

Taxation of Mergers and Acquisitions (GBUS 816)
Course Overview
2008-2009
Quarter 3

Summary of Course Objectives:

- Explore how the structure of a deal compliments or interferes with the strategic objectives of restructuring strategies.
- Develop an understanding of how the structure of a deal can create or eliminate the negotiating room between the buyer and seller.
- Generate an awareness of the trade-offs between tax and non-tax issues when structuring a deal.
- Provide a solid foundation of the fundamental tax law that affects restructuring strategies.

This course analyzes different ways to structure mergers, acquisitions and divestitures, which will enable students to make better decisions, give better recommendations and be better negotiators. Students will also analyze how tax and non-tax consequences affect the after-tax value of the different deal structures. Students will obtain a basic understanding of the fundamental tax consequences of various restructuring strategies and review differences between tax law and financial accounting rules.

While students will not become tax experts, they will become more effective business managers and advisors because they will have an awareness of the tax and non-tax implications of recommended deal structures. The goal of this course is to change the way students think about how they transact and at what price they transact in order to give them a competitive advantage in the MBA labor market.

As part of the strategic restructuring decision, the structure of the deal must be addressed. Taxes play an important role in the choice of a deal structure and in some cases can prevent deals from occurring. The course focuses on understanding the trade-offs between tax and non-tax consequences and the implications that these consequences have on the value of the deal.

For Whom This Course Is Intended:

This course is intended for managers and their advisors, who will implement or recommend restructuring strategies, and whose objective is to maximize value. Primarily students seeking careers in investment banking, private equity, venture capital, corporate finance, corporate development and management consulting will find this course of interest.

Topics:

The course addresses both the acquirer (buyer) and target (seller) perspectives and concentrates on U.S. federal income tax issues. While the course focuses on the restructuring of C-corporations, the course also addresses pass through entities such as S-corporations, limited liability companies (LLCs) and partnerships. Topics covered include taxable asset acquisitions, taxable stock acquisitions with and without 338 and 338(h)(10) elections, tax-deferred reorganizations and divestitures, net operating losses and goodwill.

Principal Mode(s) Of Instruction: Cases/Problem Sets; Articles

Study groups: I recommend working in groups. This material is difficult and two or more heads can be better than one.

Prerequisites: You do not need any prior knowledge of taxation to take this course. GBUS 819 and GBUS 857 are helpful but are not required.

Grading Policy:

50% Class contribution
50% Exam

Attendance Policy:

The attendance policy is consistent with first year. Attendance is required for all classes. If you must be absent, please send me an email prior to class explaining your absence. Any absence will prevent you from receiving a daily contribution grade and students with more than two unexcused absences cannot receive an overall class contribution grade higher than a "B-".

Auditing:

While I understand the desire to audit this course, I do not permit auditing because 1) this material is difficult and requires students' full attention to internalize the material and 2) it can disturb the classroom dynamics.

Materials:

Course pack published by Darden available at the bookstore (loose leaf so you will need a binder)

Course pack published by Prentice Hall available at the bookstore

Other materials will be distributed throughout the quarter.

FRAMEWORK

<i>DAY 15</i> REVIEW
<i>DAY 14</i> LIQUIDITY EVENTS AND ESTATE PLANNING

TAX-DEFERRED DIVISIVE REORGANIZATIONS
<i>DAY 12 and 13</i> SPIN-OFFS

TAX-DEFERRED ACQUISITIVE REORGANIZATIONS		
<i>DAY 9</i> “A”, “B”, FORWARD TRIANGULAR “A” REVERSE TRIANGULAR “A”	<i>DAY 10</i> VALUATION	<i>DAY 11</i> DOUBLE DUMMY TRANSACTIONS

TAXABLE ACQUISITIONS				
<i>DAY 3 and 4</i> TARGET IS A FREE- STANDING C- CORPORATION	<i>DAY 5</i> GOODWILL: TAX VERSUS FINANCIAL ACCOUNTING	<i>DAY 6</i> NOLS	<i>DAY 7</i> TARGET IS A SUBSIDIARY	<i>DAY 8</i> TARGET IS A S- CORPORATION

BACKGROUND	
<i>DAY 1</i> OVERVIEW OF DEAL DESIGN	<i>DAY 2</i> OVERVIEW OF KEY TAX CONCEPTS

TENTATIVE Calendar: Quarter 3, Spring 2009

January 2009				
Monday	Tuesday	Wednesday	Thursday	Friday
12 Assignment 1: Background Overview of Deal Design Guest: A. Hugh Ewing III ('71), Ewing, Bemiss & Co. and Ken Newsome ('86), Ceres Industries The Dough Companies	13 Assignment 2: Background Overview of Key Tax Concepts Reading and questions	14 Assignment 3: Taxable Acquisitions Taxable Acquisitions Target is a free-standing C-corporation Reading and exercise	15	16
19	20 Assignment 4: Taxable Acquisitions Target is a free-standing C-corporation Exercise (con't)	21 Assignment 5: Goodwill IRC Section 197 versus SFAS 141, 141R and 142 Analyze financial statements	22	23
26 Assignment 6: Net Operating Losses (NOLs) Lucent - Alcatel S.A. Deal	27 Assignment 7: Taxable Acquisitions with 338(h)(10) elections Target is a subsidiary Snapple Deals	28	29	30

February 2009				
Monday	Tuesday	Wednesday	Thursday	Friday
02 Assignment 8: Taxable Acquisitions with 338(h)(10) elections Target is an S-Corporation Hi-Stat Deal	03 Assignment 9: Tax-deferred Reorganizations “A”, Forward triangular “A” Reverse triangular “A”, “B” Reading and Exercises	04	05	06
09 Assignment 10: Tax-deferred Reorganizations Valuation MCI – Worldcom Deal	10 Assignment 11: Tax-deferred Reorganizations Double Dummy Transactions Oracle-Siebel Deal	11	12	13
16 Assignment 12: Tax-deferred Divisive Reorganizations Spin-offs, Split-offs, etc. Reading and Exercises	17 Assignment 13: Tax-deferred Divisive Reorganizations Morris Trust Transactions Reading and Exercises (con’t)	18	19	20
23 Assignment 14: Liquidity Events and Estate Planning Guest: Edward Bennett (MBAJD ’78, BA ’76) with Evans, Carter, Kunes & Bennett PA	24 Assignment 15: Review FINAL EXAMS DUE ON WEDNESDAY MARCH, 4th BY 5:00PM IN FOB 187	25	26	27