Montreal Foods is a Canadian producer of breads and other baked goods. Over the past year, profitability has been strong and the share price has risen from $15 per share to $25 per share. The company has 20 million shares outstanding. The company’s borrowing is conservative; it has only $100 million in debt currently worth $120 million in the public debt market. The debt trades at a yield to maturity 50 basis points above Canadian risk-free bonds of a similar maturity. Montreal Foods has a beta of 0.7. If the Canadian risk-free rate is 5%, the market risk premium is 4.5%, and the company’s marginal tax rate is 30%, what is its cost of capital?

Archer Daniel Midland (ADM) wants to acquire AgriCorp to augment its ethanol manufacturing capability. AgriCorp wants the transaction to be tax free for its shareholders. ADM wants to preserve AgriCorp’s significant investment tax credits and tax loss carryforwards so that they transfer in the transaction. Also, ADM plans on selling certain unwanted AgriCorp assets to help finance the transaction. How would you structure the deal so that both parties’ objectives could be achieved?

**Please provide detailed answer in the next couple of hours.** **Please provide the answer in the Word doc. only**. **Thanks! ☺**