

801.20
C is probably not
acquiring 50% of B.
and B
does not
meet the
size of 801.20

May 1 1992

MAY 1 9 44 AM '92

Via Federal Express

Bureau of Competition
Room 303
Federal Trade Commission
Sixth Street & Pennsylvania Avenue
Washington, D.C. 20580

The confidential
Section 7A (h) of the
which restricts release under
Freedom of Information Act

Has Verification Report Form for Proposed Stock Acquisition

Dear Mr. Schechter:

I am writing to confirm our discussion today as to whether a filing would be necessary under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, 15 U.S.C. §18a, or the regulations promulgated thereunder, 16 C.F.R. §§801.1, et. seq., in connection with a proposed acquisition of voting securities. The proposed transaction is summarized below and in the attached diagram.

A owns B. B does not have regularly prepared financial statements; in fact, the only financial statement of B which has been prepared is a December 31, 1991 unaudited balance sheet which shows a book value of \$1.5MM. A and B believe that the assets of B currently have a fair market value of \$5.7MM. B does not have any sales.

Mr. William Schechter

C proposes to buy 1 share of B's common stock, which represents less than 1% of B's issued and outstanding common stock, for (i) \$1.00 and (ii) C's commitment to loan up to \$13.5MM to B. A will also provide B with a \$13.5MM loan commitment. A and C meet the size-of-the-parties test. A and C will also enter into agreements

purchased share, will equal 50% of the issued and outstanding common stock of B. B does not have any class of capital stock

B is entitled to make draws under them.

We do not believe that the filing of a Notification and Report Form is required. First, an acquisition of a sufficient amount of the voting securities of B has not occurred. Only one share, representing less than 1% of the voting securities of B, will

Second, even if we assume that the sale of one share of common stock together with the agreements between A and C constitute an

of the voting securities (even if the amount of C's loan commitment

is included) will not exceed 1% of the voting securities of B. Therefore, a filing will be

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required only if B has total assets or annual net sales of \$25MM or more. This \$25MM threshold will not be met because (i) B's December 31, 1991 balance sheet indicates a total asset value of less than \$1.5MM, (ii) A and B in good faith place a market value on B's current assets of approximately \$5.7MM, and (iii) B does not have any sales. Accordingly, the transaction is exempt under Rule §802.20.

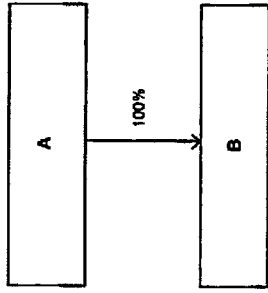
If I misinterpreted our conversation, I would appreciate being so

[REDACTED]
[REDACTED]
[REDACTED]
enclosure

cc: [REDACTED]
[REDACTED]

PROJECT

CURRENT

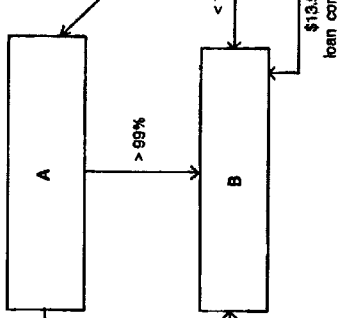


\$13.5 MM
loan comm

BOOK ASSETS < \$1.5MM
FMV ASSETS = \$5.7 MM*

*Based upon good faith belief of Parent and Subsidiary.

PROPOSED



\$13.5
loan com

BOOK ASSETS: Same but add \$1.0M
1 share of stock

FMV ASSETS: Same but now have
and Seller

ements giving
rights with
pect to 50%
f B's stock



Subsidiary by Buyer for

commitments from Buyer