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FTC Increases HSR Notification Thresholds for 2015

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The US Federal Trade Commission (“FTC”) has revised and, once again, raised the thresholds for the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”). The HSR Act may require that parties to proposed stock or asset acquisitions exceeding certain thresholds file premerger notification reports to the FTC and the Antitrust Division of the US Department of Justice and then observe statutorily prescribed waiting periods (usually 30 days) prior to closing the transaction. The new HSR Act thresholds were published in the Federal Register on January 21, 2015 and will go into effect on February 20, 2015.

Revised HSR Act Thresholds

The primary revisions to the thresholds are increases in the “size of transaction” and “size of person” tests under the HSR Act. Under the new thresholds, which will go into effect on February 20, 2015, an acquisition of voting securities or assets may be reportable if such securities or assets are valued in excess of \$76.3 million (“size of transaction test”), and either the acquiring or acquired party has annual net sales or total assets of at least \$15.3 million and the other party has annual net sales or total assets of at least \$152.5 million (“size of person test”). The size of person test is not applicable if the value of the transaction exceeds \$305.1 million.

The revisions also increase notification thresholds for acquisitions of additional voting securities from the same party. As a result, notifications may be required at each of the following thresholds: \$76.3 million; \$152.5 million; \$762.7 million; 25% of the voting securities if their value exceeds \$1,525.3 million; and 50% of the voting securities if their value exceeds \$76.3 million.

HSR filing fees remain the same, but the thresholds that determine the fees have been revised. Under the new thresholds, acquiring persons in transactions valued above \$76.3 million up to \$152.5 million must pay a fee of \$45,000. For transactions valued at

\$152.5 million up to \$762.7 million, a \$125,000 fee is required. A \$280,000 fee is applied to transactions valued at or above \$762.7 million.

Finally, the dollar amounts used for determining the applicability of certain exemptions under the HSR Act and Rules have also been adjusted to reflect the threshold changes.

Revised Thresholds for Interlocking Directorates

The FTC also revised the dollar thresholds for evaluating interlocking directorates under Section 8 of the Clayton Act. Under certain circumstances, Section 8 prohibits one person from serving as a director or officer of two competing corporations if each corporation has capital, surplus, and undivided profits aggregating more than \$10,000,000, with an exception that an interlock is not covered if the competitive sales of either corporation are less than a de minimis threshold of \$1,000,000. The aggregate capital, surplus, and undivided profits of each corporation at the end of its last full fiscal year controls for Section 8 purposes. Section 8(a)(5) requires the Federal Trade Commission to revise these thresholds annually, based on changes in gross national product. The new thresholds, which are effective as of January 21, 2015, are \$31,084,000 and \$3,108,400, respectively.

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This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

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