

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION)	
OF CONTROL OF HN1 THERAPY)	
NETWORK OF NEW JERSEY, LLC BY)	
H.I.G. HEALTH NETWORK ONE, L.P.,)	
H.I.G. CAPITAL PARTNERS VI, L.P.,)	
H.I.G. ADVISORS VI, LLC, H.I.G. GP II, INC.,)	HEARING OFFICER'S
DORADO GP, LLC, ANTHONY TAMER,)	REPORT
SAMI MNAYMNEH,)	
DORADO HEALTH HOLDINGS, LLC,)	
DORADO PARENT HOLDINGS, L.P.,)	
DORADO INTERMEDIATE, INC.,)	
DORADO ACQUISITION, INC., AND)	
DORADO HEALTH INTERMEDIATE)	
HOLDINGS, LLC)	

Procedural History

In accordance with N.J.S.A. 17:27A-2, by a filing dated June 10, 2022, and supplemented by additional filings through July 27, 2023, H.I.G. Health Network One, L.P., H.I.G. Capital Partners VI, L.P., H.I.G. Advisors VI, LLC, H.I.G. GP II, Inc., Dorado GP, LLC (collectively, the “H.I.G. Applicants”), Dorado Health Holdings, LLC, Dorado Parent Holdings, L.P., Dorado Intermediate, Inc., Dorado Acquisition, Inc., Dorado Health Intermediate Holdings, LLC (collectively, the “Dorado Applicants”), Anthony Tamer, and Sami Mnaymneh (collectively, the “H.I.G. Individual Applicants” and together with the H.I.G. Applicants and Dorado Applicants, the “Applicants”), filed with the New Jersey Department of Banking and Insurance (“Department”) an application to acquire control (“Form A filing”) of HN1 Therapy Network of

New Jersey, LLC (“Domestic Insurer”), a Licensed Organized Delivery System¹, by acquiring its direct parent, HN1 Therapy Network, LLC (“HN1 Parent”).

Pursuant to a Membership Interest Purchase Agreement (“MIPA”), dated June 30, 2021, by and among Dorado Acquisition, Inc. (the “Buyer”), The Luis Mosquera Living Trust, The Martin E. Bilowich Trust, Luis Mosquera, Martin Bilowich, Robert Leahy, Alberto Rodriguez, Gerald Sternstein, Mary McCluskey (each such trusts and individuals, a “Member” and collectively, the “Members”), and Dorado Health Holdings, LLC, the Members will sell and Dorado Health Intermediate Holdings, LLC will purchase 100% of the Equity Interests² of HN1 Parent (the “Proposed Acquisition of Control”). Upon consummation of the Proposed Acquisition of Control, the Domestic Insurer will continue as a direct wholly owned subsidiary of HN1 Parent, with HN1 Parent becoming a direct wholly owned subsidiary of Dorado Health Intermediate Holdings, LLC, as further described below. Following the completion of the transactions contemplated by the MIPA, ownership within Domestic Insurer will be as follows: 73.8% by H.I.G. Health Network One, L.P., 19.8% by Dorado Health Holdings, LLC, and 6.4% by entities that will not exercise control over the Domestic Insurer (“Non–Controlling Entities³”).

Pursuant to N.J.S.A. 17:27A–2(d) and after notice was provided in papers of general circulation and on the Department’s website, a public hearing was held on the Form A filing on August 23, 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

¹ Pursuant to N.J.S.A. 17:48H–16(a) and N.J.A.C. 11:22–4.10, a licensed ODS organized under the laws of the State of New Jersey is treated as a domestic insurer for purposes of the Insurance Holding Company Systems Act, N.J.S.A. 17:27A–1 to –14.

² *Equity Interests* as defined in the MIPA, in part, “means (a) any capital stock, membership interests or other share capital, equity or ownership interest or voting security; (b) any securities (including debt securities) directly or indirectly convertible into or exchangeable or exercisable for any capital stock membership interests or other share capital, equity or ownership interest or voting security, or containing any profit participation features;”

³ Applicants represent these entities will own less than 10% and not exercise *control* over the insurer. *Control* is defined in N.J.S.A. 17:27A–1c.

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 to the Department through the close of business on August 23, 2023, and no comments were received. The record was closed on August 23, 2023.

Findings of Fact

Domestic Insurer was organized on June 17, 2011, as a Florida Limited Liability Company to provide therapy services (occupational, speech, and physical) to members enrolled in health plans who contracted with Domestic Insurer to provide such services. On October 12, 2012, Domestic Insurer was granted a license by the Department to provide organized delivery system services pursuant to N.J.S.A. 17:48H–2. Domestic Insurer is a direct wholly owned subsidiary of HN1 Parent, an administrative services company, and the ultimate parent company. HN1 Parent is 27.69% owned by Luis Mosquera, 17.04% by Martin Bilowich, 17.04% by Robert Leahy, 17.04% by Alberto Rodriguez, 10.65% by Gerald Sternstein, and 10.54% by Mary McCluskey (together the “Current Ultimate Controlling Persons” or “Individual Members”).

H.I.G. Applicants are part of a leading global alternative assets investment firm with funds such as H.I.G. Capital Partners VI, LP which together with its partners and affiliates has over \$45 billion of equity capital under management. Based in Miami, and with offices in New York, Boston, Chicago, Dallas, Los Angeles, San Francisco, and Atlanta in the U.S., as well as international affiliate offices in London, Hamburg, Madrid, Milan, Paris, Bogotá, Rio de Janeiro and São Paulo, the Applicants and affiliates specialize in providing both debt and equity capital to small and mid-sized companies, utilizing a flexible and operationally focused value-added approach.

Pursuant to the MIPA, the Members will sell and Dorado Health Intermediate Holdings, LLC will purchase 100% of the Equity Interests of HN1 Parent, the Domestic Insurer’s direct

parent. The consideration for the purchase of the Domestic Insurer is \$4,150,000 as required by the MIPA. Subsequent to the Proposed Acquisition of Control, Domestic Insurer will continue as a direct wholly owned subsidiary of HN1 Parent, with HN1 Parent becoming a direct wholly owned subsidiary of Dorado Health Intermediate Holdings, LLC., which is a direct wholly owned subsidiary of Dorado Acquisition, Inc., which in turn is a direct wholly owned subsidiary of Dorado Intermediate, Inc. Dorado Intermediate, Inc. is a direct wholly owned subsidiary of Dorado Parent Holdings, LP (“Dorado Parent”). Accordingly, Dorado Parent will indirectly own 100% of HN1 Parent and the Domestic Insurer. As described below, Dorado Parent is 73.8% owned by H.I.G. Health Network One, L.P., 19.8% by Dorado Health Holdings, LLC, and 6.4% by Non–Controlling Entities.

Dorado Parent is 73.8% owned by H.I.G. Health Network One, L.P., a limited partnership formed under the laws of the State of Delaware on June 9, 2021, and a direct wholly owned subsidiary of H.I.G. Capital Partners VI, LP (“H.I.G. Capital LP”), which is in turn a direct wholly owned subsidiary of H.I.G. Advisors VI, LLC (“General Partner”). The General Partner is a direct wholly owned subsidiary of H.I.G. GPII, Inc. (the “Managing Member”). H.I.G. Individual Applicants each exercise control and own 50% of the Managing Member. Upon consummation of the Proposed Acquisition of Control, H.I.G. Health Network One, L.P., by way of its ownership in Dorado Parent, will own 73.8% of HN1 Parent and the Domestic Insurer. H.I.G. Individual Applicants by way of ownership in the Managing Member, and H.I.G. Health Network One, L.P. will each own and control approximately 36.9% of the Domestic Insurer.

Separately, Dorado Parent is 19.8% owned by Dorado Health Holdings, LLC, a Limited Liability Company formed under the laws of the State of Florida on June 22, 2021. Dorado Health Holdings, LLC is wholly owned by the Current Ultimate Controlling Persons of the Domestic Insurer. Ownership within Dorado Health Holdings, LLC is as follows: 30.442% by Luis

Mosquera, 15.776% by Martin Bilowich, 15.776% by Robert Leahy, 15.776% by Alberto Rodriguez, 11.703% by Gerald Sternstein, and 10.527% by Mary McCluskey. Upon closing of the Proposed Acquisition of Control, the Current Ultimate Controlling Persons, by way of their ownership in Dorado Health Holdings, LLC, will obtain a reduced ownership of 19.8% of HN1 Parent and the Domestic Insurer.

Further, after the Proposed Acquisition of Control, by way of ownership in Dorado Parent, the Non–Controlling Entities will acquire a 6.4% ownership of HN1 Parent and the Domestic Insurer.

Per Applicants’ representations, there is no financing, loan, or pledge of stock for the acquisition of the Domestic Insurer or HN1 Parent and payment will be made in cash to the Individual Members. The payment of the purchase price to each Individual Member will be made by Dorado Health Intermediate Holdings, LLC. Cash to fund Dorado Health Intermediate Holdings, LLC’s payment for the acquisition will come from a dividend that will be paid by HS1 Medical Management, Inc. to Dorado Health Intermediate Holdings, LLC prior to the Proposed Acquisition of Control. Payment of the purchase price will be made in specified percentages as follows: 30.442% Luis Mosquera, 15.776% Martin Bilowich, 15.776% Robert Leahy, 15.776% Alberto Rodriguez, 11.703% Gerald Sternstein, and 10.527% Mary McCluskey.

Following completion of the Proposed Acquisition of Control, the Applicants have no contemplated or actual plans to cause Domestic Insurer to declare an extraordinary dividend, liquidate Domestic Insurer, to sell the Domestic Insurer’s assets, merge Domestic Insurer, or to make any other material change in Domestic Insurer’s business operations or corporate structure or management. Following the closing of the Proposed Acquisition of Control, the Domestic Insurer will maintain its separate corporate existence and will be an indirect wholly owned subsidiary of the Dorado Parent.

Based on the audited financial statements filed by the Applicants, it does not appear that the financial condition of the Domestic Insurer will be jeopardized. Applicants provided audited financial statements for Dorado Intermediate, Inc. and Subsidiaries (“Dorado Intermediate”), and H.I.G. Capital Partners VI, L.P., and Alternative Investment Vehicles Combined Financial Statements (“H.I.G. Capital”). Dorado Intermediate as of December 31, 2021, and 2022, reported total assets of \$198.4 million and \$296.1 million, respectively. H.I.G. Capital as of December 31, 2020, 2021, and 2022, reported total assets of \$131.6 million, \$440.0 million, and \$779.6 million, respectively. H.I.G. Individual Applicants’ occupation is in investment management. The H.I.G. Individual Applicants’ have submitted certain financial information to the Department⁴ which was reviewed for adequacy.

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];

⁴ 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.

(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). The H.I.G. Individual Applicants, H.I.G. Applicants, and Dorado Applicants do not have direct written insurance premiums in New Jersey nor do they transact any insurance business in New Jersey and therefore do not compete in any lines of business in New Jersey. Dorado Health Holdings, LLC is owned by the Current Ultimate Controlling Persons, which upon consummation of the Proposed Acquisition of Control will retain a reduced ownership within Domestic Insurer. Applicants represent Dorado Health Holdings, LLC is also exempt from filing a Form E Statement since there is no competitive impact. 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 Dorado Intermediate and H.I.G. Capital. Dorado Intermediate, as of December 31, 2021, and 2022, reported assets of \$198.4 million and \$296.1 million, respectively. H.I.G. Capital, as of December 31, 2020, 2021, and 2022, reported assets of \$131.6 million, \$440.0 million, and \$779.6 million, respectively. In addition, the H.I.G. Individual Applicants submitted certain confidential

financial information⁵. According to the Applicant's financial information, it does not appear that the financial condition of the Domestic Insurer will be jeopardized.

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. H.I.G. Capital reported an increase in capital from operations for two of the three years prior to the date of the proposed acquisition. Audited financial statements of H.I.G. Capital for the period from August 17 (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, H.I.G. Capital reported Partners Capital of \$45.4 million and a net decrease in capital from operations of \$9.5 million. At year-end December 31, 2021, H.I.G. Capital reported Partners' Capital of \$104.2 million and a net increase in Partners' Capital from Operations of \$124.7 million. At year-end December 31, 2022, H.I.G. Capital reported Partners' Capital of \$428.0 million and a net increase in Partners' Capital from Operations of \$43.5 million. Audited financial statements of Dorado Intermediate for the period from July 1, 2021, through December 31, 2021, and for the year ended December 31, 2022, contain unqualified opinions by the Applicants' external auditor. At year-end December 31, 2021, Dorado Intermediate reported Shareholders Equity of \$53.0 million and a net loss from operations before income taxes of \$11.0 million. At year-end December 31, 2022, Dorado Intermediate reported Shareholders Equity of \$51.6 million and a net loss from operations before income taxes of \$9.5 million. Although Dorado Intermediate did not generate net income before tax in the two periods, the Department looks to H.I.G. Capital as the ultimate controlling entity. Additionally, H.I.G. Individual Applicants submitted confidential personal financial information, which was reviewed for adequacy and did not present concern.

⁵ 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.

Finally, no debt or loans will be utilized to fund the acquisition. As stated above, Applicants have not, and will not be borrowing or financing any funds for the acquisition. 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 its 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.

08/24/2023
Date

Lauren Glantzberg
Lauren Glantzberg
Hearing Officer

HN1 Therapy Network of New Jersey LLC by H.I.G. Applicants et al / HO rpt

Exhibits List

In the Matter of the Acquisition of Control of HN1 Therapy Network of New Jersey LLC by H.I.G. Health Network One, L.P., H.I.G. Capital Partners VI, L.P., H.I.G. Advisors VI, LLC, H.I.G. GP II, Inc., Dorado GP, LLC, Anthony Tamer, Sami Mnaymneh, Dorado Health Holdings, LLC, Dorado Parent Holdings, L.P., Dorado Intermediate, Inc., Dorado Acquisition, Inc., and Dorado Health Intermediate Holdings, LLC,

- Exhibit 1 Form A Statement and related filings dated June 10, 2022
- Exhibit 2 On October 10, 2022, Applicants submitted supplemental information and an Amended and Restated Form A Statement
- Exhibit 3 Applicants submitted supplemental information on November 18, 2022
- Exhibit 4 Applicants submitted supplemental information on February 16, 2023
- Exhibit 5 Applicants submitted supplemental information on March 13, 2023
- Exhibit 6 Applicants submitted supplemental information on April 18, 2023
- Exhibit 7 Applicants submitted supplemental information on April 25, 2023
- Exhibit 8 Redacted biographical affidavits submitted on May 11, 2023
- Exhibit 9 Applicants submitted supplemental information on May 17, 2023
- Exhibit 10 On June 20, 2023, Applicants submitted an Amended and Restated Form A Statement dated as of June 8, 2023, and supplemental information
- Exhibit 11 Applicants submitted supplemental information on June 20, 2023
- Exhibit 12 Applicants submitted supplemental information on June 23, 2023
- Exhibit 13 Revised Form A Statement and related filings received on July 7, 2023
- Exhibit 14 Revised Form A Statement dated July 7, 2023, received on July 27, 2023
- Exhibit 15 Waiver of 20-day notice of hearing submitted by Tim Farber, Esq., Locke Lord, LLP on behalf of the H.I.G. Applicants, Dorado Health Holdings, LLC, Dorado Parent Holdings, L.P., Dorado Intermediate, Inc., Dorado Acquisition, Inc., Dorado Health Intermediate Holdings, LLC, Anthony Tamer, and Sami Mnaymneh
- Exhibit 16 Waiver of 20-day notice of hearing submitted by Cynthia J. Borrelli, Esq., Greenberg Traurig, on behalf of the Domestic Insurer

- Exhibit 17 Affidavit of Publication of Notice of Hearing in The Record, reflecting publication on August 16, 2023
- Exhibit 18 Affidavit of Publication of Notice of Hearing in Courier Post, reflecting publication on August 16, 2023
- Exhibit 19 Affidavit of Publication of Notice of Hearing in Star Ledger, reflecting publication on August 16, 2023