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August 25, 1999

BY FACSIMILE

Mr. Patrick Sharpe
Premerger Notification Office
Bureau of Competition
Federal Trade Commission
6th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20580

RECEIVED
AUG 26 1999

Re: [REDACTED]

Dear Mr. Sharpe:

Thank you for taking the time earlier today to discuss the filing issues I described.

your analysis.

The proposed transaction involves the creation of a joint operating entity in the health care area. The parties to the transaction intend to affiliate and combine their operations through the creation of a new separate corporate entity, which will serve as the operating member of

One party to the transaction (Party A) is nonprofit, membership corporation which previously combined the operations of several hospitals and related non-profit health care entities into a joint operating company. The assets owned by Party A were not transferred to Party A but remain with the members of Party A. Subsequently, Party A has obtained assets of its own, which now have a book value of approximately \$40,000,000 (and believed to have a fair market value in excess of \$10,000,000), and annual net sales in excess of \$100,000,000.

Entities within the ultimate parent entity of Party A have total assets valued in excess of \$100,000,000.

The other party to the transaction (Party B) is a hospital organized as a non-profit, non-member corporation, which may be reconstituted as a non-profit health care system with a

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member prior to the transaction. Party B has total assets and annual net sales in excess of \$100,000,000.

Party A and B intend to combine their operations through the formation of Newco, under one of the following three scenarios:

In #1, it doesn't appear the parties are combining operations. The assets remain with A.

*2
A + B combine
it's not a merger*

Create Newco by reconstituting Party A (through any necessary changes to Party A's articles of incorporation and/or bylaws). Under this scenario, Party B would become a "System Member" of Newco with specified powers. The current

B will have the power to appoint 2 of the 10 members. Not reportable

appoint 2 members of Newco's Board of Directors (which Board shall consist of 10 to 18 members). System Members of Newco would also have the authority, exercised through their unanimous consent, to: a) approve amendments to corporate documents, elect and remove members of Newco's Board (other than directors appointed by the System Members directly); b) approve the dissolution, merger or consolidation of Newco; c) admit new system members to Newco; d) approve strategic plans and strategic financial plans for Newco; e) approve and terminate the President/CEO of Newco; and, f) approve financial transaction approval guidelines.

Under Scenario 1, Party B would not contribute any assets to Newco. Party A's existing assets (approximately \$40,000,000) would be held by Newco after Party A was reconstituted as Newco.

not reportable

appointed by the system members (1-10)

2, no assets would be contributed to Newco by Party A or Party B at the time Newco was created. However, Scenario 2 contemplates that Newco would

Potential

Party A, with Newco being the surviving entity.

In Scenario 3, Newco would be created as a new corporate entity by Party A and Party B. Newco would purchase the assets of Party A in a separate transaction.

not reportable

I would appreciate your thoughts on the following notification issues. First, would a filing be required under Scenario 1 for the acquisition of the described membership interests in a non-profit corporation (Party A) by Party B, where Party A holds approximately \$40,000,000 in

As we are being acquired, not reportable

[Redacted]

[Redacted]

Mr. [Redacted]

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assets? Second, under Scenario 2, would a filing be required for the creation of Newco or the acquisition by Newco of Party A's assets through the described statutory merger? Finally, under Scenario 3, would a filing be necessary for the creation of Newco or the acquisition by Newco of Party A's assets through a purchase transaction?

I appreciate your assistance in this matter. Please give me a call if you have any questions or need additional info.

Sincerely,

called Mr. [Redacted]
3/26/99 - facts are
not clear

[Redacted signature]

[Redacted]

called [Redacted] 3/26/99
and discussed the issues
(see notes) and later to

PS