

OUTLINE OF TRANSACTION

A United States person ("Company A") proposes to participate in a corporate joint venture with a development company controlled by a South American government (and possibly other minor non-United States participants). Company A, a publicly held corporation which has annual net sales or total assets in excess of US \$100,000,000, will receive up to 35% of the securities of the joint venture corporation, which will be formed under the laws of the country in question. It is anticipated that the ultimate parent entity of the corporate joint venture will be the joint venture itself and that the equity of the joint venture will be valued at approximately \$100,000,000.

The company to be formed will operate a pulp mill and newsprint mill in the foreign country; it will not own any assets in the United States. If construction of the plant were to commence immediately, it is anticipated that newsprint production would begin in the year 1990 at an annual rate of approximately 200-250 thousand tons of newsprint.* The current market value for such newsprint is approximately \$550.00 per ton. Twenty five percent of the anticipated output from the plant will be sold by the

* The pulp mill aspect of the transaction is not fully gelled. It is unclear whether any of the pulp would be sold into the United States.

corporate joint venture to companies within the South American country for use within that country. The remaining output will be sold to Company A or an affiliate of Company A for resale. It would be too speculative to say now whether any portion of the 75% of the output will be sold for use in the United States. That determination will be made depending upon market conditions, particularly with respect to price, during the period in question.

The issue presented is whether the formation of the joint venture must be reported, pursuant to § 801.40, or whether the creation of the joint venture will be exempt from the reporting requirements pursuant to the provisions of § 802.50(b) and § 802.52.

- Company A acquisition exempt under 802.50.
- development company acquisition exempt under 802.52.