

Wayne Kaplan, Esq.

Federal Trade Commission
Sixth and Pennsylvania Avenues, N.W.
Washington, D.C. 20580

REQUESTED

Dear Mr. Kaplan:

I am writing to you at the suggestion of [REDACTED] of

Section 14 of the Clayton Act (the "Act"), 15 U.S.C. 918a, as added by sections 201 and 202 of the Hart-Scott-Rodino

to make of the [REDACTED]. The [REDACTED] a private group of international financial

of that telephone conversation you indicated to [REDACTED]

effective April 10, 1987) which, you advised [REDACTED]

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business to be acquired and the transaction in significant detail. We do so below. I understand that you agree that we may proceed with the proposed transaction based on your oral advice unless we hear to the contrary from the FTC within a reasonable time, that is to say by April 14, 1987, and we are planning the closing date for the acquisition accordingly. I am arranging for a copy of this letter to be transmitted by telefax to our Washington office and to be hand-delivered to you today, with delivery of the original to follow by

contain financial and commercial information about [redacted] and other persons named herein that is highly confidential. The Federal Trade Commission Act (the "FTC Act") provides that commercial or financial

"FOIA" 1). Accordingly, we request on behalf of our client that this letter, its exhibits and any other information that is or has been provided to you, whether written or oral, be accorded the fullest protection from disclosure under the FOIA and the FTC Act relating to the treatment of

less than \$1,000,000 and with no regularly prepared balance sheet, [redacted] proposes to acquire the [redacted] of companies in a series of interrelated acquisitions that will close at substantially the same time (collectively, the

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\$62,000,000 less the cost (expected to be approximately \$600,000) of redeeming the minority interest of [REDACTED], also an individual investor. [REDACTED] is a citizen of the United States resident in the [REDACTED] [REDACTED] is a citizen and resident of [REDACTED]

As a result of the Management Buy-Out, the indirect

banking, securities trading or discount brokerage of securities. In connection with the Management Buy-Out, the [REDACTED] will be substantially restructured.

Financing for the Management Buy-Out is to be provided

companies and to make the management buy-out will be borrowed by [REDACTED] or by companies that are now or that will be controlled by him upon the completion of the Management Buy-Out. The credit facility from [REDACTED] will be in the principal amount of up to \$120,000,000 (the "Loan"). Loan proceeds of approximately \$50,000,000 will be applied to the payment of a portion of the purchase price of the acquired

be owned by a newly formed [REDACTED] holding company [REDACTED]

[REDACTED] and its subsidiaries, and approximately \$6,000,000 of Loan proceeds will be used to pay for any expenses incidental to the Management Buy-Out

The balance of the Loan (\$10,000,000) will be available to provide working capital for the [REDACTED] when and as

management buy-out has been completed.

We discuss below in Part I the organization and control

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The Management Buy-Out Rule is applicable to measure [redacted] assets under §801.11(e) is applicable to measure [redacted] assets under [redacted]

after the Management Buy-Out.

I. [redacted] Before The Management Buy-Out

[redacted] Corporation wholly-owned by [redacted]

including [redacted] who owns 1.2%, collectively own the remaining 5.2% of [redacted]. In addition, [redacted] and certain other individuals own options to acquire shares of [redacted] for nominal consideration. The shares held under option by [redacted] and all such other individuals amount to 12.0% and 3.7%, respectively, of [redacted] issued capital as diluted by all shares under option.

[redacted] controls several holding companies and operating subsidiaries. The principal operating companies within the

company engaged in trading securities, is a wholly-owned subsidiary of [redacted]

- (2) [redacted] a [redacted] corporation and a U.S. registered broker-dealer engaged in the business of providing investment banking services and trading in securities, is a wholly-owned subsidiary of [redacted]

which is wholly-owned by [redacted] also controls [redacted], a [redacted], whose

real property sublet [redacted]

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an holding company, of which 20.5% of
the voting securities are owned by

indirectly, 10% U.S.

trading.

for the Management Buy-Out, was formed a

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is the sole shareholder with an initial capitalization of \$100,000,000 of which he is personally borrowing \$25,000,000.

is a holding company for the interests in the [redacted] and [redacted]. The other [redacted] is [redacted].

The total consideration for the acquisition will consist of a combination of cash and non-voting redeemable preferred stock of \$49,400,000 in cash and \$12,000,000 in non-voting redeemable preferred stock of [redacted] will receive approximately

of [redacted] and its subsidiaries and a further \$6,000,000 will be used to pay expenses incidental to the Management Buy-Out.

[redacted] interest in [redacted] will be redeemed. [redacted] will offer

shares of [redacted] with [redacted] owning [redacted]. If these offers are accepted by all such shareholders, [redacted] will become the owner of all of the outstanding shares of [redacted] and [redacted].

[redacted] ownership of [redacted] will be diluted [redacted] who at present own options to acquire [redacted].

[redacted] is not expected to exceed 10% of the voting [redacted].

Management Buy-Out QFL will own 100% of the stock of [redacted].

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including its interests in [redacted] and subsidiaries as
stock of [redacted] which will retain its 80% interest in [redacted]
and 100% of the stock of [redacted] and (through [redacted] and
[redacted])

Upon completion of the Management Buy-Out, [redacted]
[redacted] and [redacted] will be dissolved (or perhaps remain in
existence as inactive companies) [redacted] will hold

[redacted] valued at \$10,009,000 with voting rights of one vote for each
[redacted] share. [redacted] will own 1,000 Class A shares

shares of [redacted] valued at \$8,000,000, and [redacted] will own
limited voting right shares of [redacted] valued at \$4,000,000.

all shares of [redacted] will thus be controlled by [redacted] which
in turn will be controlled by [redacted] [redacted] will continue
to own all of the shares of [redacted] and, through it and
[redacted] those of [redacted]. As a
result of the Management Buy-Out, control of all operating

In your discussion with [redacted] you indicated that

that have been committed but not yet drawn upon should also
not be included.

Proposed Rule §801.11 (a) provides that:

- (e) Subject to the limitations of paragraph (d)
of this section, the total assets of:

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(1) An acquiring person that does not have the regularly prepared balance sheet described in paragraph (c)(2) of this section shall be, for acquisitions of each acquired person:

(i) All assets held by the acquiring person at the time of the acquisition.

(ii) Less all cash that will be used by the acquiring person as consideration in an acquisition of assets from, or in an acquisition

less all cash that will be used for expenses incidental to the acquisition, and less all securities of the acquired person (or any entity within that acquired person);...

situation, [redacted] total personal assets do not meet the "size of person" test under 67A(a)(2) of the Act [redacted]

not have a regularly prepared balance sheet. Under proposed Rule §801.11(e)(1)(ii) and the advice that you have given us, however, deductions from total assets are made for (a) all cash that will be used to make the acquisition of voting securities (in this case \$50,000,000), (b) all amounts used

acquired person or an entity within that acquired person (in this case the securities of the [redacted] of companies).

not be drawn upon thereafter and, if drawn, may only be used

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to cover working capital requirements of OFL and its subsidiaries. When the appropriate calculations are made under the proposed Rule, [REDACTED] is a person with less than \$1,000,000 in assets who does not meet the \$10,000,000

If you have any questions with regard to the foregoing please do not hesitate to telephone me collect at the telephone number in Paris which is [REDACTED]. Please feel

Very truly yours,

2 COPIES ATTACHED

cc [REDACTED]

41. Telephone call which [REDACTED]

Concern that 801.11(e) will apply