

LEVEL 3

To calculate the percentage of ownership that Individual X has in the Enrolling Supplier, multiply:

The percentage of ownership the LEVEL 2 owner has in the Enrolling Supplier

MULTIPLIED BY

The percentage of ownership the LEVEL 3 owner has in that LEVEL 2 owner

It has already been established that Company C owns 60% of the Enrolling Supplier. According to the example above, Individual X (Level 3) owns 5% of Company C. Therefore, multiply 60% (.60) by 5% (.05), resulting in .03. This means that Individual X owns 3% of the Enrolling Supplier and does not need to be reported in this application.

Repeat this process for Company B, which owns 40% of the Enrolling Supplier. The diagram states that Individual Y (Level 3) owns 30% of Company B. We thus multiply 40% (.40) by 30% (.30). The result is .12, or 12%. Because Individual Y owns 12% of the Enrolling Supplier, Individual Y must be reported on this application (in Section 6 - Individuals).

This process is continued until all owners in LEVEL 3 have been accounted for. Should there be entities at LEVEL 4 and above that have at least a 5% ownership interest in the Enrolling Supplier, the Enrolling Supplier may submit an organizational chart identifying these entities and/or individuals. The chart should contain the names, business addresses and TINs of these entities, and/or the names and social security numbers of these individuals.

Example 2 (Financial Control)

The percentage of financial control can be calculated by using the following formula:

Dollar amount of the mortgage, deed of trust, or other obligation secured by the Enrolling Supplier or any of the property or assets of the Enrolling Supplier

DIVIDED BY

Dollar amount of the total property and assets of the Enrolling Supplier

Example: Two years ago, a supplier obtained a \$20 million loan from Entity X to add a third floor to its facility. Various assets of the supplier secure the mortgage. The total value of the supplier's property and assets is \$100 million.

Using the formula described above, divide \$20 million (the dollar amount of the secured mortgage) by \$100 million (the total property and assets of the Enrolling Supplier). This results in .20, or 20%. Because Entity X's interest represents at least 5% of the total property and assets of the Enrolling Supplier, financial control exists and Entity X must be reported in this section.

MANAGING CONTROL (ORGANIZATIONS)

Any organization that exercises operational or managerial control over the supplier, or conducts the day-to-day operations of the supplier, is a managing organization and must be reported. The organization need not have an ownership interest in the supplier in order to qualify as a managing organization. This could be a management services organization under contract with the supplier to furnish management services for this business location.