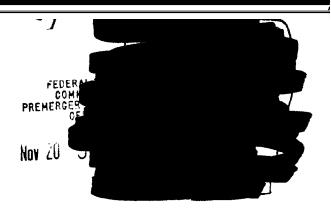


November 20, 1995



BY FACSIMILE

Richard B. Smith, Esq. Federal Trade Commission Premerger Notification Office 600 Pennsylvania Avenue, NW Washington, DC 20530

Re: Reportability of LLC Formation

Dear Dick:

This latter is to request southernstion that the ETC Demonstra Office would not

review this letter, you have any questions or would like additional facts, please call us at your earliest convenience to discuss those issues.

FACTS

Company A ("A") and Company B ("B") intend to form a limited liability company ("LLC") that will be owned 50% by A and 50% by B. Both A and B will

The key provisions of the management structure of the LLC include the following:

- All authority to manage the LLC will vest in the CEO of the LLC, who will
- A limited number of highly material matters, primarily entering into significant contracts, must be approved by A and B. Such approval will come from A and B directly, as there is no "Members Committee" or Board of Directors of the LLC.



Richard B. Smith, Esq. November 20, 1995 Page 2

- The LLC will have an "Advisory Roard" composed of seven members Two members each will be appointed by A and B, and these "inside" members will be executives of A and B. Three members of the Advisory Board will be appointed jointly by A and B, and these "outside" members cannot be executives of A or B. The outside members can be removed at any time, with or without cause, by A and B. The chairperson of the Advisory Board will always be one of the "inside" members.
- The principal function of the Advisory Board will be to provide advice to

Board.

- The Advisory Board will have the power to remove the CEO if it believes he or she is not performing the duties of the office properly. A may also remove the CEO at any time.
- The Advisory Board will have the power to resolve deadlocks between A and B on those highly material matters for which the CEO is required to obtain approval from A and B.

<u>ANALYSIS</u>

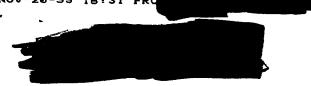
We believe that the proposed transaction is not H-S-R reportable under the Staff's previously announced standards regarding reporting the formation of a limited liability company. The Staff has indicated that if a limited liability company will be

potentially reportable article and the extreme from the control of appears to be organized more like a partnership, and in particular is not governed by an

Act.

The LLC in this case is similar to a partnership in that the management decisions will be made by a CEO, who will be appointed by A. The only exception to the CEO's

A and B. Second, the Advisory Board will not function as a board of Directors with governing authority, but instead, as its name suggests, may advise the CEO regarding matters the CEO chooses to present to the Advisory Board.



Richard B. Smith, Esq. November 20, 1995 Page 3

Given the above facts, we do not believe the formation of the LLC in this

nearing from you as soon as possible if you have any questions regarding the facts, our analysis or our conclusion. Sirrect dial number is

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LLC is non-reportable. The outside persons

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