

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION)	
OF CONTROL OF LONGEVITY HEALTH)	
PLAN OF NEW JERSEY INSURANCE)	
COMPANY, INC., BY HALLE LHP)	HEARING OFFICER'S
HOLDINGS, LLC, HALLE CAPITAL)	REPORT
PARTNERS I LP, HALLE CAPITAL)	
PARTNERS GP, LLC, AND JOHN PETER)	
GUTFREUND)	

Procedural History

In accordance with N.J.S.A. 17:27A-2, by a filing dated April 5, 2022, and supplemented by additional filings through April 5, 2023, Halle LHP Holdings, LLC, Halle Capital Partners I LP, Halle Capital Partners GP, LLC (collectively, the “Halle Applicants”) and John Peter Gutfreund (“Individual Applicant” and together with the Halle Applicants, the “Applicants”), filed with the New Jersey Department of Banking and Insurance (“Department”) an application to acquire control (“Form A filing”) of Longevity Health Plan of New Jersey Insurance Company, Inc. (“Longevity NJ” or the “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 PPO that was 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.

Halle LHP Holdings, LLC (“Halle LHP Applicant”) is a limited liability company formed under the laws of the State of Delaware on March 19, 2021. The Halle LHP Applicant 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. Halle LHP Applicant’s sole managing member is Halle Capital Partners GP, LLC. Halle Capital Partners GP, LLC is a Delaware limited liability company and sole managing member of Halle LHP Applicant, and general partner of Halle Capital Partners I LP. Halle Capital Partners I LP is a limited partnership created under the laws of the State of Delaware that was organized on November 11, 2019, and commenced operations on January 24, 2020.

Applicants provided audited financial information covering the years 2020 through 2022. Individual Applicant is the sole managing member of Halle Capital Partners GP, LLC. As the sole managing member, Individual Applicant exercises control of Halle Capital Partners GP, LLC, and

the Halle LHP Applicant. Applicants make equity and equity-related investments primarily in the growth oriented companies that are focused on the health care and business/consumer services industries.

Longevity Founders has agreed in principle to an equity capital infusion involving two material investors (the “Investment”), Halle LHP Holdings, LLC and TCII Long, L.P. (“TCII” has filed a separate Form A filing). At this time, Longevity Founders has neither taken equity investment nor executed operating agreements to add either the Applicants or TCII 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. Halle LHP Applicant owns convertible debt promissory notes issued by Longevity Founders for which \$21,500,000 was paid in three separate installments. Accordingly, Longevity Founders is in possession of consideration totaling \$21,500,000 paid in three separate installments by Halle Holdings LHP, LLC. The accrued interest on the first two installments (\$647,054) was consolidated into the final promissory note for a total balance of \$22,147,054. Applicants indicate the source of the funds was cash originating from Halle Holdings LHP, LLC, 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.

Halle Holdings Applicant will obtain 12,303,919 Series B Preferred units of Longevity Founders in exchange for the conversion of the \$22,147,054 promissory notes. In addition, Halle Holdings will obtain 5,701,816 units in exchange for \$57,018 upon exercising the warrants. In

conclusion, Halle Holdings Applicant will purchase 18,005,735 (including any warrants) Series B Preferred units of Longevity Founders in exchange for an equity investment of \$22,204,072. Following the conversion of promissory notes, Halle Holdings Applicant will own 21.9% of Longevity Founders, which will result in ownership within Domestic Insurer of approx. 10.95%.

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. Individual Applicant is an investment professional. Additionally, the Halle Applicants have submitted certain audited financial information for the previous two years. The Individual Applicant has filed certain personal financial information, for 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, Longevity NJ 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 NJ 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 Halle Capital Partners I LP covering the years ended December 31, 2020, through December 31, 2022. For the years ended December 31, 2020, 2021, and 2022, Halle Capital Partners I LP reported assets of \$10,619,685, \$37,150,036, and \$54,901,680, respectively. Individual Applicant provided financial information, which was reviewed for adequacy¹. According to the financial information filed by the Applicants, 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 two years prior to the date of the proposed acquisition. Financial statements of Halle Capital Partners I LP (the "Partnership") for the period from January 24, 2020 (commencement of operations) through December 31, 2020, and for the years ended December 31, 2021, and December 31, 2022, contain unqualified opinions by Applicants' external auditor. At year-end December 31, 2020, the Partnership reported Partners' Capital of \$9,720,304, and a net decrease in Partners' Capital from Operations of (\$207,739). At year-end December 31, 2021,

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.

the Partnership reported Partners' Capital of \$33,468,527 and a net increase in Partners' Capital from Operations of \$11,434,335. At year-end December 31, 2022, the Partnership reported Partners' Capital of \$53,610,196 and a net increase in Partners' Capital from Operations of \$10,837,764. Additionally, the Individual Applicant 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 are not borrowing or financing 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 Applicants do not propose to liquidate the Domestic Insurer or sell the assets. No extraordinary dividends, liquidation, sale, merger, or other material change is anticipated in connection with this change of control.

Sixth, there is nothing in the record from which it may be concluded that the competence, experience, and integrity of the person 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.

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.

July 17, 2023
Date

Lauren Glantzberg
Lauren Glantzberg
Hearing Officer

Longevity NJ by Halle 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 Halle LHP Holdings LLC, Halle Capital Partners I LP, Halle Capital Partners GP LLC, and John P. Gutfreund, (each an Applicant and collectively the “Applicants”)

- Exhibit 1 Form A Statement and related filings dated April 5, 2022
- Exhibit 2 Applicants submitted required information dated as of July 8, 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 Restated Form A Statement dated as of August 24, 2022
- Exhibit 5 Applicants submitted supplemental information dated as of September 2, 2022
- Exhibit 6 Applicants submitted supplemental information dated as of October 24, 2022
- Exhibit 7 On January 3, 2023, Applicants submitted 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 8 On January 25, 2023, Applicants submitted copies of approvals obtained from certain jurisdictions in connection with Form A filing
- Exhibit 9 On February 25, 2023, Applicants submitted a Second Restated Form A Statement dated as of February 14, 2023, and supplemental information
- Exhibit 10 On April 22, 2023, Applicants submitted a Third Restated Form A Statement dated as of April 5, 2022, and resubmitted Form A filings
- Exhibit 11 Waiver of 20–day notice of hearing submitted by John Peter Gutfreund, Manager, on behalf of Halle LHP Holdings, LLC
- Exhibit 12 Waiver of 20–day notice of hearing submitted by John Peter Gutfreund, Manager, on behalf of Halle Capital Partners I, LP
- Exhibit 13 Waiver of 20–day notice of hearing submitted by John Peter Gutfreund, Manager, on behalf of Halle Capital Partners GP, LLC
- Exhibit 14 Waiver of 20–day notice of hearing submitted by Form A Individual Applicant John Peter Gutfreund

- Exhibit 15 Waiver of 20–day notice of hearing submitted by Rene Lerer, Chief Executive Officer, on behalf of the Domestic Insurer
- Exhibit 16 Affidavit of Publication of Notice of Hearing in The Record, reflecting publication on July 10, 2023
- Exhibit 17 Affidavit of Publication of Notice of Hearing in Courier Post, reflecting publication on July 10, 2023
- Exhibit 18 Affidavit of Publication of Notice of Hearing in Star Ledger, reflecting publication on July 10, 2023