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October 4, 2000

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VIA FACSIMILE

Thomas F. Hancock, Esquire
Premerger Notification Office
Federal Trade Commission
Room 303
6th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20880

Dear Mr. Hancock:

As we recently discussed, please let me know whether the transaction described herein would qualify as the formation of a non-reportable, non-profit joint venture.

The Parties

Health System X (a non-profit health system¹) is the sole corporate member of Hospital System A (also a non-profit entity). A, in turn, is the sole corporate member of hospitals B and C (both non-profit hospitals).

Health System Y (a non-profit health system) is the sole corporate member of hospital D (a non-profit hospital).

Both Health Systems X and Y own significant other assets, including hospitals, which are not part of this proposed transaction and will remain separate. Furthermore, both X and Y will retain their separate corporate identities after this transaction.

¹ Entities referred to herein as non-profit are non-profit within the meaning of one or more of the following sections of the Internal Revenue Code: sections 501(c)(1)-(4), (6)-(15), (17)-(20) or (d).

[REDACTED]

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The Proposed Transaction

X and Y wish to unite the operations of hospitals B, C, and D. To do so, the parties propose to amend the articles and bylaws of A to make it the sole corporate member of hospital D. At the same time, Y will obtain a special corporate membership interest in A. This special corporate membership interest will, among other things, be non-transferable by Y to any entity other than X, entitle Y to a fixed yearly fee while it remains a member of A (Y will not share in either the profits or losses of A), and can be transferred to X for any reason after three years for a fixed fee.

At the inception of the arrangement both X and Y will appoint 50% of A's Board. However, through the use of certain reserved powers, Y's role in the governance and management of A will be all but eliminated. (The Bylaws and Articles of D will also be amended to comport with both A's and X's governance structure.) Furthermore, Y's Board representation will decline to less than 50% after approximately three years.

Please call me at your earliest possible convenience with your conclusions regarding the reportability of this transaction. If you conclude that this transaction is not reportable, I would also like to know whether the reduction of Y's representation on A's Board below 50% or the transfer of the membership interest from Y to X after three years would trigger the need to report.

If you need any additional information, or have any questions, please let me know.

As always, I thank you for your assistance.

Sincerely yours,

John W. [redacted] told W. [redacted] that the contribution of B and C to D under [redacted] control is the formation of a non-profit [redacted] JV and hence not reportable. However, the gradual elimination of Y's control power would be a potentially reportable acquisition by X.

TFH

[redacted]