



High-octane team

by [Dennis Fitzgerald](#)

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As any tech head knows, the Consumer Electronics Show has replaced once-mighty Comdex as the king of Las Vegas' glitzy high-tech trade fairs. So it's fitting that the January edition of CES was the backdrop as Ted Waitt of **Gateway Inc.** and John Hui of **eMachines Inc.** discussed combining their companies. The pair had held informal conversations, but at CES the two chairmen were in serious merger mode. On Jan. 30, not long after their CES encounter, the companies announced a deal under which Gateway would buy eMachines for 50 million of its shares (last week worth \$225 million) and \$30 million in cash.

eMachines took a preliminary step toward the deal last fall, when it put **Diana Maranon, founder and managing partner of Los Angeles-based Averil Capital Markets Group Inc.**, on a general retainer to help it explore alternatives. **Maranon**, eMachines' exclusive adviser in the Gateway deal, played a pivotal role when Hui took the company private in late 2001.

Months before that deal, eMachines, a relatively cash-rich company whose stock was in tatters, hired **Credit Suisse First Boston**, the lead underwriter in its IPO, to find a buyer, but to no avail. **Maranon** swooped in by cold-calling Hui, then a director of eMachines, and helping him purchase the company in a \$175 million transaction that included \$30 million of his own cash and a \$145 million bridge loan from **UBS Warburg LLC**.

The Gateway-eMachines deal is a mini reunion of **Skadden, Arps, Slate, Meagher & Flom LLP** lawyers. **Maranon** started her career as an associate at the firm's Los Angeles office before joining Wasserstein & Perella as a banker and later founding **Averil**.

Representing eMachines is Thomas Janson, a partner at **Milbank, Tweed, Hadley & McCloy LLP** and a former partner of Skadden's L.A. office. Working on behalf of Gateway is Brian McCarthy, a Los Angeles-based Skadden partner who was Maranon's boss when she was an associate at the firm. The financial adviser to Gateway is a **Goldman, Sachs & Co.** team led by Peter Comisar, Pawan Tewari and Peter Cimmet, whose firm took Gateway public in 1993.

From the missed opportunity department: Gateway rejected a \$7 billion offer from Compaq Computer in 1997.

DEAL DETAILS HERE

Deal Description: Gateway Inc. has announced a \$253 million deal to acquire privately held eMachines Inc.

ACQUIRER

GATEWAY INC.

In-House Adviser: *Theodore Waitt*
Investment Adviser: Goldman Sachs & Co.
Peter Comisar
Pawan Tewari
Peter Cimmet
Outside Counsel: Skadden, Arps, Slate, Meagher & Flom LLP
Brian J. McCarthy
Garrison DeLee

TARGET

EMACHINES INC.

In-House Adviser: *Wayne Inouye*
John Hui
Investment Adviser: Averil Capital Markets Group Inc.
Diana Maranon
Nina Puente
Outside Counsel: Milbank Tweed Hadley & McCloy LLP
Thomas Janson

Deal Value: \$ 253 million(s)

Deal Status: Announced

Announcement Date : Jan 30, 2004

Deal Type: Acquisition

Deal Characteristics: Cash , Stock

Financial Terms: Gateway will pay eMachines 50 million shares of its common stock and \$30 million in cash.

Fee Comments: Should eMachines break off the deal and find another buyer, it would have to pay Gateway a termination fee of roughly \$8 million.