ARE M&A CONTRACT CLAUSES VALUE RELEVANT TO BIDDER AND TARGET SHAREHOLDERS?

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Abstract

Merger and acquisition deals are governed by merger contracts which are negotiated between bidder and target in order to communicate deal terms, specify risk sharing between the parties, and describe dispute management provisions in case of litigation. In a large sample of manually collected U.S. deal contracts involving publicly traded bidders and targets, we construct indices of M&A contract clauses based on legal scholars' and practitioners' *a priori* predictions and examine the relationship between announcement abnormal returns and different types of clauses. We find that bidder protective clauses correlate with higher bidder abnormal returns while target protective clauses and competition clauses correlate with higher target abnormal returns. Further analysis shows that bid premiums are increasing in target protective clauses and competition clauses, and deal completion probabilities are lower with more bidder protective clauses. These results are consistent with the expert lawyer/efficient contracting view of Cain, Macias, and Davidoff Solomon (2014), and Coates (2016), and against M&A contracts as immaterial boilerplate agreements.

I.   Introduction

A large financial economics literature[1] has found that shareholders earn significant abnormal returns over the market on announcement of a merger and acquisition (M&A) transaction. These studies have found that target shareholders earn positive abnormal returns of between 20 percent and 35 percent, whereas bidder shareholders on average earn zero to small negative abnormal returns. However, every M&A deal is governed by a set of contract terms that are described in detail in an agreement filed with the SEC. These M&A contract clauses are negotiated between the bidder and target in order to communicate deal terms, specify risk sharing between the parties, and describes dispute management provisions in case of litigation (see Coates 2015 for a detailed description of these clauses).

This paper examines the impact of M&A contract clauses on the abnormal returns earned by target and bidder firms, respectively. In doing so, this paper makes five contributions. First, we manually collect detailed information for a large set of M&A contract clauses for 819 U.S. publicly traded target firms for the period 2001-2011. Second, based on legal scholars' and practitioners' *a priori* predictions we create three M&A contract clause indices,[2] namely the "bidder protective clause" index, the "target protective clause" index, and "competition clause" index, which encapsulate many clauses negotiated by lawyers in M&A contracts. Such clauses include reverse termination fees, termination fees, termination dates, material adverse change (MAC) clauses, match rights, buyer financing conditions, buyer shareholder approval conditions, go shop provisions and walk away rights. Third, we examine if our indices are related to abnormal returns earned by target and bidder firms, respectively. Fourth, we examine if more-reputable

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[1] See the surveys of Jensen and Ruback (1983), Jarrell, Brickley and Netter (1988), Andrade, Mitchell and Stafford (2001), and Bruner (2002).

[2] See Section II of this paper for detailed description of the clauses and the indices we used to capture them.

lawyers are associated with drafting these M&A contract clauses. Fifth, we examine if our indices are related to the probability of deal completion.

There are two opposing *a priori* views on the expected relationship between M&A contract clauses and the abnormal returns earned by target and bidder firms. One the one hand, such clauses might not have any significant effect on the abnormal returns as they are immaterial "boilerplate" agreements "churned" by overpaid lawyers (see Manns and Anderson (2012, 2016). On the other hand, such clauses might have a significant effect because they are drafted by expert lawyers in meaningful contracts that modify or make more precise background laws to fit each individual deal. Prior research has shown that contract language evolves in reaction to new case law or statutes or financial risks, or by learning from the 'best practices' of other deal lawyers (see Cain, Macias, and Davidoff Solomon (2014), and Coates (2016)), consistent with M&A contracts having a meaningful impact. However, these prior studies have not examined the stock market's reaction to M&A contracts.

We find the following results. First, we find that bidder protective M&A contract clauses increase the bidder's abnormal returns. Second, we find that target protective clauses increase the target's abnormal returns. Third, we find that competition clauses result in higher abnormal returns for targets, but have no significant effect for bidders. These results show that M&A contract clauses have a significant impact on the abnormal returns of bidder and target firms, consistent with the expert drafting view of Cain, Macias, and Davidoff Solomon (2014) and Coates (2016), and inconsistent with the "churning" view of Manns and Anderson (2012, 2016).

Fourth, we find we find no evidence that more reputable law firms are associated with drafting these M&A contract clause indices. Fifth, we find bid premiums are increasing in target protective and competition clauses, whereas bidder protective clauses have an insignificant impact

on bid premiums. Sixth, we find that buyer protective clauses decrease the probability of deal completion, whereas the target protective and competition clauses have an insignificant impact on the probability of deal completion.

A few studies have examined the impact of a single M&A contract clause on bidder and/or target abnormal returns, as discussed in Section III below. But Coates (2015) points out that many contract terms are typically chosen together in a package of negotiated terms. Accordingly, we differ from this literature in the following ways. First, we create indices to aggregate the impact of a number of clauses that on *a priori* grounds in order to capture the same economic effects. Second, we manually collect clauses whereas prior studies use SDC data. We find that SDC often has incorrect information about specific M&A contract clauses. Third, we have included data on clauses which become more common in the 2000s (for example, go shop provisions and match rights provisions), and in some cases incorporate more details about a given clause (for example, fee triggers for termination clauses and reverse termination clauses).

It is important to note that our results are based on correlations between quantifiable variables using regression analysis. In no way are we attributing our results to some form of causal claim. In order to do so, we need to identify an exogenous shock that was not expected by the various participants in the merger and acquisitions market place. Clearly, the choice of these M&A contract clauses are endogenously determined. It is extremely hard, and one might also say close to impossible, to identify natural exogenous events which effect one choice variable (for example, M&A contract clauses) and not another choice variable (for example, whether the deal was a diversifying or related merger). Note however that our dependent variable is abnormal returns which the existing literature has shown to be sparsely affected by firm and deal characteristics (unlike a firm value variable like Tobin's Q). That said, our empirical approach is consistent with

other studies that examine the correlation between abnormal returns earned by bidder and target firms.

This paper proceeds as follows. Section II provides background information on three groups of M&A contract clauses and Section III explains the related literature. Section IV describes our data and index construction. Our empirical results are reported in Section V, and Section VI presents our conclusions.

II. Value-Relevant M&A Contract Clauses

In this section we explain in detail the value-relevant M&A contract clauses and how we create three indices that are based on legal scholars' and practitioners' *a priori* predictions.[3] Table 1 summarizes the definitions of all value-relevant M&A contract clauses and the three merger clause indices.

*** Table 1***

II.A Bidder Protective Clauses

Bidder protective clauses address two types of risks. First, if the target is less valuable than what the bidder initially expected and there are other deals or uses of time or capital that are superior to the current transaction, such clauses can give the bidder a right to walk away from the deal. Second, if financing terms, regulatory approval conditions, time to deal completion or other deal-related risks turn out to be worse for this deal than what bidder initially expected, the bidder can use these protective clauses to abandon the deal. Bidder protective clauses include efficiently

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[3] We create indices for three reasons. First, many of the clauses are jointly drafted to address similar deal and litigation risks (what lawyers often call using the 'belt and 'suspenders approach for keeping one's pants up'). Second, many of the clauses are correlated, making interpretation of their individual effects difficult. And third, some clauses are used sparingly, resulting in low statistical power for testing significance.

designed reverse termination fees (henceforth, referred to as RTFs), longer termination duration, financing conditions, bidder shareholder approval, and MAC clauses with greater coverage and fewer exclusions.

RTFs are provisions in M&A contracts that (in general terms) permit a bidder to terminate a proposed acquisition of a target firm for a fixed fee. RTFs can be efficient if they specify risks and allocate them to the party best able to bear that risk, and if the other deal terms (including price) reflect that risk allocation. The "price" of a risk allocated through an RTF would in theory be optimally based on estimates of the probability and the cost of realization of that risk. But contract terms are sometimes drafted based on non-analogous precedents, or crude or stale estimates of probability and cost of risks. Such terms can even be ex ante efficient by reducing negotiation costs, but exhibit path dependence and result in terms that are ex post value loss.

To empirically model these possibilities, we draw on prior theoretical work by others. First, we define an "inefficient" RTF based on the size of the fee (based on Afsharipour (2010), Quinn (2010), and Coates Palia and Wu (2017)), classifying an RTF with a smaller or equal size than a TTF as "inefficient." Second, again drawing on prior theoretical work (Quinn 2010; Wulf 2004), we define "inefficient" RTFs if they include triggers that do not reflect exogenous risk (such as regulatory review), but instead reflect (and may add to) agency costs on the part of the buyer managers. We then define an "efficient" RTF as the one with fee size higher than a TTF and without a fiduciary out trigger in a cash deal or a non-MOE stock deal, and include efficient RTFs in our buyer-protective index.

A financing condition is a condition to the bidder's obligation that lets the bidder refuse to close the deal unless the bidder is able to get enough financing to fund the deal. These conditions were once common in cash deals, became increasingly uncommon in the 2000s, but do appear in

some deals in our sample. Given that financing conditions are options to walk away from the deal for bidders, we include them in the bidder protective index.

For tender offer deals, having shareholder approval rights in the bidder condition section of a merger agreement offers protection for the bidder's shareholders, who can refuse to vote for deals that harm bidders. Such clauses thus protect bidders. Such clauses are required by law for certain deal structures and methods of payment, but parties have some flexibility to choose deal structures and methods of payment to avoid (or not) the requirement to have such a clause.

MAC clauses permit a bidder to cancel the deal, without penalty, if a material adverse event (MAE) occurs between the deal announcement and completion. MAEs can include changes in the target's financial condition, the target's or bidder's ability to close the deal, or other events. The bidder's exit right encourages the target to disclose potential MAEs prior to the signing of the M&A contract, and to make synergy investments that would enhance the value of the combined entity. Gilson and Schwartz (2005) show that MAC clauses protect the bidder and allocate endogenous risk to the target. Drawing on prior detailed empirical work examining the content of MAC clauses by Talley (2009), we use his ratio of MAC coverage to the sum of one plus the MAC coverage and MAC exclusions.

II.B   Target Protective Clauses

Target protective clauses include termination duration, MAC exceptions and walkaway clauses. They protect the target under different adverse events specified in the contract terms.

The termination date – sometimes known as a "drop-dead date" – in an M&A contract is the date both parties specify in the termination section of the agreement. We define termination duration as the number of days between deal announcement and that specified termination date.

This is the time period wherein both parties are committed to the deal. Both parties have the right to walk away from the deal before the termination date. A longer termination duration will keep both parties committed to the deal for a longer horizon, making it less likely that the deal will fail to meet the required conditions before the termination date in the contract. Once the deal is signed, the target has a strong interest in trying to keep the deal intact, as it is to receive a more or less certain premium, and are likely to suffer reputational and operational harm if a deal fails.

MAC exception events limit the strength of a bidder's abandonment option. The exceptions specify events that will not be deemed material adverse events. They commonly include a change in trading price or volume of company's stock, changes in interest or exchange rates, war, terrorism, acts of God, political volatility, legal change, national and international calamities, industry- or economy-wide shocks. Gilson and Schwartz (2005) argue that they protect the target and impose exogenous risk on the bidder. Again, we draw on Talley (2009) for our empirical specification of MAC exceptions.

Walkaway clauses provide the target the ability to walk away if there is a specified (typically large) drop in the bidder's share price. The level of price drop is typically measured as a specified percentage decrease from the bidder's stock price at deal announcement, or a relative decrease to an index. They protect the target's downside risk when the bidder uses stock as its deal currency.

II.C   Competition Clauses

Competition clauses manage the bidding and deal negotiation process. They either give the target rights to solicit or consider competitive bids, or give the initial bidder rights to match

superior third party offers. Competitive-bid "outs," go-shop clauses and match rights fall into this category.

M&A contracts commonly give targets the explicit right to terminate a deal in order to accept a competitive ("topping") bid if received prior to a shareholder vote. Such "competitive-bid" outs thus enhance the risk that competition will emerge after an initial deal is announced. TTFs are compensatory payments made by the target to the bidder if the target terminates for specified reasons. Most TTFs are triggered if the target's board decides that a proposed third party offer is superior to the current deabefore the vote of the target's shareholders. Using SEC filings that correctly identifies the incidence of termination fee clause, Boone and Mulherin (2007) provide evidence that TTFs enhance rather than impede takeover competition, while Coates and Subramanian (2001) provide evidence that deals with larger TTFs are less likely to face competition and more likely to be completed. Caution should be used in interpreting standard empirical models of the effects of TTFs, however, since they almost always accompany competitive-bid outs. Competitive-bid outs directly permit targets to terminate an initial deal and so should on their own make competitive bids more likely, *ceteris paribus*, while TTFs directly require the target to pay money to the initial bidder and so should on their own make competitive bids less likely, *ceteris paribus*. TTFs effectively add a cost to the use of a competitive-bid out. If that cost is not strictly greater than the expected gain to competitive bidders, the net average effect of the two provisions should be pro-competitive.

Go-shop provisions become an important innovative deal-making technology during the private equity boom of 2005-2007. With this affirmative right, the target has thirty to fifty days to find a topping bid after announcing the deal. Subramanian (2007) examines the effects of go-shop provisions and shows that they yield more aggregate search, significant post-signing competition,

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and slightly higher returns to target shareholders than traditional no-shop deals. This finding is consistent with the view that a go-shop clause is an efficient contract design which reflects enhanced bidding competition and works to the target's advantage.

Match rights provide an initial bidder a cushion of time and detailed information about any competing bid before the target is permitted to terminate the initial deal and pursue a superior offer. Such rights place the initial bidder in a superior position relative to the subsequent bidders. Quinn (2011) argues that reasonable uses of match rights may reduce the initial bidder's uncertainty costs and induce it to make transaction-specific investments.

II.D   M&A Contract Clause Indices

In Sections II.A-C we provide detailed descriptions of all the value-relevant M&A contract clauses and divide them into three groups based on legal scholars' and practitioners' *a priori* predictions. In this section, we describe how we build an aggregate index for each group of M&A contract clauses in the spirit of the Entrenchment Index created by Bebchuk, Cohen, and Ferrell (2009). For most of the clauses, we add one point to the relevant indices for its existence.[4] These clauses include financing condition, buyer shareholder approval, match rights, go-shop clauses and walkaway clauses.

In other cases, the inclusion of terms in the indices is more tailored to their contents: RTFs, termination duration, MAC clauses, MAC Exclusions and TTFs. As noted earlier, we draw on analysis in Coates Palia and Wu (2017) to only code "efficiently" designed RTFs as one of the

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[4] We understand that there are many ways to build an index. We use the additive property (adding one for the existence of any specific clause) due to its simplicity and the arguments that any other weighting scheme would be subject to even greater methodological criticism. Just like democracy, an equally-weighted additive index seems to be the one with the fewest methodological flaws.

bidder protective clauses. We give one point to the bidder protective index for the presence of such an RTF, but not for other RTFs.

Termination duration has different impacts on the bidder and the target shareholders, as discussed in Sections II.A and B. We calculate the median termination duration and label a deal as having a longer (shorter) termination duration if its termination duration is greater (less) than the median.

Legal scholars such as Gilson and Schwartz (2005) have suggested that MAC clauses protect the bidder by ensuring that that the target firm keeps making synergy-specific investments before the merger closes. Conversely, MAC exclusions protect the target. Talley (2009) suggests that ambiguity aversion of parties towards market uncertainty help explain MAC/MAE provisions. We follow Talley (2009) and use MEPerc as our MAC-related measure, which measures the total number of MAC provisions relative to the total number of provisions (MAC provisions plus exceptions), as a proxy for MAC clauses and its exclusions. MEPerc is a convenient scoring rule, as it is bounded theoretically below by zero and above by (approximately) one, facilitating construction of our indices. We add MEPerc to the bidder protective index and add (1-MEPerc) to the target protective index.

For TTFs we code the existence of TTFs triggered by competitive bid outs and add a one to the competition index, for reasons discussed above.

III. Related Literature

The prior literature on value-relevant M&A contract clauses is limited. A few articles examine the relationship between an individual merger clause and bidder or target abnormal returns but none attempt to examine those returns and an index of multiple terms. Officer (2003)

and Bates and Lemmon (2003) show that TTFs are efficient contract terms in the sense that they result in higher deal premiums, deal completion rates and insignificant target abnormal returns. Bates and Lemmon (2003) find that RTFs are used to secure a fraction of target wealth gains in deals with higher negotiation and bid failure costs. Mahmudi, Virani and Zhao (2016) suggest that RTFs are real options on a firm's assets and they find that the abnormal returns of the combined firm are higher when the bidder's termination fee is not equal to the target's termination fee. Coates, Palia and Wu (2017) find that RTFs can be inefficiently designed and send a negative "signal" to the market regarding future acquisition odds, resulting in lower bidder abnormal returns. Subramanian (2008) finds that pure go-shop provisions in private earn equity deals earn positive target abnormal returns whereas no-shop deals earn zero target abnormal returns.

Many papers examine individual M&A contract clauses but do not relate them to bidder or target abnormal returns. Denis and Macias (2013) argue that MAC clauses have an economically important impact on the takeover dynamics. They show that deals with fewer MAC exclusions are associated with higher arbitrage spreads and deal premiums. Legal scholars also examine some of the protective or competition provisions such as MAC clauses (Gilson and Schwartz, 2005, Talley 2009), and match rights (Quinn 2011).

Our paper contributes to this literature in the following ways. First, we systematically examine the wealth effects of M&A contract clauses by creating indices of value-relevant M&A contract clauses. Second, we use manually coded data from SEC filings to better identify merger contract provisions, rather than relying on Thomson's often incomplete or inaccurate contract clause data. Third, unlike most prior event studies of merger contract provisions, we examine reactions to contract filing dates, rather than deal announcement dates, which typically precede filing and disclosure of specific contract terms by one and sometimes as many as four business

days. Fourth, we examine if more reputable law firms draft these M&A contract indices. Fifth, we examine if the bid premiums and deal completion probabilities is related to M&A contract clause indices.

IV. Data and M&A Contract Clause Indices

IV.A Data

We begin creating our sample of merger and acquisition deals by examining Thomson Securities Data Company's (SDC) Domestic Merger Database from January 2001 through December 2011. This results in 109,098 observations. We drop any transactions where we could not obtain stock return data from the Center for Research in Security Prices (CRSP). This results in an initial sample of 8,488 observations. We then examine SDC for these transactions. We drop deals where SDC show the name of the acquirer to be the same as the name of the target as in parent-subsidiary mergers (6,681 observations), and when SDC show the form of the deal not to be a merger as in the case of equity carve outs (281 observations). For this remaining sample we go to SEC's Edgar database in order to obtain the firm's Form 8K. We find 280 deals where we could not find the firm's Form 8K. Among those that we find, 351 observations do not have merger agreements. This results in a sample of 895 transactions. We then manually examine the merger agreements and supplement each one with stock return data to create our independent variables. By this process we lose 76 transactions resulting in a final sample of 819 transactions. A summary of our data collection methodology is given in Table 2.

Table 2

IV.B   M&A Contract Clause Indices

Panel A of Table 3 contains descriptive statistics for value-relevant M&A contract clauses

indices. The average level of buyer protective index is 0.61 with a standard deviation of 0.53. On

average, the value of target protective index for our sample is 1.34 with a standard deviation of

0.57. The average level of competition index is 1.85 and its standard deviation is 0.43. Panel B of

Table 3 shows the raw correlation between these three indices. All the pairwise correlation

coefficients are very small (less than 0.06), consistent with our *a priori* expectation that clauses

assigned to different indices address different types of risk.

Table 3

Panel C of Table 3 provides descriptive statistics of individual M&A contract clauses

which are the components of these indices. Financing condition (9%) and buyer shareholder

approval (1%) are rare in our sample, so that it is efficient RTFs (14%) and MAC clauses (with an

average MEPerc score of 0.32) that are the primary drivers of the buyer protective index. Among

target protective clauses, 16% of the deals have walkaway provisions and the proxy for MAC

exclusions (1-MEPerc) has an average value of 0.68 for our sample deals. TTFs triggered by

competitive bid outs (97%) and match rights (86%) are quite common provisions, which explains

the high average level of competition index.[5]

IV.C   Control Variables

We create a number of control variables that might be related to announcement abnormal

returns. The first control variable is *toehold*, which is set to unity if the fraction of the target's

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[5] Given that TTFs are almost always present in all contracts, we also created a competition index wherein we do not
include TTFs. None of our qualitative results change when we do so (results not reported but available from the
authors).

common stock owned by the bidder on the bid announcement date is greater than 5%, and zero otherwise. The second control variable is *related*, which is set to unity if the bidder is from the same industry as the target (where industry definitions are taken from Fama and French), and zero otherwise. Previous studies show that bidder abnormal returns are related to whether the merger was a diversifying or focused merger (Matsusaka 1993; Comment and Jarrell 1995, and Hubbard and Palia 1999). The third variable is *lnrelsize*, defined as the natural logarithm of target's market value less natural logarithm of acquirer's market value. Asquith, Brunner and Mullins (1983) and Moeller, Schlingemann and Stulz (2004) find that the abnormal returns are likely to be higher when the target and acquirer of a similar size.

We control for the medium of exchange in an M&A transaction. Travlos (1987), Amihud, Lev and Travlos (1990), and Eckbo, Giammarino, and Heinkel (1990) find that abnormal returns are higher when the deal has a higher percentage of cash. Accordingly, we include the variable *cashpct*, which is the percentage of cash used in the deal. We also include the variable *tender*, which is set to unity if the bid involved a tender offer to target shareholders, and zero otherwise. We then include *cashpct*, which is the percentage of cash used in the deal.

Finally, we include many control variables that capture the bidder and target firm characteristics. Those variables are: the acquirer and target firm's ratio of market-to-book assets in the year prior to the merger (*mkttobk_acq* and *mkttobk_tgt*); the acquirer and target's total debt divided by its total assets in the year prior to the merger (*lev_acq* and *lev_tgt*); the acquirer and target's free cash flows in the year prior to the merger (*fcf_acq* and *fcf_tgt*); the fractional ownership of the acquirer and target firm's officers and directors in the year prior to the merger. (*acq_insiderown* and *tgt_insiderown*).

V. Empirical Results

V.A   Abnormal Returns

In Panel A and C of Table 4, we calculate the mean and median bidder's and target's daily abnormal returns around the merger agreement filing date. Market participants can only evaluate RTF terms when they have access to the merger contract. In our sample, 19% of the merger agreements are filed with the SEC at least two days after the deal announcement date. To address this issue, we use the merger agreement filing date as the event day, rather than deal announcements, as is more common in M&A-related event studies.

<center>***Table 4***</center>

In Panel B and D, we report two sets of bidder and target cumulative abnormal returns (CARs). These sets are one day before and one day after the merger agreement filing date (CAR [-1, +1]), and three days before and three days after the merger agreement filing date (CAR [-3, +3]), respectively.

Consistent with most prior research, in Table 4, we find statistically significant negative average abnormal returns for bidders, and positive average abnormal returns for targets, in a variety of event windows. In Panel A, we find negative bidder abnormal returns in the period [-1, 0] around the merger agreement filing date. Roughly 59% of our sample deals have negative filing date abnormal returns, using that window. In Panel B, we find that average and median bidder CARs for [-1, +1] and [-3, +3] are negative and statistically significant at the one-percent level. In Panel C, we find statistically significant positive target abnormal returns in an event window around the merger agreement filing date in the period [-3, +1]. In Panel D, we find that the average and median target abnormal returns for vent windows [-1, +1] and [-3, +3] are positive and statistically

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significant at the one-percent level. In the analysis that follows, we focus on the CAR [-1, +1] window as our main dependent variable, and use the CAR [-3, +3] window as a robustness test.

V.B   Abnormal Returns and M&A Contract Clause Indices

We then examine the effects of the three types of M&A contract clauses on abnormal returns. In Table 5 we present regressions of bidder and target three-day period [-1, +1] abnormal returns on our three M&A contract clause indices, with deal and firm characteristic variables as controls.[6] In column (1), we find that a one standard deviation increase in the bidder protective index correlates with an increase in bidder abnormal returns of 1.01% (0.53 * 1.91%). That translates into a shareholder wealth gain of $25.3 million for a median sized acquiring firm. This result is statistically significant at the one-percent level. We do not find any evidence that target protective and competition indices have any impact on bidder abnormal returns.

<center>***Table 5***</center>

In column (2), we estimate a more fully specified regression model. We add proxies for agency costs. These include the firms' free cash flow (*fcf_tgt* and *fcf_acq*) and the fractional ownership of the managers (*tgt_insiderown* and *acq_insiderown*) prior to the bid. We also include proxies for information asymmetry between targets and bidders -- the firms' market-to-book ratios (*mkttobk_tgt* and *mkttobk_acq*) prior to the bid. The coefficient on the bidder protective index remains positive and the significance level is unchanged.

With these controls, we find weak evidence (i.e., at the 10-perecnt level of significance) that deals with higher value of target protective indices have lower bidder abnormal returns. This may be driven by the fact that deals with higher number of MAC exclusion events limit the bidders'

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[6] None of our qualitative results change when we include a dummy variable for deal completion. Results are not reported but available from the authors.

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walk away rights and therefore lead to lower bidder abnormal returns. But we still do not find any value effect of competition clauses on bidder abnormal returns.

In columns (3) and (4), we present regressions of target abnormal returns on M&A contract clauses indices and various control variables. We find that a one standard deviation increase in target protective index value correlates with an increase in target abnormal returns of 1.88% (0.57 * 3.29%). That translates into a shareholder wealth gain of $4.41 million for a median sized target firm. This result is statistically significant at the 10-perecnt level. We also find that a one standard deviation increase in competition index value results in an increase in target abnormal returns of 2.93% (0.43 * 6.82%), which translates into a shareholder wealth gain of $6.89 million for a median sized target firm. This result is statistically significant at the one-percent level. All of these findings are consistent with the hypothesis that deal lawyers negotiate M&A contract clauses that matter, including in many deals bidder protective clauses that benefit bidder shareholders and target protective clauses and competition clauses that benefit target shareholders.[7]

Among the control variables, the signs are similar to those found in many previous studies of merger announcement returns, although some are insignificantly different from zero. Deals with higher percentage of cash as their currency have higher abnormal returns. Abnormal returns are higher if the target firm and acquiring firm are of a similar size.

In Table 6, we run the same set of regressions using a longer event window [-3, +3] around the merger agreement filing date to test the robustness of our results. We find that all our results of Table 5 hold, but are slightly stronger in both economic and statistical terms.

Table 6

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[7] All our qualitative results hold when we include E-index in our regressions (results are not reported but are available from the authors).

In summary, the above results show that bidder abnormal returns are higher when the bidder protective index is higher. Additionally, target abnormal returns are higher when the target protective index and competition index is higher.[8]

V.C   M&A Contract Clause Indices and Lawyer Reputation

Given that we find the bidder's (target's) abnormal returns are higher when the bidder protective index (target protective index and competition index) is higher, we now check if these indices are drafted by more reputable lawyers. Some papers have suggested that lawyer reputation is value enhancing for their clients. Gilson (1984) argues that business lawyers create value by being transaction cost engineers that increase the market value of their clients' transactions. In a finitely repeated prisoner's dilemma game, Gilson and Mnookin (1994) suggest that clients can use lawyers with strong reputation to credibly signal to the other side that they are cooperative. Coates (2012) finds that law firms with more M&A experience but less private target firm experience are less likely to choose Delaware as the forum for dispute resolution, whereas firm with less M&A experience omit forum selection clauses. Krishnan, et. al (2013) finds that top law firms representing both bidders and targets increase the probability of shareholder litigation.

In order to get proxy variables for the bidders and targets law firm reputation, we use two definitions of law firm reputation. The first definition for law firm reputation is based on the idea that more reputable lawyers can charge higher fees.We use as our independent variable the dollar profits per partner for the top 200 law firms. If the law firm is not listed in the top 200, we give it

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[8] We also checked if there are differing impacts in "bad" deals versus "good" deals. We use an ex-ante definition of "good" and "bad" deals based on prior finance research (e.g., Chang 1998; Betton et al. 2008; Eckbo et al. 2018), which have found positive stock market reactions to cash-funded deals, and negative stock market reactions to stock-funded deals. We define three proxies of "bad" deals (with the opposite definition as "good" deals). The first proxy for "bad" deals is if the median of exchange is all stock; the second proxy for "bad" deals is if the median of exchange is partly stock, and the third proxy is below the median cash percentage in the transaction. Using the three definitions, we do find a differential impact between "bad" and "good" deals when examining the effect of the M&A contract indices on bidder and target's abnormal returns (results not reported but available from the authors).

a rank of 201. This data is obtained for each year from the Am Law 200 series provided by ALM Legal Intelligence. We define two dummy variables for the acquirer's law firm reputation. The first dummy variable is set to unity if the acquirer's law firm is ranked in the top 10 firms based on profits per partner, and zero otherwise. The second dummy variable is set to unity if the acquirer's law firm is ranked in the top 15 firms based on profits per partner, and zero otherwise. Similarly, we define dummy variables for target law firm's reputation that is based on the top 10 and top 15 profits per partner rank, respectively.

Our second definition for law firm reputation is based on the prestige rank of the law firm by Vault. The top 100 law firms are ranked by Vault each year. If the law firm is not listed in the top 100, we give it a rank 101. Similarly we create four dummy variables (two for the acquirer's law firm and two for the target's law firm) that is based on the law firm's Vault ranking.

We then estimate regressions wherein the dependent variables are the three M&A contract clause indices, the results of which are given in Table 7. Given that the dependent variables are continuous when they are either the buyer protection index or the target protection index we estimate OLS regressions. Given that the competition index is a count variable we estimate a Poisson regression. The independent variables are the lawyer reputation variables and the firm/deal characteristics used in Table 5. We find no statistically significant evidence that the buyer protective index and the competition index is correlated with either the target's or the acquirer's law firm reputation. In the case of the target protective index we find a negative relastionship. This result is contrary to the hypothesis that more reputable law firms draft provisions in the target protective index that correlate with higher target abnormal returns. In summary, we find no evidence that more reputable law firms are associated with drafting these M&A contract clause indices.

Table 7

V.D   Bid Premiums and M&A Contract Clause Indices

We now examine if the bid premiums offered to target firms are related to the three merger clause indices. As in Roll (1988) and Callahan, Palia, and Talley (2018), we define bid premiums as the natural logarithm of gross deal premiums. Gross deal premiums is defined as the bid price bid price divided by the target's closing stock price one week prior to deal announcement, and is winsorized at the one-percent and 99-percent level. As in the above papers, by taking natural logarithms and winsorizing, we have significantly reduced the right-tail skewness of bid premiums. We regress bid premiums on the independent variables used in Table 6. The results of such an analysis are given in Table 8.

Table 8

We find target protective and competition indices increase the bid premiums paid for the target firm. This result is consistent with those in Tables 5 and 6, wherein target firms earned higher abnormal returns when the deals had higher values of protective and competition indices. We find that bidder protective indices are insignificantly related to bid premiums at conventional levels of statistical significance. However, we find a negative sign, which is the correct sign that would imply less overpayment by bidders resulting in higher bidder abnormal returns.

V.E   Deal Completion Probability and M&A Contract Clause Indices

But it is also possible that the positive relationship between the three indices and bidder/target abnormal returns is impacted by the probability of deal completion. In Table 9, we estimate Probit models wherein the dependent variable is if the deal was completed or not. To the extent that bidder protective clauses give the bidder's option to abandon the acquisition, we expect the value of bidder protective index to be negatively associated with the probability that the

acquisition is completed. Consistent with our prediction, the results in row (1) and (4) indicate that having more bidder protective clauses significantly lowers deal completion rates. A one standard deviation increase in the value of bidder protective index results in a negative 15.2% change in the probability of completion. This result is statistically significant at the 5% level. This result is consistent with bidder-protective clauses actually mattering to bidder choices, and in line with the market reactions reported above.

Table 9

By contrast, the results in row (2) and (4) suggest that competition clauses do not truncate the natural bidding process by letting self-interested target managers to hand-select friendly bidder in exchange for a side payment. Nor do we find evidence, with respect to target protective clauses, that including such clauses lowers the deal completion rates.

We summarize the results on bid premiums and completions probabilities. We find that bid premiums are increasing in target protective clauses and competition clauses, and deal completion probabilities are lower with more bidder protective clauses. This suggests that target abnormal returns are higher because bid premiums are higher when the deal has more target protective and competition clauses. Additionally, bidder abnormal returns are higher because deal completion probabilities are lower. This latter result can be best understood in the context wherein the average abnormal returns earned by bidders in M&As is negative. Bidder protective clauses reduce the probability of making such value-decreasing transactions.

VI. Conclusions

In this paper, we examine the value-relevance of M&A contracts, which are typically chosen together in a package of negotiated terms. We build M&A contract clause indices based on legal scholars' and practitioners' *a priori* predictions, in the spirit of the Entrenchment Index of

Bebchuk, Cohen, and Ferrell, (2009). We find that all three indices exhibit wide variations and low correlation with each other, which allows us to examine their differential impact on abnormal returns earned by bidder and target shareholders in a large sample of M&A deals. First, we find evidence that buyer protective index, built primarily on RTFs and MAC clauses, is positively related to bidder abnormal returns. Second, we find that a higher target protective index, built primarily on termination duration, walkaway clauses and MAC exclusions, results in higher target abnormal returns. Third, we find that the competition index, which is built on competitive bid outs, match rights and go-shop clauses, is positively related to target abnormal returns.

Fourth, we find we find no evidence that more reputable law firms are associated with drafting these M&A contract clause indices. Fifth, we find bid premiums are increasing in target protective and competition clauses, and buyer protective clauses decrease the probability of deal completion. This suggests that target abnormal returns are higher because bid premiums are higher when the deal has more target protective and competition clauses. Additionally, bidder abnormal returns are higher because deal completion probabilities are lower. This latter result can be best understood in the context wherein the average abnormal returns earned by bidders in M&As is negative. Bidder protective clauses reduce the probability of making such value-decreasing transactions.

Our results for M&A contract clauses are not consistent with the "churning" hypothesis, in which merger agreements consist of standardized terms with no economically consequential market impacts (see Manns and Anderson (2012, 2016)). On the contrary, we find evidence that many clauses in heavily negotiated M&A contracts are value relevant to bidders and target shareholders. Given substantial growth in the length of M&A contracts over time, our findings are consistent with the argument that M&A contract clauses have significant value-relevance because

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they are drafted by lawyers who modify and innovate on prior contracts to fit each individual deal (see Cain, Macias, and Davidoff Solomon (2014), and Coates (2016)).

While our research design does not allow us to make strong claims about causality, we do find that M&A contract clauses indices correlate strongly with stock price reactions while controlling for other factors that influence abnormal returns. Future research on M&A might want to control for these contract clauses.

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Table 1: Variable Definitions

Panel A: M&A Contract Clause Variables

Variable	Definition
eff_rtf	Dummy variable equal to unity when the reverse termination fee clause is efficient based on its triggering events. Inefficient RTF is defined as a bidder termination provision with a fiduciary out trigger is included in a cash deal or a deal where the acquirer's firm size is much larger relative to the target's firm size.
long_term_dur	Dummy variable equal to unity if termination duration is higher than the median, and zero otherwise.
financingcondition	Dummy variable equal to unity if the agreement includes a buyer financing condition section, and zero otherwise.
buyerapproval	Dummy variable equal to unity if the tender offer is used and the agreement includes a buyer shareholder approval condition section, and zero otherwise.
MEPerc[9]	Quasi-percentage of total MAC provisions to total of all provisions = totmac / (totmac+ totexc + 1), wherein totmac= number of MAC clauses, and totexc = total number of MAC exclusions.
walkawaypresence	Dummy variable equal to unity if the agreement provide targets the ability to walk away if the buyer's stock price falls by X%, absolutely or relative to an index, and zero otherwise.
competitivebidout	Dummy variable equal to unity when a target termination fee exists and the termination fee clause is triggered by an alternative bid, and zero otherwise.
goshoppresence	Dummy variable equal to unity if the agreement includes a right for target to solicit topping bids for X days after signing, and zero otherwise.
matchrightspresence	Dummy variable equal to unity if the agreement includes a right for the acquirer firms to respond to topping bids, and zero otherwise.

Panel B: M&A Contract Clause Indices

Variable	Definition
buyer_protective_index	= *eff_rtf* + *financingcondition* + *buyerapproval* + *MEPerc*
target_protective_index	= *(1 - long_term_dur)* + *walkawaypresence* + *(1 - MEPerc)*
competition_index	= *competitivebidout* + *matchrightspresence* + *goshoppresence*.

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[9] Use the MAC Score variable in Table 3 of Talley (2009).

Panel C: Control Variables

Variable	Definition
toehold_fraction	A continuous measure of the fraction of target shares held by the bidder prior to announcement (toehold shares).
related	Dummy variable equal to unity if the bidder is from the same industry as the target (where industry definitions are taken from Fama and French) and zero otherwise
lnrelsize	The natural logarithm of target's market value less natural logarithm of acquirer's market value.
tender	Dummy variable equal to unity if the bid is structured as a tender offer, and zero otherwise.
cashpct	The percentage of cash that is used in the merger.
mkttobk_tgt	The target firm's market-to-book ratio in the fiscal year prior to the merger.
mkttobk_acq	The acquiring firm's market-to-book ratio in the fiscal year prior to the merger.
lev_tgt	The target firm's total debt divided by its total assets in the year prior to the merger.
lev_acq	The acquiring firm's total debt divided by its total assets in the year prior to the merger.
fcf_tgt	The target firm's free cash flow in the year prior to the merger.
fcf_acq	The acquiring firm's free cash flow in the year prior to the merger.
tgt_insiderown	The fractional ownership of the target firm's officers and directors in the year prior to the merger.
acq_insiderown	The fractional ownership of the acquiring firm's officers and directors in the year prior to the merger.

Table 2: Sample Creation Methodology

Sample Creation	# of observations
U.S. domestic mergers from SDC (2001-2011)	109,098
Dropped if no stock return data from CRSP	(100,610)
Initial Sample	8,488
Dropped if acquirer name equal to target name in SDC (e.g. parent-subsidiary mergers)	(6,681)
Dropped if the form is not "merger" in SDC (e.g. equity carve outs)	(281)
Dropped if form 8K is not filed with the SEC	(280)
Dropped if no merger agreement in form 8K	(351)
Dropped if any independent variables in regression are missing	(76)
Final Sample	819

Table 3: Descriptive Statistics

This table reports descriptive statistics for M&A contract clauses indices and individual M&A contract clauses. All variables are defined in Table 1.

Panel A: Descriptive statistics for value-relevant M&A contract clauses indices			
Variable	Mean	Median	Standard Deviation
buyer_protective_index	0.61	0.36	0.53
target_protective_index	1.34	1.57	0.57
competition_index	1.85	2.00	0.43

Panel B: Correlations between indices			
	buyer_protective_index	*target_protective _index*	*competition_index*
buyer_protective_index	1.0000		
target_protective_ index	-0.052	1.0000	
competition_index	-0.000	-0.0320	1.0000

Panel C: Descriptive statistics for individual M&A contract clauses			
Variable	Mean	Median	Standard Deviation
eff_rtf	0.19	0	0.39
long_term_dur	0.50	1	0.50
financingcondition	0.09	0	0.29
buyerapproval	0.01	0	0.09
MEPerc	0.32	0.29	0.15
walkawaypresence	0.16	0	0.37
competitivebidout	0.97	1	0.17
goshoppresence	0.01	0	0.12
matchrightspresence	0.86	1	0.35

Table 4: Bidder and Target Announcement Abnormal Returns

This table contains means and medians for bidder announcement abnormal returns in U.S. public deals from 2001 to 2011. Panel A and C report bidder and target daily abnormal returns. Panel B and D report bidder and target cumulative abnormal returns over two periods, i.e. event day –1 to event day +1, event day –3 to event day +3, where event day 0 is the merger agreement filing date. The abnormal returns are measured relative to a market model estimated for the bidder over a 240-day period ending 60 days prior to bid announcement. ***, **, * indicates statistical significance at the 1%, 5%, or 10% level, respectively.

Panel A: Bidder Daily Abnormal Returns		
Date	Mean	Median
-3	-0.01%	-0.08%
-2	-0.01%	-0.12%
-1	-0.50%***	-0.25%***
0	-0.95%***	-0.46%***
+1	0.15%	-0.07%
+2	-0.08%	-0.06%
+3	-0.03%	-0.11%
Panel B: Bidder Cumulative Abnormal Returns [CAR]		
CAR[periods]	Mean	Median
CAR[-1,+1]	-1.31%***	-0.71%***
CAR[-3,+3]	-1.45%***	-1.33%***
Panel C: Target Daily Abnormal Returns		
Date	Mean	Median
-3	2.81%***	0.39%***
-2	2.28%***	0.12%***
-1	6.11%***	0.56%***
0	12.11%***	1.68%***
+1	0.67%***	-0.06%
+2	-0.14%	-0.11%
+3	-0.05%	-0.17%***
Panel D: Target Cumulative Abnormal Returns [CAR]		
CAR[periods]	Mean	Median
CAR[-1,+1]	18.90%***	12.71%***
CAR[-3, +3]	23.79%***	18.90%***

Table 5: CARs and M&A Contract Clause Indices

This table reports the OLS regression results for a sample of U.S. public deals from 2001 to 2011. The dependent variables is bidder cumulative abnormal returns over event day – 1 to event day +1, where event day 0 is the merger agreement filing date. All independent variables are defined in Table 1. Year dummies are included but their coefficients are not reported. *t*-statistics are computed based on robust standard errors that incorporate firm-level clustering and are reported in parentheses. ***, **, * indicate that the parameter estimate is significantly different from zero at the 1%, 5%, or 10% level, respectively.

	Bidder CAR [-1, +1]		Target CAR [-1, +1]	
	(1)	(2)	(3)	(4)
buyer_protective_index	0.0191***	0.0211***	-0.0090	0.0028
	(3.01)	(3.02)	(-0.52)	(0.15)
target_protective_index	-0.0078	-0.0095*	0.0253	0.0329*
	(-1.61)	(-1.72)	(1.65)	(1.80)
competition_index	0.0033	0.0130	0.0462**	0.0682***
	(0.40)	(1.01)	(2.58)	(2.63)
toehold	0.0035	0.0209	-0.0790*	-0.0666
	(0.22)	(1.09)	(-1.74)	(-1.34)
related	-0.0023	0.0018	-0.0022	0.0097
	(-0.41)	(0.31)	(-0.10)	(0.40)
relsize	-0.0002***	-0.0001**	-0.0009***	-0.0009***
	(-3.73)	(-2.14)	(-4.03)	(-3.70)
tender	0.0047	0.0124*	0.0767*	0.0947**
	(0.76)	(1.79)	(1.90)	(2.05)
cashpct	0.0003***	0.0003***	0.0009***	0.0009***
	(4.00)	(3.63)	(3.51)	(2.93)
mkttobk_tgt		-0.0023		-0.0197***
		(-1.26)		(-3.07)
lev_tgt		0.0032		-0.0400
		(0.18)		(-0.70)
fcf_tgt		-0.0000***		-0.0000*
		(-10.32)		(-1.67)
tgt_insiderown		0.0395		-0.1129
		(1.42)		(-0.91)
mkttobk_acq		-0.0028		0.0158**
		(-1.26)		(2.03)
lev_acq		0.0130		0.0766
		(0.62)		(0.98)
fcf_acq		-0.0000		0.0000*
		(-0.12)		(1.73)
acq_insiderown		-0.0420		0.0166
		(-0.51)		(0.12)
n	818	680	818	680
Adjusted R^2	0.044	0.078	0.084	0.099

Table 6: CARs and M&A Contract Clause Indices with Alternative Event Window

This table reports the OLS regression results for a sample of U.S. public deals from 2001 to 2011. The dependent variables are bidder and target cumulative abnormal returns over event day – 3 to event day +3, where event day 0 is the merger agreement filing date. All independent variables are defined in Table 1. Year dummies are included but their coefficients are not reported. *t*-statistics are computed based on robust standard errors that incorporate firm-level clustering and are reported in parentheses. ***, **, * indicate that the parameter estimate is significantly different from zero at the 1%, 5%, or 10% level, respectively.

	Bidder CAR [-3, +3]		Target CAR [-3, +3]	
	(1)	(2)	(3)	(4)
buyer_protective_index	0.0290***	0.0222**	-0.0253	-0.0223
	(2.79)	(2.58)	(-1.32)	(-1.06)
target_protective_index	-0.0088	-0.0071	0.0302*	0.0401*
	(-1.39)	(-1.02)	(1.74)	(1.95)
competition_index	-0.0034	0.0199	0.0624**	0.1098***
	(-0.26)	(1.18)	(2.54)	(3.13)
toehold	-0.0310	0.0013	-0.1367**	-0.0814
	(-1.42)	(0.05)	(-2.40)	(-1.51)
related	0.0065	0.0087	0.0046	0.0201
	(0.87)	(1.16)	(0.19)	(0.78)
relsize	-0.0001	-0.0001	-0.0010***	-0.0008***
	(-0.53)	(-1.37)	(-3.08)	(-2.99)
tender	0.0058	0.0159*	0.0945**	0.1104**
	(0.69)	(1.75)	(2.24)	(2.42)
cashpct	0.0003***	0.0004***	0.0010***	0.0009***
	(4.11)	(3.91)	(3.82)	(2.86)
mkttobk_tgt		-0.0018		-0.0174**
		(-0.67)		(-2.19)
lev_tgt		0.0005		-0.0752
		(0.02)		(-1.15)
fcf_tgt		-0.0000***		-0.0000***
		(-7.01)		(-5.62)
tgt_insiderown		0.0766**		-0.0140
		(2.28)		(-0.10)
mkttobk_acq		-0.0065**		0.0109
		(-2.26)		(1.34)
lev_acq		0.0125		0.0646
		(0.47)		(0.66)
fcf_acq		0.0000		0.0000
		(0.58)		(1.27)
acq_insiderown		-0.0483		-0.0998
		(-0.40)		(-0.78)
n	818	680	818	680
Adjusted R^2	0.035	0.062	0.090	0.100

Table 7: M&A Contract Clause Indices and Law Firm Reputation

This table reports the regression results for a sample of U.S. public deals from 2001 to 2011. The dependent variables are the bidder protective index, the target protective index, and the competition index, respectively. For regressions wherein the dependent variables are continuous (i.e., the bidder protective and target protective indices), we estimate OLS regressions. For the count variable competition index we estimate a Poisson regression. All independent variables are defined in Table 1. Year dummies and control variables are included but their coefficients are not reported. *t*-statistics are computed based on robust standard errors that incorporate firm-level clustering and are reported in parentheses. ***, **, * indicate that the parameter estimate is significantly different from zero at the 1%, 5%, or 10% level, respectively.

| | Rankings Based on Profits Per Partner | | Rankings Based on Vault | |
	Top 10	Top 15	Top 10	Top 15
buyer_protective_index	-0.044	-0.010	-0.033	-0.042
	(-0.84)	(-0.20)	(-0.68)	(-0.92)
target_protective_index	-0.289***	-0.247***	-0.203***	-0.214***
	(-4.17)	(-4.04)	(-3.48)	(-4.01)
competition_index	-0.031	-0.019	-0.001	-0.014
	(-1.20)	(-0.90)	(-0.05)	(-0.78)

Table 8: Bid Premiums and M&A Contract Clause Indices

This table reports the OLS regression results for a sample of U.S. public deals from 2001 to 2011. The dependent variable is natural logarithm of one plus the premium of offer price to target closing stock price one-week prior to the original announcement date. All independent variables are defined in previous tables. Year dummies are included but their coefficients are not reported. *t*-statistics are computed based on robust standard errors that incorporate firm-level clustering and are reported in parentheses. ***, **, * indicate that the parameter estimate is significantly different from zero at the 1%, 5%, or 10% level, respectively.

	Bid premiums	
	(1)	(2)
buyer_protective_index	-0.0292	-0.0223
	(-1.55)	(-1.20)
target_protective_index	0.0440***	0.0446**
	(2.73)	(2.45)
competition_index	0.0525**	0.0683**
	(2.42)	(2.26)
toehold	-0.2110	-0.0837*
	(-1.39)	(-1.73)
related	0.0059	0.0083
	(0.30)	(0.44)
relsize	0.0008**	0.0010***
	(2.08)	(4.09)
tender	0.0699**	0.0734***
	(2.22)	(2.63)
cashpct	0.0004*	0.0002
	(1.78)	(1.02)
mkttobk_tgt		-0.0143**
		(-1.98)
lev_tgt		0.0130
		(0.27)
fcf_tgt		0.0000**
		(2.22)
tgt_insiderown		0.0165
		(0.14)
mkttobk_acq		0.0062
		(0.66)
lev_acq		-0.0047
		(-0.07)
fcf_acq		0.0000*
		(1.95)
acq_insiderown		-0.0165
		(-0.08)
n	793	660
Adjusted R^2	0.059	0.063

Table 9: Deal Completion Rates and M&A Contract Clause Indices

This table reports the Probit regression results for a sample of U.S. public deals from 2001 to 2011. The dependent variable is the dummy variable for deal completion and it equals to unity when the deal is completed, and zero otherwise. All independent variables are defined in Table 1. Year dummies and industry dummies are included but their coefficients are not reported. *t*-statistics are computed based on robust standard errors that incorporate firm-level clustering and are reported in parentheses. ***, **, * indicate that the parameter estimate is significantly different from zero at the 1%, 5%, or 10% level, respectively.

	(1)	(2)	(3)	(4)
buyer_protective_index	-0.2868***			-0.2866**
	(-2.59)			(-2.56)
target_protective_index			0.0305	0.0206
			(0.23)	(0.16)
competition_index		0.0982		0.1013
		(0.58)		(0.60)
toehold	0.2556	0.1827	0.1975	0.2653
	(0.57)	(0.40)	(0.43)	(0.60)
ln_mve_tgt	0.0146	0.0153	0.0207	0.0150
	(0.32)	(0.35)	(0.45)	(0.32)
tender	-0.2278	-0.2383	-0.2323	-0.2361
	(-1.00)	(-1.04)	(-1.01)	(-1.03)
cashpct	0.0073***	0.0076***	0.0076***	0.0073***
	(3.75)	(3.90)	(3.88)	(3.79)
tgt_reg_ind	0.0578	0.0922	0.0725	0.0836
	(0.35)	(0.54)	(0.45)	(0.49)
tgt_tech_ind	-0.2520	-0.2384	-0.2259	-0.2564
	(-1.29)	(-1.23)	(-1.18)	(-1.33)
t_vol	19.7586	12.1472	12.9604	18.7770
	(0.67)	(0.42)	(0.45)	(0.64)
n	818	817	818	817
Pseudo R^2	0.081	0.069	0.068	0.081