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April 22, 1996

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FEDERAL TRADE COMMISSION
PREMERGER NOTIFICATION
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VIA FACSIMILE

Mr. Richard Smith
Premerger Notification Office
Federal Trade Commission
Washington, D.C.

Re: Application of Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "Act")

Dear Dick:

On several occasions we have spoken regarding the application of the Act to the formation of not-for-profit corporations. I am writing now to confirm that the proposed formation of the not-for-profit corporation outlined in this letter will not trigger the filing requirements of the Act.

The proposed transaction, which is diagrammed on an attachment to this letter, involves two existing hospital corporations, Hospital A and Hospital B. Hospital A is a §501(c)(3) not-for-profit corporation controlled by a religiously affiliated, §501(c)(3) not-for-profit health care corporation, Parent, which in turn is controlled by another §501(c)(3) not-for-profit corporation, System. Hospital B is an unincorporated department of a municipality, City. Hospital A and Hospital B intend to affiliate through the formation of a statutorily created §501(c)(3) not-for-profit corporation.

As a first step in the affiliation, Hospital A will form a new §501(c)(3) not-for-profit corporation, New Hospital A, and will transfer substantially all of its assets to New Hospital A in exchange for a cash payment which will exceed \$15 million. At the same time, a new corporation (which will be a political subdivision) will be formed through a Home Rule Petition, New Hospital B, and the City will transfer substantially all of the assets of Hospital B to New Hospital B in exchange for a cash payment which will exceed \$15 million. This first step is being undertaken to satisfy certain tax-exempt bond indebtedness. The source of the cash to be paid for the assets of Hospital A and Hospital B will be proceeds of tax exempt bonds issued by New Hospital A and New Hospital B.

Once New Hospital A and New Hospital B are formed and the assets have been transferred to such corporations, a new §501(c)(3) not-for-profit corporation, Newco, will be



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legislatively created through a Home Rule Petition. Parent and the Mayor of City will each have the right to elect 50% of the voting members of the Board of Directors of Newco. Newco will become the sole corporate member of New Hospital A and Newco will control New Hospital B through the terms of the Home Rule Petition and the corporate documents of Newco and New Hospital B.

My analysis is that this transaction is exempt under the Act on two separate bases. First, because New Hospital B and City are each political subdivisions of a state and Hospital B is an unincorporated department of a political subdivision, any transfer of assets presented by the proposed affiliation is to or from a political subdivision and exempt under (c)(4) of the Act. Second, the legislative formation of Newco, a §501(c)(3) not-for-profit corporation, by Home Rule Petition is expressly exempt under 16 C.F.R. §802.40. The fact that New Hospital A and New Hospital B are formed and the assets of Hospital A and Hospital B are transferred to New Hospital A and New Hospital B, respectively, should not impact the conclusion that no filing is required under the Act.

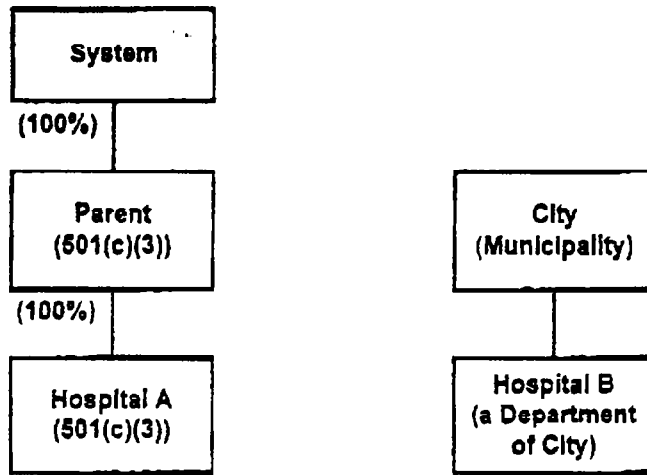
Please contact me at [redacted] to discuss whether the Premerger Notification Office agrees with the conclusion described in this letter and to discuss any questions you have. Thank you in advance for your attention and cooperation.

Very truly yours,

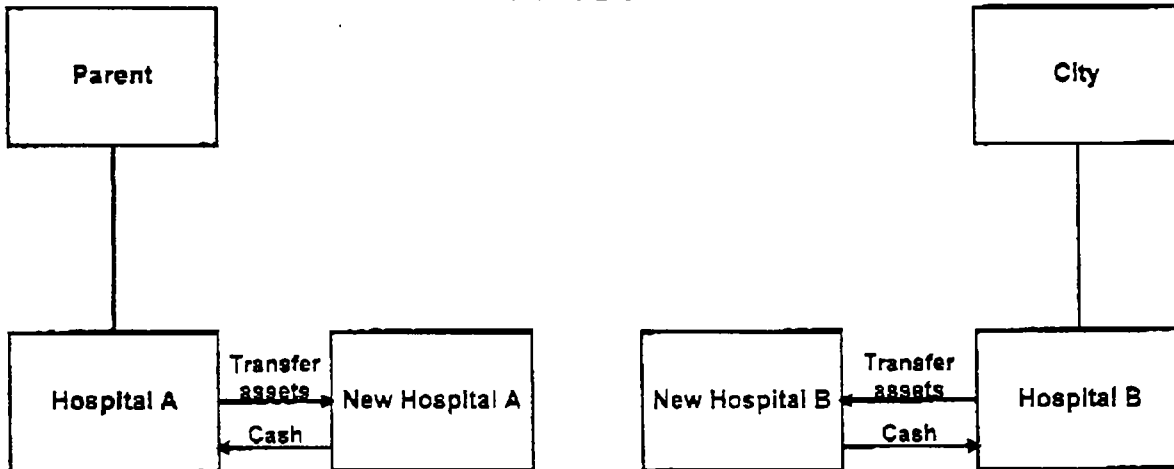


Enc.

EXISTING STRUCTURE



FIRST STEP



AFFILIATION

