Advance Praise for *Mergers, Acquisitions, and Other Restructuring Activities, Sixth Edition*

“DePamphilis has masterfully covered in one book all relevant managerial, strategic, financial, accounting, legal, and tax aspects of M&A in an easily understood roadmap for any M&A transaction, large or small. With totally up-to-date material, he provides the crucial information that is necessary in today’s rapidly changing M&A world.”

—Lloyd Levitin, Professor of Clinical Finance and Business Economics, University of Southern California

“After teaching M&A for ten years, I was relieved when last semester I finally switched to DePamphilis’ text. His single book replaced numerous other sources that I had to use before. His academic rigor is combined with his deep personal experience as a deal maker, and thus the textbook is highly valuable to both newcomers and those who have been involved in transactions for many years.”

—Viktoria Dalko, Professor of Global Finance, Harvard University Extension School

“*Mergers, Acquisitions, and Other Restructuring Activities, Sixth Edition*, delivers an essential understanding of corporate restructuring processes by combining insights from many case studies with academic rigor. The book points out how M&A can create value as well as the ways it can lead to value destruction. In addition to state-of-the-art valuation techniques, it explains the regulatory corporate governance framework for both the United States and Europe. It’s an excellent text, and I highly recommend it.”

—Luc Renneboog, Professor of Corporate Finance, CentRE, Tilburg University

“Great textbook that in a simple and straightforward manner combines the latest insights from academia with contemporary industry practices. It fits perfect in a class of MBA students or executives. I will be sure to use it the next time I teach M&A.”

—Karin Thorburn, DnB Nor Professor of Finance, Norwegian School of Economics and Business Administration

“*Mergers, Acquisitions, and Other Restructuring Activities* is quite simply outstanding text. Don DePamphilis delivers a comprehensive guide to the M&A process from start to finish. . . . In sum, *Mergers, Acquisitions, and Other Restructuring Activities* is a comprehensive, up-to-date, outstanding text.”

—Scott C. Linn, R.W. Moore Chair in Finance and Economic Development, University of Oklahoma
Praise for *Mergers, Acquisitions, and Other Restructuring Activities, Fifth Edition*

“This is a truly comprehensive text and does a wonderful job at supplying the underlying motives and theory as well as the critical ‘in practice’ elements that many books lack. It spans all types of M&A and restructuring transactions and covers all the relevant knowledge, from academic research to the practical legal, accounting, and regulatory details. The book is up to date and teaches the state-of-the-art techniques used today. The book contains numerous cases and spreadsheet support that enable the reader to put into practice everything that is covered. The combination of great writing and active case learning make this book the best I have seen in the M&A and restructuring arena.”

—Matthew T. Billett, Associate Professor of Finance, Henry B. Tippie Research Fellow, University of Iowa

“I am happy to recommend the fifth edition of *Mergers, Acquisitions, and Other Restructuring Activities*. Having used prior editions of Don DePamphilis’ text, I can affirm that the newest edition builds on a firm foundation of coverage, real-world examples, and readability. My students have consistently responded favorably to prior editions of the book. In the newest edition, I was delighted to discover that Don is expanding his coverage of family-owned businesses, already a strength in his earlier editions, which were distinguished by their coverage of the valuation of privately held businesses. Additional attention is paid to restructuring, bankruptcy, and liquidation as well as risk management, which are clearly topics of interest to every business person in today’s economic climate.”

—Kent Hickman, Professor of Finance, Gonzaga University

“This fifth edition is one of the most comprehensive books on mergers and acquisitions. The text combines theories, valuation models, and real-life cases to give business students an overall insight into the M&A deal process. The up-to-date real-life examples and cases provide opportunities for readers to explore and apply theories to a wide variety of scenarios such as cross-border transactions, highly levered deals, firms in financial distress, and family-owned businesses. The chapter on restructuring under bankruptcy and liquidation, both inside and outside the protection of bankruptcy court, is timely and most useful in light of today’s economic crisis. Overall, this is an excellent book on mergers, acquisitions, and corporate restructuring activities.”

—Tao-Hsien Dolly King, Rush S. Dickson Professor of Finance, Associate Professor, Department of Finance, The Belk College of Business, University of North Carolina at Charlotte

“*Mergers, Acquisitions, and Other Restructuring Activities* is an interesting and comprehensive look at the most important aspects of M&A and corporate restructuring — from strategic and regulatory considerations and M&A deal processes, through several chapters on M&A valuation and deal structuring, to other types of restructuring activities. It not only provides a roadmap for M&A and other corporate restructuring transactions but also highlights key things to watch for. The book is clearly written with extensive but easy-to-follow case examples and empirical findings and cases to illustrate the points in the text. It is a book by an expert for M&A instructors and students as well as practitioners.”

—Qiao Lui, Faculty of Business and Economics, The University of Hong Kong

“I am delighted with Don DePamphilis’ *Mergers, Acquisitions, and Other Restructuring Activities, Fifth Edition*. It is a clear, comprehensive, and thorough discussion of the issues involving all restructuring activities. The use of mini-cases throughout each chapter both highlights and clarifies key elements of the decision-making process. The end-of-chapter discussion questions ideally complemented the problem set questions to challenge readers’ understanding of the covered concepts. I am impressed with the current reflection of market conditions throughout the text and the extent of the changes to provide greater understanding for students. I expect to find that students will also be impressed with the clarity and structure of the text when I introduce the newest edition to my course. I recommend the fifth edition to any professor covering mergers, acquisitions, bankruptcies, or other restructuring topics which can be used with specific chapters to cover limited topics, or as a text with a complete course on restructurings.”

—John F. Manley, Professor of Finance, Hagan School of Business, Iona College
“Mergers and Acquisitions continue to be among the preferred competitive options available to companies seeking to grow and prosper in the rapidly changing global business scenario. In this new updated and revised fifth edition of his path-breaking book, M&A expert Dr. DePamphilis illustrates how mergers, acquisitions, and other major forms of restructuring can help a company grow and prosper in the highly complex and competitive corporate takeover marketplace. Interspersed with highly relevant and up-to-date M&A case studies covering a broad range of industries are the multifarious aspects of corporate restructuring in an integrated manner adopting a lucid style. While academic research studies on the subject have been incorporated in a coherent manner at appropriate places in the book, every effort has been made by the author to deal with the intricacies of the subject by offering comprehensive coverage of the latest methods and techniques adopted in managing M&A transactions in general and in dealing with business valuations of both public and private companies in particular.

The book provides practical ways of dealing with M&As even in an economic downturn, with an exclusive chapter on corporate restructuring under bankruptcy and liquidation. With the greatly enlarged and up-to-date material on varied aspects of the subject, the book provides a plethora of real-world examples that will go a long way in making the subject easy, stimulating, and interesting to academicians and practitioners alike.”

—Donepudi Prasad, ICFAI Business School, Hyderabad, India

“Professor DePamphilis has made significant, important, and very timely updates in this fifth edition of his text. He incorporates contemporary events such as the credit crunch and the latest accounting rules in the West plus M&A issues in emerging markets which includes family businesses. He also readdresses corporate governance, a topic that will become increasingly important in business schools the world over in M&A. This text has become, and will increasingly become, the definitive, comprehensive, and thorough reference on the subject.”

—Jeffrey V. Ramsbottom, Visiting Professor, China Europe International Business School, Shanghai

“I think the fifth edition of Mergers, Acquisitions, and Other Restructuring Activities does a comprehensive job of covering the M&A field. As in the previous edition, the book is divided into five parts. These are logical and easy to follow, with a nice blend of theory, empirical research findings, and practical issues. I especially like two chapters—that on bankruptcy and liquidation is extremely relevant in today’s economic conditions, and that on private equity and hedge funds is interesting because M&A activities by these players are not well-documented in the literature. Overall, I believe that MBA students will find the book useful both as a textbook in class and as a reference book for later use.”

—Raghavendra Rau, Purdue University and Barclays Global Investors

“This book is truly outstanding among textbooks on takeovers, valuation, and corporate restructuring for several reasons: the DePamphilis book not only gives a very up-to-date overview of the recent research findings on takeovers around the world but also offers nearly 100 business case studies. The book treats all the valuation techniques in depth and also offers much institutional detail on M&A and LBO transactions. Not just takeover successes are analyzed but also how financially distressed companies should be restructured. In short, the ideal textbook for any M&A graduate course.”

—Luc Renneboog, Professor of Corporate Finance, Tilburg University, The Netherlands

“The fifth edition of Mergers, Acquisitions, and Other Restructuring Activities by Professor Donald DePamphilis is an excellent book. Among its many strengths, I can easily identify three that stand out. First, it is up to date, covering recent knowledge published in most of academic journals. Second, it offers comprehensive coverage of the subject matter, including chapters on the U.S. institutional, legal, and accounting environment; on technical aspects; valuation techniques; and strategic issues. Third, it is practical by including Excel spreadsheet models and a large number of real cases. These three aspects, along with the large number of end-of-chapter discussion and review questions, problems, and exercises, make this book one of the best choices for the subject.”

—Nickolaos G. Travlos, The Kitty Kyriacopoulos Chair in Finance and Dean, ALBA Graduate Business School, Greece
“It is difficult to imagine that his fourth edition could be improved upon, but Dr. DePamphilis has done just that. His latest edition is clearer and better organized, and contains a wealth of vitally important new material for these challenging times. I especially recommend the new chapter on liquidation for members of boards of directors who face extreme circumstances. This is a remarkably useful book for readers at any level—students, instructors, and company executives, as well as board members. Bravo Don!”

—Wesley B. Truitt, Adjunct Professor, School of Public Policy, Pepperdine University

“The book is an excellent source for both academicians and practitioners. In addition to detailed cases, it provides tools contributing to value creation in M&A. A must book for an M&A course.”

—Vahap Uysal, Assistant Professor of Finance, Price College of Business, University of Oklahoma

“An impressively detailed overview of all aspects of mergers and acquisitions. Numerous recent case studies and examples convince the reader that the material is very relevant in today’s business environment.”

—Theo Vermaelen, Professor of Finance, INSEAD
I extend my heartfelt gratitude to my wife, Cheryl, and my daughter, Cara, without whose patience and understanding this book could not have been completed, and to my brother, Mel, without whose encouragement this book would never have been undertaken.
Contents

Contents of the Companion Site xvii
List of Business Case Studies xix
Preface xxiii
Acknowledgments xxviii
About the Author xxix

Part I
THE MERGERS AND ACQUISITIONS ENVIRONMENT

1. Introduction to Mergers and Acquisitions

Inside M&A: Dell Moves into Information Technology Services 3
Chapter Overview 4
Mergers and Acquisitions as Change Agents 4
Why Mergers and Acquisitions Happen 5
Merger and Acquisition Waves 13
Why It Is Important to Anticipate Merger Waves 19
Alternative Forms of Corporate Restructuring 19
Friendly versus Hostile Takeovers 22
The Role of Holding Companies in Mergers and Acquisitions 24
The Role of Employee Stock Ownership Plans in M&As 24
Business Alliances as Alternatives to Mergers and Acquisitions 25
Participants in the Mergers and Acquisitions Process 26
Alternative Investors and Lenders 29
Activist Investors and M&A Arbitrageurs 32
Do M&As Pay Off for Shareholders, Bondholders, and Society? 35
Why Some M&As Fail to Meet Expectations 44
Long-Term Performance 44
Some Things to Remember 45

Discussion Questions 45
Chapter Business Cases 47
Case Study 1.1 Xerox Buys ACS to Satisfy Shifting Customer Requirements 47
Case Study 1.2 Assessing Procter & Gamble’s Acquisition of Gillette 49

2. Regulatory Considerations

Inside M&A: The Limitations of Regulation and the Lehman Brothers Meltdown 51
Chapter Overview 52
Federal Securities Laws 54
Case Study 2.1 A Federal Judge Reprimands Hedge Funds in Their Effort to Control CSX 57
Antitrust Laws 61
Case Study 2.2 Justice Department Requires Verizon Wireless to Sell Assets before Approving Alltel Merger 65
Dodd-Frank Wall Street Reform and Consumer Protection Act 69
Case Study 2.3 Google Thwarted in Proposed Advertising Deal with Chief Rival Yahoo! 70
State Regulations Affecting Mergers and Acquisitions 75
National Security-Related Restrictions on Direct Foreign Investment in the United States 76
The U.S. Foreign Corrupt Practices Act 77
Fair Disclosure (Regulation FD) 77
Regulated Industries 78
Environmental Laws 80
Labor and Benefit Laws 80
Cross-Border Transactions 81
Case Study 2.4 BHP Billiton and Rio Tinto Blocked by Regulators in an International Iron Ore Joint Venture 82
Some Things to Remember 83
Discussion Questions 83
Chapter Business Cases 84
Case Study 2.5 Global Financial Exchanges Pose Regulatory Challenges 84
Case Study 2.6 The Legacy of GE’s Aborted Attempt to Merge with Honeywell 86
3. The Corporate Takeover Market:
   Common Takeover Tactics, Antitakeover Defenses, and Corporate Governance

   Inside M&A: Kraft Sweetens Its Offer to Overcome Cadbury's Resistance 91
   Chapter Overview 92
   Alternative Models of Corporate Governance 94
   Factors That Affect Corporate Governance 94
   Alternative Takeover Tactics in the Corporate Takeover Market 99
   What Makes the Aggressive Approach Successful? 105
   Other Tactical Considerations 106
   Developing a Bidding or Takeover Strategy 107
   Alternative Takeover Defenses in the Corporate Takeover Market 108
   The Impact of Takeover Defenses on Shareholder and Bondholder Value 121
   Some Things to Remember 124
   Discussion Questions 125
   Chapter Business Cases 126

   Case Study 3.1 Mittal Acquires Arcelor—A Battle of Global Titans in the European Corporate Takeover Market 126
   Case Study 3.2 Verizon Acquires MCI—The Anatomy of Alternative Bidding Strategies 128

5. Implementation: Search through Closing: Phases 3 through 10

   Inside M&A: Bank of America Acquires Merrill Lynch 169
   Chapter Overview 170
   Phase 3: The Search Process 170
   Phase 4: The Screening Process 173
   Phase 5: First Contact 174
   Phase 6: Negotiation 178
   Phase 7: Developing the Integration Plan 186
   Phase 8: Closing 188
   Phase 9: Implementing Postclosing Integration 191
   Phase 10: Conducting a Postclosing Evaluation 193
   Some Things to Remember 194
   Discussion Questions 194
   Chapter Business Cases 196

   Case Study 5.1 Oracle’s Efforts to Consolidate the Software Industry 196
   Case Study 5.2 Exxon Mobil Buys XTO Energy in a Bet on Natural Gas 198
   Appendix A: Thoughts on Negotiating Dynamics 200
   Appendix B: Legal Due Diligence Preliminary Information Request 202

6. Integration: Mergers, Acquisitions, and Business Alliances

   Inside M&A: General Electric’s Water Business Fails to Meet Expectations 203
Alternative Applications of M&A Financial Models 353
Some Things to Remember 354
Discussion Questions 355
Practice Problems and Answers 356
Chapter Business Cases 357
Case Study 9.1 Cleveland Cliffs Fails to Complete Takeover of Alpha Natural Resources in a Commodity Play 357
Case Study 9.2 Mars Buys Wrigley in One Sweet Deal 360
Appendix A: Utilizing the M&A Model on the Companion Site to this Book 361
Appendix B: M&A Model Balance Sheet Adjustment Mechanism 363

10. Analysis and Valuation of Privately Held Companies

Inside M&A: Cashing Out of a Privately Held Enterprise 365
Chapter Overview 366
Demographics of Privately Held Businesses 367
Governance Issues in Privately Held and Family-Owned Firms 368
Challenges of Valuing Privately Held Companies 369
Process for Valuing Privately Held Businesses 371
Step 1: Adjusting Financial Statements 371
Step 2: Applying Valuation Methodologies to Privately Held Companies 377
Step 3: Developing Discount (Capitalization) Rates 380
Step 4: Applying Control Premiums, Liquidity, and Minority Discounts 383
Reverse Mergers 395
Using Leveraged Employee Stock Ownership Plans to Buy Private Companies 397
Empirical Studies of Shareholder Returns 398
Some Things to Remember 399
Discussion Questions 400
Practice Problems and Answers 400
Chapter Business Cases 401
Case Study 10.1 Panda Ethanol Goes Public in a Shell Corporation 401
Case Study 10.2 Determining Liquidity Discounts—The Taylor Devices and Tayco Development Merger 403

Part IV
DEAL-STRUCTURING AND FINANCING STRATEGIES

11. Structuring the Deal: Payment and Legal Considerations

Inside M&A: Pfizer Acquires Wyeth Labs Despite Tight Credit Markets 409
Chapter Overview 410
The Deal-Structuring Process 411
Form of Acquisition Vehicle and Postclosing Organization 415
Legal Form of the Selling Entity 419
Form of Payment or Total Consideration 419
Managing Risk and Closing the Gap on Price 421
Using Collar Arrangements to Preserve Shareholder Value 427
Case Study 11.1 Flextronics Acquires International DisplayWorks Using Fixed Value and Fixed Share Exchange Collars 430
Form of Acquisition 431
Case Study 11.2 Buyer Consortium Wins Control of ABN Amro 437
Some Things to Remember 442
Discussion Questions 443
Chapter Business Cases 444
Case Study 11.3 Boston Scientific Overcomes Johnson & Johnson to Acquire Guidant—A Lesson in Bidding Strategy 444
Case Study 11.4 Swiss Pharmaceutical Giant Novartis Takes Control of Alcon 446

12. Structuring the Deal: Tax and Accounting Considerations

Inside M&A: Continued Consolidation in the Generic Pharmaceuticals Industry 449
Chapter Overview 449
General Tax Considerations and Issues 450
Taxable Transactions 450
Case Study 12.1 Cablevision Uses Tax Benefits to Help Justify the Price Paid for Bresnan Communications 455
Tax-Free Transactions 456
<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.</td>
<td>Financing Transactions: Private Equity, Hedge Funds, and Leveraged Buyout Structures and Valuation</td>
</tr>
<tr>
<td>14.</td>
<td>Joint Ventures, Partnerships, Strategic Alliances, and Licensing</td>
</tr>
<tr>
<td>15.</td>
<td>Alternative Exit and Restructuring Strategies: Divestitures, Spin-Offs, Carve-Outs, Split-Offs, and Tracking Stocks</td>
</tr>
</tbody>
</table>

Inside M&A: Calpine Emerges from the Protection of Bankruptcy Court 617
Chapter Overview 618
Business Failure 618
Voluntary Settlements with Creditors Outside of Bankruptcy 619
Reorganization and Liquidation in Bankruptcy 622
Case Study 16.1 Lehman Brothers Files for Chapter 11 in the Biggest Bankruptcy in U.S. History 625
Analyzing Strategic Options for Failing Firms 633
Failing Firms and Systemic Risk 635
Predicting Corporate Default and Bankruptcy 637
Valuing Distressed Businesses 640
Empirical Studies of Financial Distress 644
Some Things to Remember 646
Discussion Questions 646

Chapter Business Cases 648
Case Study 16.2 The General Motors’ Bankruptcy—The Largest Government-Sponsored Bailout in U.S. History 648
Case Study 16.3 Delta Airlines Rises from the Ashes 652

17. Cross-Border Mergers and Acquisitions: Analysis and Valuation

Inside M&A: InBev Buys an American Icon for $52 Billion 655
Chapter Overview 656
Distinguishing between Developed and Emerging Economies 656
Globally Integrated versus Segmented Capital Markets 657
Motives for International Expansion 659
Case Study 17.1 Ford Sells Volvo to Geely in China’s Biggest Overseas Auto Deal 660
Common International Market Entry Strategies 662
Structuring Cross-Border Transactions 665
Financing Cross-Border Transactions 667
Planning and Implementing Cross-Border Transactions in Emerging Countries 669
Valuing Cross-Border Transactions 670
Empirical Studies of Financial Returns to International Diversification 683
Some Things to Remember 686
Discussion Questions 686
Chapter Business Cases 688
Case Study 17.2 Overcoming Political Risk in Cross-Border Transactions: China’s CNOOC Invests in Chesapeake Energy 688
Case Study 17.3 Wal-Mart’s International Strategy Illustrates the Challenges and the Potential of Global Expansion 690

References 693
Glossary 715
Index 725
Contents of the Companion Site

Acquirer Due Diligence Question List
Acquisition Process: The Gee Whiz Media Integrative Case Study
Example of Applying Experience Curves to M&A
Example of Supernormal Growth Model
Example of Market Attractiveness Matrix (Updated)
Examples of Merger and Acquisition Agreements of Purchase and Sale
Excel-Based Mergers and Acquisitions Valuation and Structuring Model
Excel-Based Leveraged Buyout Valuation and Structuring Model
Excel-Based Decision Tree M&A Valuation Model
Excel-Based Model to Estimate Firm Borrowing Capacity
Excel-Based Offer Price Simulation Model (Updated)
Excel-Based Spreadsheet: How to Adjust Target Firm’s Financial Statements (Updated)
Excel-Based Spreadsheet: How to Value Distressed Businesses (New)
Excel-Based Spreadsheet: Determining Home Depot’s Equity Value Using the Enterprise Method (New)
Guidelines for Organizing ESOPs
Interactive Learning Library (Updated)
MCI/Verizon 2005 Merger Agreement
Primer on Cash-Flow Forecasting (Updated)
Primer on Applying and Interpreting Financial Ratios
Student Chapter PowerPoint Presentations (Updated)
Student Study Guide, Practice Questions, and Answers (Updated)
List of Business Case Studies

Chapter 1: Introduction to Mergers and Acquisitions 3

Inside M&A: Dell Moves into Information Technology Services 3

Strategic realignment*
1.1. Xerox Buys ACS to Satisfy Shifting Customer Requirements 47

Related diversification*
1.2. Assessing Proctor & Gamble’s Acquisition of Gillette 49

Horizontal merger*

Chapter 2: Regulatory Considerations 51

Inside M&A: The Limitations of Regulation—The Lehman Brothers Meltdown 51

Regulatory failure*
2.1. A Federal Judge Reprimands Hedge Funds in Their Effort to Control CSX 57

Enforcing securities laws*
2.2. Justice Department Requires Verizon Wireless to Sell Assets before Approving Alltel Merger 65

Consent decrees*
2.3. Google Thwarted in Proposed Advertising Deal with Chief Rival Yahoo! 70

Business alliances*
2.4. BHP Billiton and Rio Tinto Blocked by Regulators in an International Iron Ore Joint Venture 82

International antitrust*

2.5. Global Financial Exchanges Pose Regulatory Challenges 84

Regulating global markets**
2.6. The Legacy of GE’s Aborted Attempt to Merge with Honeywell 86

EU antitrust**

Chapter 3: The Corporate Takeover Market: Common Takeover Tactics, Antitakeover Defenses, and Corporate Governance 91

Inside M&A: Kraft Sweetens Its Offer to Overcome Cadbury’s Resistance 91

Hostile takeover*
3.1. Mittal Acquires Arcelor—A Battle of Global Titans in the European Corporate Takeover Market 126

Hostile cross-border takeover
3.2. Verizon Acquires MCI—The Anatomy of Alternative Bidding Strategies 128

Bidding strategy

Chapter 4: Planning: Developing Business and Acquisition Plans: Phases 1 and 2 of the Acquisition Process 135

Inside M&A: Nokia’s Gamble to Dominate the Smartphone Market Falters 135

Strategy implementation*
4.1. CenturyTel Buys Qwest Communications to Cut Costs and Buy Time as the Landline Market Shrinks 145

Defensive acquisition*

* A single asterisk indicates that the case study is new since the fifth edition of this book.

** A double asterisk indicates that the case study has been updated since the fifth edition.
4.2. HP Redirects Its Mobile Device Business Strategy with the Acquisition of Palm 152
   Strategic realignment*
4.3. Adobe’s Acquisition of Omniture: Field of Dreams Marketing? 163
   Industry consolidation*
4.4. BofA Acquires Countrywide Financial Corporation 165
   Opportunistic acquisition**

Chapter 5: Implementation:
Search through Closing:
Phases 3 through 10 169
Inside M&A: Bank of America Acquires Merrill Lynch 169
   Vision drives strategy*
5.1. Oracle’s Efforts to Consolidate the Software Industry 196
   Strategy realignment*
5.2. Exxon Mobil Buys XTO Energy in a Bet on Natural Gas 198
   Related diversification*

Chapter 6: Integration: Mergers, Acquisitions, and Business Alliances 203
Inside M&A: General Electric’s Water Business Fails to Meet Expectations 203
   Culture clash
6.1. HP Acquires Compaq—The Importance of Preplanning Integration 208
   Plan before executing
6.2. Integrating Supply Chains: Coty Cosmetics Integrates Unilever Cosmetics International 217
   IT integration challenges
6.3. Culture Clash Exacerbates Efforts of the Tribune Corporation to Integrate the Times Mirror Corporation 222
   Incompatible cultures**
6.4. Panasonic Moves to Consolidate Past Acquisitions 224
   Minority investors*
6.5. The Challenges of Integrating Steel Giants Arcelor and Mittal 228
   Integration implementation**
6.6. Alcatel Merges with Lucent, Highlighting Cross-Cultural Issues 230
   International culture clash

Chapter 7: A Primer on Merger and Acquisition Cash-Flow Valuation 235
Inside M&A: The Importance of Distinguishing between Operating and Nonoperating Assets 235
   Value of nonoperating assets
7.1. Hewlett-Packard Outbids Dell Computer to Acquire 3PAR 279
   Betting on new technology*
7.2. Creating a Global Luxury Hotel Chain 281
   Importance of understanding valuation assumptions

Chapter 8: Applying Relative, Asset-Oriented, and Real-Option Valuation Methods to Mergers and Acquisitions 283
Inside M&A: A Real-Options’ Perspective on Microsoft’s Dealings with Yahoo! 283
   Defining real options**
   Valuing startups**
8.2. Merrill Lynch and BlackRock Agree to Swap Assets 322
   Determining ownership percentages
Chapter 9: Applying Financial Modeling Techniques: To Value, Structure, and Negotiate Mergers and Acquisitions 325

Inside M&A: HP Buys EDS—The Role of Financial Models in Decision Making 325

The power of models

9.1. Cleveland Cliffs Fails to Complete Takeover of Alpha Natural Resources in a Commodity Play 357

Applying simulation models

9.2 Mars Buys Wrigley in One Sweet Deal 360

Analyzing synergy**

Chapter 10: Analysis and Valuation of Privately Held Companies 365

Inside M&A: Cashing out of a Privately Held Enterprise 365

Developing options

10.1. Panda Ethanol Goes Public in a Shell Corporation 401

Alternatives to IPO

10.2. Determining Liquidity Discounts—The Taylor Devices and Tayco Development Merger 403

Estimating and applying discounts**

Chapter 11: Structuring the Deal: Payment and Legal Considerations 409

Inside M&A: Pfizer Acquires Wyeth Labs Despite Tight Credit Markets 409

Financing transactions*

11.1. Flextronics Acquires DisplayWorks Using Fixed Value and Fixed Share Exchange Collars 430

Preserving value*

11.2. Buyer Consortium Wins Control of ABN Amro 437

Preselling assets**

11.3. Boston Scientific Overcomes Johnson & Johnson to Acquire Guidant—A Lesson in Bidding Strategy 444

Auction process**

11.4. Swiss Pharmaceutical Giant Novartis to Take Control of Alcon 446

Staged transactions*

Chapter 12: Structuring the Deal: Tax and Accounting Considerations 449

Inside M&A: Continued Consolidation in the Generic Pharmaceuticals Industry 449

Addressing shareholder needs**

12.1. Cablevision Uses Tax Benefits to Help Justify the Price Paid for Bresnan Communications 455

338 election*

12.2. Teva Pharmaceuticals Buys Barr Pharmaceuticals to Create a Global Powerhouse 477

Tax-advantaged sale*

12.3. Merck and Schering-Plough Merger—When Form Overrides Substance 480

Two-stage, tax-advantaged deal*

Chapter 13: Financing Transactions: Private Equity, Hedge Funds, and Leveraged Buyout Structures and Valuation 485

Inside M&A: Kinder Morgan Buyout Raises Ethical Questions 485

Potential conflicts of interest**

13.1. TXU Goes Private in the Largest Private Equity Transaction in History—A Retrospective Look 529

Private equity deal*
13.2. “Grave Dancer” Takes Tribune Corporation Private in an Ill-Fated Transaction 532
   Two-stage, tax-advantaged deal**

Chapter 14: Joint Ventures, Partnerships, Strategic Alliances, and Licensing 539

Inside M&A: Microsoft Partners with Yahoo!—An Alternative to Takeover? 539
   M&A alternative*
14.1. Determining Ownership Distribution in a Joint Venture 559
   Minority investment**
14.2. Estimating the Real Cost of Comcast’s Investment in NBC Universal 568
   Joint venture*
14.3. British Petroleum and Russia’s Rosneft Unsuccessful Attempt to Swap Shares 572
   International joint venture*

Chapter 15: Alternative Exit and Restructuring Strategies: Divestitures, Spin-Offs, Carve-Outs, Split-Ups, Split-Offs, and Tracking Stocks 575

Inside M&A: Bristol-Myers Squibb Splits off the Rest of Mead Johnson 575
   Split-offs of noncore businesses*
15.1. British Petroleum Sells Oil and Gas Assets to Apache Corporation 579
   Asset sale*
15.2 Motorola Bows to Activist Pressure 588
   Breakup*
15.3. Anatomy of a Spin-Off 590
   Spin-offs structure**
15.4. Anatomy of a Split-Off 593
   Split-off structure*
15.5. Kraft Foods Undertakes Split-Off of Post Cereals in Merger-Related Transaction 610
   Split-off related merger**
15.6. Sara Lee Attempts to Create Value through Restructuring 613
   Breakup strategy*

Chapter 16: Alternative Exit and Restructuring Strategies: Reorganization and Liquidation 617

Inside M&A: Calpine Energy Emerges from the Protection of Bankruptcy Court 617
   Chapter 11 Reorganization
16.1. Lehman Brothers Files for Chapter 11 in the Biggest Bankruptcy in U.S. History 625
   Liquidation of a financial services firm**
16.2. The General Motors Bankruptcy—The Largest Government-Sponsored Bailout in U.S. History 648
   363 reorganization*
16.3. Delta Airlines Rises from the Ashes 652
   Using Chapter 11 to renegotiate contracts

Chapter 17: Cross-Border Mergers and Acquisitions: Analysis and Valuation 655

Inside M&A: InBev Buys an American Icon for $52 Billion 655
   Cross-border auction**
17.1. Ford Sells Volvo to Geely in China’s Biggest Overseas Auto Deal 660
   Geographic diversification*
17.2. Overcoming Political Risk in Cross-Border Transactions: China’s CNOOC Invests in Chesapeake Energy 688
   Political risk in cross-border M&A risk*
17.3. Wal-Mart’s International Strategy Illustrates the Challenges and the Potential of Global Expansion 690
   International expansion**
Preface

To the Reader

Mergers, acquisitions, business alliances, and corporate restructuring activities are increasingly commonplace in both developed and emerging countries. Given the frequency with which such activities occur, it is critical for businesspeople and officials at all levels of government to have a basic understanding of why and how such activities take place. The objective of *Mergers, Acquisitions, and Other Restructuring Activities* is to bring clarity to what can be an exciting, complex, and sometimes frustrating subject. It is intended to help the reader think of the activities involved in mergers, acquisitions, business alliances, and corporate restructuring in an integrated way.

While all of the chapters in the book contain new content and have been revised and updated, 14 of them have undergone pervasive changes. Many of the finer details in each chapter have been moved to footnotes, resulting in a more streamlined, shorter, and less complex text. The chapters contain the latest academic research, with increased focus on recent empirical findings. Additional numerical examples have been included in more chapters to illustrate the application of important concepts.

About one-fourth of the book is devoted to business valuation and financial modeling. Chapters 7 and 8 are totally focused on commonly used alternative valuation methods. Chapter 9 addresses important modeling issues not covered in prior editions.

Chapters 10, 13, 16, and 17 deal with specialized valuation applications, including valuation of private firms, leveraged buyouts, distressed companies, and cross-border transactions. These chapters describe in detail the context in which these specialized situations occur.

Chapter 1 now includes examples that illustrate the important function that economies of scale and scope often play in mergers and acquisitions. Additional details on the roles of key participants in the M&A process are also provided.

Chapter 2 has been revised extensively to reflect the implications of the far-reaching Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) for governance; for the environment in which mergers, acquisitions, and other corporate restructuring activities occur; and for participants in the M&A and restructuring process. The chapter also contains recent U.S. Supreme Court rulings affecting the Sarbanes-Oxley Act, the impact of Regulation FD on announcement date financial returns, and the 2010 issuance by the U.S. Department of Justice and the Federal Trade Commission of updated guidelines for approving horizontal mergers.

The implications of the “say on pay” and “clawback” provisions of the Dodd-Frank Act are explored in Chapter 3, as well as changes in Securities and Exchange Commission regulations that have made it easier for shareholders to place their candidates for the board of directors on corporate ballots.

Chapter 5 contains a more in-depth discussion of the negotiation process and how to develop effective negotiating strategies. Chapter 7 provides a more detailed
discussion of the impact of risk on financial returns, the treatment of taxes in valuation, and the calculation of the market value of a firm’s debt under different scenarios, as well as alternative valuation methods and how to adjust enterprise cash flow to estimate a firm’s equity value per share. Chapter 8 now contains a discussion of studies documenting the valuation methods that are most commonly used in practice.

Chapter 9 includes a more rigorous discussion and illustration of how M&A Excel-based simulation models can be useful tools in the negotiation process. It also offers streamlined examples of estimating synergy and other aspects of the model-building process. The academic studies summarized in Chapter 10 that illustrate when and how to apply control premiums, liquidity, and minority discounts as part of the valuation process have been updated. The section in Chapter 11 on using collar arrangements to manage risk has been expanded, with more examples describing how to construct those based on fixed share exchange ratios and fixed value arrangements.

Chapter 12 has been updated to include a discussion of the implications of recent changes to accounting rules that apply to business combinations, additional examples, and the status of the pending convergence of GAAP with international accounting standards.

The discussion of tax structures and strategies also has been updated and streamlined. Chapter 13 has a more detailed discussion (including illustrations) of how LBOs create value and how such transactions are financed. Chapter 14 illustrates how joint ventures often are valued and how the distribution of ownership is determined. Chapter 15 includes a more detailed discussion of the divestiture process and how selling firms choose the appropriate selling process, as well as a discussion of those factors that have an impact on purchase price premiums.

Finally, Chapter 16 discusses a methodology for valuing firms that are experiencing financial distress and the Orderly Liquidation Authority created under the Dodd-Frank Act. All of the chapters reflect the latest academic research.

Three-fourths of the 72 case studies are new or have been updated from the previous edition, with most of the transactions discussed having taken place within the last four years. Eleven case studies involve cross-border or foreign transactions, four involve hostile takeovers, four deal with highly leveraged transactions, four involve private or family-owned businesses, eight address various aspects of deal structuring, and five involve firms experiencing financial distress. All of the case studies include discussion questions, with answers for all end-of-chapter and many “in-chapter” case study questions available in the Online Instructor’s Manual. Finally, the case studies involve transactions in a dozen different industries.

This sixth edition contains nearly 300 end-of-chapter discussion and review questions, problems, and exercises that give readers the opportunity to test their knowledge of the material. Many of the exercises will enable students to find their own solutions based on different sets of assumptions, using Excel-based spreadsheet models that are available on the book’s companion site. Solutions to all questions, problems, and exercises are available on the expanded Online Instructor’s Manual. The online manual now contains more than 1,600 true/false, multiple-choice, and short essay questions, as well as numerical problems.

In addition to Excel-based customizable M&A and LBO valuation and structuring software, PowerPoint presentations, and due
diligence materials, the companion website provides access to an interactive learning library. The learning library enables readers to test their knowledge by having their answers to specific questions scored immediately.

The site also contains a Student Study Guide and models for estimating a firm’s borrowing capacity and for adjusting a firm’s financial statements, as well as numerous illustrations of concepts discussed.

_Mergers, Acquisitions, and Other Restructuring Activities_ is intended for students in mergers and acquisitions, corporate restructuring, business strategy, management, and entrepreneurship courses. It works well at both the undergraduate and the graduate level. The text also should interest financial analysts, chief financial officers, operating managers, investment bankers, and portfolio managers. Others who may have an interest include bank lending officers, venture capitalists, government regulators, human resource managers, entrepreneurs, and board members.

From the classroom to the boardroom, this text offers something for anyone with an interest in mergers and acquisitions, business alliances, and other forms of corporate restructuring.

To the Instructor

This text is an attempt to provide organization to a topic that is inherently complex because of the diversity of applicable subject matter and the breadth of disciplines that must be involved to complete most transactions. Consequently, the discussion of M&A is not easily divisible into highly focused chapters. Efforts to compartmentalize the topic often result in the reader not understanding how seemingly independent topics are integrated. Understanding M&A involves an understanding of a full range of concepts, including management, finance, economics, business law, financial and tax accounting, organizational dynamics, and the role of leadership.

With this in mind, _Mergers and Acquisitions_ provides a new organizational paradigm for discussing the complex and dynamically changing world of M&A. It is organized according to the context in which events normally occur during mergers and acquisitions and so is divided into five parts: environment, process, valuation and modeling, deal structuring and financing, and alternative business and restructuring strategies. Topics that are highly integrated are discussed within these five groupings. (See Figure P.1 for the organizational layout of the book.)

_Mergers, Acquisitions, and Other Restructuring Activities_ equips the instructor with the information needed to communicate effectively with students who have different levels of preparation. The generous use of examples and the contemporary business cases makes the text suitable for distance-learning and self-study programs, as well as large, lecture-focused courses.

The extensive use of the end-of-chapter discussion questions, problems, and exercises (with answers available in the Online Instructor’s Manual) offers the opportunity to test students’ progress in mastering the material. Prerequisites for this text include familiarity with basic accounting, finance, economics, and management concepts.

**Online Instructor’s Manual**

The Online Instructor’s Manual contains PowerPoint presentations for each chapter (completely consistent with those found on the companion website), suggested learning objectives, recommended ways to teach the materials, detailed syllabi for both undergraduate- and graduate-level classes, examples of excellent papers submitted by the
author’s students, and an exhaustive test bank. It contains more than 1,600 test questions and answers (including true/false, multiple choice, short essay, case studies, and computational problems) and solutions to end-of-chapter discussion questions and case study questions.

The online manual also contains, in a file folder entitled “Preface to the Online Instructor’s Manual and Table of Contents,” suggestions on how to teach the course to both undergraduate and graduate classes.

Please e-mail the publisher, within North America, at textbooks@elsevier.com and emea.textbook@elsevier.com (outside North America) for access to the online manual. Include your contact information (name, department, college, address, e-mail, and phone number), along with course information, including course name and number, annual enrollment, book title, author, and ISBN.

All requests are subject to approval by the company’s representatives. For instructors who have already adopted this book, please go to textbooks.elsevier.com (Elsevier’s instructors’ website) and click on the button in the upper left corner entitled “Instructors’ Manual.” There you will find detailed instructions on how to gain access to the online manual.

**Student Study Guide**

The Student Study Guide on the companion website includes chapter summaries that highlight key learning objectives for each chapter, as well as true/false, multiple-choice, and numerical questions and answers to enhance the student’s learning experience.
Practical, Timely, and Diverse Examples and Current Business Cases

Each chapter begins with a vignette that is intended to illustrate a key point or points described in more detail as the chapter unfolds. Hundreds of examples, business cases, tables, and figures illustrate the application of key concepts. Many exhibits and diagrams summarize otherwise diffuse information and the results of numerous empirical studies substantiating key points made in each chapter.

Each chapter concludes with a series of 15 discussion questions and two integrative end-of-chapter case studies intended to stimulate critical thinking and test the reader’s understanding of the material. Six chapters include a series of practice problems and exercises to facilitate learning the chapter’s content.

Comprehensive Yet Flexible Organization

Although the text is sequential, each chapter was developed as a self-contained unit to enable adaptation to various teaching strategies and students with diverse backgrounds. The flexibility of the book’s organization also makes the material suitable for courses of various lengths, from one quarter to two full semesters. The amount of time required depends on the student’s level of sophistication and the instructor’s desired focus.

Undergraduates have consistently demonstrated the ability to master 8 or 9 chapters during a typical semester, whereas graduate-level students are able to cover effectively 12 to 14 chapters of the book during the same period.
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Dr. DePamphilis has managed more than 30 transactions through closing, including acquisitions, divestitures, joint ventures, minority investments, licensing, and supply agreements in a variety of industries. These industries include financial services, software, metals manufacturing, business consulting, healthcare, automotive, communications, textiles, and real estate. He earned a B.A. in economics from the University of Pittsburgh and an M.A. and a Ph.D. in economics from Harvard University.

Currently clinical professor of Finance at Loyola Marymount University in Los Angeles, Dr. DePamphilis teaches mergers and acquisitions, corporate restructuring, deal making, finance, micro- and macroeconomics, and corporate governance to undergraduate, MBA, and executive MBA students. He has served as chair of the Student Investment Fund at Loyola Marymount College of Business, and he is a recipient of the University’s Executive MBA Leadership Achievement Award.

Dr. DePamphilis has lectured on M&A and corporate restructuring, finance, and economics at the University of California, at Irvine, Chapman University, and Concordia University. As a visiting professor, he taught mergers and acquisitions at the Antai School of Management, Shanghai Jiao Tong University, in Shanghai.

Dr. DePamphilis’s more than 25 years of experience in various industries, include positions as vice president of Electronic Commerce for Experian Corporation, vice president of Business Development at TRW Information Systems and Services, senior vice president of Planning and Marketing at PUH Health Systems, director of Corporate Business Planning at TRW, and chief economist for National Steel Corporation. He also served as director of Banking and Insurance Economics for Chase Econometric Associates and as an economic analyst for United California Bank. While at United California, he developed a complex, interactive econometric forecasting model of the U.S. economy. He is a graduate of the TRW and National Steel Corporation Executive Management programs.

Dr. DePamphilis has authored numerous articles and books on M&A, business planning and development, marketing, and economics in peer-reviewed academic journals as well as business and trade publications. His books include the extremely popular Mergers, Acquisitions, and Other Restructuring Activities, now in this sixth edition; Mergers and Acquisitions Basics: All You Need to Know; and Merger and Acquisition Basics: Negotiation and Deal Structuring. This book has been translated into Chinese and Russian and is used in universities worldwide.

Dr. DePamphilis has also spoken to numerous industry and trade associations and customer groups and to Los Angeles community and business groups.

Frequently, Dr. DePamphilis serves as a consultant in litigation involving product and personal liability, patent infringement, and business valuation, including expert analysis and depositions in cases primarily
related to mergers and acquisitions. He also offers target selection, negotiation support, and business valuation services.

Please forward any comments and/or suggestions you may have about this book to the author at ddepamph@lmu.edu.