

**\*RFHHA MANAGEMENT TIP OF THE DAY FOR HOSPITAL ADMINISTRATORS 1319\***

**\*Learn the FM: What is anti-hostile takeover protection mechanism?\***

**\*ANTI HOSTILE TAKEOVER PROTECTION MECHANISMS\***

**FLIP-IN**

A Flip-in is an anti-takeover technique described in the Corporate Charter or bylaws that gives certain shareholders of the targeted company the right to buy additional shares in the target company at a deep discount, usually half price, if a hostile bidder acquires a certain threshold (**usually 15 to 20 percent**) of the outstanding shares.

The Flip-in plan's deterrent effect thus comes from the dilution caused in the target shares held by the acquirer.

No potential acquirer or other shareholder will risk to trigger a Flip-in poison pill by accumulating more than the threshold level of shares because of the threat of massive discriminatory dilution. The threshold level therefore effectively sets a ceiling on the amount of stock that any shareholder can accumulate before launching a proxy contest.

**FLIP-OVER**

A Flip-over is an anti-takeover mechanism in which current shareholders of a targeted firm will have the option to purchase discounted stock of the acquiring company after the potential takeover, typically at half price, thereby impairing the acquirer's capital structure and drastically diluting the interest of the acquirer's other shareholders.

The strategy gives a common stock dividend in the form of rights to acquire the firm's common stock or preferred stock above market value. Following a takeover, the rights would "flip over" and allow current shareholders to purchase the unfriendly competitor's shares at a discount. If this tool is exercised, the number of shares held by the unfriendly competitors will realize dilution and price devaluation.

**\*We will discuss anti-hostile takeover protection mechanisms one by one.....\***

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