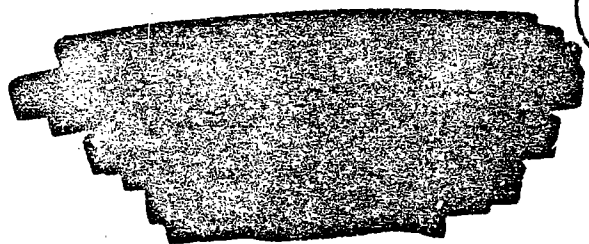


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(Au)



February 6, 1986

Addie L. Williams, Esquire
Compliance Specialist
Premerger Notification Office
Federal Trade Commission
6th and Pennsylvania Avenue
Room 301
Washington, D.C. 20580

This material is the subject of
the Commission's Section 8(a)
of the Securities Exchange Act of
1934 and is being furnished to you
under the provisions of the Act.

PRE-MERGER
NOTIFICATION
OFFICE
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Dear Ms. Williams:

This letter will confirm our discussion this morning about Hart-Scott-Rodino premerger notification requirements. In a case I presented to you, a company which in total had assets of over \$100,000,000 would divest one of its divisions. The equity purchaser is a newly formed company which would invest less than \$1,000,000 of its own funds to acquire the division. The rest of the purchase price would be provided through a loan of over \$20,000,000 made to the acquiring equity purchasers. This loan would be used as payment to the divesting company for the acquired division. Under these circumstances, you informed me that no Hart-Scott-Rodino premerger notification to the Federal government would be necessary.

You also directed me to the September 24, 1985 Federal Register which contains a proposed amendment to 16 CFR Section 801.11 which states:

The Commission proposes to amend § 801.11 to codify a longstanding informal position of the staff that a newly-formed entity generally should not include funds used to make an acquisition in determining its size. Under this proposed rule, if an entity's only assets are cash that will be used to make the acquisition and securities of the entity it is acquiring, it generally will not have to file for that acquisition because the new entity will be deemed too small to meet the act's size-of-person test.


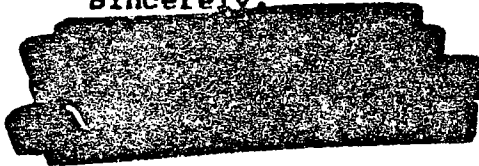
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Addie L. Williams, Esquire
February 6, 1986
Page 2


In advising newly-formed persons of their obligation to prepare balance sheets, the Commission staff has advised that acquiring persons should not include as assets cash or loans that will be used to make an acquisition. The Commission now proposes to adopt this staff position and incorporate it in a new § 801.11(e) which establishes the procedure for calculating the total assets of newly-formed persons.

I very much appreciate your assistance in this matter.

Sincerely,



2/11/86

TALKED TO  INFORMED HIM HE NEEDED TO MAKE THE FOLLOWING REVISIONS IN HIS LETTER

- 1) SHOULD STATE THAT THE NEWLY-FORMED ENTITY IS ITS OWN UPE IF IT IS.
- 2) NEED TO MAKE A STATEMENT THAT THE THE FACT IS, NEWLY-FORMED COMPANY HAS AND WILL HAVE LESS THAN \$10MM AFTER THE TRANSACTION. THIS LETTER IMPLIES THAT I MADE THE DETERMINATION OF THE COMPANY'S FINANCIAL CONDITION.