

**BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA**

In Re: : Pursuant to Sections 1401, 1402, and  
Application of Ari Benacerraf, Michael : 1403 of the Insurance Holding  
Ranger, Andrew Rush and Bain Capital : Companies Act, Article XIV of the  
Investors, LLC in Support of the Request : Insurance Company Law of 1921, Act of  
for Approval to Acquire Control of Value : May 17, 1921, P.L. 682, as amended, 40  
Behavioral Health of Pennsylvania, Inc. : P.S. §§991.1401, 991.1402, and 991.1403  
: Order No. ID-RC-14-18

DECISION AND ORDER

AND NOW, on this 17 day of December, 2014, Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies 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 Involved Parties**

Identity of Insurer to be Acquired

1. Value Behavioral Health of Pennsylvania, Inc. (“VBH”) is a risk-assuming preferred provider organization that is not a licensed insurer (“RANLI PPO”) organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Trafford, Pennsylvania.
2. FHC Health Systems, Inc. (“FHC”) is an insurance holding company organized under the laws of the State of Virginia with its principal place of business in Norfolk, Virginia. VBH is an indirect wholly-owned subsidiary of FHC.

Identity of Applicants

3. Ari Benacerraf is an individual with his principal place of business located in New York, New York.

4. Michael Ranger is an individual with his principal place of business located in New York, New York.
5. Andrew Rush is an individual with his principal place of business located in New York, New York.
6. Messrs. Benacerref, Ranger and Rush are the ultimate controlling persons of the Diamond Castle entities listed in Exhibit A.
7. Bain Capital Investors, LLC is a Delaware limited liability company.
8. Bain Capital Investors, LLC is the ultimate general partner of each of the Bain entities listed in Exhibit A. The company has sole discretion over the investment decisions and management of the partnerships. The company is managed by its Global Private Equity Board.
9. Messrs. Benacerref, Ranger and Rush together with Bain Capital Investors, LLC are collectively hereinafter referenced as "Applicants."

Identity of Certain Entities Established to Effectuate the Proposed Acquisition

10. BVO Holdings, LLC ("New Beacon") is a Delaware limited liability company. Messrs. Benacerref, Ranger and Rush currently indirectly control the voting securities of New Beacon.
11. DCP IV-A Beacon-A, LLC ("Holdco") is a Delaware limited liability company. New Beacon controls the voting securities of Holdco.
12. Beacon Health Vista Parent, Inc. ("Parent") is a Delaware corporation. Parent is a direct wholly-owned subsidiary of Holdco.
13. Beacon Vista Merger Sub, Inc. ("Merger Sub") is a Virginia corporation. Merger Sub is a direct wholly-owned subsidiary of Parent.

**Acquisition Filing**

14. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. ("Insurance Holding Companies Act"), provides that all changes in control of domestic insurers must be filed with the Department for approval or disapproval.
15. On July 2, 2014, the Insurance Department of the Commonwealth of Pennsylvania ("Department") received an application (which together with all material received subsequently is collectively referenced as "Application") from

Applicants for approval to acquire control of VBH (“Proposed Acquisition”).

16. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

#### **Department Procedures**

17. On July 26, 2014, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by Applicants and such notice invited interested persons to submit comments to the Department regarding the Application for 30 days following the date of the publication (“Comment Period”).
18. The Department received no comments regarding the Application during the Comment Period.

#### **Description of the Proposed Acquisition**

19. As described in the Application, the Proposed Acquisition is a part of a series of transactions pursuant to which the Applicants have established a new holding company, New Beacon, which will indirectly acquire FHC.
20. As described in the Application, the Proposed Acquisition will be consummated pursuant to an Agreement and Plan of Merger and an Interest Acquisition Agreement, both dated as of May 23, 2014.
21. As described in the Application, pursuant to the Merger Agreement, at the effective time of the merger, Merger Sub will be merged with and into FHC, with FHC continuing as the surviving corporation. In the merger, each issued and outstanding share of common stock of FHC (other than any dissenting shares) and each in-the-money option to purchase common stock of FHC will automatically be converted into the right to receive a portion of the merger consideration and FHC will become a direct, wholly-owned, subsidiary of Parent.
22. As described in the Application, the Interest Acquisition Agreement sets forth the terms on which certain Diamond Castle entities and certain Bain entities will make a new cash investment in New Beacon.
23. As described in the Application, as a result of the investment, Messrs. Benacerref, Ranger and Rush will collectively indirectly retain control of approximately 62% of the membership interests of New Beacon and Bain Capital Investors, LLC will indirectly acquire control of approximately 32% of the membership interests of New Beacon.
24. As described in the Application, control of New Beacon will reside with certain Diamond Castle entities and certain Bain entities who will appoint the board of

managers of New Beacon and who will have other governance rights.

25. As described in the Application and pursuant to the Agreement and Plan of Merger and an Interest Acquisition Agreement, Applicants would become the ultimate controlling persons of VBH.

#### **Standards for Review**

26. 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 insurer.

#### **Licensing Requirements**

27. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act (40 P.S. §991.1402), the Commissioner reviews the requirements for continued licensure of the domestic RANLI PPO being acquired.
28. Section 630 of the Insurance Company Law (40 P.S. §764a) provides the Commissioner shall determine that a preferred provider organization which assumes financial risk has adequate working capital.
29. Section 152.9 of Title 31 of the Pennsylvania Code requires a RANLI PPO to maintain assets in excess of liabilities by at least the minimum capital and surplus required of a stock casualty insurer with accident and health powers under Section 206 of the Insurance Company Law (40 P.S. §386).
30. Under Section 206 of the Insurance Company Law (40 P.S. §386), VBH is required to maintain a minimum capital and surplus of \$1,125,000 to maintain licensure as a RANLI PPO.
31. Upon completion of the transaction, VBH will have capital and surplus in an amount that will satisfy the statutory minimum required of a RANLI PPO.

#### **Competitive Impact**

32. The acquisition of control of VBH 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.

33. The acquisition of control of VBH will not lessen competition or tend to create a monopoly in the Commonwealth because Applicants do not control any other insurance interests in the Commonwealth.

Financial Condition of Applicants

34. 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 person(s).
35. The Department has reviewed the financial statements submitted for Messrs. Benacerraf, Ranger and Rush and for the Diamond Castle entities expected to make an investment in New Beacon.
36. The Department has reviewed the financial statement submitted for Bain Capital Fund XI, L.P. Bain Capital Fund XI, L.P. is the Bain entity expected to make approximately 90% of the investment by the Bain entities in New Beacon.
37. The financial condition of the Applicants will not pose any impediments to the change in control nor jeopardize the financial condition of VBH.

Plans for the Acquired Insurer

38. 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 insurer.
39. In particular, the Department reviewed the transaction as set forth in the Application to determine whether it is:
- a) Unfair or unreasonable or fails to confer a benefit upon policyholders.
  - b) Not in the public interest.
40. As stated in the Application, the Applicants have no future plans or proposals to liquidate VBH, to sell any of its assets, to merge it with any person or persons, or to make any other material change in its business operations or corporate structure.
41. There is no basis in the record from which it may be concluded the proposed transaction is unfair or unreasonable or fails to confer a benefit upon policyholders or is not in the public interest.

Management

42. 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 insurer.
43. Biographical affidavits for Messrs. Benacerraf, Ranger and Rush were reviewed by the Department.
44. Biographical affidavits for the members of the Bain Capital Investors, LLC Global Private Equity Board were reviewed by the Department.
45. The biographical affidavit of the expected new President of VBH was reviewed by the Department.
46. The Department is satisfied that the persons who would control the operations of VBH have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

Hazardous or Prejudicial to Insurance Buying Public

47. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.
48. There is no indication that the projected future business of the Applicants would impose a financial burden upon policyholders.
49. Likewise, there is no indication that the transaction would result in the company being in impaired financial condition.
50. Nor is there a threat regarding the ability of policyholders to enforce their insurance contracts.
51. There is insufficient evidence in the record from which it may be concluded that the acquisition will likely be hazardous or prejudicial to the insurance buying public.

Compliance with the Pennsylvania Laws

52. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A.

53. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
54. 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 Department has jurisdiction to review and approve the change in control of VBH.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
  - a) The insurer 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 party is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
  - d) Any plans to liquidate the insurer, 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 insurers and fail to confer benefit on policyholders and are not in the public interest;
  - e) The competence, experience and integrity of those persons who would control the operation of the insurer 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 VBH.
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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Behavioral Health of Pennsylvania, Inc. :  
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**ORDER**

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Ari Benacerraf, Michael Ranger, Andrew Rush and Bain Capital Investors, LLC (“Applicants”) in support of the request for approval to acquire control of Value Behavioral Health of Pennsylvania, Inc. (“VBH”) as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. Applicants shall provide to the Department 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.
2. Applicants shall annually provide to the Department audited GAAP financial statements for Bain Capital Fund XI, L.P.
3. For a period of six (6) months after the effective date of the subject transaction, Applicants shall not take affirmative action to reduce the number of employees of VBH principally located in Pennsylvania, without application to and the prior written approval of the Department.
4. For a period of two (2) years after the effective date of the subject transaction, Applicants shall provide written notice to the Department of any planned or proposed reductions in staff that would affect more than ten percent (10%) of the employees of VBH principally located in Pennsylvania as of, or within six (6) months prior to, the effective date of the subject transaction. For purposes of this condition, as of any date, the ten percent (10%) threshold shall be determined based upon a rolling twelve (12) month period. Such notice, which shall specify

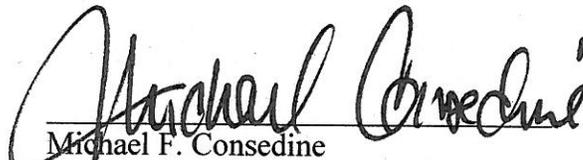
the reasons for the reduction in force and include information regarding planned or proposed severance pay and relocation opportunity arrangements, shall be filed with the Department as least ninety (90) days prior to any such planned or proposed reductions.

5. For a period of two (2) years after the effective date of the subject transaction, Applicants shall not close or cease actively doing business from:
- a) The corporate office of VBH, located in Trafford, Pennsylvania; or
  - b) Any other office located in Pennsylvania,

in each case without application to and the prior written approval of the Department.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation. This one-year limitation does not apply to any conditions prescribed by the Department in the Order.



  
Michael F. Consedine  
Insurance Commissioner  
Commonwealth of Pennsylvania

## Exhibit A

### Bain Entities

- Bain Capital Fund XI, L.P.
- Bain Capital Partners XI, L.P.
- BCIP Associates IV (US), L.P.
- BCIP Associates IV-B (US), L.P.
- BCIP Trust Associates IV (US), L.P. and
- BCIP Trust Associates IV-B (US), L.P.

### Diamond Castle Entities

- DCP IV GP-GP, LLC
- DCP IV GP, L.P.
- Deal Leaders Fund, L.P.
- Diamond Castle Partners IV, L.P.
- Diamond Castle Partners IV-A, L.P.
- DCP Vista Co-Investment Partners, L.P.
- DCP Vista Co-Investment GP, L.P.
- Diamond Castle Partners 2014, L.P.
- DCP 2014 Deal Leaders Fund, L.P.
- DCP 2014 GP, L.P.
- DCP 2014 GP-GP, LLC