

TABLE OF CONTENTS

| | |
|--------------------------|-----|
| Acknowledgments. | iii |
|--------------------------|-----|

CHAPTER 1

Introduction: Definitions and Policy Background

| | | |
|--------|---|-------|
| § 1.01 | Subject Matter. | 1-1 |
| § 1.02 | Definition of a “True” Going Private Transaction | 1-3 |
| § 1.03 | Squeeze-Outs. | 1-5 |
| § 1.04 | Second and Third Step Take-Outs. | 1-6 |
| § 1.05 | Technical Going Private Transactions | 1-6.1 |
| § 1.06 | Definition of Neutralized Voting | 1-7 |
| § 1.07 | The Policy Background | 1-8 |

CHAPTER 2

A Brief History of the Going Private Issue

| | | |
|--------|---|------|
| § 2.01 | The Beginning. | 2-1 |
| § 2.02 | Early Cases | 2-2 |
| § 2.03 | The Opening Gun: <i>Bryan v. Brock & Blevins Co., Inc.</i> | 2-4 |
| § 2.04 | Commissioner Sommer’s Notre Dame Speech. | 2-5 |
| § 2.05 | The 1975 SEC Proposals | 2-7 |
| § 2.06 | The Mid-1970s: Writers and Courts Ponder While Issuers Merge. | 2-9 |
| § 2.07 | An Aside on Professor Cary and the Airlie House Symposium | 2-11 |
| § 2.08 | The 1977 Proposal | 2-13 |
| § 2.09 | Subsequent Judicial History: <i>Green, Singer, and Weinberger</i> | 2-15 |

| | | |
|--------|--|------|
| § 2.10 | Rule 13e-3 | 2-16 |
| § 2.11 | Commissioner Longstreth's Toronto Speech . . . | 2-17 |
| § 2.12 | The Rise of the Leverage Buy-Out | 2-19 |
| § 2.13 | The Effect of the Sarbanes-Oxley Act | 2-20 |
| § 2.14 | Summing Up | 2-21 |

CHAPTER 3

State Law: The Statutory Framework for Going Private Transactions; Leveraged Buy-Outs

| | | |
|--------|---|--------|
| § 3.01 | In General | 3-2 |
| § 3.02 | Forms of Transactions: Cash Transactions . . . | 3-3 |
| | [1] The Tender Offer Alternative | 3-3 |
| | [2] Merger | 3-3 |
| | [a] The Issue of Assignment | 3-5 |
| | [3] Reverse Stock Split | 3-5 |
| | [4] Asset Sale and Dissolution | |
| | Combinations | 3-7 |
| | [a] Asset Sale | 3-7 |
| | [b] Dissolution | 3-8 |
| | [5] Leveraged Buy-Outs (LBOs)— | |
| | A Financial Format | 3-10 |
| | [a] In General | 3-10 |
| | [b] When Is an LBO a Going Private Transaction? | 3-12 |
| | [c] Structure: Stock Transaction or Asset Transaction | 3-13 |
| | [d] Restructurings | 3-15 |
| | [6] ESOP Leveraged Buy-Outs | 3-17 |
| | [a] ESOPs as a Means of Going Private . . . | 3-17 |
| | [b] General ESOP Requirements | 3-19 |
| § 3.03 | Non-Cash Transactions | 3-20.2 |
| § 3.04 | Varieties of Merger Types | 3-21 |
| § 3.05 | Appraisal Rights | 3-24 |
| | [1] Availability of Appraisal | 3-24 |
| | [a] Generally | 3-24 |
| | [b] Long-Form Mergers | 3-25 |
| | [c] Short-Form Mergers | 3-26 |
| | [d] Reverse Stock Splits | 3-27 |
| | [e] Asset Sale/Dissolution | 3-27 |
| | [f] Share Exchange Program | 3-28 |
| | [2] Measure of Value | 3-28 |
| | [a] As a Going Concern | 3-31 |
| | [3] Procedure | 3-32.1 |

TABLE OF CONTENTS

vii

| | | |
|--------|--|------|
| | [4] Exclusivity of Appraisal Rights in Short-Form Merger | 3-35 |
| § 3.06 | State Anti-Takeover Statutes | 3-44 |
| | [1] Introduction. | 3-44 |
| | [2] Relevance to Going Private Transactions | 3-45 |
| | [3] Control Share Acquisition Statutes | 3-45 |
| | [a] Jurisdiction. | 3-45 |
| | [b] General Structure. | 3-46 |
| | [c] Some Specific Aspects | 3-48 |
| | [i] In General | 3-48 |
| | [ii] Formation of a Group. | 3-48 |
| | [iii] What Constitutes Voting Power? | 3-48 |
| | [iv] Appraisal Provisions. | 3-49 |
| | [v] Transfer | 3-49 |
| | [d] Application of Going Private Transactions. | 3-50 |
| | [4] Business Combination Statutes | 3-51 |
| | [a] Jurisdiction. | 3-51 |
| | [b] General Structure. | 3-51 |
| | [c] Opting In and Opting Out; Exclusions | 3-51 |
| | [d] The Delaware Statute | 3-52 |
| | [e] Application to Going Private Transactions. | 3-53 |
| § 3.07 | State Going Private Rules | 3-55 |
| § 3.08 | Summary of Formats | 3-57 |

CHAPTER 4

Going Private Issues Under State Law

| | | |
|--------|--|--------|
| § 4.01 | Introduction | 4-4 |
| § 4.02 | Fiduciary Duty of Directors | 4-6 |
| | [1] Business Judgment Rule | 4-6 |
| | [2] The <i>Weinberger</i> Case: Entire Fairness Standard | 4-14 |
| | [a] The <i>Weinberger</i> Decisions: Entire Fairness. | 4-14.1 |
| | [b] The Basic <i>Weinberger</i> Standard: When the Rule Applies. | 4-14.2 |
| | [c] “Entire Fairness” | 4-16 |
| | [d] Entire Fairness Does Not Require a Business Purpose. | 4-18 |
| § 4.03 | Application of the Entire Fairness Standard | 4-19 |

| | | |
|--------|--|--------|
| | [1] Safe Harbor Where There Is a Controlling Stockholder or an Interested Board | 4-19 |
| | [2] Application of the <i>Weinberger</i> Standard Where There Is a Majority Stockholder and No Safe Harbor | 4-26.9 |
| | [3] Application of the Standard in the Absence of a Majority Stockholder | 4-30 |
| | [4] Avoiding “Entire Fairness” Review Through Procedural Protections | 4-43 |
| | [5] A Group of Controlling Stockholders | 4-54.3 |
| | [6] Indemnification of Officers and Directors | 4-54.5 |
| § 4.04 | <i>Unocal</i> , <i>Cinerama</i> and <i>Revlon</i> | 4-55 |
| | [1] <i>Unocal</i> | 4-55 |
| | [a] Introduction | 4-55 |
| | [b] The Facts in <i>Unocal</i> | 4-55 |
| | [c] The <i>Unocal</i> Rule | 4-56 |
| | [i] Application of the <i>Unocal</i> Rule | 4-57 |
| | [d] Interpretations of <i>Unocal</i> Prior to <i>Paramount v. Time</i> | 4-58 |
| | [e] The <i>Time</i> Case | 5-62 |
| | [f] Consequences of Flunking the <i>Unocal</i> Test | 4-68 |
| | [2] <i>Cinerama, Inc. v. Technicolor, Inc.</i> | 4-70 |
| | [a] Entire Fairness | 4-71 |
| | [b] Duty of Loyalty | 4-81 |
| | [c] No Duty to “Shop” the Corporation | 4-86 |
| | [d] Cleansing Vote | 4-87 |
| | [3] <i>Revlon</i> | 4-87 |
| | [a] In General | 4-87 |
| | [b] The Facts in <i>Revlon</i> | 4-88 |
| | [c] The <i>Revlon</i> Ruling | 4-88 |
| | [d] When Do <i>Revlon</i> Duties Arise?: The “For Sale” Issue Prior to <i>Time</i> | 4-90 |
| | [e] When <i>Revlon</i> Duties Arise: The <i>Time</i> and <i>Paramount</i> Cases | 4-93 |
| | [f] <i>Omnicare v. NCS Healthcare</i> : Minority Stockholders and <i>Revlon</i> Protection | 4-98 |
| | [g] When <i>Revlon</i> Duties Arise: Stock v. Cash Offers | 4-106 |

TABLE OF CONTENTS

ix

| | | |
|--------|---|-------|
| | [h] <i>Revlon</i> Duties. | 4-107 |
| | [i] <i>Revlon</i> Duties: No Duty to Solicit Other Offers: Market Checks. | 4-113 |
| | [j] <i>Revlon</i> Duties: Go-Shop Provisions | 4-119 |
| | [k] <i>Revlon</i> Duties: Conducting an “Auction”. | 4-124 |
| | [l] <i>Revlon</i> Duties: Adequate Sales Process. | 4-127 |
| | [m] <i>Revlon</i> Duties: When They Arise, Focus on Affirmative Actions, and Exculpation Under <i>Lyondell</i> <i>Chemical Co. v. Ryan</i> | 4-140 |
| | [i] When <i>Revlon</i> Duties Arise. | 4-144 |
| | [ii] <i>Revlon</i> Requirements | 4-145 |
| | [iii] Bad Faith Requires More Than Acting Badly. | 4-146 |
| | [n] <i>Revlon</i> Duties: Application of <i>Lyondell</i> | 4-149 |
| | [o] <i>Lyondell</i> and the Fiduciary Duty of Loyalty. | 4-152 |
| | [p] Duties of Officers | 4-159 |
| | [q] Best Efforts of Parent Corporation | 4-159 |
| | [r] Contractual v. Duty of Loyalty Claims by Preferred Stockholders | 4-160 |
| | [i] Certificate of Designation and Similar Governing Documents | 4-160 |
| | [ii] Stock Plans | 4-164 |
| | [iii] Conflicts Between Preferred and Common Stockholders | 4-166 |
| | [s] Consideration of Other Offers. | 4-167 |
| | [i] Other Offers During Bidding. | 4-167 |
| | [ii] Other Offers While Agreement Is in Effect. | 4-169 |
| | [t] Fiduciary Out Clause | 4-170 |
| § 4.05 | Defensive Mechanisms in Contests for Corporate Control. | 4-172 |
| | [1] “Poison Pills” | 4-172 |
| | [a] Takeover by Groups of Bidders. | 4-173 |
| | [b] To Protect Against Unwanted Transfer of Stock to Outside Parties. | 4-174 |

GOING PRIVATE

| | | |
|--------|---|----------|
| | [c] To Protect the Usability of Net Operating Loss Carryforward | 4-176 |
| | [d] In Combination with a Non-Disclosure Agreement. | 4-178 |
| | [e] Transferability of Poison Pills | 4-179 |
| | [2] Proxy Puts. | 4-180 |
| | [3] Top-Up Options | 4-183 |
| | [4] Bylaws Amendments | 4-184 |
| | [5] Lock-Ups and Leg-Ups Generally. | 4-186 |
| | [a] General Definitions | 4-186 |
| | [b] When the Issue Will Arise | 4-187 |
| | [c] Lock-Ups and Leg-Ups in Contests for Corporate Control | 4-188.1 |
| | [d] Lock-Ups and Leg-Ups When There Is No Contest for Corporate Control | 4-190 |
| | [e] Lock-Ups and Leg-Ups Under <i>Paramount</i> | 4-192 |
| | [f] A Conclusion on Lock-Ups and Leg-Ups | 4-193 |
| § 4.06 | The Role of Independent Directors | 4-198 |
| | [1] Significance of Independent Directors | 4-198 |
| | [2] Conduct of Independent Directors: Duty of Care | 4-206 |
| | [3] Conduct of Independent Directors: Duty of Loyalty/Good Faith | 4-216.1 |
| | [4] Defining Independence. | 4-220.1 |
| | [5] Reviewing Special Litigation Committee Recommendations. | 4-230.1 |
| § 4.07 | Fairness Opinions in Corporate Control Transactions | 4-230.11 |
| | [1] In General. | 4-230.11 |
| | [2] The <i>Smith v. Van Gorkom</i> Decision | 4-233 |
| | [3] Criticism of Fairness Opinions | 4-234 |
| | [4] Investment Bank Liability in Connection with Fairness Opinions | 4-235 |
| § 4.08 | Financial Advisers (Bankers). | 4-242 |
| | [1] In General. | 4-242 |
| | [2] Duty to Disclose to the Investment Banker | 4-242 |
| | [3] Bankers Performance of Their Duties. | 4-242 |
| | [4] Independence | 4-243 |
| | [5] Liability. | 4-244 |
| § 4.09 | The New York Cases | 4-250 |
| | [1] In General. | 4-250 |

TABLE OF CONTENTS

xi

| | | |
|--------|---|-------|
| | [2] The Business Purpose Doctrine | 4-250 |
| | [3] The <i>Weinberger</i> Cause of Action in New York | 4-251 |
| | [4] Election of Remedies | 4-257 |
| | [5] The Martin Act | 4-258 |
| | [6] Structure of the Transaction | 4-258 |
| § 4.10 | Appraisals | 4-259 |
| | [1] Appraisal Proceedings | 4-259 |
| | [a] Determining Fair Value | 4-260 |
| | [b] Perfecting Appraisal Rights | 4-262 |
| | [2] Exclusivity of Appraisal Rights | 4-266 |
| | [a] Fairness Review | 4-270 |
| | [b] Interests of Common Stock | 4-270 |
| | [c] Rights of the Preferred Stockholder: Certificate of Designation | 4-271 |
| § 4.11 | Special Purpose Acquisition Corporations (SPACs) | 4-273 |

CHAPTER 5

Anti-Fraud Strictures of Federal Securities Law

| | | |
|--------|---|------|
| § 5.01 | In General | 5-1 |
| § 5.02 | The Federal Anti-Fraud Statutes: Initial Expectations | 5-3 |
| § 5.03 | The Federal Courts Begin to Look at the Issue | 5-5 |
| § 5.04 | <i>Marshel</i> and <i>Green</i> in the Second Circuit | 5-9 |
| § 5.05 | <i>Green</i> in the Supreme Court | 5-12 |
| § 5.06 | Federal Anti-Fraud Statutes: Claims Cut Down by <i>Green v. Santa Fe</i> | 5-16 |
| § 5.07 | Does Rule 10b-5 Ride Again? | 5-17 |
| | [1] The <i>Parklane</i> Decision | 5-17 |
| | [2] The “Sue Fact” Doctrine | 5-18 |

CHAPTER 6

Tax Aspects

| | | |
|--------|---|-----|
| § 6.01 | Introduction | 6-3 |
| § 6.02 | Forms of Transactions | 6-5 |
| § 6.03 | Transactions Taxable to Outside Shareholders (but Not to Target) | 6-6 |
| | [1] In General | 6-6 |

| | | | |
|--------|-------|---|------|
| | [2] | Purchase of Target Shares by Acquiring . . . | 6-6 |
| | [a] | Form | 6-6 |
| | [b] | Consequences for Outside Shareholders | 6-6 |
| | [i] | Fully Taxable Transactions . . . | 6-6 |
| | [ii] | Issuing Newco Stock to Acquire Target Stock | 6-7 |
| | [c] | Consequences for Target | 6-8 |
| | [i] | In General | 6-8 |
| | [ii] | Code Section 338 Election . . . | 6-10 |
| | [iii] | Consistency Rules | 6-12 |
| | [iv] | Code Section 336(e) Election . . . | 6-12 |
| | [d] | Consequences for Acquiring | 6-13 |
| | [e] | Consequences for Insiders | 6-14 |
| | [3] | Purchase of Target Stock in a Reverse Cash Merger | 6-16 |
| | [a] | Form | 6-16 |
| | [b] | Consequences for Outside Shareholders | 6-16 |
| | [c] | Consequences for Target | 6-17 |
| | [d] | Consequences for Insiders | 6-17 |
| | [4] | Redemption | 6-17 |
| | [a] | Form | 6-17 |
| | [b] | Consequences for Outside Shareholders | 6-17 |
| | [c] | Consequences for Target | 6-19 |
| | [d] | Consequences for Insiders | 6-20 |
| § 6.04 | | Transactions That Result in Recognition of Gain by Both Target and Its Shareholders . . . | 6-21 |
| | [1] | In General | 6-21 |
| | [2] | Asset Sales | 6-22 |
| | [a] | Form | 6-22 |
| | [b] | Consequences for Outside Shareholders | 6-22 |
| | [c] | Consequences for Target | 6-22 |
| | [d] | Consequences for Acquiring and Newco | 6-23 |
| | [i] | In General | 6-23 |
| | [ii] | Acquisition of Intangibles . . . | 6-24 |
| | [e] | Consequences for Insiders | 6-25 |
| | [f] | Liquidation-Reincorporation Issues . . . | 6-25 |
| | [3] | Forward Cash Mergers | 6-26 |
| | [a] | Form | 6-26 |
| | [b] | Consequences for Outside Shareholders | 6-27 |
| | [c] | Consequences for Target | 6-27 |

TABLE OF CONTENTS

xiii

| | | |
|--------|---|------|
| | [d] Consequences for Acquiring and New Sub | 6-27 |
| | [e] Consequences for Insiders. | 6-27 |
| § 6.05 | Transactions Not Taxable to Outside Shareholders | 6-28 |
| | [1] In General. | 6-28 |
| | [2] Tax-Free Mergers. | 6-28 |
| | [a] Form. | 6-28 |
| | [i] Mergers | 6-28 |
| | [ii] Triangular Mergers. | 6-29 |
| | [b] Qualification for Tax-Free Merger Treatment. | 6-29 |
| | [i] General Rules | 6-29 |
| | [ii] Additional Requirements for Qualification as a Tax-Free Triangular Merger | 6-31 |
| | [iii] Form Over Substance. | 6-33 |
| | [c] Consequences for Outside Shareholders | 6-33 |
| | [d] Consequences for Target. | 6-34 |
| | [e] Consequences for Acquiring and New Sub | 6-35 |
| | [f] Consequences for Insiders. | 6-35 |
| | [3] Tax-Free Recapitalizations. | 6-35 |
| | [a] In General | 6-35 |
| | [b] Form. | 6-36 |
| | [c] Consequences for Outside Shareholders | 6-36 |
| | [d] Consequences for Target. | 6-36 |
| | [e] Consequences for Insiders. | 6-36 |
| § 6.06 | Choice of Entity | 6-38 |
| | [1] In General. | 6-38 |
| | [2] Consequences of Using a C Corporation in a Going Private Transaction | 6-38 |
| | [3] Consequences of Using an S Corporation in a Going Private Transaction | 6-40 |
| | [4] Consequences of Using an Entity Treated as a Partnership for Federal Income Tax Purposes in a Going Private Transaction. | 6-42 |
| | [5] Going Private Transactions Involving Private Equity. | 6-44 |
| § 6.07 | Financing the Going Private Transaction | 6-46 |
| | [1] In General. | 6-46 |
| | [2] Deductibility of Business Interest | 6-47 |

| | | |
|-----|---|------|
| [3] | Original Issue Discount (“OID”) | 6-48 |
| [4] | Debt/Equity Recharacterization | 6-50 |
| [5] | ESOPs | 6-51 |
| [6] | Other Tax Issues | 6-51 |
| [a] | Installment Sale Reporting | 6-51 |
| [b] | Disposition of Unwanted Assets | 6-52 |
| [c] | Golden Parachutes | 6-53 |
| [d] | Pension Plan Terminations | 6-54 |

CHAPTER 7

Business Background

| | | |
|--------|---|------|
| § 7.01 | In General | 7-1 |
| § 7.02 | Why the Price Tends to Rise | 7-4 |
| § 7.03 | Facing Up to a Lawsuit | 7-6 |
| § 7.04 | Professional Fees and Other Expenses of the Transaction | 7-8 |
| [1] | Legal Fees | 7-8 |
| [2] | Accounting Fees | 7-9 |
| [3] | Financial Adviser Fees | 7-9 |
| [4] | Financial Commitment Fees | 7-11 |
| [5] | Printing Costs | 7-12 |
| § 7.05 | Margin Rules | 7-13 |
| § 7.06 | Going Private Transaction Timetable and Responsibility Checklist | 7-17 |

CHAPTER 8

Basic Structural Features: Legal Precepts in Practice

| | | |
|--------|---|------|
| § 8.01 | The Essentials | 8-1 |
| § 8.02 | Fair Pricing | 8-3 |
| [1] | Issues | 8-3 |
| [2] | Some Practical Advice for the Lawyer | 8-3 |
| § 8.03 | The Role of Independent Directors | 8-5 |
| [1] | In General | 8-5 |
| [2] | Seven Golden Rules for Independent Directors | 8-5 |
| § 8.04 | The Role of Independent Financial Advisers | 8-10 |
| § 8.05 | Neutralized Voting | 8-11 |
| [1] | Significance | 8-11 |
| [2] | Techniques of Neutralized Voting | 8-16 |

CHAPTER 9**Engaging Counsel and Financial Advisers**

| | | |
|--------|--|------|
| § 9.01 | The Counsel Problem: Who Is, or Should Be, Acting for Whom? | 9-1 |
| § 9.02 | Financial Advisers. | 9-6 |
| | [1] In General. | 9-6 |
| | [2] Fixing or Confirming the Price. | 9-6 |
| | [3] Qualification and Disqualification. | 9-7 |
| | [4] Hiring | 9-8 |
| | [5] What Financial Advisers Do | 9-9 |
| | [6] Negotiating the Engagement Letter. | 9-10 |
| § 9.03 | Financial Advisers' Opinion Letters | 9-13 |
| | [1] In General. | 9-13 |
| | [2] Form of Financial Advisers' Opinions | 9-13 |
| | [3] Financial Advisers' Opinions: Contents | 9-14 |
| § 9.04 | Who Should Pay the Professionals? | 9-15 |

CHAPTER 10**An Analysis of Rule 13e-3 and the
General Provisions of Schedule 13E-3**

| | | |
|---------|---|-------|
| § 10.01 | In General: Scope of Discussion | 10-3 |
| § 10.02 | Summary of the Rule | 10-5 |
| § 10.03 | Coverage of the Rule: Definition of a Rule 13e-3 Transaction | 10-7 |
| | [1] The Structure Test | 10-7 |
| | [a] Definition of "Purchase" | 10-8 |
| | [b] Definition of "Equity Security" | 10-9 |
| | [c] Definition of "Affiliate" | 10-9 |
| | [2] Effects Test and "Series of Transactions" Concept. | 10-13 |
| | [a] The Effects Test | 10-13 |
| | [b] The "Series of Transactions" Concept | 10-15 |
| § 10.04 | Exceptions to Coverage | 10-19 |
| | [1] Clean-Up Transactions. | 10-19 |
| | [a] The (g)(1) Tender Offer Exception. | 10-19 |
| | [b] Application of the "Unitary Transaction" Concept to Other Multi-Step Transactions | 10-22 |

| | | |
|----------|---|----------|
| | [c] Application to Leverage Buy-Outs . . . | 10-26 |
| | [2] Issuing Equity Securities: the (g)(2) Exception | 10-27 |
| | [3] Additional Technical Provisions | 10-34 |
| § 10.04A | A Possible Exemption for Transactions Under Section 3(a)(10). | 10-36 |
| | [1] Section 3(a)(10) | 10-36 |
| | [2] The <i>Brucker</i> Case. | 10-36.2 |
| | [3] The Commission. | 10-36.3 |
| | [4] The Courts' Fairness Determination of Section 3(a)(10)-Exempt Going Private Transactions. | 10-36.5 |
| | [5] A Possible Exemption Under Section 12(h) of the Exchange Act | 10-36.9 |
| | [6] How a Settlement May Meet the Requirements of Section 3(a)(10). | 10-36.11 |
| § 10.05 | When the Rule Bites: The Most Common Issues. | 10-36.15 |
| § 10.06 | Filing Requirements | 10-36.16 |
| | [1] Filing Requirements Where a Disclosure Document Is Otherwise Required. | 10-36.17 |
| | [2] Filing Requirements Where a Disclosure Document Is Not Otherwise Required | 10-36.18 |
| | [3] Form of Schedule 13E-3 to Be Filed | 10-36.19 |
| | [4] Fairness Opinions. | 10-36.20 |
| § 10.07 | Dissemination Requirements | 10-36.23 |
| | [1] Timing of Dissemination Where There Is an Otherwise Required Disclosure Document. | 10-36.23 |
| | [2] Timing of Dissemination Where There Is Not an Otherwise Required Disclosure Document. | 10-36.25 |
| | [3] To Whom Dissemination Is to Be Made. | 10-36.27 |
| | [4] Information Required to Be Distributed Under the Proxy Rules. | 10-36.27 |
| § 10.08 | Disclosure | 10-38 |
| | [1] General Requirement | 10-38 |
| | [2] Application of Other General Rules | 10-39 |
| § 10.09 | Schedule 13E-3 | 10-40 |
| | [1] Who Files Schedule 13E-3? | 10-40 |
| | [2] Compliance with the Schedule (Other Than Items 7, 8, and 9). | 10-43 |

TABLE OF CONTENTS

xvii

| | | |
|---------|--|---------|
| | [a] Item 1 | 10-43 |
| | [b] Item 92 (Item 1002 of Regulation M-A) | 10-44 |
| | [c] Item 5 (Item 1005(a)-(c) and (e) of Regulation M-A) | 10-44 |
| | [d] Item 6 (Item 1006(b) and (c)(1)-(8) of Regulation M-A) . . . | 10-46.1 |
| | [e] Item 10 (Item 1007 of Regulation M-A) | 10-46.1 |
| | [f] Item 11 (Item 1008 of Regulation M-A) | 10-46.1 |
| | [g] Item 12 (Item 1012(d) and (e) of Regulation M-A) | 10-46.2 |
| | [h] Item 13 (Item 1010(a) and (b) of Regulation M-A) | 10-46.2 |
| | [3] A 13e-3 Transaction in the Context of Settlement of Litigation | 10-46.2 |
| | [a] Background and Description of the Settlement and 13e-3 Transaction | 10-46.3 |
| | [b] The Settlement | 10-46.3 |
| | [c] Fairness of the Settlement | 10-46.4 |
| | [i] Fair Dealing and Fair Price . . . | 10-46.4 |
| | [ii] Settlement Notice | 10-47 |
| | [d] Fairness Opinion in Connection with the Settlement | 10-47 |
| | [4] A 13e-3 Transaction in the Context of a Merger | 10-48 |
| | [a] Background of the Merger | 10-49 |
| | [b] Fairness of the Merger | 10-50 |
| | [5] A Second 13e-3 Transaction in the Context of a Merger | 10-51 |
| § 10.10 | The SEC's Plain English Initiative | 10-54 |
| § 10.11 | SEC Adoption of Regulation M-A Release . . . | 10-55 |
| | [1] Reduction of the Timing Advantage of Cash Tender Offers Over Stock Tender Offers | 10-56 |
| | [2] Tender Offer Rules Updated | 10-57 |
| | [a] Tender Offer Commencement | 10-57 |
| | [b] "Subsequent Offering Periods" for Tender Offers | 10-59 |
| | [c] Financial Statement Disclosure | 10-60 |
| | [d] Target Reporting Requirements | 10-61 |
| | [e] Prohibiting Purchases Outside an Offer: New Rule 14e-5 | 10-62 |

CHAPTER 11

The Fairness Disclosure Standard of Rule 13e-3

| | | |
|---------|---|-------|
| § 11.01 | What Is Fair? | 11-1 |
| § 11.02 | Required Fairness Disclosures | 11-3 |
| § 11.03 | The Courts and the SEC Expound on Fairness | 11-4 |
| § 11.04 | Concerning “Purpose” | 11-19 |

CHAPTER 12

Fairness Disclosure Items: Analysis and Examples

| | | |
|---------|--|---------|
| § 12.01 | Methods of Presentation | 12-2 |
| § 12.02 | Item 7: Purposes, Alternatives, Reasons and Effects | 12-4 |
| § 12.03 | Item 1013(a) of Regulation M-A: Purposes | 12-5 |
| | [1] In General | 12-5 |
| | [2] Analysis and Examples | 12-5 |
| | [a] Operating Flexibility and Avoidance of Conflicts of Interest | 12-5 |
| | [b] Lower Expenses | 12-7 |
| | [c] Competitive Disadvantages | 12-8 |
| | [d] Employee Compensation | 12-9 |
| | [e] Market Response to Public Status | 12-9 |
| | [f] A Good Investment | 12-12 |
| | [g] Class Action Settlement | 12-12 |
| § 12.04 | Item 1013(b) of Regulation M-A: Alternatives | 12-14 |
| § 12.05 | Item 1013(c) of Regulation M-A: Structure | 12-16 |
| § 12.06 | Item 1013(c) of Regulation M-A: Timing | 12-20 |
| § 12.07 | Item 1013(d) of Regulation M-A: Effects | 12-22.1 |
| § 12.08 | [Reserved] | 12-25 |
| § 12.09 | Item 1014: Fairness of the Transaction | 12-26 |
| § 12.10 | Item 1014(a) of Regulation M-A: Reasonable Belief | 12-27 |
| § 12.11 | Item 1014(a) of Regulation M-A: Abstaining or Dissenting Directors | 12-29 |
| § 12.12 | Item 1014(b) of Regulation M-A: Material Factors in Fairness Evaluation | 12-31 |
| | [1] In General | 12-31 |
| | [2] Liquidation Value | 12-35 |

TABLE OF CONTENTS

xix

| | | |
|---------|--|-------|
| § 12.13 | Item 1014(c) of Regulation M-A: Neutralized Voting | 12-37 |
| § 12.14 | Item 1014(d) of Regulation M-A: Advisers for the Independent Directors. | 12-40 |
| § 12.15 | Item 1014(e) of Regulation M-A: Approval by Independent Directors. | 12-41 |
| § 12.16 | Item 1014(f) of Regulation M-A: Other Firm Offers. | 12-42 |
| § 12.17 | Item 1015 of Regulation M-A: Reports, Opinions, Appraisals and Certain Negotiations | 12-43 |
| § 12.18 | Item 1015(a) of Regulation M-A: Disclosable Reports | 12-44 |
| § 12.19 | Items 1015(b) and 1015(c) of Regulation M-A: Details of the Outside Report | 12-46 |
| § 12.20 | Contents and Form of a Schedule TO Tender Offer Statement as Required Under Sections 14(d)(1) or 13(e)(1). | 12-47 |
| § 12.21 | Other Required Disclosures Concerning Item 9 Reports | 12-49 |

CHAPTER 12A

Going Dark

| | | |
|----------|---|--------|
| § 12A.01 | In General | 12A-1 |
| § 12A.02 | Some Considerations in Going Dark. | 12A-9 |
| § 12A.03 | How to Go Dark. | 12A-11 |
| | [1] Under 300/500 Holders of Record | 12A-11 |
| | [a] 12(b) Registrants | 12A-11 |
| | [b] 12(g) Registrants | 12A-12 |
| | [c] 15(d) Registrants | 12A-12 |
| | [2] Over 300/500 Holders of Record | 12A-15 |
| | [3] Reverse Stock Splits | 12A-16 |
| | [4] Issuer Self-Tender Offers. | 12A-19 |
| § 12A.04 | Over the Counter Market | 12A-20 |
| § 12A.05 | <i>Form</i> : SEC Form 15. | 12A-21 |
| § 12A.06 | <i>Form</i> : SEC Form 25. | 12A-23 |
| § 12A.07 | Press Release Examples | 12A-27 |

GOING PRIVATE**CHAPTER 13****Managing a Going Private
Transaction: What Happens When**

| | | |
|---------|--|-------|
| § 13.01 | Starting Out | 13-1 |
| | [1] Should the Transaction Start with a Price Offer? | 13-2 |
| | [2] Contingent Cash Payment | 13-3 |
| | [3] Winging It Alone v. Utilizing a Financial Adviser | 13-5 |
| § 13.02 | The First Board Meeting | 13-7 |
| § 13.03 | The First Press Release | 13-9 |
| § 13.04 | The Busy Independent Directors | 13-11 |
| § 13.05 | The Second Board Meeting: Voting | 13-15 |
| § 13.06 | Subsequent Sale Protection | 13-17 |
| § 13.07 | The Rival Offer | 13-19 |

CHAPTER 13A**Analysis of a Going Private Transaction**

| | | |
|----------|--|---------|
| § 13A.01 | Introduction | 13A-2 |
| § 13A.02 | Rationale for the Offer | 13A-3 |
| § 13A.03 | Submission of the Offer by the Proponent | 13A-4 |
| § 13A.04 | Formation of the Special Committee | 13A-6 |
| § 13A.05 | Advisers to the Special Committee | 13A-8.1 |
| § 13A.06 | Duties and Functions of the Advisers to the Special Committee | 13A-10 |
| | [1] In General | 13A-10 |
| | [2] Selection of Legal Counsel | 13A-11 |
| | [3] Engagement of the Financial Adviser | 13A-12 |
| § 13A.07 | Valuation of the Company by the Financial Adviser | 13A-16 |
| | [1] Valuation Analysis of the Company | 13A-16 |
| | [2] Negotiation of the Proponent's Offer | 13A-18 |
| | [3] The Final Offer and the Decision to Proceed | 13A-19 |
| § 13A.08 | Structure of the Transaction | 13A-22 |
| § 13A.09 | Aspects of the Merger Agreement | 13A-25 |
| | [1] In General | 13A-25 |
| | [2] The No-Shop Clause | 13A-25 |
| | [3] The Break-Up Fee | 13A-27 |
| | [a] Market Termination Fee | 13A-29 |
| § 13A.10 | Neutralized Voting | 13A-30 |
| § 13A.11 | Securities Law Compliance | 13A-31 |

TABLE OF CONTENTS

xxi

| | | |
|----------|--|--------|
| § 13A.12 | Retaining Attorney Client Privilege for the Client. | 13A-33 |
| § 13A.13 | Inclusion of Terms in Merger Agreements | 13A-35 |

CHAPTER 14

Closing and Post-Closing Matters

| | | |
|---------|--|--------|
| § 14.01 | Introduction | 14-1 |
| § 14.02 | Closing Aspects. | 14-2 |
| | [1] Stock Transfer | 14-2 |
| | [2] Escheat | 14-2 |
| | [3] Appraisal Rights. | 14-2 |
| | [4] Conducting the Meeting. | 14-4.3 |
| § 14.03 | Final Amendment to Schedules 13E-3 and TO | 14-5 |
| § 14.04 | Terminating Filing Requirements. | 14-6 |

CHAPTER 15

Tender and Exchange Offers in Going Private Transactions

| | | |
|---------|--|-------|
| § 15.01 | Introduction | 15-1 |
| § 15.02 | What Rule Applies to Which Issuer | 15-6 |
| § 15.03 | An Overview of Rule 13e-4. | 15-8 |
| § 15.04 | An Overview of Tender Offer Mechanics. | 15-10 |
| | [1] Timing. | 15-10 |
| | [2] Proration | 15-11 |
| | [3] Withdrawal Rights | 15-11 |
| | [4] Disclosure | 15-11 |
| | [5] Top-Up Option. | 15-14 |
| § 15.05 | A Possible Exception Under Section 3(a)(10) | 15-15 |

CHAPTER 16

A Litigation Postscript

| | | |
|---------|--|--------|
| § 16.01 | Timing and Nature of Complaints. | 16-1 |
| § 16.02 | Defensive Strategies | 16-3 |
| | [1] Delaying Strategies. | 16-3 |
| | [2] Defensive Strategies: Forum Selection and Fee-Shifting Bylaws | 16-5 |
| § 16.03 | Settlements | 16-6.9 |

| | | |
|---------|--|------|
| § 16.04 | Private Right of Action Under Section 13(e) | 16-7 |
| | [1] Remedies for Breach | 16-7 |
| § 16.05 | Litigation Over Merger Agreements | 16-8 |

Appendix

| | | |
|------------------------|---|------|
| APPENDIX A: | Summary of Certain Significant Terms in Recent M&A Agreements. . . . | A-1 |
| APPENDIX B: | Special Purpose Acquisition Corporations (SPAC) Deals | B-1 |
| APPENDIX C: | Prospectus Summary of the dMY Technology Group, Inc. III | C-1 |
| TABLE OF CASES. | | TC-1 |
| INDEX | | I-1 |