

April 1, 1992  
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Freedom of Information Act

Mr. Patrick Sharpe  
Premerger Office  
H-303  
Federal Trade Commission  
Washington, D.C. 20580

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FEDERAL TRADE  
COMMISSION  
PREMERGER NOTIFICATION  
OFFICE

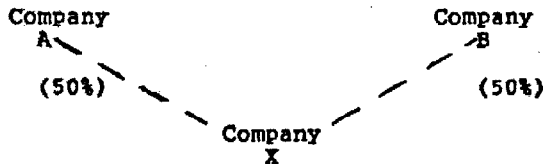
Re: Proposed Transaction

Dear Mr. Sharpe:

The purpose of this letter is to confirm our telephone conversation of March 30 concerning the significant details of a proposed transaction, which is exempt from the filing requirements of The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "Act"). I understand that you have also discussed this fact scenario with Dick Smith of the Commission. The terms used herein, which are defined in the Act or the Rules promulgated thereunder (the "Coverage Rules"), have the same meanings when used herein.

Each of the transactions described below will be consummated simultaneously. ←

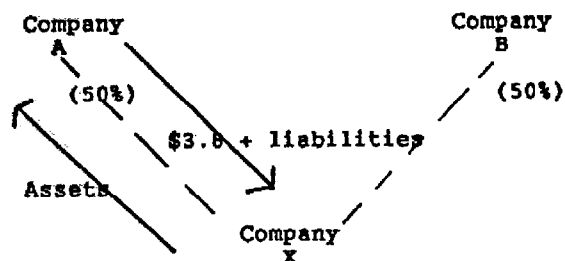
Fifty percent of the voting securities of Company X are currently owned by Company A and 50% are owned by Company B.



Company X operates various businesses through subsidiaries and is in the process of preparing to offer its voting securities to the public.

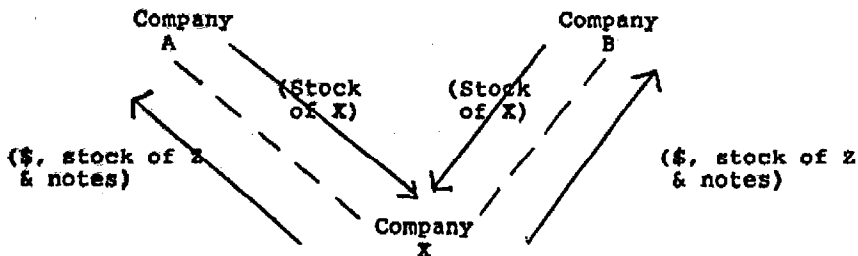
Company A (through a newly created, wholly-owned subsidiary) will purchase the assets of certain of Company X's subsidiaries for their net book value (approximately \$3.8 million) and will assume approximately \$200,000 of known liabilities of such subsidiaries. The fair market value of these assets is \$4 million or less.

#### Asset Acquisition



Voting securities of Company X will be sold to the public in an amount that will dilute the aggregate interest of Company A and Company B in Company X to 20% (10% for each of Company A and Company B, respectively). Simultaneously with the public sale and Company A's asset purchase, Company X will redeem its voting securities held by Company A and Company B in exchange for cash, voting securities of a subsidiary of Company X ("Subsidiary Z") and certain existing promissory notes of other subsidiaries or affiliates of Company X held by Company X. Subsidiary Z had annual sales in excess of \$25 million in the last fiscal year. Company A is to receive, as consideration in the redemption, cash (in an amount currently estimated at approximately \$8 million), 50% of the voting securities of Subsidiary Z (having a fair market value of \$9 million or less) and the promissory notes of three affiliates of Company X. Company B is to receive, as consideration in the redemption, cash (in an amount currently estimated at approximately \$12 million), 50% of the voting securities of Subsidiary Z (having a fair market value of \$9 million or less) and the promissory notes of two affiliates of Company X.

Redemption



In analyzing these simultaneous transactions, one must look at the transactions from the point of view of each of the acquiring persons. Company X's acquisition of its own voting securities (the stock redemption) is one potentially reportable transaction. Company A's and Company B's receipt of the stock of Subsidiary Z as partial consideration for the redemption of the Company X stock they hold is another potentially reportable transaction. A third potentially reportable transaction is Company A's acquisition of the assets of certain subsidiaries of Company X.

The acquisition by Company X of its own voting securities held by Company A and Company B is not a reportable transaction under § (c)(3) of the Act and § 801.1(c)(8) of the Coverage Rules.

The acquisition by Company A of (i) the assets of certain subsidiaries of Company X, (ii) 50% of the voting securities of Subsidiary Z, (iii) cash and (iv) promissory notes from affiliates of Company X is also exempt. The cash and promissory notes acquired by Company A are not "assets" under § 801.21 of the Coverage Rules and § (c)(2) of the Act. The receipt of 50% of the voting securities of Subsidiary Z by Company A as partial consideration for the redemption of Company X stock held by Company A is exempt under § (c)(3) of the Act and § 801.1(c)(8) of the Coverage Rules in that prior to the transaction Company A will own (hold), indirectly, 50% of the voting securities of Subsidiary Z. However, under § 801.15 of the Coverage Rules, the value of these voting securities of Subsidiary Z must be aggregated with the value of the assets acquired by Company A from the subsidiaries of Company X. The aggregate value of the assets (not including

801.14? →  
if asset  
not asset

←  
the value  
of the assets

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cash and promissory notes) and the Subsidiary Z voting securities acquired by Company A is less than \$15 million, as determined in accordance with § 801.10 of the Coverage Rules. Thus, the asset transaction is exempt under § 802.20 of the Coverage Rules and the voting securities acquisition is exempt under § (c)(3) of the Act.

The receipt by Company B of 50% of the voting securities of Subsidiary Z, cash and promissory notes from affiliates of Company X as consideration for the redemption of Company X stock held by Company B is also exempt. The cash and promissory notes are not "assets" under § (c)(2) of the Act and § 801.21 of the Coverage Rules. The acquisition of the voting securities is exempt under § (c)(3) of the Act and § 801.1(c)(8) of the Coverage Rules in that prior to the transaction Company B will own (hold), indirectly, 50% of the voting securities of Subsidiary Z.

Please telephone me at [REDACTED] if you have any questions or comments. The parties plan to consummate these transactions without filing under the Act unless I hear otherwise from you in the next five business days.

Very truly yours,  
[REDACTED]

[REDACTED]

[REDACTED]