

FORM A

**STATEMENT REGARDING THE ACQUISITION OF CONTROL
OF A DOMESTIC INSURER**

**VISION INSURANCE PLAN OF AMERICA, INC.,
A Domestic Limited Service Health Organization,
NAIC No. 52005**

By

**SUPERIOR VISION ACQUISITION CORP.
The Applicant,
Federal Employer Identification No. 80-0769466**

**Filed with the
Office of the Commissioner of Insurance
of the State of Wisconsin**

Dated: August 8, 2013

**Name, Title, Address and Telephone Number of
Individuals to Whom Notices and Correspondence
Concerning this Statement Should be Addressed:**

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Superior Vision Acquisition Corp. (the "Applicant") hereby files this application (the "Application") for approval from the Office of the Commissioner of Insurance of the State of Wisconsin (the "OCI") to acquire control of Vision Insurance Plan of America, Inc. ("VIPA"), a Wisconsin Limited Service Health Organization.¹

ITEM 1. INSURER AND METHOD OF ACQUISITION

This Application relates to VIPA, a Wisconsin-domiciled limited service health organization, with a principal office address at 6737 W. Washington Street, #2202, West Allis, Wisconsin 53214. VIPA's federal identification number is 39-1736329 and its National Association of Insurance Commissioners Number is 52005. VIPA is a wholly-owned subsidiary of Vision Twenty-One of Wisconsin, Inc. ("Vision Twenty-One"), a Wisconsin corporation. Vision Twenty-One is a wholly-owned subsidiary of Block Vision Holdings Corporation ("Block Holdings," and together with VIPA, Vision Twenty-One and all other subsidiaries of Block Holdings, "Block"), a Delaware corporation.

The contemplated transaction involves the acquisition of control of VIPA by the Applicant (the "Acquisition"). The Applicant will obtain control of VIPA through a merger (the "Merger") of Block Holdings and Block Vision Merger Corp. ("Merger Sub"), a Delaware corporation and direct, wholly-owned subsidiary of the Applicant. Upon closing of the Acquisition, the Merger Sub will be merged with and into Block Holdings. Block Holdings will survive the Merger and will continue under the same name. As a result of the Merger, Block Holdings, Vision Twenty-One and VIPA will become wholly-owned (direct and indirect) subsidiaries of the Applicant.²

The Applicant will also acquire all other direct and indirect subsidiaries of Block Holdings, including Block Vision, Inc., a New Jersey corporation, and two subsidiaries of Block Vision, Inc. which are subject to insurance holding company laws: (i) Block Vision of New Jersey, Inc. ("Block Vision NJ"), a New Jersey corporation licensed in New Jersey as an organized delivery system; and (ii) Block Vision of Texas, Inc. ("Block Vision TX"), a Texas

¹ For purposes of this Application, VIPA will be referred to as an "Insurer" subject to the requirements of Ch. Ins. 40, Wis. Adm. Code.

² Following the closing of the Acquisition, Vision Twenty-One will be dissolved and VIPA will become a wholly-owned, direct subsidiary of Block Holdings. The Applicant will cause VIPA to notify and make any filings required by the OCI prior to the dissolution of Vision Twenty-One.

corporation licensed in Texas as a single service health maintenance organization. Concurrent Statements Regarding the Acquisition of Control of a Domestic Insurer are being submitted to the New Jersey Department of Banking and Insurance and the Texas Department of Insurance requesting approval of the Applicant's acquisition of control of Block Vision NJ and Block Vision TX, respectively.

The terms of the proposed Merger are set forth in the Agreement and Plan of Merger, dated as of July 14, 2013, among the Applicant, Merger Sub, Superior Vision Holding Company, LLC ("SV Holding"), a Delaware limited liability company, Block Holdings and Howard Hoffmann, as Recipients' Representative (the "Merger Agreement"). A copy of the Merger Agreement is attached hereto as Exhibit A.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

A. Name and address of the Applicant

Superior Vision Acquisition Corp.
11101 White Rock Road
Rancho Cordova, California 95670

B. Business Operations of the Applicant

The Applicant is a Delaware corporation and wholly-owned direct subsidiary of SV Holding. The Applicant and SV Holding were formed on November 22, 2011 to consummate the acquisition of Superior Vision Holdings, Inc. ("SVI Holdings"), a Delaware corporation. SVI Holdings is a wholly-owned direct subsidiary of the Applicant. In the acquisition, the Applicant also acquired: (i) Superior Vision Services, Inc. ("SVS"), a Delaware corporation and wholly-owned direct subsidiary of SVI Holdings; and (ii) Superior Vision Insurance, Inc. ("SVI," and together with SVI Holdings, SVS and the Applicant "Superior"), an Arizona domiciled insurer and wholly-owned direct subsidiary of SVS. The Arizona Department of Insurance approved the Applicant's acquisition of control of SVI in March of 2012.

SV Holding is currently owned by: (i) Nautic Partners VI, L.P.; (ii) Nautic Partners VI-A, L.P.; (iii) Kennedy Plaza Partners VI, L.P.; (iv) an investment fund affiliated with Madison Capital Funding LLC; and (v) certain members of the Superior management team. Upon closing of the Acquisition, the Applicant's immediate parent company, SV Holding, will be owned in the following approximate percentages: (i) Nautic Partners VI, L.P. (67.4%); (ii) Nautic Partners VI-A, L.P. (23.1%); (iii) Kennedy Plaza Partners VI, L.P. (0.3%); (iv) an investment fund affiliated

with Madison Capital Funding LLC (1.4%); (v) certain members of the Superior management team (6.8% in the aggregate); and (vi) certain members of the current Block management team (0.9% in the aggregate) (collectively, the “SV Investors”).³

The limited partnership agreements governing Nautic Partners VI, L.P. and Nautic Partners VI-A, L.P. (together, the “Nautic Funds”) provide that management of each fund is vested exclusively in their general partner, Nautic Management VI, L.P. (the “General Partner”).⁴ Nautic Management, LLC (“Nautic Management”) is the ultimate general partner of the General Partner.⁵ The General Partner is a Delaware limited partnership and Nautic Management is a Delaware limited liability company and their principal place of business is located at 50 Kennedy Plaza, 12th Floor, Providence, Rhode Island 02903. Financial statements of Nautic Partners VI, L.P. are attached hereto as Exhibit B and financial statements of Nautic Partners VI-A, L.P. are attached hereto as Exhibit C.

Nautic Partners, LLC (“Nautic”) is an investment firm that along with its predecessor companies has successfully invested on behalf of its funds in high quality middle-market businesses for two and a half decades.⁶ Nautic manages approximately \$2.5 billion of capital on behalf of institutional investors, including, but not limited to, pension funds, financial institutions, and insurance companies. It is currently investing out of the Nautic Funds, which, together, comprise the firm’s sixth pool of capital raised.

Since inception, Nautic has grown from three professionals to a staff of approximately 40. Today, the firm is managed by an experienced team of eight Managing Directors, who have an average tenure of more than 10 years with the firm. The Nautic Funds have consistently

³ These percentages are calculated without inclusion of certain incentive units issued or reserved for issuance to management under the equity incentive plan.

⁴ While there are several limited partners that hold more than 10% of the limited partner interests in the Nautic Funds, the limited partnership agreements expressly provide that the limited partners do not participate in the management of the funds or the management of the underlying investments. The limited partners have limited consent rights, but are not involved in the management of the Nautic Funds or the portfolio companies in which they invest. Accordingly, such limited partners will not “control” VIPA as defined in Wis. Stat. § 600.03.

⁵ While Nautic Management is the general partner of the General Partner, the Amended and Restated Agreement of Limited Partnership of the General Partner provides that: (i) all decisions of the General Partner are made by its limited partner committee, investment committee and executive committee (as applicable); and (ii) the limited partners in their capacity as such do not participate in the management of the General Partner. The members of the limited partner committee, investment committee and executive committee of the General Partner are all Managing Directors of the General Partner and Nautic Management.

⁶ Nautic is a service company that employs the staff that provide functions necessary to operate the various Nautic general partners and funds. Costs and expenses are allocated to the various Nautic entities, but Nautic Partners, LLC does not exercise control over Nautic Management, the General Partner or the Nautic Funds.

employed a strategy of investing in high quality, North American, middle-market companies with outstanding management teams, proven business models, stable market positions and attractive growth prospects.

The Applicant invested in Superior in 2012 because it possessed all of these attributes. Superior is a leading provider of vision care benefits to companies in the United States offered through its provider network, which is among the largest and most diverse nationwide. Since the acquisition, Superior has continued its success, growth and financial stability. The Applicant believes that Block also possesses all the attributes described above and will enhance Superior's business and core competencies. 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. After the completion of the proposed Acquisition, Block will be supported by and benefit directly from the combined financial strength, managerial resources and experience of Nautic and Superior.

In 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 and has extensive experience managing such companies. From 1996 to 2000, Nautic funds invested in OHS, Inc. ("OHS"), a dental benefits administrator. OHS subsequently acquired VCI, a vision benefits administrator and Vision Service Plan franchisee. OHS later merged with CompDent Corporation and later became known as CompBenefits Corporation, which was eventually sold to Humana in 2007. Funds managed by Nautic Management also invested in North American Health Plans, a third party administrator of medical plans, and has a current investment in Oasis Outsourcing, a leading human resource and employee benefits services provider.

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 Block, and Andrew Alcorn, the Chief Executive Officer of Block Holdings, and the executive management team from Block and Superior will continue to execute Block's business operations.

C. *List Indicating Certain Information Regarding the Applicant and its Affiliates*

Attached hereto as Exhibit D-1 is a chart detailing the identities and interrelationships among the Applicant and its affiliates and indicating the percentage of voting securities of each person that is owned or controlled by the Applicant prior to the proposed Acquisition. Moreover, such chart also lists, as to each person specified in the chart, the type of organization (corporation, trust or partnership) and its state or jurisdiction of domicile. Attached hereto as Exhibit D-2 is a chart detailing the identities and interrelationships among the Applicant and its affiliates and indicating the percentage of voting securities of each person that will be owned or controlled by the Applicant after the completion of the proposed Acquisition. There are no court proceedings involving a reorganization or liquidation pending with respect to any person included on these charts.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

A list setting forth the names of the directors, executive officers and owners of ten percent (10%) or more of the voting securities of the Applicant and the persons who will serve as directors and executive officers of VIPA after the proposed Acquisition is attached hereto as Exhibit E. Biographical affidavits completed by the directors, executive officers and owners of ten percent (10%) or more of the voting securities of the Applicant and the persons who will serve as new directors and executive officers of VIPA after the proposed Acquisition are attached hereto as Exhibit F.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

A. *Nature and Source of Consideration*

The Applicant will acquire 100% of the issued and outstanding capital stock of Block Holdings for a total funding amount of \$ million (the "Total Funding Amount") which includes: (i) a \$ million purchase price (the "Purchase Price");⁷ plus (ii) \$ million of fees and expenses associated with the transaction incurred by the Applicant.⁸ The Total Funding Amount will be funded with equity and subscriptions from Block management (the "Equity

⁷ The Purchase Price is also subject to certain adjustments pursuant to Article III of the Merger Agreement, including a maximum earnout payment of \$ million.

⁸ Total fees and expenses are estimates and will be finalized at closing of the Acquisition. Any variance from the estimates provided is not expected to be material.

Funding”), cash payable from Superior’s balance sheet, and debt from Superior’s third party lending institutions (the “Debt Funding”). VIPA will not be a borrower under the Debt Funding, the assets of VIPA will not be pledged to secure the obligations of the borrowers under the Debt Funding and VIPA will not provide a guarantee of such obligations.

The total funded debt (including the Debt Funding) (the “Total Funded Debt”) will be in the form of a senior term loan provided by the lenders (the “Lenders”) as described in the commitment letter and term sheet from the Lenders attached hereto as Exhibit G.⁹ Initially, the Merger Sub and SVI Holdings will be the borrowers on a joint and several basis in connection with the Total Funded Debt, with Block Holdings becoming a borrower (on a joint and several basis with SVI Holdings) upon closing of the Acquisition and consummation of the Merger. To secure the Total Funded Debt: (i) each of SVI Holdings and Block Holdings will grant lenders a security interest in all of its assets, including a pledge by SVI Holdings of its stock in SVS and a pledge by Block Holdings of its equity in its direct subsidiaries; and (ii) each of SVS and all subsidiaries of Block Holdings other than VIPA, Block Vision NJ and Block Vision TX, will grant lenders a security interest in all of their assets, including a pledge by SVS of its stock in SVI, a pledge by Vision Twenty-One of its stock in VIPA and a pledge by Block Vision, Inc. of its equity in its direct subsidiaries, including Block Vision NJ and Block Vision TX.

In negotiating the terms and conditions of the Debt Funding, Nautic, Superior and the Lenders were sensitive to potential regulatory concerns. Significantly, the assets of VIPA will not be pledged to secure the obligations of the borrowers under the Debt Funding and VIPA will not provide a guarantee of such obligations. Although the Lenders will receive a first priority pledge of all outstanding equity securities of VIPA, in the event of a default, a party would be required to submit an application for acquisition of control pursuant to Section 40.02 of the Wisconsin Administrative Code and receive the prior approval of the OCI before taking or transferring ownership of a controlling interest in VIPA. The Lenders are aware of this restriction.¹⁰

⁹ See the subsection titled “Facilities” on page 1 of the term sheet for the amount of the senior term loan. The Lenders have also committed to provide a revolving credit facility as described on page 1 and 6 of the term sheet.

¹⁰ See the subsection titled “Security” on page 5, paragraph 2 of the term sheet set forth in Exhibit G. Similarly, neither Block Vision NJ, Block Vision TX nor SVI will pledge their assets or provide guarantees in connection with the Total Funded Debt and any change of control of such companies would be subject to the prior approval of the insurance regulatory authorities in their domiciliary jurisdiction.

While it is typical in the private equity industry to fund a significant majority of a transaction value with debt, as a general philosophy Nautic Management is prudent in the amount of debt financing utilized to support the investments made by funds it manages. In this case, the invested equity of the SV Investors in SV Holding (including the Equity Funding from Block Management) (the "Invested Equity") will provide substantial equity funding to provide Block and Superior with operational and strategic flexibility to support and invest in growth initiatives and to withstand a certain level of unforeseen market disruptions or other business challenges. Furthermore, Superior was able to secure financing on attractive terms relative to its current credit facility. While the Superior and Block combined company earnings will increase significantly, the annual debt service payments remain essentially unchanged.

The amount of Total Funded Debt to support the Acquisition and combined future operations of Block and Superior is based on an extensive credit analysis performed by the Applicant and the Lenders. Like Superior, the Lenders consider Block a very strong investment and took note of the following factors:

- **Stable Industry Dynamics** – Diligence indicated that the vision benefit industry is stable relative to other industries.
- **Proven Management Team** – Andrew Alcorn and the executive management team have a long and impressive track-record. Key members of the management team will stay with Block post transaction and certain of them are investing in the transaction.
- **Proven Track-Record** – Block has demonstrated outstanding success over the past 20 years.
- **Stable Business Model** – Block has a high retention level among its clients/insureds and loss ratios are relatively stable and not subject to catastrophic risk due to the relatively low coverage limits.
- **Operational Expenses** – Block does not have a high level of capital expenditures or working capital investment relative to other businesses.

The combination of Superior and Block will result in a much stronger enterprise with the following key attributes:

- Over 300 employees with an outstanding and complementary management team
- 8.5 million members, representing the 5th largest vision plan and 2nd largest independent vision plan in the country
- Over 4,000 employer group clients including University of Texas, the State of Kansas, the State of North Carolina and US Airways, and 40+ health plan clients including

Amerigroup / Wellpoint, United Healthcare, and Healthspring / Cigna with membership in all 50 states

- 59,000 provider access points in all 50 states representing the largest provider network of all vision insurance plans
- Historical ten year growth of membership, revenue and EBITDA of 7%, 12%, 13%, respectively, and revenue and EBITDA approaching \$310 million and \$25 million, respectively

B. *Determination of Nature and Amount of Consideration*

The Purchase Price was a 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 (i) Purchase Price and (ii) allocation of equity and debt funding. The Applicant's analysis included an assessment of the growth prospects of Block and Superior and stability of net revenues, earnings and cash flow. In addition, the Applicant examined the available market data on comparable companies and transactions in the industry. The Applicant, the other investors, including certain members of Block's management team, and the Lenders believe the Purchase Price for Block is reasonable and the amount of Equity Funding and Debt Funding (as part of total Invested Equity and Total Funded Debt) are appropriate to fund the Acquisition and support the future growth of Block and Superior.

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. Following the closing, the executive management team will evaluate potential ways to improve member experience, provider relations and customer service and increase 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, under the terms described in the Merger Agreement attached hereto as Exhibit A, and for the consideration as described in Item 4 above. 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 of this Application 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 of this Application is a party to any contract, arrangement or understanding with respect to any voting securities of VIPA, including, but not limited to, the transfer of any securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

The Applicant, its affiliates and persons listed in Item 3 of this Application 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.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

The following is a list of all Exhibits and Financial Statements which are included in and made a part of this Application:

<u>Exhibit</u>	<u>Description of Exhibit</u>
<u>Exhibit A</u>	Agreement and Plan of Merger dated as of July 14, 2013, among Superior Vision Acquisition Corp., Block Vision Merger Corp., Superior Vision Holding Company, LLC, Block Vision Holdings Corporation, and Howard Hoffmann, as Recipients' Representative
<u>Exhibit B</u>	Audited Financial Statements of Nautic Partners VI, L.P. as of December 31, 2008, December 31, 2009, December 31, 2010, December 31, 2011 and December 31, 2012 and Unaudited Financial Statements as of March 31, 2013
<u>Exhibit C</u>	Audited Financial Statements of Nautic Partners VI-A, L.P. as of December 31, 2008, December 31, 2009, December 31, 2010, December 31, 2011 and December 31, 2012 and Unaudited Financial Statements as of March 31, 2013
<u>Exhibit D-1</u>	Organizational Chart (Pre-Acquisition)
<u>Exhibit D-2</u>	Organizational Chart (Post-Acquisition)
<u>Exhibit E</u>	List of the Directors, Executive Officers and 10% or more Shareholders of Superior Vision Acquisition Corp. and Proposed Directors and Executive Officers of Vision Insurance Plan of America Inc.
<u>Exhibit F</u>	Biographical Affidavits for Persons listed in Exhibit E
<u>Exhibit G</u>	Commitment Letter and Term Sheet, dated July 14, 2013

Reports to the shareholders of VIPA and the Applicant are not prepared or otherwise available.

ITEM 13. SIGNATURE AND CERTIFICATION

SIGNATURE

Pursuant to the requirements of Ch. Ins. 40, Wis. Adm. Code, Superior Vision Acquisition Corp. has caused this Application to be duly signed on its behalf in the City of Rancho Cordova and State of California on the 8th day of August, 2013.

(SEAL)

Superior Vision Acquisition Corp., the Applicant

Kirk Rothrock

Name: Kirk Rothrock

Title: President

Attest:

Kimberley D. Hess

Name: Kimberley D. Hess

Title: Secretary

CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Application dated August 8th, 2013, for and on behalf of Superior Vision Acquisition Corp., that he is the President of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Kirk Rothrock

Name: Kirk Rothrock

Subscribed and sworn to this 8th day of August, 2013.

Sandra L. Parkinson

Notary Public:

My commission expires 10-19-2014

