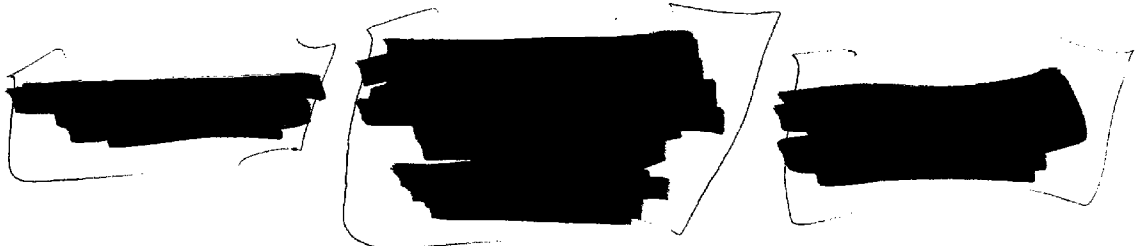


§ 801.10(b)



December 10, 1992

Dec 11 11 00 AM '92
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

John Sipple, Esq.
Director
Pre-Merger Notification Office
Federal Trade Commission
6th & Pennsylvania Avenues, N.W.
Washington, D.C. 20580

Re: Hart-Scott-Rodino

Dear Mr. Sipple:

This is to memorialize our conversation of December 1, 1992.

In that conversation, I posed the following factual situation: The acquired company enters into long-term contracts to provide services periodically during the course of the contract. As each periodic service is provided, the acquired company is

The acquired company shows the value of all payments to be received under the contract as an asset on its balance sheet when the contract is signed. In order to comply with the conventions of double-entry bookkeeping, the acquired company also shows the total value of those services yet to be provided at the contract rate as a countervailing liability on its balance sheet. In other words, instead of booking the income received through the provision of the service as it is received periodically, the value of the entire contract is recorded as an asset, with the obligation to provide this service stated on the balance sheet as a counterbalancing liability.

obligation to provide the service upon payment as stated in the company's books must be



added to the purchase price when applying the size of transaction test under the Hart-Scott-Rodino Act.

You confirmed that because the acquired company's obligation to provide services was not a liability due to a third party irrespective of whether the counterbalancing payment was received, it was not necessary to add that liability to the acquisition price in applying the size of transaction test.

If this letter does not reflect our conversation accurately in any respect, please let me know immediately. Thank you for your usual courtesy and responsiveness in addressing this matter. Best personal regards.

Sincerely,

It is noted that counterbalancing payment received until after the acquisition

provided the counterbalancing liability/obligation would have to be added to the acquisition price as the assumption of a liability. With the exception of this clarification, I explained that I concur with the advice reflected in the letter.