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[REDACTED]

October 6, 2000

[REDACTED]

BY FACSIMILE AND FIRST CLASS MAIL

Mr. Michael Verne
Premerger Notification Office
Bureau of Competition, Room 303
Federal Trade Commission
6th Street and Pennsylvania Avenue, N.W.
Washington, DC 20580

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Re: HSR Advice

Dear Mike:

I am writing to you to confirm my understanding of a telephone conversation we had on October 4, 2000. Following is a description of the transaction I described to you

HSR Act and its implementing regulations. A, B, and C will form a limited liability company ("LLC") to acquire assets that comprise an operating unit of Y. A, B, and C will

formation.

A is guaranteed an annual payment of 10% of A's initial investment amount, 2/ and the right to appoint one of LLC's five directors. If there is a default in guaranteed payments, A will get the right to appoint an additional director. Upon the liquidation or sale of LLC (or its assets), A will receive 49.9% of the proceeds of the first \$12 million, and 40% of any proceeds in excess of \$12 million.

1/ It is contemplated that LLC will also borrow money from a third party to help pay for the assets of Y.

accounts.

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B is guaranteed an annual payment of 6% of B's initial investment amount, and the right to appoint one of LLC's five directors. If there is a default in guaranteed

C will be the managing member of LLC. C will not receive, in exchange for its investment in LLC, any guaranteed payments. However, C will have the power to appoint three of LLC's five directors. Upon the liquidation or sale of LLC (or its assets), C will receive .2% of the proceeds of the first \$12 million and 40% of any proceeds in excess of \$12 million.

The contingent fee will be 100% of the profits of LLC after distribution to A and B of the guaranteed payments described above.

Under the facts described above, and based upon our telephone conversation, I understand that LLC would be deemed its own UPE at the time of its formation. Because it will not have regularly prepared financials at the time of its formation, and because it

C to acquire the assets of Y or the money it will borrow from a third party to acquire the assets of Y, LLC will not be a \$10 million person at the time it acquires assets from Y. Thus, LLC's acquisition of assets from Y would not be reportable under the HCP Act.

Best regards,

Michael Verne
10/13/00