

UNIVERSITY OF ROCHESTER

William E. Simon Graduate School of Business Administration

Finance 423
Corporate Financial Policy & Control

Professor G. William Schwert
Spring 1997

Quiz # 5: Take-home Assignment, Due in class on May 21, 1997

Write a brief answer to the following questions in a short, neat, concise report of less than three typed pages (1" margins, 11 point fonts, or larger). ***This is an individual assignment. If you collaborate, you risk failing the entire course.*** There are files containing background information on the Ahmanson-Great Western-Washington Mutual takeover fight that is currently underway on the course home page. You should use that information and anything else you can learn about this case to answer these questions.

(10 points)

- (a) Why is Ahmanson (AHM) seeking to gain control of Great Western (GWF)? What synergies, if any, would result from this merger?
- (b) Why does Washington Mutual (WAMU) want to acquire Great Western? What synergies if any, would result from this merger?
- (c) Are there any regulatory or antitrust issues involved in this case? If so, what are they?
- (d) Comment on the stock market reaction to the offers by Ahmanson and Washington Mutual.
- (e) Comment on the tactics used by Ahmanson, Great Western, and Washington Mutual thus far. What do you forecast to be the eventual outcome? ***Why?***

Information from Dow Jones News Retrieval

HD * Ahmanson's Profit Climbs 50%, Tops Analysts' Estimates
BY By Quentin Hardy
CR Staff Reporter of The Wall Street Journal
PD * 01/16/97
SN The Wall Street Journal, PG A4
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)
LP Higher interest margins and cost-cutting boosted fourth-quarter
* earnings well above analysts' expectations at H.F. Ahmanson & Co., owner
of the giant thrift Home Savings of America.
* Ahmanson, of Irwindale, Calif., posted net of \$91.2 million, a 50%
leap from \$60.7 million a year earlier. Per-share profit of 74 cents
advanced a steeper 85% from the year-ago 40 cents because of an
aggressive stock-buyback program. The latest per-share result was far
above the 60-cent Wall Street consensus published by First Call. But the
stock was already a darling for its aggressive stock buybacks and
restructuring plans.

TD * Ahmanson stock closed at \$34.125, up 37.5 cents, in New York Stock
Exchange composite trading.
* Like many West Coast thrift organizations, Ahmanson has been hit in
recent years by a long downturn in California real-estate values. Many
of the associated credit problems now have been resolved, analysts say,
and so there could be strong improvements across much of the thrift
sector for the fourth quarter. On the other hand, a range of accounting
changes and extraordinary charges in the quarter are likely to make
difficult an accurate comparison of performance.
* The nation's largest thrift-holding company, Ahmanson said net income
was bolstered by gains of \$10 million on sales of mortgage-backed
securities and retail branches. Results also include an unspecified
refund of insurance assessments by the Federal Deposit Insurance Corp.
Nonperforming assets fell \$51.4 million to \$846.2 million, the lowest
* level in two years. Ahmanson also benefited from a transition to
consumer lending. Consumer-loan production jumped to \$131 million in the
quarter from \$18.6 million in the year-earlier period.
* Analysts applauded Ahmanson's efforts to style itself more as a
consumer bank, offering a greater range of products and beefing up its
sales force, but some think the move could be risky. While consolidating
* some of its existing branches over the past year, Ahmanson also
completed the acquisition of 61 branches formerly owned by First
Interstate Bancorp.
* Ahmanson "recognized that they had to change the structure of the
institution," said E. Gareth Plank, an analyst at UBS Securities L.L.C.
* Still, Ahmanson and other thrifts have a way to go before reaching a
commercial bank's level of profitability.
The thrifts "have a business with a lot of low-income, 30-year loans,
and customers who are looking for higher rates of deposit," Mr. Plank
said. "You can change your staff to be more like a commercial bank, but
you've got to change your customers too."
In the quarter, the company finished one stock-repurchase program and
began another, a move that underscored "management's strong commitment
to improving shareholder value," said Caren Mayer, a thrift analyst with
Montgomery Securities. "It's a big driver for the stock's price."
For the full year, net income was \$145.3 million, or 91 cents a
share, off from \$216.2 million, or \$1.40 a share. The 1996 results
included a charge of \$144 million related to recapitalization of a
banking insurance fund.

FIN 423
May 14, 1997

3

Quiz #5
Prof. Schwert

HD Business Brief -- SOUTHTRUST CORP.:
Agreement Is Made to Buy Ahmanson Unit's Branches
PD 02/12/97
SN The Wall Street Journal, PG C20
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)
LP SouthTrust Corp. said it has agreed to acquire 12 branches with about
* \$974 million in deposits from a unit of H.F. Ahmanson & Co. Terms of the
* acquisition weren't disclosed. The branches are part of H.F. Ahmanson's
Home Savings of America unit, which operates 39 branches in Florida.
* H.F. Ahmanson, based in Irwindale, Calif., also operates 391
financial-service centers in California, Texas, Florida and Arizona and
118 mortgage-lending offices in eight states. SouthTrust, a bank holding
company in Birmingham, Ala., has 157 branches in Florida with assets of
more than \$5 billion as of the end of last year.

HD * H.F. Ahmanson Makes Offer to Acquire Great Western for \$6 Billion of
Shares

Unsolicited Bid Represents 24% Premium and Marks Consolidation of
Thrifts
BY By Steven Lipin
CR Staff Reporter of The Wall Street Journal
PD 02/18/97
SN The Wall Street Journal, PG A3
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)
LP * H.F. Ahmanson & Co., the nation's largest thrift, made an unsolicited
takeover proposal for rival Great Western Financial Corp. valued at
nearly \$6 billion in stock, or about \$42.53 a share, a 24% premium over
Great Western's closing share price Friday, according to people familiar
with the situation.

Great Western is the nation's second-largest thrift, with assets of
about \$43 billion and over 1,200 offices, mainly in California and
Florida. The transaction could be compelling because of the companies'
overlapping operations in California. Combined, the company would have
over 600 traditional retail branches after shuttering overlapping
branches. In addition to its branches, Great Western has over 700
consumer-finance offices.

TD Both companies are based in the Los Angeles area, and the combination
would create one of the biggest financial institutions in California,
* with assets of \$93 billion. Ahmanson is the parent of Home Savings of
America.

* Ahmanson is offering 1.05 shares of its stock for each share of Great
* Western. Ahmanson closed at \$40.50 in New York Stock Exchange composite
trading Friday, while Great Western closed at \$34.25, also on the Big
Board.

The transaction would be the latest in a spate of transactions
involving California thrifts as the once-fractured industry
consolidates.

* Yesterday, Charles Rinehart, Ahmanson's chairman and chief executive
officer, wrote a letter outlining the proposal to John Maher, president
and chief executive of Great Western, and the board of the Chatsworth,
Calif., company. A spokesman for Great Western couldn't be reached.

It is unclear what the next step will be, but it is believed that the
shareholders of Great Western can propose proxy fights at any time
through a so-called written consent process as long as these
shareholders can find investors to back them. That was a chink in the
defenses of other targets of hostile suitors such as First Interstate
Bancorp and Lotus Development Corp. Both companies succumbed.

* The economic rationale behind the Ahmanson/Great Western combination
* lies in the \$400 million-plus annual expense reductions that Ahmanson believes can be slashed by combining operations. That is more than the two companies earned on a combined basis in 1996, though last year's results were hurt by the industry replenishing the deposit-insurance fund.

* Much like the treatment of Wells Fargo & Co.'s \$11 billion purchase of First Interstate Bancorp, the proposal by Ahmanson is structured to be tax-free, but uses so-called purchase accounting rather than the more traditional pooling technique. Purchase accounting creates goodwill -- the difference between book value and the value paid for a purchase -- that must be deducted against net income and earnings per share.

* That means bottom-line earnings of the new company would be hurt by the goodwill charges, but excluding these accounting charges the new company would create double-digit growth. Ahmanson believes the transaction will be additive or beneficial to "cash" earnings on the order of 15% in 1998 and 26% in 1999, while aiding reported earnings by
* about 9% in 1999. But by not using so-called pooling, Ahmanson would then be free to pursue stock buybacks.

* Credit Suisse First Boston Corp. and Montgomery Securities are advising Ahmanson.

Consolidation is sweeping the thrift industry. And in California, the state has already seen two big thrift purchases last year and analysts have predicted further consolidation in the future. The economy has picked up, financial institutions are in stronger health and out-of-state players are clearly interested.

First Nationwide Holdings Inc. in San Francisco, controlled by New York financier Ronald Perelman, recently completed the \$1.2 billion acquisition of Cal Fed Bancorp of Los Angeles, and Seattle's Washington Mutual Inc. agreed to acquire American Savings Bank of Irvine, Calif., from an affiliate of Robert Bass for \$1.4 billion.

* Last year Ahmanson, based in Irwindale, Calif., earned \$145.3 million, or 91 cents a share, compared with \$216.2 million, or \$1.40 a share, a year earlier, dragged down by a \$144.4 million charge from the Savings Association Insurance Fund. Great Western earned \$116 million, or 69 cents a share, compared with \$261 million, or \$1.71 a share, hurt by a similar \$188 million assessment.

Two Giants

Figures are for the 12 months ended Dec. 31, 1996, except as noted

*	H.F. Ahmanson	Great western financial
Headquarters	Irwindale, Calif.	Chatsworth Calif.
Net income (in millions)	\$145.3	\$115.8
Per-share earnings	\$0.91	\$0.69
Assets (in billions)	\$49.9	\$42.87
Long-term debt (in billions)	\$9.5	\$3.26
Return-on-equity	5.9%	4.7%

Offices (nationwide) 516 1,200

HD * Tough Fight Looms as Ahmanson Seeks Great Western, Plans for Proxy Battle

BY By Steven Lipin

CR Staff Reporter of The Wall Street Journal

PD 02/19/97

SN The Wall Street Journal, PG A3

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP * H.F. Ahmanson & Co.'s \$6.59 billion hostile bid to purchase cross-town rival Great Western Financial Corp. is expected to spark a heated battle between the nation's two largest thrifts.

* Ahmanson, the nation's largest thrift with \$50 billion in assets, confirmed that it made an unsolicited bid of nearly \$6 billion in stock for Great Western, which has \$43 billion in assets, and that it has taken steps to begin a proxy fight. The move comes amid rapid consolidation in the thrift industry as well in the California banking market.

TD "It's a win for both of our companies, for both sets of our shareholders, and for the community," said Charles Rinehart, Ahmanson's chairman.

The combination -- which would require approval from the Office of Thrift Supervision -- would create the third-biggest financial institution in California, behind BankAmerica Corp. and Wells Fargo & Co.

* Both companies are based in the Los Angeles area -- one financial attraction. Ahmanson believes it can save \$400 million annually by slashing administrative functions and shuttering a couple of hundred branches.

* The combination would create a significant competitor. Ahmanson will have a 13.4% market share in California as measured by deposits, according to SNL Securities, including top positions in major metropolitan markets such as Los Angeles and San Diego. Both banks also have a presence in Florida. "It gives this state a third major competitor," said Bruce Willison, president and chief operating officer of Ahmanson.

* On Monday, Mr. Rinehart sent a "bear-hug" letter to John F. Maher, president and chief executive of Great Western, and spoke briefly with him. Mr. Rinehart said Ahmanson took this step "to jumpstart" the discussions. He said the two companies have talked on and off over the years but nothing came of those talks.

* While Ahmanson's move is a surprise, hostile bids no longer have the negative stigma they once did; International Business Machines Corp., Johnson & Johnson and, more recently, Hilton Hotels Corp. all have launched hostile bids to win takeovers.

* Mr. Maher said in a statement yesterday that the company "will respond to H.F. Ahmanson when it has had an opportunity to fully review and evaluate this proposal with with its board of directors and advisers."

* The stock market is betting that a transaction will be completed. Shares of Great Western spurted 31% to \$44.875, up \$10.625, in New York Stock Exchange composite trading. In a bullish sign for Ahmanson, its shares jumped 11% to \$44.875 in Big Board composite trading, a gain of \$4.375, despite being the proposed purchaser.

* "This is a very attractive deal all the way around," said Thomas O'Donnell, a thrift analyst at Smith Barney Inc. "The marketplace certainly likes the deal. Great Western gets a one-time gain and the ongoing benefits of hooking up with Ahmanson."

* Ahmanson said it would pay 1.05 shares of its stock for each share of Great Western. That initially valued the transaction at nearly \$6 billion. But the rise in Ahmanson's stock increased the value of the transaction to \$47.12 a share, or about \$6.59 billion.

* Ahmanson said the branches to be closed would represent about 25% of the combined companies' branch network of about 800 branches. Ahmanson doesn't believe there is significant antitrust problems with the combination.

"People are voting with their wallets today," said Thomas Theurkauf, an analyst at Keefe, Bruyette & Woods Inc.

* Ahmanson filed documents with the Securities and Exchange Commission that once approved, would allow Ahmanson to proceed with a proxy fight to oust three directors and replace them with Ahmanson-sponsored directors. Ahmanson currently owns 100 shares of Great Western stock, and it is seeking clearance to purchase up to 5% of Great Western's stock. It will also seek a nonbinding shareholder vote on whether the company should be sold. Ahmanson also filed the obligatory lawsuit seeking to stop Great Western from using its so-called poison pill shareholder rights plan that makes unwanted takeovers prohibitively expensive.

But Great Western is likely to fight the offer initially, some analysts say. And don't count out other possible players, according to analysts. First Bank System Inc. clearly showed an interest in entering California with its fleeting "white-knight" bid for First Interstate Bancorp. And Norwest Corp. and other out-of-state firms could be attracted to Great Western. Still, these two Minneapolis banks, which wouldn't comment, have avoided bidding wars in the past.

"Depending on how aggressive they want to be, the big banks, if they really want it, could have it," said Emanuel Friedman, chairman of Friedman, Billings Ramsey & Co., a small brokerage firm based in Arlington, Va.

* Ahmanson is using Sullivan & Cromwell, Credit Suisse First Boston Corp. and Montgomery Securities, the same team Wells Fargo & Co. used for its three-month, \$11 billion battle to acquire First Interstate that began as a hostile bid. And Great Western is using Goldman, Sachs & Co. and Skadden Arps, Slate, Meagher & Flom -- two of First Interstate's advisers as well as Merrill Lynch & Co.

Consolidation has been rampant in California. Besides last year's Wells Fargo/First Interstate transaction, two big transactions in the thrift industry took place last year in California: First Nationwide Holdings Inc., the San Francisco thrift controlled by Ronald Perelman's MacAndrews & Forbes Holdings Inc., acquired Cal Fed Bancorp. of Los Angeles for \$1.36 billion, creating the fifth-biggest thrift in the U.S. And Washington Mutual Inc. of Seattle acquired Keystone Holdings, parent of American Savings Bank, from an affiliate of Robert Bass for \$1.6 billion, including debt, creating the nation's third-biggest thrift. And there are still smaller thrifts in the state ripe for takeovers or mergers.

* Ahmanson had been viewed skeptically by investors, but in the past year its stock has soared, giving management added credibility.

* In this transaction, Ahmanson is taking a page from Wells by using so-called purchase accounting treatment. That means the acquisition could be dilutive to reported earnings initially, though "cash" earnings will be significantly boosted by the acquisition. And the company forecasts that the combined company would generate \$2 billion in excess capital by the end of 1999.

Thrift Consolidation

Ranked by value of deal

SELLER	DATE ANNOUNCED	VALUE* (billions)
RANK/BUYER		
* 1 H.F. Ahmanson Great Western Financial STATUS: --	Feb. 1996	\$6.59
2 ABN-AMRO Holding Standard Federal Bank STATUS: Pending	Nov. 1996	1.89
3 Washington Mutual Keystone Holdings STATUS: Completed	July 1996	1.65
4 MacAndrews & Forbes Cal Fed Bancorp STATUS: Completed	July 1996	1.36
5 MacAndrews & Forbes First Nationwide FSB STATUS: Completed	April 1994	1.10
6 Mercantile Bancorp Roosevelt Financial STATUS: Pending	Dec. 1996	1.07
7 Financial Corp. First Charter Financial STATUS: Completed	March 1983	0.81
8 First Bank System Metropolitan Financial STATUS: Completed	July 1994	0.81
9 Washington Mutual Pacific First Financial STATUS: Completed	Oct. 1992	0.66
10 HSBC Holdings First FSLA-Rochester STATUS: Pending	Aug. 1996	0.65

*As of announcement date

Source: SNL Securities

HD * Ahmanson's Low-Key Chief Bids for Glory
BY By Charles McCoy
CR Staff Reporter of The Wall Street Journal
PD 02/19/97

SN The Wall Street Journal, PG B3
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP Charles R. Rinehart is known as a low-key, calculating banker, as
* befits a former actuary. In four years at the helm of H.F. Ahmanson &
Co., about the splashiest move he had made was to propose putting
gourmet coffee shops in the thrift's branches.

* Until he jolted the banking world with Ahmanson's unsolicited \$6.59
billion takeover bid for rival Great Western Financial Corp.

TD The transaction would join two thrift-industry pioneers that for
* decades have been enemies. Ahmanson, the nation's largest thrift, would
grow 86% to \$93 billion of assets, making it the third-biggest lender in
the California market after Wells Fargo & Co. and BankAmerica Corp.

Great Western said yesterday that it is studying the offer but made
no further comment. But analysts and thrift executives say Great
Western's chances of staying independent after more than a century of
operation are slim.

That Mr. Rinehart would be the one to possibly trigger its demise --
through a bare-knuckles bid -- struck many as equally unlikely. "It's a
stunning surprise," says Jonathan Gray, analyst at Sanford Bernstein &
* Co. Ahmanson under Mr. Rinehart had been "somewhat sleepy," he says.

* Before the bid, Ahmanson was regarded as a takeover target more than
a potential hostile acquirer, and Great Western's John Maher, a big game
hunter, was seen as the more likely dealmaker. Mr. Rinehart, a tall,
amiable 50-year-old, headed Avco Financial Services Inc. before he was
* brought to Ahmanson as president by then-Chief Executive Richard Deihl
in 1989. In 1993, he succeeded Mr. Deihl as CEO. Mr. Deihl had run the
company for 26 years and built it into a \$50 billion giant. Mr. Rinehart
became chairman in 1995.

Since then he has struggled to clean up losses lingering from the
California real-estate collapse and wrestled with fundamental shifts
that have made thrifts' mainstay, home lending, a low-margin dud for
* many institutions. Mr. Rinehart's strategy: Make Ahmanson more like a
retail bank, focusing on consumer and small business financial services
like, auto loans, equity loans and cash management. Meanwhile, to
support its stock price, he has instituted heavy stock repurchases,
buying back 17 million shares since 1995.

* Under Mr. Rinehart, Ahmanson has cut costs, and though its consumer
business is growing slowly, the expense controls, stronger profits and
share repurchases have helped power its stock to near all-time highs. In
* New York Stock Exchange composite trading, Ahmanson rose \$4.375, or 11%,
to close at \$44.875. In the fourth quarter, it earned \$91.2 million, or
78 cents a share, compared with \$60.7 million, or 41 cents a share, a
year earlier.

The results have won praise from many analysts, but its share of the
mortgage market has dropped about 60% since the early 1990s. Its return
on equity, in the latest period it was 14.7%, is far below commercial
banks. In several recent quarters, Wells Fargo had return on equity of
30% or more. Some analysts are skeptical about the prospects of Mr.
Rinehart's plan.

"They're trying to expand into already competitive markets, and the
credit risks are going to grow because of the big boom in lending in
small business" and consumer markets, said Gary Gordon, an analyst at
PaineWebber.

Mr. Rinehart thinks acquiring Great Western would solve many of those

problems. A combined company "can provide the how, when and where of banking" for people throughout California, he said. He and his management team "start with the basic tenet of providing service to the customer, and then recognize that the market has changed . . . traditional mortgages funded by CDs just won't generate the returns the market demands."

HD Rival Bid Expected as Great Western Continues to Study Ahmanson's Offer
BY By Charles McCoy
CR Staff Reporter of The Wall Street Journal
PD 02/20/97

SN The Wall Street Journal, PG A3
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP The short list of potential rival bidders for Great Western Financial
* Corp., target of a \$6.34 billion hostile bid from H.F. Ahmanson & Co., includes the likes of NationsBank Corp. and a Seattle thrift that quietly has become an acquisition powerhouse.

* Yesterday, Great Western said it is still studying Ahmanson's surprise bid, made Monday. It declined further comment, and it isn't immediately clear if Great Western's investment bankers have invited other bids, or if any rival suitors have approached it.

TD However, the betting among industry executives and investment bankers
* is that someone will step forward, forcing Ahmanson to increase its own bid or bow out. Yesterday, Great Western closed at \$45, up 12.5 cents, in composite trading on the New York Stock Exchange, up \$10.75 since the
* bid was disclosed. Ahmanson's stock fell \$1.75 to close at \$43.125, giving its proposal a value of \$45.29 a Great Western share. That's up from the \$42.53 a share at which the bid was valued when made on Monday.

One reason many in the industry are certain that Great Western's chief executive, John Maher, will seek competing offers is that
* Ahmanson's plan contains the unusual provision that if the acquisition goes through, all of the expected layoffs would come from Great Western employees. Normally, acquirers spread the pain of layoffs.

In a memo sent to employees late yesterday, Mr. Maher expressed his
* "absolute disbelief" and "personal outrage" at Ahmanson's plan, calling it "highly repugnant." He couldn't be reached to comment further.

"Maher doesn't want to walk away with a whole lot of money himself and have all these people fired," said Gareth Plank, an analyst at UBS Securities.

* An Ahmanson spokeswoman said its CEO, Charles Rinehart, wants to
* protect Ahmanson employees because "he needs their support and expertise to make this acquisition work."

Great Western, with \$43 billion in assets, mostly in the huge California market, is a plum for the handful of expansion-minded banks that could afford it. These include NationsBank, financier Ronald Perelman's First Nationwide Holding Inc., Washington Mutual Inc., Golden West Corp. and several other regional commercial banks. All declined comment yesterday, and all face obstacles that would make a Great Western acquisition tricky. Still, investment bankers and industry executives think at least one of these candidates will find the appeal of Great Western irresistible.

BankAmerica Corp. and Wells Fargo & Co., growth-hungry California-based giant banks, aren't considered likely Great Western bidders because of antitrust problems. That's not an issue for Washington Mutual, an oft-overlooked Seattle thrift that some investment bankers say undoubtedly will be approached. Considered one of the best-managed lenders in the country, it has made 22 acquisitions in the past decade and has a record of strong earnings growth. Last summer, it

acquired American Savings, a big California thrift previously owned by Texas's Bass brothers, for stock valued at about \$1.4 billion.

Strategically, industry executives say, Washington Mutual and Great Western make a compelling fit. Washington Mutual is generally regarded as being much further along than rivals in the transformation from thrift to retail banking operation that almost all big thrifts,

* including Great Western and Ahmanson, are trying to make.

Chief Executive Kerry Killinger of Washington Mutual has made no bones about wanting to expand the 3% share of California deposits Washington Mutual got through its American Savings deal. Great Western's market share is estimated at between 6% and 8%.

Washington Mutual's stock trades at higher multiples relative to earnings and book value than almost any of its peers' shares, giving it a strong currency to pull off a big deal. But it is still digesting its American Savings acquisition, and one of Mr. Killinger's credos is that he won't do deals if they dilute earnings. That might be tough because of Great Western's big price tag.

"It would be pretty ambitious for Washington Mutual to wade in while they're still eating American Savings," said Mr. Plank. "But these guys are battle-hardened, and it's amazing how you can redefine `nondilutive' if you really want something."

NationsBank, based in Charlotte, N.C., is also a veteran of big acquisitions. In January, Chief Executive Officer Hugh McColl wrote in a trade-industry newsletter article that NationsBank intends to move into California and would consider buying a thrift. The company, the nation's fourth-largest bank, has deep pockets.

Because NationsBank doesn't have overlapping California operations, layoffs might be minimized. But Mr. McColl's ultimate goal is a coast-to-coast franchise that could compete with Citicorp, BankAmerica and Wells Fargo. Buying Great Western, executives said, would be only a step in that direction.

* "Hugh might be more interested in buying the combined Ahmanson and Great Western -- then he'd get enough market share to give BankAmerica and Wells a fight," said one banking executive who knows Mr. McColl.

Some other potential bidders could face problems. Mr. Perelman's First Nationwide, for example, could have difficulty raising financing, particularly because it is digesting its recently completed \$1.36 billion acquisition of Cal Fed Bancorp.

* Some analysts, meanwhile, think Ahmanson's bid might well hold up. In a similar battle last year, Wells Fargo's hostile bid for First Interstate Bancorp, drew a rival offer from Minneapolis-based First Bank Systems Inc. The offer failed; Wells Fargo's stock rose, increasing the cost of the deal, and out-of-state First Bank wasn't likely to be able to crunch as much cost out of Los Angeles-based First Interstate to make the deal feasible.

* Ahmanson's stock likewise has risen since the deal was disclosed, increasing the value of an acquisition. It has branches in many instances literally across the street from Great Western's, giving it great cost-cutting potential. Ahmanson says it can wring \$400 million of costs out of the combined operations.

"I think it will be a tough offer to beat," said Gary Gordon, analyst with PaineWebber. "It's hard to imagine anybody else getting that kind of cost savings."

Steven Lipin contributed to this article.

- HD * Ahmanson Seeks To Adjust Spin On Layoff Stand
BY By Charles McCoy and Steven Lipin
CR Staff Reporters of The Wall Street Journal
PD 02/21/97
SN The Wall Street Journal, PG A4
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)
- LP * H.F. Ahmanson & Co. is moving to quell the uproar caused by its plan to lay off only Great Western Financial Corp. employees, should Ahmanson's \$6.2 billion hostile bid for Great Western go through.
- * Last night, people familiar with Ahmanson said it was putting the finishing touches on a letter to Great Western spelling out its belief that a combination of the two big thrifts wouldn't produce the many thousands of layoffs that analysts and other industry executives have estimated it would. It also will stress its desire to keep as many Great Western workers as possible.
- TD However, it won't retreat from its position that any employees laid off as a result of a deal be solely from Great Western.
- That position sparked an angry response Wednesday from Great Western Chief Executive John Maher, who denounced it as "highly repugnant." Typically, even in hostile acquisitions, layoffs come from both
- * companies. Ahmanson CEO Charles Rinehart's decision to target only Great Western was seen by some analysts as a tactical blunder that could encourage Great Western to seek rival bidders.
- * An Ahmanson spokeswoman said last night that the company is "considering" how to "clarify" its position on potential layoffs, but declined to elaborate. Great Western couldn't immediately be reached to comment.
- Officials close to the two companies said Great Western still hasn't
- * responded to Ahmanson's surprise bid, made Monday. Other people familiar with Great Western's posture said Mr. Maher, himself a former Wall Street investment banker, and his advisers are still studying the bid and various other options, including seeking a white knight. Investment bankers say possible rival bidders include Washington Mutual Inc., NationsBank and several other regional commercial banks.
- Great Western's next move, said people close to the company, is likely to be a barrage of lawsuits seeking to at least slow down
- * Ahmanson's bid. They said such suits, a standard defensive move in a hostile takeover, might be filed as early as today.
- Yesterday, despite the steep dive in the overall market, Great Western closed up 75 cents at \$45.75 in New York Stock Exchange
- * composite trading. Since Ahmanson made the bid, Great Western's stock has surged \$11 a share; that, say analysts and investment bankers, will make it nearly impossible for Great Western to remain independent.
- * Ahmanson stock closed at \$42 a share, down \$1.125 a share, also in Big Board trading. Its stock has risen \$1.50 a share since the bid.
- HD Washington Mutual, Norwest Consider Making Possible Bids for Great Western
BY By Charles McCoy
CR Staff Reporter of The Wall Street Journal
PD 02/24/97
SN The Wall Street Journal, PG A4
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)
- LP Washington Mutual Inc. and Norwest Corp. have begun to weigh possible "white knight" offers for Great Western Financial Corp., which could signal the beginning of a bidding war for Great Western.
- Great Western, the nation's second-largest thrift, is under attack
- * from H.F. Ahmanson & Co., the nation's largest thrift, which launched a

hostile bid last Monday that is valued at \$6.05 billion. Great Western hasn't formally responded and may not for several more days, people familiar with the situation say.

TD The delay in part is to give potential rival bidders time to conduct due-diligence reviews. Both Washington Mutual, based in Seattle, and Norwest, of Minneapolis, are expected to visit Great Western's Los Angeles headquarters this week to pore over its books and consider a bid, people familiar with Great Western's plans say.

* These people said that Washington Mutual and Norwest aren't the only institutions that have been in contact with Great Western, and cautioned that the process may not necessarily lead to a rival bid. Ahmanson, moreover, could raise its bid if a rival suitor emerges. However, the events signal that Great Western has tentatively decided to reject the Ahmanson bid, thrift-industry executives said.

* Great Western didn't return phone calls seeking comment. Washington Mutual and Norwest also couldn't be reached to comment. Ahmanson said last night that it regards a combination with Great Western to be in the best interests of both companies, and said it remains "committed to our merger proposal and to pursuing the actions we have initiated." It declined to elaborate.

Both Washington Mutual and Norwest had been considered among the handful of lenders likely to consider a rival bid, and their emergence won't shock many. In both instances, a Great Western hookup would make strategic sense but carry risks.

Washington Mutual, which has about \$43.5 billion of assets and is regarded as a master of acquisitions, got a toehold in the lucrative California market last year with its purchase of Los Angeles-based American Savings for about \$1.4 billion. That deal gave it about a 3% share of California deposits, and Washington Mutual chief executive officer, Kerry Killinger, is known to believe that Washington Mutual needs a larger deposit share to compete effectively in California.

In addition, Mr. Killinger has said in the past that Washington Mutual would look for additional acquisitions in California. However, Mr. Killinger also has said that he won't do deals that dilute earnings, which could be difficult in this case, given Great Western's big price tag. Washington Mutual also is still digesting its American Savings acquisition.

Norwest, with assets of more than \$80 billion, also has been looking to expand in California. It already has significant mortgage operations in the state. The company has been an aggressive acquirer in recent years, expanding its operations in places like Texas and much of the Southwest. Chief Executive Richard Kovacevich, who came to the bank as president in 1989, is regarded as a shrewd acquisitions strategist and one of the best in the banking industry at improving customer service.

But a bid for Great Western would stretch its resources and possibly crimp earnings, as well as draw it further into a battle with powerhouses such as Wells Fargo & Co. and BankAmerica Corp., which between them control about a third of the California deposit market.

Still, both companies have the wherewithal to make a bid, analysts said. Washington Mutual's stock, which closed Friday in Nasdaq Stock Market trading at \$56.75, down \$2.125, has one of the best ratios of earnings to stock price in the thrift industry. Shares of Norwest, a commercial bank, have been strong lately. It closed at \$50.125, down 50 cents, in composite trading on the New York Stock Exchange. But a year ago, it traded in the low \$30-a-share-range.

Other institutions are almost certain to consider a bid now that Great Western is closer to being considered in play. They include Norwest's cross-town rival, First Bank System Inc. It made a high

profile but unsuccessful rival bid for First Interstate Bancorp last year, before First Interstate succumbed to Wells Fargo in a \$12.9 billion deal. Other possible bidders, analysts and investment bankers say, include NationsBank Corp. of Charlotte, N.C., financier Ronald Perelman's First Nationwide Holdings Inc., Golden West Financial Corp. and a handful of regional commercial banks.

In any event, analysts and thrift-industry executives believe Great Western's chances of remaining independent are slim. Based on Friday's * closing prices, Ahmanson's bid was valued at about \$40 a Great Western share. Great Western closed on the Big Board at \$46.375, up 62.5 cents. Great Western shares have risen more than \$12 since the offer was made.

* The new developments come as Ahmanson and Great Western are still * feuding over Ahmanson's plan to target only Great Western employees for layoffs should its offer succeed. John Maher, Great Western's CEO, last * week called that position "highly repugnant." On Friday, Ahmanson CEO Charles Rinehart sent Great Western a letter arguing that expected layoffs from a deal would be far fewer than the many thousands that analysts have estimated.

But a Great Western official questioned that, pointing out that in * Securities and Exchange Commission filings, Ahmanson has said it expects to get about \$325 million in cost savings from "premises and severance."

* Also on Friday, Great Western changed its bylaws to delay Ahmanson's * ability to begin stockholder-consent solicitations. Ahmanson sued in Delaware Chancery Court, accusing Great Western of illegally interfering with shareholders' right to consider the bid. Both moves were expected.

HD Great Western Bid Would Be Killinger's Boldest Move

Washington Mutual's Shrewd Chairman Wants Bigger Presence in California

BY By Bill Richards

CR Staff Reporter of The Wall Street Journal

PD 02/25/97

SN The Wall Street Journal, PG B4

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP Kerry Killinger is nobody's shrinking violet. When the Ringling Brothers Barnum & Bailey Circus came to Seattle a few years ago, Washington Mutual Inc.'s chairman grabbed his trumpet and played along with the circus band.

Now, the 47-year-old Mr. Killinger may be about to make a much bigger noise. Washington Mutual, the nation's third-largest thrift, is considering wading into the takeover showdown precipitated by No. 1 * thrift H.F. Ahmanson & Co.'s unsolicited bid for No. 2 Great Western Financial Corp., valued at \$6.2 billion at yesterday's closing stock prices.

TD Mr. Killinger isn't talking, but people familiar with the situation say Washington Mutual is set to meet with Great Western advisers sometime this week to conduct preliminary due diligence. Norwest Corp. also is expected to pay Great Western a visit, and thrift executives say other potential bidders are likely to take a look, in what is shaping up as an all-out bidding war.

For Mr. Killinger, a play for Great Western would be the boldest move yet in a career marked by shrewd dealmaking and rigorous, patient building. Since 1982, when he joined the company, Washington Mutual has rung up 22 acquisitions, boosting assets better than 10-fold to \$43.5 billion. Mr. Killinger capped the list in December with Washington Mutual's purchase of Los Angeles-based American Savings Bank for \$1.6 billion.

A Great Western bid would dwarf that, doubling Washington Mutual's

asset base and making it the nation's largest thrift. It would roughly triple Washington Mutual's share of the California market, and boosting market share is a key element of Mr. Killinger's philosophy. The thrift leads in both Washington and Oregon with about 15% and 10% of the mortgage lending market, respectively, but it has less than a 5% market share in California, banking's big enchilada.

Mr. Killinger's competitive spirit clearly hasn't been muted by American Savings or his many other past deals. Of late, the thrift has been running ads mocking San Francisco's giant Wells Fargo & Co., which moved into Washington Mutual's turf with its First Interstate Corp. acquisition last year. They show a Wells Fargo stagecoach being confronted by the Rodeo Grandmas, a quartet of gray-haired horsewomen who are a staple of Washington Mutual's ads.

Lest the message be lost, Mr. Killinger told shareholders at Washington Mutual's annual meeting last month that a key item on the thrift's to-do list for this year is "positioning American [Savings] for growth through potential future acquisitions in California."

Robert Bass, the Fort Worth, Texas, investor whose Keystone Inc. sold American Savings to Mr. Killinger, seconds that approach. Mr. Bass, who is Washington Mutual's biggest shareholder with 26 million of the thrift's 118 million traded shares, calls the California strategy "clear and logical," adding that "there never was any thought that American Savings would be the total acquisition in the state."

Of course, Mr. Killinger's California strategy was formulated before Ahmanson made its surprise stock bid last week. But Mr. Killinger has shown a genius for quickly adapting. In purchasing Pacific First Bank of Tacoma, Wash., in 1993 and American Savings of Irvine, Calif., last year, Washington Mutual absorbed a pair of once-troubled thrifts without breaking stride. Since July, when the American Savings acquisition was announced, Washington Mutual's stock has climbed 78% to close at \$55.375, down \$1.375, in Nasdaq Stock Market trading yesterday.

Meanwhile, in New York Stock Exchange composite trading yesterday, * Great Western shares fell 37.5 cents to \$46, and Ahmanson shares rose \$1.125 to \$42.25.

The recent showing of Washington Mutual stock would certainly make any banker proud. But the Iowa-born Mr. Killinger's roots aren't in banking. He got his start in the 1970s as a securities analyst at Murphey Favre Inc., a small regional brokerage house based in Spokane, Wash. Mr. Killinger managed a mutual-fund group, taking it from \$50 million to \$300 million in assets. On weekends, he restored fixer-upper houses.

The proceeds from those house sales went to buy out Murphey Favre's partners as they retired. By the time Washington Mutual purchased the brokerage firm in 1982, Mr. Killinger was one of the brokerage concern's largest shareholders. He currently holds about a million Washington Mutual shares.

At the Seattle thrift, Mr. Killinger maintains a relentless pace, friends say. Jay Tejera, managing director of Dain Bosworth Inc., the Minneapolis-based brokerage concern, recalls that in late 1995 Mr. Killinger was stumped by a client's question during a dinner in Hartford, Conn.

"He went back to his room and worked on his laptop until 2 a.m. so he'd have the answer at breakfast," Mr. Tejera says.

Mr. Killinger also is known for preparing rigorously -- and long -- before making business moves. He spent three years scouting the California market before bidding for American Savings. "He had \$8 billion in underutilized assets on Washington Mutual's books and he transformed that into low-risk, adjustable-rate California mortgages,"

says an associate. "The market was very impressed."

But Mr. Killinger's sense of discipline also could cause Washington Mutual to pass up a shot at Great Western. All of the thrift's 22 acquisitions have been accretive to the balance sheet, and Mr. Killinger has stressed that he isn't interested in an acquisition that would
* dilute earnings. Outbidding Ahmanson for Great Western would almost surely do that.

Indeed, Mr. Bass says of Mr. Killinger, "as a banker, he is very deliberate." Mr. Bass declines to discuss Great Western, but says Mr. Killinger won't rush into anything, and won't make a move unless he feels he has fully analyzed everything about a possible combination.

"He is as far from a gunslinger as you could imagine," Mr. Bass says.

HD Great Western Sets Up Plan For Severance
BY By Steven Lipin
CR Staff Reporter of The Wall Street Journal
PD 02/26/97

SN The Wall Street Journal, PG A4
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP Great Western Financial Corp. set up a new employee-severance program that could significantly boost the cost of a takeover of the thrift.

* On Feb. 17, H.F. Ahmanson & Co. launched a hostile takeover bid for Great Western, valued at \$6.1 billion based on yesterday's closing prices. Yesterday, Great Western also postponed its annual meeting and
* took other steps to slow down Ahmanson's bid.

TD Great Western, based in Los Angeles, still hasn't formally responded to the offer. It is in contact with possible rival bidders, including Washington Mutual Inc. and Norwest Corp., according to people familiar with the situation.

Many analysts and thrift-industry executives believe it can't remain independent and must either auction itself off to a white knight or try
* to pry a higher bid out of Ahmanson.

The severance plan provides four months to 16 months of pay to any Great Western employee -- depending on years of service and other factors -- laid off as a result of a change in control of the company. Layoffs have been one of the most contentious points in the jockeying
* between Great Western and Ahmanson so far. Ahmanson has said that any layoffs resulting from a combination would come solely from Great Western employees.

It was impossible to calculate how much the plan would add to the
* cost of a takeover if Ahmanson's acquisition goes through. Analysts have predicted that a combination of the two companies would result in
* thousands of layoffs, but Ahmanson, of Irwindale, Calif., has said that it expects far fewer.

However, the severance plan could also complicate Great Western's dealings with possible rival bidders. The severance arrangement would apply to any bid, friendly or unfriendly, a spokesman said.

Great Western didn't previously have a severance plan for employees laid off as the result of an acquisition. It said its plan is "competitive with and consistent with" similar change-of-control plans at other financial institutions.

Great Western's annual meeting wasn't scheduled until April 22. Nonetheless, the thrift said it called off the meeting to prevent its holders from being "put in a position of having to make important decisions without the benefit of all the information they need."

* Ahmanson viewed the moves dimly. It described them as "self-serving tactics" that are "destructive of shareholder value and to the best interests of Great Western employees." It said it remained committed to

its offer.

- * In New York Stock Exchange composite trading, Ahmanson stock closed at \$41.50, down 75 cents. Great Western closed at \$46.875, up 87.5 cents. Since the offer was made, its stock has climbed more than \$12 a share.

HD Great Western Attracts a White Knight

Washington Mutual Is Near To a Stock-Swap Accord Amounting to \$7 Billion
BY By Steven Lipin and Charles McCoy
CR Staff Reporters of The Wall Street Journal
PD 03/06/97

SN The Wall Street Journal, PG A3
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP Great Western Financial Corp., attempting to thwart a hostile bid by

- * H.F. Ahmanson & Co., is close to an agreement to be acquired by Washington Mutual Inc. in a stock swap valued at close to \$7 billion, say people familiar with the situation.

Though precise terms couldn't be determined, the value of Washington

- * Mutual's bid is expected to exceed Ahmanson's offer, which is currently valued at \$44.10 a share, or more than \$6 billion, these people said.
- * Ahmanson's offer of 1.05 of its shares for each Great Western share, disclosed Feb. 18, was initially valued at \$42.53 a share.

TD An agreement could be announced as early as this morning, said people familiar with the talks. Representatives for Washington Mutual and Great Western declined to comment.

- * Shares of Los Angeles-based Great Western, which were trading at \$34 a share before Ahmanson's bid, changed hands at \$45 a share, up \$1, or 2.3%, on the New York Stock Exchange. Shares of Ahmanson closed at \$42, up 62.5 cents, or 1.5%, in Big Board composite trading, while Seattle-based Washington Mutual's stock traded at \$53.25, up 6.25 cents, in Nasdaq Stock Market trading.

A combination of Washington Mutual and Great Western would create the largest thrift in the country, with assets of about \$86 billion. The new entity would have more than \$60 billion of assets in California alone, the nation's most lucrative banking market. It also would probably trail only commercial banks Wells Fargo & Co. and BankAmerica Corp. in its share of California's deposit market. Currently, Great Western has a roughly 6% market share, with Washington Mutual less than 5% as measured by deposits.

- * A merger agreement would leave Ahmanson in a tough position. The nation's current No. 1 thrift, with \$50 billion in assets, has said it is committed to its bid and would pursue it, indicating that it may raise its offer. But analysts say the initial bid was aggressively priced, and it's unclear how much more Ahmanson could afford to raise its bid.

- * Still, Charles Rinehart, Ahmanson's chief executive officer, has made it clear that he believes few, if any, large thrifts can survive in the long run. Before it made its run at Great Western, Ahmanson itself was considered a takeover target. If its bid for Great Western fails, analysts say it must either soon find another target or brace itself for a possible takeover itself.

- * Washington Mutual has been considered among the most likely "white knights," or friendly bidders, for Great Western since the Ahmanson bid emerged. In many ways, it is a compelling fit.

For one thing, Washington Mutual is known for its ability to manage acquisitions. It has made 22 of them in the past 10 years, one reason its assets have swelled to \$43.5 billion. It gained a toehold in California

last year with its \$1.6 billion acquisition of Irvine, Calif.-based American Savings, from Robert Bass's investment arm.

Moreover, under Kerry Killinger, chief executive, Washington Mutual has made more headway than almost any savings-and-loan in making itself more like a retail commercial bank. Thrifts' traditional business, making mortgage loans funded by consumer deposits, has been rendered a low-profit, commodity business because of changes in the banking market.

* Indeed, Ahmanson's bid for Great Western was meant to accelerate its own transformation away from the thrift business and toward retail banking. Great Western has been trying to do the same thing over the past two years, by increasing its consumer finance and small-business lending business.

Mr. Killinger raised further speculation about a bid for Great Western when he said at a Montgomery Securities banking conference recently that Washington Mutual wanted to expand in California.

While Washington Mutual was on the short list of possible suitors for Great Western, Wall Street was unsure whether the company would proceed with an offer. Washington Mutual's mantra is that it only executes transactions that are "accretive," or beneficial to earnings, rather than dilutive to future earnings.

People familiar with the situation say that the purchase of Great Western will indeed be accretive, though details couldn't be learned.

* Ahmanson stunned the industry last month with its unsolicited bid for rival Great Western. Ahmanson said it could cut \$400 million in annual expenses from the combined company's operations -- more than the two companies earned last year -- because of the huge overlap in the Los Angeles area.

* Ahmanson also filed with the Securities and Exchange Commission to replace the board of Great Western, and solicit a nonbinding consent from shareholders of Great Western asking if they support the Ahmanson merger proposal.

* Ahmanson made a tactical blunder, observers say, when Mr. Rinehart told Ahmanson employees the job losses would come from the Great Western side.

Soon after the bid, Great Western retained Merrill Lynch & Co., Goldman, Sachs & Co. and Skadden Arps, Slate, Meagher & Flom to mount a possible defense or seek a friendly bidder.

Washington Mutual wasn't the only possible rival suitor to take a look at Great Western. Norwest Corp., the Minneapolis-based commercial bank, was known to be among those invited by Great Western to consider a bid. People tracking the battle said Norwest, whose California operations are much smaller than Washington Mutual's, couldn't envision generating enough cost savings to make topping Ahmanson's bid feasible.

HD Great Western, White Knight Set Deal

BY Washington Mutual Agrees To a \$6.6 Billion Pact; Ahmanson May Lift Bid

CR By Charles McCoy and Steven Lipin

PD Staff Reporters of The Wall Street Journal

SN 03/07/97

SN The Wall Street Journal, PG A3

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP Great Western Financial Corp. agreed to be acquired by Washington Mutual Inc. for stock valued at about \$6.6 billion, exceeding a hostile bid launched last month by H.F. Ahmanson & Co.

However, Ahmanson is expected to increase its offer, currently valued at about \$6 billion. As of yesterday afternoon, Ahmanson said that it remained "committed" to its bid and was studying options. At the same

time, it criticized Washington Mutual's bid and Great Western's refusal to even formally respond to Ahmanson's offer.

TD Washington Mutual said that under their definitive agreement, each share of Great Western would be swapped for 0.90 shares of Washington Mutual. Based on yesterday's closing stock prices, the accord is valued at \$47.70 a share, compared with Ahmanson's bid of \$42.79 a share.

The combination of Seattle-based Washington Mutual and Los Angeles-based Great Western would create the nation's largest thrift. The new company would have assets of \$87.5 billion and more than 1,000 banking and lending offices from San Deigo to Seattle and other strategic markets, such as Florida. In the lucrative California market, the new company would have about 9% of deposits, trailing only commercial banks BankAmerica Corp. and Wells Fargo & Co.

"We will be a powerhouse," said Kerry Killinger, Washington Mutual's chairman and chief executive, who would retain those titles at the combined company. John Maher, Great Western's chief executive, would become a director of the new company, but said he won't be an officer.

Analysts and thrift-industry executives said that Ahmanson almost certainly will try to top Washington Mutual's bid. In part, that's because if Ahmanson's attempt to acquire Great Western fails, the hostile suitor would be vulnerable itself to a takeover because of the consolidation wave sweeping the thrift industry. "I don't think we've heard the last from Ahmanson," said Thomas Theurkauf, analyst at Keefe Bruyette & Woods.

Even so, the Washington Mutual bid could be tough to beat. For one thing, Great Western has agreed to pay a breakup fee of as much as \$175 million to Washington Mutual if the deal falls through. A spokeswoman for Ahmanson, based in Irwindale, Calif., labeled the breakup fee "outrageous," but merger professionals said that the fee, representing 2.6% of the total value of the deal, is within industry norms.

Wall Street seemed to be betting on Washington Mutual. Its shares fell 25 cents to close at \$53 in trading on the Nasdaq Stock Market, while Great Western stock rose \$1.875 to \$46.875 and Ahmanson's shares slipped \$1.25 to \$40.75, both in New York Stock Exchange composite trading. Analysts said investors are worried that Ahmanson was either out of the running or might now bid too aggressively for Great Western. The stock moves make it more costly for Ahmanson to top the Washington Mutual bid.

Still, some analysts believe Ahmanson probably could boost its bid another 10% or so, matching or beating the Washington Mutual offer in dollar terms. "They've got some dry powder left," said Gareth Plank, analyst at UBS Securities Inc. However, Washington Mutual's stock is considered the more powerful currency, because it trades at higher multiples compared to earnings and book value. That means Washington
* Mutual probably could trump any raised Ahmanson offer by boosting its own.

"Right now, Washington Mutual has the upper hand," Mr. Plank said.

Meanwhile, Washington Mutual's Mr. Killinger said the thrift can squeeze about \$208 million out of the combined company's 1998 costs and \$340 million out of 1999 costs. He also indicated that the deal would add about 5% to Washington Mutual's per-share earnings in 1998; that would indicate expected profit of about \$4.80 a share. In 1999, Mr. Killinger said, the Great Western acquisition should boost profit 11%.

Both Mr. Killinger and Mr. Maher criticized Ahmanson's bid, and it was clear that one feature, a provision that any layoffs from the deal would come only from Great Western employees, still rankled. In an interview, Mr. Killinger called Ahmanson's offer a "slash-and-burn liquidation." Mr. Maher said that "in virtually every category,

Washington Mutual is the superior" performer and Great Western is "in much better hands" with Mr. Killinger than with Ahmanson.

Messrs. Killinger and Maher acknowledged that their transaction would lead to some job losses, but Mr. Maher said they would be "far fewer" than under the Ahmanson plan.

Mr. Killinger said he called Mr. Maher the day Ahmanson disclosed its bid, to express condolences and to offer help. Mr. Killinger quickly assembled a team of advisers from Lehman Brothers Inc., Simpson Thacher & Bartlett and Foster Pepper & Shefelman.

Mr. Maher, himself a former investment banker, said that as Great Western mulled its options, "it evolved that . . . this would be an absolutely compelling combination." One factor, he said, was that Washington Mutual pitched growth prospects, rather than just consolidation. Mr. Maher's advisers included Merrill Lynch & Co. and Goldman, Sachs & Co.

The Players
1996 data

	WASHINGTON MUTUAL	GREAT WESTERN
Total assets (billions)	\$44.5	\$43.0
Total deposits (billions)	\$24.0	\$28.6
Branch locations	413	416
Total banking locations	557	636
Employees	9,500	12,000
Headquarters	Seattle	Los Angeles

Source: Company reports

- HD * Ahmanson Brings Great Western Battle to the Street
BY By Charles McCoy
CR Staff Reporter of The Wall Street Journal
PD 03/10/97
SN The Wall Street Journal, PG A6
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)
LP The battle for Great Western Financial Corp. moves to Wall Street this week.
- * H.F. Ahmanson & Co., which launched a hostile bid for rival savings-and-loan Great Western on Feb. 18, is scheduled to meet with investors and analysts in New York today to lobby for its stock offer, valued at \$6.19 billion.
- TD It hopes to persuade Wall Street that its bid is a better deal than the agreement announced last week between Great Western and white-knight bidder Washington Mutual Inc., which agreed to combine in a transaction valued at \$6.66 billion.
- The value of both transactions is based on Friday's closing prices. Great Western closed Friday in composite trading on the New York Stock Exchange at \$47.50, up 62.5 cents. Washington Mutual closed at \$52.875, off 12.5 cents on the Nasdaq Stock Market. Ahmanson closed at \$42.125, up \$1.375, or 3.4%, on the Big Board.
- * At those prices, Washington Mutual's offer is valued at \$47.49 per Great Western share. Ahmanson's offer has a value of \$44.23 a share.
- Both sides have been diligently lobbying investors on the merits of their respective bids. Both declined to comment over the weekend. Great Western is based in Los Angeles, Ahmanson in nearby Irwindale, Calif., and Washington Mutual in Seattle.

- * People close to Ahmanson say it will use today's New York meeting to attack some of the cost saving and revenue projections that Washington Mutual and Great Western have made in asserting that their deal is
- * better than Ahmanson's. They'll also promote the synergies of an
- * Ahmanson-Great Western combination, emphasizing the potential for cost
- * savings. Most analysts believe Ahmanson must ultimately boost its offer
- * to stay in the fight for Great Western. They also say that Ahmanson has the resources to do so.

HD Ahmanson Attacks Great Western Deal But Doesn't Plan to Raise Its Offer
Yet

BY By Charles McCoy

CR Staff Reporter of The Wall Street Journal

PD 03/11/97

SN The Wall Street Journal, PG A6

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP H.F. Ahmanson & Co. blasted a rival stock bid for Great Western Financial Corp. but said raising its own offer would be "premature."
Ahmanson and Washington Mutual Inc. are involved in an increasingly acrimonious takeover battle for Great Western. Ahmanson fired the opening shot Feb. 18 with a hostile bid for Great Western, valued at \$6.23 billion, or \$46.19 a share, based on yesterday's closing stock prices. Great Western last week agreed to a white knight bid from Washington Mutual, based in Seattle. The Washington Mutual bid as of yesterday was valued at \$6.85 billion, or \$48.94 a share.

TD In an hour-long presentation yesterday to bank analysts at New York's St. Regis Hotel, Ahmanson officials attacked Great Western's deal with Washington Mutual as, among other things, "dumb," "dangerously careless" and "impossibly overstated." Ahmanson also said it wouldn't immediately increase its own bid, although it did promise a modest indirect sweetener that might add \$195 million to the value of the offer.

Great Western yesterday closed at \$48 a share, up 50 cents, in New York Stock Exchange composite trading, while Ahmanson rose 25 cents to \$42.375. In Nasdaq Stock Market trading, Washington Mutual rose \$1.50 to \$54.375 a share.

The developments yesterday indicate that Ahmanson's strategy now is to continue to promote its bid and attack Washington Mutual's as unrealistic, rather than to quickly raise its bid. Ahmanson did say that if it succeeds, it will return the \$195 million in breakup fees contained in the Great Western-Washington Mutual pact to Great Western holders; analysts said that could sweeten Ahmanson's bid by about \$1 a share, after tax.

Ahmanson's broadside against the Washington Mutual pact focused on how much cost savings and revenue growth Washington Mutual claims it can get after acquiring Great Western. Washington Mutual asserts that it can cut costs \$340 million a year by 1999, while simultaneously adding \$4.7 billion in assets, generating new fees and income.

But Charles Rinehart, Ahmanson's chief executive, noted that the cost-saving projection was almost as much as the \$400 million in cost savings that Ahmanson believes it can get by taking over Great Western. Both Ahmanson and Great Western are based in the Los Angeles area, and an estimated two-thirds of their branches are either across the street from each other or within three minutes' drive. That kind of overlap, Mr. Rinehart suggested, gives Ahmanson far more cost-cutting ability than Washington Mutual, which has much smaller California operations.

"The cost-cutting Washington Mutual is talking about [relative to its size in California] is unheard of, extremely aggressive . . . the numbers just don't compute," Mr. Rinehart said.

He added that "the wheels fall off" of the Washington Mutual offer because it presumes revenue gains, even as it is sharply cutting costs. "As I've heard said in politics a time or two, that dog don't hunt."

Great Western declined to comment on Ahmanson's specific criticisms about its cost-cutting and revenue projections, saying it couldn't discuss them yet because of Securities and Exchange Commission regulations. Nonetheless, it returned fire. Ahmanson's presentation "struck us as a rather desperate attempt to justify an inferior offer from an inferior company," said a Great Western spokesman. He said Washington Mutual "by virtually every measure has turned in a better performance than Ahmanson" over recent years.

Washington Mutual officials couldn't immediately be reached for comment.

In the end, shareholders and not dueling management teams will decide which offer is better. Several Great Western institutional holders yesterday said Ahmanson had made a good case for its bid. Washington Mutual's "numbers aren't credible," said one holder. Additionally, several analysts said that after closely examining the Washington Mutual * bid, the Ahmanson offer looks more plausible.

"To use a basketball term, Ahmanson has taken it strong to the hoop," said Jonathan Gray, analyst with Sanford C. Bernstein & Co. "Ahmanson has gotten the momentum back."

HD * Ahmanson Boosts Bid for Great Western To \$6.68 Billion, Topping Rival Deal

BY By Charles McCoy

CR Staff Reporter of The Wall Street Journal

PD 03/18/97

SN The Wall Street Journal, PG A3

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP * H.F. Ahmanson & Co. boosted its hostile bid for Great Western Financial Corp. to \$6.68 billion, surpassing a friendly \$6.44 billion merger agreement between Great Western and Washington Mutual Inc.

The increased bid, which had been expected, comes two weeks after * Great Western agreed to be acquired by Washington Mutual. The Ahmanson bid is valued at \$47.70 a Great Western share, based on yesterday's closing stock prices. Washington Mutual's merger accord is valued at \$46.01 a share. Great Western closed at \$45.25 a share, down 25 cents in New York Stock Exchange composite trading.

TD However, analysts said Washington Mutual may well increase its bid in * response, prolonging the acrimonious battle over Great Western. Ahmanson triggered the fight with a hostile bid Feb. 18, prompting Great Western to agree to be acquired by white knight Washington Mutual.

Washington Mutual wouldn't comment specifically on the new bid or its plans. In a statement, it said that its current offer would create "a stronger, more financially sound company." Great Western said it is studying the proposal but didn't comment specifically on it.

The bidding war reflects the plum that Great Western, based in Los Angeles, represents. It has \$43 billion of assets, mostly in the lucrative California market. Whichever suitor prevails, the combination would be the nation's largest thrift with some \$90 billion of assets and a formidable presence in California.

* Ahmanson, Irwindale, Calif., raised its bid by boosting its exchange * rate to between 1.10 and 1.20 Ahmanson shares for each Great Western * share held, depending on Ahmanson's stock price when the transaction * closes. Originally, Ahmanson offered to swap 1.05 of its shares. * Ahmanson's new offer is valued at about \$680 million more than its original offer.

* In boosting the bid, Ahmanson increased its projections for the cost savings and revenue increases it would generate if it succeeds. Ahmanson said that, because Great Western's expenses are roughly \$100 million higher than Ahmanson had assumed in calculating its initial bid, it now expects to cut costs out of a combined company by \$454 million by 1999. Initially it had projected \$404 million of cost cuts.

* Ahmanson also said it expects \$50 million more than originally forecast in annual revenue increases. "Our offer has more value immediately than [Washington Mutual] has offered, and less risk over the long pull," said Charles Rinehart, chief executive officer of Ahmanson. He said Washington Mutual is still "whistling in the dark" on economic assumptions underlying its bid.

Wall Street's reaction was difficult to read. Several analysts said Ahmanson's new bid -- and even its old one -- is sounder than Washington Mutual's, mainly because of questions about Washington Mutual's cost-cutting and revenue-generating assumptions. Ahmanson closed at \$39.75 a share, down 50 cents, in Big Board composite trading. Washington Mutual closed at \$51.125 a share, up 75 cents, on the Nasdaq Stock Market.

In any event, the bidding for Great Western is entering uncharted territory for a thrift takeover. Ahmanson's latest bid is roughly three times Great Western's book value; that, analysts said, would be the sweetest premium paid for a thrift in recent memory.

"Investors have to be wondering where this is headed," said Thomas O'Donnell, analyst at Smith Barney. "We're already talking values that would have seemed inconceivable three weeks ago. But Great Western is such a fat prize, neither one of these bidders wants the other guy to have it."

HD Business Brief:

* Ahmanson Makes Pledge on Loans To Inner Cities If It Wins Bidding

BY By Joan Indiana Rigdon

CR Staff Reporter of The Wall Street Journal

PD 03/21/97

SN The Wall Street Journal, PG B4

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP * H.F. Ahmanson & Co., attempting to raise the stakes in its hostile bidding war for Great Western Financial Corp., promised to provide \$70 billion in loans to inner-city residents and businesses over 10 years if the thrift wins.

* Ahmanson's pledge is more than 50% higher than any other pledge made by a depository institution in the U.S, according to California Reinvestment Committee, one of two inner-city lending lobbying groups that helped Ahmanson craft the pledge. The highest previous pledge was Wells Fargo & Co.'s 1995 promise to make \$45 billion in such loans over 10 years, CRC said.

TD * The move comes just three days after Ahmanson, Irwindale, Calif., boosted its bid for Great Western, surpassing a friendly offer from Great Western's white-knight bidder, Washington Mutual Inc. Great Western, Los Angeles, is the nation's second-largest thrift with about \$43 billion in assets, mostly in the lucrative California market.

Washington Mutual said it is forming its own "comprehensive" community reinvestment loan plan, and that it will disclose the plan within a few weeks. A spokesman declined to elaborate. Great Western referred all questions to Washington Mutual.

* Ahmanson's news sent the company's stock down 12.5 cents on the New York Stock Exchange to close at \$39.50 in composite trading, while Washington Mutual's closed unchanged at \$50.50 on the Nasdaq Stock

* Market. As of yesterday's close, Ahmanson's bid was valued at \$6.65 billion, or 4.2% higher than Washington's bid of \$6.38 billion.

Great Western's shares closed at \$44.25, down 12.5 cents in trading on the Big Board.

The move marks the first time in recent memory that a bank has tried to win a hostile bidding war on social issues, as well as the strength of its bid. Then again, this is only one of a few hostile takeover battles in banking history, the most recent one being Wells Fargo's hostile takeover last year of First Interstate Bancorp.

"We're definitely in uncharted territory here," said Smith Barney analyst Thomas O'Donnell. He added that Ahmanson is under pressure to make its offer considerably better than Washington Mutual's because Great Western had already agreed to be acquired by Washington Mutual.

Mr. O'Donnell said Great Western's shareholders are unlikely to be swayed by Ahmanson's loan pledge just because of its social reinvestment aspect. But they might be attracted to the pledge's potential business benefits. First, the move would shift some of Ahmanson's business from the ultracompetitive market for plain-vanilla mortgages -- mortgages to people with solid incomes and credit histories -- into the riskier, but less competitive, inner-city market.

Ahmanson said \$45 billion would be earmarked for home mortgages, with the remainder for consumer and small-business loans. "If you move into affordable housing and you know what you're doing, it's a good move," Mr. O'Donnell said. "And Ahmanson is a skilled lender."

Ahmanson worked out its pledge with help from the Greenlining Coalition and the California Reinvestment Committee, which represent about 200 churches and other community groups. Ironically, just last year, CRC protested Ahmanson's acquisition of 61 First Interstate branches, saying that Ahmanson had scaled back its lending to multifamily housing projects.

If Ahmanson doesn't win the battle for Great Western, it will still invest in city loans, but a smaller amount in proportion to its asset base, Ahmanson said. Ahmanson currently has \$50 billion in assets.

HD * Ahmanson Challenges the Accounting Of Washington Mutual, Great Western
BY By Charles McCoy
CR Staff Reporter of The Wall Street Journal
PD 03/24/97
SN The Wall Street Journal, PG B4
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP * H.F. Ahmanson & Co. is questioning a key accounting assumption of Washington Mutual Inc.'s agreement to acquire Great Western Financial Corp.

Ahmanson amended a pending lawsuit against Great Western in Delaware Chancery Court, alleging that Great Western and Washington Mutual are improperly using an accounting method that understates the true costs of their planned combination. Ahmanson wants the court to force Great Western to inform shareholders of that. Ahmanson alleges that, as a result of the accounting issue, the Great Western/Washington Mutual deal "may be illusory."

TD * Both Great Western and Washington Mutual assailed Ahmanson's contentions. Great Western called them "baseless," and said they were part of a campaign to divert attention from an inferior offer.

Ahmanson and Washington Mutual are locked in a bitter takeover battle for Great Western, Los Angeles. The hostile stock bid by Ahmanson, based in Irwindale, Calif., is valued at \$6.62 billion based on Friday's closing stock prices. Seattle-based Washington Mutual's stock offer is currently valued at \$6.32 billion.

Great Western closed at \$44.25, unchanged, in New York Stock Exchange composite trading Friday. Ahmanson closed at \$39.375, down 12.5 cents. Washington Mutual closed at \$50.125, down 37.5 cents, in Nasdaq Stock Market trading. Whichever combination occurs, it will create the nation's biggest thrift with \$90 billion of assets and a formidable presence in the lucrative California banking market.

* Ahmanson's latest maneuver involves an arcane but potentially significant accounting matter. Washington Mutual plans to account for its Great Western deal as a pooling of interests; Ahmanson's bid contemplates purchase accounting. One key difference between the two is that pooling of interests doesn't produce an intangible asset called goodwill, which must be expensed over time. The upshot is that Ahmanson's bid entails a major expense -- the amortization of goodwill -- that Washington Mutual's doesn't.

However, the Securities and Exchange Commission has strict tests for which transactions are eligible for pooling-of-interest accounting. Ahmanson asserts that Washington Mutual hasn't met those tests and shouldn't be allowed to use pooling-of-interests accounting. If it can't, Ahmanson said, Washington Mutual's projections for how much it would earn after combining with Great Western are significantly overstated.

Washington Mutual said accounting firms Deloitte & Touche and Price Waterhouse LLP had reviewed its proposal and believe it does qualify as a pooling-of-interests transaction. Washington Mutual added that Ahmanson's move was "desperate."

Although obscure, the accounting dispute has figured in past bank takeovers. When Wells Fargo & Co. and First Bank Systems Inc. were dueling to acquire First Interstate Bancorp. in 1995, the SEC did rule that First Bank Systems couldn't use pooling-of-interests accounting. Wells Fargo eventually won the battle and acquired First Interstate for stock valued at about \$12.6 billion. The accounting issue wasn't a major factor in the outcome, however; Wells Fargo's offer wound up being substantially more valuable than First Bank's.

In any case, there's no end in sight to the tussle for Great Western. Advisers for both sides are pitching their respective deals -- and trashing their opponent's -- to major shareholders. Wall Street reaction in coming days will be crucial: If the gap between the value of the two bids stays relatively narrow, Washington Mutual may decide not to raise its bid and simply let holders vote on the offers; such a vote might not occur until June.

HD Great Western Reaffirms Sale Accord Despite Sweetened Bid From Ahmanson
BY By Steven Lipin
CR Staff Reporter of The Wall Street Journal
PD 03/27/97

SN The Wall Street Journal, PG A4
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP Great Western Financial Corp. reaffirmed its \$6.36 billion sale to Washington Mutual Inc. despite recently receiving a slightly higher offer from hostile bidder H.F. Ahmanson & Co.

* Ahmanson blasted Great Western's decision as a violation of its board's fiduciary obligation.

TD The move comes as Great Western and Washington Mutual hit Wall Street on a so-called roadshow, trying to convince investors on the merits of their friendly transaction.

* Great Western issued a statement after Ahmanson requested that the two sides negotiate or enter into discussions, and in response to Ahmanson's sweetened bid. Great Western said its board unanimously

determined not to enter into discussions.

- In a detailed, 12-page letter dated Monday from Charles Rinehart, Ahmanson's chief executive officer, to Great Western directors, Ahmanson asked that an independent investment bank be brought in to adjudicate which bid is better. Mr. Rinehart questioned how a decision could be made without talking to Ahmanson first. "We do not understand how you can be fully informed without any discussions with us," he wrote.

A Great Western spokesman said the board met Tuesday for six hours, and "has exercised great fiduciary responsibility throughout this process."

- Ahmanson launched a hostile bid in February for Great Western, which subsequently found a "white knight" in Washington Mutual earlier this month. Soon after, Ahmanson sweetened its all-stock bid to a deal currently valued at \$6.53 billion, or \$46.65 a share, slightly more than Washington Mutual's all-stock offer, currently valued at \$45.45 a share.

Given that the differential between the two sides is relatively small, Great Western is asserting that long term, Washington Mutual is the better stock to own. "It's a superior offer," said Kerry Killinger, chairman and chief executive of Washington Mutual, in an interview.

He suggested that there was no reason to bump his bid. He said the combined company would generate \$1.2 billion in excess capital by 1999.

- Ahmanson and some on Wall Street have questioned whether Washington Mutual can really come up with cost savings of \$340 million annually. But analyst Kenneth Posner of Morgan Stanley & Co. noted in a recent report that the cost savings appear reasonable.

- After an initial jump following its first bid, Ahmanson's stock has weakened recently, reducing the value of its deal. Ahmanson's camp believes its stock has been hurt by the Washington-Great Western deal.

Shares of Washington Mutual fell 68.75 cents to \$50.50 on the Nasdaq Stock Market. In New York Stock Exchange composite trading, Great

- Western shares closed at \$44, down 37.5 cents, while Ahmanson shares traded at \$38.875, up 12.5 cents.

HD Ahmanson's Bid For Great Western Receives a Boost

BY By Steven Lipin

CR Staff Reporter of The Wall Street Journal

PD 04/03/97

SN The Wall Street Journal, PG C15

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP Institutional Shareholder Services, a proxy firm that advises pension-fund investors, backed a shareholder consent sponsored by H.F. Ahmanson & Co. in its battle with Great Western Financial Corp.

Ahmanson, based in Los Angeles, launched a hostile bid for Great Western, which then sought a "white-knight" merger partner in Seattle-based Washington Mutual Inc.

TD Washington Mutual's pact is now valued at \$42.53 a share; Ahmanson's is valued at \$43.65 a share. Both have lost value amid a decline in financial stocks.

- While ISS didn't comment on which bid is more attractive, it recommended that Great Western shareholders have the opportunity to weigh both the friendly bid with the Ahmanson offer. In that respect, ISS recommended investors support four of Ahmanson's five proposals, including a nonbinding resolution that calls for Great Western to provide Ahmanson with financial information and discuss with a third party any bona fide bid. In addition, ISS recommended that investors back a proposal that would require Great Western to hold an annual meeting soon.

While ISS, which is based in Bethesda, Md., has no authority, it

carries a lot of clout with pension funds and some institutional investors. Hence, the report is bad news for Great Western and Washington Mutual.

"While we are not favoring one deal over another, we believe shareholders should have the right to have a competing offer thoroughly considered by the board," Peter Gleason, an analyst with ISS, wrote in a recent report. Allowing Ahmanson to see private financial information -- so-called due diligence -- "may prove beneficial with regard to HFA's offer and may force a higher offer from WAMU should HFA's proposal begin to look better after due diligence."

A Great Western spokesman said in a statement that "we vigorously disagree with ISS's recommendation on four of Ahmanson's five proposals. It is important to emphasize that as ISS made clear in its report, ISS's recommendations pertain only to Ahmanson's proposed resolutions and bylaw amendments. ISS explicitly stated that it is not commenting on the relative merits of the Great Western/Washington Mutual merger agreement and Ahmanson's unsolicited proposal or on how stockholders should vote in connection with the election of directors at Great Western's annual meeting.

Ahmanson reiterated in a statement that Great Western shareholders should back its proposals.

HD * Ahmanson's Jump In Profit May Aid Takeover Offer

BY By Don Clark

CR Staff Reporter of The Wall Street Journal

PD 04/09/97

SN The Wall Street Journal, PG B5

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP * H.F. Ahmanson & Co. reported a 59% jump in first-quarter net income, an upside surprise that analysts said could help the company's hostile bid for Great Western Financial Corp.

* Ahmanson, the Irwindale, Calif., owner of Home Savings of America, said net income for the period rose to \$103.1 million, or 87 cents a share, from \$64.7 million, or 45 cents a share, in the year-earlier period. Excluding a one-time gain of \$9.5 million, or eight cents a share, Ahmanson's earnings came to 79 cents a share, compared with analysts' consensus of 75 cents, as tallied by First Call Corp.

TD * The stock market responded, bumping Ahmanson's shares up \$1.625, or 4.6%, to \$37.125, in New York Stock Exchange composite trading.

* Ahmanson's share price is a crucial issue as it tries to entice holders of Great Western, which has shunned Ahmanson's unsolicited stock offer in favor of a white-knight agreement with Washington Mutual Inc.
* After yesterday's move, Ahmanson's offer is worth \$44.55 a share, or \$6.24 billion. Washington Mutual's is worth \$44.44 a share, or \$6.22 billion, after its shares rose \$1.438 yesterday to \$49.375 on the Nasdaq Stock Market. Great Western stock rose \$1.75 to \$42.375 on the Big Board.

* "Ahmanson needs a positive premium to carry the day," said Thomas O'Donnell, an analyst at Smith Barney. "This is a step forward in their battle for Great Western."

* E. Gareth Plank, an analyst at UBS Securities LLC, added that the ability of Ahmanson to report so quickly after the close of the first quarter also conveys the impression that its operations are running efficiently. "The timing is impeccable," he said.

* Ahmanson, however, first must persuade Great Western holders to vote for a nonbinding resolution that calls for Great Western to provide Ahmanson with financial information and discuss any third party's bona fide bid.

- * Ahmanson, the nation's largest thrift holding company, said its profits benefited from cost controls and improved credit quality. The company's provision for loan losses dropped to \$24.2 million from \$45.9 million in the year-earlier period, contributing about 12 cents to its improvement in earnings per share, Mr. Plank estimated.
- * Charles Rinehart, Ahmanson's chairman and chief executive officer, said the company is "delivering strong performance across the board."

HD * Ahmanson Proposals Tied to Great Western Get Holder Approval
PD 04/10/97

SN The Wall Street Journal, PG B17
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP * IRWINDALE, Calif. -- H.F. Ahmanson & Co. said it convinced a majority of Great Western Financial Corp. shareholders to compel that company to hold its annual meeting by May 6, a boost to Ahmanson's hostile takeover plan for the rival thrift holding company.

- * Ahmanson, parent of Home Savings of America, said it received consent forms representing a majority of Great Western shares in favor of three Ahmanson proposals to shareholders. Two others are still outstanding, including a closely watched nonbinding resolution to ask Great Western to open its books to Ahmanson and negotiate with the rival company.

TD * Great Western, based in Chatsworth, Calif., is resisting Ahmanson's bid in favor of a white-knight merger deal with Washington Mutual Inc. of Seattle. It has been asking shareholders to revoke the Ahmanson consent forms. An independent inspector of elections will tally the consent and revocation forms to determine if Ahmanson's measures pass.

- * If Ahmanson forces the annual meeting, it plans to propose three independent directors to take seats on Great Western's 11-member board.
- * Ahmanson said it also received favorable votes on a proposal that Great Western can't adjourn any stockholder meeting before all business has been conducted, and another providing that Great Western's board can't amend any by-law proposal brought by Ahmanson without shareholder approval.

Great Western said it can't yet determine whether it has sufficient revocations to block the Ahmanson proposals. Regardless of the final tally, Great Western said the vote shouldn't be considered an indication of shareholder opinion on the Washington Mutual deal or whether shareholders would vote for any Ahmanson nominees at an annual meeting.

- * In composite trading on the New York Stock Exchange, Ahmanson closed at \$36.875, down 25 cents, and Great Western closed at \$41.75, down 62.5 cents.

HD Seattle Thrift Pledges \$75 Billion Of Inner-City Loans
BY By Don Clark
CR Staff Reporter of The Wall Street Journal
PD 04/11/97

SN The Wall Street Journal, PG B7
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP Washington Mutual Inc. pledged \$75 billion in loans over 10 years to inner-city residents and businesses, hoping to boost the public appeal of its plan to acquire Great Western Financial Corp.

- * The loan pledge, believed to be the largest by a financial institution under the Federal Community Redevelopment Act, tops a \$70 billion pledge last month by H.F. Ahmanson & Co.'s Home Savings of America unit. Ahmanson, based in Irwindale, Calif., is pressing a hostile offer to buy Chatsworth, Calif.-based Great Western, which responded by negotiating a deal with Washington Mutual.

TD Seattle-based Washington Mutual, a thrift holding company, said its

pledge includes \$50 billion in what was described as affordable housing loans to minorities and borrowers in low- to moderate-income census tracts in the western U.S. and Florida, targeting half of that amount to borrowers with incomes of less than 80% of the median. "This is a historic occasion," said Kerry Killinger, Washington Mutual's chairman and chief executive officer, at a news conference in the low-income Los Angeles neighborhood of Watts.

Lobbying community groups is a new wrinkle in takeover battles. Though the appeal of that tactic to shareholders isn't clear, the Office of Thrift Supervision may include community lending among the factors it considers in reviewing merger proposals.

- * Ahmanson contends it was working on a major pledge for months before it decided to bid for Great Western, and concluded it would boost that commitment if a deal went through. The Greenlining Institute, a San Francisco community group that helped Ahmanson develop its pledge, said it prefers the Home Savings plan because it believes Washington Mutual doesn't have as strong a track record in lending to poor and minority communities. Ahmanson said it plans to make a major investment in much of Great Western's territory even if its acquisition plan doesn't go through, while Washington Mutual isn't likely to lend in areas where it has no operations.
- * Ahmanson is trying to force Great Western to hold an annual meeting by May 6, at which Ahmanson hopes to seat three directors it will nominate. An independent monitor of shareholder elections will tally consent forms for the meeting that Ahmanson has solicited, and consent revocation forms that Great Western has gathered in opposition.

HD Business Brief -- GREAT WESTERN FINANCIAL CORP.:
June 13 Meeting Date Set; Ahmanson Wants It Earlier

PD 04/14/97

SN The Wall Street Journal, PG B6

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

- LP Great Western Financial Corp. set its annual meeting for June 13, but
- * H.F. Ahmanson & Co. continued to push for an earlier meeting as part of its hostile-takeover bid for the rival thrift holding company. Great Western, which has agreed to be acquired in a friendly deal with Washington Mutual Inc., contends that June 13 is the earliest date that would comply with federal rules and ensure Great Western sufficient time to review competing proxy solicitations. At the meeting, stockholders of Great Western, based in Chatsworth, Calif., are expected to review several Ahmanson proposals, including the election of three directors it will nominate. Ahmanson argues that it has received sufficient consent forms from shareholders to force a May 6 meeting.

HD Business Brief -- GREAT WESTERN FINANCIAL CORP.:
Merger Costs Depress Net; Operating Income Increases

PD 04/17/97

SN The Wall Street Journal

PG No Page Citation

CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

- LP Great Western Financial Corp. reported first-quarter net income fell 7.8% to \$65.7 million, or 44 cents a share, from \$71.3 million, or 47 cents a share, in the year-earlier period. The Chatsworth, Calif., thrift said that its operating income grew by 25% compared with the year-earlier period, but that net was reduced because of \$33.7 million in merger-related costs. On an operating basis, the company earned \$89.1 million, or 61 cents a share. Great Western has agreed to be purchased
- * by Washington Mutual Inc. for more than \$6 billion. H.F. Ahmanson & Co.

has a rival bid for the thrift. Great Western's shares closed at \$40.125, down 50 cents in New York Stock Exchange composite trading.

HD Great Western's Holders Approve Moving Up Meeting
BY By Charles McCoy
CR Staff Reporter of The Wall Street Journal
PD 05/06/97
SN The Wall Street Journal, PG B2
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)
LP

Great Western Financial Corp. shareholders approved a proposal by hostile suitor H.F. Ahmanson & Co. to accelerate Great Western's annual meeting. But the vote counting has been so slow and contentious that the development may have little impact on the long-running takeover battle.

The fight for Great Western, the nation's third-largest thrift, is close to three months old. Ahmanson's hostile stock bid, launched in February, is valued at about \$6.7 billion, or \$47.85 a share, based on * yesterday's closing price of Ahmanson. After Ahmanson made its offer, Great Western agreed to a white-knight takeover by Washington Mutual Inc. Its offer is valued at about \$6.5 billion, or \$46.46 a share, based on yesterday's closing stock price of Washington Mutual.

TD Whichever suitor prevails, the resulting combination will create the nation's largest savings and loan association, with more than \$85 billion in assets.

The contest has lately bogged down in court challenges and acrimonious exchanges between the various parties, and yesterday's action may not speed things up. The development stems from Ahmanson's move in March to challenge Great Western's decision to postpone its annual meeting until June 13; Ahmanson wanted the meeting no later than today and sought consent from Great Western shareholders to move the meeting up.

Holdings began voting on the Ahmanson proposal weeks ago, but the process has been marred by various foul-ups, including an episode in which some Great Western shareholders voted twice, apparently by accident. That and other problems forced a recount.

The preliminary recount announced yesterday showed that shareholders had approved the Ahmanson proposal, although it's too late to have the meeting by today. Moreover, the whole matter now is tied up in court and won't be resolved until a Delaware Chancery Court judge determines whether to force Great Western to move up the meeting.

Ahmanson conceded that winning shareholder approval of its proposal means little now, although a spokeswoman said it might have some bearing on the court's determination of when Great Western must hold its annual meeting. "We think a meeting can be held before June 13," she said.

Great Western said it's still planning to have the meeting June 13. Washington Mutual couldn't immediately be reached to comment.

In New York Stock Exchange composite trading, Ahmanson shares rose 37.5 cents to \$39.875, while Great Western's shares rose 87.5 cents to \$43.50. On the Nasdaq Stock Market, Washington Mutual's shares rose \$1.125 to \$51.625.

HD * Ahmanson Asks SEC To Clear Start of Offer For Great Western
PD 05/13/97
SN The Wall Street Journal
CY (Copyright (c) 1997, Dow Jones & Company, Inc.)

LP * IRWINDALE, Calif. -- H.F. Ahmanson Corp. said it filed with the Securities and Exchange Commission to commence an exchange offer in its hostile bid for Great Western Financial Corp.

The step has little immediate impact, but is another strategic

maneuver in the long-running and acrimonious takeover fight over Great
* Western. Ahmanson launched a surprise hostile offer in February,
prompting Great Western, Chatsworth, Calif., to later agree to a
friendly suitor bid from Seattle-based Washington Mutual Corp. Based on
* yesterday's stock prices, Ahmanson's bid is valued at about \$6.72
billion; Washington Mutual's is valued at about \$6.63 billion. Both bids
are stock swaps.

TD Whichever bidder prevails, the combination will create the country's
largest thrift, with more than \$85 billion of assets.

Shareholders haven't voted on the competing plans and won't for at
least several more weeks. Moreover, getting SEC clearance for an
exchange offer can take weeks.

* But Ahmanson said its move to seek such approval is in part an
attempt to circumvent Great Western's management, which to date has
* refused to negotiate with Ahmanson. "The board continues to ignore us,
so this takes it right to stockholders, and it shows our intentions and
* our seriousness," said an Ahmanson spokeswoman.

As of now, Great Western plans to hold its annual shareholder meeting
on June 13, at which time holders can indirectly vote on the competing
* bids by voting on a slate of rival directors Ahmanson has put forth. But
the final decision on the takeover probably won't come until an as-yet
unscheduled special shareholder meeting, at which holders will be asked
to vote directly on the rival plans.

* Theoretically, Ahmanson could begin an exchange offer before the
special meeting, or even before the annual meeting, depending on SEC
approval. Analysts said most holders won't tender shares in advance of
the special vote, but said having a formal exchange offer in place would
* make the Ahmanson bid more concrete and possibly more attractive to some
holders.

* Great Western dismissed the Ahmanson move as "simply a repackaging of
the proposal" it made originally. Washington Mutual couldn't be reached
to comment. In composite trading on the New York Stock Exchange,
* Ahmanson closed at \$40, up 62.5 cents, and Great Western closed at
\$44.625, up \$1. On the Nasdaq Stock Market, Washington Mutual closed at
\$56.688, up 50 cents.