

[REDACTED]

August 29, 1991

Re: Annual Net Revenues Under the  
Hart-Scott-Rodino Antitrust  
Improvements Act of 1976, as amended

Patrick Sharpe  
Premerger Notification Office  
Bureau of Competition  
Federal Trade Commission  
Room 303  
6th Street and Pennsylvania Avenue, N.W.  
Washington, D.C. 20530

Via teletype (202) 326-2050

Dear Mr. Sharpe:

As we discussed on August 28, 1991, on behalf of our client, [REDACTED] company (together with all the entities which it controls, [REDACTED] we are submitting the information contained in this letter to supplement the information contained in our letter to you dated August 26, 1991 (the "Prior Letter"), with respect to the meaning of "annual net sales" for the purposes of applying the "size-of-the-parties test". Any capitalized terms used in this letter but not defined in this letter have the respective meanings assigned to them in the Prior Letter.

You have requested that we further describe the nature of the Conduit Payments which are itemized in Exhibit B to the Prior Letter. [REDACTED] has informed us that the amounts listed under the columns labeled in Exhibit B to the Prior Letter as "Drilling", "Survey Services", "Lab. Services", "Service Labor", "Boat Services", "Consultants", "Communic.", "Travel", "Misc." and "Subcontractors" represent payments to third parties for services they rendered to [REDACTED] clients (or to [REDACTED] for the benefit of such clients) in connection with projects on which [REDACTED] is also rendering its services. [REDACTED] views all of such services as subcontractor services. Similarly, [REDACTED] has informed us that the amounts listed under the columns labeled in Exhibit B to the Prior Letter as "Direct Materials", "Equipment Rent" and "Misc." represent payments to third parties for materials and equipment sold to or rented on behalf of [REDACTED]

clients in connection with a project. [REDACTED] views such payments as third party suppliers' payments which are indistinguishable from subcontractors' payments because of their conduit nature.

[REDACTED] believes that the Conduit Payments itemized in Exhibit B to the Prior Letter are analogous to payments a construction contractor makes to a plumber in order to install water pipes in a house which the construction contractor is building. The construction contractor receives revenues for supervising the building of the house; the plumber receives revenues for installing pipe. The construction contractor merely acts as a conduit for the plumber's payment.

Likewise, [REDACTED] has informed us that third parties may provide services or materials to [REDACTED] clients on projects which [REDACTED] is supervising. For instance, a third party may survey a site on a project which [REDACTED] is supervising for a client. In such an example, [REDACTED] does not receive as its revenues the Conduit Payment for the survey work; it receives revenues for its services such as supervising the project for its client. Any payments received by [REDACTED] for the surveyor's work are passed on to the surveyor by [REDACTED]

To elaborate further, [REDACTED] has informed us the Target which is the subject of the Proposed Transaction conducts surveying services (in the manner described in the example above) on many projects for [REDACTED] clients which [REDACTED] supervises. If [REDACTED] and the Target were subject to the reporting requirements of the Act, it would be anomalous for each of [REDACTED] and the Target to be required to report as revenues in their respective Notification and Report Forms the same payments received on account of such surveying services of the Target. Such duplicitous reporting would incorrectly reflect the revenues that each of [REDACTED] and the Target received from such work.

[REDACTED] believes that it treats Net Turnover rather than Turnover as its annual net sales for its own business purposes. With respect to the Conduit Payments, [REDACTED] has informed us as follows:

1. The document entitled [REDACTED] Profit & Loss Accounts" (attached hereto as Exhibit A, the "*Unadjusted Income Statement*"), reflects Net Turnover in the line item "Net O.S.R." on the Unadjusted Income Statement;
2. "Net O.S.R." means net own services revenue;
3. The document entitled "Financial Review - Report for the 4th Quarter 1990" (attached hereto as Exhibit B, the "*Financial Review*") reflects Net Turnover as the line item "Net Revenue" in the Financial Review;

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4. The amounts reflected on the Unadjusted Income Statement and the Financial Review are unaudited; and

5. The amounts on the Unadjusted Income Statement and the Financial Review vary somewhat from the amounts stated on the Consolidated Income Statement because the Consolidated Income statement does not reflect certain accounting adjustments made to account for (a) timing and other differences of accounting between various [REDACTED] entities which have varying accounting procedures or which operate in different countries with different accounting practices or (b) certain audit adjustments;

Thus, in its internal accounting, [REDACTED] treats Net Turnover as its annual net sales.

We hope that this additional information will assist the Staff in giving [REDACTED] guidance with respect to the Staff's view of what constitutes annual net sales as it relates to the Proposed Transaction. If it is possible, we would appreciate a letter confirming the Staff's view with respect to the same. As stated in the Prior Letter, [REDACTED] is in the process of negotiating the terms of the Proposed Transaction and hopes to consummate such transaction by the end of next month (assuming that its obligations under the Act have been satisfied). Therefore, any assistance you may be able to provide us in meeting this schedule would also be appreciated.

Thank you for your assistance in this matter. If you have any further questions regarding the foregoing, please call me at the number noted above.

Very truly yours,  
[REDACTED]

cc: [REDACTED]

[REDACTED]