[redacted]

April 1, 1987

Wayne Kaplan, Esq.
Premerger Notification Office
Bureau of Competition, Room 303
Federal Trade Commission
Sixth and Pennsylvania Avenues, N.W.
Washington, D.C. 20580

CONFIDENTIAL
TREATMENT
REQUESTED

Re: [redacted]

Dear Mr. Kaplan:

I am writing to you at the suggestion of [redacted] of our Los Angeles office to confirm certain oral advice that you gave to her over the telephone on March 24, 1987 relating to certain premerger notification filing requirements under section 7A of the Clayton Act (the "Act"), 15 U.S.C. §18a, as added by sections 201 and 202 of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, in the context of the leveraged management buy-out that our client, [redacted], an individual investor, is preparing to make of the [redacted]. The [redacted] is a private group of international financial services companies which are controlled by another individual investor, [redacted]. In the course of that telephone conversation you indicated to [redacted] that, on the basis of the facts that she had presented to you, in your view the acquisition would not be reportable under the Act because of proposed Premerger Notification Rule §801.11(e), 16 C.F.R. (published March 6, 1987 and to be effective April 10, 1987) which, you advised [redacted] reflects the current interpretation of the Federal Trade Commission (the "FTC") about how borrowed funds should be treated in order to determine whether the "size of person"

CONFIDENTIAL TREATMENT REQUESTED

test set forth in §7A(a)(2) of the Act has been met where such funds are used to make an acquisition by an acquiring person that does not have a regularly prepared balance sheet.

At the end of your conversation with [redacted] you stated that you would be willing to confirm your advice in writing if we sent you a letter from our firm describing the business to be acquired and the transaction in significant detail. We do so below. I understand that you agree that we may proceed with the proposed transaction based on your oral advice unless we hear to the contrary from the FTC within a reasonable time, that is to say by April 14, 1987, and we are planning the closing date for the acquisition accordingly. I am arranging for a copy of this letter to be transmitted by telefax to our Washington office and to be hand-delivered to you today, with delivery of the original to follow by courier. As air mail service to Paris can take considerable time, would you kindly telephone me collect at the telephone number of this office set forth above with your response.

We would point out that this letter and its exhibits contain financial and commercial information about [redacted] and other persons named herein that is highly confidential. The Federal Trade Commission Act (the "FTC Act") provides that commercial or financial information obtained from a person is confidential. 16 C.F.R. §4.10(a)(2)(1986) (promulgated under Section 6(f) of the FTC Act, 15 U.S.C. §46(f)(1973 & Supp. 1986) and Exemption (iv) of the Freedom of Information Act, 5 U.S.C. §552 (1982) [the "FOIA"]). Accordingly, we request on behalf of our client that this letter, its exhibits and any other information that is or has been provided to you, whether written or oral, be accorded the fullest protection from disclosure under the FOIA and the FTC Act relating to the treatment of confidential information.

Our client, [redacted] is the chief executive officer of the [redacted] an individual with investment assets of less than $1,000,000 and with no regularly prepared balance sheet. [redacted] proposes to acquire the [redacted] of companies in a series of interrelated acquisitions that will close at substantially the same time (collectively, the "Management Buy-Out"). [redacted] proposes to sell his interest in the [redacted] for a total consideration of

[redacted]

CONFIDENTIAL TREATMENT REQUESTED

$62,000,000 less the cost (expected to be approximately $600,000) of redeeming the minority interest of [redacted], also an individual investor. [redacted] is a citizen of the United States resident in the [redacted] is a citizen and resident of [redacted] is a citizen of [redacted]

As a result of the Management Buy-Out, the indirect control of certain U.S. issuers will be transferred to [redacted]. These issuers are holding companies or are engaged in the business of money brokerage, investment banking, securities trading or discount brokerage of securities. In connection with the Management Buy-Out, the [redacted] will be substantially restructured.

Financing for the Management Buy-Out is to be provided by [redacted] under a loan agreement which is at present under negotiation. All but approximately $100,000 of the funds necessary to capitalize the acquisition companies and to make the Management Buy-Out will be borrowed by [redacted] or by companies that are now or that will be controlled by him upon the completion of the Management Buy-Out. The credit facility from [redacted] will be in the principal amount of up to $120,000,000 (the "Loan"). Loan proceeds of approximately $50,000,000 will be applied to the payment of a portion of the purchase price of the acquired entities with the remainder of the purchase price to consist of $12,000,000 of non-voting redeemable preferred shares to be issued by a newly formed [redacted] holding company, [redacted]. Additional Loan proceeds of approximately $54,000,000 will be used to refinance existing indebtedness of one of the [redacted] and its subsidiaries, and approximately $6,000,000 of Loan proceeds will be used to pay for any expenses incidental to the Management Buy-Out.

The balance of the Loan ($10,000,000) will be available to provide working capital for the [redacted] when and as needed during the period following the Management Buy-Out, but it will in no event be drawn upon until after the Management Buy-Out has been completed.

We discuss below in Part I the organization and control of the [redacted] before the Management Buy-Out by

CONFIDENTIAL TREATMENT REQUESTED

[redacted] and include a description of the operating companies involved. Part II discusses the Management Buy-Out and the organization and control of the [redacted] after the Management Buy-Out. Part III discusses why proposed Rule §801.11(e) is applicable to measure [redacted] assets under §7A(a)(2) of the Act. To aid your understanding of the transaction we have prepared Charts A and B which set forth the organization and control of the [redacted] before and after the Management Buy-Out.

I. [redacted] Before The Management Buy-Out

As you will see from Chart A, [redacted] a [redacted] corporation wholly-owned by [redacted] is a 94.8% shareholder of [redacted] a [redacted] corporation that controls the [redacted] Four members of management of the [redacted] including [redacted] who owns 1.2%, collectively own the remaining 5.2% of [redacted] In addition, [redacted] and certain other individuals own options to acquire shares of [redacted] for nominal consideration. The shares held under option by [redacted] and all such other individuals amount to 12.0% and 3.7%, respectively, of [redacted] issued capital as diluted by all shares under option.

[redacted] controls several holding companies and operating subsidiaries. The principal operating companies within the [redacted] are as follows:

(1) [redacted] an [redacted] company engaged in trading securities, is a wholly-owned subsidiary of [redacted]

(2) [redacted] a [redacted] corporation and a U.S. registered broker-dealer engaged in the business of providing investment banking services and trading in securities, is a wholly-owned subsidiary of [redacted], a [redacted] which is wholly-owned by [redacted] also controls [redacted], a [redacted] whose wholly-owned subsidiary [redacted] a [redacted] corporation, is the lessee of certain U.S. real property sublet [redacted]

CONFIDENTIAL TREATMENT REQUESTED

(3) [redacted] an [redacted] company engaged on a worldwide basis in foreign exchange and deposit brokerage, is wholly-owned by [redacted] an [redacted] holding company, of which 56.5% of the voting securities are owned by [redacted] holdings ([redacted] 41.5% by [redacted] Special Situations N.V. ([redacted] both corporations. [redacted] is wholly-owned by [redacted] The voting control of [redacted] is held approximately 70.2% by [redacted] 9.2% by [redacted] and .6% by [redacted]

[redacted] holds, indirectly, four U.S. subsidiaries: [redacted] both [redacted] holding companies (the latter soon to be merged into the former), and two operating companies, [redacted] engaged in foreign exchange and currency deposit brokerage in the United States, and [redacted] a registered broker-dealer engaged in securities trading.

(4) [redacted] a California corporation engaged in discount brokerage, is 80% owned by [redacted] holding company of which 95% of the stock is owned by [redacted] 5% by [redacted]

[redacted] the Chairman of [redacted] and the President of [redacted] and also serves as a director or officer of other [redacted] companies.

At the time of the Management Buy-Out [redacted] is the ultimate parent entity of all the [redacted] and has total assets in excess of $100,000,000.

II. The [redacted] During and After The Management Buy-Out

Chart B shows how the [redacted] will be organized and controlled after the Management Buy-Out. In preparation for the Management Buy-Out, [redacted] has formed a [redacted]

CONFIDENTIAL TREATMENT REQUESTED

holding company, [redacted], of which he is the sole shareholder with an initial capitalization of $1,000,000, 90% of which he is personally borrowing. In a series of steps [redacted] through two newly formed subsidiaries, will acquire voting control of the [redacted] of companies. One of them is [redacted] which will be formed to act as a holding company for the [redacted] interests in the [redacted]. The other is [redacted], a Delaware corporation, which will be formed to acquire and hold [redacted].

The total consideration for the acquisition will consist of a combination of cash and non-voting redeemable preferred shares of [redacted] will receive approximately $49,400,000 in cash and $12,000,000 in non-voting redeemable preferred stock of [redacted] will receive approximately $600,000 in cash. An additional amount of approximately $54,000,000 will be used to refinance existing indebtedness of [redacted] and its subsidiaries and a further $6,000,000 will be used to pay expenses incidental to the Management Buy-Out.

[redacted] interest in [redacted] will be redeemed. [redacted] will offer the [redacted] employees, including [redacted] who are at present minority shareholders of [redacted] the opportunity to exchange their shares of [redacted] for shares of [redacted] by the time this takes place, these shareholders will own all of the shares of [redacted] with [redacted] owning 23.3%. In the event these offers are accepted by all such shareholders, [redacted] will become the owner of all of the outstanding shares of [redacted] and, indirectly, those of its wholly-owned subsidiary [redacted] and [redacted] ownership of [redacted] will be diluted. Those persons, including [redacted], who at present own options to acquire shares of [redacted] will similarly be offered to exchange them for options to acquire shares of [redacted] If such offers are accepted, the [redacted] shares that will be issued to option holders other than [redacted] on exercise of such options will also dilute his interest in [redacted] However, the voting power of shares to be issued to persons other than [redacted] whether directly or pursuant to the exercise of such options, is not expected to exceed 10% of the voting power of all shares of CHI.

As illustrated by Chart B, at the conclusion of the Management Buy-Out QFL will own 100% of the stock of [redacted]

[redacted]

Wayne Kaplan, Esq. 7 April 1, 1987

CONFIDENTIAL TREATMENT REQUESTED

including its interests in [redacted] and subsidiaries as well as 100% of the stock of [redacted] will own 100% of the stock of [redacted] which will retain its 80% interest in [redacted] and 100% of the stock of [redacted] and (through [redacted] and [redacted]

Upon completion of the Management Buy-Out, [redacted] and [redacted] will be dissolved (or perhaps remain in existence as inactive companies). [redacted] will hold non-voting redeemable preferred stock of [redacted] valued at $12,000,000. [redacted] will own 10,009,000 Class B shares of [redacted] valued at $10,009,000 with voting rights of one vote for each 1,000 shares. However, as [redacted] will own 1,000 Class A shares with 1,000 votes per share for a total of 1,000,000 votes, it will retain control of [redacted] will own limited voting right shares of [redacted] valued at $8,000,000, and [redacted] will own limited voting right shares of [redacted] valued at $4,000,000. While the voting rights of these shares have not yet been determined, they will not exceed 10% of the voting power of all shares of [redacted] will thus be controlled by [redacted] which in turn will be controlled by [redacted] will continue to own all of the shares of [redacted] and, through it and [redacted] those of [redacted] As a result of the Management Buy-Out, control of all operating companies within the [redacted] will thus have been transferred from [redacted]

III. [redacted] Does Not Meet The "Size of Person" Test

In your discussion with [redacted] you indicated that under proposed Rule §801.11(e) any loan proceeds used to finance an acquisition or to refinance existing debt in connection with such acquisition need not be considered in determining whether an individual meets the "size of person" test under §7A(a)(2) of the Act. In a subsequent telephone conversation on March 25, 1987, you also noted that line of credit facilities to provide working capital at market rates that have been committed but not yet drawn upon should also not be included.

Proposed Rule §801.11 (e) provides that:

(e) Subject to the limitations of paragraph (d) of this section, the total assets of:

[redacted]

Wayne Kaplan, Esq. 8 April 1, 1987

CONFIDENTIAL TREATMENT REQUESTED

(i) An acquiring person that does not have the regularly prepared balance sheet described in paragraph (c)(2) of this section shall be, for acquisitions of each acquired person:

(i) All assets held by the acquiring person at the time of the acquisition,

(ii) Less all cash that will be used by the acquiring person as consideration in an acquisition of assets from, or in an acquisition of voting securities issued by, that acquired person (or an entity within that acquired person) and less all cash that will be used for expenses incidental to the acquisition, and less all securities of the acquired person (or an entity within that acquired person);...

When the Rule set forth above and the advice that you have given us are applied to [redacted] personal financial situation, [redacted] total personal assets do not meet the "size of person" test under §7A(a)(2) of the Act [redacted] meets the initial condition for application of proposed Rule §801.11(e)(1)(i) because he is an acquiring person who does not have a regularly prepared balance sheet. Under proposed Rule §801.11(e)(1)(ii) and the advice that you have given us, however, deductions from total assets are made for (a) all cash that will be used to make the acquisition of voting securities (in this case $50,000,000); (b) all amounts used to refinance existing debts at the time of the acquisition (in this case approximately $54,000,000); (c) all amounts used to pay expenses incidental to the acquisition (in this case approximately $6,000,000); and (d) all securities of the acquired person or an entity within that acquired person (in this case the securities of the [redacted] of companies). Approximately $10,000,000 of the Loan will remain undrawn at the closing of the Management Buy-Out. Such funds may or may not be drawn upon thereafter and, if drawn, may only be used

[redacted]

Wayne Kaplan, Esq. 9 April 1, 1987

CONFIDENTIAL TREATMENT REQUESTED

to cover working capital requirements of OFL and its subsidiaries. When the appropriate calculations are made under the proposed Rule, [redacted] is a person with less than $1,000,000 in assets who does not meet the $10,000,000 "size of person" test set forth in §7A(a)(2) of the Act. Accordingly, the Management Buy-Out is not reportable under the Act.

If you have any questions with regard to the foregoing please do not hesitate to telephone me collect at the telephone number of this office set forth above or at my home telephone number in Paris which is [redacted] Please feel also free to telephone my partner [redacted] in New York at [redacted] or [redacted] in [redacted] at [redacted]

Very truly yours,

[redacted]

2 charts attached

cc: [redacted]

Based on the telephone call which established that this is one total integrated transaction (despite all the separate steps) I concur that 801.11(e) will apply