

302-35

May 18, 1988

VIA FEDERAL EXPRESS

Mr. Wayne Kaplan
Staff Attorney
Premerger Notification Office
Bureau of Competition
Room 303
Federal Trade Commission
Washington, D.C. 20580

This represents the subject to
the captioned merger of
the Hart-Scott-Rodino Act
which requires filing with the
Federal Trade Commission

Re: Hart-Scott-Rodino Filing Requirements for
[redacted] into

Dear Mr. Kaplan:

This firm represents Charter [redacted]
in connection with the above-referenced merger. This letter is to
confirm the advice we received from you in a telephone conference
held on May 10, 1988, in which [redacted]
[redacted] participated as counsel for [redacted] Acquisition
Corporation [redacted], with regard to the Hart-Scott-Rodino ("HSR")
filing requirements for the above-referenced merger. This letter
is limited to confirming your advice relating to the merger of [redacted]
into Charter. As [redacted] stated, [redacted] is
preparing an HSR filing relating to the formation of [redacted]

As we discussed, it is your opinion that the merger of [redacted]
into Charter does not require an HSR filing. Your opinion is
based upon the intraperson exemption set forth at 16 C.F.R.
§ 802.30, the exemption contained in 16 C.F.R. § 802.35 which
exempts certain acquisitions by employee trusts and the following
description of the proposed merger:

Description of [redacted] merger into [redacted]

On March 19, 1988, [redacted] and [redacted] executed a Merger
Agreement whereby [redacted] will merge into [redacted] leaving [redacted] as
the surviving corporation (the "Merger"). [redacted] is a [redacted]
[redacted] on behalf of [redacted], the Chairman of the
Board of Directors of [redacted] certain of [redacted] management and

certain members of [REDACTED] family, for the purpose of effecting the Merger. [REDACTED] presently has 100 shares of [REDACTED] Class B voting common stock issued and outstanding, all of which are owned by [REDACTED] has no other voting securities issued and outstanding.

[REDACTED] was incorporated in 1969 under the laws of the State of Delaware and is engaged principally in the business of owning and operating psychiatric and general hospitals. Charter is a publicly held corporation that, as of April 30, 1988, had 9,700,670 shares of Class B voting common stock issued and outstanding. Class B voting common stock is voted on a one vote per share basis. [REDACTED] presently owns beneficially 8,503,267 shares of [REDACTED] Class B voting common stock which represents 87.65% of [REDACTED] Class B voting common stock. [REDACTED] as of April 30, 1988, also had 21,371,989 shares of Class A common stock issued and outstanding. Each share of [REDACTED] Class A common stock is entitled to 1/10 of a vote per share. [REDACTED] presently owns beneficially 161,425 shares of Class A common stock which represents .8% of all of [REDACTED] Class A common stock. Combined, [REDACTED] controls beneficially approximately 72% of the combined voting power of [REDACTED] outstanding Class A and Class B common stock. [REDACTED] has no other class of common stock with voting rights.

If the [REDACTED] stockholders vote to approve the Merger, prior to the effective time of the Merger [REDACTED] and several family members will transfer to [REDACTED] approximately 8,225,000 shares of [REDACTED] common stock in exchange for approximately 4,668,000 shares of [REDACTED] Class B Common stock and [REDACTED] preferred stock (Series B, C & D) with a par value of \$132.5 million. After this exchange [REDACTED] will own greater than 50% of the voting securities of [REDACTED]

As a result of the Merger, [REDACTED] will be merged into [REDACTED] and the separate corporate existence of [REDACTED] will cease and [REDACTED] will survive the Merger. The Merger Agreement provides that the Merger will be closed as soon as practicable after the requisite favorable vote of [REDACTED] stockholders is obtained and the other conditions to the Merger are satisfied or waived. The effective time of the Merger will occur upon the filing of the certificate of merger with the Delaware Secretary of State's office. The certificate of merger will be filed immediately after the closing of the Merger.

At the effective date of the Merger, each share of [REDACTED] common stock issued and outstanding (except for shares held by [REDACTED] in its treasury, by [REDACTED] or by stockholders who properly exercise any appraisal rights under the Delaware General Corporation Law), will be converted into the right to receive \$30.25 in cash without interest and \$7.00 principal amount of junior subordinated debentures.

At the effective time of the Merger, (i) all shares of [redacted] Class A common stock will, pursuant to the terms of the Merger Agreement, be converted into shares of a new class of [redacted] common stock \$.25 par value per share (the "new [redacted] Class A common stock"), (ii) all shares of [redacted] Class B common stock will be converted into shares of a new class of [redacted] common stock, \$.25 par value per share (the "new [redacted] Class B common stock"), (iii) [redacted] Class A common stock and new [redacted] Class B common stock are sometimes collectively referred to in this letter as the "[redacted] common stock", (iii) all shares of [redacted] series A preferred stock will be converted into shares of new [redacted] series A preferred stock, (iv) all shares of [redacted] series B preferred stock will be converted into shares of [redacted] series B preferred stock, (v) all shares of [redacted] series C preferred stock will be converted into shares of new [redacted] series C preferred stock, and (vi) all shares of [redacted] series D preferred stock will be converted into shares of new [redacted] series D preferred stock. The series A preferred stock will be issued to the public. The other three series of preferred stock will be owned by [redacted] and his family.

The [redacted] Employee Stock Ownership Plan, a retirement plan and trust which will be formed for the purpose of enabling eligible employees of [redacted] to participate in the ownership of [redacted] following the Merger, will purchase, simultaneously with the consummation of the Merger, with funds borrowed from [redacted] approximately 68% of the shares of [redacted] Class B common stock that are expected to be outstanding at the effective date of the Merger. The [redacted] will be administered by an Administrative Committee composed of three or more individuals designated by [redacted] Board of Directors. [redacted] has selected a bank, South Carolina National Bank, to act as institutional trustee. The institutional trustee will act as the named fiduciary under [redacted] with respect to investment matters, including the purchase of [redacted] Class B common stock. After the Merger, [redacted] will have the power to appoint the [redacted] trustee and, subject to the fiduciary obligations of the trustee and the Administrative Committee under [redacted] will have the power, through the Administrative Committee, to direct the voting of allocated and unallocated shares held by the [redacted] participants on all corporate matters except for extraordinary corporate matters.

At the time of the [redacted] purchase of the [redacted] Class B common stock, the [redacted] will not have received its determination letter from the Internal Revenue Service ("IRS") stating that it qualifies under Section 401 of the Internal Revenue Code. However, the [redacted] named fiduciary will not permit the [redacted] to purchase any shares of [redacted] unless its counsel has rendered an opinion to it confirming that the [redacted] is qualifiable under Section 401(a) of the Internal Revenue Code.

This will confirm your opinion that because [REDACTED] controls both [REDACTED] owning greater than 50% of the voting securities of each entity prior to the effective date of the Merger, the merger of [REDACTED] into Charter will be an intraperson transaction exempt from the HSR filing requirements pursuant to 16 C.F.R. § 802.30.

Additionally, this will confirm your opinion that the purchase of the shares of [REDACTED] common stock by the [REDACTED] is exempt pursuant to Section 16 C.F.R. § 802.35, because the [REDACTED] will meet the qualifications of Section 401(a) of the Internal Revenue Code, will be controlled, subject to the trustee's and Administrative Committee's fiduciary obligations under [REDACTED] by a person [REDACTED] that employs the beneficiaries of the trust and the voting securities acquired will be those of that person or an entity within that person.

We will be relying on your opinion that no HSR filing needs to be made with regard to the transaction described above unless we hear from you further. Thank you for your attention to this matter.

Sincerely,

[REDACTED]

[REDACTED]

cc: [REDACTED]

WJ
WJK 5 17 88