Verne, B. Michael 802.4

From: [redacted]
Sent: Monday, October 01, 2012 3:14 PM
To: Verne, B. Michael
Subject: 802.4 Question

Hi Mike,
I hope you got to enjoy the beautiful weather this weekend. This is a 802.4 question.

Facts
1. A will acquire all of the outstanding equity of B for approximately $300 million. B is an IT company.
2. B has approximate $30 million of total assets.
3. B's assets include approximately $16 million in cash and cash equivalents and approximately $1 million in prepared expenses.
4. B has approximately $4 million in receivables and $9 million in other assets. So a total of approximately $13 million in non-exempt assets.

Question
1. To determine the fair market value of the non-exempt assets must A value the assets as part of an ongoing business enterprise or determine what a third-party purchaser would pay in cash today to acquire only the non-exempt assets (not the exempt assets or B's employee's, customer relationships, etc.)?

Many thanks as always for your help.

Best regards,
[redacted]

[redacted]

Verne, B. Michael

You have to value the intangible assets as part of an ongoing business. We have had this question come up quite a bit lately. I think some advice has been misinterpreted. We have said that you can allocate a portion of the intangibles to exempt assets (if appropriate), which would make the intangibles exempt as well. However, you must take into account any intangible assets associated with the non-exempt assets.

BM
10/2/12

K. WALSH CONCURS