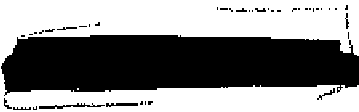

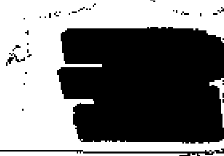

Attorneys and Counselors

May 27, 1998

Writer's Direct Dial Number

Other Offices

VIA FEDERAL EXPRESS
Michael Verne
Premerger Notification Office
Bureau of Competition
Room 303
Federal Trade Commission
6th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20580

This material may be subject to the confidentiality provisions of section 7A(H) of the Clayton Act which restricts release under The Freedom of Information Act

Dear Mr. Verne:

The purpose of this letter is to confirm our telephone conversation on Friday, May 15, 1998. During that conversation, I described to you the following scenario: P is a public corporation whose common stock is traded on the NASDAQ National Market System. Certain members of P's management and other parties (collectively, the "Management Group") intend to engage in a leveraged buyout of P (the "LBO") whereby P will become a privately-held corporation. The LBO will be implemented through a merger (the "Merger") of a yet-to-be-formed entity ("Newco") with and into P, with P as the surviving corporation of the merger (the "Surviving Corporation"). Newco is the wholly-owned subsidiary of a newly-formed limited liability company ("LLC"), which itself is wholly-owned by a member of the Management Group ("Ultimate Parent").

In the Merger, holders of P's common stock, other than members of the Management Group, will receive a cash payment in exchange for their shares of common stock (the "Merger Consideration"), which will be paid by the Surviving Corporation pursuant to what essentially will be a redemption. Members of the Management Group will receive one share of common stock in the Surviving Corporation in exchange for each share of P's common stock that they hold. Neither Newco nor LLC hold shares of P's common stock and will not receive the Merger Consideration, shares of the Surviving Corporation's common stock, or any other consideration.

As stated above, members of the Management Group basically will continue to hold the same shares of common stock that they currently hold. However, because public shareholders are being cashed out in the Merger, each share of common stock held by a Management Group member will represent a greater percentage of the voting securities of the Surviving Corporation

than it represented in P prior to the Merger. Certain members of the Management Group, none of whom currently hold fifteen million dollars ($15,000,000) of P's voting securities or fifteen percent (15%) or more of P's voting securities, will cross these or any higher notification threshold because of this percentage increase. However, of these members, only one, Ultimate Parent, arguably has over ten million dollars ($10,000,000) in assets (but may not if his holdings of P's voting securities are excluded from the calculation). In any event, Ultimate Parent's stock in the Surviving Corporation, valued at the Merger Consideration, will have a value of less than fifteen million dollars ($15,000,000) and will represent less than fifty percent (50%) of the Surviving Corporation's voting securities.

Based upon the foregoing description and after conferring with certain of your colleagues at the Federal Trade Commission, you told me that you were of the view that no aspect of the transaction is reportable. More specifically, you were of the view that:

(1) Neither Newco nor LLC (nor Ultimate Parent as the ultimate parent entity of the person containing Newco, LLC, and Ultimate Parent) has to file notification because neither Newco nor LLC will be acquiring any voting securities or assets.

(2) The Surviving Corporation does not have to file notification because, although it will be acquiring the voting securities held by the public shareholders, the acquisition is exempt as an "intraperson transaction" under 16 C.F.R. § 802.30.

(3) With regard to the members of the Management Group, even though none of such members will be acquiring voting securities, a Management Group member may be required to file notification if the cash-out of the public shareholders causes the percentage of the Surviving Corporation's voting securities represented by such member's holdings of common stock to surpass a higher notification threshold. Such notification would have to be filed prior to the member's next acquisition of voting securities of the Surviving Corporation. However:

(a) Such member must have total assets of at least ten million dollars ($10,000,000). In calculating total assets, holdings of stock in the Surviving Corporation are to be excluded pursuant to 16 C.F.R. § 801.11(c) if such member does not have a regularly prepared balance sheet.

(b) Even if such member will hold fifteen percent (15%) of the Surviving Corporation's voting securities, if such member will hold less than fifty percent (50%) of the Surviving Corporation's voting securities and such voting securities will be valued at

less than fifteen million dollars ($15,000,000), the Management Group member's acquisition will not be reportable (pursuant to the minimum dollar exemption contained in 16 C.F.R. § 802.20). The value of the voting securities is to be determined pursuant to 16 C.F.R. §§ 801.10 and 801.13, which provide that the value will be the greater of the market price or the Merger Consideration.

Based upon my statement that no Management Group member will hold fifteen million dollars ($15,000,000) or fifty percent (50%) of the Surviving Corporation's voting securities, you were of the view that no member of the Management Group would have to file notification.

If any of the foregoing does not accurately represent the views that you expressed during our telephone conversation, please contact me as soon as possible at the above-listed number.

Very truly yours,

cc:

AGREE - [illegible] 5/28/98