

[REDACTED]

December 30, 1985

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

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

Re: [REDACTED]

Dear Mr. Kaplan:

This letter is to confirm our telephone conversation of November 13 regarding an exemption from the premerger notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "Act").

We represent [REDACTED] a publicly-held company incorporated under [REDACTED] a wholly-owned subsidiary of [REDACTED] incorporated under the laws of California [REDACTED], and [REDACTED] a publicly-held limited partnership formed under the laws of California (the [REDACTED]). [REDACTED] is the sole general partner of the [REDACTED].

[REDACTED] was incorporated in 1980. It was formed to develop new semiconductor, packaging, and computer aided design technologies (the "[REDACTED]"), and to exploit this technology through the manufacture and sale of a large-scale IBM-compatible computer system (the "[REDACTED]").

Under various agreements between [REDACTED] and the [REDACTED], [REDACTED] funded efforts by [REDACTED] to develop the [REDACTED] and the design specifications for, and prototype models of, the [REDACTED] system (collectively, the [REDACTED]).

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obtained an option (the "Option") to acquire from the [REDACTED] an exclusive license (the "License") to any elements of the [REDACTED] so developed. The terms of the License, since acquired by [REDACTED] pursuant to the exercise of the Option, provide that [REDACTED] pay the [REDACTED] a royalty based on the selling price of any products sold by [REDACTED] that incorporate elements of the [REDACTED]. To date, no such products have been manufactured or sold, and there is substantial uncertainty as to whether any such products will ever be manufactured or sold.

Substantially all of the [REDACTED] assets were expended in funding the effort [REDACTED] to develop the [REDACTED]. The [REDACTED] is not now, nor has it ever been, engaged in manufacturing, as that term is defined in Rule 801.1(j) promulgated under the Act.

[REDACTED] was ultimately unsuccessful in developing the [REDACTED] to a level that could be used by [REDACTED] to accomplish its original business objectives. However, [REDACTED] Systems did develop certain technology that may be useful to [REDACTED] in meeting its current business objectives (the [REDACTED]). Pursuant to the agreements whereby the [REDACTED] funded the efforts of [REDACTED] to develop the [REDACTED], the [REDACTED] is the property of the [REDACTED].

[REDACTED] intends to acquire all of the assets of the [REDACTED] subject to all of the liabilities of the [REDACTED] in exchange for [REDACTED] newly issued shares of common stock of [REDACTED] having a current market value of approximately \$11,000,000 (the "Acquisition"). As part of the Acquisition, [REDACTED] will make a capital contribution to the [REDACTED] for certain rights that may be valued at up to \$27,000,000. In addition, the License will be terminated, and [REDACTED] will acquire all of the rights the [REDACTED] now has in the [REDACTED].

Based on our research, and on my telephone conversation with you, we have concluded that the Acquisition will not meet the jurisdictional requirements of Section 7A(a)(2) of the Act and thus will not be subject to the premerger notification provisions of the Act. Specifically, and with reference to Rule 801.11, which sets forth the method for calculating an entity's Total Assets for purposes of determining whether the

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jurisdictional prerequisites set forth in Section 7A(a)(2) are met, the Total Assets of the [REDACTED] as stated on the last regularly prepared balance sheet of the [REDACTED] amount to substantially under ten thousand (\$10,000). In accordance with [REDACTED] neither the value, if any, of the [REDACTED] nor the value, if any, of the License, is reflected in this figure. This balance sheet was prepared in accordance with [REDACTED] as consistently applied by the [REDACTED] in previous financial statements. It is expected that any additional balance sheets prepared by the [REDACTED] prior to the Acquisition, whether for internal or external use, and whether audited or unaudited, will be similarly prepared and will reflect a similar figure.

Please find enclosed herewith, for your information, a copy of the registration statement filed by [REDACTED] with the Securities and Exchange Commission on December 24, 1985. The registration statement describes the Acquisition as well as the businesses of [REDACTED] and the [REDACTED] and presents financial information on both entities.

Unless you notify us by your close of business on January 15, 1986, that our interpretation of the Act with respect to the Acquisition is incorrect, the parties intend to complete the Acquisition in late February 1986 or as soon as possible thereafter, in reliance on the interpretation set forth herein.

Please contact (collect) either myself or [REDACTED] of this office, at [REDACTED] if you have any questions or comments regarding the foregoing. Also, please find enclosed a second copy of this letter. Kindly stamp it "received" and return it to us in the envelope provided.

Thank you very much for your prompt attention and assistance in this matter.

Sincerely

[REDACTED]

cc: [REDACTED]

Enclosures