

# The Treatment of Synergistic Value Arising from Transactional Disputes

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*The Delaware Chancery Court often decides on synergistic value issues relating to dissenting statutory shareholder appraisal rights matters. Given its sophistication in this area, the Chancery Court's decisions are closely followed by valuation analysts, lawyers, and other courts. This discussion considers several recent Delaware Chancery Court decisions, in addition to one decision by the New Jersey Superior Court. And, this discussion provides insights into the synergistic value aspects of each judicial decision.*

## INTRODUCTION

The Delaware Court of Chancery (the “Chancery Court”) decides on all matters concerning equity, with the most common form of equity being a shareholder’s interest in a business entity. This legal venue is commonly regarded as the leading forum for deciding disputes involving matters related to the merger, acquisition, and/or recapitalization of Delaware corporations.

As a result of the large number of business entities organized in the state of Delaware, this court has become an authoritative voice on matters relating to business valuation and security analysis.

Other courts, such as the Superior Court of New Jersey, Appellate Division (collectively, the “courts”), have modeled their respective equity-related statutes on the Chancery Court. These courts look to Delaware law for guidance on appraisal issues in shareholder disputes.

Given its vast understanding of valuation-related matters, litigators and valuation analysts often look to the Chancery Court for guidance on how business interests are to be valued for purposes of dissenting shareholder actions.

At the center of most, if not all, shareholder disputes is the issue of the fair value of the subject entity. Fair value, as defined by the Chancery Court, is

exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation . . . In determining such fair value, the Court shall take into account all relevant factors.<sup>1</sup>

For shareholder disputes arising from a transaction, however, the opposing sides tend to take a step back and instead focus on the appropriate standard of value to use when valuing the target (subject) entity: investment value or fair value.

As defined in the American Society of Appraisers business valuation standards, investment value is:

The value to a particular investor based on individual investment requirements and expectations.<sup>2</sup>

When valuing the target entity from an investment value standard, one should examine all of the economic benefits the target entity has to offer from the specific perspective of the unique buyer. When valuing the target entity from a fair value standard, one would ignore this synergistic value since it would not be readily available to a hypothetical willing buyer in the market.

It is important to note that synergistic value to a potential buyer of a target entity is the unique economic benefits that the specific buyer would derive

upon acquisition, such as increased economies of scale, increased market power, or increased financial standing (i.e., a higher credit rating or a larger pool of investors).

Synergistic value does not include the value derived from ownership control of the target entity. When it comes to ownership control value and synergistic value, the former would be considered under both of the aforementioned standards of value, but the latter would typically only be considered under the investment value standard of value.

In *BTR Dunlop Holdings, Inc. v. Commissioner* (“Dunlop”),<sup>3</sup> the U.S. Tax Court ruled, among other things, that a valuation analyst must look at the pool of potential buyers when determining the fair market value of a target entity.

With respect to *Dunlop*, there were six potential buyers, all of whom had a synergistic incentive to acquire the target entity. Therefore, based on the synergistic pool of potential buyers, the Tax Court ruled that a hypothetical willing and able buyer would enjoy the benefits of synergistic value upon acquisition. This indicates that, when it comes to valuing a target entity, a valuation analyst must first examine and understand the market of potential buyers.

A pool of potential buyers comprised exclusively of financial entities (e.g., a private equity fund) would likely find no synergistic value in the target entity. If this were the case, the fair value standard of value would be more appropriate.

The purpose of this discussion is to review recent disputes that have been addressed by the Chancery Court and have touched upon the appropriate treatment of synergistic value in a transactional context. The goal is to give the reader a better understanding of how the Chancery Court views this issue, which often has a significant impact on the target company fair value opinion reached by valuation analysts.

## IN RE DOLLAR THRIFTY SHAREHOLDER LITIGATION

In *In re Dollar Thrifty Shareholder Litigation*,<sup>4</sup> the Court addressed the issue of considering expected post-merger synergies in estimating the fair value of a target company's stock.

### Background

In April 2010, Hertz Global Holdings, Inc. (“Hertz”) and Dollar Thrifty Automotive Group, Inc. (“Dollar Thrifty”) entered into a merger agreement whereby Hertz would acquire Dollar Thrifty at a price of \$41 per share and a \$200 million cash dividend would be paid by Dollar Thrifty to its shareholders. Furthermore, Hertz agreed to divest certain assets as well as pay a reverse termination fee should the merger not meet regulatory approval.

A group of Dollar Thrifty shareholders (the “Dollar Shareholders”) sought an injunction on the proposed merger, believing that the Dollar Thrifty board of directors (the “Dollar Board”) did not fulfill its obligatory duties in seeking maximum value for its shareholders.

The Chancery Court denied the Dollar Shareholders' request for an injunction, ruling that there was sufficient evidence to indicate that the Dollar Board tried to maximize shareholder value.

Furthermore, as the Chancery Court indicated, the proposed merger transaction did not deter other players in the car rental market from making a competitive bid for Dollar Thrifty.

### Synergistic Value

Perhaps most notable in this case was the Chancery Court's criticism of the Dollar Shareholders valuation analyst's DCF analysis, which was significantly higher than the fair value estimate of the Dollar Board's valuation analyst as a result of the inclusion of potential synergies from the proposed merger.

The Chancery Court stated that the inclusion of potential synergies did not allow for “a sound DCF valuation,” and when the synergies were eliminated from the Dollar Shareholders valuation analyst's DCF analysis, the Dollar Shareholders admitted that its valuation analyst's analysis was “not fundamentally different” from the Dollar Board valuation analyst's analysis.<sup>5</sup>

With the two sides in general agreement on the value of Dollar Thrifty, the Chancery Court supported its ruling that the Dollar Board selected a reasonable course of action in entering into the merger transaction by noting that “Dollar Thrifty had pressed Hertz to pay something very near the



high end of its own view of [the] standalone value [of Dollar Thrifty].”<sup>6</sup>

## Commentary

In both *Golden* (described later in this article) and *Dollar*, the Chancery Court clearly viewed the inclusion of expected post-merger synergies in the valuation of the target company stock as inappropriate. However, one can point to additional shareholder disputes decided by the Chancery Court where a guideline publicly traded company method was the primary valuation method.<sup>7</sup>

In such decisions, the Chancery Court has typically allowed a control premium to be included in the fair value of the target entity. One can only wonder whether an acquisition premium or control premium would have been allowed by the Chancery Court if the Dollar Shareholders valuation analyst utilized a guideline publicly traded company valuation method instead of the DCF method.

Furthermore, if the Chancery Court allowed such a premium, it is interesting to speculate whether the Chancery Court would have insisted that the premium be adjusted to exclude expected post-merger synergies.

For several years, commentators in the business valuation community have debated the issue of whether the guideline publicly traded company method always results in a noncontrolling ownership interest value. The Chancery Court clearly is not a fan of including post-merger synergies in a fair value estimate of a target entity.

However, the Chancery Court has come to contradict itself when a control premium is allowed under the guideline publicly traded company method. It will be interesting to see if the Chancery Court takes note of these debates and reevaluates its position on the application of control price premiums when using a valuation method that incorporates publicly traded stock prices.

## WAVEDIVISION HOLDINGS, LLC v. MILLENNIUM DIGITAL MEDIA SYSTEMS, LLC

In *WaveDivision Holdings, LLC v. Millennium Digital Media Systems, LLC*,<sup>8</sup> the Chancery Court addressed several valuation-related issues for estimating economic damages, including the following:

1. The appropriate financial projections to use in a DCF analysis
2. The need for reliable assumptions in estimating synergistic value

## Background

WaveDivision Holdings, LLC (“Wave”) entered into agreements with Millennium Digital Media Systems, LLC (“Millennium”) to purchase the Millennium cable systems in Michigan, Oregon, and Washington (the “Subject Systems”) for \$157 million.

As discussed by the Chancery Court, even though the purchase agreements contained no solicitation provisions, the provisions did not prevent Millennium from pursuing an alternative refinancing deal shortly after the purchase agreements were signed.

Wave brought a breach of contract action against Millennium. The action alleged that Millennium breached the no solicitation provisions of the purchase agreements. The Chancery Court found that Millennium breached both purchase agreements, and as a result, Wave was entitled to damages.

The Chancery Court concluded that Wave is only entitled to recover the net loss it suffered because of the Millennium breach. More specifically, Wave is entitled to recover:

1. the value it expected to realize from the purchase agreements less
2. any cost avoided by not having to perform (most obviously, the purchase price) and less
3. any mitigation that Wave was able to achieve by purchasing substitute cable systems.

## Expert Opinions

The damages analysis employed by the analysts of each side of the litigation included an estimated value for the Subject Systems.

The Wave analyst eventually arrived at a value for the Subject Systems by applying a pricing multiple of 7.8 to the Subject Systems’ annualized EBITDA. This methodology resulted in a concluded value for the Subject Systems of \$332.2 million.

The annualized EBITDA was estimated to include the earnings growth that the Subject Systems were expected to achieve under Wave’s ownership and control. The 7.8 pricing multiple was based on the pricing multiples derived from two previous acquisitions of cable systems by Wave as well as the recent downturn in the economy.

In contrast, the damages analyst for Millennium used a DCF method to value the Subject Systems. For purposes of his DCF analysis, the Millennium analyst used the “base case” financial projections that Wave provided to its bank to obtain financing for the purchase of the Subject Systems. However, the Millennium valuation analyst revised the base

case projections downward due to his belief that the projections were unrealistically optimistic.

The Millennium analyst used the revised Wave financial projections to prepare a DCF analysis that resulted in a concluded value of \$140.4 million for the Subject Systems.

The Millennium analyst also prepared a second DCF analysis using projections that were prepared by a financial adviser to Millennium. This second DCF analysis resulted in a concluded value for the Subject Systems of \$122 million.<sup>9</sup>

## The Chancery Court Analysis

The Chancery Court noted that there is no doubt that Wave hoped it would be able to upgrade the profit from the Subject Systems just like it had from other acquisitions in the past.

However, the valuation procedure employed by the Wave analyst assumed that Wave would be able to replicate its past successes. In that regard, the valuation analyst used the growth rates from the previous successful Wave acquisitions to estimate the future cash flow of the Subject Systems.

The Chancery Court expressed concern that this approach extrapolated continued success from a small sample size, and the analysis was not based on anything specifically related to the Subject Systems.

The Chancery Court also noted that the analyst for Millennium assumed that base case financial projections were overly optimistic in light of the overall state of the industry. Consequently, the Millennium analyst revised the financial projections downward.

In the Chancery Court's view, the Millennium analyst's overall approach was based on unreliable, self-interested, and thinly justified reductions in the base case projections.

The Chancery Court further stated that the approach used by the Millennium analyst deprives Wave of all of the expected benefit of its bargain by focusing on how the market valued the Subject Systems in Millennium's hands as of the deal date, instead of what Wave would have reasonably been able to accomplish with them.

## Commentary

With respect to the treatment of synergistic value, what is noteworthy about this case is not so much the Chancery Court's opinion on whether or not to include synergies but rather its opinion on measuring synergistic value.

What is being estimated here is the amount of economic damages, and not fair value. Therefore,

it is not that controversial that the Chancery Court allowed synergistic value to be included in the economic damages estimate.

The Wave analyst incorporated synergistic value into its estimation of damages but the Millennium analyst did not. That fact led the Chancery Court to conclude that the Wave analyst had a more sound and reliable damages estimate.

That being said, the Chancery Court was quick to note that the Wave analyst's reliance on prior successes to determine synergistic value was nothing more than extrapolation of past events. As is the case with any forecast, relying on past events to predict future performance is typically not enough for a set of projections to be deemed reliable.

This is not to say that a set of projections should always differ from recent historical performance (the opposite is typically true in normal circumstances), only that one must produce reliable support with respect to the assumptions used in creating the projections.

For such assumptions, the need for reliable sources is arguably more crucial when it comes to estimating synergistic value, since synergies are unique to each potential buyer and not readily seen in the marketplace. A valuation analyst cannot always point to reliable market participant data when it comes to defending the estimation of synergistic value.

As is the case here, the Chancery Court has indicated that more evidence (than the usual input support for a typical cash flow projection) will be needed in order to accept an analyst's estimation of synergistic value.

## GLOBAL GT LP V. GOLDEN TELECOM, INC.

### Background

In December 2007, Vimpel-Communications ("VimpelCom") acquired Golden Telecom, Inc. ("Golden") at a price of \$105 per share.

Global GT LP ("Global"), a minority shareholder in Golden, filed a request for appraisal of Golden, believing that Golden was undervalued in the merger.<sup>10</sup>

In its independent determination of fair value, the Chancery Court determined that Golden was indeed undervalued in the merger and subsequently estimated a fair value for Golden of \$125.49 per share.



The Chancery Court relied solely on the DCF method. And, the Chancery Court disregarded the transaction price of \$105 per share that Golden argued was an indication of fair value.

In the second phase of this decision, the appeals process, Golden argued that the Chancery Court should defer exclusively to the merger price in a fair value appraisal, or it should at least be the basis for a fair value appraisal.<sup>11</sup>

The Delaware Supreme Court denied this claim, however, and confirmed that the \$125.49 per share valuation followed an orderly and logical deductive process.

## Rejection of the Merger Price as Fair Value

The primary argument put forth by Golden was the failure of the Chancery Court to defer to the \$105 per share merger price as the presumptive fair value.

The merger price indicated the fair value of Golden for purposes of appraisal, and Golden requested the Chancery Court to “adopt a standard requiring conclusive or, in the alternative, presumptive deference to the merger price in an appraisal proceeding.”<sup>12</sup>

In response, the Chancery Court emphasized that the Delaware business statutes neither dictate nor contemplate that the Chancery Court should consider the transactional market price of the underlying company. Rather, in determining fair value of a target entity, Delaware business statutes instruct the Chancery Court to “take into account all relevant factors.”<sup>13</sup>

Significant discretion is given to determine what constitutes all relevant factors, and requiring the Chancery Court to defer to the merger price, even with a high quality, uncontested transactional process, would infringe upon the “unambiguous” guidance of the Delaware business statutes as to determining fair value.<sup>14</sup>

In rejecting Golden’s argument of deference to merger price, the Chancery Court also noted that fair value, according to Delaware business statute, is defined in the context as a going concern and not in a transactional context. The “going concern” context was also referenced in the initial ruling, in that “any synergies or other value expected from the merger giving rise to the appraisal proceeding itself must be disregarded.”<sup>15</sup>

While this appeal dispute does not directly discuss the appropriate treatment of synergies within a valuation, the Chancery Court does adamantly strike down the notion of using merger price as a default value for the target entity. It is important

to note that this ruling does not negate the ruling found in *Dunlop*.

Where *Dunlop* stressed the importance of considering the potential pool of buyers in determining fair value, this case stressed the importance of looking at all relevant factors in determining fair value as a going concern, without relying on merger price (or any tender offer).

The Chancery Court’s denial of merger price as an indication of fair value indirectly prohibits any synergistic value to be included in the fair value indication. In most, if not all, transactions, the merger price includes buyer-specific post-merger synergies.

As a result, relatively few transactions are closed at the fair value of the target entity. Therefore, in an environment such as the Chancery Court, synergies generally are not considered a component of fair value for a target entity.

## IN RE CENCOM CABLE INCOME PARTNERS, L.P.

In *In re Cencom Cable Income Partners, L.P.*, the Chancery Court again took on the issue of whether or not to include synergistic value in a subject entity that consisted of a network of nine cable television systems in various parts of the country (the “Subject Properties”).<sup>16</sup>

What makes this particular case somewhat atypical, however, is that the plaintiff is not arguing for the inclusion of synergistic value from a buyer’s perspective but rather from an aggregated perspective of the Subject Properties as a whole.

## Background and the Court’s Findings

Cencom Cable Income Partners, L.P. (“Cencom”) was set to dissolve in 1994, per the terms of its partnership agreement, which in turn allowed the general partner, Cencom Properties, Inc. (“Cencom Properties”), to purchase the Subject Properties from Cencom.

An appraisal was subsequently performed, and Cencom Properties established a purchase price of \$211 million. The sale and offered purchase price were approved by 60 percent of the limited partners.

The dissenting limited partners sued Cencom Properties, however, claiming that fiduciary duty was breached by “driving the valuation process to an appraisal of the cable systems individually without properly including the synergistic benefits resulting from an aggregation of the business entities.”<sup>17</sup>

The analyst for the dissenting limited partners (the “dissenting expert” or “the dissenting analyst”) agreed that the analysts that Cencom Properties had relied on did use generally accepted income and market approaches to value the Subject Properties. In fact, the sole area that the dissenting expert took issue with was the exclusion of synergistic value for the Subject Properties.

Without conducting his own independent valuation of the Subject Properties or reviewing the work papers of the valuation analysts that concluded the initial purchase price, the dissenting analyst argued for a 3 to 5 percent increase in value to account for this excluded synergistic value.

The Chancery Court found that the basis for the dissenting analyst’s objection was mere speculation or intuition, and, with the lack of support to back up his claim, the Chancery Court rejected his assertion and dismissed the complaint.

## Commentary

It is noteworthy that the Chancery Court did not explicitly dismiss the inclusion of synergistic value in the fair value estimation of the Subject Properties. This is not surprising, however, when one considers the context of synergistic value with this particular dispute.

Synergistic value is defined (quite loosely) here as the value added when one appraises the Subject Properties as a whole and not on a property-by-property basis (i.e., the value of the Subject Properties is argued to be greater than the sum of its parts).

The Chancery Court has been fairly consistent in excluding any buyer-specific synergistic value when estimating the fair value of a subject entity to a public market. And, as seen in this dispute, the plaintiff is not attempting to account for any buyer-exclusive synergies.

While the Chancery Court has shown in this dispute that it is open to the inclusion of synergistic value, what it does not tolerate is the lack of reliable support in arguing for the inclusion of synergistic value. The dissenting analyst “was not able to provide a further explanation as to how he calculated the potential synergistic savings” of three to five percent.<sup>18</sup>

Furthermore, the dissenting analyst did not illustrate that the disputed purchase price excluded any synergistic value, nor did he provide any argument to potential limitations of these synergies that was presented by the Chancery Court.

Specifically, the dissenting analyst did not “give sufficient weight to the limitations arising out of

the geographical distances separating the [Subject Properties], or the fact that some, if not all of the [Subject Properties] synergies were already reflected in the financial statements.”<sup>19</sup>

In fact, Cencom Properties did not require its analysts to value the Subject Properties on an individual basis, and its analysts further argued that any synergistic value was already baked into the financial statements of the Subject Properties.

The Cencom dispute has illustrated that synergistic value is not automatically excluded when estimating fair value for a subject entity, so long as the context of this synergistic value is available to the market (i.e., any potential buyer).

That being said, when arguing for the inclusion of synergistic value in this context, it is up to the analyst to provide sound, reliable support in making this argument for the Chancery Court to consider such an inclusion in its fair value estimate of a subject entity.

## KATHRYN CASEY V. AMBOY BANCORPORATION

*Kathryn Casey v. Amboy Bancorporation* was ruled on by the New Jersey Superior Court, Appellate Division (the “New Jersey Court”).<sup>20</sup> However, it is noteworthy to discuss this case due to the New Jersey Court’s:

1. reliance on Delaware law for appraisal issues, particularly with respect to both sharing a similar objective of protecting minority shareholders, and
2. significant commentary on synergistic value.

## Background

Amboy Bancorporation (“Amboy”) elected to convert from a C corporation to an S corporation. Since an S corporation may not exceed 75 shareholders, Amboy executed a stock-for-cash merger that eliminated shareholders having less than 15,000 shares.

The stock-for-cash price was established to be \$73 per share, which was supported by a fairness opinion. Several suits resulted from this transaction, and these suits were ultimately consolidated into one action.

The lower court noted that the subject entity was to be valued on a fair value basis as a going concern, which meant excluding:

1. any appreciation or depreciation resulting from the transaction and

- discounts for minority interest or lack of marketability.

The lower court allowed for the inclusion of a potential control premium, but it stressed that this premium should be exclusive of synergistic value arising from the transaction.

Much like the Chancery Court, the New Jersey Court firmly establishes here its opinion on the inclusion of (or rather, lack of) synergistic value for a fair value determination of a subject entity in a transactional context.

In reaching its fair value estimation of \$114 per share for Amboy, the lower court rejected certain dissenting analyst's valuations and favored other dissenting analyst's valuations. Through this process, the lower court demonstrated that it preferred the guideline merged and acquired company method over the guideline publicly traded company method.

The lower court reasoned that in estimating the fair value of a subject entity like Amboy, the guideline merged and acquired company method has the control premium already embedded into the purchase price. In contrast, the guideline publicly traded company method values a subject entity on a minority basis then applies a control premium that is entirely at the discretion of the analyst.

In doing so, if the market had already priced in an imminent acquisition of the subject entity, the guideline publicly traded company method may result in double counting for synergistic value, via the (1) marketable minority price and (2) control premium.

After determining that \$114 was the highest possible price for Amboy, several appeals were filed. One of the main complaints found in these appeals was the lower court's treatment of synergies.

In consideration of the claim that the lower court improperly accounted for synergistic value, the New Jersey Court sided with the lower court's assertion that, while there is no reliable quantitative method for estimating embedded synergistic value in a control premium, the court should still adjust a fair value estimation to exclude synergistic value as best they could.

After receiving evidence regarding the value allocated to synergies, the lower court estimated a \$6 adjustment for the fair value of Amboy, from \$120 per share to \$114 per share.

The dissenting parties took issue with this \$6 synergistic value adjustment, noting that this adjustment was based on comparable transactions when fair value (as perceived by the Chancery Court and the New Jersey Court) should only exclude synergies arising from the subject transaction (i.e., synergies arising specifically from Amboy).



The New Jersey Court ultimately sided with the lower court's synergistic value adjustment, basing its decision on two separate observations.

First, the embedded nature of synergistic value is unavoidable when looking at comparable transactions, primarily because these are actual transactions that include actual buyer-specific synergies, and basing multiples on the purchase prices of these comparable transactions carries these synergies into the resulting valuation of the subject entity.

Second, citing the similar approach taken by the Chancery Court, since the lower court relied on the highest feasible price for Amboy, backing out synergies was appropriate. Similar to the Chancery Court's methodology, the New Jersey Court agreed with the lower court's methodology in estimating synergistic value, in which it relied on the testimony of three analysts, all of whom relied on sound, reliable support in reaching their synergistic value opinions.

## Commentary

In selecting the guideline merged and acquired company method over the guideline publicly traded company method, the New Jersey Court provided insight into the potential double-counting issue (with respect to synergistic value) for the latter method.

As described by the lower court, "if the market perceived a bank was about to be sold, the price would be driven up by that news and putting a control premium on top of that price would be inappropriate since it would inflate the value over the price which already reflected a takeover control premium."<sup>21</sup>

This is not to say that the guideline merged and acquired company method will provide a fair value estimate that excludes any level of synergistic value.

However, as indicated by the New Jersey Court, "since [the guideline merged and acquired company method] was generally acceptable in the financial

communities,” this method may be considered so long as there is a correction for synergies.

An analyst valuing a target entity (in a transactional context) should take note of this preference, since the double counting issue would likely make the adjustment for synergies more difficult to support under the guideline publicly traded company method.

The New Jersey Court also demonstrated its willingness to dismiss an analyst’s opinion of fair value when this analyst does not support or even consider synergistic value. As in prior disputes discussed above, the New Jersey Court rejected the analyst’s fair value opinion primarily because “there was no discussion of synergy issues.”<sup>22</sup>

Simply ignoring synergistic value, whether it is embedded or not in one’s fair value opinion, will not place an analyst’s fair value opinion in the Chancery Courts’ favor.

The analyst should at least recognize the inclusion (or lack of inclusion) of synergistic value in his or her fair value estimate, and, in order to illustrate the credibility of the analyst’s analysis, attempt to quantify a component of value that the courts have deemed unquantifiable.

Since there is no preferred methodology in quantifying synergistic value in a fair value estimation of a target entity, the courts have demonstrated their tendency to prefer valuation opinions that (1) consider synergistic value and (2) attempt to quantify this synergistic value.

While the former is straightforward, the latter can be quite difficult. However, the courts recognize that synergies “cannot be accurately quantified and reversed,” but a synergistic value adjustment still “must be reflected in any final assessment” of a fair value opinion.<sup>23</sup>

The need to quantify something that is unquantifiable illustrates that estimating an inaccurate synergistic value component is unavoidable, but this should not deter appraisers from doing so, as long as their estimation is supported by sound logic and reliable support.

## SUMMARY AND CONCLUSION

Given its sophistication in valuation-related issues, the decisions of the Delaware Chancery Court are closely followed by lawyers, valuations analysts, and other courts (e.g., the New Jersey Court). The Chancery Court has routinely addressed issues related to the treatment of synergistic value in a transactional context.

This discussion provided insight on how the Court has a fair amount of discretion in treating

synergistic value, given the nature of synergies and their applicability to the public market.

An understanding of these decisions can assist a valuation analyst in:

1. developing an appropriate methodology for quantifying something as ambiguous as synergistic value and
2. reaching a conclusion as to its inclusion or exclusion in the fair value estimate of a target entity.

### Notes:

1. 8 Delw. C. Sect. 262(h).
2. *Ibid.*, 29.
3. *BTR Dunlop Holdings, Inc. v. Commissioner*, T.C. Memo 1999-377 (Nov. 15, 1999).
4. 14 A.3d 573 (Del. Ch. 2010).
5. *Id.* at 610.
6. *Id.*
7. See, for example, *Berger v. Pubco Corp., et al.* No. 3414-CC, 2010 WL 2025483 (Del. Ch. May 10, 2010).
8. No. 2993-VCS, 2010 WL 3706624 (Del. Ch. Sept. 17, 2010).
9. The Millennium damages analyst concluded that Wave was not entitled to any damages because the value of the Subject Systems was lower than the negotiated purchase price of the Subject Systems of \$157 million.
10. *Global GT LP and Global GT Ltd. v. Golden Telecom, Inc.*, 993 A.2d 497 (Del. Ch. 2010).
11. *Golden Telecom, Inc. v. Global GT LP and Global GT Ltd.*, 11 A.3d 214 (Del. 2010).
12. *Id.*
13. *Id.* at 217.
14. *Id.* at 218.
15. *Global GT LP and Global GT Ltd. v. Golden Telecom, Inc.* *supra* at 507.
16. No. 14634-VCN, 2011 WL 2178825 (Del. Ch. June 6, 2011)
17. *Id.* at 4.
18. *Id.* at 10.
19. *Id.*
20. 2006 WL 22827024 (N.J. Super. Aug. 8, 2006). This is the third ruling by the New Jersey Appellate Division on this matter.
21. *Id.* at 19.
22. *Id.* at 18.
23. *Id.*

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