

BEFORE THE ACTING INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and
: 1403 of the Insurance Holding
Application of VO Acquisition LLC in : Companies Act, Article XIV of the
Support of the Request for Approval to : Insurance Company Law of 1921,
Acquire Control of Value Behavioral : Act of May 17, 1921, P.L. 682,
Health of Pennsylvania, Inc. : as amended, 40 P.S. §§991.1401,
: 991.1402, and 991.1403.
:
: Order No. ID-RC-07-36

DECISION AND ORDER

AND NOW, on this 5th day of November, 2007, Joel Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Company Law and the Insurance Holding Company Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

1. Value Behavioral Health of Pennsylvania, Inc. (“Value of PA”) is a risk assuming preferred provider organization that is not a licensed insurance company (“PPO”) organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Norfolk, Virginia.
2. FHC Health Systems, Inc. (“FHC”) is a business corporation organized under the laws of the state of Virginia with its principal place of business located in Norfolk, Virginia. Value of PA is an indirect, wholly-owned subsidiary of FHC.
3. VO Acquisition LLC (“VO Acquisition”) is a limited liability company organized under the laws of the state of Delaware with its principal place of business located in New York, New York.

4. Crestview Partners, L.P., Crestview Partners (PF), L.P. and Crestview Holdings (TE) L.P. (“DE LPs”) are limited partnerships organized under the laws of the state of Delaware with their principal place of business located in New York, New York.
5. Crestview Offshore Holdings (Cayman) L.P. (together with DE LPs referenced as “Limited Partnerships”) is a limited partnership organized under the laws of the Cayman Islands with its principal place of business located in New York, New York. VO Acquisition is 100% owned by Limited Partnerships.
6. Crestview Partners GP, L.P. (“Crestview Partners”) is a limited partnership organized under the laws of the state of Delaware with its principal place of business located in New York, New York. Crestview Partners is the general partner of each of the Limited Partnerships.
7. Crestview, L.L.C. is a limited liability company organized under the laws of the state of Delaware with its principal place of business located in New York, New York. Crestview, L.L.C. is the general partner of Crestview Partners.
8. Crestview, L.L.C. would be an ultimate controlling person of Value of PA should the contemplated transaction be consummated.

Acquisition Filing

9. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that any transaction involving control of a domestic PPO must be filed with the Commissioner for approval or disapproval.
10. On August 7, 2007, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from VO Acquisition for approval to acquire control of Value of PA.
11. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

12. On September 15, 2007, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by VO Acquisition and such notice invited interested persons to submit comments to the Department regarding the Application for a fourteen day period, ending September 29, 2007.

13. The Department received no comments regarding the Application during the fourteen day comment period.

Description of the Proposed Acquisition

14. As described in the Application, on July 18, 2007, VO Acquisition and FHC, among others, entered into a Share Purchase Agreement (“Agreement”) whereby VO Acquisition would acquire FHC stock amounting to approximately 44.7% of the issued and outstanding voting stock of FHC.
15. As described in the Application and pursuant to the Agreement, the consideration to be paid for the FHC stock will be from the current assets of Limited Partnerships, with no debt incurred by any party to the transaction to purchase the FHC shares.

Standards for Review

16. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic PPO.
17. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be present.

Licensing Requirements

18. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic PPO being acquired.
19. The minimum net worth of an PPO is \$1,175,000, as required by Section 152.9 of Title 31 of the Pennsylvania Code (31 Pa. Code §152.9).
20. Upon completion of the acquisition, Value of PA will have a net worth in an amount that will satisfy the minimum net worth requirement for a licensed PPO.

Competitive Impact

21. The acquisition of control of the Value of PA is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
22. The acquisition of control of the Value of PA will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of VO Acquisition, as stated in the Application, does not exceed the market share levels

established in Section 1403.

Financial Condition of Acquiring Parties

23. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring persons.
24. The Department has reviewed the financial position of Limited Partners and VO Acquisition.
25. The financial condition of VO Acquisition would not pose any impediments to the change in control nor jeopardize the financial condition of Value of PA.

Plans for the Acquired Insurer

26. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the PPO.
27. As provided in the Application, VO Acquisition has disclosed that it intends to maintain the current business activities of Value of PA.

Management

28. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired PPOs.
29. Biographical affidavits for all directors and executive officers of VO Acquisition were provided as part of the Application and the Department reviewed all affidavits that were submitted.
30. The Department is satisfied that the persons who would control the operations of the Value of PA have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
31. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has jurisdiction to review and approve the change in control of the Value of PA.
2. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner must approve an application for a change in control unless the Department has found that:
 - a) The PPO will not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
 - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the PPO or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the PPO, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the PPOs and not in the public interest;
 - e) The competence, experience and integrity of those persons who would control the operation of the PPO are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control;
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of Value of PA.
4. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

The acquisition of control by VO Acquisition LLC (“VO Acquisition”) of all the issued and outstanding shares of common stock of Value Behavioral Health of Pennsylvania, Inc. (“Value of PA”) is hereby approved, subject to this Order and the following condition:

VO Acquisition shall provide a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.

This Order is effective immediately and valid for one year, provided no material changes are made to the transaction prior to consummation.

JOEL ARIO
Acting Insurance Commissioner
Commonwealth of Pennsylvania