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[REDACTED]

[REDACTED]

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VIA HAND DELIVERY

Ms. Nancy Ovuka
Compliance Specialist
Federal Trade Commission
Bureau of Competition
Pre-Merger Notification Office
Room 301
6th and Pennsylvania Aves., N.W.
Washington, D.C. 20580

Dear Nancy:

This is to confirm our telephone conversation earlier today. The facts are as follows:

Company B currently has a wholly owned subsidiary

\$1.5 million subordinated convertible promissory note.

purposes that Company B and the entities it controls have gross assets or net sales of \$100 million or more and that [REDACTED] has net sales of \$25 or more. Company A is a newly formed company. It currently has almost no assets (i.e., less than \$200,000) and has no income. There is no regularly prepared annual statement or

for this transaction will be raised by Company A as follows: shareholders of Company A will contribute \$1 million in return for stock in Company A; \$16 million will be borrowed from a bank; \$2,250,000 will be provided

[REDACTED]

[REDACTED]

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under a term loan from Investor, one of the shareholders
amortizing loan from Investor. Investor will not be
guaranteeing the payment of the \$16 million loan; the
loans from Investor to Company A are at commercially
reasonable terms.

Investor will own 45% of Company A, the remainder of the

shareholders will own 50% of the shares of [redacted] none
of the management shareholders have assets of more than
\$5 million. Although pursuant to a shareholder's
agreement, Investor will retain certain supermajority
rights regarding such extraordinary situations as sale of
the business, mergers, and borrowing out of the ordinary
course of business for Company A. Investor will not have
Company A.

First, as we discussed, it is my understanding that
consistent with the definition of "control" at 16 C.F.R. 801.1(b).

assets held by the acquiring person at the time of the acquisition,

It is my understanding that after the cash portion of the purchase
price, and the expenses incident to the transaction are deducted

while Investor may have net sales and total assets in excess of \$100 million, it is my
understanding that it will not have any Hart Scott Rodin reporting obligations in connection

formation. Furthermore, the value of Investor's stock prior to the obtainment of the acquisition
funding will only be \$450,000. Therefore, the formation of Company A is not a reportable
event for Investor under 16 C.F.R. §§ 801.40 and 802.20 even though Company A may meet

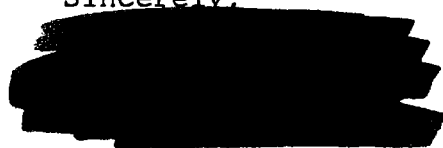
other investors (and I am not getting voting stock),
then Company A appears to have assets of
only \$4.95MM - Not Reportable

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Rodino Antitrust Improvements Act in connection with the purchase

Please let me know as soon as possible whether I have in anyway misunderstood the position of the FTC Premerger Notification Office staff. As always, I appreciate your assistance in this matter. Best regards.

Sincerely,



6/15/94

Neither formation or subsequent acquisition is reportable.

