

Verne, B. Michael

801.10

From: [REDACTED]
Sent: Tuesday, April 23, 2013 2:24 PM
To: Verne, B. Michael
Cc: Walsh, Kathryn; [REDACTED]
Subject: Acquisition price for notes being acquired at less than face value

Mike,

I left you a short voice mail message about this question but wanted to follow-up with an email to explain the facts more clearly.

Company A is acquiring all of the equipment of Company B for a purchase price of approximately \$28 million. Company A will also acquire Company B's inventory for \$13. A bank that is unaffiliated with Company B holds Company B notes with a face value of \$50 million. As part of this transaction Company A will pay the bank \$27 million for the Company B notes. The bank is apparently willing to sell the notes to Company A for less than their face value because there is some risk that Company B will not be able to repay the full amount to the bank absent this transaction.

I am trying to determine the acquisition price for this transaction. I assume that because this is an asset acquisition we must include the consideration being given by Company A to the bank in exchange for the Company B notes. If that is true, I also assume that we should include only \$27 million for the notes as that is the actual amount being paid to the bank even though the notes have a face value of \$50 million.

Based on these assumptions the acquisition price would be \$68 million (\$28+\$13+\$27), which is less than the current size-of-transaction threshold of \$70.9 million. Do you agree that this is the correct approach?

Thanks very much .

[REDACTED]

[REDACTED]

Agree -
BM
4/24/13

KW CONCERN

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