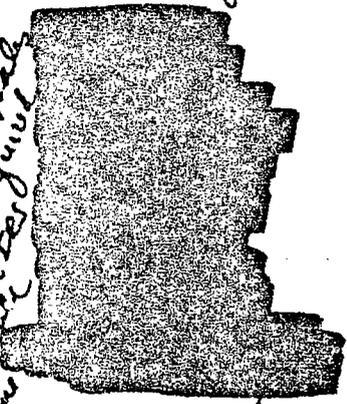


DA

file

Yes - we will  
accept those  
which X is required  
to report to Dept.  
as required  
names



December 20, 1985

BY HAND

Dana Abrahamsen, Esq.  
Premerger Notification Office  
Bureau of Competition  
Room 301  
Federal Trade Commission  
Washington, D.C. 20580

This material may be subject to  
the confidentiality provision of  
Section 7(i) of the Clayton Act  
which restricts release under the  
Freedom of Information Act

J.A.  
P.F.  
A.S.  
V.C.  
12/23/85  
11:40am

Dear Mr. Abrahamsen:

This letter will summarize and confirm our telephone conversations of December 18 and 19, 1985. I contacted you for advice concerning what to include in Items 5, 7, and 9 of the Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, with respect to 16 CFR § 803.2(c), which requires reporting parties to supply dollar revenue information "only with respect to operations conducted within the United States."

The situation which I described was as follows: Company X is a foreign corporation with a branch office in the United States. Company X is engaged in the wholesale trade of various commodities. Each of the sales is made under a separate contract. The place (foreign or domestic) where title to goods transfers from Company X to its purchaser depends on the terms of the sales contract, and varies from contract to contract. I asked you in which of these transactions should revenue derived thereunder be reported to the Premerger Notification Office as dollar revenues derived from "operations conducted within the United States."

In addition, I also informed you that Company X maintains its books and reports its income to the Internal Revenue Service on the "completed contract" basis. Due to the nature of Company X's business and the complexity of its contracts, results from trading activities are generally subject

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to adjustments subsequent to delivery of the goods to X's purchasers. For this reason, Company X recognizes revenue, gains and losses on contracts only when it has received the sales proceeds, and has settled freight, insurance, financing and other related costs. Purchase costs, all expenses to point of delivery and provisional billings to purchasers are retained in an open contract account until such time as the contract is completed as defined above. Company X's books and records and financial statements and its tax returns are prepared by one of the major United States accounting firms. The completed contracts method of reporting income has been utilized by Company X and its accountants since Company X's inception in 1978.

You informed me that the FTC regarded revenues from "operations conducted within the United States" as equivalent to that data which companies must report to the Bureau of the Census, Department of Commerce, in its Economic Census, and that your office would follow the Bureau of the Census's determination as to which types of sales were reportable and when. You suggested that I contact the Bureau of the Census for a response.

I then contacted John Wikoff, Special Assistant to the Assistant Director for Economic and Agriculture Censuses and John Trimble, Wholesale Census Bureau Chief in the Business Division, Center for Economic Studies. I described the Company X situation set forth above, and both Mr. Wikoff and Mr. Trimble stated that the Bureau of the Census's intent was to follow the requirements for reporting of United States taxable income to the Internal Revenue Service. Thus, they considered that Company X should report to the Economic Census those sales which it is required to report to the Internal Revenue Service as taxable United States income.

I then telephoned you again and described to you my conversations with Messrs. Wikoff and Trimble. You stated that, in light of the Bureau of the Census' position, your office would consider it proper for Company X to report, as dollar revenues from "operations conducted within the United States" on the Notification and Report Form, those sales which it is required to report to the Internal Revenue Service as taxable United States income.

To give a complete picture of the "operations conducted within the United States" by Company X, Company X intends to respond to Items 5, 7, and 9 of the Notification and Report Form

Dana Abrahamsen, Esq.

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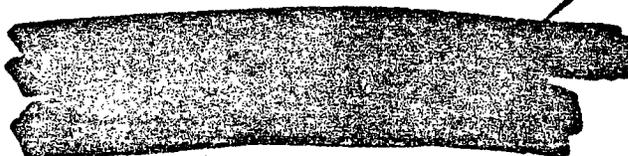
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by providing the dollar revenue derived from its completed contracts and the estimated dollar revenue attributable to those contracts which have not yet been completed and thus are not yet reportable to the Internal Revenue Service. From our conversation, I understand that the FTC prefers that respondents err on the side of over-inclusiveness, and thus conclude that your office would prefer that Company X so report dollar revenue both from completed and uncompleted contracts.

Your cooperation and assistance on this matter is greatly appreciated.

In accordance with the customary procedures, I shall expect a response only if the foregoing does not accurately reflect the views of your office.

Sincerely yours,

A large, dark, rectangular redacted area covering the signature and name of the sender.

cc: 