Instructor Information

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Course Description

This course is part of a sequence of graduate electives in the area of Corporate Finance. The course covers advanced topics in Mergers & Acquisitions. The main topics of the course are: the analysis of friendly M&A transactions, hostile takeovers, and leveraged buyouts.

The course is intended for students pursuing a professional career in corporate finance, investment banking, or corporate consulting and thus has an applied approach. To provide a better understanding of how finance professionals manage these issues, the course relies extensively on the case discussion approach as the main method of learning. Students are expected to prepare and actively participate in class case discussions.

Pedagogy

The narrow objective of this course is to help students develop self-learning skills, writing skills, as well as encourage teamwork. The greater objective is to prepare students for making decisions within a business environment, a very valuable skill for a successful career in the business world. To achieve these objectives, the course will use the “case study” method of teaching and learning. Case studies present real-world, complex problems faced by financial managers that require analysis and use of judgment to reach important business decisions.
The use of case studies is a very effective learning method because it emphasizes student self-learning rather than a passive absorption of knowledge. Students learn to develop critical thinking skills and use their judgment to make decisions. Case studies do not always lead to the “right” or the “one” course of action for the decision maker. Rather, decisions are justified based upon sound financial assumptions and a thorough analysis of the situation at hand. Therefore, the analysis and discussion of cases is very valuable because it teaches students how to use principles of finance to define and solve problems, work as a member of a team, and make recommendations for the best course of action.

**Course Prerequisites**

I assume that you have working knowledge of the material covered in BUSFIN 6220 and 7210. These courses are prerequisites for this course.

**Class Format**

Case courses have a very different class format from other courses that you have taken thus far in your studies. In other courses, students are engaged in a passive form of learning and are expected to learn and practice skills through homework and exams. Courses that utilize the “case study” method assume an active form of learning on the part of students. The following four principles are **ESSENTIAL** components of a student’s success in a case course:

- **Participation:** Learning in a case course takes place primarily through active class participation. Students are strongly encouraged and are responsible for sharing their understanding and views on each case with the rest of the class. As you can tell from the grade composition, class participation is very important and comprises a significant portion of your course grade.

- **Preparation:** To effectively participate in class discussion of cases, students MUST come to class well prepared. Students should study each assigned case in advance, identify the main participants and the problem(s) faced, and prepare to ask and answer questions. It is very important that you work to analyze the case before it is discussed in class. You must be prepared to offer your judgment and recommendation for the situation presented in each case. You should feel free to visit me during office hours or set up an appointment, if you need help with preparing for a case. In addition, you should read any assigned background readings. Again, I emphasize that students must prepare well before arriving to class.

- **Presence:** The only way to learn and succeed in this course is to be present and participate in each and every class. Reading a text or copying notes from your fellow students CANNOT substitute for the insight and knowledge that you will acquire through participation in class discussions.

- **Promptness:** Students must make sure that they arrive before the beginning of each class. Students who arrive to class late disrupt the discussion and impose a burden on their fellow students’ learning experience. If, for some reason, you happen to arrive to class late, please enter quietly and do not disturb your fellow students.
It is clear from the above that students must make a commitment to prepare for each class and actively participate in class discussions. This point cannot be emphasized enough! You should be prepared to answer questions or offer your opinion on the case under discussion. I also strongly encourage you to take a stand and offer your recommendation for action by management based upon your analysis. Remember, case studies describe real-world business situations. There is typically more than one course of action that can be taken. It is not important to discover which particular action will eventually be taken as it is to learn to provide a recommendation based on financial principles and solid analysis.

I strongly encourage you to read the handout “Note to the Student: How to Study and Discuss Cases” by Robert F. Bruner.

Textbooks and Course Materials

You are expected to purchase all cases used in this course. The course packet that includes all cases can be purchased online from study.net. In addition, three HBS cases will be purchased separately and more information on that will be provided in class.

I have also assigned two recommended textbooks. These will be used mostly as reference sources. I strongly recommend that you purchase these textbooks if you are very interested in the topics covered in this course. More details will be provided in the first day of classes.

The recommended textbooks are:


Lecture notes, case preparatory questions, additional discussion readings, and other course materials will be posted on the course web page. The course web page is available through Carmen, the university’s course management system (http://carmen.osu.edu). Materials will be posted on Carmen no later than two days prior to the scheduled class.

Two course packets will be available from Study.net and Harvard Business Publishing. You are expected to purchase a copy of each case. Note that cases are copyrighted material and thus no form of copying is allowed without the explicit permission of the publisher.

I strongly recommend that you check the course web page regularly. Under “Classlist” you can see the students in the course.
Other useful texts are:


**Grading Procedures and Policies**

- **Course Grade:** The course grade will be determined through your class participation, two case briefs (one individual and one group), and a final team take-home case examination. Grades will be assigned on a curve with a plus (+) or minus (-). The average grade for this course will be a 3.6 or lower. The grade composition is as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weightage</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>40%</td>
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<tr>
<td>Individual Case Brief</td>
<td>15%</td>
</tr>
<tr>
<td>Team Case Brief</td>
<td>15%</td>
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<tr>
<td>Final Team Case Exam</td>
<td>30%</td>
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</table>

**Case Briefs:** You will be asked to submit two case briefs from a list of eligible cases. These cases are marked with an asterisk on the course schedule below. One brief will be submitted as an individual assignment and one as a team assignment. Each brief will comprise 15% of your final grade. **It is up to you and your team to decide for which case you will submit an individual brief and for which a team brief. However, you cannot submit both briefs on the same case.**

Case briefs should **NOT EXCEED TWO PAGES OF TEXT WITH NO LIMIT ON ATTACHED EXHIBITS.** Case briefs should be organized as follows: a) statement of main issue(s) in the case; b) financial analysis of main issues; c) recommendations to upper management. You MUST use 12-point font, double-spaced paragraphs, and default Microsoft Word margins.

**Final Team Case Examination:** The final team case examination will comprise 30% of your total grade. Teams will have 4-5 members. This will be a take-home examination and the assigned case will be available online on the last day of classes. A completed case analysis shall be no more than FIVE double-spaced typewritten pages. Exhibits are not included in this limit. Teams will have from December 4 to December 7 to complete the final examination. The structure of the final case exam will be similar to that of the case briefs.

Upon completing the case exam, teams will submit their report to me by e-mail. In the e-mail, you must also include the following statement: **“On my honor as a student of the Fisher College of Business I have neither given nor received**
Unauthorized aid on this exam, and I have limited the time spent on this case to seventy two hours. Please type the names of all team members below the pledge, which affirms the credibility of your pledge. Your names should NOT appear elsewhere on the report.

I would like you to form teams and inform me of each team’s members as soon as possible, but no later than October 28. In the final case examination, each team member will receive the grade assigned to the submitted team report. In addition, each of you will be asked to rank your fellow team members in terms of their effort and contribution to the case final examination as well as the team case brief and/or the case presentation. Team evaluations will be taken into consideration in assigning final individual grades for any team assignments. Students MUST submit a team evaluation in order to receive a grade in the course.

Participation grades: The quality of your participation will be graded after each class discussion on a scale of zero to three points. Participation grades will be based on the following criteria:

- 0 points: No participation or observations
- 1 point: Contributes relevant information or facts, asks critical questions concerning the discussion in class, reading assignments and responses to comments of classmates
- 2 points: Provides an interpretation of relevant information and/or facts that is based on analysis and, in turn, advances the discussion to other related topics
- 3 points: Provides contributions that leads the discussion to a significantly higher level of thought; or presents an analysis and interpretation of the relevant information that results in a solution to the case

You are encouraged to work independently in preparing each case. However, it will be very helpful to form a study group in order to discuss your analysis and interpretation of each case, which will help you prepare more effectively for class.

Each student is permitted to have NO MORE THAN TWO excused absences throughout the term. Please notify me of your absence before the specific date by e-mail.

Please note the following rules for class participation:

- Select a seat and use the same spot in each and every class.
- Always use your name card (do not forget to bring it with you to class).

Office Hours: I will have office hours on Tuesdays, 12-1pm or by appointment. These hours are especially for the benefit of students in this course. I also encourage you to schedule an appointment to meet with me with any comments or suggestions you may have about the course. I prefer NOT to discuss course-related questions through the phone. The best way to address your questions is
to discuss them with me in person either during my office hours or by appointment.

**Academic Integrity**

From the Fisher College statement on your obligation to maintain academic integrity:

“As a member of the Fisher College of Business community, I am personally committed to the highest standards of ethical behavior. Honesty and integrity are the foundation from which I will measure my actions. I will hold myself accountable to adhere to these standards. As a leader in the community and business environment, I will pledge to live by these principles and celebrate those who share these beliefs.”

Students are responsible for knowing and abiding by these standards.

**Academic Misconduct**

Cheating is grounds for failing this course and additional sanctions. In accordance with faculty rule 3335-5-487, all instances of alleged academic misconduct will be reported to the university Committee on Academic Misconduct. If the committee concludes that a violation has occurred, it recommends appropriate sanctions to the Office of Academic Affairs. As stated in the university’s Code of Student Conduct (http://studentaffairs.osu.edu/resources/), students have an obligation to report academic misconduct. Such misconduct can be reported to the appropriate faculty member or program dean; confidentiality is protected.

Permitted collaboration for this course is as follows:

- Individual case brief – *No collaboration*
- Team case brief and final case exam – Collaboration with *teammates only*

**Disability Accommodation**

To ensure that disability-related concerns are properly addressed from the beginning, students with disabilities who require reasonable accommodations to participate in this class are asked to contact the Office of Disability Services (150 Pomerene Hall, 292-3307). Please also inform me of any arrangements you are making with ODS.

**Suggestions for Effective Team Performance**

The following suggestions (taken from Robert Bruner’s cases textbook) are necessary, but not sufficient, conditions for effective team performance. A major factor in a team’s success is each member’s effort and dedication to the success of the team. It is crucial that you develop a good working relationship with your teammates. Each member
should hold every other member accountable for their contribution to the team’s performance.

✓ Members commit to the success of the team.
✓ The team plans ahead, leaving time for contingencies.
✓ The team meets regularly.
✓ Members show up for meetings and are prepared to contribute.
✓ There may or may not be a formal leader, but role assignments within the team are clear. Team members meet their assigned obligations.
## COURSE SCHEDULE

(All chapters are from Bruner's text. Cases marked by an asterisk are eligible for a case brief.)

<table>
<thead>
<tr>
<th>DATE</th>
<th>DISCUSSION CASE/ARTICLE</th>
<th>TOPIC</th>
<th>BACKGROUND READING</th>
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<tbody>
<tr>
<td>Oct. 19</td>
<td>Course Introduction</td>
<td>Course Syllabus</td>
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<tr>
<td>Oct. 21</td>
<td>Intro to M&amp;A</td>
<td>Lecture Notes</td>
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<tr>
<td>Oct. 26</td>
<td>Methods of Valuation for Mergers &amp; Acquisitions</td>
<td>Technical Note</td>
<td>Ch. 9</td>
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<tr>
<td>Oct. 28</td>
<td>Sun Microsystems</td>
<td>Valuing a Takeover Opportunity</td>
<td>Preparatory Questions Ch. 9, 11</td>
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<tr>
<td>Nov. 2</td>
<td>Roche’s Acquisition of Genentech (*)</td>
<td>Strategic M&amp;A</td>
<td>Preparatory Questions Ch. 15</td>
</tr>
<tr>
<td>Nov. 4</td>
<td>The Timken Company (*)</td>
<td>Financing an Acquisition</td>
<td>Preparatory Questions Ch. 20</td>
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<tr>
<td>Nov. 9</td>
<td>Wrigley – Mars Pre-negotiation</td>
<td>Merger Negotiation Simulation</td>
<td>Preparatory Questions Ch. 25</td>
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<tr>
<td>Nov. 16</td>
<td>Wrigley – Mars Post-negotiation Debrief</td>
<td>Merger Negotiation Simulation</td>
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<tr>
<td>Nov. 18</td>
<td>Hostile Takeovers: A Primer for the Decision Maker</td>
<td>Technical Note</td>
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<tr>
<td>Nov. 23</td>
<td>The Acquisition of Consolidated Rail Corporation (A) (*)</td>
<td>Hostile Acquisitions/Tender Offers</td>
<td>Preparatory Questions Ch. 34</td>
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<tr>
<td>Nov. 25</td>
<td>The Hostile Bid for Red October (*)</td>
<td>Acquisition in an Emerging Market</td>
<td>Preparatory Questions</td>
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<tr>
<td>Nov. 30</td>
<td>Valuation of Late-Stage Companies and Buyouts</td>
<td>Technical Note</td>
<td>Ch. 13</td>
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<td>Dec. 2</td>
<td>The Takeover Battle for Shareholder</td>
<td>Case Presented by</td>
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<td>Date</td>
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<tr>
<td>Dec. 4</td>
<td><strong>Bidding for Hertz:</strong> Analysis of Leveraged Buyout (*) Preparatory Questions Ch. 13</td>
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<tr>
<td>Dec. 4 - 7</td>
<td><strong>Final Group Case Examination</strong></td>
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*Allergan Activists in Takeovers by Mac Price, OPERS & George Pinteris*