

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF KANSAS**

<b>In the Matter of the Proposed</b>	)	
<b>Acquisition of Control of</b>	)	
<b>VALUEOPTIONS OF KANSAS, INC.</b>	)	
	)	
<b>By</b>	)	<b>Docket No. 3762-ACQ</b>
	)	
<b>VO ACQUISITION LLC</b>	)	

**ORDER**

NOW on this 20th day of November, 2007, the above matter comes before the Commissioner of Insurance of the State of Kansas upon the filing of a pre-acquisition notice pursuant to K.S.A. 40-3304 and K.A.R. 40-1-28 in the form of a Form A Statement Regarding the Proposed Acquisition of Control ("Form A Statement") by VO Acquisition LLC ("Applicant"). The Form A Statement relates to the proposed acquisition of control of ValueOptions of Kansas, Inc. ("ValueOptions"), a Kansas domestic insurance company, by the Applicant.

The Applicant is represented by its attorney, Philip D. Mitchell, Epstein Becker & Green PC, and Alicia Hayes, Associate, Epstein Becker & Green PC. ValueOptions is represented by its attorney, R. Matthew Miles. The Kansas Insurance Department ("KID") is represented by its General Counsel, John W. Campbell. Also appearing for KID are Deletria L. Nash, Assistant General Counsel; Kenneth G. Abitz, Director, Financial Surveillance Division; and Mark E. Owens, Financial Analyst, Financial Surveillance Division.

This Summary Order shall become effective as a Final Order, without further notice, upon the expiration of the fifteen (15) day period if no request for hearing is made, pursuant to K.S.A. 77-542.

Pursuant to the authority granted to the Commissioner pursuant to K.S.A. 40-3301 and 40-3304(d)(1) and in accordance with the Kansas Administrative Procedures Act, K.S.A. 77-501, *et seq.*, the Commissioner hereby asserts the following declarations of public interest and policy, findings of fact, conclusions of law, and orders, as follows:

**DECLARATIONS OF PUBLIC INTEREST AND POLICY**

The Commissioner finds and declares that it is consistent with the public interest and the interest of policyholders to permit insurers to:

- (a) Engage in activities which would enable insurers to make better use of management skills and facilities;
- (b) diversify into new lines of business through acquisition and/or organization of subsidiaries;
- (c) have free access to capital markets which could provide funds for insurers to use in diversification programs;
- (d) implement sound tax-planning conclusions; and
- (e) serve the changing needs of the public and adapt to changing conditions of the social, economic and political environment so that insurers are able to compete effectively and to meet the growing public demand for institutions capable of providing a comprehensive range of financial services.

The Commissioner further finds and declares that the policies and purposes in K.S.A. 40-3301, *et seq.*, promote the public interest by:

(a) facilitating the achievement of the objectives enumerated in K.S.A. 40-3301 and set out above;

(b) requiring disclosure of pertinent information relating to changes in control of an insurer;

(c) requiring disclosure by an insurer of material transactions and relationships between the insurer and its affiliates, including certain dividends paid by the insurer; and

(d) providing standards governing material transactions between an insurer and its affiliates.

#### **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

The findings and conclusions stated herein are based upon the statements made by Applicant in the Form A Statement and accompanying documents made under oath and filed with KID by Applicant pursuant to K.S.A. 40-3304(b) and K.A.R. 40-1-28.

1. Significant documents have been reviewed by representatives of the Financial Surveillance and Legal Divisions of KID, and the Commissioner has had the benefit of their technical expertise and advice as provided in K.S.A. 77-546(c).

2. The purpose of the filing of the Form A Statement is to seek authority from KID for the proposed acquisition of control of ValueOptions by the Applicant. The terms and conditions of the proposed acquisition are more fully set forth in the Form A Statement filed with the Commissioner dated August 8, 2007, pursuant to the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, *et seq.*

3. Applicant submitted various Exhibits to the Form A Statement, including, but not limited to, the Share Purchase Agreement by and among VO Acquisition LLC, VO (ERISA) Acquisition LLC, FHC Health Systems, Inc., RID Ventures, LLC, FHC

Stock Holdings, LLC, Corporation for Standards and Outcomes, Inc., and First Hospital Laboratories, Inc, dated July 18, 2007; organization charts, financial statements, and other related agreements.

4. The staff of KID have inspected and reviewed the contents of the Form A Statement and Exhibits attached thereto, to the extent necessary, and found that the filing of the Form A Statement and Exhibits are in accordance with K.S.A. 40-3304 and K.A.R. 40-1-28 and that the Form A Statement and Exhibits have provided the information required under Kansas statutes to enable the Commissioner to render a decision on the application.

5. ValueOptions of Kansas, Inc., a Kansas health maintenance organization, was organized under the laws of Kansas on May 15, 2007 and was admitted to Kansas on June 25, 2007.

7. ValueOptions is a wholly owned subsidiary of ValueOptions, Inc.

8. ValueOptions, Inc. is a wholly owned subsidiary of FHC Health Systems, Inc.

9. FHC Health Systems, Inc. is owned by Ronald I. Dozoretz, M.D., family members of Dr. Dozoretz, and current and former employees of FHC Health Systems, Inc.

10. VO Acquisition, LLC, a Delaware limited liability company, is owned by Crestview Partners, L.P., a Delaware limited partnership; Crestview Partners (PF), L.P., a Delaware limited partnership; Crestview Holdings (TE) L.P., a Cayman Islands exempted limited partnership; and Crestview Offshore Holdings (Cayman) L.P., a Cayman Islands exempted limited partnership.

11. At the closing of this acquisition, VO Acquisition LLC will own approximately 44.7% of FHC Health Systems, Inc., VO (ERISA) Acquisition LLC will own approximately 2.4%, Dr. Dozoretz will own approximately 52.9%, and any remaining ownership will be held by other current shareholders.

12. After the closing of this acquisition, FHC Health Systems will retain 100% ownership in ValueOptions, Inc.

13. After the closing of this acquisition, ValueOptions, Inc. will retain 100% ownership in ValueOptions of Kansas, Inc.

14. Applicant will acquire indirect control of ValueOptions of Kansas, Inc. through the acquisition of the ownership interest in FHC Health Systems, Inc., which owns all of the ownership interests in ValueOptions, Inc.

15. Applicant filed a duly certified copy of the Form A Statement with Exhibits on August 8, 2007.

16. Review of the evidence establishes that after the acquisition of control as proposed in the Form A Statement, Applicant will be able to satisfy the requirements necessary for maintaining the business of ValueOptions of Kansas, Inc. to the satisfaction of any policyholders.

17. The evidence establishes that, after the acquisition of control as proposed in the Form A Statement, ValueOptions of Kansas, Inc. will be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which they are presently licensed.

18. No evidence has been introduced to establish that the financial condition of Applicant will jeopardize the financial stability of ValueOptions of Kansas, Inc. or prejudice the interests of any policyholders.

19. Evidence has been introduced which shows that Applicant has no plans or proposals to liquidate ValueOptions of Kansas, Inc., 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 which would be unfair and unreasonable to the policyholders of ValueOptions of Kansas, Inc. and not be in the public interest.

20. Evidence has been introduced to establish that the competence, experience and integrity of those persons who will control the operations of the ValueOptions of Kansas, Inc. after the acquisition are such that it will be in the interests of the policyholders of ValueOptions of Kansas, Inc. and of the public interest to permit the acquisition.

21. Evidence has been introduced to establish that Applicant's acquisition of ValueOptions of Kansas, Inc. will not be hazardous or prejudicial to the insurance-buying public.

22. The Form A Statement is in compliance with the provisions of the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, *et seq.* and K.A.R. 40-1-28.

23. The evidence submitted supports approval of the proposed acquisition of control of ValueOptions of Kansas, Inc. by the Applicant, subject to certain conditions and requirements.

**IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:**

1. The application by VO Acquisition LLC to acquire control of FHC Health Systems, Inc. and its wholly owned subsidiary, ValueOptions, Inc., and its wholly owned subsidiary, ValueOptions of Kansas, Inc., in the manner set forth in the Form A

Statement and Exhibits attached thereto is hereby approved pursuant to K.S.A. 40-3304, provided the acquisition is effected within sixty (60) days of the date of this Order.

2. The Commissioner of Insurance retains jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further order or orders as may be deemed proper.

**Notice of Rights**

VO Acquisition LLC is entitled to a hearing pursuant to K.S.A. 77-537, the Kansas Administrative Procedure Act. If the Applicant desires a hearing, they must file a written request for a hearing with:

John W. Campbell, General Counsel  
Kansas Insurance Department  
420 S.W. 9th Street  
Topeka, Kansas 66612.

This request must be filed within fifteen (15) days from the date of service of this Order. If the Applicant requests a hearing, the Kansas Insurance Department will notify them of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing, before commencement of same.

If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. 77-613. In the event the Applicant files a petition for judicial review, pursuant to K.S.A. 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel  
Kansas Insurance Department  
420 S.W. 9<sup>th</sup> Street  
Topeka, Kansas 66612

**IT IS SO ORDERED THIS   20th   DAY OF NOVEMBER 2007, IN THE CITY  
OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.**



  /s/ Sandy Praeger    
Sandy Praeger  
Commissioner of Insurance

  /s/ John W. Campbell    
John W. Campbell  
General Counsel

Submitted and approved by:

  /s/ Deletria L. Nash    
Deletria L. Nash  
Assistant General Counsel



Certificate of Service

I hereby certify that a true and correct copy of the foregoing Order was forwarded via first class mail, postage prepaid on the 20th day of November, 2007 to:

Philip D. Mitchell, Esq.  
Alicia Hayes, Associate  
Epstein Becker & Green, P.C.  
250 Park Avenue  
New York, NY 10177  
*Counsel for Applicant*

R. Matthew Miles, Esq.  
ValueOptions, Inc.  
240 Corporate Blvd  
Norfolk, VA 23502  
*Counsel for ValueOptions*

/s/ Deletria L. Nash  
Deletria L. Nash  
Assistant General Counsel