Syllabus and Case Packet for

Mergers and Acquisitions

GBUS 857

January-February 2004

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Materials List
Mergers and Acquisitions
Robert Bruner and Kristen Huntley
(GBUS 857, January-February 2004)

Materials for Advance Distribution

HBS 9-298-016	Chase Manhattan Corp.: The Making of America's Largest Bank
UVA-F-1418	Brazilian Beer Merger Negotiations: Comphania Cervejaria Brahma, S.A.
HBS: 9-801-403	Circon (A)
UVA-F-1217	The Hilton/ITT Wars
UVA-F-1264	Printicomm's Proposed Acquisition of Digitech
UVA-F-1398-M	Hugh McColl and NationsBank: Building a National Footprint Through M&A
UVA-F-1420	Appendix to Hugh McColl and NationsBank: Building a National Footprint Through M&A
UVA-F-1338	The M&A Pitch Book: Proposed Acquisition of Heller Financial by United Technologies Corp.

SEC document: Proxy Statement and Prospectus for Hewlett-Packard/Compaq

Selected Chapters from *Applied Mergers and Acquisitions* (by Robert F. Bruner)

Chapter	Title
1	Introduction and Executive Summary
3	Does M&A Pay?
7	Acquisition Search and Deal Origination: Some Guiding Principles
8	Due Diligence
11	Valuing Synergies
18	An Introduction to Deal Design in M&A
19	Choosing the Form of Acquisitive Reorganization
20	Choosing the form of Payment and Financing for a Deal
21	Framework for Structuring the Terms of Exchange: Finding the "Win-Win" Deal
22	Structuring and Valuing Contingent Payments in M&A
24	Social Issues
25	How a Negotiated Deal Takes Shape
28	Rules of the Road: Antitrust
29	Documenting the Deal
34	Hostile Takeovers: Preparing a Bid in Light of Competition and Arbitrage
35	Takeover Attack and Defense
37	Communicating the Deal: Gaining Mandates, Approval, and Support

Materials to be held for in-class distribution:

			Distribute on:
38	M&A Best Practice: Some Lessons and Next Steps		Feb. 18
UVA-F-Draft	UBS/SBC (A)	(to be registered in Darden system later this fall)	Jan. 22
UVA-F-Draft	UBS/SBC (B)	(to be registered in Darden system later this fall)	Feb. 12
UVA-F-Draft	UBS/SBC (C)	(to be registered in Darden system later this fall)	Feb. 12
HBS: 9-802-098	Valuing the AOL Time Warner Merger		Feb. 12
HBS: 9-801-404	Circon (B)		Feb. 5
HBS: 9-801-405	Circon (C)		Feb. 5
HBS: 9-902-806	Circon Video		Feb. 5

Software to be found on the Intranet.

Software to Accompany the Book

Chapter	Name
9	Triangulation_graph.xls
9	Value_merge.xls
11	Valuing_synergies.xls
15	discounts and premia.xls
15	Multiplicative model adjusting for illiquidity and control.xls
21	Deal boundaries.xls
22	Earnout.xls
34	evnt.xls
34	arbs.xls
35	Poison pill dilution.xls
35	Defense.xls

Spreadsheet files that support case studies

Brahma.xls
Printicomm.xls
Ittval.xls
UBS-SBC (A).xls

Course Introduction and Syllabus for:
MERGERS AND ACQUISITIONS
(GBUS 857, January-February 2004)

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Course Mission and Goals

The mission of this course is to survey the drivers of success in mergers and acquisitions (M&A) and develop your skills in the design and evaluation of these transactions—thereby the course complements a number of other courses in the Darden curriculum and supports Darden's mission to "better society by developing leaders in the world of practical affairs." In pursuit of this mission, this course guides you to:

1. **develop a concept, design a deal, and present a proposal for an M&A transaction.** All transactions begin with the spark of an idea. Translating that idea into a concrete proposal takes hard work. Doing so teaches a lot about the drivers of M&A success, and the elements of deal design. Designing a transaction requires skills of analysis and negotiation. We will survey a number of analytic tools, and then exercise them and your presentation skills in a "pitch book" exercise. The work in this exercise will teach you a great deal about the design process, and the important leadership skills called for. We will survey some strategic frameworks useful in M&A, and the steps necessary to translate a concept into a solid proposal.
2. **form an opinion about a proposed deal.** The key aim of any university education should be an ability to think critically, to form a "view" of events and circumstances. Training in M&A should settle for nothing less. We will review a framework about deal design, and apply it to several cases. This will be the focus of the individual paper.
3. **explore the jargon, key players, and institutional perspectives of M&A.** The knowledge necessary to operate effectively in the M&A world seems daunting. Various readings and the extensive practical experience of the instructors will boost your mastery of the field.

This is a demanding course because the subject is complex, competition in M&A is intense, and the consequences of error are large. If you tackle this course earnestly, you will learn a great deal. At the same time, your learning will be deeper and more effective if the course is engaged in the spirit of invention and curiosity. The course will argue that deal design is fundamentally a creative effort. The best creativity happens in an environment that is both demanding and fun. Your instructors intend to promote this; you should too.

Focus and Scope

M&A will draw on cases and examples with the following leanings:

- The large publicly held corporation headquartered in the U.S. or abroad.
- Mainly oriented to finance, though the course will draw in contributions from accounting, law, strategy, organizational behavior, and game theory.
- Primary attention will be given to U.S. laws and regulations.
- Mainly oriented to transaction design, rather than the development of long-term policies.

The course assumes familiarity with valuation analysis, financial analysis, and accounting, and requires the course, *Valuation in Financial Markets* as a pre-requisite for enrolment. The intent is to build upon the work of these other Darden courses.

The course will argue that success in M&A is defined first and foremost in the creation of economic value and also in terms of outcomes such as enhanced financial stability, improved competitive position, strengthened organization, enhanced reputation, and observance of the letter and spirit of laws and ethics. These kinds of outcomes are the fruits of two important influences:

- **Structure of the environment** in which the deal takes shape. This includes the nature of the economic opportunity, the strategic setting of the buyer and target, the nature of the organizations of the buyer and target, the reputations of the players, and the matrix of laws and ethical norms surrounding the firms.
- **Conduct of the players.** Given the constraints and opportunities in the environment, how you play the M&A game significantly shapes outcomes. We will explore the influence of conduct in areas such as acquisition search, due diligence, negotiation and bidding, dealing with laws, regulations, and the judicial system, deal design, post-merger integration, communication, and management of the deal development process.

In short, the course presents a considerably richer view of M&A than you will have seen in previous courses and newspaper or magazine articles.

Course Requirements and Grading

The final grade in the course will be determined with these components and weights:

40% Class participation. Regular attendance and participation are expected. Absence from the negotiation exercises or from more than two classes for reasons other than personal illness, family emergency or other seriously extenuating circumstance will materially affect the class participation grade. Please call or e-mail Professor Bruner to explain absences.

35% "Pitch book." This demonstrates your progress toward the first course objective. Teams of up to six are self-selected and must prepare an oral presentation and supporting pitch book proposing the combination of two actual firms. The analysis must cover the strategic motives for the deal, target valuation, suggest a deal design, and survey issues likely to be encountered in negotiation and integration of the firms. The pitch book is due 5:00 p.m. February 27th. Please see the assignment for that date for more detail. A peer evaluation will be incorporated into your individual grade on this project.

25% Individual paper regarding the recommendation of deal terms. This will show your ability to design a deal. This paper is due 5:00 p.m. February 11^{th}.

100% Total

Tips on how to engage the course

1. **Diversify.** The course offers a number of learning modes. *Engage them all.* The plan for the course shows that:
   - Regular case studies will be the focus of eight of the class meetings.
   - The deal proposal exercise will account for three class meetings.
   - Discussions focused on a merger prospectus or chapter readings account for three meetings. Much of the technical material is assigned to be studied in a self-guided fashion.
   - One class session is excused in lieu of preparation of a short paper.

2. **Follow your interest.** This is a "self-tailoring" course in that it leaves much of the technical reading to the discretion of the student. The required reading will give you the framework of terminology and tools in M&A. Much of the material contained in the coursebooks is optional reading. Consider browsing through the readings, pausing to read carefully where you find interesting topics.

3. **Join a learning team to prepare for class.** The ideas in the cases and readings for class are deep; the analysis can get complex. You will learn more from the course, and perform better in class participation by discussing these cases together in a learning team. Bob Bruner and Kristen Huntley will serve as a clearinghouse for those students who have been unable to join a learning team.

4. **Commit to your project and learning teams.** Team-based work makes a large contribution to the course. The team paper accounts for 35% of the final grade. Class participation (which can be enhanced by learning team work) accounts for 40%. High performance teams show a number of common attributes:
   - Members commit to the success of the team.
   - The team plans ahead, leaving time for contingencies.
   - The team meets regularly.
   - Team members show up for meetings and are *prepared* to contribute.
   - There may or may not be a formal leader, but assignments are clear. Team members meet their assigned obligations.

About the instructors

Bob Bruner is Distinguished Professor of Business Administration and Executive Director of the Batten Institute. His writing and research are in corporate finance, particularly M&A where he has various projects in development. His book, *Applied Mergers and Acquisitions*, will be published by John Wiley & Sons in February, 2004. He has taught at Darden for 21 years and likes to explore Virginia waterways by canoe and kayak. Find more about him at http://faculty.darden.edu/brunerb/.

Kristen Huntley recently retired as partner of Morgan Stanley, where she served clients in the Financial Institutions Group of the firm's Mergers and Acquisitions Department and was Executive Director of Mergers, Acquisitions, and Restructurings in London. She has co-taught this course since 2001. A graduate of Darden's MBA class of 1987, and of the College of William and Mary, she commutes to Darden from Seattle, Washington, where she lives with her husband, Tom.

Day	Date	Class Number	Case	Pages of Required Reading	Pages of Optional Reading	Items Due on These Dates
Introduction to the course: key themes and linkage to previous courses.						
Thurs.	Jan. 15	1	Chase/Chemical	21	20	
Fri.	Jan. 16	2	Brahma/Antarctica	28	21	
Tools and concepts for deal design.						
Thurs.	Jan. 22	3	Introduction to the pitch book exercise	12	58	Teams for deal concept proposal exercise.
Fri.	Jan. 23	4	HP/Compaq	100	24	
Wed.	Jan. 28	5	HP/Compaq	0	0	
Thurs.	Jan. 29	6	Digitech/Printicomm	13	11	Name of target for deal concept proposal exercise.
Hostile deals, competition, and bidding.						
Wed.	Feb. 4	7	Video "Ethics of Takeovers"	54	0	
Thurs.	Feb. 5	8	Circon (A)	35	0	
Fri.	Feb. 6	9	Hilton/ITT	15	0	
Comprehensive survey of deal design and implementation.						
Wed.	Feb. 11	10	No class meeting.	37	0	Individual paper, Feb. 11, 2004, 5:00 p.m.
Thurs.	Feb. 12	11	UBS/SBC (A)	0	0	
Drivers of success and failure in M&A: the big picture.						
Wed.	Feb. 18	12	AOL Time Warner	38	16	
Thurs.	Feb. 19	13	McColl and NationsBank	65	8	
Wed.	Feb. 25	14	[excused, pitch-book exercise]	0	0	
Thurs.	Feb. 26	15	[excused, pitch-book exercise]	0	0	Pitch book: Feb. 27, 2004 5:00 p.m.
			Average	28	11	
						Deal presentations: March 1 or 2.

Assignment for January 15, 2004

Case: Chase Manhattan Corp.: The Making of America's Largest Bank (HBS: 9-298-016)

Optional readings: Chapter: "Valuing Synergies" Parts II, III, and IV.
Chapter: "Social Issues" Parts II and III.
Chapter: "Introduction and Executive Summary" Part II.

Questions for advance preparation

1. Recently a growing number of U.S. companies have tried to cut their operating costs through various kinds of restructuring. Chemical and Chase are attempting to reduce their costs by merging. This approach ("bigger is better") represents a sharp contrast to the refocusing and downsizing, which has characterized most U.S. restructuring in recent years. Do you think the interests of the banks' shareholders and other constituencies would be better served by some alternative form of restructuring that emphasizes increased corporate focus?
2. What are the strategic benefits, if any, of combining Chase and Chemical? What is the most significant benefit that the banks will realize from this merger?
3. Should Chemical reconsider any of its other prospective merger partners?
4. Assuming that all the anticipated benefits from the merger are realized, what is the likely dollar impact of the merger on the combined wealth of Chase and Chemical common stockholders? How will the merger affect the banks' financial performance (e.g., as measured by return on equity)? As a banking industry financial analyst, how would you measure the success of this transaction? (The equity beta for each bank's common stock at the time of the case was approximately 1.25.)
5. What are the "social" terms of the deal and how do they impact the financial and legal terms?
6. To what extent, if any, do the prospective financial gains of the banks' shareholders represent transfers of value from other claimholders, such as bank customers, employees, and communities in which the banks do business?
7. If you were Chemical management, what exchange ratio would you seek for the merger? What if you were Chase management?
8. Critically evaluate the analysis that Chemical and Chase performed for determining the level of employee layoffs and branch closings. How should a company determine what level of downsizing is appropriate for its circumstances? Over what time period should the layoffs and branch closings be scheduled?
9. As a general matter, when a company undertakes a complex or controversial restructuring program, what issues should management be concerned about in designing the company's disclosure strategy? In the context of the Chemical-Chase merger, how much and what kind of information about this deal should management disclose to Wall Street and the media?

Assignment for January 16, 2004

Case: Brazilian Beer Merger Negotiations: Comphania Cervejaria Brahma, S.A. (UVA-F-1418)

Supporting spreadsheet files:
Brahma.XLS
Deal Boundaries .XLS
Valuing Synergies .XLS

Optional readings:
Chapter: "An Introduction to Deal Design in M&A"
Chapter: "A Framework for Structuring the Basic Terms of Exchange: Finding the "Win-Win" Deal"

Questions for advance preparation

1. Please estimate the value of synergies and the maximum intrinsic value per share of Antarctica.

2. What are the relative merits of cash and common stock as form of payment in this deal? In your view, does the amount of consideration to be paid depend on the form of payment? Why or why not?

3. Assuming a share-for-share transaction, what is the maximum exchange ratio (number of Brahma shares per Antarctica share) that Brahma shareholders would tolerate? What is the minimum exchange ratio that Antarctica shareholders would tolerate? What factors determine the maximum and minimum?

4. Please prepare a brief term sheet outlining your recommendation for the structure of a proposed combination of Brahma and Antarctica, addressing all of the issues that you believe should be reflected in a deal between these two companies.

Assignment for January 22, February 25 and 26, 2004

Deal Concept Proposal Exercise

Objectives: This assignment addresses a goal of the course, to develop your ability to conceive and design a proposed deal. It exercises the broad range of skills developed in this course.

Required Readings for January 22nd:
1. Briefing materials on United Technologies. Please review the materials to form a view of the firm's strategic situation and its acquisition style. **These materials will be distributed separately in advance of class.**
2. Chapters in *Applied Mergers and Acquisitions*,
- "Communicating the deal: Gaining mandates, approval, and support" Part III.
- "Acquisition search and deal origination: some guiding principles" Part II.
- "Due Diligence" Parts I, II, and III.

Optional Reading
"The M&A "Pitch Book": Proposed Acquisition of Heller Financial by United Technologies Corporation." (UVA-F-1338)

Assignment: By January 22, 2004, you must have formed a six-person team which will be assigned to serve our "client" this year, United Technologies Corporation. Representatives of this firm will offer briefing comments on January 22nd, and will attend the final presentation on March 1 and 2.
- Prepare a deal concept proposal as if you were an internal corporate development officer for the buyer firm to which you have been assigned.
- Present your proposal to a panel representing the actual firm. The presentation will be scheduled for either March 1 or 2 (the exact time, date and place to be announced). A briefing book to consist of no more than 20 pages should accompany the presentation. An advance copy of your briefing book should be submitted to the instructors on February 27 by 3:00 p.m. to Betty Sprouse in Room 291C of the Faculty Office Building. The time each team has available is one hour. Each team should anticipate active questioning from the panel, and may present information or appendices not contained in the original briefing book.

Your readers are the executive committee of the buyer firm. As of the date of your proposal, your idea has been held secret by your team, unknown to the target firm. Your aim should be to convince the CEO to go forward with the proposed transaction, committing time, capital and influence to consummate the deal.

Deadlines:
Email indicating your target firm is due 5:00 p.m. January 29, 2004 (to Betty Sprouse).
Presentation Briefing Book Due 5:00 p.m. February 27, 2004 to Betty Sprouse in Room 291C of the Faculty office Building;
Presentation: March 1 or 2, time and place to be announced.

Choice of target: Pick a target firm with whom there might be some solid strategic rationale to combine. Think seriously about the motives and economics of combination, and try to offer a hypothetical marriage that makes business sense. Your strategic rationale for this deal should be summarized clearly in your presentation, and should reflect careful thinking. You are free to choose any firm, though if you have a choice, you should avoid unnecessarily complex combinations. To spark ideas, you might consult lists of excellent firms and under performers. By the end of January 29th, please send an email to Betty Sprouse indicating the target firm in your proposed deal, and a few sentences about why you will be recommending this target.

Some possible topics for the briefing book and presentation:

Strategic rationale for your proposal. Is your proposal merely opportunistic, or is there a sound strategic motive for it? The best motives are rooted in a view about the strategic strengths, weaknesses, opportunities, and threats faced by a firm. These motives should have some valuation consequence, as measured by synergies and change in share price. Of course, some consequences may be hard to measure, such as the benefits of new technology, the creation of new strategic capabilities, and so on—but even for the most qualitative benefits you should expect the audience to question you closely. Remember to consider the alternatives to *this* deal: is there another company that you considered? Is there another form of transaction (such as a joint venture or strategic alliance) that might accomplish the same ends?

Risks. What are the risks on which a due diligence research team should focus? These might include risks already disclosed in public information, as well as risks you hypothesize. Your recommendations here should form the foundation for detailed due diligence review by the buyer.

Valuation and price recommendation. Conduct a sensitivity analysis of value, dilution, and accounting results. Value_Merge.XLS may help in this regard, though you are not required to use it. Financial statements (e.g., Form 10-K) on U.S.-listed firms can be downloaded easily from the SEC's database, EDGAR, (see www.sec.gov). The second section of your report should describe your estimated value, the key drivers, and the impact of various possible deals on dilution, stock price, and accounting results.

Term Sheet. Each presentation should close with a term sheet for the proposed transaction. Recommend a deal structure for this hypothetical combination. Be as specific and detailed as possible. One of the aims of this course is to illuminate the enormous range of choice in deal design. Your presentation should reflect a grasp of this range in discussing why your deal structure dominates alternatives.

Form of presentation.

Remember that to be successful, this proposal requires careful analysis, balanced advocacy and effective presentation. This requires attractive format, crisp and concise wording, backed up with appendices that contain greater detail for the interested client. Bullet point lists, graphs, and figures are especially useful in summarizing large ideas.

Expect lots of questions and prepare to be interrupted. Your mastery of facts about the target and buyer is very important. A visiting executive last year wrote,

> *In general, the presentations I enjoyed the most were the ones in which the team knew the most about the target. This is a relevant insight for the exercise and for those going into banking. I have found that the most effective M&A pitches in real life are those in which the bankers combine deep knowledge of a target and its industry with true expertise in M&A execution. (Incidentally, we would sometimes bring equity research analysts to M&A pitches because they often have the best company and industry knowledge. The new rules will make bankers develop deeper knowledge on their own.)*
>
> *This expertise needs to be combined with a robust set of projections. It is not enough to just project revenue growth rates and margins. We need to see revenue built from underlying drivers. This is especially true for synergy analysis.*

Assignment for January 23 and 28, 2004

Readings:

Required: **Joint proxy statement/prospectus for Hewlett-Packard and Compaq.**

Optional reading:

1. Chapter: Documenting the Deal (Pages 1-5)
2. Chapter: Choosing the form of acquisitive reorganization Parts II and IV.
3. Chapter: Choosing the form of payment and financing Parts III and IV.
4. Chapter: How a negotiated deal takes place Parts I through IX.

Advice:
The document and chapters are mainly to be *skimmed*. The objectives of this assignment are to expose you to the information available in this important document, and to lay the foundation for discussing the structure of a merger agreement and some important principles in class. Also, the task of outlining the terms of a deal from a document such as this is valuable preparation for the future, and will help define just what "a deal" consists of. Finally, this may help you make sense of the HP/Compaq deal, one of the more notable merger fights in recent years. Suggestions for targeting your reading will be given in class on January 16th.

Questions for advance study:

1. What is the structure of this document? Why is it called a "proxy statement?" A "prospectus?" Who are the audiences for this document? What is the main objective of the document?
2. What are the principal terms of this agreement? Please summarize them in a *term sheet*.
3. What was the history by which this agreement was reached? Why is the history presented in the proxy statement?
4. Note that the agreement contains sections where the parties state their assumptions, both backward looking, and forward-looking. Under the terms of this agreement, what is going to happen? When? What parts of the agreement simply describe the situation? What parts require one or both parties to take action? What portions spell out the consequences if conditions are not met?
5. What are the duties of directors of the selling and buying firm in this deal?

Assignment for January 29, 2004

Case: Printicomm's Proposed Acquisition of Digitech: Negotiating Price and Form of Payment (UVA-F-1264)

Network file: printicomm.xls

<u>Optional reading:</u>
Chapter: Structuring and Valuing Contingent Payments in M&A, Parts II through VII.

<u>Questions for advance preparation</u>

1. What are the pros and cons of a fixed-price deal, and an earnout-based deal between Printicomm and Digitech?
2. Is a simple discounted cash flow approach sufficient for determining the cost of the earnout to Printicomm? Please value the earnout-based deals using Monte Carlo simulation.
3. Why does the value of the earnout look so different from the perspectives of Printicomm and Digitech? Will this difference in valuation be a help or hindrance to the consummation of the deal?
4. What terms (i.e., time length, and target hurdles) should Jay Risher seek to obtain from Digitech?

NB: By January 29th your deal proposal team should notify Betty Sprouse of the target firm you have chosen for your presentation exercise.

Assignment for February 4, 2004

Required Readings:
Chapter: "Hostile Takeovers: Preparing a Bid in Light of Competition and Arbitrage"
Chapter: "Takeover Attack and Defense"

Comment: during this class we will view a videotaped presentation of leading figures in hostile takeovers in the United States. We will discuss briefly the perspectives of each player and aim to summarize some insights from the module on hostile takeovers.

Questions for advance preparation

1. What are the pros and cons of takeover defenses? Who is best served by them? What should be the stance of a board of directors in response to an unsolicited offer?
2. What is the responsibility of the directors for the interests of employees? Of the community or other groups?
3. Given the turbulence they cause, why are hostile takeovers permitted?

Assignment for February 5, 2004

Case: "Circon (A)" HBS: 9-801-403

Study Questions

1. What are the underlying motives for attack and defense in this case?

2. What are the tactics of attack and defense used by the respective sides? How effective were they?

3. What is the view of the arbs in this situation?

4. What should each firm do next?

Assignment for February 6, 2004

Case: "The Hilton/ITT Wars" (UVA-F-1217)
Spreadsheets: ITTVAL.XLS; EVNT.XLS; ARB.XLS

<u>Questions for advance preparation</u>

1. Please familiarize yourself with the valuation analysis in the case. What is your estimate of ITT's value range?

2. How have risk arbitrageurs fared in their positions in ITT stock? Please estimate their annualized returns. What is the likely mood of the arbs at the date of the case?

3. At the outset, what considerations must have driven Bollenbach's bidding strategy?

4. Please complete an analysis of the expected value of not tendering (EVNT). This analysis should take the form of a two-way table with Hilton's revised tender offer across the top, and the probability that a competitive bid will be made: in the cells should be the expected price of the competitive bid.

5. How, if at all, should Bollenbach revise Hilton's bid for ITT?

Assignment for February 11, 2004 – *No class meeting today in lieu of paper due today.*

Assignment for February 12, 2004—The class meeting will be devoted to a discussion of this case study.

Assignment for Individual Paper

Subject:	M&A deal design.
Due:	No later than 5:00 p.m. February 11, Room 291C care of Betty Sprouse.
Maximum length:	Five typewritten pages of text, 12-point font, one-inch margins. No limit on number of exhibits, though the readers will view weak or unnecessary exhibits as an indication of poor organization and communication and will mark the paper accordingly.
Team preparation:	None. This is an individual project.
Grading:	This paper accounts for 25 percent of the final course grade. Along with your class participation, this paper is one of your primary indications of your personal mastery of concepts and tools presented in this course.

Case study: "The Merger of Union Bank of Switzerland and Swiss Bank Corporation (A): The Proposed Merger" (UVA-F-XXXX). **This case will be distributed on January 22nd.**
Network file: UBS-SBC (A).xls.

Assignment:

Please prepare a recommendation to the board of directors of Swiss Banking Corporation as to whether they should approve the proposed merger or not, and why.

This assignment is purposely open-ended to test the range and depth of your thinking. Your recommendation should be based on any analysis you deem relevant, but you may not draw on any facts outside those contained in the case study. You will find study questions on page 13 of the case. You may find these to be a useful stimulus to your thinking, though they should not distract you from the core task, to present a recommendation.

Along with your paper, please provide the usual Honor pledge.

Assignment for February 18, 2004

Case: Valuing the AOL Time Warner Merger (9-802-098). **This will be distributed in class on February 12.**

<u>Optional Reading:</u>
Chapter: Does M&A Pay? (Skim pages 1-16.)

Assignment Questions

1. Was the merger of AOL and Time Warner a success or failure? Please prepare a specific list of dimensions in which this merger succeeded or failed. What is your benchmark of comparison in making this assessment?

2. What factors outside the two firms contributed to this outcome? How did the *structure* of the situation affect the results?

3. How did the *conduct* of the players affect the outcome? Please consider the actions of the parties during the deal development phase, and during post-merger integration.

Assignment for February 19, 2004

Digital Case: Hugh McColl and NationsBank:Building a National Footprint Through M&A (UVA-F-1399M)

Case: Appendix to Hugh McColl and NationsBank: Building a National Footprint Through M&A (UVA-F-1420)

Optional Reading
Chapter: M&A Best Practice: Some Lessons and Next Steps. T**his reading will be distributed on February 18th.**

Instructions for viewing this digital case study are contained on the CD itself. Please insert the disk into the CD drive of your computer. The case will start automatically.

Questions for advance preparation

1. How did growth by acquisition transform NCNB (later NationsBank) from 1982 to 1998?
2. To what changes in the industry did this strategy respond?
3. How well did the strategy of growth by acquisition serve the shareholders of the firm?
4. Specifically, what was Hugh McColl's approach to M&A negotiation and integration?
5. To what do you attribute the relative success of the firm's acquisition program?
6. Would this approach be effective in other firms and industries? Why?