



Board and audit committee oversight of M&A

On May 19–20, members of the North and South chapters of the West Audit Committee Network (WACN) convened in Pebble Beach for their first joint meeting. On May 20, members discussed board and audit committee oversight of mergers and acquisitions (M&A). They were joined by Todd Moody, Transactions Advisory Services (TAS) leader for Ernst & Young’s West sub-area, and Jeff Liu, a principal in Ernst & Young’s TAS practice. This document summarizes key points raised during the meeting, along with selected perspectives that members shared before and after the meeting.¹ For a list of network participants, see Appendix 1, on page 11.

Executive summary

An April Ernst & Young survey noted a “surge in confidence in the global economic outlook. Confidence in the global economy has almost doubled in the last six months. Leading companies are now focusing on growth instead of defensive measures.”² However, macroeconomic conditions, the rising US deficit, and global supply-chain risks are tempering long-term M&A growth. As Mr. Moody said, “It is the best of times, and also the worst of times for M&A.” WACN members discussed how boards and audit committees could improve their companies’ deal processes in this environment. The discussion covered three broad areas, which are outlined below and described in more detail on the following pages:

- **Conditions are ripe for increased M&A activity** (*page 2*)

Members said their companies are gearing up for increased M&A activity, though many are proceeding with caution due to market volatility. Many companies are carrying a lot of cash on their balance sheets and see limited opportunity for organic growth in established markets. Members said many companies would rather use foreign earnings to acquire companies than suffer the tax consequences of repatriating that cash.

- **Board and audit committee oversight of M&A varies by company and by deal** (*page 3*)

Members said that the full board must utilize all of its experience and expertise when the company is considering a deal. Still, the audit committee often has a tactical role to play: screening proposed deals to protect the full board’s time, understanding the accounting differences between the acquiring company and its target, and digging deeper into the financial implications of the deal. Members also said highly complex or “*game-changing*” deals sometimes warrant a special committee of the board.

¹ *VantagePoint* reflects the network’s use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments made during the meetings are not attributed to individuals or corporations. Quotes in italics are drawn directly from comments made by WACN members before and during the May 20 meeting.

² Ernst & Young, “Fit for the Future?” *Capital Confidence Barometer*, April 2011.



▪ **Established practices throughout the transaction process can enhance M&A oversight** (page 5)

Members said the board and management should have an established process by which they evaluate proposed deals. Before considering a deal, the board should ensure that the target company is a strategic and cultural fit. During the deal, it should ensure that management considers all of the key inherent risks, tests assumptions about anticipated synergies, agrees on a maximum price, and engages the right external advisers. Following the deal, the board should monitor the integration process and perform regular postmortems, integrating any lessons learned into the M&A processes going forward. For examples of questions audit committee members and other board directors might ask about M&A, please see Appendix 2, on page 12.

Conditions are ripe for increased M&A activity

According to the April Ernst & Young survey, 33% of senior executives said their companies were likely to acquire in the next six months.³ One member said, “*Everyone is spending much more time now looking at M&A.*” Members and guests outlined a host of conditions that are driving more M&A activity:

- **High cash balances, coupled with slow organic growth.** According to Federal Reserve figures released March 10, US companies are holding nearly \$1.9 trillion in cash, a record amount that accounts for 13% of corporate assets, the highest share since 1984.⁴ In addition to high cash balances, the “lower-growth environment in the US and Europe may prompt companies to team up and create value through cost-cutting.”⁵ Mr. Liu said, “Companies have unleashed their corporate-development departments.”
- **Attractive terms.** The Ernst & Young survey said, “With banks re-establishing their capital positions and interest rates low, financing for deals is increasingly available. The preferred sources for funding over the next six months remain cash (59%) and bank loans (36%).”⁶ One member commented, “*I’ve even seen some covenant-light deals coming back on the scene.*”
- **Tax treatment of foreign earnings.** Multinational companies are often faced with the challenge of repatriating foreign earnings in a tax-efficient manner. While members agreed with one who said that “*trapped cash should never be the main driver for an acquisition,*” in the current economic environment, especially in markets that are slow to recover from the financial crisis, multinationals looking to put foreign capital to use may turn to M&A overseas.⁷
- **Private equity firms’ activity.** Some members said they expect private equity firms to ramp up both buying and selling in 2011, given pent-up demand and uninvested capital.⁸ One member remarked prior to the meeting, “*All of a sudden, private equity is back; there’s been a lot of private equity firms putting out feelers.*”

³ Ernst & Young, “Fit for the Future?”

⁴ Associated Press, “Business Highlights,” *Bloomberg Businessweek*, March 10, 2011.

⁵ Helen Thomas and Lina Saigol, “Deal Flurry as New Year M&A Hits \$83bn,” *Financial Times*, January 10, 2011.

⁶ Ernst & Young, “Fit for the Future?”

⁷ Jonathan Lynn, “Global Investment Flows to Recover in 2010-12 – UN,” *Reuters*, July 22, 2010.

⁸ Maria Woehr, “Private Equity to Dominate M&A Lending,” *The Street*, November 19, 2010.



- **Desire to enter new markets.** Bloomberg Businessweek recently reported, “Economies in emerging markets will grow 6.5 percent in 2011, according to estimates from the Washington-based International Monetary Fund. That compares with 2.4 percent for developed nations. China, the world’s fastest-growing major economy, will expand by 9.5 percent in 2011, according to the median of 11 economists’ estimates compiled by Bloomberg.”⁹ One member said prior to the meeting, *“The biggest theme I’m seeing in M&A is that in this globalized economy, many companies are searching for deals that extend their geographic boundaries. On the boards I am on, that has been the constant refrain – diversifying the geographic location.”*
- **Premiums are starting to rise in some sectors.** In April, Texas Instruments announced it had a deal to acquire National Semiconductor for \$25 a share, representing a 78% premium over the previous trading price.¹⁰ Members said that many sellers in the tech sector are now using this benchmark in evaluating potential bidders.

Uncertainty in the global environment may temper M&A activity

Members and guests noted that although M&A activity remains robust, ongoing instability at the global and national level could slow growth and quench companies’ appetite for M&A. As one member put it, *“We’re looking for strategic transactions, but at the same time we’re concerned about all the market volatility.”* Mr. Moody said, “Because of the sheer amount of cash on companies’ balance sheets, you would think there would be even more M&A activity. However, globally, there is geopolitical uncertainty and vulnerabilities in the supply chain caused by natural disasters ... and the ongoing European sovereign debt crisis is still playing out with no clear solution in sight. Domestically, the US government’s inability to deal with its own deficit and the weaknesses in our public education system is threatening our competitiveness, damping confidence, and constraining M&A.” Indeed, Mr. Moody said, the uncertainty in the global environment makes it incumbent on companies and boards to enhance their planning and diligence processes while preparing for acquisitions: “There is a great opportunity right now to take a look at your processes with an eye toward improving them.”

Board and audit committee oversight of M&A varies by company and by deal

M&A activity has become significantly more complex in recent years, demanding more board involvement. Bill Bates, co-head of King & Spalding’s M&A practice, said, “Ten years ago, it was not that uncommon for a major acquisition to be presented and approved in the course of a single board meeting. That’s almost unheard of today.”¹¹ Emphasizing there is no “one-size-fits-all” approach to M&A oversight, members outlined three different oversight models.

⁹ Bloomberg, “Buffet Delights in Brazil-China as Marcopolo-Lonking: Real M&A,” *Bloomberg Businessweek*, May 4, 2011.

¹⁰ Chris Nutall, “Texas Instruments in \$6.5 Billion deal for Nat Semi,” *Financial Times*, April 4, 2011

¹¹ Beverly Behan, “Effective Board Oversight of M&A,” *Bloomberg Businessweek*, September 11, 2009.



M&A is a full board responsibility

At the meeting, members generally agreed that *“M&A is part of strategy, and strategy is a full board responsibility.”* One audit chair added, *“I don’t know any board that delegates strategic decisions.”* Members said the wealth of experience among directors on the board can be of significant value to companies looking to enter a major transaction, and delegating M&A oversight to a committee may preclude a director with relevant experience from devoting adequate time to the deliberations. One member explained, *“I consider myself a valuation expert, so I am the guy asking most of the questions when we are in the room with investment bankers. But it isn’t because I am the audit committee chair – it is because I am a director of the board.”*

The audit committee has a tactical role to play in M&A

While the level of audit committee involvement in M&A deals varies across companies, some members agreed with one who said prior to the meeting, *“The audit committee is a screen. The audit committee tests against policy, against strategy, and against any other risks that come up. But it is not making the ultimate decision about whether to go forward with the deal.”*

In addition, members said the audit committee typically scrutinizes the financial assumptions behind the proposed deal. One member said, *“The audit committee ought to be comfortable with the diligence process. We want to be comfortable with the hurdle rates, the discount rates, and other factors that are of a financial orientation.”*

Members said the audit committee also takes a look at the accounting differences between the acquiring company and the target company. One said, *“We’ll ask management, ‘What are the main accounting differences?’ They’ll provide a one-page outline, and we’ll look at that.”*

Members also described a larger role for the audit committee after the deal has closed: *“More and more, the audit committee is pushing for detailed reporting on integration. The audit committee sticks with the details, while the full board looks at the scorecards and is moving on to the next deal.”* Prior to the meeting, one audit chair noted, *“We’re trying, as the audit committee, to be more aggressive about ensuring that the reporting and controls of the acquired company are brought into compliance quickly.”* See page 9 for more details on the audit committee’s role in transactions.

Certain deals call for a special committee

In most types of M&A transactions, corporate and fiduciary laws do not require the board to form a special committee. However, in some cases companies may choose to form one to advise management, inform the board, and respond to any immediate, urgent issues surrounding the transaction.¹²

Many members said they would suggest the board form a special committee when deals reach a certain size or complexity. They also noted that special committees can be an effective way to deal with a hostile takeover attempt, management buyout, conflict of interest, or related-party transaction. One member said,

¹² Lead Director Network, *“The Lead Director’s Role in Major Transactions,” ViewPoints*, March 29, 2010.



“The lawyers will tell you that you need a special committee every time you have a related-party transaction, and you also need one whenever you isolate management from the deal.”

Some audit chairs said their boards form special committees of directors with relevant experience and expertise related to a specific deal. One member explained, *“I am a big believer in forming subcommittees of the board to look at deals. There might be a technology component in a deal that will require the perspective of someone on the board who is more tech-savvy, for example. This committee will work with management on the front end all the way through the deal, and the board has a great degree of confidence that all of the issues are being fleshed out.”*

Established practices throughout the transaction process can enhance M&A oversight

One member remarked prior to the meeting, *“Acquisitions are high risk. There’s a high probability that you will buy a company and it won’t turn out the way you expected. Either the company is broken; you don’t fully understand it; it didn’t deliver what you hoped it would; or it’s a good company and there was great logic behind your acquisition, but you just overpay.”* Members shared effective practices their boards have established to ensure they are appropriately challenging management and mitigating risk in the three phases of a transaction: pre-deal, due diligence, and post-deal. They also discussed ways to periodically assess the process from a broader perspective.

Pre-deal phase

Members agreed that the board and audit committee should take a consistent approach in working with management during the lead-up to a transaction. This provides for a more systematic and thoughtful process, which decreases the chances of a deal coming to the board without prior discussion and leads to more successful deals that are aligned with strategy. Members shared several practices for the pre-deal phase:

- **Aligning M&A with strategy.** One member suggested, *“The first question you have to ask when considering a deal is ‘Does it fit the strategy?’ You don’t do an acquisition if it doesn’t fit your strategy.”* Members agreed that having a mutual understanding between the board and management about the strategic direction of the company is integral to successful M&A. Members said that it is important in these discussions to discuss the key risks inherent in any type of deal, and how those risks may impact potential deals. One member said, *“If you are truly a global company, you have to put Foreign Corrupt Practices Act risks on the table. The game is different in China, India, and Mexico. Are the risks worth it? You have to get that on the table and make a clear decision about how to move forward.”*
- **Raise “make-versus-buy” questions.** Some members said that companies often look to acquire when entering a specific market because acquiring a company appears to be faster than developing a business organically. However, members said that, given uncertainties about controls and culture at acquired companies, it might ultimately be better to build the capability with the company’s own employees and systems, rather than try to integrate another company. One said, *“We just had a situation where management wanted to buy into [a foreign country]. We challenged them to step back and consider building there instead, because the risks of acquiring there were too big.”*



- **Know what's in the pipeline.** Having a view into the acquisition pipeline ensures the board is involved early in the process and can help identify when an acquisition may be off-strategy. One member said, *"If the board is actively involved in strategy, we'll be aware of the target companies when management brings us a deal. It takes away the surprise proposal."*
- **Ensure management has the capabilities to execute.** *"We did a review of the talent in the organization and found that we didn't have enough depth underneath the top team to take on another acquisition. We told management that we were not comfortable with acquiring any more companies until that was solved."*

Due-diligence phase

Members agreed that thorough due diligence can prevent *"surprises"* that could ultimately reduce the value of the acquired asset. Effective processes that boards and audit committees can use in this phase include the following:

- **Facilitate a debate among management.** At one member's company, the board will sometimes ask management to form two teams to argue the benefits and drawbacks of a proposed deal: *"We'll have one team from management arguing for the merits of the deal and one team arguing against the deal. Typically, we'll [ask] the business-unit leader that is championing the deal to argue the 'pro' case."* Members said that having predetermined groups play these roles ensures there is robust skepticism, and the debate crisply lays out the case for the board to consider.
- **Draw upon external advisors.** One member advocated getting the external auditors' perspectives on proposed deals: *"The audit committee gets the auditors in the room and we ask, 'Is this BS or not? Tell us now.' We want them to be a partner. What in this deal is most fraught with risk?"*

Another member said the right legal counsel is especially important: *"There's a lot of attention paid to who the banker should be, but once you start down the process, it becomes more important to get the right legal adviser. The rules of the road change all the time and companies need to go outside to get real state-of-the-art advice."*

- **Agree on a price limit.** Members agreed overpaying is a major reason why deals fail to realize expected value. One member said, *"You have to get board agreement on price. We agree as a board we are not going to go over a certain amount. We tell management, 'That's your number.'" Another member remarked, "You've got to be able to walk if the economics don't work. If the CEO wants to go over the price, the board has to step in and say, 'OK, let's start this over.'"*
- **Discuss the impact of incentives.** Members noted that the board should look at where and how integration success factors into performance-based compensation. One member asked, *"How do you think about the impact that incentives have on the deal? At which levels of management? Do you have the right time horizon? The right metrics? At most companies, probably not."*
- **Develop an integration plan well before the deal closes.** According to members, good integration plans should span the life of an acquisition; they should be conceived in the pre-deal phase, modified



during the due-diligence phase, and implemented during the post-deal phase. Mr. Liu suggested that “boards can be a lot more pushy than they are today” on asking for integration plans early. He said boards should “tie integration planning to enterprise risk management assessments, and choose metrics that are difficult to fuzz.”

- **Probe cultural differences.** Members emphasized the importance of compatible cultures in making deals work. One member said, *“The board has to be aware of the cultural differences between the acquiring company and the target company. The board has to ask questions that get to these differences. For example, is the way the acquiring company treats customers at a variance with how we do it?”*

Post-deal phase

Most members agreed that one of the major impediments to realizing the full value of a transaction is a lack of integration success. They acknowledged that boards and audit committees often fail to adequately track acquisitions and agreed the post-deal phase could benefit from greater board oversight. One member said, *“Boards are usually pretty well involved at the beginning of the M&A process, but much less involved in tracking the deal.”* However, members reported a new commitment to understanding lessons learned from previous transactions: *“Boards are pushing harder now and going deeper on past deals.”* Those who had established robust processes to monitor integration and review past deals shared them:

- **Enact the integration plan immediately.** Members stressed the importance of adhering to detailed, explicit integration plans and acting on them immediately after the deal closes. One member remarked, *“There’s a one-day plan, a three-day plan, and a 100-day plan.”* Members said a comprehensive integration plan requires robust preparation from the board; one remarked, *“I’ve recently had two telephonic meetings just to discuss the integration plan.”*
- **Ensure accountability for integration.** One member said, *“We had a major integration process where the smaller company acquired the larger company. It was a huge project, but we had one person responsible for the deal to make sure we were realizing the synergies. There has to be accountability.”* Members stressed that the team running the due-diligence process should also be involved in the integration to ensure the due-diligence team is properly incentivized to integrate the acquired asset.
- **Use exit interviews to understand the target company’s key risks.** One member said, *“Synergies are most often found through cutting jobs. We use exit interviews to get ahead of [risks] and try to create goodwill with employees from the target company. We’ll ask them in exit interviews, ‘Do you know of anything done by anyone in the company that was not right?’ Most of them are anxious to tell you something, and the [information goes] to the audit committee. We’ll also tell them, ‘We are a growing company, and we might be able to get you back.’ This way you can get ahead of the whistleblower regulations, and create goodwill.”*
- **Track the deal’s performance into the medium term.** Mr. Liu said that boards typically focus on maintaining price discipline on the deal, without asking management for information about the acquired asset’s performance into the medium term: *“There is little long-run analysis. There might be some projections on earnings per share, but that’s about it.”* Therefore, Mr. Liu suggested asking management,



“What are the right metrics to use [to adequately track this]? Does the data exist, or can it be pulled from our systems today? If not, what do we need to do to make that happen? How good is the quality of the data? When do we see it as a board?”

- **Take a long-term perspective on the deal.** Mr. Liu said that when integrations are not proceeding well, “management’s first instinct is to fix it fast. Typically, they start to cut or to discontinue the very things – assets, people, activities – that they bought the company for. It actually ends up worsening the situation, not improving it.” Therefore, members said it is incumbent on the board to *“take a long-term view of the deal, more like a private equity perspective. We shouldn’t expect to make money today; it usually takes a few years.”*

Periodic assessments from a broader perspective

Members recommended taking a broader perspective on the M&A process, in addition to looking back on specific deals. Prior to the meeting, one member described a comprehensive process that looks at both specific deals and the general track record: *“It starts with a merger scorecard that we see every quarter at the audit-committee level and board level. Anything that has been in the system for less than two years gets scored on multiple elements. The acquisition program as a whole still gets reviewed at a higher level to see if these inorganic elements are performing as a group. If the audit committee sees something that’s flagging, we will bring in the group executive or the entity executive that is in charge.”* Members described several big-picture assessment approaches:

- **Regularly review and update the M&A process.** Many members said they consider M&A process updates to be a natural extension of lessons learned, but they admitted it is not always a regular practice. As boards gain insight from deals, it is important to incorporate the knowledge into their processes to ensure they can draw on it in future transactions. One member said, *“A lot of the time we think, ‘Maybe we weren’t aggressive enough’ or ‘Is this really consistent with our strategy? Is it consistent with the returns that we are looking for in an acquisition?’ You should have a process to look at all of these questions and you should do it sooner rather than later because as the acquisition gets more integrated, it becomes more difficult to analyze.”*
- **Capture lessons learned.** One member said, *“We have an institutionalized process for post-acquisition review where we discuss what went right and wrong and [incorporate] that data when we are considering [future transactions].”* Another added, *“In some cases the post-acquisition review is institutionalized and in others it is a less formal, periodic look-back. It varies by company, depending on how many deals the company does.”*
- **Analyze deal patterns.** One member said, *“How often do boards take a step back and look at the bigger picture? We just did that for the first time recently and realized that we didn’t have a great track record. Most of our deals have been small, so we had never done this kind of look-back before – we had treated them as individual transactions.”* Another member said, *“We do this annually with management, and it is always a very informative process.”*



- **Assess the deals that didn't get done.** One member remarked, *"One question we ask is 'What did we walk away from? Was that the right decision?'"* Prior to the meeting, another member noted that M&A statistics that demonstrate a poor track record don't take into account questions such as *"What would have happened to valuations if the M&A hadn't been done? What if you are in a business that started to go down, and you potentially may have had a decline in revenue if you didn't acquire the company?"*

Is there a unique role for the audit committee in M&A?

In pre-meeting conversations, some members asserted there was no role for the audit committee in M&A: *"I can't imagine any board delegating M&A to a committee or a subset of the board."* However, before and during the meeting, members described several specific roles that their audit committees play in M&A:

- **Staying on top of proposed synergies.** *"Once a deal gets considered, the audit committee has a role in asking about how you are going to achieve synergies, how you benchmark the achievement of those synergies, and the execution risks – who is doing what. The audit committee can play a role with internal audit and the CFO in determining this and staying on top of it."*
- **Understanding the accounting implications.** One member remarked, *"The audit committee has a role in understanding some of the more technical aspects of an acquisition: What are the tax implications? How do you estimate taxes?"* Another member said, *"All audit committees typically have the responsibility for looking at the impairment implications of acquisitions."*
- **Considering foreign-market risks.** *"Globally, and in emerging-market countries in particular, there's a tremendous amount of risk that goes beyond financial risk – for example, currency risk and political risk. The audit committee has a special role in teeing up those risks that may not be obvious."*
- **Analyzing the target company's internal-controls environment.** *"The audit committee has to understand the internal controls of the new entity. It may have a new set of external vendors, for example. This requires involvement from the audit committee throughout the acquisition process."*

Conclusion

Fundamental factors for increased M&A activity are in place, and boards and audit committees are taking stock of their current processes, putting a renewed emphasis on incorporating into future transactions the lessons they have learned from previous deals. Boards and audit committees are seeking to enhance their companies' strategic frameworks, improve their due diligence, and get better at integrating acquired companies. However, no matter how much processes improve, M&A remains among the most challenging and risky activities that companies undertake, and success in M&A often comes down to evaluating and



managing talent. As one member said, *“Some do M&A well, a few are average, and the vast majority fail. By definition, M&A is a human activity, and it is such a tough, complex issue. To succeed in M&A, you have to succeed in understanding and motivating people.”*

About this document

The West Audit Committee Network is a group of audit committee chairs drawn from leading companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is convened by Ernst & Young and orchestrated by Tapestry Networks to access emerging best practices and share insights into issues that dominate the new audit committee environment.

VantagePoint is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *VantagePoint* lies in its power to help all constituencies develop their own informed points of view on these important issues. Anyone who receives *VantagePoint* may share it with those in their own network. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

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Appendix 1: Network meeting participants

The following network members participated in the meeting:

- Fred Anderson, Audit Committee Chair, eBay
- John Belli, Office Managing Partner, Orange County, Ernst & Young
- Ray Bingham, Audit Committee Member, Oracle and STMicroelectronics
- Joe Bronson, Audit Committee Chair, Jacobs Engineering Group and Maxim Integrated Products
- Phyllis Campbell, Audit Committee Chair, Nordstrom
- Henry DeNero, Audit Committee Chair, THQ, Inc. and Western Digital
- Ray Dittamore, Audit Committee Chair, Life Technologies and Qualcomm
- Rick Fezell, Partner and West Sub-area Markets Leader, Ernst & Young
- Steve Frank, Audit Committee Chair, Northrop Grumman
- Mohan Gyani, Audit Committee Chair, Safeway
- Paul Haack, Audit Committee Chair, SonoSite
- Leslie Heisz, Audit Committee Chair, Ingram Micro
- Bala Iyer, Audit Committee Chair, IHS and QLogic
- Diana Laing, Audit Committee Chair, Macerich
- Lou Lavigne, Audit Committee Chair, BMC Software
- Kay Matthews, Vice Chair and West Sub-area Managing Partner, Ernst & Young
- Steve McLin, Audit Committee Chair, Charles Schwab
- Roger Molvar, Audit Committee Chair, CapitalSource Bank
- Stephen Page, Audit Committee Chair, Lowe's and Paccar
- Lisa Portnoy, Office Managing Partner, San Jose, and West Technology Leader, Ernst & Young
- Gary Pruitt, Audit Committee Chair, Esterline Technologies and Public Storage
- Sue Redman, Audit Committee Chair, Apollo Group
- Peter Ueberroth, Audit Committee Chair, The Coca-Cola Company
- Paul Unruh, Audit Committee Chair, Symantec
- Denny Weinberg, Audit Committee Chair, Dole Food

The following network members participated in discussions before and/or after the meeting:

- Doug Ammerman, Audit Committee Chair, Fidelity National Financial and Quiksilver
- Frank Biondi, Audit Committee Chair, Amgen
- David Engelman, Audit Committee Chair, MGIC
- Cathy Lego, Audit Committee Chair, Lam Research and SanDisk
- Donald Lucas, Audit Committee Chair, Oracle
- Ann Mather, Audit Committee Chair, Google, GluMobile, and Netflix
- Nick Moore, Audit Committee Chair, Gilead Sciences and Wells Fargo
- Bill Rutledge, Audit Committee Chair, AECOM
- Mike Stein, Audit Committee Chair, AIMCO
- Michael Strachan, Audit Committee Chair, LSI



Appendix 2: Questions for audit committee members

- ?** How is the global M&A environment changing?
- ?** How does the current M&A environment impact strategy?
- ?** What are the greatest uncertainties and risks inherent in the current M&A environment?
- ?** In your own experience, why were some transactions more successful than others? What lessons can you draw?
- ?** How does your board and audit committee mitigate “deal heat”?
- ?** How does your board ensure sufficient alignment between strategy and transaction?
- ?** How does the board get comfortable with the amount and quality of due diligence?
- ?** How do you assess the effectiveness of the integration plan and its execution?
- ?** How does the board ensure that transaction lessons learned are institutionalized?
- ?** What role does the full board play in the M&A process? What is the audit committee’s formal role? What activities does the audit committee play informally?
- ?** What particularly effective processes or policies has your company established to guide management and the board during a transaction? How have M&A oversight practices evolved in recent years? What, if anything, might you like to change in the next year or two?
- ?** When should the board form a special committee to evaluate and oversee a transaction?