

802.63(a)

December 18, 1995

BY TELECOPY AND U.S. MAIL.

Melea Epps
Pre-Merger Notification Office
Federal Trade Commission
6th St. & Pennsylvania Ave., N.W.
Washington, DC 20580

Re: Applicability of 16 C.F.R. 802.63 to Acquisition by Hospital of
Medical Group Practice



Dear Ms. Epps:

This letter confirms our telephone conversation of December 12, 1995 in which we discussed the applicability of the debt work-out exemption of 16 C.F.R. § 802.63(a) to a transaction between a hospital and a medical group practice.

As we discussed, our client is a non-profit, tax-exempt hospital corporation (the "Hospital"). The Hospital has advanced funds in the ordinary course of its business to the medical group. The total amount of the outstanding unpaid principal and interest is in excess of \$15 million (the "Debt"). The Hospital has determined that the medical group does not currently have, and is unlikely to have in the future, the capacity to repay the Debt. Accordingly, the Hospital and medical group have agreed to a work-out of the Debt, pursuant to which the Hospital would acquire substantially all of the assets of the medical group in return for cancellation of the Debt.

You advised me that, in these circumstances, Commission staff would view the transaction as within the debt work-out exemption of 16 C.F.R. § 802.63(a) and therefore exempt from reporting under the Hart Scott Rodino Act. Section 802.63(a) exempts, inter alia, acquisitions "in connection with a bona fide debt work-out . . . if

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made by a creditor in a bona fide credit transaction entered into in the ordinary course of the creditor's business." You agreed that the exemption would apply since hospitals regularly finance medical practices through debt arrangements.

Our client is proposing to close this transaction by no later than December 31, 1995. Accordingly, we would appreciate it if you would advise us within five (5) business days if you disagree in any respect with the contents of this letter.

Very truly yours,



cc: Richard Smith

