

Acquisition of limited partnership interests which are traded on an exchange is reportable only if the interests are voting securities under 801.1(f) of the HSR rules. #

DIRECT DIAL NUMBER:

October 23, 1991

This material may be exempt from the confidentiality provisions of Section 7A (h) of the Clayton Act which restricts release under the Freedom of Information Act

FEDERAL EXPRESS

Victor Cohen, Esquire  
Federal Trade Commission  
Premerger Notification Office  
Bureau of Competition  
Room 301  
Washington, D.C. 20580

Re: Partnership Exemption

Dear Victor:

This letter is to confirm our telephone conversations of last week.

As I told you, we represent an entity (the "Acquirer") which is a \$100 million person for purposes of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "Act").

The Acquirer, directly or through various related entities, intends to purchase a 23% limited partnership interest (the "Limited Partnership Interest") in a limited partnership (the "Limited Partnership") which is listed on the American Stock Exchange. The Acquirer will purchase the Limited Partnership Interest from a \$10 million person (the "Seller") for a purchase price of \$970,314 plus contingent payments of up to an additional \$2,000,000 in the form of a percentage of any distributions on the purchased Limited Partnership Interest during the five (5) year period following closing. In addition, the Acquirer will purchase the general partnership interest of the sole general partner (the "General Partnership Interest") of the Limited Partnership for approximately \$43,000. The sole general partner, which is a wholly-owned subsidiary of the Seller, has a 1% interest in the Limited Partnership. The sole general partner has less than \$25 million of assets and/or annual sales. The Limited Partnership is its own ultimate parent entity.

\* In this case they are not voting securities since they do not carry the right to vote for directors or persons who exercise similar functions. Their voting power is limited to

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FEDERAL TRADE COMMISSION

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Furthermore, a management contract between the Limited Partnership and a wholly-owned subsidiary of the Seller will be terminated and a new management contract between a subsidiary of the Acquirer and the Limited Partnership will be executed. In consideration of the termination of the management contract and the assignment of accrued management fees and other amounts owing from the Limited Partnership to the Seller or the Seller's subsidiary, the Acquirer's subsidiary will pay the Seller and/or the Seller's subsidiary approximately \$5,000,000.

Based on the foregoing, you advised me that the Acquirer's purchase of the Limited Partnership Interest and the General Partnership Interest would not be subject to the purview of the Act. Your rationale was that the Statement of Basis and Purpose specifically provides that the acquisition of a partnership interest is not a transaction covered by the Act.

Separately, we did not discuss the applicability of the Act to the payment for the termination of the management contract but I am providing you my analysis on such transaction. My understanding is that the Act would not apply to a management contract provided that such contract's purpose is not to avoid compliance with the Act.

If you disagree with any aspects of this letter, or further clarification is required, please let me know.

Very truly yours,

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[REDACTED]

[REDACTED]

assets + liquidation of the partnership. The fact that the acquiring person will become the general partner & enter into a management contract with the partnership does not change the above noted requirement under FOIA (b)(7)(D).