802.4

Verne, B. Michael

From: [redacted]
Sent: Monday, June 09, 2014 10:11 AM
To: Verne, B. Michael; Walsh, Kathryn E.
Subject: 802.4 question

Mike and Kate,

I have a question about applying 802.4. Assume that A will acquire a 51% stake in Fund B, an LP. Also assume that Fund B holds 60% stakes in two entities (C and D), and a number of minority stakes in corporations. Assume that the value of A's stake in Fund B is over $75.9 and A and Fund B exceed size of person.

In applying 802.4, I ignore the Fund B minority holdings, noting that these could each trigger secondary filings and I will need to look at that.

Appling 802.4 to C and D, as the rule reads I will need to assess the FMV of C and D assets. Assuming that is right, can I just value 60% of C and D assets since that is all that Fund B holds? (I assume that since A will gain control of Fund B, I have to assess the entire value of what Fund B holds, not just the 51% stake in Fund B that A is acquiring.)

Can I alternatively simply assess the equity value of C and D, which is a lot easier to do since Fund B holds the (60%) equity? If yes, do I value 60% of the equity since that is what Fund B holds?

Many thanks,

[redacted]

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802.4 is an asset-based exemption, so you need to look at the underlying assets of B and any entities it controls (C&D). The value is the FMV of 100% of all of the assets, regardless of the percentage of B that will be acquired or the percentage of C&D that B holds. You would not value the 60% interests in C&D.

BMW
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