From: Carson, Timothy
To: [redacted]
Cc: Gillis, Diana L.; [redacted]
Subject: RE: HSR Item 5 Question
Date: Tuesday, October 18, 2016 11:27:15 AM

Thanks for the additional detail and analysis. We agree with the analysis you lay out immediately below.

Timothy (Ty) Carson
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Federal Trade Commission
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202.326.2627
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From: [redacted]
Sent: Monday, October 17, 2016 3:41 PM
To: Carson, Timothy
Cc: Gillis, Diana L.; [redacted]
Subject: RE: HSR Item 5 Question

Ty,

Thank you for the response. I was able to discuss and obtain further details that should hopefully provide a clearer picture.

Facts:

Company A has tolling agreements with manufacturers both in the US and outside of the US. In most instances these manufacturers produce the final product using inputs they source themselves. In limited instances Company A provides the raw materials to the manufacturer. These third party manufacturers produce the final product using the name and labels of Company A.

A portion, but not all, of the products from these third party manufacturers are sold to Company A's customers located in the US. In most instances the third party manufacturer ships the finished products directly to Company A's customer. This allows Company A to save on shipping costs. Because of the proximity to some of its customers, Company A does receive a small amount of the finished product at Company A's facility, which it then ships to local customers.

For record keeping purposes, Company A treats these arrangements as if it purchases and then re-sells the products. For customers located in North America, the revenue from the resale appears on the books of Company A's US subsidiary.

Analysis:
I believe that Company A should record the revenue for any sales that appear on the books of the US business of Company A, and do so using a wholesale NAICS Code. This is true whether or not the toll

manufacturing occurs in the US or outside of the US, because the revenue is derived from and on the books of the US Company A. If, however, any of this toll manufacturing appears on the books as revenue for any non-US business within Company A, I would think that we may exclude that. This is because a non-U.S. entity would be responsible for non-manufacturing revenue.

As always, your help is greatly appreciated.

Best regards,
[redacted]