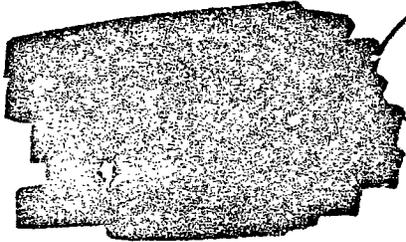
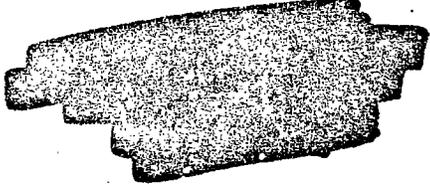
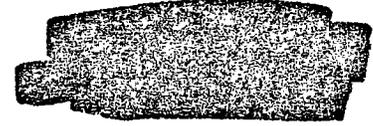


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File



March 7, 1986

Mr. Andy Scanlon
Premerger Notification Office
Federal Trade Commission
6th Street and Pennsylvania Avenue, N.W.
Room 303
Washington, D. C. 20580

Hand Delivery

Dear Mr. Scanlon:

I am writing to request your advice concerning the application of the Hart-Scott-Rodino Premerger Notification Rules ("Rules") to a series of transactions contemplated by our client. I discussed these proposed transactions with you briefly by telephone yesterday, and you requested that I outline the transactions in a letter to you. The proposed transactions may be described as follows:

XYZ Corporation, a publicly held corporation with total assets exceeding \$100 million ("XYZ"), plans to effect a series of transactions collectively referred to herein as the "Recapitalization." The Recapitalization will include the following principal elements:

(1) the adoption by XYZ of a new employee stock ownership plan (the "ESOP") that is designed to invest primarily in the voting securities of XYZ ("Voting Securities") and is authorized to borrow funds to acquire such voting securities but which at the time of its formation will have no assets;

(2) a sale by XYZ from its treasury of approximately 750,000 shares of Voting Securities for a price exceeding \$15 million (which purchase the ESOP will finance through a borrowing from XYZ, which in turn will borrow the funds to lend to the ESOP);

*Presumably
a trust - with
XYZ being
trustee*

*XYZ (ESOP) acquiring
XYZ securities*

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(3) the contribution of such shares by the ESOP to ESOPCO, Inc., a Delaware corporation wholly owned by the ESOP ("ESOPCO");

(4) the merger ("Merger") of ESOPCO with and into XYZ, which will be the surviving corporation;

(5) the conversion in the Merger of each outstanding share of Voting Securities (other than shares held by ESOPCO and shares in respect of which dissenter's rights of appraisal are perfected under Delaware law) into the right to receive cash and .178 of a new share of voting securities of XYZ ("New Common Stock");

(6) the conversion in the Merger of the shares of ESOPCO common stock into the right to receive a number of shares of New Common Stock equal to the number of shares of Voting Securities held by ESOPCO immediately prior to the Merger (which shares of Voting Securities will be cancelled); and

(7) a subsequent split of the New Common Stock issued in the Merger on a three-for-one basis.

Thus, as a result of the Recapitalization, the ESOP will receive three shares of New Common Stock for each share of Voting Securities held by ESOPCO, while every other holder of Voting Securities (other than stockholders who perfect dissenter's rights of appraisal under Delaware law) (the "Participating Stockholders") will receive cash and .534 (.178 x 3) of a share of New Common Stock for each share of Voting Securities owned. The fractional share interest of each Participating Stockholder will represent a percentage equity interest in XYZ immediately after the Merger equal to approximately 75% of such Participating Stockholder's current equity interest in XYZ. The ESOP will own approximately 25% of the equity in XYZ. Because the Participating Stockholders will retain less than 80% of their equity interest in XYZ, the Recapitalization will be a "substantially disproportionate redemption" within the meaning of Section 302(b)(2) of the Internal Revenue Code of 1954, as amended, and thus the distribution of cash to Participating Stockholders generally will be taxed at capital gains rates.

I should appreciate your advice concerning which, if any, of the transactions outlined above must be reported

*agreed
XYZ
agreed
XYZ (ESOP)*

*old XYZ
all new
common
stock
issued
after merge*

*individual
stockholder
acquisition
New Common
Stock should
be owned
separately*

[REDACTED]

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under the Rules. Please feel free to call me at [REDACTED]
(or in my absence, J [REDACTED] of our Firm at [REDACTED]
with any questions or comments you may have.

Thank you for your attention to this.

Very truly yours,
[REDACTED]

[REDACTED]

3/12/86 [REDACTED] Scanlon

I advised [REDACTED] that based
on this letter a filing is required with
XYZ (ESOP) as the acquiring party and XYZ as
the acquired with the date the same for both
parties. and that there may be a filing required
by any individual stockholder who acquires
new common stock of XYZ in a transaction
that meets the size-of-firm + size of transaction
tests

[Signature]