

(PS)

[REDACTED]

216-796-777
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August 27, 1986

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PREMERGER NOTIFICATION OFFICE

Patrick Sharpe, Compliance Specialist
Premerger Notification Office
Bureau of Competition
Federal Trade Commission
6th Street and Pennsylvania Ave, N.W.
Washington, D.C. 20580

Dear Mr Sharpe:

This will confirm and amplify on our conversation of August 21, 1986.

[REDACTED] is negotiating to purchase the assets of a company in Florida which operates a number of outlets engaged in the business of selling [REDACTED] at retail and wholesale. If [REDACTED] were to purchase that company's accounts receivable in addition to its other assets, the purchase price would exceed the \$15 million minimum established by the Commission under the Hart-Scott-Rodino Antitrust Improvement Act of 1976. If the receivables are not purchased, the purchase price will be under the minimum. When buying dealers who are going out of business, [REDACTED] ordinarily agrees to collect, but doesn't buy receivables. In this instance, a decision was made not to buy receivables to avoid the formality and attendant delay of premerger notification.

Instead, [REDACTED] has agreed to collect this company's receivables for a fee. What is unique in this instance is to insure [REDACTED] diligence in collecting the receivables, the company bargained for a guarantee of the receivables, less reserve for bad debt. Its receivables are of two types. Retail consumer credit collection is handled for the company by a bank and will continue to be so handled. [REDACTED] will collect the commercial receivables from fleet accounts. The mechanics are, as checks and money orders payable to the company are received, [REDACTED] will forward them to the company's bank account. [REDACTED]'s credit representatives have examined the company's books and assured themselves reserve for bad debt is adequate. Based on that and agreement by the company that what [REDACTED] collects in excess of receivables less reserve for bad debt will be for [REDACTED] account, [REDACTED] has agreed to guarantee the receivables. Plus in the event [REDACTED] fails to collect an

amount equal to the receivables less reserve for bad debt within a specified time, [REDACTED] has the option of buying the uncollected receivables at one cent on the dollar.

Based on my interpretation of the Commission's regulations and opinion as to their intent, my advice to the client is it is not necessary to file.

It is understood that the Commission staff will not render a written opinion on point. However, please contact me if the staff objects to [REDACTED] proceeding with the acquisition without filing.

Thank you.

Very truly yours,
[REDACTED]

[REDACTED]

"what [redacted] collects in excess of receivables less reserve for bad debt will be for [redacted] account." [redacted] has agreed to guarantee the receivables.

It sounds to me like [redacted] is acquiring a speculative asset in addition to the other assets. I think they should put a value on this asset and aggregate with the other assets being acquired rather than disregard it altogether. The value may be so speculative that it is 0.

[redacted]
called [redacted] 9-15-86
The staff concluded at a meeting on 9-12-86 that [redacted] should include in the purchase price the amount by which [redacted] guarantees the receivables. [redacted] is not just acting as an agent but is getting some indicia of [redacted] ownership.