



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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DATE: November 20, 2013 [Redacted]
TO: Rebecca Easland 
Richard Hinkel 
FROM: Kristin Forsberg
SUBJECT: Form A – Acquisition of Control of a Domestic Insurer
Vision Insurance Plan of America, Inc. (NAIC # 60067) [Case No. 13-C35612]

Form A filing contacts:

Main Contact for the Applicant:

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Parties to the transaction:

The Acquirer/Applicant:

- Superior Vision Acquisition Corp. ("Applicant"): The Applicant is a Delaware corporation (located in Rancho Cordova, CA), and is a wholly-owned subsidiary of Superior Vision Holding Company, LLC (DE)¹, which was formed by Nautic Partners LLC on November 22, 2011.² The Applicant indirectly owns the following entities:
 - Superior Vision Services, Inc. ("SVS"): A Delaware corporation (headquartered in Rancho, Cordova, CA) that was founded in 1993. SVS provides vision benefits to about 2 million commercial members across all 50 states, and is the nation's largest vision provider network, consisting of more than 46,000 providers (including ophthalmologists, optometrists and retail optical locations). SVS has a workforce of over 140, with the majority located in Rancho Cordova, CA, and has posted consistent growth (in both revenues and EBITA) from 2003 – 2012.

¹ The Applicant and Superior Vision Holding Company, LLC were formed on November 22, 2011 to consummate the acquisition of Superior Vision Holdings, Inc. ("SVHI"), along with its subsidiaries: Superior Vision Services, Inc. ("SVS") and Superior Vision Insurance, Inc. ("SVI", an AZ domiciled insurance company).

² Nautic Partners, LLC ("Nautic") is a private equity investment firm specializing in growth financings, middle markets, industry consolidations, recapitalizations, add-on acquisitions, and buy-out investments. Nautic manages approximately \$2.5B of capital on behalf of institutional investors, including but not limited to: pension funds, financial institutions and insurance companies.

Superior Vision Insurance, Inc. ("SVI"): An Arizona domiciled insurer, and a wholly-owned subsidiary of SVS.

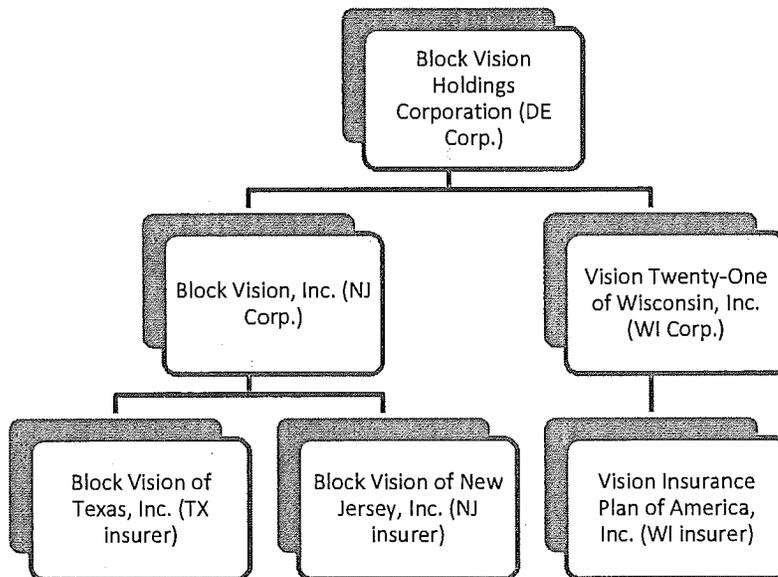
The Sellers/Recipients:

- The Security Holders of Block Vision Holdings Corporation(s) ("BVHC"): The Applicant intends to acquire 100% of the issued and outstanding capital stock of Block Vision Holdings Corporation from the security holders at the time of the merger, in accordance with the terms set forth in the Agreement and Plan of Merger ("Merger Agreement").

[Block Vision Holdings Corporation, a Delaware corporation headquartered in Linthicum, MD, is owned 85% by Block Vision Holdings, LLC³ and 15% by various other investors. BVHC, through its subsidiaries, provides vision wellness program management services to over 6 million members in the commercial, Medicare and Medicaid markets.]

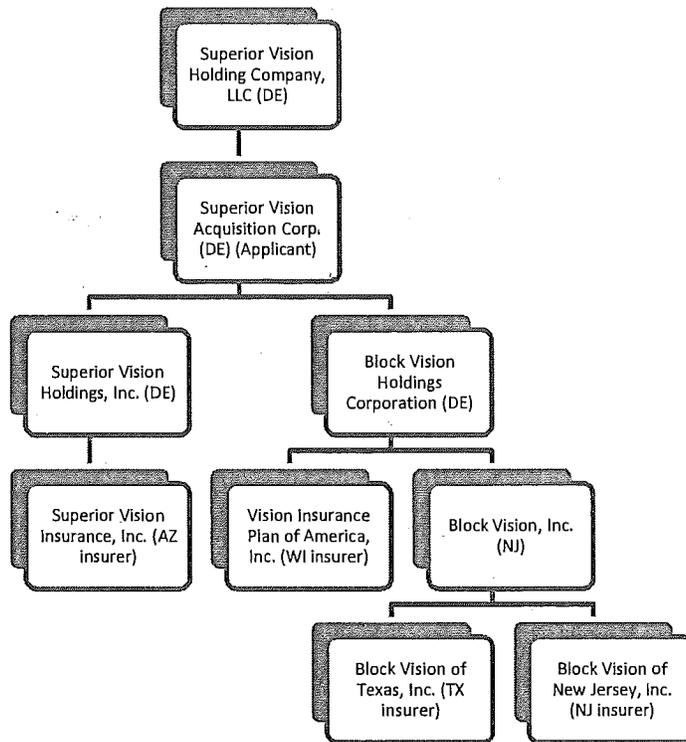
The WI Insurer to be Acquired:

- Vision Insurance Plan of America, Inc. ("VIPA"): VIPA is a wholly-owned subsidiary of Vision Twenty-one of Wisconsin, Inc., which in turn, is a wholly-owned subsidiary of Block Vision Holdings Corporation. Located in West Allis, Wisconsin, VIPA is a for-profit network model limited service health organization (LSHO) that offers vision benefits to employer groups through a network of participating eye care providers located throughout Wisconsin. VIPA was incorporated on July 2, 1992, and commenced business that same year. As of 12/31/12, VIPA reported the following figures in its statutory financial statement: Capital and Surplus: \$613,034; Net Income: \$1,097,496; Members: 131,274. **Below is an abbreviated pre-acquisition organizational chart:**



Post-acquisition, Block Vision Holdings Corporation will be directly owned by Superior Vision Acquisition Corp., and in turn, Block Vision Holdings Corporation will directly own Vision Insurance Plan of America, Inc. (Vision Twenty-One of Wisconsin, Inc. will be dissolved). **Below is an abbreviated post-acquisition organizational chart:**

³ Block Vision Holdings, LLC is currently owned 55% by Bay Street Holdings, LLC Series 13 (a wholly-owned subsidiary of the Bank of Montreal).



The Proposed Transaction:

On August 12, 2013, Superior Vision Acquisition Corp. filed a plan to acquire control of Vision Insurance Plan of America, Inc. ("VIPA"), pursuant to the terms of a July 14, 2013 Agreement and Plan of Merger (the "Merger Agreement") between Superior Vision Acquisition Corp. (the "Applicant"), Block Vision Holdings Corp. ("BVHC") (an indirect parent company of VIPA) and Howard Hoffman (the representative for the BVHC security holders).

The Applicant intends to acquire 100% of the issued and outstanding capital stock of BVHC subject to all required regulatory approvals, including the approval of this Form A by the Wisconsin Office of the Commissioner of Insurance.

Pursuant the terms of the Merger Agreement, Block Vision Merger Corp. (a wholly-owned subsidiary of the Applicant that was created to effect the merger) will be merged with and into BVHC (the "Merger"), with BVHC being the surviving corporation. In accordance with the Merger Agreement, all existing security holders of BVHC at the time of the merger will exchange their BVHC securities for the consideration set-forth in the Merger Agreement (the "Merger Consideration").

After the merger is consummated, the Applicant will control all of the outstanding shares of BVHC and thereby will obtain sole, indirect control of VIPA (the "Acquisition").

The transaction will be funded through a combination of: (1) Equity and Subscriptions from Block management (the "Equity Funding"), (2) Debt provided by third party lending institutions (the "Debt Funding") and (3) Cash. [VIPA will not be a borrower under the Debt Funding, nor will the assets of VIPA be pledged to secure the obligations of the borrowers.] The nature and amount of consideration was a result of arms-length negotiations between the parties to the merger agreement.

The Applicant invested in the Superior Vision group in 2012, and believes that the Block Vision group will enhance Superior Vision's business and core competencies. As stated in the application: "The Applicant is confident the combination of these two vision benefit industry leaders with histories of strength in their target segments and reputations for providing excellent service will be beneficial to their business and client and provider partners."

The Applicant believes the combined Superior/Block business platform will benefit VIPA in the following areas:

- Additional member access points in Wisconsin and adjacent states.
- Increased array of vision plan offerings.
- Access to the product development and client service expertise of Superior's management team.

Form A Filing - Analysis

Item 1: Agreement and Plan of Merger ("Merger Agreement") [Exhibit A]

Material terms of the Merger Agreement are summarized as follows:

- The Rollover Stockholder Contribution: Immediately prior to the effective time of the Merger, the "Rollover Stockholder" (Andrew Alcorn, President of BVHC) shall contribute the specified number of BVHC "Rollover Shares" to Superior Vision Holding Company, LLC, in exchange for a specified number of Class A Units of Superior Vision Holding Company, LLC, in accordance with the Contribution Agreement (executed in conjunction with the Merger Agreement). Upon receipt, Superior Vision Holding Company, LLC will immediately contribute the Rollover Shares to the Applicant.
- The Effect of the Merger: At the effective time of the Merger, the Merger Sub shall be merged with and into BVHC. As a result of the Merger, BVHC, the surviving corporation, shall become a wholly owned subsidiary of the Applicant.
- The Closing: At the time of closing, the Merger shall be consummated by: (i) Filing a Certificate of Merger with the Delaware Secretary of State, and (ii) making all other filings and recordings required in accordance with Delaware General Corporation Law.
- Corporate Changes: At the effective time of the Merger, BVHC's Certificate of Incorporation and Bylaws shall be amended to read the same as the Certificate of Incorporation and Bylaws of the Merger Sub that were effective immediately prior to the effective time of the Merger. In addition, the directors and officers of the Merger Sub immediately prior to the effective time of the Merger shall be the initial directors and officers of BVHC.
- Merger Consideration: The aggregate consideration payable to the BVHC stockholders and the holders of vested in-the-money BVHC options in connection with the Merger, shall be an amount equal to the following:
 - Cash in the amount of [REDACTED], minus
 - The Sum of the BVHC Indebtedness and Transaction Expenses, minus
 - The Total Cash Shortfall (the amount by which the SAP subsidiaries falls below their applicable risk based capital requirements of the NAIC (i.e. RBC ratio of 250%)), plus
 - The Earnout Payment (the contingent additional Merger Consideration to be paid by the Applicant in the event certain specified 2013 EBITA thresholds are met (minimum Earnout Payment: [REDACTED]; maximum Earnout Payment: [REDACTED])).
- Payment/Exchange of Certificates: BVHC shall act as the paying agent with respect to payment of the Merger Consideration in exchange for certificates which immediately prior to the effective time represented outstanding shares of BVHC. Each certificate holder shall be entitled to such holder's respective share of the Merger Consideration.

Item 2: Identity and Background of the Applicant [Exhibits D-1 and D-2]

The Applicant is a direct subsidiary of Superior Vision Holding Company, LLC, which was formed by Nautic Partners LLC on November 22, 2011. The Pre-Acquisition and Post-Acquisition ownership of Superior Vision Holding Company, LLC is indicated below:

Pre-Acquisition Ownership of
Superior Vision Holding Company, LLC: **[Exhibit D-1]**

- o Nautic Partners VI, L.P. 68.0%
- o Nautic Partners VI-A, L.P. 23.3%
- o Certain Members of Superior Mgt. Team 7.0%
- o Kennedy Plaza Partners VI, L.P. 0.3%

Post-Acquisition Ownership of
Superior Vision Holding Company, LLC: **[Exhibit D-2]**

- o Nautic Partners VI, L.P. 67.4%
- o Nautic Partners VI-A, L.P. 23.1%
- o Certain Members of Superior Mgt. Team 6.8%
- o Certain Members of Block Mgt. Team 0.9%*
- o Kennedy Plaza Partners VI, L.P. 0.3%

*Certain Members of the BVHC Management Team will exchange their BVHC securities for an ownership interest in Superior Vision Holding Company, LLC. Other BVHC security holders will exchange their holdings for their pro rata share of the Merger Consideration, in accordance with the Merger Consideration Schedule delivered to the Applicant by BVHC on July 14, 2013.

Nautic Partners VI, L.P. and Nautic Partners VI-A, L.P. (the "Nautic Funds") are Delaware limited partnerships that were formed in [REDACTED] for the principal purpose of investing in securities and managing and supervising such investments. ***The original term of the Nautic Funds will end on [REDACTED], the tenth anniversary of the effective date.*** Each Partnership can be extended by the General Partner, with the approval of the [REDACTED] of the limited partner commitments, for up to three additional one-year periods.

The limited partnership agreements governing Nautic Partners VI, L.P. and Nautic Partners VI-A, L.P. provide that management of each fund is vested exclusively in their general partner, Nautic Management VI, L.P. (the "General Partner"). Nautic Management, LLC ("Nautic Management") is the ultimate general partner of the General Partner.⁴ Nautic Partners, LLC ("Nautic") is an investment firm that employs the staff that provides functions necessary to operate the various Nautic general partners and funds (but does not exercise control over Nautic Management, the General Partner, or the Nautic Funds).

Nautic Management does not assume day-to-day operational control of the companies in which the funds it manages invest. Rather, Nautic Management relies on existing management to continue operational control of the portfolio companies with support from Nautic Management through board participation and strategic and management consulting. Nautic Management will employ this strategy with BVHC, and Andrew Alcorn, the Chief Executive Officer of BVHC, and the executive management team from Block and Superior will continue to oversee Block's business operations.

⁴In addition to the Superior acquisition in 2012, the funds managed by Nautic Management have also invested in other companies in the employee benefits and insurance sectors, including OHS, Inc., a dental benefits administrator, and VCI, a vision benefits administrator.

Item 3: Identify and Background of Individuals Associated with the Applicant [Exhibit E, F]

The directors, officers, and owners of 10% or more of the voting securities of the Applicant, and the individuals who will serve as VIPA's directors and officers after the proposed acquisition, are listed below:

Superior Vision Acquisition Corp.

Directors (Profession, Affiliation):

- Scott F. Hilinski (Managing Director, Nautic Partners)
- Christopher J. Crosby (Managing Director, Nautic Partners)
- Christopher Corey (Principal, Nautic Partners)
- Richard P. Corbett (CEO, Superior)
- Stanley Shapiro (Director/Consultant, Superior)
- Kirk Rothrock (President, Superior)
- Andrew Alcorn (Executive V.P., Block)

Executive Officers (Title):

- Richard P. Corbett (CEO)
- Kirk Rothrock (President)
- Andrew Alcorn (Executive V.P.)
- Audrey M. Weinstein (Senior Vice President, General Counsel and Secretary)
- Brian Silverberg (CFO and Treasurer)

Vision Insurance Plan of America, Inc.

Directors (Profession, Affiliation):

- Andrew Alcorn (President, Block)
- Scott F. Hilinski (Managing Director, Nautic Partners)
- Christopher J. Crosby (Managing Director, Nautic Partners)
- Christopher F. Corey (Principal, Nautic Partners)
- Kirk Rothrock (President, Superior)

Executive Officers (Title):

- Kirk Rothrock (CEO)
- Andrew Alcorn (President)
- Audrey M. Weinstein (Senior Vice President and Secretary)
- Stephanie J. Lucas (Senior V.P.)
- Kimberly Hess (Senior V.P. – Operations and Account Mgt.)
- Jennifer Taylor (V.P. of Operations)
- Mark P. Wallner (V.P. of Sales)
- Brian Silverberg (CFO and Treasurer)

Biographical Affidavits for all directors/officers listed were reviewed. There were no issues or concerns noted requiring further comment.

Item 4: Nature, Source and Amount of Consideration

The Applicant will acquire 100% of the issued and outstanding capital stock of BVHC for a total funding amount of \$█ million.⁵ The purchase price was the result of arms-length negotiations between the parties to the Merger Agreement. In determining the purchase price, the Applicant completed an extensive analysis to determine the appropriate purchase price, and allocation of debt and equity funding. The analysis included an assessment of Block and Superior's growth prospects, and available market data on comparable companies and transactions in the industry. The total funding amount will be derived from three sources:

- Equity and subscriptions provided by Block management (the "Equity Funding"): █
- Cash payable from Superior's balance sheet (the "Cash Funding"): █
- Debt financing provided by Superior's 3rd party lenders (the "Debt Funding")⁶ █

The terms of the Debt Funding (Senior Debt Facility), are summarized below:

- The Senior Debt Facility will replace the current debt facility which supported the Superior acquisition in March of 2012. [The current debt facility was reviewed by the AZ DOI as part of the Form A approval process for Superior Vision Insurance, Inc.] The new debt facility will be similar in structure to the current debt facility.
- █ will be the lenders ("Lenders").
- The Senior Debt Facility will consist of a \$█M senior term loan and a \$█M revolving credit facility.⁷
- Superior Vision Holdings, Inc. and Block Vision Holdings Corporation will be the borrowers ("Borrowers").
- The Borrowers will grant the Lenders a security interest in all of their assets, including a pledge of equity in their direct subsidiaries.
- All subsidiaries of the Borrowers, with the exception of VIPA and the other regulated entities ("Regulated Entities"), will grant the Lenders a security interest in all of their assets.
- The assets of the Regulated Entities will not be pledged, and the Regulated Entities will not provide any guarantee of the debt obligations.
- The Lenders will receive a first priority pledge of all outstanding equity securities of the Regulated Entities, but in the event of default, a party would be required to submit an application for acquisition of control and receive prior approval before taking or transferring ownership of a controlling interest in the Regulated Entities.

⁵ The \$█ million total funding amount includes a \$█ million purchase price, plus \$█ million of fees and expenses associated with the transaction.

⁶ Upon closing of the Acquisition, the ratio of debt to total capital for the combined Superior/Block business will be approximately █%.

⁷ The \$█ million of borrowings from the New Debt Facility will be used as follows: (1) \$█ million will be used to retire the Current Debt Facilities (including the required pre-payment of premium and accrued interest); (2) \$█ million to fund a portion of the Block Acquisition; and (3) \$█ million to increase cash reserves.

As stated in the application, it is Nautic Management's general philosophy to be prudent in the usage of debt to finance investments made by its managed funds. In this situation, the Nautic VI Limited Partners' investment in Superior Vision Holding Company, LLC will provide substantial support for the growth initiatives established for the Superior and Block companies. Moreover, while the Superior and Block combined earnings are projected to increase significantly, the annual debt service payments will remain essentially unchanged.

Item 5: Future Plans of Insurer

The Applicant has no current plans or proposals to liquidate VIPA, sell its assets or merge it with any other person, or to make any other material change in its business operations or corporate structure or management. Subsequent to the closing, the executive management team will evaluate potential ways to improve member experience, provider relations, customer service and profitability.

Although the Applicant does not plan on VIPA declaring a dividend upon the closing of the Acquisition, the Applicant intends to have VIPA declare ordinary and extraordinary dividends consistent with past practices. Any such dividends will be declared in compliance with the requirements and restrictions under Wis. Stat. §§ 617.22 and 617.225.

Item 6: Voting Securities to be Acquired

As a result of the Acquisition, the Applicant will indirectly acquire 4,500 shares of common stock, \$0.01 par value per share, of VIPA, such shares constituting all of the issued and outstanding capital stock of VIPA, in accordance with the Merger Agreement. The nature and amount of the consideration was a result of arms-length negotiations between the parties to the Merger Agreement.

Item 7: Ownership of Voting Securities

Except for the Merger Agreement, neither the Applicant, its affiliates, nor any person listed in Item 3 beneficially owns or has a right to acquire beneficial ownership of the voting securities of VIPA.

Item 8: Contracts, Arrangements, or Understandings with Respect to Voting Securities of the Insurer

Except for the Merger Agreement, neither the Applicant, its affiliates, nor any person listed in Item 3 is a party to any contract, arrangement or understanding with respect to the voting securities of VIPA.

Item 9: Recent Purchases of Voting Securities

The Applicant, its affiliates and persons listed in Item 3 have not purchased any shares of the voting securities of VIPA during the twelve (12) calendar months preceding the filing of this Application.

Item 10: Recent Recommendations to Purchase

There have been no recommendations to purchase any voting security of VIPA made by the Applicant, its affiliates, or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the Applicant, its affiliates, or any person listed in Item 3, during the preceding twelve (12) calendar months.

Item 11: Agreements with Broker-Dealers

The Applicant has made no agreement, contract or understanding with any broker-dealer as to solicitation of voting securities of VIPA for tender.

[REDACTED]

Wisconsin Specific Requirements

The following checklist addresses the requirements of s. 611.72 (3), Wis. Stat. (Grounds for Disapproval):

- a) After the change of control, the domestic stock insurance corporation or any domestic stock insurance corporation controlled by the insurance holding corporation would 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?

Did the Filing Adequately Address this Concern? Yes

Comments: As indicated in Item 4, the assets of the domestic insurer will not be pledged, and the domestic insurer will not provide any guarantee of the debt obligations incurred in the transaction. Moreover, as indicated in Item 5, the Applicant has no current plans or proposals to liquidate the domestic insurer, sell its assets, or merge it with any other person, or to make any other material change in its business operations or corporate structure or management. [REDACTED] As such, the change of control should have no impact on the domestic insurer's ability to satisfy the statutory requirements for the lines of insurance for which it is presently licensed.

- b) The effect of the merger or other acquisition of control would not be to create a monopoly or substantially lessen competition in insurance in this state?

Did the Filing Adequately Address this Concern? Yes

Comments: Based on an analysis of the filing, the combined Superior/Block operations will not create a monopoly, and are not expected to substantially lessen the competition in the State of Wisconsin. [REDACTED] [Note: The Applicant also stated that based on its analysis and advice of legal counsel, it was determined that the proposed transaction is not subject to an Hart-Scott-Rodino (anti-trust) determination by the FTC, as the proposed transaction does not meet one of the filing thresholds.]

- c) The financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic stock insurance corporation or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders?

Did the Filing Adequately Address this Concern? Yes

Comments: There were no issues or concerns noted that would suggest that the financial condition of the Applicant and its affiliates is likely to jeopardize the financial stability of VIPA, or prejudice the interests of the Wisconsin policyholders.

- d) The plans or proposals which the acquiring party has to liquidate the domestic stock insurance corporation or its parent insurance holding corporation, sell its assets, merge it with any person or make any other material change in its business or corporate structure or management, are fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest?

Did the Filing Adequately Address this Concern? Yes

Comments: As indicated in Item 5, the Applicant has no current plans or proposals to liquidate VIPA, sell its assets or merge it with any other person, or to make any other material change in its business operations, corporate structure or management.

The competence and integrity of those persons who would control the operation of the domestic stock insurance corporation or its parent insurance holding corporation are such that it would be in the interest of policyholders of the corporation and of the public to permit the merger or acquisition of control?

Did the Filing Adequately Address this Concern? Yes

Comments: Review of the Biographical Affidavits (Item 3) did not raise any concerns in this area.

Hearing: Per s. 611.72 (3m), Wis. Stat.: "A hearing is not required under sub. (3) Before approval of a proposed plan of merger or other plan for acquisition of control if the proposed merger is with, or the proposed acquirer is, an affiliate of the insurer and the proposed merger or other acquisition of control does not change the controlling person of the insurer." Is a hearing required for this filing?

Yes. The Applicant will acquire 100% of the domestic insurer's parent (BVHC) from BVHC's current security holders. Therefore, the controlling person will change; a hearing is required

Follow-up Items

The Applicant (per letter dated 9/17/13) adequately addressed the issues identified in OCI's 9/5/13 application follow-up letter.

Conclusion

It is recommended that the proposed acquisition of control of Vision Insurance Plan of America, Inc. by Superior Vision Acquisition Corp. be approved on the basis that there are no statutory grounds for denial pursuant to s. 611.72 (3), Wis. Stat.

