

Family Dollar Rejects Takeover Bid by Dollar General

By Gisue Mehdi, J.D. Candidate 2015 | September 2, 2014

On August 21, 2014, Family Dollar Stores, Inc. announced that its Board of Directors unanimously rejected Dollar General Corporation's takeover bid, citing antitrust issues. This news comes in light of the fact that [Dollar General](#) outbid rival [Dollar Tree](#), raising the possibility that Family Dollar would abandon its existing deal with Dollar Tree. However, Family Dollar rejected Dollar General's proposed [\\$9.7 billion acquisition offer](#) and reaffirmed its support for the \$8.5 billion deal with Dollar Tree, which it already agreed to.

Howard R. Levine, Chairman and CEO of Family Dollar, [stated](#), "Our Board of Directors, with the assistance of outside advisors and consultants, has been carefully analyzing the antitrust issues in a potential combination with Dollar General since the beginning of this year, as detailed in the Company's preliminary proxy statement that was filed by Dollar Tree with the SEC on August 11. Our Board reviewed, with our advisors, all aspects of Dollar General's proposal and unanimously concluded that it is not reasonably likely to be completed on the terms proposed. Accordingly, our Board rejects Dollar General's proposal and reaffirms its support for the pending merger with Dollar Tree."

One of Family Dollar's largest shareholders, Carl Icahn, [made a statement concerning Dollar General's bid for Family Dollar](#). Icahn advocated the sale and voiced concern over Levine's intentions and Family Dollar not taking steps to assure Dollar General was not interested in bidding before agreeing to the [steep \\$305 million breakup fee to Dollar Tree](#). Icahn called attention to a statement made by the CEO of Dollar General, Rick Dreiling, that Family Dollar has refused to work with his company to come to an offer. This calls into question whether a lack of engagement by Family Dollar was motivated by the fact that Levine would not have a role in a Dollar General/Family Dollar merger.

The accusation that Levine made the decision that benefited him personally over the best interest of Family Dollar's shareholders was countered by Family Dollar's concern over potential antitrust scrutiny. The difference between the business models of the stores is that everything at Dollar Tree costs a dollar, [while Family Dollar and Dollar General price items under \\$10](#). The Family Dollar Board of Directors believed that Dollar General would have [had to sell over 700 stores for the merger to go through](#). According to Professor Steven Davidoff Solomon, at the University of California, Berkeley School of Law, Family Dollar will be looking for [Dollar General to offer a provision that would force the company to get rid of more stores if there are antitrust problems](#).

As the bidding war continues, we are left to question whether Family Dollar's Board of Directors chose to protect the CEO at the expense of shareholders, a serious accusation as [the fiduciary duty to maximize value for shareholders is a defining feature of a good executive](#).