by the Company found DSO to be in compliance with N.J.S.A. 17:48D-15.

TREATMENT OF POLICYHOLDERS

The Company maintains records of complaints and has procedures in place for the resolution of those complaints. As such, the Company is deemed to be in compliance with N.J.S.A. 17:48D-12.

CONTINUITY OF OPERATIONS

The Company has a formal disaster response preparation plan that includes backup procedures, failover precautions, software/hardware vendor and restoration support, and a dedicated offsite storage location to maintain the stability and continuity of the Company's operations in the event of a man-made or natural disaster. The plan is tested on a yearly basis. The plan appears to be appropriate.

ACCOUNTS AND RECORDS

General Ledger/Accounts Payables

The Company maintains its general ledger through the NetSuite Financials accounting system, which has been in place since 2016. The accounts payables process is housed in Avid. Both systems are cloud-based. The automated general ledger is the final repository for all of DSO's financial information, which stores and processes this information to produce financial and management reports. All of the Company's books and records are maintained at its administrative office located in Avenel, New Jersey.

Eligibility and Billing Data

Eligibility and billing data is housed in an internal facing system with no internet access. Software is from Building Reliable Systems, Inc. (“BRS”). Eligibility and billing data is handled by the plan manager. Individual user IDs and passwords are in place. No networking is involved. Payments to providers are processed on a stand-alone personal computer using Microsoft Excel. This equipment and software is located in a secure cloud at Expedient Data center.

Statutory Deposit

As of December 31, 2024, the Company had on deposit with the State of New Jersey, its domiciliary state, cash and securities with a par value of \$50,000, in compliance with N.J.A.C. 11:10-1.8(a). This deposit is held for the benefit and security of the Company’s policyholders.

SUBSEQUENT EVENTS

On March 31, 2025, the NJDOBI approved the sale of DSO to Branford Dental Purchaser, LLC. On April 2, 2025, the transaction was finalized (phase 2) between Branford Dental Purchaser, LLC and SSC Lender, LLC bringing Dental Services Organization, LLC under one owner.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

<u>Exhibit - A</u>	Statement of Assets, Liabilities and Unassigned Funds as of December 31, 2024
<u>Exhibit - B</u>	Summary of Operations for the Five-Year Period Ended December 31, 2024
<u>Exhibit - C</u>	Surplus Account for the Five-Year Period Ended December 31, 2024

EXHIBIT A
DENTAL SERVICES ORGANIZATION, LLC
STATEMENT OF ASSETS, LIABILITIES AND UNASSIGNED FUNDS AS OF
DECEMBER 31, 2024

<u>ASSETS</u>	<u>Balance</u> <u>per Examination</u> <u>@ 12/31/24</u>	<u>Balance</u> <u>per Company</u> <u>@ 12/31/24</u>	<u>Note</u>
Cash and Cash Equivalents	\$ 791,815	791,815	
Subtotal Cash and Invested Assets	<u>791,815</u>	<u>791,815</u>	
Investment Income Due and Accrued	1,218	1,218	
Uncollected Premiums	46,665	46,665	
Health Care Receivables	4,488	4,488	
Total Net Admitted Assets	<u>\$ 844,186</u>	<u>\$ 844,186</u>	
 <u>LIABILITIES</u>			
Premiums Received in Advance	\$ 55,868	\$ 55,868	
General Expenses Due or Accrued	35,042	35,042	
Amounts Due To Parent, Subsidiaries and Affiliates	126,423	126,423	
Total Liabilities	<u>\$ 217,333</u>	<u>\$ 217,333</u>	1
 <u>CAPITAL AND SURPLUS</u>			
Unassigned Funds (surplus)	626,853	626,853	2
Surplus as Regards Policyholders	<u>\$ 626,853</u>	<u>\$ 626,853</u>	
 Total Liabilities, Capital and Surplus	<u>\$ 844,186</u>	<u>\$ 844,186</u>	

EXHIBIT B
DENTAL SERVICES ORGANIZATION, LLC
SUMMARY OF OPERATIONS FOR THE FIVE-YEAR PERIOD ENDED
DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>UNDERWRITING INCOME</u>					
Net Premium Income	\$ 5,933,676	\$ 4,656,960	\$ 4,414,658	\$ 4,601,109	\$ 4,869,434
Deductions:					
Hospital/Medical Benefits	5,262,812	4,141,519	3,915,007	4,076,171	4,341,274
General Administrative Expenses	486,563	451,347	456,381	482,398	309,639
Net Underwriting Gain or (Loss)	184,301	64,094	43,270	42,540	218,521
<u>INVESTMENT INCOME</u>					
Net Investment Income Earned	27,442	11,954	272	42	349
Net Investment Gain or (Loss)	27,442	11,954	272	42	349
Net Income	\$ 211,743	\$ 76,048	\$ 43,542	\$ 42,582	\$ 218,870

EXHIBIT C
DENTAL SERVICES ORGANIZATION, LLC
SURPLUS ACCOUNT FOR THE FIVE-YEAR PERIOD ENDED
DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Capital and Surplus					
December 31, Previous Year	\$ 584,332	\$ 818,239	\$ 774,697	\$ 732,115	\$ 513,245
Net Income	211,743	76,048	43,542	42,582	218,870
Change in Non-admitted Assets	(19,222)	-	-	-	-
Dividends to Stockholders	(150,000)	(300,000)	-	-	-
Aggregate Write-Ins for Gains or (Losses) in surplus	-	(9,955)	-	-	-
Net Change in Capital and Surplus for the Year	42,521	(233,907)	43,542	42,582	218,870
Capital and Surplus					
December 31, Current Year	\$ 626,853	\$ 584,332	\$ 818,239	\$ 774,697	\$ 732,115

NOTES TO FINANCIAL STATEMENTS

Note: 1

CLAIMS UNPAID

The NJDOBI contracted INS Consultants, Inc., to review the Company's loss reserves and actuarial liabilities and the actuarial examination consultants determined there should be no recorded amounts. As the Company's health plans are fully capitated, the Company is only at risk for the agreed upon capitated payments. The Company also stated that the contracts do not provide for continued care or benefits in the event of insolvency. As such, there is no requirement to establish an unpaid claim reserve and other actuarial liabilities at December 31, 2024.

The NJDOBI Health Actuarial Division determined the above to be reasonable.

Note: 2

SURPLUS AS REGARDS POLICYHOLDERS

As of December 31, 2024, surplus as regards policyholders is reported at \$626,853. In compliance with N.J.A.C. 11:10-1.8(a)3, the Company meets the statutory required minimum capital and surplus of \$100,000, with an excess of \$526,853 in surplus.

CONCLUSION

The undersigned hereby certifies that an examination has been made of Dental Services Organization, LLC and the foregoing report is true to the best of my knowledge and belief.

Respectfully Submitted,



Jan Pierre Santiago, CFE, CPA
Examiner-in-Charge
INS Consultants, Inc.

Under the supervision of:



Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

DENTAL SERVICES ORGANIZATION, LLC

I, Jan Pierre Santiago, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2024, to the best of my information, knowledge, and belief.

Respectfully Submitted,



Jan Pierre Santiago, CFE, CPA
Examiner-in-Charge
INS Consultants, Inc.

Under the supervision of:



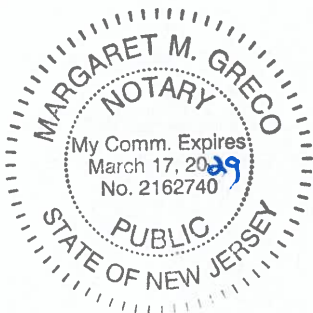
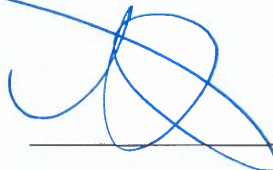
Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer



Subscribed and sworn to before me, _____, on

this 11th day of March, 2026.



Notary Public of New Jersey

My commission expires: 3/17/2029