

# [Finance and leverage buyout assignment](https://assignbuster.com/finance-and-leverage-buyout-assignment/)

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Restructuring Firms & Industries, Fall 2011 Prof Harvey Poniachek Questions for Harvard Case Studies CASES SHOULD BE DONE BY TEAMS OF UP TO FOUR STUDENTS. EACH CASE WOULD BE PRESENTED AND DEFENDED IN CLASS BY TWO TEAMS. I EXPECT MANY OF YOU TO MAKE CLASS PRESENTATIONS BY UTILIZING POWERPOINT AND/OR OTHER MEANS. THE QUESTIONS BELOW WERE SUGGESETD BY THE AUTHORS AND ADDRESS MAIN THE ISSUES IN EACH CASE, BUT YOU MAY EDIT / CONSOLIDATE THEM IF YOU FIND IT NECESSARY / CONVENIENT IN WRITING UP YOUR CASE.

Cooper industries 1. If you were Mr. Cizik of Cooper Industries, would you try to gain control of Nicholson File Co in May 1972? 2. What is the maximum price that Cooper can afford to pay for Nicholson and still keep the acquisition attractive from the standpoint of Cooper? 3. What are the concerns and what are the bargaining position of each group of Nicholson stockholders? What must Copper offer each group in order to acquire its shares? 4.

On the assumption that Cooper’s management wants to acquire at least 80% of the outstanding shares of Nicholson and to make the same offer to all stockholders, what offer must Cooper management make in terms of the dollar value and the form of payments? 5. What should Mr. Cizik recommend that the Cooper management do? CONGOLEUM CORP 1. WHAT CHARACTERISTICS OF CONGOLEUM MAKE IT A LIKELY CANDIDATE FOR A LEVERAGE BUYOUT? 2. WHY WOULD INSTITUTIONAL INVESTORS BE WILLING TO FINANCE A LEVERAGE BUYOUT WITH THE CAPITAL STRUCTURE PROPOSED? 3.

WHAT RETURN WOULD BE APPROPRIATE FOR THE INSTITUTIONAL INVESTORS ON AN INVESTMENT WITH THIS RISK LEVEL? WHAT RETURN WILL THE INSTITUTIONAL INVESTORS REALIZE IF THEIR TIME HORIZON FOR THE INVESTMENT IS 5 YEARS AND THE PROJECTIONS OF EX. #13 ARE REALIZED? 4. WHERE WILL THE VALUE FOR THE 50% ACQUISITION PREMIUM COME FROM IN THE PROPOSED BUYOUT? 5. WHAT IS THE SIZE OF THE POTENTIAL REWARD FOR THE MANAGEMENT OF THE CONGOLEUM IN THE LEVERAGE BUYOUT? 6. WHAT ARE THE BENEFITS AND DISADVANTAGES ASSOCIATED WITH THE SURGE IN THE LEVERAGE BUYOUT ACTIVITIES IN THE 1980s?