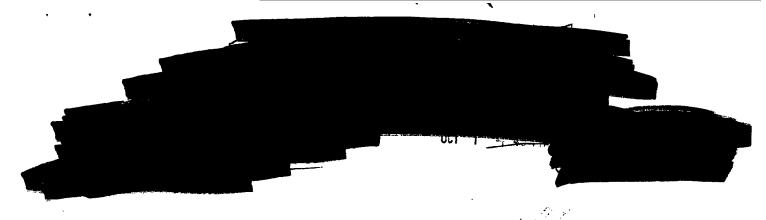
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1 October 1996

Via Hand Delivery

Richard B. Smith, Esq.
Senior Staff Attorney
Premerger Notification Office
Bureau of Competition
Federal Trade Commission
Room 323

Dear Dick:

On behalf of my client

I am writing to confirm my

of the transaction is always the current gross fair market value of the partnership's assets regardless of the acquisition price for the partnership interest or any value which could be imputed therefrom.

I. SUMMARY OF THE RELEVANT FACTS

net sales and total assets each exceeding \$100 million.
is an ultimate parent entity of the acquired entity, which is engaged in manufacturing cable assemblies

The acquired parent has approach by approach by approach by approach by approach by approach to million, although its most recent balance sneet states that its total assets have a book value below \$10 million.

Richard B. Smith, Esq.

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Formation of the Joint Venture Partnership: In July 1994, wholly-owned subsidiary acquired fifty percent of assets for approximately assets for approximately assets in assumption or certain liabilities. This transaction was exempted by Rule 802.20(a) because neither the purchase price nor the fair market value exceeded \$15 million, and there were no other assets or voting securities the value of which needed to be aggregated.

The Proposed Partnership Buyout:

now desires to exercise its call option and has

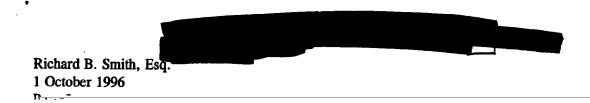
not require to aggregate the value of any other assets or voting securities in determining whether it will cross the \$15 million notification threshold.

II. SUMMARY OF THE RELEVANT LEGAL PRINCIPLES

or, if determined and greater than the fair market value, the acquisition price." T

of the assets, or, if determined and greater than the fair market value, the acquisition price." The acquisition of a 100 percent interest in a partnership is for H-S-R purposes deemed to be an acquisition of 100 percent of that partnership's assets. See, 52 Fed. Reg. 20061 (May 29, 1987). Although Interpretation 132 states that "the FTC staff has not formed a definitive position," I understand based on our recent and prior conversations, as well as a number of letters I have seen in my H-S-R FOIA files over the years, that such a transaction is necessarily valued at the gross fair market value of the partnership's assets, regardless of any value which could be imputed from the acquisition price(s) for the partnership interest(s). In other words the acquisition price is for the partnership interests not for the partnership's assets: but the latter

imputed or extrapolated from the price of the partnership interests) and the fair market value of the assets is therefore controlling even where the fair market value is less than the purchase price for the partnership interests.



III. APPLICATION OF THE RELEVANT LEGAL PRINCIPLES TO THE PROPOSED TRANSACTION

Here originally paid approximately \$7 million for fifty percent of the assets or the initial fifty percent partnership interest, and now plans to pay about an additional \$9.8 million for the remaining partnership interests.

Also has assumed certain liabilities in connection with each of these transactions. Nevertheless for H.S.B. purposes the purposes the purposes of the context indicated.

overstate the current fair market value of the partnership interests and the partnership's assets.

IV. CONCLUSION

In short, when a person acquires 100 percent of a partnership's interests, the size-of-transaction test is determined solely by the current gross fair market value of the partnership's assets regardless of the aggregate purphase raise and for all the natural line interests.

exceed \$15 million.

At VALL CARRENIETICE to confirm whether we have accurately stated the autrent positions of the Dromoros-

with nignest regards, I am

