

**BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

IN RE: Proposed Acquisition of)	
NHC Advantage, LLC)	
)	
)	Case Nos. 2104160685F
By)	
)	
NEA 17 GP, LLC; NEA Partners 17 LP;)	
New Enterprise Associates 17 LP; Senior)	
Housing NewCo, LLC; and Senior)	
Housing Buyer, Inc.)	

APPROVAL ORDER

Based on the competent and substantial evidence in the administrative record before me, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance (“Director” of the “Department”), determine that there is no need for additional proceedings or a formal hearing on this matter and hereby issue the following findings of fact, conclusions of law, and order approving the proposed acquisition in this case as follows:

FINDINGS OF FACT

1. On January 29, 2021, Mohamad Makhzoumi (“Individual Applicant”); and NEA 17 GP, LLC; NEA Partners 17, LP; New Enterprise Associates 17 LP (“NEA 17”); Senior Housing NewCo, LLC (“NewCo”); and Senior Housing Buyer, Inc. (“Buyer”) (“Entity Applicants”) submitted a Form A seeking the Director’s approval/non-disapproval of the proposed acquisition of NHC Advantage, LLC (“Domestic Insurer”), indirectly, by

Applicants. Applicants did not submit a Pre-Acquisition Notice Form E (“Form E”) to the Division asserting that the proposed acquisition was, in general, exempt from the requirements of § 382.095.2, RSMo¹.

2. Entity Applicants seek to acquire Domestic Insurer, indirectly, as part of the acquisition of Innovative Long Term Care Management, Inc. (“Innovative”), a Delaware corporation. AllyAlign Health, Inc., a wholly owned subsidiary of Innovative, owns 24.44% of Domestic Insurer.

3. On February 26, 2021, the Department’s Division of Insurance Company Regulation (“Division”) sent Applicants correspondence identifying certain additional items that were needed to address the completeness of the Form A Application.

4. On March 15, 2021, the Applicants responded to the Division’s February 26, 2021, letter and provided most of the documentation and additional information requested.

5. On March 23, 2021, the Division sent Applicants a letter following a substantive review of the Form A Application filed by Applicants. The March 23, 2021, letter requested additional information from Applicants to address specific questions or concerns raised by Division staff’s review of the Form A.

6. On March 25, 2021, the Applicants responded to the March 23, 2021, letter and provided additional information and documents to address the questions and concerns expressed by the Division.

¹ All statutory references are to RSMo 2016, unless otherwise noted.

7. Following its review of the information and documents provided by Applicants on March 25, 2021, on April 16, 2021, the Division sent the Applicants a third letter with additional requests for information and documents.

8. On April 26, 2021, Applicants responded to the Division's April 16, 2021, letter with additional information and documents. The April 26, 2021, letter from Applicants also indicated that additional documentation would be forthcoming. On May 3, 2021, and May 11, 2021, Applicants submitted the additional documents.

9. At the same time the Applicants filed the Form A Application with the Division, Applicants also filed similar Form A Statements with other states, including the states of Michigan, South Dakota, North Dakota, Nebraska and Virginia, seeking to acquire other subsidiaries of Innovative.

10. The Division's review of the Form A Application and supplemental information received from Applicants shows that the Entity Applicants will indirectly acquire Domestic Insurer as a result of certain transactions set out in an Agreement and Plan of Acquisition ("Agreement") dated January 20, 2021, entered into by Innovative, NewCo, Buyer, Senior Housing Merger Sub, Inc., a Delaware corporation and a direct, wholly owned subsidiary of Buyer ("Merger Sub") and HEP Management Corporation, a Delaware corporation, acting solely in its capacity as the representative of the Securityholders (as defined in the Agreement.)

11. According to the Agreement, Merger Sub will merge with Innovative, and Innovative will be the surviving corporation.

12. The Director has exercised her discretion and deemed the Form A Application filed as that term is used in §§ 382.060 and 382.095.

13. The Division has independently verified that the Form A Application submitted by Entity Applicants is exempt from the requirements of § 382.095.2.

14. Upon the effective date of the merger, the outstanding shares of Innovative will be converted into the right to receive merger consideration from Buyer.

15. Division staff have determined that the amount of additional debt Buyer will undertake to complete the transaction will not be financially hazardous to the Entity Applicants or policy holders.

16. The Entity Applicants have no present plans for the Domestic Insurer to declare an extraordinary dividend, to liquidate the Domestic Insurer, to sell any of the assets of the Domestic Insurer (other than in the ordinary course of business), or to merge the Domestic Insurer with any other person or persons.

17. Entity Applicants have no current plans to make any material changes in the business operations or corporate structure of the Domestic Insurer (other than as may arise in the ordinary course of business.) The Entity Applicants do not currently anticipate any major changes to the business operations of the Domestic Insurer in the near term.

18. During its review of the Form A and additional information and documents provided by Applicants, the Division determined that Makhzoumi is not a “person having control” as that term is defined in § 382.010(2). Makhzoumi does not currently have a ten percent or more ownership interest in any of the other Applicants identified above in paragraph 1 and will not have a ten percent or more ownership interest in Innovative

following completion of the proposed acquisition. As a result, Makhzoumi will not have a ten percent or more ownership interest in Domestic Insurer following the proposed acquisition and is not the Ultimate Controlling Person as that term is defined in 20 CSR 200-11.101(6) and used in 20 CSR 200-11.101(11) and Form B thereto.

19. During its review of the Form A and additional information and documents provided by Applicants, the Division determined that the Applicant, NEA 17 GP, LLC, is the Ultimate Controlling Person as that term is defined in 20 CSR 200-11.101(6) and used in 20 CSR 200-11.101(11) and Form B thereto. NEA 17 GP, LLC, is the person not controlled by any of the other Entity Applicants.

20. The proposed acquisition of Domestic Insurers by the Entity Applicants will not substantially lessen competition or tend to create a monopoly in the business of insurance in Missouri.

CONCLUSIONS OF LAW

21. Section 382.040.1 provides:

No person other than the issuer shall commence a tender offer for or a request or invitation for tenders of, or enter into any agreement to exchange securities for, seek to acquire, or acquire, in the open market or otherwise, any voting security of a domestic insurer if, after the consummation thereof, he or she would, directly or indirectly, or by conversion or by exercise of any right to acquire, be in control of the insurer, and no person shall enter into an agreement to merge with or otherwise to acquire control of a domestic insurer unless, at the time the offer, request, or invitation is commenced or the agreement is entered into, or prior to the acquisition of the securities if no offer or agreement is involved, he or she has filed with the director and has sent to the insurer a statement containing the information required by section 382.050 and the offer, request, invitation, agreement or acquisition has been approved by the director in the manner prescribed by sections 382.010 to 382.300.

22. Section 382.060 provides, in relevant part, that “[t]he director shall approve any merger or other acquisition of control referred to in § 382.040 unless after a public hearing the director” finds certain adverse conditions or consequences related to a merger or acquisition.

23. After a review of the Form A, all the Exhibits and the additional information submitted by Entity Applicants as outlined above, pursuant to § 382.060, the Director fails to find that:

- a. after the proposed acquisition, the Domestic Insurer would not be able to satisfy the requirements for issuance of a license to write the line or lines of insurance for which it is presently licensed;
- b. the effect of the acquisition would be substantially to lessen competition in insurance in this state or tend to create a monopoly therein;
- c. the financial condition of the Applicants is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders;
- d. any plans or proposals by the Applicants to liquidate the Domestic Insurer, sell any of its assets, consolidate or merge it with any other person, or make any other material change in the business or corporate structure or management of the Domestic Insurer are unfair and unreasonable to their policyholders and contrary to the public interest;
- e. the competence, experience, or integrity of the persons who would control or manage the Domestic Insurer post-acquisition are such that it would be contrary to the interest of policyholders and the general public to permit the acquisition; or
- f. the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

24. Mr. Mohamad Makhzoumi is not a person having control as that term is defined in § 382.010(2) and used in Chapter 382. As a consequence, Mr. Mohamad Makhzoumi is not the Ultimate Controlling Person as that term is defined in 20 CSR 200-11.101(6) and used in 20 CSR 200-11.101(11) and Form B thereto.

25. Applicant NEA 17 GP, LLC, is the Ultimate Controlling Person as that term is defined in 20 CSR 200-11.101(6) and used in 20 CSR 200-11.101(11) and Form B thereto.

ORDER

26. Based on the foregoing Findings of Fact and Conclusions of Law, it is hereby Ordered that the proposed acquisition of the Domestic Insurer, indirectly, through the acquisition of Innovative Long Term Care Management, Inc. by NEA 17 GP, LLC; NEA Partners 17, LP; New Enterprise Associates 17 LP; Senior Housing NewCo, LLC; and Senior Housing Buyer, Inc. is approved with the following condition: the acquisition contemplated in the Agreement by and among NEA 17 GP, LLC; NEA Partners 17, LP; New Enterprise Associates 17 LP; Senior Housing NewCo, LLC; and Senior Housing Buyer, Inc. and Domestic Insurer shall be subject to, and conditioned on, the closing of the merger, and NEA 17 GP, LLC; NEA Partners 17, LP; New Enterprise Associates 17 LP; Senior Housing NewCo, LLC; and Senior Housing Buyer, Inc. shall provide the Director notice of the closing.

SO ORDERED.

WITNESS MY HAND THIS 21st DAY OF May, 2021.


CHLORA LINDLEY-MYERS, DIRECTOR



NOTICE

TO: Applicants and any unnamed persons aggrieved by this Order:

You may request a hearing in this matter. You may do so by filing an appeal with the Circuit Court of Cole County, State of Missouri pursuant to § 382.300, RSMo.

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CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of May, 2021, a copy of the foregoing Order and Notice was served upon the Applicants in this matter by UPS, signature required, at the following address:

Mohamad Makhzoumi, President
Senior Housing NewCo, LLC
1954 Greenspring Drive, Suite 600
Timonium, Maryland 21093

Tracking No. 1Z0R15W84299276406



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