[redacted] (THU) 2. 22' 96 20:16/ST. 19:5 [redacted]

801.40; 801.1(c)

[redacted]

February 22, 1996

FEB 23 7 45 AM

PREMERGER

Via Facsimile

Mr. Richard B. Smith, Esquire

Room 303
Washington, DC 20580

Dear Mr. Smith:

Enclosed is an outline describing the proposed transaction tha [redacted] and I would like to discuss with you. If it is convenient for you we will give you a call mid-day tomorrow to discuss this transaction further.

Thank you for your attention to this matter.

Sincerely

[redacted]

[redacted]

Enclosure

cc: [redacted]

2/23/96 - Advised writer that since Company 1 alone ~~controlled~~ held all the partnership interests of Partnership 2, the transfer of assets from Company 1 ... is non-reportable. Do not need an exemption (such as 802.30), since in the view of the PMN office, the Partnership 2 does not exist as an entity (this is true even though the ... limited partnership interest in Partnership 1, which holds a 99% limited partnership interest in Partnership 2, in which Company 1 holds a 1% ...

TRANSACTION STEPS

Company 1 is the sole general partner in, and owns a 1% general partner interest in, Partnership 1 and Partnership 2 (bo[redacted] limited partnerships). Company 1 also owns an 85%

diagram A.) Company 1 has voting control of both Partnership 1 and Partnership 2.

Partnership 1 has no assets other than its interest in Partnership 2. Partnership 2 has assets in several states. The assets in the Western United States are referred to as the "Western Assets" and all its other assets are referred to as the "Other Assets."

Company 1 is planning a series of transactions as follows:

1. Company 1 and Partnership 2 will form Partnership 3, [redacted] limited partnership. Company 1 will acquire a 1% general partner interest in Partnership 3 in return for a cash contribution to Partnership 3. Partnership 2 will acquire a 99% limited partner interest in Partnership 3 in return for a contribution of the Other Assets to Partnership 3.

2. Partnership 2 will next distribute (as a dividend) its 99% limited partner interest in Partnership 3 to Partnership 1. At this point, Partnership 2 and 3 will each be subsidiary partnerships of Partnership 1 and controlled by Company 1. (See Diagram B.)

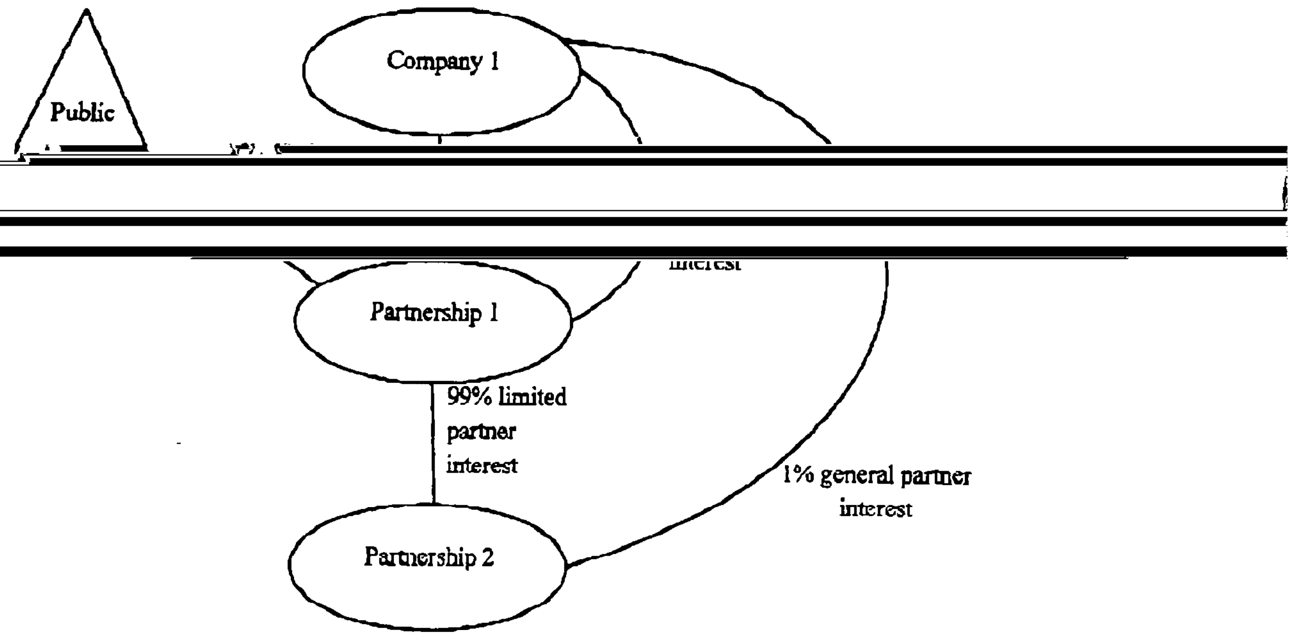
3. Partnership 2 will next purchase for a note approximately $50 million in assets (the "Acquired Assets") from Company 1. The assets will consist primarily of [redacted]

4. Finally, Partnership 2 will sell through certain underwriters approximately $500 million in limited partner interests to the public in an offering registered with the Securities and Exchange Commission. After completion of the public offering, Company 1 will own a 1% general

own a 90% limited partner interest in Partnership 2. (See Diagram C.) The proceeds of the public offering will be used by Partnership 2 to pay off the approximately $55 million note incurred to buy the Acquired Assets as described in step 3 above and to repay other indebtedness of Partnership 2.

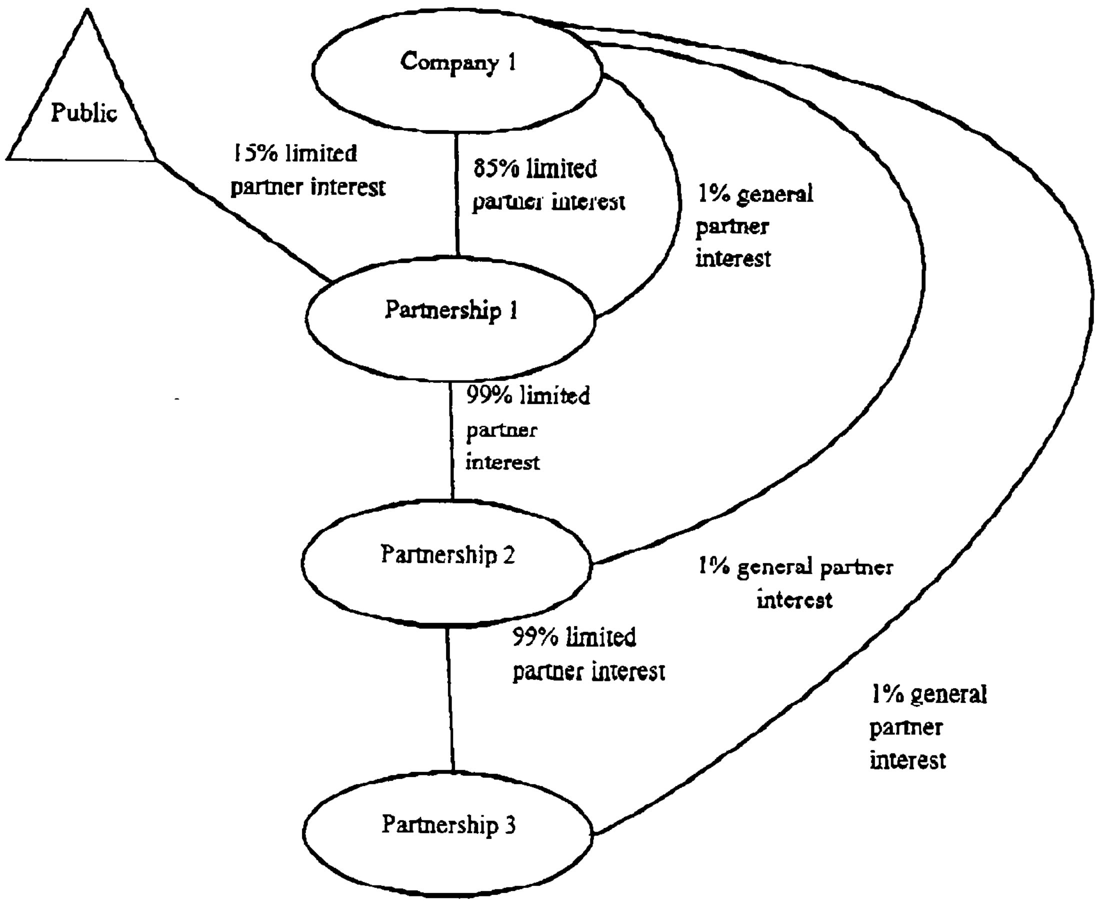
[redacted]

Diagram A



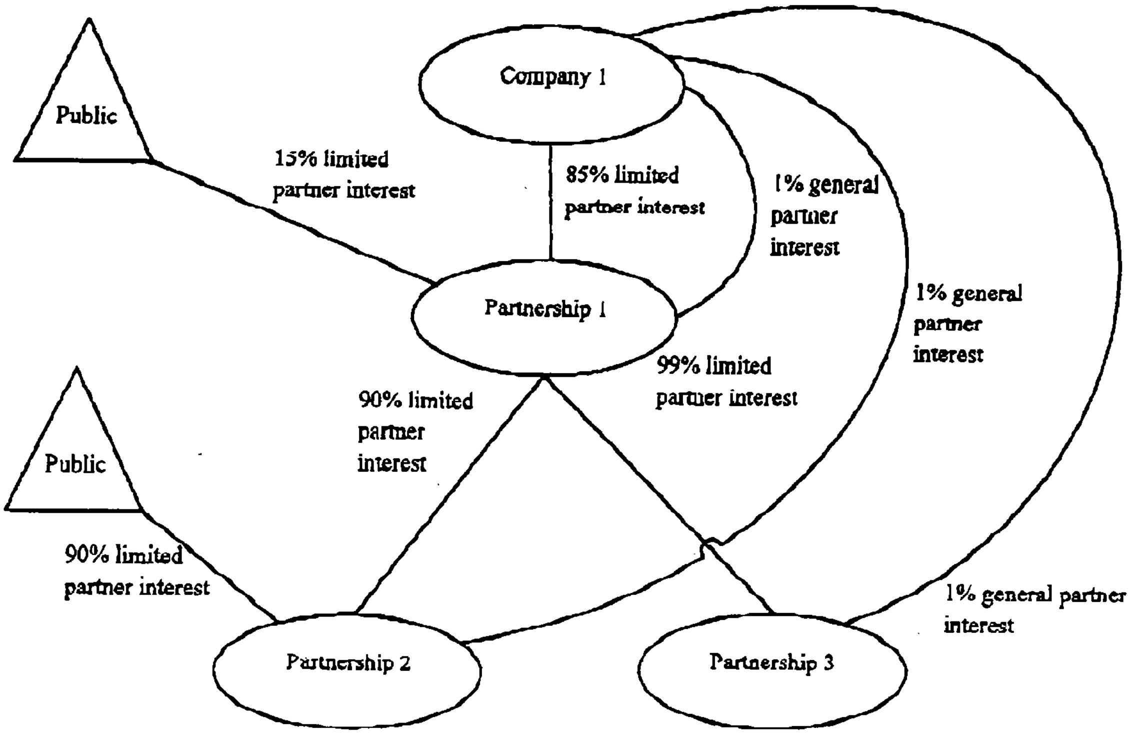
[redacted]

Diagram B



[redacted]

Diagram C



[redacted]