

Verne, B. Michael

801.10

From: [Redacted]  
Sent: Wednesday, May 13, 2009 11:29 AM  
To: Verne, B. Michael  
Cc: [Redacted]  
Subject: Valuation

Hello Mike, I hope that everything is going well for you.

I have a situation where a client is acquiring shares of a company only traded on a foreign stock exchange, not in US dollars. They will be buying the shares in a private transaction directly with the company at a small discount from the recent market price. From reading a number of your informal interpretations I see that in such situations you have said that in determining the value of any shares already held, as well as the shares to be acquired the value is to be based upon the Rule 801.10 lowest 45 day close (since the currency translation value of that will apply to the shares that are to be purchased can not be determined in advance, even if the Euro price to be paid can be). First, please confirm this.

Second, as I read the informal interpretations, it is the PNO view that one is required to determine the lowest close in the past 45 days in dollars (not in native currency) by reference to both the share price and the currency exchange rate, Is that correct? In other words, you can't just figure out the lowest close in Euros and then convert that one price into dollars, but rather you must convert each days close into dollars based upon that day's exchange rate and then take the lowest overall price in dollars. Is that correct?

Third, what is the approved source for the daily exchange rate? Is there some official publication or rate standard that you impose? There is a European Central Bank reference rate. There are also other Interbank rates.

Thank you Mike and please give me a call if you have any questions or would like to discuss this.

Regards,



\*\*\*\*\*  
To comply with IRS regulations, we advise you that any discussion of Federal tax issues in this e-mail was not intended or written to be used, and cannot be used by you, (i) to avoid any penalties imposed under the Internal Revenue Code or (ii) to promote, market or recommend to another party any transaction or matter addressed herein.

For more information please go to [Redacted]  
\*\*\*\*\*

This email may contain material that is confidential, privileged and/or attorney work product for the sole use of the intended recipient. Any review, reliance or distribution by others or forwarding without express permission is strictly prohibited. If you are not the intended recipient, please contact the sender and delete all copies.



1. That is correct. Use market price for both shares already held and those to be acquired.
2. You would probably get the same result most of the time, but that is the correct methodology.
3. I was under the impression that there was only one interbank **exchange** rate for each currency. I know that there are various interbank rates (like LIBOR), but that rate is the interest charged on interbank currency exchanges. Is my understanding incorrect?

BJ  
5/13/09