

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

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| IN THE MATTER OF THE ACQUISITION |) | |
| OF CONTROL OF LONGEVITY HEALTH |) | |
| PLAN OF NEW JERSEY INSURANCE |) | HEARING OFFICER'S |
| COMPANY, INC. BY TCII LONG, L.P., |) | REPORT |
| TRANSFORMATION CAPITAL |) | |
| FUND II LP, AND TRANSFORMATION |) | |
| CAPITAL FUND II GP LP |) | |

Procedural History

In accordance with N.J.S.A. 17:27A-2, by a filing dated November 12, 2021, and supplemented through April 12, 2023, TCII Long, L.P., a limited liability company formed under the laws of the State of Delaware (“TCII”), Transformation Capital Fund II L.P., and Transformation Capital Fund II GP LP (each also referred to hereafter as an “Applicant” and collectively, the “Applicants”) filed with the New Jersey Department of Banking and Insurance (“Department”) an application to acquire control (“the Form A filing”) of Longevity Health Plan of New Jersey Insurance Company, Inc. (“Longevity NJ” or “Domestic Insurer”), a Preferred Provider Organization (“PPO”) that is a wholly owned subsidiary of Longevity Health Holdings of New Jersey, LLC (“Longevity Holdings”), which is a subsidiary of Longevity Health Founders, LLC (“Longevity Founders” or the “Ultimate Parent”).

Pursuant to N.J.S.A. 17:27A-2(d), a public hearing was held on the Form A filing on July 17, 2023. Pursuant to N.J.A.C. 11:1-35.6(g), the public hearing was conducted based on the documents filed. The hearing panel and Department staff determined that the documents filed in connection with the proposed acquisition satisfied the requirements of N.J.S.A. 17:27A-2(b). Public comments were allowed to be submitted through the close of business on July 17, 2023.

No comments were received. No other documents were required, and the record was closed on July 17, 2023.

Findings of Fact

Longevity NJ is a licensed PPO incorporated on March 19, 2018. Longevity NJ commenced business on January 1, 2020. Longevity NJ contracted with the Center of Medicare and Medicaid Services (“CMS”) to provide medical coverage to members who qualify for participation in an Institutional Special Needs Program (“ISNP”) within Longevity NJ’s licensed service area. The contract between Longevity NJ and CMS was effective on January 1, 2020, at which time the first members were enrolled in the PPO. Longevity NJ’s immediate parent is Longevity Holdings, which is 50% owned by Longevity Founders, 15% owned by Paragon Equity Group, LLC, 9.6% owned by Big HENS, LLC, 8.9% by SH ISNP, LLC, 5.7% by ISNP Investors, LLC, 4.3% by GK Longevity, LLC, 3.6% by Achieve Medicaid Solutions, LLC, and 2.9% by Caring ISNP Investment, LLC.

TCII is a limited liability company that was formed under the laws of the State of Delaware on May 12, 2021. TCII has never had any business activity as it was formed for the sole purpose of acting as an investment vehicle for the Applicants in Longevity Founders. Transformation Capital Fund II LP is a limited partnership formed under the laws of the State of Delaware on December 11, 2019. Transformation Capital Fund II LP is the main fund to which TCII consolidates into their schedule of investments. Transformation Capital Fund II GP LP is a limited partnership formed under the laws of the State of Delaware on December 11, 2019.

Transformation Capital Fund II GP LP acts as the general partner of Transformation Capital Fund II LP and TCII Long, LP. Collectively the purpose of the Applicants is to make equity and equity–related investments primarily in commercial–stage companies that are focused in the healthcare technology and healthcare services industry.

Longevity Founders has agreed in principle to an equity capital infusion involving two material investors (the “Investment”), Halle LHP Holdings, LLC (“Halle” has filed a separate Form A filing) and TCII Long, L.P. At this time, Longevity Founders has neither taken equity investment nor executed operating agreements to add either the Applicants or Halle to Longevity Founders’ ownership.

The proposed acquisition of control will take place by way of conversion of existing convertible debt into equity shares within Longevity Founders. Upon approval of the proposed transaction, Longevity Founders will issue Series B Preferred Units in exchange for the Investment. TCII Long, LP owns convertible debt promissory notes issued by Longevity Founders for which \$20 million was paid in two separate installments. Accordingly, Longevity Founders is in possession of consideration totaling \$20 million paid by TCII Long, LP. Applicants indicate the source of the funds was cash originating from TCII Long, LP, with no financing involved. Consummation of the proposed acquisition of control will occur upon the conversion of the existing debt into equity shares with no additional consideration. Final accrued interest and equity share amount and percentage will be provided by Applicants upon the closing of the proposed transaction.

TCII Long, LP will obtain 11,111,111 Series B Preferred units of Longevity Founders in exchange for the conversion of the \$20 million promissory notes. In addition, TCII will obtain 5,149,051 units in exchange for \$51,491 upon exercising the warrants. In conclusion, TCII will purchase 16,260,163 (including any warrants) Series B Preferred units of Longevity Founders in exchange for an equity investment of \$20,051,491. Following the conversion of promissory notes, TCII will own 19.8% of Longevity Founders, which will result in ownership within Domestic Insurer of approx. 9.9%.

Following the proposed acquisition of control, Domestic Insurer will continue as a direct wholly owned subsidiary of Longevity Holdings, with Longevity Founders as the Ultimate Parent.

As such, ownership within Longevity Founders will be as follows 21.9% by Halle Holdings, 19.8% by TCII Long, LP, 28.6% by ISNP Holdings, Inc., 23.9% by Pinta Partners LHP, LLC, 3.5% by GCM Health Holdings, Inc. and 2.4% by various independent shareholders.

Since the Investment is at the Longevity Founders parent level, as are the Board seats, the Investment will cause no change to the ownership, governance, or day-to-day operations and management of Domestic Insurer which will continue to be 100% owned by Longevity Holdings before and after the Investment by the Applicants.

The nature and amount of consideration for the acquisition was determined through arms-length negotiations. The Applicants have borrowed no funds for the acquisition. Thus, the proposed transaction is not subject to any financing contingency and will not result in acquisition debt of the Applicant that exceeds fifty percent (50%) of the purchase price.

Following completion of the proposed transaction, Applicants have no present plans for Longevity NJ to declare an extraordinary dividend. Further, the Applicants have no plans to liquidate or sell any assets of Longevity NJ other than asset sales in the ordinary course of business, or to merge Longevity NJ with any person or persons. Also, the Applicants have no current plans to make any material changes in the business operations or corporate structure or management of Longevity NJ other than as may arise in the ordinary course of business.

Based on the financial statements filed by the Applicants, it does not appear that the financial condition of the Domestic Insurer will be jeopardized. Michael Dixon, Todd Cozzens, and Jared Kesselheim (collectively, the “Managing Partners”) are investment professionals. Additionally, the Applicants have submitted certain audited financial information covering the three year period (2020–2022). The Managing Partners have filed certain personal financial information, covering the previous three years.

Analysis

N.J.S.A. 17:27A-2(d)(1) provides that the Commissioner shall approve an acquisition of control of a domestic insurer unless he or she finds that one or more of the seven disqualifying factors set forth therein exist. The statute provides in pertinent part:

(1) The Commissioner shall approve any merger or other acquisition of control ... unless, after a public departmental hearing thereon, he [or she] finds that:

(i) After the change of control the domestic insurer ... would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;

(ii) The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this State or tend to create a monopoly therein ... [applying the competitive standard as set forth in the statute];

(iii) The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders;

(iv) The financial condition of any acquiring party is such that (a) the acquiring party has not been financially solvent on a generally accepted accounting principles basis, or if an insurer, on a statutory accounting basis, for the most recent three fiscal years immediately prior to the date of the proposed acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); (b) the acquiring party has not generated net before-tax profits from its normal business operations for the latest two fiscal years immediately prior to the date of acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); or (c) the acquisition debt of the acquiring party exceeds 50% of the purchase price of the insurer;

(v) The plans or proposals which 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 its business or

corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest;

(vi) 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 merger or other acquisition of control; or

(vii) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

Upon a thorough review of the documents submitted into evidence, the hearing panel and Department staff have determined that none of the seven disqualifying factors set forth above should result if the proposed acquisition is effectuated. Each of these conditions is discussed below.

First, after the acquisition, the Domestic Insurer will continue to meet the requirements to transact the business for which it is presently licensed pursuant to Title 17 of the New Jersey Statutes. There is nothing in the record to indicate that, after the proposed transaction, the Domestic Insurer would not be able to continue to satisfy the requirements to transact the business for which they are presently licensed.

Second, it does not appear that the proposed transaction will substantially lessen competition in the New Jersey insurance market or tend to create a monopoly therein. N.J.S.A. 17:27A-2(d)(1)(ii) provides that in applying this competitive standard, the standard set forth in N.J.S.A. 17:27A-4.1(d) shall apply. That statute utilizes a complex formula based on the market shares of the insurers involved in the transaction. The statute by its terms does not apply if, as an immediate result of the acquisition, there would be no increase in the overall market share of the involved insurers after the acquisition. See N.J.S.A. 17:27A-4.1(b)(2)(d). In this instance, the Applicants and their affiliates do not transact any insurance business in New Jersey and therefore do not compete in any lines of business in New Jersey. Accordingly, the proposed transaction will

not violate the competitive standard set forth in N.J.S.A. 17:27A-4.1 because it does not substantially lessen competition in New Jersey or tend to create a monopoly therein.

Third, it does not appear that the financial condition of the Applicants will jeopardize the financial condition of the Domestic Insurer. Applicants provided audited financial statements for Transformation Capital Fund II LP covering the years ended December 31, 2020, through December 31, 2022. Transformation Capital Fund II LP, as of December 31, 2020, 2021 and 2022, reported assets of \$99,048,244, \$526,724,273, and \$679,297,571, respectively. In addition, Applicants submitted financial information for the Managing Partners¹, which was reviewed for adequacy. According to Applicant's financial information, it does not appear that the financial condition of the Domestic Insurer will be jeopardized or that the interest of its policyholders will be prejudiced.

Fourth, it appears that the financial condition of the Applicants is such that they have been solvent on a basis of generally accepted accounting principles for the three-year period immediately prior to the date of the proposed acquisition and have increased capital from operations for each of the three years prior to the date of the proposed acquisition. Audited financial statements of Transformation Capital Fund II LP (the "Partnership") for the period from March 1, 2020 (commencement of operations) through December 31, 2020, and for the years ended December 31, 2021, and 2022 contain unqualified opinions by the Applicants' external auditor. At year-end December 31, 2020, the Partnership reported Partners' Capital of \$32,933,036, and a net increase in Partners' Capital from Operations of \$3,977,518. At year-end December 31, 2021, the Partnership reported Partners' Capital of \$501,463,434 and a net increase in Partners' Capital from Operations of \$229,498,579. At year-end December 31, 2022, the

¹ Pursuant to N.J.A.C. 11:1-35, Appendix Exhibit A Item 12(b), financial statements for individuals shall not be public and shall not be considered a public record for the purposes of the "Right-to-Know" law, (now known as the Open Public Records Act) N.J.S.A. 47:1A-1 to -13.

Partnership reported Partners' Capital of \$678,952,378 and a net increase in Partners' Capital from Operations of \$9,626,418. Additionally, managing partners submitted confidential personal financial information, which was reviewed for adequacy and did not present concern. Finally, no debt or loans will be utilized to fund the acquisition. Applicants have not borrowed or financed any funds for the acquisition. The source of funds for the acquisition was accumulated cash from the operations of its existing businesses. Accordingly, the requirement that the acquisition debt may not exceed 50 percent of the purchase price is satisfied.

Fifth, the Applicant does not propose to liquidate or sell the assets of the Domestic Insurer. As set forth above, the Applicants do not intend to change the business operations, corporate structure, management, or general plan of operations other than may arise in the ordinary course of business.

Sixth, there is nothing in the record from which it may be concluded that the competence, experience, and integrity of the persons who will control the operations of the Domestic Insurer are such that it would not be in the best interest of the policyholders and of the public to permit the acquisition of control. Following the transaction, the Applicants intend to maintain the Domestic Insurer's business operations, corporate structure, and management.

Seventh, there is nothing in the record from which it may be concluded that the proposed transaction is likely to be hazardous or prejudicial to the insurance buying public for the reasons set forth above.

Recommendation

Based on the foregoing analysis, the hearing panel and Department staff recommend that the proposed transaction be approved.

Upon a thorough review of the foregoing, I concur with the findings, analysis and recommendations of the hearing panel and Department staff. I therefore recommend that the proposed transaction be approved.

07/17/2023
Date

Lauren Glantzberg
Lauren Glantzberg
Hearing Officer

Longevity NJ by TCII Long L.P., Transformation Capital Fund II L.P., and Transformation Capital Fund II GP LP/HO rpt

Exhibits List

In the Matter of the Acquisition of Control of Longevity Health Plan of New Jersey Insurance Company, Inc. (“Domestic Insurer”) by TCII Long, L.P., Transformation Capital Fund II LP, and Transformation Capital Fund II GP LP (each an Applicant and collectively the “Applicants”)

- Exhibit 1 Form A Statement and related filings dated November 12, 2021
- Exhibit 2 Applicants submitted supplemental information dated as of April 5, 2022
- Exhibit 3 On August 2, 2022, Applicants submitted Consent Order issued by Florida Office of Insurance Regulation in connection with approval of an acquisition of control by Halle LHP Holdings, LLC and TCII Long, L.P.
- Exhibit 4 On September 8, 2022, Applicants submitted a Restated Form A Statement dated August 24, 2022, and supplemental information
- Exhibit 5 Applicants submitted supplemental information dated as of October 24, 2022

- Exhibit 6 On January 3, 2023, Applicants submitted an Order issued by the State of Colorado Division of Insurance in connection with approval of an acquisition of control by Halle LHP Holdings, LLC and TCII Long, L.P.
- Exhibit 7 On January 25, 2023, Applicants submitted copies of approvals obtained from certain jurisdictions in connection with Form A filing
- Exhibit 8 On February 25, 2023, Applicants submitted a Second Restated Form A Statement dated as of February 15, 2023, and resubmitted certain Form A filings
- Exhibit 9 On April 22, 2023, Applicants submitted a Third Restated Form A Statement dated as of April 12, 2023, and resubmitted Form A filings
- Exhibit 10 Waiver of 20–day notice of hearing submitted by Jared A. Kesselheim, Managing Partner, on behalf of Transformation Capital Fund II GP, LP.
- Exhibit 11 Waiver of 20–day notice of hearing submitted by Todd C. Cozzens, Managing Partner, on behalf of Transformation Capital Fund II, LP.
- Exhibit 12 Waiver of 20–day notice of hearing submitted by Michael E. Dixon, Managing Partner, on behalf of TCII Long LP.
- Exhibit 13 Waiver of 20–day notice of hearing submitted by Rene Lerer, Chief Executive Officer, on behalf of the Domestic Insurer.
- Exhibit 14 Affidavit of Publication of Notice of Hearing in The Record, reflecting publication on July 10, 2023
- Exhibit 15 Affidavit of Publication of Notice of Hearing in Courier Post, reflecting publication on July 10, 2023
- Exhibit 16 Affidavit of Publication of Notice of Hearing in Star Ledger, reflecting publication on July 10, 2023