

A Guide

ON THE BASIC TYPES OF MERGERS AND ACQUISITIONS

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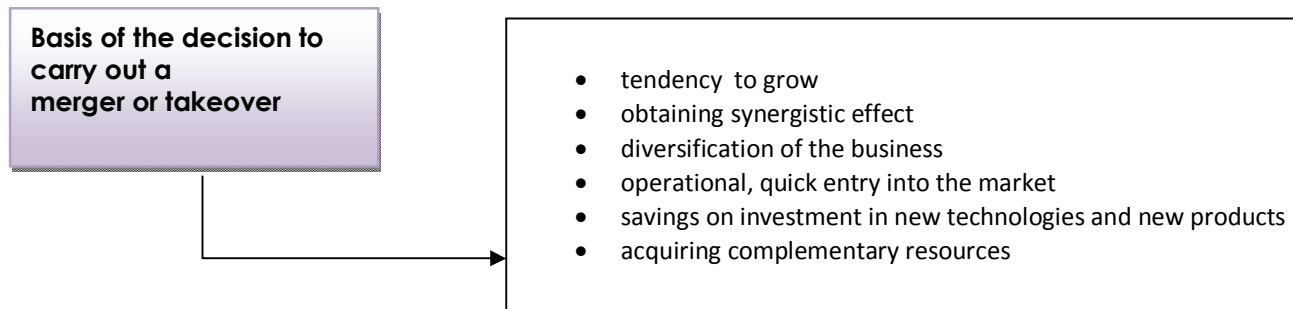
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A Guide on the Basic Types of Mergers and Acquisitions

1. Introduction

In today's global world economy with increased competition and accelerating technological progress, it becomes all the more urgent for the need to optimize the structure of production and property. In this regard, all the more common processes of mergers and acquisitions as one of the forms of business reorganization, allowing the company to maintain a long-term development strategy.

At the basis of the decision to carry out a merger or takeover of an organization can simultaneously be several key factors or reasons, such as:



The successful implementation of M & A deals promotes the most effective use of all resources of the organization and helps it gain a competitive advantage in a particular market segment.

In connection with this the law firm of **LEVINE Bridge** has prepared a brief overview of the different types of mergers and acquisitions, which may be held in Russia.

2. The Concept “Mergers & Acquisitions”

In international practice, the processes of consolidation and the consolidation of business assets are expressed as *“mergers & acquisitions” (M & A)*. The term M & A is a collective one and refers to all (regardless of the methods used) processes in that in one or another way are associated with the economic concentration and the acquisition of control over the company.

In Russia has been formed a different approach to the understanding of the term «mergers & acquisitions», which is meant by a division of this holistic concept in the international practice on the two different processes. Let us consider each of them in greater detail.

3. Merger

According to the Civil Code of the Russian Federation, a merger is a form of business reorganization, along with the accession, separation, isolation and reorganizing.

Companies participating in a merger transaction cease to exist independently and are thus liquidated; the result is a new legal entity to which transfers the rights and responsibilities of each of the merging companies is in accordance with the transfer act.

The reorganization is completed from the moment of state registration of the newly established legal entity. Document defining the terms and procedures for a merger is an agreement of a merger that is signed by representatives of all organizations involved in the transaction.

In accordance with Russian law, a merger may be effected between the entities of one organizational form. The merger of legal entities of different organizational forms is carried out in two consecutive procedures: the unification of legal forms by participants in the merger changes in legal form which must be created from the result of the merger and or directly merging legal entities.

4. Accession

An acquisition in international practice is a structured deal to control the company through the acquisition in full or partial ownership via the purchase of more than 30% of its charter capital, stock or shares, all the while retaining its independence of the legal company. Under Russian law, this form of restructuring is called "accession".

Accession is one form of reorganization by which one entity joins another entity. At the same time to the first passes the rights and obligations of the merged legal entity in accordance with the act of transfer, and the consolidated entity ceases its activities. A legal entity is considered to be reorganized from the moment of entry into Unified Federal Register of Legal Entities (Incorporation) information on the termination of the activities of the consolidated legal entity.

Acquisition (consolidation) can be achieved by acquiring substantial shareholdings or shares of the charter capital. In this case, the legal independence of the acquired entity is not forfeited, but all significant actions are performed with the approval of the controlling legal supervisors.

Consolidation shall be effected between the entities of one organizational form. As well as a merger, consolidation of legal entities with different legal forms of organization is possible only with prior unification of the organizational-legal forms of organization members.

5. Features of a transaction “M&A”

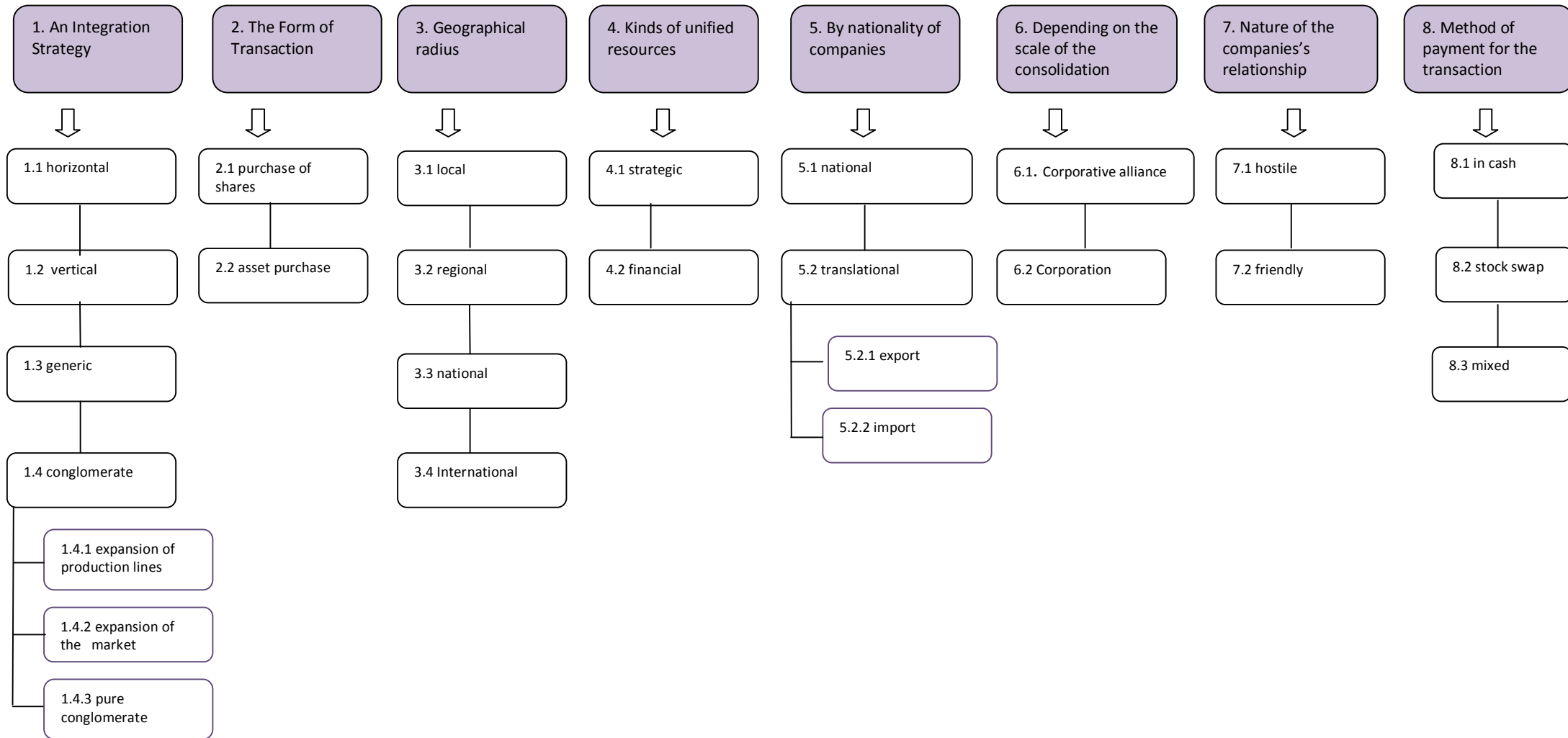
As one of the forms of business restructuring, mergers and acquisitions can be implemented by a decision of the founders (participants) of legal entities who are involved in the transaction, or bodies of a legal entity, according to incorporating documents. Detailed terms and conditions determined by the consolidation agreement signed by the appropriate representatives from each organization who are participants to it.

In some cases, the reorganization of legal entities in the form of mergers and acquisitions can be made only with prior consent of the relevant federal authorities. Policy monitoring transactions includes, above all, aspects of antitrust regulation in order to maintain competition in the economy and transparency of operations.

Before you decide on a merger or acquisition, special attention should be paid to an analysis of the market situation, the strategy of the company and its available resources. It is also essential to understand what tools a business possess in this area so that they make deliberate and reasoned choices, evaluate the effectiveness of the transaction, its consequences and how to achieve favourable conditions for itself or in a timely manner to oppose the measure.

In addition, the type of M & A transaction selected is defined by a list of key documents that are necessary in order to prepare for the transaction, as well as issues related to taxation and the decision-making procedure.

6. Basic types of mergers and acquisitions



In conclusion, it should be noted that mergers and acquisitions is changing the procedures for transfer of ownership or the owners' structure of the company, as the final link in the system of procedures for its restructuring. An M & A transaction may be, on the one hand, a means to improve operational efficiency, or on the other hand, lead to negative consequences such as reduced market value and loss of influence on the management of the company.

The specialists of the law firm **LEVINE Bridge**, who have a long experience in the field of corporate law, will be glad to provide you with more detailed information to answer all your questions by phone **+7 495 980 04 36** or via e-mail: **info@levinebridge.com**.

The publication of this material is not an attempt to provide a comprehensive legal analysis to the topic. LEVINE Bridge is not responsible for any inaccuracies and/or errors in the text. Our specialists however would be glad to provide you with the personalized legal advice on this issue or any other of your legal questions taking into consideration the particularity of your business.