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August 9, 1989

BY TELECOPIER

Thomas Hancock, Esq.
Premerger Notification Office
Bureau of Competition, Room 303
Federal Trade Commission
6th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Telecopier No. (202) 326-2050

Re: Informal Confirmation of Analysis of Proposed Transaction

Dear Mr. Hancock:

The purpose of this letter is to confirm my understanding of our recent telephone conversations concerning our analysis of a proposed transaction under Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "Act"), and the rules promulgated thereunder (the "Rules"). As we discussed, it is contemplated that the proposed transaction will be accomplished in two stages. A publicly-held company will be taken private in the first stage of the proposed transaction, and the resulting company will acquire a privately-held company in the second stage of the proposed transaction.

In the first stage of the proposed transaction, a group of approximately 10 people, consisting of certain officers, directors and significant shareholders of a publicly-held company ("Management"), none of which holds 50% or more of the voting securities of such publicly-held company, and an outside investor ("Investor") will acquire, directly or indirectly, 100% of the voting securities of such publicly-held company ("Public Company"). A new corporation ("NewCo") will be formed by Management and Investor in order to accomplish this acquisition. Voting securities of Public Company held by Management will be contributed by Management to NewCo in exchange for voting securities of NewCo. Cash will be

contributed by Investor to NewCo in exchange for voting securities of NewCo. Management will collectively hold approximately two-thirds of the issued and outstanding voting securities of NewCo and Investor will hold the remaining one-third.

Immediately following the formation and capitalization of NewCo, all issued and outstanding voting securities of Public Company, except for those voting securities held by NewCo or Management, will be acquired by NewCo in a cash merger, and NewCo and Public Company will be merged into one entity (the surviving entity being hereinafter referred to in this letter as "Survivor").

Neither Public Company nor NewCo is (or will be at the time of the consummation of stage one of the proposed transaction) controlled by any other entity and, accordingly, each such entity will be its own ultimate parent entity. Since cash is not an asset of the person from which it is acquired, under Section 801.2(d) of the Rules, NewCo and Public Company will be the acquiring and acquired persons, respectively, in stage one of the proposed transaction. In order for a transaction to be reportable under the Act and the Rules, either the acquired or acquiring person must have annual net sales or total assets of $100,000,000 or more and either the acquired person or the acquiring person must have annual net sales or total assets of $10,000,000 or more. Neither NewCo nor Public Company has (or will have) annual net sales or total assets of $100,000,000 or more at the time of the consummation of stage one of the proposed transaction. It should be noted, however, that the parent company of Investor (33% of NewCo at this juncture) does have sales in excess of $100,000,000. Inasmuch as the size-of-the-parties test will not be satisfied, it is our understanding that stage one of the proposed transaction will not be reportable under the Act and the Rules.

The letter of intent relating to the proposed transaction provides that, concurrent with the closing of stage one of the transaction, Investor shall enter into an agreement with Survivor, pursuant to which a wholly-owned subsidiary of Investor (the "Subsidiary") would be merged into Survivor within 90 days following the consummation of stage one of the proposed transaction. Assuming the terms and conditions relating to such subsequent merger are satisfied, Survivor would acquire 100% of the voting securities of the Subsidiary and Investor would

receive additional voting securities of Survivor in exchange therefor. Consummation of stage two of the proposed transaction would result in Investor acquiring control of Survivor.

Based on our telephone conversations, we understand that for purposes of Section 801.2(d) of the Rules, Survivor and Investor (or Investor's ultimate parent entity) will each be an acquiring and an acquired person in stage two of the proposed transaction. It is anticipated that at the time of the consummation of stage two of the proposed transaction, Survivor and Investor will satisfy the size-of-the-parties test. Therefore, whether or not stage two is a reportable transaction will depend upon the value of each acquisition of voting securities.

Each acquisition of voting securities (i.e., Survivor's acquisition of the voting securities of the Subsidiary and Investor's acquisition of additional voting securities of Survivor) will involve an acquisition of the voting securities of a privately-held entity. Inasmuch as voting securities of one privately-held entity will be exchanged for voting securities of another privately-held entity, neither "market price" nor "acquisition price" would appear to be determinable. Therefore, based on our discussions, we understand that the value of each acquisition of voting securities will be the fair market value of such voting securities, as determined in good faith by the board of directors of each acquiring person (or of an entity included within the ultimate parent entity of such acquiring person). We have been advised that using any valuation formula, the value of the Subsidiary or the additional voting securities of Survivor issued to acquire Subsidiary will be substantially less than $15,000,000.

Assuming that such fair market value is less than $15,000,000 in each instance, we understand that Section 802.20(b) of the Rules may then be applied to each acquisition in order to determine whether such acquisition is reportable under the Act and the Rules. If neither acquisition of voting securities will confer control of an issuer which, together with all entities which it controls, has annual net sales or total assets of $25,000,000 or more, then stage two of the proposed transaction will not be reportable under the Act and the Rules. If, however, either acquisition of voting securities will confer control of an issuer which, together with all entities which it controls, has annual net sales or total

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assets of $25,000,000 or more, then either or both of such acquisitions may be reportable under the Act and the Rules. Accordingly, a determination as to the size of Survivor and the Subsidiary must be made in order to reach a conclusion with respect to the treatment of stage two under the Act and the Rules.

In conclusion, it is our understanding that stage one of the proposed transaction will not be reportable under the Act and the Rules. With respect to stage two of the proposed transaction, we understand that we must first conclude that neither Survivor nor the Subsidiary will have annual net sales or total assets of $25,000,000 or more at the time of the consummation of stage two of the proposed transaction, before concluding that stage two also will not be reportable under the Act and the Rules.

We and our client intend to rely upon the conclusions set forth in this letter. Accordingly, we would appreciate your telephoning the undersigned [redacted] if your analysis of the transaction described in this letter differs from ours. Thank you for your continued assistance in this matter.

Very truly yours,

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cc: [redacted]