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FEDERAL TRADE COMMISSION
PREMERGER NOTIFICATION OFFICE

2001 MAY 10 P 3:33

May 10, 2001

BY FACSIMILE

Michael Venezia
Federal Trade Commission
Premerger Notification Office, Bureau of Competition
6th Street and Pennsylvania Ave., N.W.
Washington, D.C. 20580

Dear Mike:

I am writing to confirm the substance of our two conversations regarding the valuation method for the purchase of a partnership or LLC interest where the acquiring person currently holds currently an interest in the entity being acquired. I set out the following hypothetical. Company X, a holder currently of a 51 percent interest in LLC A intends to purchase the remaining 49 percent interest in LLC A from Company Y. The total equity value of LLC A is approximately \$45 million. The total debt of LLC A is approximately \$55 million. I asked whether the \$55 million in debt in LLC A must be added to the \$45 million in equity as would be done generally in an asset acquisition. You explained that when the acquiring persons currently holds an interest (minority or majority) in the LLC or partnership being acquired, the debt need not be added to the equity for purposes of determining whether the transaction meets the size of transaction test. You explained that when the acquiring person is a current holder of the LLC or partnership interests, there is no acquisition price determined because the acquiring person is not paying for the underlying assets. As a result, the purchase price is based upon a fair market value determination. You explained that fair market value does not include the debt of the LLC or partnership. As a result, no HSR filing is required under my hypothetical because Company X may use a \$45 million fair market value for its acquisition of Company Y's interest in LLC A.

THE ACQUISITION IS OF ALL OF THE UNDERLYING ASSETS OF LLC A.

TRANSACTION VALUE - THERE IS NO PURCHASE PRICE.



[REDACTED]

Michael Verne
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I understand that the same analysis holds true if a partnership interest is being acquired and further that this analysis does not depend on the percentage of the partnership

I would appreciate it if you would call or e-mail me to confirm that you agree with this conclusion and the underlying reasoning. As always, thank you for your assistance.

Very truly yours,

[REDACTED]

AGREE - SEE NOTES ON P. 1

Michael Verne

5/11/01