Course Syllabus

Corporate Restructuring, Mergers & Acquisitions
Finance 70400

Mendoza College of Business
University of Notre Dame
Fall Semester 2012, Module 2

Professor Matthew D. Cain
259 Mendoza College of Business
631-1492
mcain2@nd.edu

Office hours:
Open door policy, or by appointment

Section 1: Tues / Thurs, 1:00pm-2:50pm, MCoB 160
Section 2: Tues / Thurs, 3:00pm-4:50pm, MCoB 160

Course Overview:

The objective of this course is to facilitate understanding of corporate merger and acquisition activity, restructurings, and corporate governance in the M&A context. This includes exploring the theory and evidence regarding these topics; the motives for transactions, the sources of value-added, and managerial incentives to engage in or resist these activities.

The structure of the class is a combined lecture/discussion format. We will rely heavily upon case studies of past events and news articles of current events to illustrate how financial theory can be applied in an actual business environment.

Upon completion of the course, students will be able to:

- Describe alternative ways to measure the success of a merger
- Identify theoretical motives for pursuing merger opportunities
- Discuss the impact of corporate governance mechanisms on managers’ incentives to engage in or resist corporate control transactions
- Calculate the value of real-world target firms using valuation techniques including discounted cash flow analysis, comparable companies multiples analysis, and precedent transactions analysis
- Calculate the value of projected merger synergies and determine the maximum price that a buyer should be willing to pay for a target firm
- Evaluate the trade-offs involved in various deal structures, and recommend a structure for a given transaction.
Course Materials:

- There is no required textbook for this course. This course packet contains select chapters from various textbooks, reproduced under the Fair Use Doctrine of the U.S. Copyright Law of 1976.
- Required cases and simulation access must be purchased via Harvard Business Publishing; the links for purchase are provided on Sakai.
- In addition, the topics in this course are covered extensively in the popular press and it is useful to monitor recent developments. Some helpful resources include:
  - I also encourage you to keep up with related news in sources such as the Wall Street Journal and Bloomberg.
- Due to the emphasis on current M&A market developments in this course, some reading assignments will be given as news stories develop throughout the semester. New assignments will be communicated to students through postings on the course website (sakai.nd.edu). It is each student’s responsibility to monitor the course website for new assignments.

Grading

In accordance with the Mendoza grading guidelines, the grades for this course typically average to 3.55/4.00. Course grades will be based upon:

<table>
<thead>
<tr>
<th>Points</th>
<th>Your Score</th>
<th>Point Total</th>
<th>Letter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Participation</td>
<td>30</td>
<td>276-300</td>
<td>A</td>
</tr>
<tr>
<td>M&amp;A Simulation</td>
<td>20</td>
<td>267-275</td>
<td>A-</td>
</tr>
<tr>
<td>Midterm</td>
<td>100</td>
<td>255-266</td>
<td>B+</td>
</tr>
<tr>
<td>Final Exam</td>
<td>150</td>
<td>246-254</td>
<td>B</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300</strong></td>
<td><strong>237-245</strong></td>
<td><strong>B-</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Points</th>
<th>Your Score</th>
<th>Point Total</th>
<th>Letter</th>
</tr>
</thead>
<tbody>
<tr>
<td>225-236</td>
<td>C+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>195-209</td>
<td>C-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>180-194</td>
<td>D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;180</td>
<td>F</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Class participation and assignments**

I expect you to be prepared for all in-class cases and discussion topics. I will provide questions prior to in-class case discussions which will help to focus your attention on key issues. Look first for the information required. The necessary information is not always available, however. At times you will need to make assumptions and move on. In addition, understand that all cases contain a great deal of irrelevant information. The ability to recognize what information is and is not useful information is an invaluable skill.
I will assign students a participation score of zero to 30 at the end of the module. This score reflects your average level of preparedness for class discussions and case analyses. You do not need to have all of the correct answers to contribute meaningfully to in-class discussions; thought-provoking questions from students are often more valuable than correct responses to the questions I pose. The best way to prepare is to spend adequate time reading the assigned case, article, or text, and then think through the pertinent issues. If you will miss class due to an interview or excused absence, you may email me your answers to any case or homework questions prior to the start of that class, for partial participation credit.

**Exams**

There will be a midterm and a cumulative final exam. Exam dates are as follows:

- Midterm: Tuesday, November 13, regular class time
- Final Exam: TBA

Students should bring a financial calculator and pencil to exams. I will provide a formula sheet. Notes, books, other formula sheets, cell phones, PDAs, etc. are not permitted in exams. Contact me during the first week of classes if you have a conflict with any of the exam dates/times.

This course will follow the Academic Code of Honor. The exams must be the sole effort of the individual student. The simulation is a group project, and as such, must reflect the effort of the members of only your group.

**Technology Issues**

Computers crash, the Internet goes down, files are corrupted, network access is restricted, individuals forget to attach files to emails sent, and the list of technology issues goes on and on. All of these issues are considered part of the normal work production process and are not considered to fall under special circumstances or emergencies. As such, it is your responsibility to adequately back up your work and to allow a sufficient cushion of time to recover or re-send your work should a technology issue arise. If I receive your work after a deadline due to a technology-related excuse, I will still consider it tardy and points will be deducted accordingly.

**Outline of Topics**

Refer to the course web page on Sakai for a detailed calendar of scheduled topics, required readings, assignments, and deadlines.
M&A Simulation

Introduction

We will play an in-class simulation this semester: “M&A in Wine Country.” Access to the simulation can be purchased through Harvard Business Publishing (see Sakai for link). Once you purchase access to the simulation, you will be able to read several documents that describe the structure and goals of the simulation. I will not duplicate that information here.

Groups

This assignment is to be done in groups of two to four people. You may choose your own group, but I will assign independent students to remaining groups a few weeks into the module. Only one student login will be used for each group; therefore only one person per group will actually purchase the simulation.

You should collaborate with your other group members on the simulation preparations, but do not discuss your results with other members of the class. Simulation play pits your group against two other groups in the class, so “keep your cards close to your chest!” I will determine the structure of play among groups.

Grading

The simulation is worth 20 points for each group member. If fellow students inform me that a group member did not contribute meaningfully the simulation preparations, then I will adjust his/her points downward. Please make every attempt to be present for the class session in which we play the simulation game (see Sakai). This is a fun game, but only if you show up for it!

Grades are based on the overall accuracy of your valuations, your negotiating skill in simulation play, and the outcomes achieved by each group. The simulation calculates these grades automatically, but I will assign subjective grades based on the information provided to me by the simulation and game play. I have chosen the point weightings for the simulations to be high enough to induce effort on the part of students, but not high enough as to penalize students for simulation outcomes beyond their control.

*** If any group fails to purchase simulation access by the deadline I provide, or shows up on the simulation day of class without having entered their valuations into the simulation program prior to class, their score will be lowered substantially. ***