

LAW OFFICES

June 17, 1999

1999 JUN 18 A 11:02

FEDERAL TRADE COMMISSION  
PREMERGER NOTIFICATION  
OFFICE

**VIA FED EX**

Richard Smith, Esq.  
Premerger Notification Office  
Bureau of Competition  
Federal Trade Commission  
6th Street & Pennsylvania Avenue  
Washington, D.C. 20590

Material may be subject to  
discovery pursuant to 16 C.F.R.  
§ 803.3. See 16 C.F.R. § 803.3  
for more information regarding  
discovery.

Re: *Informal Interpretation Pursuant to 16 C.F.R. §803.30*

Dear Mr. Smith:

This letter summarizes the informal interpretation, pursuant to 16 C.F.R. §803.3, you provided [redacted] and me over the telephone on June 10, 1999 relating to the proposed transaction described herein.

The proposed transaction contemplates signing a "joint operating agreement" for the joint management of the operations of a number of separately owned pediatric facilities and pediatric units of hospitals (the "Pediatric JOA") and the formation of a not-for-profit, non-stock corporation. The board of the Pediatric JOA will oversee management of the pediatric operations of the various hospital participants, and management will be directed by a common CEO. The

[redacted]

the pediatric facilities of its participants to the Pediatric JOA

[redacted]

hospital A and the General JOA will share profits and losses from the joint operation of the pediatric facilities. Hospital A's share will be approximately two-

<sup>1</sup> As we explained to you, the General JOA was formed by a similar joint operating agreement.

[redacted]

[REDACTED]  
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thirds and the General JOA's share will one-third. Additionally, Hospital A will [REDACTED]  
members.

However, Hospital A and the hospital participants of the General JOA will [REDACTED]

Hospital A and the hospital participants of the General JOA will also each retain the right to appoint their own boards. Hospital A and the hospital participants of the General JOA will also retain certain powers, including the right to approve mergers, consolidations, dissolutions or sales of substantially all of the assets of their respective pediatric facilities. Note, however, that the Pediatric JOA may on its own transfer up to \$3 million of participant's pediatric assets without the approval of the hospital participant, but only if the assets are no longer required in the operation of the Pediatric JOA.

You informed us that the transaction described herein does not constitute a presently reportable transaction under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, because there will be no transfer of beneficial ownership of any assets. Additionally, you also explained that the [REDACTED]

[REDACTED] and me on June 10, 1999.

Thank you very much for your assistance in this matter.

Sincerely,  
[REDACTED]

[REDACTED] 7/6/99 letter confirms that in first sentence of first full paragraph  
of JOA, hospital participants will have benefit of JOA and in value  
of their respective hospitals. In last sentence of same  
paragraph, Pediatric JOA will, on its own, transfer a maximum total of \$3M of  
pediatric assets. However, money is credited on basis of participant  
and not on basis of Pediatric JOA. Attached letter that transaction is not reportable  
R.B. Smith