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INSURANCE EVALUATION DIVISION

**FORM A**

STATEMENT REGARDING THE  
ACQUISITION OF CONTROL OF OR MERGER  
WITH A DOMESTIC INSURER

**Pavonia Life Insurance Company of Michigan**

BY

**Ares Management Corporation**

and

**Aspida Holdco, LLC**

Filed with the Michigan Department of Insurance and Financial Services

Dated: July 22, 2019

Name, Title, Address and Telephone Number of Individual to Whom Notices and  
Correspondence Concerning This Statement Should be Addressed:

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*with a copy to:*

Michael Weiner & Daniel Hall  
Ares Management Corporation  
2000 Avenue of the Stars, 12th Floor  
Los Angeles, CA 90067  
(310) 201-4140 & (310) 201-4228  
[weiner@aresmgmt.com](mailto:weiner@aresmgmt.com) & [dhall@aresmgmt.com](mailto:dhall@aresmgmt.com)

In accordance with Mich. Comp. Laws § 500.1311(1), this Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (this "Application") seeks the prior approval of the Director of the Michigan Department of Insurance and Financial Services (the "Director") for the acquisition of control (the "Proposed Acquisition") of Pavonia Life Insurance Company of Michigan, a Michigan-domiciled insurance company (the "Domestic Insurer" or "PLICMI"), by Ares Management Corporation, a publicly-traded Delaware corporation ("Ares"), and Aspida Holdco, LLC, a newly-formed Delaware limited liability company ("Buyer"). Ares and Buyer are each an "Applicant" and collectively, the "Applicants".

## **ITEM 1. INSURER AND METHOD OF ACQUISITION.**

### **(a) Name and Address of the Domestic Insurer**

The name and address of the Domestic Insurer to which this Application relates are as follows:

Pavonia Life Insurance Company of Michigan  
28400 Northwestern Highway, 2<sup>nd</sup> Floor  
Southfield, MI 48034

An abbreviated chart showing the current ownership of the Domestic Insurer is attached hereto as Exhibit 1.

### **(b) Description of Acquisition of Control**

Pursuant to a Stock Purchase Agreement dated July 9, 2019 (the "Stock Purchase Agreement") by and between GBIG Holdings, Inc. ("Seller") and Buyer. Buyer will, on the terms and subject to the conditions set forth therein acquire all of the issued and outstanding shares of the Domestic Insurer and its subsidiary, Global Bankers Insurance Group, LLC, a North Carolina limited liability company ("ServiceCo", and together with PLICMI, the "Acquired Companies"), for an aggregate price of \$75 million, which will be adjusted at the closing of the Proposed Acquisition for certain indebtedness of Seller, certain costs associated with the settlement of intercompany loans, notes and advances of the Acquired Companies, certain expenses of PLICMI, amounts to be held in escrow and fees and expenses associated with the delivery of a fairness opinion by an independent third-party investment bank.

The Proposed Acquisition is expected to close in the second half of 2019, subject to the satisfaction or waiver of various closing conditions, which include receipt of required regulatory approvals and other customary closing conditions. In addition, the closing is subject to (i) entry of certain regulatory orders and approval of a plan of rehabilitation under Michigan law, (ii) release of PLICMI from certain insurance regulatory orders, (iii) delivery of a fairness opinion by an independent third-party investment bank, (iv) with respect to PLICMI, satisfaction of a minimum ratio of total adjusted capital over company action level risk-based capital and a minimum level of adjusted capital and surplus, and with respect to ServiceCo, satisfaction of a minimum level of net working capital, and (v) certification of solvency of each Acquired Company by the chief financial officer of Seller.

A copy of the Stock Purchase Agreement is attached hereto as Exhibit 2.

Concurrently with the signing of the Stock Purchase Agreement, Seller and Buyer also entered into a Loan Agreement dated as of July 9, 2019 (the “Loan Agreement”), pursuant to which Buyer made a secured loan to Seller in the amount of \$25,000,000 (the “Loan”). The Loan is expected to be repaid from the proceeds of the Proposed Acquisition or other cash of Seller. Pursuant to the Pledge Agreement dated as of July 9, 2019 (the “Pledge Agreement”), between Seller and Buyer, the Loan is secured by a pledge of Seller’s interest in the Domestic Insurer (the “Collateral”), which represents 100% of the issued and outstanding shares of the Domestic Insurer. The Pledge Agreement provides that, upon the occurrence and continuance of an event of default pursuant to the terms and subject to the conditions of the Loan Agreement, Buyer may foreclose on the Collateral, subject to applicable regulatory approvals. A copy of the Loan Agreement is attached hereto as Exhibit 3.

## **ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT.**

### **(a) Names and Addresses of the Applicants**

The names and business addresses of the Applicants are:

Ares Management Corporation  
2000 Avenue of the Stars, 12<sup>th</sup> Floor  
Los Angeles, CA 90067

Aspida Holdco, LLC  
2000 Avenue of the Stars, 12<sup>th</sup> Floor  
Los Angeles, CA 90067

### **(b) Business Operations of the Applicants for the Past Five Years**

Ares is a publicly traded, leading global alternative asset manager with approximately \$137 billion of assets under management (“AUM”) and over 1,000 employees as of March 31, 2019. Ares has delivered attractive performance to its investor base across its investment groups and strategies, including credit, private equity and real estate. Ares is headquartered in Los Angeles, California with offices across the United States, Europe, Asia and Australia. Its common shares are traded on the New York Stock Exchange under the ticker symbol “ARES”.

Since its inception in 1997, Ares has adhered to a disciplined investment philosophy that focuses on delivering compelling risk-adjusted investment returns throughout market cycles. Ares maintains a consistent credit-based approach in targeting well-structured investments in high quality businesses and real estate assets. Ares believes its growth in becoming one of the largest alternative asset managers is a testament to its experienced management team, focus on performance and high-quality investor base, which includes large pension funds, university endowments, sovereign wealth funds, banks and insurance companies.

Ares has a dedicated team focused on providing solutions to insurance company clients to help achieve specific investing objectives ranging from asset-liability management to operating within ratings agency confines to enhancing risk and capital adjusted returns. Ares works with a broad array of domestic and foreign insurance company clients including life insurers and property &

casualty insurers. Ares currently manages approximately \$15 billion of AUM in insurance company assets across approximately 65 distinct mandates and funds for over 100 insurance companies.

Buyer is a newly-formed Delaware limited liability company that will be the immediate parent and intermediate holding company of Domestic Insurer and ServiceCo. Buyer will be an indirect, wholly-owned subsidiary of Ares.

(c) **Organizational Chart**

An organizational chart presenting the identities of, and interrelationships among, the Applicants and their material subsidiaries and affiliates prior to consummation of the Proposed Acquisition is attached hereto as Exhibit 4. The ultimate controlling person of Applicants is shown on Exhibit 34.

An abbreviated post-closing organizational chart of the Applicants, showing Domestic Insurer's place within the Applicants' organizational structure after consummation of the Proposed Acquisition, is attached hereto as Exhibit 5.

The organizational charts indicate the percentage of voting securities of each entity owned or controlled by the Applicants or any other such persons, the type of organization (e.g., corporation, trust, partnership) and the state or other jurisdiction of domicile or incorporation, as applicable. Unless otherwise indicated on such organizational charts or in this Application, each entity is a corporation and control is maintained by the ownership or control of all outstanding voting securities.

No court proceedings involving a reorganization or liquidation are pending with respect to any entity identified in Exhibit 4.

**ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANTS.**

The names and titles of all persons who are directors, executive officers, or owners of ten percent (10%) or more of the voting interests of the Applicants are as follows:

**Ares & Ares Partners Holdco LLC**

- Michael Lynton (Independent Director)
- Judy Olian (Independent Director)
- Paul Joubert (Independent Director)
- Antoinette Bush (Independent Director)
- Antony Ressler (Ares Director, Executive Chairman)
- Michael Arougheti (Ares Director, Chief Executive Officer and President)
- David Kaplan (Ares Director, Global Co-Head Private Equity)
- Bennett Rosenthal (Ares Director, Global Co-Head Private Equity)
- John Kissick (Ares Director)
- Kipp deVeer (Global Head of Credit)

- Michael McFerran (Chief Financial Officer and Chief Operating Officer)
- Ryan Berry (Chief Marketing and Strategy Officer)
- Michael Weiner (Chief Legal Officer)

**Buyer**

- Michael Arougheti (Director; Ares Director, Chief Executive Officer and President)
- Ryan Berry (Director; Chief Marketing and Strategy Officer)
- Kipp deVeer (Director; Global Head of Credit)
- Lou Hensley (Director; President and Chief Executive Officer, PLICMI)
- David Kaplan (Director; Ares Director, Global Co-Head Private Equity)
- Michael McFerran (Director; Chief Financial Officer and Chief Operating Officer)
- Ryan Myrick (Director; Chief Operating Officer, Ares Insurance Solutions)
- Antony Ressler (Director; Ares Director, Executive Chairman)
- David Reilly (Director; Partner, Head of Ares Insurance Solutions)
- Bennett Rosenthal (Director; Ares Director, Global Co-Head Private Equity)

Biographical affidavits on the form adopted by the National Association of Insurance Commissioners for all above-named persons are attached as Exhibit 6 hereto. In addition, three independent directors will be appointed to the board of Buyer; biographical affidavits for these individuals will be provided at the time such individuals are identified. Lou Hensley, the current President and Chief Executive Officer of PLICMI, will become the Chief Executive Officer of Buyer upon closing of the Proposed Acquisition.

Except as disclosed in the biographical affidavits attached hereto as Exhibit 6, none of the persons listed above has been: (i) adjudged or designated a bankrupt or debtor under the United States Bankruptcy Code; (ii) convicted, served with a criminal summons, questioned, arrested, taken into custody, indicted, charged with, tried or ever been the subject of an investigation concerning any violation of law (excluding minor traffic violations or those incidents which occurred prior to the person's eighteenth birthday); (iii) the subject of a disciplinary proceeding before any federal or state regulatory agency; or (iv) a management consultant, administrator, officer, director, trustee, investment committee member, key employee or controlling shareholder of any company or company affiliate which became insolvent or was placed under supervision or in receivership, rehabilitation, liquidation or conservatorship or had its certificate of authority suspended or revoked while such person occupied such position.

**ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

**(a) Nature, Source, and Amount of Consideration**

The total consideration for the Proposed Acquisition is \$75 million, subject to certain adjustments as described in Item 1 above. Ares currently intends to fund the Proposed Acquisition using immediately available funds, including an existing Ares revolving credit facility of \$1.065 billion, which is described under Item 4(c) below. Any such external debt financing will not have any material impact on Ares' or the Domestic Insurer's financial condition.

**(b) Criteria Used in Determining Nature and Amount of Consideration**

The amount of consideration for the Proposed Acquisition was negotiated at arm's length. A fairness opinion by an independent third-party investment bank with respect to the Proposed Acquisition was provided to Seller at the date of signing of the Stock Purchase Agreement, and another will be provided to Seller on the date of entry of the rehabilitation court order approving the plan of rehabilitation.

**(c) Loans**

Ares and its affiliates are borrowers under a credit facility, which provides a \$1.065 billion revolving line of credit. It has a variable interest rate based on LIBOR or a base rate plus an applicable margin with an unused commitment fee paid quarterly, which is subject to change with Ares' underlying credit agency rating. On March 21, 2019, Ares amended the credit facility to, among other things, extend the maturity date from February 2022 to March 2024 and to reduce borrowing costs on the drawn and undrawn amounts. As of March 31, 2019, base rate loans bear interest calculated based on the base rate plus 0.25% and the LIBOR rate loans bear interest calculated based on LIBOR plus 1.25%. The unused commitment fee is 0.15% per annum. There is a base rate and LIBOR floor of zero. A copy of the Sixth Amended and Restated Credit Agreement, as amended (the "Credit Agreement"), is attached as Exhibit 7.

**ITEM 5. FUTURE PLANS OF DOMESTIC INSURER.**

A Plan of Operations describing the Applicants' intentions with respect to the operations of the Domestic Insurer following the consummation of the Proposed Acquisition is attached hereto as Exhibit 8.

The Applicants intend to cause the Domestic Insurer to enter into the following agreements with affiliates immediately upon or shortly following the closing of the Proposed Acquisition: a tax sharing agreement, an investment management agreement, a services and cost sharing agreement and a reinsurance agreement. Form Ds (Prior Notice of a Transaction) for the proposed affiliate agreements are being submitted to the Director under separate cover. In addition, the Applicants will cause the Domestic Insurer to enter into a termination and release agreement with its current affiliates, which will have the effect of terminating existing intercompany agreements. Notice of such termination will be provided pursuant to Mich. Stat. 500.1341(4).

The tables below set forth a list of all individuals who are proposed to be directors and officers of the Domestic Insurer following the closing of the Proposed Acquisition:

Directors:

Name	Title
Michael Arougheti	Director
Ryan Berry	Director
Laurence Deitch	Director
Kipp deVeer	Director
Lou Hensley	Director

Ryan Myrick	Director
David Reilly	Director
Bennett Rosenthal	Director

Officers:

Name	Title
Louis Belo	Chief Compliance Officer
Tamre Edwards	Chief Legal Officer and Secretary
Michael Farley	Chief Actuary
Lou Hensley	Chief Executive Officer and President
Joseph Lurie	Senior Vice President
Brian Stewart	Chief Financial Officer and Treasurer

Biographical affidavits for Michael Arougheti, Ryan Berry, Kipp deVeer, Ryan Myrick, David Reilly, and Bennett Rosenthal are included in Exhibit 6 hereto. Biographical affidavits for Louis Belo, Laurence Deitch, Tamre Edwards, Michael Farley, Joseph Lurie, and Brian Stewart will be submitted under separate cover. In addition, Applicants intend to identify at least three independent directors, one of whom may be a replacement Michigan resident, for appointment to the Board of the Domestic Insurer upon the closing of the Proposed Acquisition. Once these independent directors are identified, biographical affidavits will be filed.

Other than as set forth herein or in the Plan of Operations attached hereto as Exhibit 8, the Applicants have no plans for the Domestic Insurer to pay a dividend (whether extraordinary or otherwise), liquidate the Domestic Insurer, sell its assets or merge it with any person or persons or make any other material change in its business operations or corporate structure or management.

**ITEM 6. VOTING SECURITIES TO BE ACQUIRED.**

As of July 9, 2019, there were 250,000 of issued and outstanding shares of the Domestic Insurer. Pursuant to the terms of the Stock Purchase Agreement, the Applicants intend to acquire 100% of such issued and outstanding shares.

Buyer is a wholly-owned subsidiary of Ares; through the consummation of the Proposed Acquisition, Ares will indirectly acquire all of the issued and outstanding shares of the Domestic Insurer. The terms of the Proposed Acquisition are described above in Item 1(b) above. As stated in Item 4(b) the fairness of the Proposed Acquisition was determined by arms' length negotiations.

**ITEM 7. OWNERSHIP OF VOTING SECURITIES.**

Except as set forth herein and as contemplated by the Stock Purchase Agreement, none of the Applicants, any of their affiliates or subsidiaries identified in Exhibit 4, or any person identified in Item 3, is currently the legal or beneficial owner of, or has any right to acquire, any shares of

any class of voting securities, or any security convertible into a right to acquire a voting security, of the Domestic Insurer.

**ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER.**

Pursuant to the Pledge Agreement, the Loan is secured by a pledge to Buyer of the stock of the Domestic Insurer, with foreclosure thereon by Buyer in accordance with the terms and subject to the conditions of the Pledge Agreement, including being subject to approval of this Form A filing and other applicable regulatory approvals. A copy of the Pledge Agreement is attached hereto as Exhibit 9.

Other than as described above or set forth in the Stock Purchase Agreement, none of the Applicants, their affiliates or subsidiaries identified in Exhibit 4, or any person identified in Item 3 has any contracts, arrangements, or understandings with respect to any shares of the Domestic Insurer.

**ITEM 9. RECENT PURCHASES OF VOTING SECURITIES.**

There have been no purchases, direct or indirect, during the twelve calendar months preceding the filing of this Application of any voting securities of the Domestic Insurer which were made by the Applicants, or any person controlling, controlled by or under common control with the Applicants, any of their affiliates or subsidiaries identified in Exhibit 4, or any person identified in Item 3.

**ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE.**

To the knowledge of the Applicants, there have been no recommendations to purchase any voting securities of the Domestic Insurer made by the Applicants, any of their affiliates or subsidiaries identified in Exhibit 4, any person identified in Item 3 or by anyone based upon interview or at the suggestion of the Applicants, any of their affiliates or subsidiaries identified in Exhibit 4 or any person identified in Item 3 during the twelve calendar months preceding the filing of this Application.

**ITEM 11. AGREEMENTS WITH BROKER-DEALERS.**

There are no agreements, contracts, or understandings made with any broker-dealer as to the solicitation of voting securities of the Domestic Insurer for tender.

**ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS.**

**(a) Exhibits**

The following information is attached as exhibits hereto:

- Exhibit 1 Current Organizational Chart of Domestic Insurer
- Exhibit 2 Stock Purchase Agreement
- Exhibit 3 Loan Agreement

- Exhibit 4 Abbreviated Organizational Chart of the Applicants
- Exhibit 5 Post-closing Organizational Chart of the Applicants
- Exhibit 6 Biographical Affidavits
- Exhibit 7 Credit Agreement
- Exhibit 8 Plan of Operations
- Exhibit 9 Pledge Agreement
- Exhibit 10 Financial Projections
- Exhibit 11 Financial Statements of Ares
- Exhibit 12 Ares Stockholder Reports

**(b) Financial Projections of the Domestic Insurer**

Three-year financial projections for the Domestic Insurer are attached hereto as Exhibit 10. A three-year narrative of the Applicants' business plan for the Domestic Insurer is included in the Plan of Operations attached hereto as Exhibit 8.

**(c) Financial Statements of the Applicant**

Consolidated audited financial statements of Ares for the last five (5) fiscal years and an unaudited financial statement as of March 31, 2019 are attached as Exhibit 11.

**(d) Tender Offer, Agreements for Voting Securities, Annual Reports.**

Other than as indicated herein, there will be no employment, consultation, advisory or management contracts concerning the Domestic Insurer, and there have been no annual reports to stockholders of the Domestic Insurer for the last two (2) fiscal years. Annual reports to stockholders of Ares for the last two (2) fiscal years are attached here as Exhibit 12.

**ITEM 13. AGREEMENT REQUIREMENT FOR ENTERPRISE RISK MANAGEMENT**

The Applicants agree to provide, to the best of their knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the Proposed Acquisition occurs.

**ITEM 14. SIGNATURE AND CERTIFICATION.**

[signatures and certifications provided on the following pages]

**SIGNATURE**

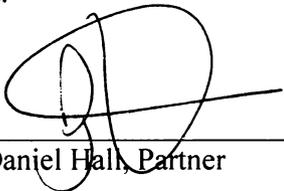
Pursuant to the requirements of Section 1311 of the Insurance Code of 1956, as amended, ARES MANAGEMENT CORPORATION has caused this application to be duly signed on its behalf in the City of Los Angeles and State of California, on the 22<sup>nd</sup> day of July, 2019.

(SEAL)

ARES MANAGEMENT CORPORATION

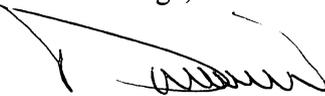
By:   
Michael Weiner, Chief Legal Officer

Attest:

By:   
Daniel Hall, Partner

**CERTIFICATION**

The undersigned deposes and says that he has duly executed the attached application dated July 22, 2019, for and on behalf of ARES MANAGEMENT CORPORATION; that he is the Chief Legal Officer of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

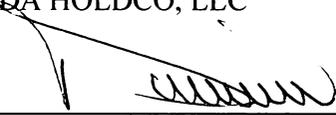
  
Name: \_\_\_\_\_

**SIGNATURE**

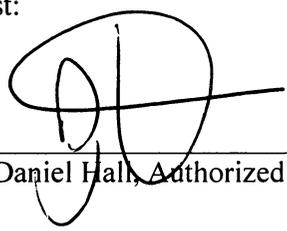
Pursuant to the requirements of Section 1311 of the Insurance Code of 1956, as amended, ASPIDA HOLDCO, LLC has caused this application to be duly signed on its behalf in the City of Los Angeles and State of California, on the 22<sup>nd</sup> day of July, 2019.

(SEAL)

ASPIDA HOLDCO, LLC

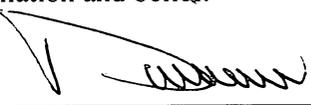
By:   
Michael Weiner, Authorized Signatory

Attest:

By:   
Daniel Hall, Authorized Signatory

**CERTIFICATION**

The undersigned deposes and says that he has duly executed the attached application dated July 22, 2019, for and on behalf of ASPIDA HOLDCO, LLC; that he is the Authorized Signatory of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

  
Michael Weiner