

## Western-Southern Enterprise Case Questions

The Western-Southern Enterprise and their subsidiary, the Western Southern Life Insurance Company, have an enviable problem. Their investment in the local telephone company, Cincinnati Bell, has performed extremely well. They must now decide how to deal with the problem of being overweighted in a single stock.

The following questions should guide your thinking.

- 1) Western and Southern Life Insurance company can hold on to its Cincinnati Bell stock, sell 3M shares of CSN, or issue the DECS. What are the relative costs and benefits of WSE's alternatives relative to the DECS issue? Your memo should both choose a solution to WSE's predicament as well as explain why it is the preferable choice. Consider both tax and non-tax factors. To evaluate the alternatives you will need to quantify the costs and benefits where possible.
- 2) Why is the DECS issue structured as it is? Think about the purpose of each feature of the security. Are they important in determining the relative benefit of the DECS issue versus the other alternatives?