

CORPORATE FINANCE. By MARTIN SABINE. [Singapore: Butterworths. 1987. xviii + 235pp. Hardcover: S\$ 110.00]

THE book does not purport to be a legal treatise on corporate finance. Its stated purpose is to dispel the mystique about the business of a merchant bank. Indeed the writer takes care to explain in simple terms much of the esoteric jargon that is bandied about by merchant bankers before uncomprehending laymen. Its purpose is also to provide an overall picture to professionals who would otherwise only be involved in certain aspects of corporate finance transactions. The book deals with two main areas of corporate finance work. The first area is that of going public and issuing new equity. The second area relates to take-overs, mergers and disposals.

The first chapter of the book describes the characteristics and reasons for the issue of corporate securities such as preferred or preference shares, loan stock with coupons and/or warrants and convertible loan stock. This is useful reading for the lawyer who would like to understand such securities in their role as tools in a corporate transaction rather than in the splendid isolation of a legal document.

The remaining chapters relate to the practical aspects of obtaining a listing. They set out the common methods of valuation and pricing of shares (such as those based on an earnings multiple/price earnings ratio, net assets, composite basis and other methods). A basic understanding of these methods may enable a lawyer to make useful suggestions in relation to the restructuring of a company prior to flotation. The book also explores considerations such as the rationale for going public, the whys and why nots for going public and even the expenses that are likely to be incurred in employing professionals. The procedure stated in the book is comparable to that in Singapore.

In the section on take-overs, mergers and acquisitions, the role of a lawyer is stated briefly as follows:-

"Many lawyers are skilled negotiators and act as spokesmen rather than simply behind the scenes advisers ... A number of tactics, particularly in defence, are the province of the lawyer.

Various provisions may be built into the company's articles of association, designed to repel an unwelcome bidder or make his bid prohibitively expensive ... The company's lawyer will be called upon to shepherd the directors through each step."

Chapters 16 and 17 provide valuable insights into the take-over battle. Chapter 17 describes some of the methods of repelling an expected bid and some tactics to be employed after the announcement of a hostile bid. Tactics such as moving the place of incorporation of the holding company, staggering the election of directors so as to maintain management control, the "poison pill" defence and voting arrangements are discussed.

There are few books of this nature on the market and it would do well for corporate lawyers to become increasingly aware of the financial and business considerations involved in the work in which they are engaged. While it has been the tradition of English lawyers to confine themselves to the legal aspects of corporate transactions, the Wall Street lawyers are recognised to be major players in corporate transactions. If this heralds a change in the role of the corporate lawyer, a book of this kind would be essential reading for any aspiring corporate lawyer.