

**STATE OF CONNECTICUT
INSURANCE DEPARTMENT**

In the Matter of: : DOCKET NO.
:
PROPOSED ACQUISITION OF CONTROL OF :
TALCOTT RESOLUTION LIFE INSURANCE : EX 21-15
COMPANY, TALCOTT RESOLUTION LIFE :
AND ANNUITY INSURANCE COMPANY, :
AMERICAN MATURITY LIFE INSURANCE :
COMPANY and TALCOTT RESOLUTION :
INTERNATIONAL LIFE REASSURANCE :
CORPORATION, :
:
by :
:
SUTTON HOLDINGS GP, LLC, SUTTON :
HOLDINGS INVESTMENTS, LTD., SUTTON : JUNE 15, 2021
INVESTMENTS, LLC, TAO SUTTON :
HOLDINGS, LLC, TAO INSURANCE :
HOLDINGS, LLC, TAO SUTTON PARENT, LLC, :
SIXTH STREET TAO PARTNERS, L.P., SIXTH :
STREET TAO PARTNERS (A), L.P., SIXTH :
STREET TAO PARTNERS (B), L.P., SIXTH :
STREET TAO PARTNERS (C), L.P., SIXTH :
STREET TAO PARTNERS (D), L.P., SIXTH :
STREET TAO PARTNERS (E), L.P., SIXTH :
STREET TAO PARTNERS (F), L.P., SUPER TAO :
MA, L.P., SUPER TAO CONTINGENT MA, L.P., :
KNIGHT TAO, L.P., PSERS TAO PARTNERS :
PARALLEL FUND, L.P., A. MICHAEL :
MUSCOLINO and ALAN WAXMAN. :

PRE-FILED WRITTEN TESTIMONY OF A. MICHAEL MUSCOLINO

My name is Anthony Michael Muscolino, and I am a Co-Founding Partner of Sixth Street. I will refer to Sixth Street Partners, LLC, together with its affiliates, as “Sixth Street.”

It is my pleasure to testify in favor of the proposed acquisition of Hopmeadow Holdings LP (“Hopmeadow Holdings”) and the resulting indirect proposed acquisition of control of each of Talcott Resolution Life Insurance Company, Talcott Resolution Life and Annuity Insurance Company, American Maturity Life Insurance Company, and Talcott Resolution International Life Reassurance Corporation, which I will collectively refer to as the “Domestic Insurers”, via a proposed merger of Sutton Holdings Merger Sub, L.P. (“Merger Sub”), the general partner of which is Sutton Holdings GP, LLC, into Hopmeadow Holdings. The “Proposed Merger” is

subject to the Connecticut Insurance Commissioner’s prior approval under Connecticut General Statutes Section 130. I, along with Sutton Holdings GP, LLC, Sutton Holdings Investments, Ltd., Sutton Investments, LLC, TAO Sutton Holdings, LLC, TAO Insurance Holdings, LLC, TAO Sutton Parent, LLC, Sixth Street TAO Partners, L.P., Sixth Street TAO Partners (A), L.P., Sixth Street TAO Partners (B), L.P., Sixth Street TAO Partners (C), L.P., Sixth Street TAO Partners (D), L.P., Sixth Street TAO Partners (E), L.P., Sixth Street TAO Partners (F), L.P., Super TAO MA, L.P., Super TAO Contingent MA, L.P., Knight TAO, L.P., PSERS TAO Partners Parallel Fund, L.P., and Alan Waxman, which I will refer to as the “Applicants”, filed a Form A Application (the “Initial Application”) with the Connecticut Insurance Department on February 3, 2021, and amended and restated it on May 14, 2021 (the “Amended and Restated Application” and, together with the Initial Application, the “Form A Application”). As an Applicant and Co-Founding Partner of Sixth Street, I am authorized to offer testimony regarding the Proposed Merger.

I have been at Sixth Street since June of 2009. My principal responsibilities relate to the firm’s Global Asset Investing. I serve as a director on the boards of various Sixth Street-managed portfolio companies. Prior to joining Sixth Street, I was a principal at FG Companies, a consumer and commercial finance advisory firm. I also previously worked at Goldman Sachs from 1999 to 2007, most recently in the Americas Special Situations Group (“AmSSG”). Prior to Goldman Sachs, I worked in the financial services practice at Andersen Consulting from 1993 to 1997. I currently serve on the board of SMART, which is focused on education equity for low-income students in San Francisco. I hold a B.S. in Mechanical Engineering from the University of Illinois at Urbana-Champaign and an M.B.A. from the University of Chicago Booth School of Business.

I am familiar with the Proposed Merger, and I was involved with the preparation and submission of, and have recently reviewed, the Form A Application that is the subject of my testimony today.

As a procedural matter, I confirm that the Applicants received notice of this hearing on May 26, 2021. I also confirm that the Applicants provided notice of the public hearing to the Domestic Insurers on May 30, 2021.

I. Background Regarding the Applicants

Organizational charts presenting the identities and interrelationships among the Applicants and the Domestic Insurers before and after the Proposed Merger are attached as Exhibits C-1 and C-2 to the Amended and Restated Application.

Background concerning the “Sixth Street Entity Applicants” is as follows:

- Sutton Holdings GP, LLC is a Delaware limited liability company (“Sutton LLC”) that will become the general partner of Hopmeadow Holdings;
- Sutton Holdings Investments, Ltd. is a Bermuda exempted limited company (“Sutton Holdings”) that is the sole member of Sutton LLC;

- Sutton Investments, LLC is a Bermuda exempted limited liability company (“Sutton Investments”) that is the sole stockholder of Sutton Holdings;
- TAO Sutton Holdings, LLC is a Cayman Islands limited liability company (“TAO Sutton Holdings”) that is the owner of 100% of the voting membership interests of Sutton Investments;
- TAO Insurance Holdings, LLC is a Delaware limited liability company (“TAO Insurance Holdings”) that is the managing member with control over voting of TAO Sutton Holdings and TAO Sutton Parent, defined below;
- TAO Sutton Parent, LLC is a Cayman Islands limited liability company (“TAO Sutton Parent”) that is a non-voting member of TAO Sutton Holdings; and
- Sixth Street TAO Partners, L.P., Sixth Street TAO Partners (A), L.P., Sixth Street TAO Partners (B), L.P., Sixth Street TAO Partners (C), L.P., Sixth Street TAO Partners (D), L.P., Sixth Street TAO Partners (E), L.P., Sixth Street TAO Partners (F), L.P., Super TAO MA, L.P., Super TAO Contingent MA, L.P., Knight TAO, L.P., and PSERS TAO Partners Parallel Fund, L.P. are Delaware limited partnerships (collectively, the “TAO Funds”) that are non-voting members of TAO Sutton Parent.

Alan Waxman and I are the individual applicants. We are the ultimate controlling persons of the Sixth Street Entity Applicants. Specifically, Mr. Waxman is the ultimate controlling person of the TAO Funds, and Mr. Waxman and I are the ultimate controlling persons of Sutton LLC, Sutton Holdings, Sutton Investments, TAO Sutton Holdings, TAO Insurance Holdings, and TAO Sutton Parent. I have previously described my background and experience. Mr. Waxman is a Co-Founding Partner and Chief Executive Officer of Sixth Street. He has served as Managing Partner and Chief Investment Officer of Sixth Street since its inception. Prior to co-founding Sixth Street, Mr. Waxman was a Partner at Goldman Sachs where he founded, built and led a variety of investment businesses. During his career at Goldman Sachs, he co-headed the AmSSG, which invested that firm’s capital in both the public markets and private transactions. He also served as Chairman of the Investment Committee for AmSSG and the Goldman Sachs Specialty Lending Group. He began his career at Goldman Sachs in 1998. Mr. Waxman holds a B.A. in International Relations from the University of Pennsylvania and currently serves on the Board of Overseers for the University’s College of Arts and Sciences, as well as on the board of The Tipping Point Community and the Advisory Council of the Boys and Girls Club of the Peninsula, which are organizations focused on fighting poverty and inequality of opportunity in the San Francisco Bay Area.

Each of the Sixth Street Applicants, except for the TAO Funds, is a newly established entity organized under the laws of Delaware, Bermuda or the Cayman Islands, as applicable, for consummating the Proposed Merger.

The Applicants are part of the business of Sixth Street. Sixth Street is a global investment firm with over \$50 billion in assets under management. Founded in 2009, Sixth Street has more than 320 team members including over 145 investment professionals operating from nine global locations. Sixth Street's investment strategy is thematically driven. Life insurance represents one of Sixth Street's core strategic growth areas globally, and it currently has access to a 20-person dedicated insurance team. Sixth Street has been approved by the Dutch Central Bank (the Dutch banking and insurance regulator) as part of its insurance investment activities in Europe.

The TAO Funds are Sixth Street's flagship cross-platform investment vehicles. The TAO investment platform was initially formed in 2011 and intentionally designed for long-term, patient investing with capital commitments made via an "evergreen" structure with no fixed realization date.

II. Description of the Proposed Merger

On January 18, 2021, Sutton Holdings, Sutton Holdings Merger Sub, L.P., a Delaware limited partnership, Hopmeadow Holdings, and Hopmeadow Holdings GP LLC, a Delaware limited liability company that is the general partner of Hopmeadow Holdings entered into a Merger Agreement (the "Merger Agreement"). The Merger Agreement provides that the Merger Sub will merge with and into Hopmeadow Holdings, with Hopmeadow Holdings continuing as the surviving entity, with Sutton LLC as its general partner. The terms and conditions of the Merger Agreement are the product of arm's-length negotiations between Sixth Street and the ultimate controlling persons of Hopmeadow Holdings GP LLC, with the assistance of their advisors.

Upon the occurrence of the Proposed Merger, the holders of the uncertificated common limited partner interests of Hopmeadow Holdings will be entitled to receive an aggregate amount of consideration equal to \$2,250,000,000, *minus certain* adjustments, and a \$500,000,000 pre-closing dividend, which I understand has been approved by the Connecticut Insurance Department contingent on approval of the Form A Application and Proposed Merger. As a result of the Proposed Merger, immediately following the effective time of the Proposed Merger, the surviving entity Hopmeadow Holdings will own, indirectly, all of the issued and outstanding shares of common stock of Talcott Resolution Life Insurance Company, which will continue to own all of the issued and outstanding shares of common stock of each of the other Domestic Insurers.

There will not be any borrowings or acquisition debt involved in the Proposed Merger. The TAO Funds, as well as certain co-investors, will fund the consideration for the Proposed Merger. The TAO Funds through TAO Sutton Holdings have committed to provide, or cause to be provided, to Sutton Holdings the equity financing necessary to fund the consideration for the Proposed Merger pursuant to and subject to the terms of an equity commitment letter, which was attached to the Form A Application at Exhibit E. In addition, certain co-investors will fund a portion of the consideration. The majority of those co-investors are investors in the TAO Funds that will be investing via passive investments in co-investment vehicles established and controlled by Sixth Street for the Proposed Merger. All co-investors will be passive investors and will not own any voting securities of the Domestic Insurers or of any of the Applicants and will not have the ability to appoint directors of Sutton Investments or the Domestic Insurers.

III. Future Plans for the Domestic Insurers

This is a strategic acquisition for Sixth Street. Sixth Street intends to use the Domestic Insurers as a platform for growth in the U.S. market. The Applicants intend that the investment will be a long-term investment for the TAO Funds, and that profit will not be solely derived from dividends out of the Domestic Insurers but from growth. Indeed, the TAO Funds are uniquely positioned to make this kind of long-term investment. The evergreen fund structure means the TAO Funds have no fixed realization date, which allows Sixth Street to take a long-term view when investing. Individual investors have no ability to cause the sale of investments or demand liquidity. Further, the TAO Funds' investors are primarily institutional investors that are focused on long-term investing, and therefore have less pressure on return of capital.

The Applicants provided a detailed discussion of their future plans concerning the Domestic Insurers in a Plan of Operations, Exhibit F to the Initial Application, and a supplement to it at Exhibit F-1, filed with the Amended and Restated Application. In summary, following the completion of the Proposed Merger, the Applicants intend to continue to operate the business of the Domestic Insurers under the core principle of continuing the Domestic Insurers' prudent management of their responsibilities to their policyholders. The Applicants intend to maintain the Domestic Insurers' current employment levels and management team, and the Applicants do not intend to make any material changes to the Domestic Insurers' policyholder administration. Operationally, the Applicants plan to target a risk-based capital ratio of 350%-400% on a company action level basis.

The Applicants intend to refocus the Domestic Insurers on growth through reinsurance and/or acquisitions. The Applicants believe such blocks will add meaningful and diverse income streams, improve the financial strength of the Domestic Insurers, stabilize and potentially grow the employee base, and maintain or improve the Domestic Insurers' ratings. The Applicants intend to leverage the Domestic Insurers' strong management team to support any acquisitions, augmenting that team as needed to support lines of business added as a result of acquisitions.

The Applicants also intend to take post-closing actions that they believe will best position the Domestic Insurers for growth. This includes the creation of a Bermuda entity which, subject to the Department's approval, may assume risk of both the Domestic Insurers' legacy business as well as future acquisitions. The Applicants also intend to use Sixth Street's deep bench to assist the Domestic Insurers in improving their asset liability management profiles, cash flow testing results, and risk-adjusted returns of their portfolios through consulting and advisory agreements and investment management agreements for certain asset classes with Sixth Street affiliates. All such transactions would be fair and reasonable, subject to Department review and approval as required.

IV. Statutory Criteria

I would like to address some of the specific statutory criteria that I understand the Commissioner must consider when deciding whether to approve the Proposed Merger.

Requirements for Issuance of a License

Talcott Resolution International Life Reassurance Corporation is licensed as a reinsurance company.¹ The remaining Domestic Insurers are currently licensed as Life plus Accident and Health companies. As demonstrated through their licenses, the Domestic Insurers satisfy the minimum requirements for licensure under Connecticut law. Following the completion of the Proposed Merger, the Applicants intend to continue the business of the Domestic Insurers without any material change to their core business operations and have no intention of causing the Domestic Insurers to take any actions that would inhibit their ability to satisfy the requirements for licensure under Connecticut insurance law.

Effect on Competition

None of the Applicants currently controls any insurer that writes any insurance business in Connecticut or in any other U.S. state. Consequently, the Proposed Merger will not produce any market share increase in the direct written insurance premium in any line of business in Connecticut. The Proposed Merger, therefore, will not substantially lessen competition in any line of insurance business in Connecticut or tend to create a monopoly in Connecticut.

Financial Condition of the Acquiring Parties

The financial condition of the Applicants is strong and will not jeopardize the financial stability of the Domestic Insurers or prejudice the interests of their policyholders. As of February 2021, the TAO Funds had approximately \$24.7 billion in committed capital. Further, the evergreen structure of the TAO Funds means they have no fixed term, and no liquidity requirement for individual investors or investments – investors cannot redeem their investments in the TAO Funds or otherwise cause the sale of underlying investments of the TAO Funds to generate liquidity.

Plans to Liquidate the Domestic Insurers

The Applicants have no plans to sell the Domestic Insurers' assets or consolidate or merge them with any person. The Applicants intend to grow the business of the Domestic Insurers through reinsurance and acquisitions, but, except as described in Exhibits F and F-1 to the Form A Application, have no plans to make material changes to the way the Domestic Insurers are managed. The Applicants also plan for the Domestic Insurers' headquarters to remain in the State of Connecticut. These plans would not be unfair or unreasonable to policyholders of the Domestic Insurers or against the public interest.

¹ Licensed for life, annuity and accident and health, as well.

Competence, Experience, and Integrity of Controlling Persons

The Applicants have no current plans or proposals to make any changes to the directors and executive officers of the Domestic Insurers other than replacement of directors associated with the sellers and any changes to independent directors. In my view, all of these directors and executive officers of the Domestic Insurers are highly competent individuals with extensive experience and high integrity.

With respect to the Applicants, as I previously explained, the two controlling persons of the Sixth Street Entity Applicants are myself and Alan Waxman. As indicated by the backgrounds I've provided, we are both highly experienced in asset management, investing, and risk management.

Whether the Proposed Transaction is Likely to be Hazardous or Prejudicial to Those Buying Insurance

The Applicants have no present plans or proposals to make any material changes to the Domestic Insurers' core business operations, corporate structure or management. The Proposed Merger, therefore, will not have the effect of altering the current operations of the Domestic Insurers with respect to those buying insurance. Further, as noted previously, the individuals who manage the Domestic Insurers have extensive experience. I am aware of no evidence that the Proposed Merger is likely to be hazardous or prejudicial to those buying insurance.

In closing, I want to thank the Department for allowing me to present this testimony. The Applicants look forward to receiving approval of the Proposed Merger and working closely with the Department in the future. Thank you very much for your consideration of this matter.