[redacted]

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March 18, 1985

Wayne Kaplan, Esq.
Room 301
Federal Trade Commission
Washington, D.C. 20580

Re: Proposed Joint Venture - [redacted]
Exemption from the Premerger Notification Rules -16CFR §802.20

Dear Mr. Kaplan:

This is to confirm our recent conversation concerning the proposed joint venture between [redacted].

Based on our understanding of the premerger notification rules, we believe that each of the corporations participating in this joint venture will be exempt from filing the Notification and Report Form (i.e., [redacted]). We would appreciate your confirmation that this understanding of the premerger notification rules is correct.

FACTS

[redacted] are both mutual insurance companies. That is to say, they do not have stockholders. [redacted] surplus is approximately $400 million and [redacted] surplus is approximately $70 million. [redacted] are not affiliated.

[redacted] contemplates expanding into the group life and health insurance business, and [redacted] an expert in this field, contemplates expanding its group life and health business. Respective analyses prepared on behalf of these two companies indicate that the most effective way to accomplish this expansion is for [redacted] to pursue this market through a joint venture. To establish this joint venture, it is proposed that [redacted] acquire a one-half interest in [redacted]'s wholly owned subsidiary, [redacted].

[redacted] was established in 1981, and currently has capital and surplus of approximately $5 million. Although [redacted] is licensed in more than forty jurisdictions, [redacted] has not issued any life insurance policies: the corporation is for all practical purposes a corporate shell.

[redacted]

[redacted] contemplates amending the [redacted] to change the name of the company, and to increase the authorized capital from its present limitation of $10 million. Following this amendment of the [redacted] contemplates recapitalizing the company.

[redacted] will surrender its current shares of stock in [redacted] and will contribute additional capital to the joint venture company so that [redacted] total capital investment in [redacted] will equal $7.5 million. In return, [redacted] will issue to [redacted] 7500 shares of $200 par value stock. [redacted] will also contribute $7.5 million to [redacted] capital and will receive 7500 shares of $200 par value stock. This will increase the capital of this joint venture company from approximately $5 million today to $15 million. Following this proposed transaction, [redacted] would have $3 million in paid-in capital, and $12 million in paid-in surplus.

There will be two classes of Common stock; Class A Common shares (which will be issued solely to [redacted] and Class B Common shares (which will be issued solely to [redacted]. The holders of each class of Common shares shall be entitled to elect an equal number of directors of the corporation, and the holders of Common shares, voting together, shall be entitled to elect one director. The holders of Class A and Class B Common shares shall in all other matters vote together as a single class, and in all other respects shall be identical and shall have equal rights and privileges.

REGULATIONS

Section 802.20 of the premerger notification rules indicates that, even though an acquisition will result in an acquiring person holding 15% or more of the voting securities or assets of the acquired [Section 7A(a)3(A) of the Clayton Act], if the acquiring person would not hold a total amount of the voting securities and assets in the acquired person in excess of $15 million [Section 7A(a)3(B) of the Clayton Act], such acquisition shall be exempt from notification if, as a result of the acquisition, the acquiring person would not hold:

(a) Assets of the acquired person valued at more than $15 million; or

(b) Voting securities which confer control of an issuer which, together with all entities which it controls, has annual net sales or total assets of $25 million or more [per Federal Register/Vol. 44, No.226/Wednesday, November 21, 1979/p.66782].

[redacted]utions will represent the sole assets of [redacted] accordingly, [redacted]ach acquiring person (i.e., [redacted]) will hold an interest [redacted].n the assets of [redacted] valued at less than $15 million. We [redacted]herefore believe that the establishment of this joint venture would [redacted]e exempt under §802.20(a) of the premerger notification rules.

Moreover, although [redacted] would each control [redacted] [within the meaning of 16 C.F.R.§801.1(b)] following the recapitalization of the joint venture company [redacted] would neither have net sales nor total assets of $25 million immediately following such recapitalization. Furthermore [redacted] would not control any other company. Accordingly, we also believe that this joint venture would also be exempt under §802.20(b) of the premerger notification rules.

We appreciate your review of this issue, and if you should have any question concerning this request for an interpretation of the premerger notification rules, please do not hesitate to contact me at [redacted]

I will be pleased to furnish a copy of your response [redacted]

Very truly yours,

[redacted]

[redacted]

I informed [redacted] that I agree on basis of [redacted] joint venture analysis or rating securities of issuer within a person analysis. Either results in §802.20 exemption

3/20/85
Wayne Kaplan