

Table of Contents

	Page
PREFACE	V
CHAPTER 1. BUSINESS CONTEXT	1
§ 1.1 Motives for Mergers and Acquisitions	1
§ 1.2 The Price Is Right	4
1.2.1 Market-Based Valuation.....	5
1.2.2 Asset-Based Valuation.....	7
1.2.3 Earnings-Based Valuation	8
§ 1.3 M&A as a Complex Contract	14
1.3.1 Doing the Deal and the Deal Timeline	15
1.3.2 The Role of Advisors in the M&A Process	17
1.3.3 Different Sale Methods	19
1.3.4 Due Diligence	22
1.3.5 Growth in Length & Complexity of M&A Agreements.....	23
1.3.6 Confidentiality Agreements	24
1.3.7 Standstill Agreements	27
1.3.8 Letters of Intent	29
a. Typical Content and Terms	29
b. Binding Nature of Letters of Intent	30
1.3.9 Transition Services Agreements and Other Ancillary Agreements	32
1.3.10 Definitive Acquisition Agreement Terms	33
a. Preamble & Recitals.....	33
b. Transaction Description.....	33
c. Purchase Price Considerations.....	34
i. Purchase Price Considerations in Stock Deals	34
ii. Purchase Price Adjustments.....	35
d. Representations and Warranties	37
i. Disclosure Schedules	39
ii. Qualifiers	40
iii. Disclaimers	40
e. Covenants	42
f. Closing Conditions	44
g. MAC/MAE Provisions	46
h. Indemnification Provisions	48
i. Deal Protection Provisions.....	50
i. Non-Solicitation Provisions—No Shops, Window Shops, No Talks, Go Shops	50
ii. Matching and Information/Notice Rights	52
iii. Board Recommendations & Force the Vote Provisions.....	53
iv. Stock and Asset Lock-up Options.....	55
j. Termination, Termination Fees, and Reverse Termination Fees	55
k. “Miscellaneous” Provisions	57

CHAPTER 2. ILLEGAL MERGERS AND ACQUISITIONS.....	59
§ 2.1 Antitrust Concerns.....	59
2.1.1 Overview	59
2.1.2 Horizontal Merger Analysis	61
2.1.3 Notification	65
§ 2.2 Other Regulatory Considerations	68
2.2.1 CFIUS and the Exon-Florio Amendment	68
a. CFIUS Review and the President’s Authority	69
b. From CFIUS to the President	70
c. Exon-Florio Applied	71
i. CATIC/MAMCO.....	71
ii. Ralls Corporation.....	71
iii. Aixtron.....	72
iv. Lattice Semiconductor.....	72
v. Broadcom-Qualcom	72
2.2.2 Transportation Industry	73
a. Maritime and Admiralty.....	73
b. Airlines.....	74
c. Railroads & Motor Carriers.....	74
2.2.3 Broadcast Industry	75
2.2.4 Public Utilities.....	75
2.2.5 Banking.....	75
2.2.6 Pharmaceuticals.....	76
CHAPTER 3. DEAL STRUCTURE AND ITS IMPACTS.....	77
§ 3.1 The Choices.....	77
3.1.1 The Statutory Merger	77
3.1.2 Sale of Assets.....	80
3.1.3 Purchase of Stock	81
§ 3.2 Approval and Dissenters’ Rights.....	83
3.2.1 Board Approval	83
3.2.2 Shareholder Approval	85
a. Mergers	85
b. Sales of Substantially All Assets.....	88
c. Purchase of Stock	89
d. Policy	90
e. The Legal Impact of Shareholder Approval Requirements	94
3.2.3 Cash-out (Appraisal) Rights for Dissenting Shareholders	96
a. Triggering Cash-out Rights	96
b. Valuation Revisited	98
i. General Approaches to Valuation in Appraisals	98
ii. Problem Areas	100
c. Appraisal Versus Other Shareholder Litigation	106
d. Policy	108
3.2.4 Seeking Equivalence	109
a. The De Facto Merger Doctrine in the Context of Shareholder Rights	109
b. Statutory and Quasi-Statutory Efforts at Equivalence	111

§ 3.3	Succession to Assets and Liabilities	113
3.3.1	Assets	114
3.3.2	Contingent and Other Liabilities of the Target	115
a.	Overview of the Problem.....	116
b.	Seller-Side Protections for Creditors	118
c.	Buyer-Side Protections for Creditors	122
i.	Traditional Approaches.....	122
ii.	Newer Approaches for Specific Liabilities	128
3.3.3	Liabilities Incurred to Fund the Purchase (LBOs)	131
§ 3.4	Securities Laws	136
3.4.1	Registration Requirements Resulting from Issuing Stock or Other Securities	136
3.4.2	Federal Proxy Rules.....	143
a.	Overview	143
b.	False or Misleading Solicitations	147
i.	Substantive Elements of a Rule 14a–9 Violation	147
ii.	Private Remedy	151
3.4.3	Securities Fraud and Insider Trading in Mergers and Acquisitions	156
a.	Misrepresentations.....	156
b.	Insider Trading.....	160
c.	Breach of Fiduciary Duty as Securities Fraud	161
d.	Short Swing Trades.....	163
3.4.4	Regulation of Tender Offers and Stock Acquisitions Under the Williams Act	164
a.	Disclosure Requirements	165
b.	Substantive Regulation.....	170
c.	When Is There a Tender Offer?	174
d.	Private Litigation Under the Williams Act	176
§ 3.5	State Antitakeover Legislation	180
3.5.1	What State Antitakeover Statutes Do	180
3.5.2	Constitutionality	183
§ 3.6	Tax.....	187
3.6.1	Taxable Transactions.....	187
3.6.2	Tax-Free Transactions	189
3.6.3	Preliminary and Follow-up Transactions	196
3.6.4	NOLs	199

CHAPTER 4. DIRECTORS' DUTIES AND LIABILITIES TO SHAREHOLDERS IN MERGERS AND ACQUISITIONS 203

§ 4.1	Saying Yes	204
4.1.1	Decisions to Merge or Sell in the Absence of Traditional Conflicts of Interest	204
a.	Application of the Business Judgment Rule.....	204
b.	Is the Business Judgment Rule Really the Rule for Reviewing Board Decisions to Merge or Sell the Company?	207
c.	Exculpation Clauses and Good Faith.....	212

4.1.2	Decisions to Merge or Sell Involving Traditional Conflicts of Interest	214
	a. Identifying Conflicts.....	214
	b. Reviewing Conflicted Transactions	217
§ 4.2	Saying No.....	220
4.2.1	The Order of Battle for Defenders of the Corporate Bastion	220
	a. Persuading Shareholders Not to Sell.....	221
	b. Using Poison Pills and Other Tactics to Deter Uninvited Buyers	222
	c. Disempowering Uninvited Buyers	228
4.2.2	The Legal Standard for Reviewing Takeover Defenses: Framing the Issues	233
4.2.3	The <i>Unocal</i> Doctrine	241
	a. From the Early Explorations to <i>Unocal</i>	241
	b. Drilling down into Threat Assessment	244
	i. Legitimate Purposes for Takeover Defenses	244
	ii. Proving the Purpose's Presence in the Case at Hand	252
	c. Refining the Approach to Threat Response	255
	i. Sizing Up Proportionality	255
	ii. Writing a Prescription for Poison Pills	260
	iii. Identifying Impermissible Disenfranchisement	264
	iv. Making It Okay with Shareholder Approval	268
4.2.4	Touring the Road Not Taken: European Law Barring Takeover Defenses.....	271
§ 4.3	Saying Yes and No	274
4.3.1	The <i>Revlon</i> Doctrine.....	276
	a. Making Up a Rule in <i>Revlon</i>	276
	b. When Do Courts Apply <i>Revlon</i> ?	277
	i. The Foundational Formulations and the Paradox of Paramount's Paramours	277
	ii. Continuing Controversies over Coverage	280
	c. What Does <i>Revlon</i> Alter?	282
	i. Limitation of Permissible Goals	282
	ii. Substitution of Process Rules for General Standards of Conduct and Review	286
	iii. Heightened Scrutiny	289
	d. Removing <i>Revlon</i> ?	291
	i. <i>Revlon</i> and the Dodge Dodge	291
	ii. QVC and the Perceived Need to Control Sales of Control	293
4.3.2	<i>Unocal</i> Scrutiny of Deal Protection Devices and Shotgun Corporate Marriages.....	298
	a. <i>Omnicare</i> Prescribes <i>Unocal</i>	299
	b. Applying <i>Omnicare/Unocal</i> Scrutiny to Specific Devices	302
	i. Shareholder Promises	302
	ii. Board Promises.....	303
	iii. Corporate Promises	308
	iv. Impact of Context	312
	c. <i>Unocal</i> Scrutiny of Shotgun Corporate Marriages Beyond Just the Deal Protections.....	314

d.	Policy Prescriptions.....	315
i.	The Duality of <i>Omnicare/Unocal</i> Scrutiny	315
ii.	<i>Omnicare/Unocal</i> Scrutiny and the Omnipresent Spectrum	319
iii.	<i>Omnicare/Unocal</i> Scrutiny and the Shareholders' Veto Power.....	320
4.3.3	Looking One More Time at Disclosure and the Shareholder Veto	325
CHAPTER 5. CONTROLLING SHAREHOLDER TRANSACTIONS		331
§ 5.1	Who Is a Controlling Shareholder and Why Does It Matter?	331
§ 5.2	Sale of Control	336
5.2.1	Traditional Fiduciary Duty Rules Governing Sales by Controlling Shareholders.....	336
a.	Sale to a Looter.....	337
b.	Sale of Directorships	341
c.	Side Contracts with Buyer.....	342
d.	Usurping a Corporate Opportunity	343
5.2.2	Should There Be an Equal Sharing Rule for Control Premiums?	345
§ 5.3	Freeze-outs	349
5.3.1	Motivations for Freeze-outs and Policy Implications	349
5.3.2	Mechanisms for Freezing Out Minority Shareholders	353
5.3.3	Judicial Review of Freeze-outs.....	356
a.	The Three Ps of Fairness: Price, Process, and (Maybe) Purpose	357
b.	The Tender Offer Anomaly	361
c.	The Impact of Approval by Independent Directors or a Majority of the Minority Shareholders	365
§ 5.4	Other Controlling Shareholder Issues	372
5.4.1	Conflicting Views on the Deal	372
5.4.2	Class Warfare: Disputes Between Different Classes of Stock in Mergers and Acquisitions	374
5.4.3	Controlling Shareholders in Corporate Acquisitions	378
5.4.4	Controlling Shareholders and Independent Directors.....	380
TABLE OF CASES		383
INDEX.....		389