

From: [REDACTED]
Sent: Friday, December 16, 2005 3:35 PM
To: Verne, B. Michael
Subject: HSR Asset Valuation

Dear Mike:

This correspondence memorializes the conversations (i) [REDACTED] and I had with you on December 12, 2005 and (ii) you and I had on December 13, 2005, relating to a proposed agreement whereby Purchaser would acquire certain assets of two operating companies (the "Sellers"), including stock and noncorporate interests of Sellers' subsidiaries. Please let me know if, upon consideration of this email, your advice as set forth below, remains the same.

The parties have negotiated a particular aggregate cash purchase price that is not readily allocable among the assets, stock and noncorporate interests. In addition, the Purchaser will assume the Sellers' existing liabilities, including bank debt and accrued accounts payable. The cash purchase price will be adjusted based on a working capital calculation, generally defined as "current assets" less current liabilities. Relating to that calculation, Purchaser has agreed to "credit" the Sellers for certain outlays made by the Sellers at or prior to closing. Those outlays by the Company will be treated as "current assets" for purposes of the adjusted working capital calculation even though they will not actually appear on the Sellers' balance sheet as assets. To the extent the adjusted working capital either exceeds or falls short of a defined target, the aggregate cash payable to the Sellers will be adjusted. Therefore, the treatment of these payments may have a direct impact on the amount of money that the Purchaser is required to pay to Sellers in connection with the transaction.

In our discussion, you advised that Purchaser's agreement to effectively reimburse the Sellers for these outlays may be treated as agreements ancillary to the agreement to acquire the assets, stock and noncorporate interests and the amount of these outlay effectively being paid by Purchaser do not need to be factored into the acquisition price for the Sellers' assets, voting securities and noncorporate interests being acquired.

We discussed the following elements that impact the working capital adjustment:

(a) Transaction expenses -- Purchaser has agreed to cover transaction expenses incurred by the Sellers and the Sellers' stockholders in connection with the transaction up to a particular threshold. Either Purchaser will pay these costs directly to Sellers' counsel and other advisors, or Sellers will initially pay these costs, and the amount of Sellers' payment will be treated as a "current asset" for purposes of the adjusted working capital calculation. To the extent the transaction expenses exceed the agreed upon threshold, the additional amount will be treated as an accrued liability up to a certain threshold. If the expenses exceed a threshold, expenses that exceed the threshold will be borne by the Seller' stockholders.

(b) Buyout of shareholder -- One of the Sellers has previously bought out one shareholder in exchange for \$X. Most of that amount has already been paid by one of the Sellers, and the remainder of that buyout amount will be paid at closing by the Sellers. That payment will be treated as a "current asset" for purposes of the adjusted working capital calculation.

(c) Appreciation Rights Settlement Amount -- The Sellers have agreed to pay a certain amount to certain of their employees and shareholders pursuant to a company appreciation rights plan and

an option agreement. The amount of Sellers' payment will be treated as a "current asset" for purposes of the adjusted working capital calculation.

(d) Payment of 2005 Compensation -- The founding stockholders of the Sellers have foregone salaries during 2005. As a result they are owed an aggregate of \$X. The Sellers will pay the stockholders that amount owing immediately prior to closing and that payment will be treated as a "current asset" for purposes of the adjusted working capital calculation.

(e) Optionholder Settlement -- One of the Sellers has previously entered into an agreement to buy out an option holder. A portion of that settlement amount has already been paid by the Sellers and the Sellers will pay the remaining portion of that settlement immediately prior to closing. The aggregate settlement payment made by the Sellers will be treated as a "current asset" for purposes of the adjusted working capital calculation.

As discussed, the operative effect of the foregoing agreements will be that the Purchaser will be indirectly financially responsible for those payments. Nevertheless, you have advised that those amounts are not relevant to the determination of the aggregate HSR acquisition price for the assets, voting securities and noncorporate interests that Purchaser will acquire.

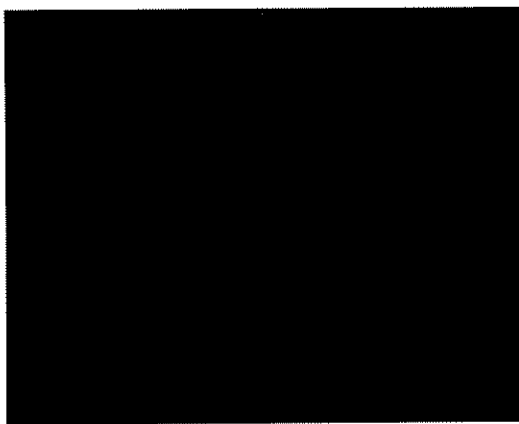
If the Sellers do not have sufficient cash available to make the foregoing payments, the Sellers may need to borrow those amounts from an existing credit facility, thereby increasing the amount of bank debt being assumed by Purchaser. To the extent such additional borrowing increases bank debt, you advised me in our December 13, 2005 conversation that the additional amount of liabilities being assumed via the increased bank debt WOULD affect the value of the acquisition.

In addition, the Sellers' books reflect \$X amount in deferred revenue as a liability. This reflects income received by the Sellers that cannot yet be recognized until certain future services are rendered. The Purchaser is assuming the obligation to provide those services. Once those services are provided, the liability will be extinguished. You advised that the value of this deferred revenue is not included in the value of assumed liabilities.

Finally, you advised that if an HSR filing is required for the transaction, the parties need not allocate the purchase price among assets, stock and noncorporate interests in Item 2(d)(i) through 2(d)(iv) if that allocation is not readily estimable at this time.

Please let me know if this accurately reflects your advice to us, and if your advice remains the same after reviewing this description. Thanks, as always, for your invaluable assistance.

Kind regards,



Agree -
Burchell
12/16/05