

TABLE OF CONTENTS

(NOTE: This is a summary Table of Contents. A more detailed Table of Contents for each part is provided following the tabs VALUATION, TAX CONSEQUENCES, ACCOUNTING RULES, and LEGAL PROCESS)

INTRODUCTION.....	1
ACRONYMS AND ABBREVIATIONS.....	Acronyms 1

PART I: VALUATION

Part I Contents.....	V i
----------------------	-----

I. PREPARING FOR VALUATION	V-I 1
A. Price versus Value.....	V-I 1
B. Seller's Preparation.....	V-I 9
C. Buyer's Preparation.....	V-I 15

Procedures V-I

II. APPROACHES TO VALUATION	V-II A 1
A. Overview	V-II A 1
Procedures V-II A	
B. Balance Sheet (Asset-Based) Approach	V-II B 1
Procedures V-II B	
C. Income Statement (Income-Based) Approach	V-II C 1
Procedures V-II C	
D. Market Value Approach	V-II D 1
Procedures V-II D	
E. Interrelationships of Valuation Methods	V-II E 1
F. Criteria for Selecting a Valuation Method	V-II F 1
Procedures V-II F	
G. Reconciliation Process	V-II G 1
Procedures V-II G	

III. DISCOUNTS AND PREMIUMS	V-III 1
A. Overview.....	V-III 1
B. Discounts.....	V-III 3
C. Premiums.....	V-III 11
D. Trends.....	V-III 17

Procedures V-III

IV. SPECIFIC TYPES OF COMPANIES	V-IV 1
A. Industry Issues.....	V-IV 1
B. Case Studies	V-IV 10
C. Multi-Business Entities.....	V-IV 14
D. Unique Applications	V-IV 18
E. Going Private or “Sarbox” Valuations.....	V-IV 29
F. eBay Valuations.....	V-IV 32

Procedures V-IV

V. PACKAGING THE COMPANY	V-V 1
A. The Art of the Deal — How to Package the Company by Raising Its Value	V-V 1
B. Value Creation	V-V 3
C. Value Creation Models.....	V-V 7
D. Business Continuity	V-V 13
E. Exit Strategies.....	V-V 16
F. Pre-Bankruptcy Strategies.....	V-V 21

Procedures V-V

VI. OTHER CONSIDERATIONS	V-VI 1
A. Effect of the Basel Capital Accord.....	V-VI 1
B. Effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act	V-VI 2.2
C. Effect of the Sarbanes-Oxley Act.....	V-VI 3
D. Venture Capital Valuations	V-VI 7
E. Arm’s Length Valuations	V-VI 10
F. Private Company Equity Securities Valuations	V-VI 11

VII. RESPONDING TO MARKET CONDITIONS	V-VII 1
A. Valuation in Depressed Markets	V-VII 1
B. Selling in a Buyer’s Market	V-VII 5

RESOURCES V

Contents.....	V Resources i
---------------	---------------

SUPPLEMENTS V

Contents.....	V Supplements i
---------------	-----------------

PART II: TAX CONSEQUENCES

Part II Contents	T i
I. NATURE AND SCOPE OF TAX ISSUES.....	T-I 1
A. Scope for the Buyer	T-I 1
B. Scope for the Seller	T-I 2
C. Structure of the Acquisition Transaction	T-I 3
Procedures T-I	
II. TAX OBJECTIVES	T-II 1
A. Buyer's Tax Objectives	T-II 1
B. Seller's Tax Objectives	T-II 10
Procedures T-II	
III. TAXABLE ACQUISITION METHODS	T-III 1
A. Sale of Stock.....	T-III 1
B. Sale of Assets.....	T-III 11
Procedures T-III	
IV. TAX-DEFERRED ACQUISITION METHODS.....	T-IV 1
A. General Requirements.....	T-IV 2
B. Acquisition Reorganization Provisions	T-IV 8.4
C. Divisive Reorganization as a Precursor to Acquisition	T-IV 15
D. Acquisitive Reorganization and Debt	T-IV 18
E. Acquisition Merger Followed by Liquidation	T-IV 19
Procedures T-IV	
V. OTHER CONSIDERATIONS AND TECHNIQUES.....	T-V 1
A. Planning Issues — American Jobs Creation Act of 2004.....	T-V 1
B. Use of S Corporations.....	T-V 10
C. Financing Techniques.....	T-V 16
D. Estate Planning Techniques	T-V 18
E. International Reorganization Issues.....	T-V 26.7
F. Impact of the Sarbanes-Oxley Act on Tax Planning.....	T-V 29
G. Impact of IRS, PCAOB, and FASB Policies on Tax Shelters and Uncertain Tax Positions	T-V 31
H. Effect of Various Federal Acts and Initiatives.....	T-V 34
I. State Tax Issues	T-V 51
J. Tax Deductions and Credits.....	T-V 53
K. IRS Audits of Large and Mid-Size Businesses.....	T-V 55
L. Interpretive versus Legislative IRS Regulations.....	T-V 58
Procedures T-V	

SUPPLEMENTS T

Contents..... T Supplements i

PART III: ACCOUNTING RULES

Part III Contents A i

I. HISTORY AND OVERVIEW OF FINANCIAL ACCOUNTING METHODSA-I 1
A. Historical Development of Accounting Methods..... A-I 1
B. Overview of Present Requirements for Business Combinations A-I 8
C. Convergence of U.S. and Foreign Standards A-I 12
D. Adoption of IFRS A-I 17
E. Standard Setting for Private Companies..... A-I 19
F. Financial Executives International Proposal for Private Company GAAP A-I 20

Procedures A-I

II. ACQUISITION METHOD OF ACCOUNTINGA-II 1
A. Considerations under Statements 141(R) and 142 / ASC 805 and ASC 350..... A-II 4
B. Intangible Assets..... A-II 18

Procedures A-II

III. FINANCIAL VERSUS TAX ACCOUNTINGA-III 1
A. Comparison of Financial and Tax Accounting Requirements..... A-III 1
B. Acquisition Accounting for Tax-Free and Taxable Acquisitions..... A-III 3

IV. DISCLOSURE STANDARDS AND PLANNING A-IV 1
A. Disclosure A-IV 1
B. Pre-combination Planning..... A-IV 3
C. Executing the Business Combination..... A-IV 6
D. Post-combination Planning A-IV 8

Procedures A-IV

SUPPLEMENTS A

Contents.....A Supplements i

PART IV: LEGAL PROCESS

Part IV Contents.....	L i
I. INTRODUCTION.....	L-I 1
A. The Overall Process	L-I 1
B. Sale or Liquidation?	L-I 1
C. Indirect Outsourcing via Bankruptcy Acquisitions and Restructurings	L-I 3
D. Insolvency Environment.....	L-I 4
E. Valuation Strategy Contracts	L-I 7
F. Strategic Restructuring	L-I 8
G. Foreign Acquisitions.....	L-I 11
H. De Facto Public Company	L-I 12
I. Pre-IPO Secondary Market.....	L-I 14
Procedures L-I	
II. NEGOTIATION: THE COURTSHIP	L-II 1
A. Objectives of the Parties	L-II 1
B. Pricing Strategies.....	L-II 6
C. Payment Guarantees	L-II 11
D. Earnouts	L-II 13
E. SBA Funding Increases under the Small Business and Jobs Act of 2010	L-II 14
Procedures L-II	
III. DUE DILIGENCE: THE ENGAGEMENT	L-III 1
A. Letter of Intent.....	L-III 1
B. Nature of Due Diligence	L-III 2
C. Elements of Due Diligence.....	L-III 4
D. Seller's Due Diligence.....	L-III 16
E. Post-Due Diligence	L-III 17
Procedures L-III	
IV. ACQUISITION AGREEMENT: THE MARRIAGE.....	L-IV 1
A. Elements of the Acquisition Agreement	L-IV 1
B. Closing Process	L-IV 8
Procedures L-IV	
V. POST-ACQUISITION COMPLIANCE: THE HONEYMOON	L-V 1
A. The Integration Plan.....	L-V 1
B. Exit Strategies.....	L-V 15
C. Strategic Planning for a Turnaround	L-V 18
D. Killing the Deal: Force Majeure Clauses	L-V 20
Procedures L-V	