

Revised Jurisdictional Thresholds Under the HSR Act and For the Prohibition of Interlocking Directorates

January 23, 2014

The Federal Trade Commission (“FTC”) today published a notice to revise the premerger notification thresholds for mergers and acquisitions under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (“HSR Act”). The FTC also published revisions to the thresholds that trigger, under Section 8 of the Clayton Act, a prohibition preventing companies from having interlocking memberships on their corporate boards of directors. These revisions represent the annual adjustment of thresholds based upon changes in the GNP.

I. Revised HSR Act Thresholds

The initial threshold for a notification under the HSR Act will increase from \$70.9 million to **\$75.9 million**. For transactions valued between \$75.9 million and \$303.4 million (up from \$283.6 million), the size-of-the-person test will continue to apply. That test will now make the transaction reportable only where one party has sales or assets of at least \$151.7 million (up from \$141.8 million), and the other party has sales or assets of at least \$15.2 million (up from \$14.2 million). All transactions valued in excess of \$303.4 million are reportable without regard to the size of the parties. **The new thresholds will apply to any transaction that will close on or after February 24, 2014.**

The following is a summary chart of the threshold adjustments:

PRIOR THRESHOLD	REVISED THRESHOLD
Size-of-the-transaction test	
in excess of \$70.9 million	in excess of \$75.9 million (filing fee remains \$45,000)
Size-of-the-person test	
\$14.2 million/\$141.8 million	\$15.2 million/\$151.7 million
Transaction value above which size-of-the-person test is inapplicable	
\$283.6 million	\$303.4 million

In addition to adjusting upward the initial threshold for HSR notification, the amendments will adjust all subsequent notification thresholds as follows:

NOTIFICATION LEVELS	
in excess of \$50 million	in excess of \$75.9 million (filing fee remains \$45,000)
\$100 million	\$151.7 million (filing fee remains \$125,000)
\$500 million	\$758.6 million (filing fee remains \$280,000)
25% of total outstanding shares worth more than \$1 billion	25% of total outstanding shares worth more than \$1,517.1 million
50% of total outstanding shares worth more than \$50 million	50% of total outstanding shares worth more than \$75.9 million

These notification threshold adjustments also adjust upward thresholds applicable to certain exemptions, such as those involving the acquisition of foreign assets or voting securities of foreign issuers.

II. **Revised Section 8 Thresholds**

The FTC also published revisions to the thresholds that trigger a prohibition preventing companies from having interlocking memberships on their corporate boards of directors under Section 8 of the Clayton Act. **These revised thresholds are effective as of today.**

Section 8 prohibits a "person," which can include a corporation and its representatives, from serving as a director or officer of two "competing" corporations, unless one of the following exemptions applies:

- either corporation has capital, surplus and undivided profits of less than **\$29,945,000** (up from \$28,883,000),
- the competitive sales of either corporation are less than **\$2,994,500** (up from \$2,888,300);
- the competitive sales of either corporation amount to less than 2% of that corporation's total sales; or
- the competitive sales of each corporation amount to less than 4% of each corporation's total sales.

"Competitive sales" means "the gross revenues for all products and services sold by one corporation in competition with the other, determined on the basis of annual gross revenues for such products and services in that corporation's last completed fiscal year." "Total sales" means "the gross revenues for all products and services sold by one corporation over that corporation's last completed fiscal year."

If you have any questions regarding the matters covered in this publication, please contact any of the lawyers listed below or your regular Davis Polk contact.

Arthur J. Burke	212 450 4352	arthur.burke@davispolk.com
Joel M. Cohen	212 450 4592	joel.cohen@davispolk.com
Ronan P. Harty	212 450 4870	ronan.harty@davispolk.com
Christopher B. Hockett	650 752 2009	chris.hockett@davispolk.com
Jon Leibowitz	202 962 7050	jon.leibowitz@davispolk.com
Stephen M. Pepper	212 450 4108	stephen.pepper@davispolk.com
Michael N. Sohn	202 962 7145	michael.sohn@davispolk.com

© 2014 Davis Polk & Wardwell LLP | 450 Lexington Avenue | New York, NY 10017

Notice: This publication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. If you have received this email in error, please notify the sender immediately and destroy the original message, any attachments thereto and all copies. Refer to the firm's [privacy policy](#) located at davispolk.com for important information on this policy. Please consider adding Davis Polk to your Safe Senders list or adding dpwmail@davispolk.com to your address book.

Unsubscribe: If you would rather not receive these publications, please respond to this email and indicate that you would like to be removed from our distribution list.