

## Haynes, Lanea

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**From:** Shaffer, Kristin  
**Sent:** Wednesday, March 01, 2017 9:25 AM  
**To:** [REDACTED]  
**Subject:** RE: Informal Interpretation 1211011 Clarification

[REDACTED]

You do understand the clarification correctly.

Best regards,  
Kristin

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**From:** [REDACTED]  
**Sent:** Tuesday, February 28, 2017 5:53 PM  
**To:** Shaffer, Kristin  
**Subject:** Informal Interpretation 1211011 Clarification

Kristin,

I have a question about Informal Interpretation 1211011, and the new update appended to it as of February 16, 2017, that states: "For clarification, the PNO's current position is that the repayment of debt may be deducted from the acquisition price only where the debt is held by, or secured by, Target."

I assume that when the PNO is talking about and possibly distinguishing between the "seller" and the "target," the seller is the ultimate parent entity and the target is the acquired entity. I can see a situation where the UPE of the seller has some debt, either itself or in Subsidiary B; it is selling Subsidiary A (the target), and the UPE is using the proceeds of the sale of Subsidiary A to pay off Subsidiary B's debt. If I am understanding the February 16 update correctly, then in that situation payment of Subsidiary B's debt owed to a third party or to the parent out of the sale proceeds could not be deducted from the acquisition price.

However, in a situation where the Subsidiary A owes the debt or Subsidiary A secures the debt, and that Subsidiary A debt is being paid out of proceeds of the acquisition of Subsidiary A, the repayment of the debt may be deducted from the acquisition price.

Am I understanding the clarification correctly?