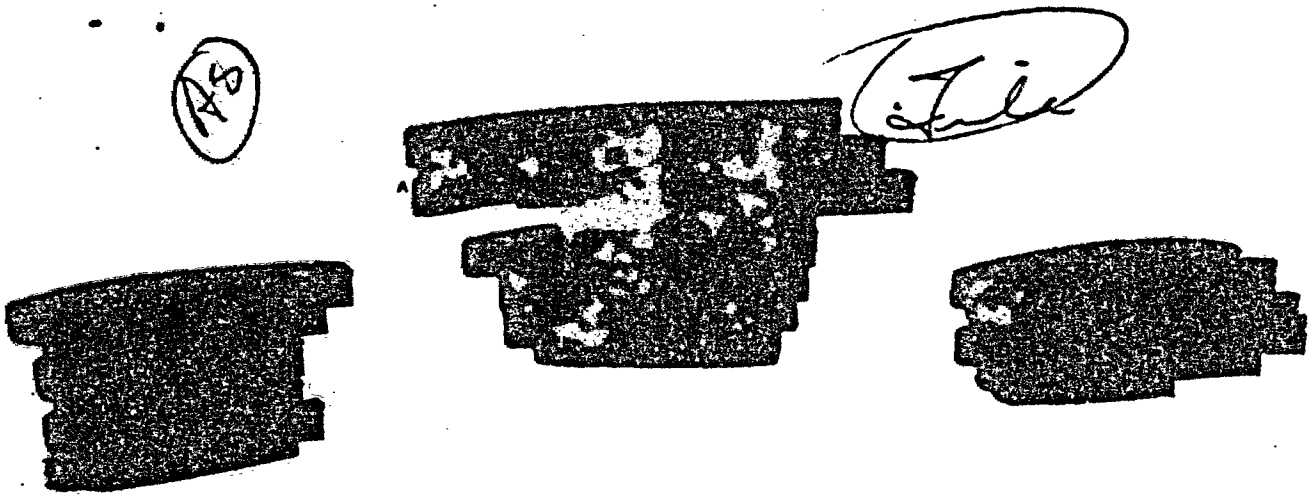

September 20, 1985

Andrew Scanlon, Esq.
Bureau of Competition
Federal Trade Commission
6th & Pennsylvania, N.W.
Washington, D. C. 20580

Re: Pre-Merger Notification--My Letter of September 12, 1985

Dear Mr. Scanlon:

This letter will acknowledge your recent telephone response to my September 12, 1985 letter. In my letter, I requested advice on the Commission's position with respect to the reportability under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("Act") and the regulations thereto of a hypothetical transaction between two private not-for-profit hospitals, neither of which issues any securities. In brief, the hypothetical transaction involved (a) hospital B obtaining control of 6 of the 13 directors on hospital A's board of directors and an equal right with hospital A to vote for the 13th director (hospital A retaining control of the other 6 directors) and (b) hospital A obtaining operational management of hospital B for 10 years by management contract.

You stated that the Premerger Notification staff believes the transaction should be reported, even though reportability is open to some question under the statute and the rules. Specifically, you advised me that the staff takes the following position with respect to the three questions posed in my September 12 letter:

Question a: "Does the Commission consider the by-law expansion of [hospital] A's board, as described, a

reportable acquisition of A by B? If so, how should it be treated for reporting purposes (e.g., as an acquisition of A's "voting securities" by B)?"

Response: You stated that the staff considers such a transaction to be an acquisition of A by B. The premise for this view is that B is gaining the exclusive right to designate 6 of the 13 directors of A and a shared right to select the 13th. Accordingly, although neither A nor B has any voting securities as each is a not-for-profit corporation, the staff believes that the transaction should be reported as an acquisition of A's "voting securities" by B.

Question b: "Does the Commission consider the management contract, as described, a reportable acquisition of B by A and, if so, how should it be treated for reporting purposes (e.g., as an acquisition of B's "assets" by A)?"

Response: No.

Question c: "If either transaction is reportable, who is the ultimate parent entity of hospital B for reporting purposes, in light of the substantial control of the selection of B's directors by the state and the state-run university?"

Response: You stated that the staff considers hospital B to be its own ultimate parent entity, notwithstanding the substantial control over it held by the state.

We appreciate your prompt attention and response to this hypothetical. While we do not necessarily agree with the staff's positions on the questions posed by the hypothetical, it is most helpful to have them.

Sincerely,

OK 9/23/85