

801.40 ; 801.1 (C)

February 27, 1996

Via Facsimile

Richard B. Smith, Esq.
Federal Trade Commissioner
Premerger Notification Office
Room 303, 6th & Pennsylvania Avenue
Washington, D. C. 20580

Dear Mr. Smith:

Enclosed is an outline describing the proposed transaction I would like to discuss with you. If it is convenient for you we will give you a call later this afternoon to discuss this transaction further.

Thank you for your attention to this matter.

Very truly yours,

Enclosure

cc:

2/29/96 Advised writer that transfer of assets from
Partnership 2 (only controlled by Company 1) to Partnership
in which Company 1 will hold a 100% Partnership interest
is non-reportable. Formation of Partnership A-B a non-reportable
and transfer of Partnership interest in Partnership 2 (which results in
Partnership A-B not holding 100% of Partnership 2's Partnership
interest) are also non-reportable. RB Smith

TRANSACTION STEPS
(Private Sale)

Company 1 is the sole general partner in, and owns a 1% general partner interest in, Partnership 1 and Partnership 2 (both [redacted] limited partnerships). Company 1 also owns an 85% limited partner interest in Partnership 1 and public holders own the remaining 15% limited partner interests in Partnership 1. Partnership 1 owns a 99% limited partner interest in Partnership 2. (See diagram A.) Company 1 has control of both Partnership 1 and Partnership 2.

Partnership 1 has no assets other than its 99% limited partner interest in Partnership 2. Partnership 2 has assets in several states. The assets in the Western United States are referred to as the "Western Assets" and all its other assets are referred to as the "Other Assets."

Company 1 is planning a series of transactions as follows:

1. Company 1 and Partnership 2 will form Partnership 3, [redacted] limited partnership. Company 1 will acquire a 1% general partner interest in Partnership 3 in return for a cash contribution to Partnership 3. Partnership 2 will acquire a 99% limited partner interest in Partnership 3 in return for a contribution of the Other Assets to Partnership 3. (See Diagram B.)

2. Partnership 2 will next distribute (as a dividend) its 99% limited partner interest in Partnership 3 to Partnership 1. At this point, Partnership 2 and 3 will each be subsidiary partnerships of Partnership 1. (See Diagram C.)

3. Company A and Company B, which are totally unrelated to Company 1, will form a general partnership referred to as Partnership A-B. Company A will contribute cash (estimated at \$210 million) and Company B will contribute cash (estimated at \$90 million) for 70% and 30% general partnership interests in Partnership A-B, respectively. They will share management of Partnership A-B.

4. Partnership A-B will contribute approximately \$300 million to Partnership 2 in return for a 98.9% managing general partner interest in Partnership 2. The \$300 million will be used to pay down debt of Partnership 2. Company 1's 1% general partner interest in Partnership 2 will be converted into a .1% special general partner interest in Partnership 2 and Partnership 1's 99% limited partner interest in Partnership 2 will be converted into a preferred limited partner interest (with features very similar to a non-participating preferred stock) which will have a liquidation preference of \$150 million and a 1% common limited partner interest. As a result, Company 1 will continue to hold .1% of the general partner interest in Partnership 2 and Partnership 1, a controlled partnership of Company 1, will hold the right to approximately 15% of the assets of Partnership 2 on liquidation. Partnership A-B will manage Partnership 2. (See Diagram D.)

[redacted]

DIAGRAM A

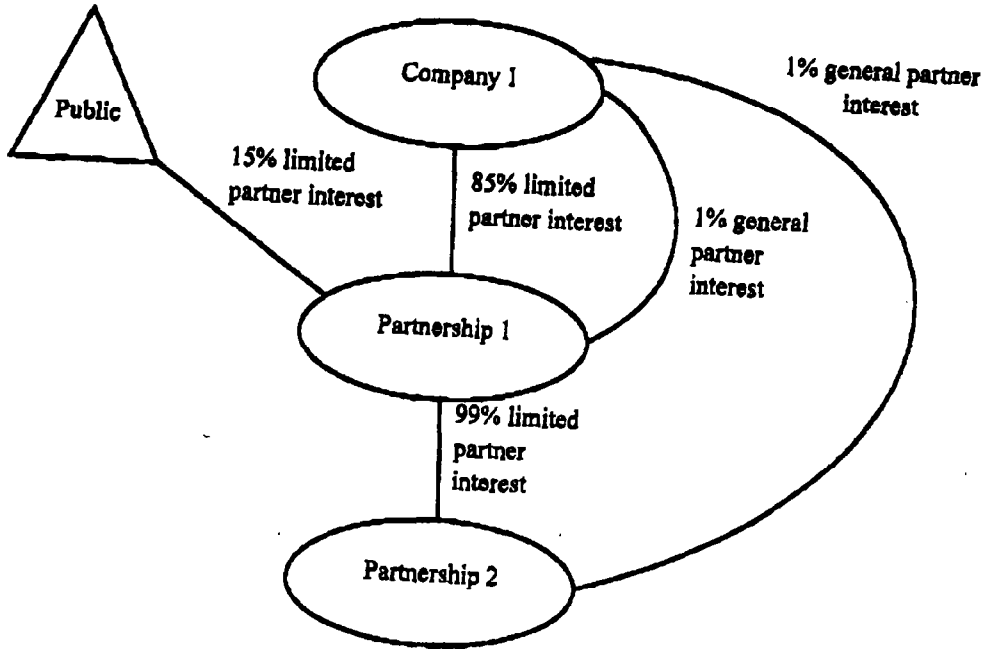


DIAGRAM B

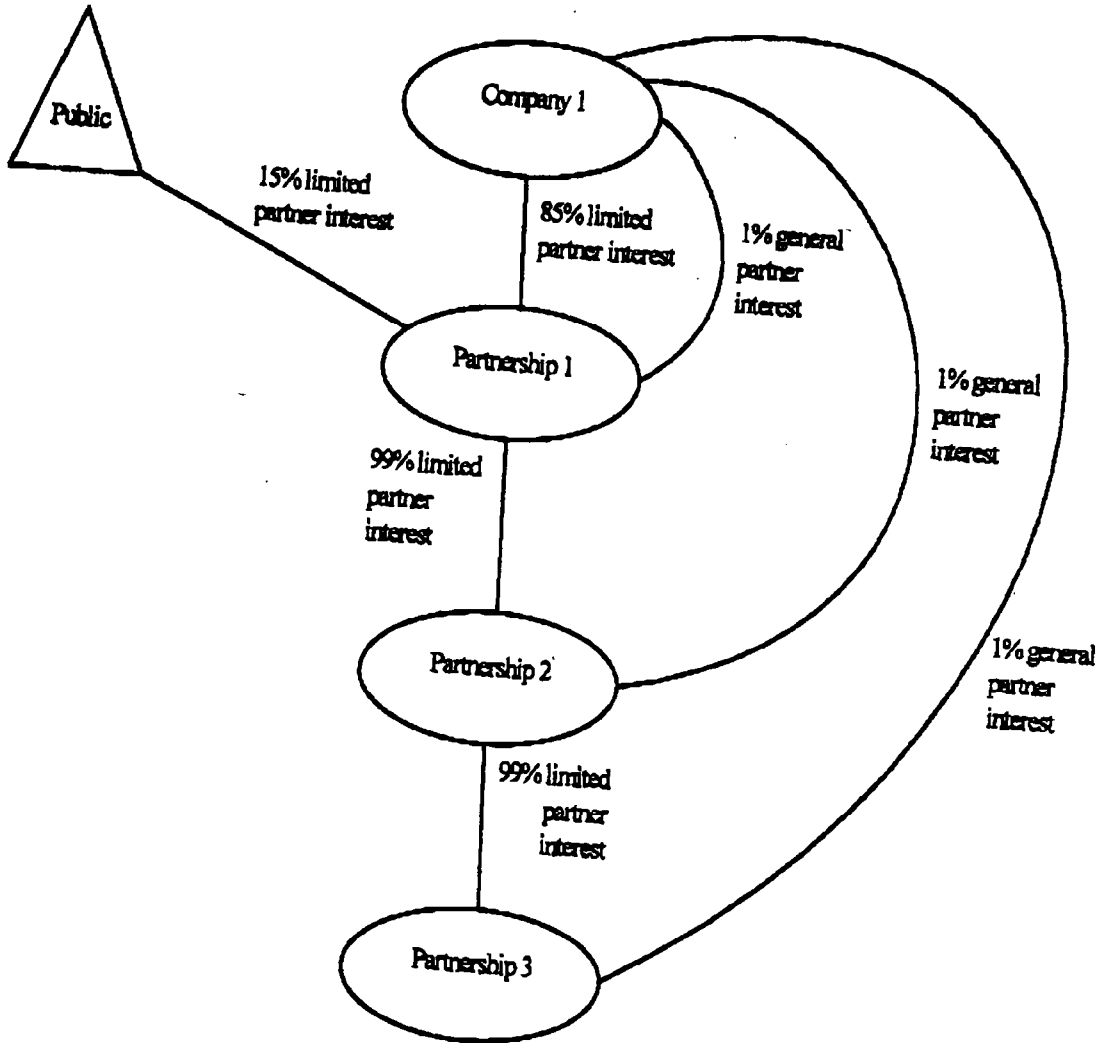


DIAGRAM C

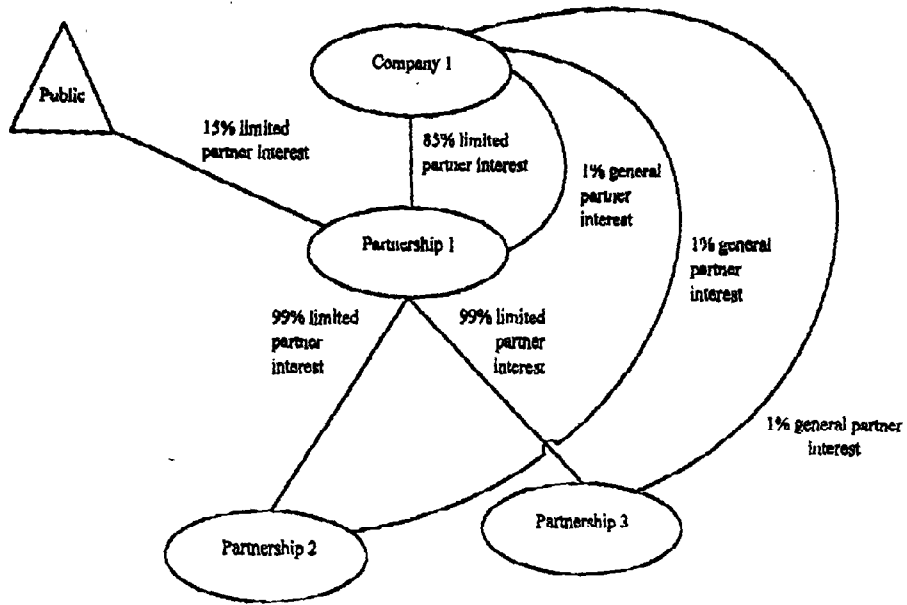


DIAGRAM D

