

# **Healthcare Conversions**

## **The Regulator's View**

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### **The Conversion Summit**

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# I. Overview

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## Proper Role of the Regulator

- Fairly & Objectively Enforce the Law
- Protect the Public Interest
- Recognize That This Is a Political as well as Legal Process That Requires Public Confidence

## II. Forms of Conversion

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- ◆ Conversion to For-Profit Status of Corporation
- ◆ “Drop-Down” Conversion
- ◆ Sale of Assets

# III. Key Issues

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## Valuation

- Market Test v. Valuation Analysis v. Fairness Opinion
- Auction
  - Applicability of Revlon Standard

# III. Key Issues

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## Valuation

- Valuation Analysis
  - Going Concern Value
    - “Brand”
    - Subscriber Base Value
    - Market Share
  - Methodology
    - Discounted Cash Flow
    - Comparable Company
    - Similar Transaction

# III. Key Issues

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## Valuation

- Independent Experts
- IPO
  - Timing
  - Dilution

# III. Key Issues

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## Health Impacts

- Subscribers, Providers, Public
  - Rates
  - Access
  - Competition

# III. Key Issues

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## Use of Proceeds

- State Standards
  - Cy pres
  - Quasi cy pres

# III. Key Issues

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## Use of Proceeds

### ■ Foundations

- Mission
  - Healthcare limitation
  - Geographic limitation
  - Sufficient flexibility to be responsive to community needs
- Independence of Board
  - Diversity
  - Process for selection

# IV. Philosophical Differences

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- ◆ Non-Profit Advocates v. Market Advocates
- ◆ California Experience
  - “Win-Win”

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