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September 6, 1988

PRIVILEGED AND CONFIDENTIAL

Wayne Kaplan, Esquire
Premerger Notification Office
Room 315 Headquarters
Federal Trade Commission
Washington, D.C. 20580

Dear Mr. Kaplan:

The purpose of this letter is to determine whether the
staff of the Federal Trade Commission concurs in the conclusion

[REDACTED]

§ 7A) ("the Act"). You and I discussed this matter on the
telephone on Friday, September 2, 1988.

The transaction is essentially a partial leveraged
buy-out by management of a subsidiary, the parent of which is
receiving a cash dividend and a convertible debenture and is
also retaining an equity interest in the firm. At the same
time, another company is contributing technology to the firm in
return for an equity interest.

Assume that Company A has \$100 million or more in
sales or assets; that Company B has \$10 million or more in
sales or assets; that Company C has approximately \$1.5 million
in cash and no other assets, and has no regularly prepared

Company D has more than \$10 million in sales or assets.
Company E is a wholly-owned subsidiary of Company-D, has had no
sales, and its only asset is technology contributed by its
parent, Company D.

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The transaction can be summarized as follows: Company

with and into B. (See below.) Through the merger, Mr. X, who

shareholders of C. The stock received by members of the Group will be newly issued stock of Company B.

Company D will contribute approximately \$1 million worth of technology to its wholly-owned subsidiary, Company E, which will also merge with and into B simultaneously with and conditional upon C's merger with and into B. Company D will newly issued.

The Group (65%) and Company D (32.5%) will thus have a

Company A will retain the remaining 2.5% of B's common stock. Shortly before closing, Company A will also receive a \$70 million dividend from Company B and a \$110 million zero coupon convertible note (convertible into approximately 58% of the common stock of B).*

There will be two classes of stock in Company B. The Management Group and Company D will hold Class A stock and Company A will hold Class B stock. Holders of Class A stock will have the power to elect 3 of Company B's 6 directors, and holders of Class B will have the power to elect the other 3. There will be 4,320 Class A Shares outstanding, 2880 of which will be held by the Group. Company D will hold the other 1440 shares of Class A Stock. Mr. X will hold 2088 of the 2880 shares held by The Group. Company A will hold all 100 Class B

*/ If Company A were to convert its debenture into Company B

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By our calculations under § 801.12 of the Act's

securities, Mr. X will have 24.17%, Company C will have 16 2/3%, and Company A will have 50%. (See Attachment A). There are no agreements among the individual members of the Group as to how to vote their shares, nor any such agreement between or among them and Company D.

Under these circumstances, no person is acquiring assets or voting securities of \$15 million or more, nor is any person acquiring control of an entity with \$25 million or more in sales or assets. It would appear, therefore, that the transaction described above would not generate a reporting

view, or any questions about the transaction, please call the undersigned as soon as possible. Thank you.

Very truly yours,



Attachment

Attachment A

Calculation of the Percentage of
voting securities held or to be Acquired
Under Section 801.12 of the Hart-Scott-Rodino
Antitrust Improvements Act

The percentage of voting securities held or to be acquired is determined by the following formula:

<p style="text-align: center; font-size: small;">presently entitled to cast, and as a result of the acquisition</p>	<p style="text-align: center; font-size: small;">the number of directors the class</p>
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The total number of votes for directors of the issuer which presently may be cast by that class, and which will be entitled to be cast by that class after the acquisition

the total number of directors

Applying the formula to the Management Group:

2880	X	3	-	1	or 33 1/3%
4320		6		3	

Applying the formula to Mr. X only:

2088	X	3	=	24.17%
4320		6		

Applying the formula to Company D:

1440	X	3	=	1	or 16 2/3%
4320		6		6	

Applying the formula to Company A:

100	X	3	=	1	or 50%
100		6		2	