

Verne, B. Michael

801.10

From: [REDACTED]
Sent: Thursday, July 06, 2006 8:25 PM
To: Verne, B. Michael
Subject: FW: HSR Question

Hello Mike. Could you give me your thoughts about whether the below transaction would require a filing? If you need more information, what are the questions need to be answered?

As always, thanks!

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

YES - BUYER IS
ACQUIRING 100%
OF TARGET VAWES
AT \$67.2 MM,
EVEN THOUGH IT
WILL HOLD ONLY
88.8% OF NEWCO.
B. Michael
7/6/06

I am looking at a deal where a private equity client will create a new acquisition company (an LLC) ("Newco") to purchase the assets of Target Company. The way the transaction would be structured is that Target Company would contribute 11.2% of its assets to Newco in exchange for a corresponding 11.2% membership interest in Newco and then, at the closing, Newco would purchase the remaining assets. The overall value of Target is currently \$67.2 Million which makes the value of the 11.2% rollover to be \$7,526,400. The price will be adjusted up or down by the amount by which closing date working capital exceeds or is less than a designated number (at least 3 months of working capital). \$13.4 Million of the \$67.2 Value is intended to be in the form of an earn out that can be reached over a 3 year period based on hitting target EBITDA numbers. The balance of the price will be paid in cash at closing. I would appreciate your advice as to whether you think there will have to be a HRS filing.

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Thank you.
