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Flexibility and persistence in communications was vital in the recent merger between the Chicago Mercantile Exchange and Chicago Board of Trade.

Like some courtships, mergers and acquisitions don't always go according to plan - as the Chicago Board of Trade (CBOT) learned earlier this year.

Each spring, the Futures Industry Association hosts its annual meeting in Boca Raton, FL. This year's event was abuzz with the impending merger between the Chicago Mercantile Exchange (CME) and the CBOT. After all, the shareholder vote for forging the mega-exchange was less than a month away.

"This merger was to create one of the largest, most diverse exchanges in the world and had been talked about for years," says Maria Gemskie, then MD of corporate communications for CBOT and now MD of corporate communications for CME Group.

On the second day of the conference, Gemskie says she was preparing to head down to host a press breakfast when she received a call from CBOT's CEO instructing her to cancel.

Listening on the line, and later watching in wide-eyed amazement as CNBC reported the story broken by *The Wall Street Journal*, Gemskie learned that IntercontinentalExchange (ICE), an energy trading platform, had launched an unsolicited bid for the CBOT, representing a \$1.2 billion premium over what the CME had offered.

"The first thing I realized was we'd need a much more aggressive communications plan," Gemskie says.

Even with the US Department of Justice reviewing the CME-CBOT merger, the CBOT was forced to shut down coordination with the CME, including joint communications opportunities, to address its fiduciary duty to fairly evaluate the ICE bid.

"We legally couldn't coordinate while they did their due diligence," says Anita Liskey, MD of corporate marketing and communications for CME. "So, while we were doing our own messaging, without the benefit of our counterparts, we really didn't know what we would be facing each morning."

Strategic adjustments

With this new wrinkle in an already complex deal, the CBOT retained FD to assist with financial communications.

"From the moment the *Journal* broke that story until the re-scheduled shareholder vote, it was full speed ahead," says Harlan Loeb, US director of FD's litigation practice. "During the almost two months the CBOT was reviewing the competitive bid, there was a great deal of speculation, and many people seemed to make up their minds."

However, on June 4, the CBOT's board announced its conclusion that the ICE bid was not superior, or, as CBOT president and CEO Bernard Dan stated in a press release, "ICE's revised proposal did not adequately address important strategic and operational concerns."

Herein was the crux of the messaging the CBOT, working with FD, and CME, which retained Abernathy MacGregor, had to communicate: Unlike with ICE, the CBOT shared many critical synergies with the CME, such as back-office trade settlement channels, including a common clearing link.

So, while ICE may have appeared to have more on the table, formidable obstacles existed that would have made a marriage with ICE ultimately much more expensive, as the CBOT and CME argued, and perhaps untenable.

"Some members were just looking at the dollars," says Burt Gutterman, CEO of Sangamon Trading and a CBOT shareholder. "The clearing business is complex, and some members weren't focusing on those nuances. Thanks to the consistent messaging, it slowly dawned on them that maybe there was more than just the share price to consider."

If the complexity of combining the operations was not challenging enough to communicate, neither bid was a cash transaction, but rather a share swap, so reporting the deal price (based on ever-fluctuating current market values of the shares) was like aiming at a moving target.

"And the majority of CBOT shareholders were members of the exchange, so they were not your prototypical shareholder," Loeb says. "This was a very sophisticated audience with palpable opinions who make their living managing risk and predicting financial outcomes."

But Gemskie says having the majority of shareholders physically located at the exchange helped.

"We took full advantage and held regular informational meetings to address concerns and keep members abreast," she explains. "We also utilized an intranet site to keep members located off-site current."

On June 11, the CME/CBOT tandem received a shot in the arm when the Justice Department gave its blessing, giving the communications team the regulatory reassurance to assuage wary shareholders.

"You have to remember, we're traders, not M&A experts," Gutterman says. "There's a lot we didn't know. We had to be educated on the legal and regulatory processes as the deal unfolded."

Steadfast to the end

For its part, the CME was furiously hammering away.

"We were leveraging every tool at our disposal: a special Web site, media relations, even merger-related advertising," says Allan Schoenberg, director of corporate communications for CME. "ICE was doing many of the same things, so we did extensive scenario planning because we wanted to be ready for anything."

"With the shareholder vote approaching, the stakes were high, and timing was critical," Gemskie adds.

On July 6, the Friday before the Monday shareholder vote, the CME announced it was upping its bid again, as Caledonia Investments reversed its earlier opposition and delivered a crucial endorsement.

The communications teams rushed out the updates to shareholders, and the media gobbled up the dramatic 11th-hour developments.

At that point, everyone held their breath.

On July 9, shareholders passed the vote to form CME Group, which is now the largest and most diverse financial exchange in the world for trading futures and options.

"This deal," Loeb notes, "was a unique deal of the likes you will probably never see again."

Timeline of a mega-deal

2006

October 17
CME and CBOT announce signing agreement to merge

December 21
CBOT and CME file with SEC

2007

February 26
CBOT schedules April 4 merger vote

March 15
CBOT receives unsolicited ICE bid

March 19
CBOT board enters talks with ICE

March 31
CBOT postpones April merger vote to review ICE bid

May 11
CME and CBOT revise terms of deal

May 15
CBOT reschedules CME merger vote for July 9

June 11
CME and CBOT receive DOJ clearance

June 14
CBOT concludes that ICE offer is not superior

June 14
CME and CBOT revise the merger agreement again

July 9
CBOT shareholders approve merger