



August 23, 1988

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Premerger Notification Office
Bureau of Competition
Federal Trade Commission
Room 303
Washington, D.C. 20580

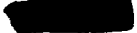
has been filed by the subject to
the Bureau of Competition of
the Federal Trade Commission. The
purpose of this filing is to
provide the Bureau of Competition
with the information required by the
Premerger Notification Act.

ATTENTION: Patrick Sharpe

Premerger Notification Under
Hart-Scott-Rodino Antitrust
Improvements Act of 1976

Gentlemen:

This will confirm my telephone conversation with Mr. Sharpe of this morning. About two weeks ago I called Mr. Sharpe and related to him the factual situation set forth below; he indicated that a Hart-Scott-Rodino filing was not necessary at this time, but would be at a later date. I understand there has been subsequent contact with Mr. Sharpe by a Mr.

 When I talked to Mr. Sharpe today and repeated the factual situation, he commented on its complexity and suggested that I write him.

The factual situation is as follows:

X and Y each own a fifty percent (50%) interest in an unincorporated partnership (X-Y Company). Each party takes fifty percent (50%) of each product of X-Y. X-Y has elected out of the partnership tax reporting obligation in accordance with the appropriate section of the Internal Revenue Code. Since start-up, for a fixed term but not for the entire life of the partnership, Y has agreed to sell to X its (Y's) share of X-Y's products at "arm's length" prices in accordance with the Internal Revenue Code. For the last two (2) years X has delegated to S, its former subsidiary, the sales function of such products for a nominal commission; S has also performed certain management functions for X-Y on a cost reimbursement basis. (S is a very large consumer of X-Y's products.)

X and Y now propose to convey to S or its nominees X and Y's respective partnership interests in X-Y; it is not clear that the two (2) partnership interests would be conveyed to the same legal entity thereby causing an automatic dissolution of the partnership. S would

immediately pay a sum certain to X which would retain liability for the debt of X-Y and S would immediately assume virtually all management responsibilities along with the benefits and liabilities of X-Y's operation and the sale of its products. Formal conveyance of the partnership interests would be seven (7) months hence upon the almost-certain retirement of debt for which the assets of X-Y are security. In the most unlikely event such security is not released, the deal between S, and X and Y would be rescinded.

The issues are whether or not a filing must be made under the Hart-Scott-Rodino Act and, if so, when.

I realize that the factual situation is complex; if you wish any further elaboration, please call me at (412) 433-2999.

Very truly yours,

[Redacted signature]

reviewed by
PS
WK
JS

I have no expertise in matters concerning the Internal Revenue Code. In order to determine reportability under H-S-R concerning the acquisition of partnership interests you look to the acquiring person not entities. If one person will hold 100% of the partnership interests, then that person will acquire all of the assets of the partnership. A management contract is not an acquisition of assets unless it is in connection with an acquisition of all partnership interest and or beneficial interest has passed. as a result of an acquisition.