

Victor L. Cohen Premerger Notification Office 6th & Pennsylvania Avenue Federal Trade Commission Washington, D.C. 20580

Dear Victor:

The purpose of this letter is to describe the transaction

impaired, which has restricted the provide to its community. The larger is a well established which provides a substantial amount of as well as primary and secondary. It is affiliated with a

The leadership of the has approached the and has asked it to become what under state law can be described as the "sponsor" of the sponsor, the would be expected to provide and administrative support to the and to assist

Another primary purpose of the sponsoring arrangement will be to facilitate education. Thus, the control on the

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faculty of the affiliated attract higher quality

could become members of the school. This is expected to to become members of the with a corresponding improvement

at issue would be effected by amendments to the
By-laws, which would give the sponsor the right to
appoint or remove natural persons (individuals) as the "members"
of the (with or without cause). The "members"
would have the authority under the By-laws to select the Board of
Trustees of the

Applicable regulations requiring state approvals for certain changes of control expressly recognize the distinction between natural persons and corporations becoming members. Under these regulations control is "presumed to exist if any person...

other than a natural person. " (Kaphasis added.) Thus, state approval would be required if the state itself became the

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selected by the sponsor, and the members or the soard of Trustees

operating the Indeed, under general provisions of fiduciary law and state regulatory requirements the Board of

The majority of the trustees initially selected under the proposed sponsorship is likely to consist of current Board members. In the future additional persons from the community

the Board of Trustees.

The proposed changes to the By-laws would not change the

It would continue as a separate

For the community it serves and its business and

Charge the worked consolidated or combined with these

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expected to provide administrative support when such arrangements would result in efficiencies.

In the future, transactions between the would be conducted on an "arms-length" basis. As an example, as part of the sponsorship arrangement, the intends to loan funds to the to permit it to improve its facilities and programs. This loan, which would from normal not otherwise be available to the banking sources, would be pursuant to a normal arms-length loan agreement.

To underscore the arms-length nature of the proposed sponsorship relationship and to prevent either the sponsor or the members it selects from exercising control over the amendments to the By-laws which create the sponsorship

influence over

ODELTITIONS.

These amendments to the Bv-laws will specifically prohibit

(1) the appointment of dismissal of approval of

of the (5) approval of debt necessary to finance the cost of compliance with operational or white contracts for management or to approval of

(/) approval of settlements of administrative proceedings or litigation to which the members may have the authority to approve settlements of litigation is a party, except that that exceed insurance coverage or any applicable self-insurance fund./

Because the proposed "sponsoring arrangement" involves the appointment of natural persons as members, coupled with the imposition of the restrictions on the sponsor's and members' authority described above, and because there will be no merger,

organization that the arrangement will not result in a new "controlling" person under state law amounting to a change in the Victor Cohen February 19, 1993 Page 4

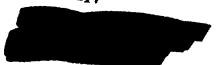
of course, both the that if the itself were to become the sole member or if the nature of the arrangement should change in the sole member that it is the sole member or if the nature of the arrangement is the sole member that it is the s

then the state way. The operations of the

Scott clearance at the same time.

Please let me know your reaction to this description. If you have any other questions, I will be happy to try and answer them.

Sincerely,



3/9/93 The decision on the top of page 1 is based on the major laston that O the sponsor can both appoint but remove the noticed favor members of 3 as a result, the sponsor

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