New answers to the same old question in M&A:

Majority to Whom? - 100% to Integration!

For most M&A cases, except for simple outright acquisitions, the decisive question seems to be: "Who gets Majority".

Indeed, under unilateral control and one-dimensional governance, majority control is the all decisive factor. But should it actually be?

One-dimensional approach hinders transactions and destroys added value, because

- unilateral control downgrades the company to be acquired to a "Target"
- the "Target" and/or its owners must reject or defend against such attack
- a "Target" not fighting back may be a weak partner
- even if the "Target" accepts 51% for the acquirer, such unilateral control jeopardizes its added value as a partner
- in the worst case, the acquirer ends as Napoleon in Moscow: frozen to defeat
- Post Merger integration is meant to mend, but cannot prevent damage.

Even worse, as for one-dimensional governance majority is the all decisive factor, also a 50/50 solution is a risky compromise of two losers (who both failed to obtain the desired 51%) programmed for deadlock.

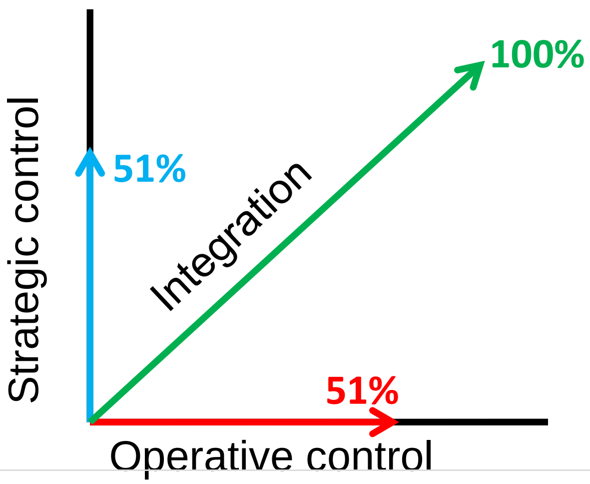
This leads to the desperate call: "if we only could have 2x51%!"

Can we not? Well, not in one dimension, but already in two dimensions, we can!

And who has final control then? - Integration!

Let's have a look at the basic concept of Multidimensional Governance:

- ➢ No simple acquisition of "Target" but integration amongst equals
- ➢ Integration path determined by PRE-MERGER integration scheme
- ➢ Strategic control of acquirer and operative control of partner management are submitted and bound to Integration agreed upon by equal partners of added value



What sounds nice in theory may be difficult in practice?

Well, think of the difficulties with a unilateral approach, and have a look at successful mergers: most of them have put integration as supreme rational over the majority rights of the acquirer as a matter of practical reason, even before developing the abstract concept of Multidimensional Governance.

So how does Multidimensional Governance work? The ASJ Presentation gives a fairly detailed outline of the structures that have to be developed. They can be summarized briefly as follows:

1. Ownership and voting rights are separated from each other.

2. The voting rights of the Owner ("51%") are submitted to an adjustment factor ("α", e.g. α = 2%) reducing his vote to minority ("51% – 2%"), as long as the agreed Integration Path is observed; consequently, the partner management retains control on the agreed Integration Path ("49% + 2%").

3. Upon deviation from the Integration Path, "α" becomes zero and the Owner can execute his strategic control to ("51% – 0%") enforce return to the Integration Path.

4. The operative control of the partner management is protected against unjustified claims of deviations from the Integration Path and excessive correction measures by damage claims based on the acquisition agreement.