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Emerging Issues Series

MERGER ADVISORY FEES AND ADVISORS' EFFORT

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Merger Advisory Fees and Advisors' Effort

The pace of corporate mergers and acquisitions has dramatically increased over the last decade. Accompanying this increase in merger activity has been a concentrated effort by market analysts and academic researchers to identify the factors that determine the success of these mergers in achieving the stated goals of the merging entities. On a more focused level, there has been increased interest in understanding the effects that the structure of the relationship between acquiring and target firms and their various merger advisors have on merger outcomes.

Questions related to the impact of the merger advisory relationship on the probability that an announced merger will actually be consummated, the speed with which an announced merger will be effected, and the size of the post-merger announcement gains are of particular interest.

Despite the benefits that merger advisors can potentially provide ¹, the seemingly excessive merger fees charged by merger advisors have been subject to criticism in recent years. One of the important questions is whether these merger fees can be justified on the basis of the benefits that the merger advisors bring to the transaction. In this paper, we address two related issues -- 1) the determinants of the choice of merger advisors, and 2) whether merger fee contracts are designed to induce merger advisors to expend more effort in the advisory process leading to better post merger performance of the combined entity.

The rest of the paper is organized as follows. Section II presents the review of related literature. Section III describes the data. The empirical methodology and results are discussed in Sections IV and V, respectively. The empirical results are presented in sub-sections as follows:

¹ As discussed in Hunter and Walker (1990), these benefits include the provision of an effective mechanism by which merger property rights are assigned, the provision of insurance against the sampling error incurred by firms seeking merger partners without the assistance of an advisor, and the provision of insurance against suits brought against merger principals under the judgement rule, among others.

a) probability of completing the deal; b) speed of completion; c) post-merger performance of the combined entity; and d) important factors that determine fees paid by acquiring and target firms.

II. Review of Recent Literature

Most studies in merger and acquisition (M&A) literature examines abnormal returns to the acquiring and target firms around the M&A announcement date, controlling for the various factors such as characteristics of the target, the acquirer, and the deal itself. A few studies have examined the role of merger advisors, and documented importance roles of merger advisors in the mergers and acquisitions market. Servaes and Zenner (1996) find that investment bank advisors are used (as opposed to in-house staff) in more complex transactions that are characterized by significant asymmetric information. In addition, Bowers and Miller (1990) found that choice of merger advisor was important in determining the wealth gains to targets and acquiring firms -- wealth gains are larger when either the target or the bidder uses a first-tier investment bank advisor.² Thus suggests that credibility of merger advisors is an important determinant of the gains generated by mergers.

A recent study by Allen, Jagtiani, and Saunders (2000) examined bank vs non-bank advisors, and found that banks have a comparative advantage relative to investment banks in serving as M&A advisors -- evidence of a "certification role". The paper, however, does not deal with the possibility that other factors associated with deal characteristics (other than type of advisor) may have been the cause for the observed higher abnormal returns when bank advisors are used.

Besides the role of M&A advisors, merger advisory fees have also been studied recently but the literature on M&A fees is still not extensive. Srinivasan (1999) found that switching

costs play an important role in the merger advisory market. Acquiring firms, as a result of high switching costs, are willing to pay a higher advisory fee when using a merger advisor, with whom it has had prior relationship. In addition, more credible investment bank advisors (proxied by their tier) charged higher fees than did lower-tier advisors. However, this analysis does not fully account of the notion that choice of advisor may depend on the nature and complexity of the deal, which in turn, ultimately determines the fees charged by advisors. We examine determinants of choice of advisor, the relationship between fees and advisor and deal characteristics, and the economic gains created by the merger transaction.

Hunter and Walker (1990) examined the various merger fee contracts and found that the most commonly used contract involved a combination of a fixed fee and a fee based on the transaction price, contingent upon the satisfactory completion of the merger. They also found that this type of contract seemed to provide the proper incentives for advisors to increase their efforts to generate better outcomes, i.e., improved quality of the merger matches as measured by the social surplus generated by the merger. In addition, they found that merger fees are quite reasonable relative to value created when compared to the typical fees charged by financial intermediaries engaged in matching buyers and sellers, e.g., real estate agents and brokers. We examine similar issues using a different methodology and more recent and more complete data.

Rau (2000) examined the relationship between the market share held by merger advisors, incentive fee structures, and the acquirers' performance as measured by post-acquisition abnormal returns. He found that: 1) the incentive fee structure (proportion of fees contingent on the completion of the deal) charged by different merger advisors was related to their market shares; 2) the market share was determined by the percentage of deals that the advisor had

² These first-tier (rather than second-tier or third-tier) investment advisors include First Boston, Goldman Sachs, Merrill Lynch, Salomon Brothers, and Morgan Stanley.

completed, *not* the acquirer's post-merger performance. The analysis was focused on the role of *acquirer's* advisors (ignoring target's advisors) and on *short-term* performance (as measured by post-merger abnormal stock returns). We examine the relationship between choice of advisor, fees, and performance focusing on long-term performance.³ In addition to examining the acquirer's advisors, we will also take into consideration the *targets* firms' advisors as well as the role of *multiple* advisors.

III. The Sample and Data

Our sample includes mergers that were announced during the period January 1995 to June 2000. Mergers involving targets and acquirers whose shares are not traded in a liquid secondary market were excluded from our sample. We obtained information on merger deals, the targets, the acquiring firms, the advisors, and the fees charged by merger advisors from the Securities Data Corporation (SDC) database.

There were 5,337 merger deals announced during in the study time period where complete information about advisors could be identified. We collected information about whether or not any advisor(s) were used, credibility of the advisors, number of advisors, the responsibility of each of the advisors, the fees charged by advisors, etc. Of these 5,337 deals announced between January 1995 and June 2000, 4,845 deals were completed (by the end of June 2000), 160 deals were hostile takeovers, 1,430 deals were tender offers, and 790 deals were in-house deals (i.e. used no advisors). Among the deals that were not in-house, 21 had the same financial advisors on both sides of the transaction. Average market values of the target and the acquiring firms, based on share price as of four weeks prior to announcement date, were approximately \$1.3 billion and \$8 billion, respectively.

³ For more discussion on post-merger short-term performance vs long-term performance, see Cornett and

We classify advisors into three tiers (tier 1, tier 2, and tier 3) based on two different criteria: 1) total dollar value of transactions handled by the advisor during the sample period, and 2) the number of transactions handled by the advisor during the sample period.⁴ Our tier-1, tier-2, and tier-3 advisors are defined to be the top 15 advisors, the 16th to 50th advisors, and the rest (51st to 665th), respectively. The lists of top 25 advisors based on the dollar value of transactions and the number of transactions are presented in Tables 1 and 2, respectively.⁵ Goldman Sachs, Morgan Stanley, Merrill Lynch, and Citigroup/Salomon Smith Barney are among the top five advisors under both classifications.

Fees paid to advisors are reported in Table 3. Here fees are divided into the categories of advisory, deal management, fairness opinions, bust-up, contingent, retainer, deal initiation, and seller representation. Under each fee category, the total fee and the fee paid by the target and the acquiring firms are reported. We also include the number of advisors that shared the fees (on each side of the transaction) and their tier ranking in the empirical analysis. As indicated in Table 3, on average, target firms paid \$4.4 million (0.84 percent of transaction value) in advisory fees per deal. Acquiring firms paid \$2.4 million (0.38 percent of transaction value) in advisory fees per deal. On average, total fees (paid by the targets and the acquirers combined) were 1.22 percent of the transaction value. Table 3 also presents a breakdown of average fees paid by targets (*TFEE_XXX*) and by acquirer (*AFEE_XXX*) per deal.

Tehrani (1992) and Brewer, Jackson, Jagtiani, and Nguyen (2000).

⁴ Another criteria -- using average asset value of the clients being advised to during the sample period -- was also examined. However, the ranking was highly driven by some small number of large clients. Thus this criteria for ranking is not used in our analysis. The primary tier classification used in our analysis is based on transaction values, which is similar to the ranking based on number of clients (or transactions) being advised by an advisor during the sample period.

⁵ When the same advisor is used by both the target and the acquiring firms, value of transaction is accumulated for both of the merger parties.

IV. Empirical Methodology

A key goal of our study is to examine the factors that are important in determining advisors' effort and the structure of the associated advisory fees. Regarding advisor effort, we measure the effort put forth by financial advisors in three different ways. First, advisor effort is measured by the ability to complete deals. We expect that good effort should lead to a higher probability of the deals being completed rather than withdrawn. The binary variable *D_COMPLT* is set equal to 1 for completed deals, and zero otherwise. Second, advisor effort is proxied by the time it takes for a given deal to be completed. The variable *SPEED* represents the number of days between the merger announcement and effective dates. *Ceteris paribus*, it is reasonable to expect that greater advisor effort should reduce the number of days it takes for an announced merger to become a completed transaction. Third, the amount of effort put in by advisors of the acquiring firms should (as a result of better negotiation strategy) lead to greater post-acquisition gains for the acquiring firms. The variable *ACQ_GAIN* is used to proxy the gains accumulated by the acquiring firms around the effective merger date. It is measured as the percentage difference between the market value of transaction as of the effective date (*VEFF*) and the value of transaction paid by the acquiring firm (*VAL*) divided by *VAL* and multiplied by 100 percent. This variable measures what the acquirer paid for the transaction relative to the value of the transaction when the acquisition become effective.

We test these predictions using three the regressions models listed below. We estimate equation (1) using a logit framework and OLS regression for estimating equations (2) and (3). A host of control variables are included in each regression model. These control variables are defined in Table 4.

$$\begin{aligned}
D_COMPLT_i = & a_i + \beta_1 D_HOSTILE_i + \beta_2 ACQ_NOADV_i + \beta_3 TGT_NOADV_i + \\
& \beta_4 D_TENDER_i + \beta_5 D_TWO TIER_i + \beta_6 D_INITIATE_i + \beta_7 ACQ_TIER1_i + \\
& \beta_8 TGT_TIER1_i + \beta_9 D_OLDADV_i + \beta_{10} FTOTPCT_i + \beta_{11} AFEE_SHARE_i + \\
& \beta_{12} FEECTG_TOT_i \quad \beta_{13} FEECTG_ACQ_i + \beta_{14} FEECTG_TGT_i + \\
& \beta_{15} D1996_i + \beta_{16} D1997_i + \beta_{17} D1998_i + \beta_{18} D1999_i + \beta_{19} D2000_i
\end{aligned} \tag{1}$$

$$\begin{aligned}
SPEED_i = & a_i + \beta_1 D_HOSTILE_i + \beta_2 ACQ_NOADV_i + \beta_3 TGT_NOADV_i + \\
& \beta_4 D_TENDER_i + \beta_5 D_TWO TIER_i + \beta_6 D_INITIATE_i + \beta_7 ACQ_TIER1_i + \\
& \beta_8 TGT_TIER1_i + \beta_9 D_OLDADV_i + \beta_{10} FTOTPCT_i + \beta_{11} AFEE_SHARE_i + \\
& \beta_{12} FEECTG_TOT_i \quad \beta_{13} FEECTG_ACQ_i + \beta_{14} FEECTG_TGT_i + \\
& \beta_{15} D1996_i + \beta_{16} D1997_i + \beta_{17} D1998_i + \beta_{18} D1999_i + \beta_{19} D2000_i
\end{aligned} \tag{2}$$

$$\begin{aligned}
ACQ_GAIN_i = & a_i + \beta_1 D_HOSTILE_i + \beta_2 ACQ_NOADV_i + \beta_3 TGT_NOADV_i + \\
& \beta_4 D_TENDER_i + \beta_5 D_TWO TIER_i + \beta_6 LOG(VAL)_i + \beta_7 ACQ_TIER1_i + \\
& \beta_8 TGT_TIER1_i + \beta_9 D_SAMEADV_i + \beta_{10} FTOTPCT_i + \beta_{11} AFEE_SHARE_i + \\
& \beta_{12} AFEE_PCT_i \quad \beta_{13} TFEE_PCT_i + \beta_{14} TIER_SAME_i + \beta_{15} TIER_UP_i + \\
& \beta_{16} TIER_DOWN_i + \beta_{17} D1996_i + \beta_{18} D1997_i + \beta_{19} D1998_i + \beta_{20} D1999_i + \beta_{21} D2000_i
\end{aligned} \tag{3}$$

As noted above, we are also interested in examining those factors that are important in determining the fee structure across merger deals. To examine this question, we estimate equations (4) and (5) below using OLS regression analysis. See Table 4 for the description of the variables.

$$\begin{aligned}
AFEE_PCT_i = & a_i + \beta_1 D_HOSTILE_i + \beta_2 ACQ_NOADV_i + \beta_3 TGT_NOADV_i + \\
& \beta_4 D_TENDER_i + \beta_5 D_TWO TIER_i + \beta_6 LOG(VAL)_i + \beta_7 ACQ_TIER1_i + \\
& \beta_8 TGT_TIER1_i + \beta_9 D_SAMEADV_i + \beta_{10} D_MOE_i + \beta_{11} D_SAMESIC_i + \\
& \beta_{12} RELSIZE_i \quad \beta_{13} PREM4WK_i + \beta_{14} TIER_SAME_i + \beta_{15} TIER_UP_i + \\
& \beta_{16} TIER_DOWN_i + \beta_{17} D1996_i + \beta_{18} D1997_i + \beta_{19} D1998_i + \beta_{20} D1999_i + \beta_{21} D2000_i
\end{aligned} \tag{4}$$

$$\begin{aligned}
TFEE_PCT_i = & a_i + \beta_1 D_HOSTILE_i + \beta_2 ACQ_NOADV_i + \beta_3 TGT_NOADV_i + \\
& \beta_4 D_TENDER_i + \beta_5 D_TWO TIER_i + \beta_6 LOG(VAL)_i + \beta_7 ACQ_TIER1_i + \\
& \beta_8 TGT_TIER1_i + \beta_9 D_SAMEADV_i + \beta_{10} D_MOE_i + \beta_{11} D_SAMESIC_i + \\
& \beta_{12} RELSIZE_i \quad \beta_{13} PREM4WK_i + \beta_{14} TIER_SAME_i + \beta_{15} TIER_UP_i + \\
& \beta_{16} TIER_DOWN_i + \beta_{17} D1996_i + \beta_{18} D1997_i + \beta_{19} D1998_i + \beta_{20} D1999_i + \beta_{21} D2000_i
\end{aligned} \tag{5}$$

V. The Empirical Results

V.1. Probability of Completing the Deal:

The results of the logit estimation of equation (1) are presented in Table 5. This equation examines the factors important in determining the probability that a merger deal will be completed, rather than withdrawn. The variables *D_HOSTILE* and *D_TENDER* are significant with a negative and positive sign, respectively, indicating that the likelihood of completing a deal is reduced when the offer is in the form of a hostile takeover bid versus a non-hostile one. This finding is not surprising. The variables *ACQ_NOADV* and *TGT_NOADV* are positive and significant, suggesting that the larger number of advisors used by either the target or the acquirer the higher is the likelihood that the deal will be completed. In addition, *ACQ_TIER1* is significantly positive in most cases, indicating that when the acquirer uses at least one tier-1 advisor, the deal is also more likely to be completed. It is generally believed that Tier-1 advisors are more capable of completing deals relative to tier-2 or tier-3 advisors. Moreover, as discussed below (and presented in Table 6), among all the completed deals, deals tend to be completed sooner when the acquirer uses at least one tier-1 advisor versus those deals that do not involve a top-tier advisor.

Having had a prior relationship with the advisor (in a previous merger deal) does not seem to have a significant impact on the advisor's ability to complete the deal, since the variable *D_OLDADV* is not significant. In addition, prior relationships have no significant impact on the speed of completing the deal (as presented in Table 6). It seems reasonable to expect that deals would have a higher probability of being completed when initiated by advisors themselves. This is because the likelihood of completing the deal may be one factor considered by advisors when selecting merger counterparties. However, the results show that the variable *D_INITIATE* is not

significant. In fact, whether or not the deal was initiated by advisors is not significant in determining either the likelihood of completing the deal (Table 5) or the amount of time it take to complete the deal (Table 6).

In general, advisory fees do not seem to have a significant impact on the likelihood of completing the deal. The only fee variable that is significant is the contingent fee. The contingent fee variable for the target (*FEECTG_TGT*) and the acquirer (*FEECTG_ACQ*) are statistically significant but with unexpected negative signs. This is probably a reflection of the fee structure negotiated between the advisors and the merger parties where the portion of the total fee that is contingent is likely to be smaller for those deals that are less likely to be completed, ex ante. However, among all the completed deals, the higher is the portion of the total fee paid that is contingent, the smaller is the amount of time required to complete the deal (see Table 6). Thus, contingent fees seem to play a significant role in providing merger advisors with an incentive to complete deals sooner.

V.2. Speed of Completion

This section examines important factors that explain the variation, across all completed deals, in the amount of time it takes for a deal to be completed. The analysis is based on equation (2) and the results are presented in Table 6. The dependent variable *SPEED* is the number of days between the merger announcement and the effective dates. Unlike in the analysis of probability of completion, where all the announced merger deals are included in the analysis, the sample in this section includes only completed deals.

As noted above and shown in Table 6, the variables *D_HOSTILE* and *D_TENDER* are significant with positive and negative signs, respectively. This indicates that it generally takes longer to complete a hostile takeover bid relative to a non-hostile one due to the complexity

associated with hostile takeovers. Non-hostile tender offers, in addition to being more likely to complete, also take significantly less time to complete than other mergers.

Interestingly, increasing the number of advisors used by either the target (*TGT_NOADV*) or the acquiring firm (*ACQ_NOADV*) is likely to add complexity -- thus, significantly increasing the time required to complete the deal. However, it should be noted that deals involving greater numbers of advisors have a higher probability of being completed (see Table 5). The significant negative coefficient on the variable *ACQ_TIER1* indicates that deals are generally completed faster when the acquirer uses at least one tier-1 advisor. Tier-1 advisors are more capable than lower-tier advisors in not only their ability to complete the deal (Table 5) but also their ability to complete it in shorter time period (Table 6).

As was the case of the probability of completion estimation, the variables *D_OLDADV* and *D_INITIATE* are not significant in determining the speed of completion of a merger. The existence of a prior relationship between the acquirer and the advisor does not have a significant impact on the advisor's ability to complete the deal in less time. Similarly, the speed of completion of a given merger does not seem to depend on whether or not the deal was actually initiated by a merger advisor. We find these results somewhat surprising.

While advisory fees seem to have no impact on the probability of completing a deal, fees do play an important role in determining the speed of completing merger deals. The various measures of fees (as percent of transaction value) that are included in equation (2): *FTOTPCT*, *FEECTG_ACQ*, and *FEECTG_TGT* are all significant and negative. Larger total fees (as a percent of transaction value) significantly reduce the amount of time advisors take to complete deals. In addition, the larger the portion of fees that are contingent upon completion of the deal (whether paid by the target or the acquirer), the faster are deals completed. Finally, regarding the

impact of the split of total fees paid by the acquirer and target in a transaction on the speed of completion, it turns out that the larger the portion of total fees paid by the target the quicker is the transaction completed. This is evidenced by the positive and significant coefficient on the variable *AFEE_SHARE*.

V.3. Post Acquisition Gains to the Acquirers

In this section, we examine the variation in the post-acquisition gains accruing to the acquiring firms across the completed deals. The analysis is based on the estimation of equation (3) and the results are presented in Table 7. The dependent variable *ACQ_GAIN* is a measure of the value or return earned (loss) by the acquirer as of the effective date of the transaction (amount paid for the target versus the value of the target as of the effective date). Specifically, the gain to acquirers is proxied by the difference between the value of transaction at two points of time -- what was paid for the target when the deal was announced and what the target was worth when the deal became effective. If the acquirer paid too much for the transaction, the synergy realized by the acquirer would be smaller or negative. We expect that the advisors' effort could play an important role in the amount of gains to be realized by the acquirer.

As shown in Table 7, the variable *ACQ_NOADV* is significantly positive, suggesting that a greater number of advisors used by the acquirer tends to improve the gains realized by the acquirer. Although it was shown in Table 6 that use of more advisors tend slow down the completion speed, the combined efforts from several advisors used by the acquirer do seem to pay off in terms of larger post-acquisition gains. Use of tier-1 advisors -- either by the target or the acquirer -- as measured by the variables *ACQ_TIER1* and *TGT_TIER1*, tends to reduce the gains to the acquiring firm. It seems reasonable to expect that the gains to the acquirer would decline when the target uses a tier-1 advisor. On the other hand, it is surprising that the gains

realized by the acquirer decline when the acquirer uses a tier-1 advisor. However, this result is consistent with Rau (2000), who finds that top-tier advisors tend to advise their clients to offer larger premiums to targets, reducing the gains to the acquiring firms.

As in the case of speed of completion, advisory fees play an important role in determining post acquisition gains. The variable *FTOTPCT* is significantly positive, indicating that the gains to acquirers are larger in deals where larger fees are paid (as a percentage of transaction value) regardless of the amount paid by either the target or the acquirer. This finding is consistent with the positive and significance coefficients on the variables *AFEE_PCT* and *TFEE_PCT* when included separately in the analysis.

An examination of the relationship between the decision to switch advisors and the gains to the acquirer suggests that the gains are smaller when the acquirer switches to a lower-tier advisor as evidenced by the significantly negative coefficient on the variable *DUM_DOWN*. Switching advisors within the same tier is associated with larger gains to the acquiring firm.

Other control factors that are significant in explaining the variation in the gains to the acquirer include *D_HOSTILE* (positive), *D_TENDER* (negative), and *LOG(VAL)*(positive). The results indicate that the gains realized by acquiring firms decline in hostile takeovers but increase in a non-hostile tender offers. In addition, and as expected, the gains tend to be larger in larger transactions.

V.4. Advisory Fees Paid by the Acquirer and the Target

This section examines the factors important in determining the advisory fees paid by either the target or the acquiring firm. The analysis is based on the estimation of equation (4) for the acquirer and equation (5) for the target. The results are presented in Table 8.

As expected, fees paid by the acquiring firm as a portion of transaction value, *AFEE_PCT*, increase with number of advisors involved in the deal as measured by the variable *ACQ_NOADV* which is positive and statistically significant. In addition, the significance and positive coefficients on the variables *ACQ_TIER1* and *TGT_TIER1* suggest that the acquirer also pays larger fees when it uses a tier-1 advisor or when the target uses a tier-1 advisor. Interestingly, the fees paid by the acquirer decline when it switches advisors either within the same tier (*TIER_SAME*) or to an upper tier (*TIER_UP*). In fact, lower fees charged by another advisor in the same tier as the previous advisor may be the cause of switching within the same tier. However, it is surprising that the fees also decline when the acquirer switches to an advisor in a higher tier.

Other control factors that are significant in determining advisory fees include: *TENDER* (positive), *D_SAMESIC* (positive), and *LOG(VAL)* (negative). Hence, the fees paid by the acquirer are larger in tender offers than in a typical non- tender merger or acquisition. The fee is also larger when the target and the acquirer are in the same business line (i.e., same SIC codes). The fees (as percent of transaction value) tend to become a smaller portion in larger merger transactions.

As can be seen in columns 3 and 4 of Table 8, the fees paid by the target as percent of transaction value (*TFEE_PCT*) increase with the number of advisors used by the target (*TGT_NOADV*) as the coefficient is significantly positive. In addition, the positive and significant coefficient on the variable *TGT_TIER1* suggests that the fees are larger when the target uses a tier-1 advisor. Finally, use of tier-1 advisors by acquirers (*ACQ_TIER1*) and the acquirer's decision to switch advisors in any direction (*TIER_SAME*, *TIER_UP*, or

TIER_DOWN) have no impact on the fees paid by the target. As was the case for the acquirer, the target also pays larger fees in tender offers versus non-tendered friendly mergers.

VI. The Conclusions

This paper examines the characteristics of all merger deals announced during the period January 1995 to June 2000. The sample includes 5,337 merger deals involving publicly traded acquirers and targets. We investigate the factors that determine the probability that an announced merger will be successfully completed, the speed with which announced mergers are actually completed, the fees paid to advisors by the acquiring and target firms, and the post merger gains earned by the acquiring firms. In doing so, we also attempt to assess the quality of the relationship between merger advisors and their client.

We find that advisor quality and the number of advisors employed in a given transaction are important in determining the probability of completing the deal. Tier-1 advisors were found to be more capable of completing deals relative to tier-2 and tier-3 advisors. Interestingly, advisory fees do not seem to play an important role in determining the likelihood of completing the deal.

In terms of speed of completing a deal, tier-1 advisors were found to be more efficient in terms of the amount of time required to complete deals, other things equal. However, unlike in the case of the probability of completing the deal, increasing the number of advisors used by either the target or the acquirer adds complexity to the transaction requiring significantly more time for the deal to be completed. We also find that a greater portion of advisory fees that are contingent upon completion of the deal (whether paid by the target or the acquirer) further expedites the speed of completion. The existence of a prior relationship between the acquirer and the advisor does not seem to have a significant impact on the advisor's ability to complete

the deal in less time. Finally, merger deals that are initiated by the advisors are not likely to be completed sooner than deals initiated by the merger counterparties.

While tier-1 advisors tend to complete the deals with higher probability and complete them in less time, we also found that the post merger gains realized in these mergers actually decline when tier-1 advisors are employed. However, larger total advisory fees paid were found to be associated with larger post-merger gains. We found that that when acquirers switch their financial advisors within the same tier, the switching is associated with larger post-merger gains to acquiring firms. Finally, our overall findings also suggest that hostile takeovers and non-hostile tender offers introduce significantly more complexity into mergers and acquisitions when compared to simple friendly mergers between firms.

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Table 1: Top 25 Advisors (based on total \$ value of transactions advised during January 1985 and June 2000)

Ranking	Advisor's Name	1995 (Mil)	1996 (Mil)	1997 (Mil)	1998 (Mil)	1999 (Mil)	2000 (Mil)	Total (Mil)
1	Goldman Sachs & Co	\$144,380	\$133,062	\$318,049	\$826,686	\$893,982	\$380,804	\$2,696,964
2	Morgan Stanley & Co	229,036	186,243	237,586	432,841	604,594	334,580	2,024,878
3	Merrill Lynch & Co Inc	101,987	181,995	272,932	495,584	644,243	303,183	1,999,925
4	CitiGroup / Salomon Smith Barney	105,091	103,392	214,334	386,349	442,169	260,649	1,511,984
5	Credit Suisse	118,015	91,746	132,011	277,605	251,893	142,773	1,014,043
6	Lehman Brothers	80,209	82,702	180,165	163,905	303,590	34,450	845,021
7	Lazard	42,472	120,401	158,698	86,004	248,413	32,089	688,077
8	Bear Stearns & Co Inc	63,258	50,503	118,059	152,620	241,073	29,943	655,455
9	Donaldson, Lufkin & Jenrette	26,143	45,621	93,470	175,292	235,988	67,643	644,156
10	JP Morgan	53,748	72,732	108,005	208,848	124,235	51,155	618,723
11	Chase Manhattan / Chemical	8,279	20,811	39,191	139,646	278,602	44,627	531,157
12	Dillon, Read & Co Inc	46,578	42,091	70,070	46,295	173,784	70,394	449,211
13	Wasserstein Perella Group Inc	41,406	39,485	26,665	38,937	67,544	179,956	393,993
14	Deutch Banc Alex Brown	18,483	28,116	54,661	114,188	93,214	28,240	336,902
15	Banc of America / Nations	2,169	2,170	36,728	125,517	23,219	32,056	221,858
16	Gleacher Natwest	6,661	23,763	20,415	17,096	84,990	4,374	157,297
17	Rothschild	234	4,442	293	8,217	124,421	6,327	143,934
18	Houlihan Dorton Jones	6,473	9,671	39,521	22,315	39,328	10,130	127,438
19	Allen & Co Inc	30,378	12,980	421	2,712	67,025	369	113,886
20	NM Rothschild & Sons (AU)	2,617	21,012	41,907	5,038	1,046	149	71,769
21	BancBoston Robertson Stephens	4,796	6,977	4,065	968	31,957	16,238	65,001
22	Greenhill & Co, LLC		1,006	8,972	14,989	34,643	1,745	61,355
23	The Blackstone Group	5,991	8,356	8,794	13,825	15,655	5,426	58,046
24	CIBC Oppenheimer	1,065	3,398	2,844	7,647	33,798	5,774	54,527
25	Paine Webber	7,678	8,604	7,051	13,430	12,554	1,220	50,537
*****	In_House (No IB Retained)	8,357	9,249	16,049	117,617	62,501	6,148	219,921

Table 2: Top 25 Advisors (based on total number of transactions advised during January 1985 and June 2000)

Ranking	Adviser's Name	1995	1996	1997	1998	1999	2000	Total
1	Goldman Sachs & Co	157	204	283	261	271	106	1282
2	Merrill Lynch & Co Inc	187	214	235	205	194	79	1114
3	Morgan Stanley & Co	152	167	208	226	258	91	1102
4	CitiGroup / Salomon Smith Barney	200	200	218	204	160	63	1045
5	Donaldson, Lufkin & Jenrette	109	109	192	230	257	106	1003
6	Credit Suisse	115	99	151	155	174	90	784
7	Lehman Brothers	112	121	141	128	140	61	703
8	Deutch Banc Alex Brown	93	157	148	123	110	41	672
9	JP Morgan	72	55	96	105	93	57	478
10	Bear Stearns & Co Inc	82	73	88	82	89	36	450
11	Dillon, Read & Co Inc	79	79	68	72	81	30	409
12	Lazard	70	70	93	70	73	32	408
13	Banc of America / Nations	11	23	64	134	110	36	378
14	Houlihan Dorton Jones	42	46	78	100	87	16	369
15	Chase Manhattan / Chemical	43	46	67	68	87	36	347
16	Broadview Associates	50	67	55	65	39		276
17	Wasserstein Perella Group Inc	27	24	52	48	65	10	226
18	CIBC Oppenheimer	25	33	17	40	88	22	225
19	Paine Webber	41	34	32	54	46	11	218
20	KPMG Peat Marwick	31	29	33	54	52	12	211
21	Hambrecht & Quist	17	25	50	50	59		201
22	BancBoston Robertson Stephens	21	33	30	25	62	29	200
23	Keefe Bruyette & Woods Inc	34	18	36	45	40	13	186
24	Robinson-Humphrey / American Exp	35	40	18	46	36	9	184
25	Piper Jaffray & Hopwood Inc	25	23	46	51	35		180
*****	In-House (No IB Retained)	481	691	317	223	287	11	2010

Table 3
Average Fees Per Deal (in \$ Million) Paid by the Acquiring Firms and the Targets

Variable	Mean	STD.	Min.	Max.	N
<u>Fees Paid By Acquirers (\$million):</u>					
<i>AFEE_TOTAL</i>	2.339	5.725	0	60.000	5337
<i>AFEE_PCT</i> (in % of transaction value)	0.378	1.071	0	30.681	5337
<i>AFEE_ADVISORY</i>	0.486	3.111	0	115.00	5337
<i>AFEE_ADVISORY/OPINION</i>	0.148	0.948	0	15.000	5337
<i>AFEE_BUST-UP</i>	0.134	1.139	0	20.000	5337
<i>AFEE_CONTINGENT</i>	1.674	4.877	0	135.000	5337
<i>AFEE_DEAL MANAGEMENT</i>	0.016	0.198	0	5.000	5337
<i>AFEE_DEAL INITIATION</i>	0.000	0.003	0	0.150	5337
<i>AFEE_FAIRNESS OPINION</i>	0.090	0.500	0	8.000	5337
<i>AFEE_RETAINER</i>	0.012	0.082	0	2.000	5337
<i>AFEE_REPRESENTED SELLER</i>	0.000	0.012	0	0.500	5337
<u>Fees Paid By Targets (\$million):</u>					
<i>TFEE_TOTAL</i>	4.427	7.251	0	68.500	5337
<i>TFEE_PCT</i> (% of transaction value)	0.837	1.845	0	87.209	5337
<i>TFEE_ADVISORY</i>	0.473	1.790	0	27.500	5337
<i>TFEE_ADVISORY/OPINION</i>	0.264	1.315	0	20.000	5337
<i>TFEE_BUST-UP</i>	0.179	1.845	0	40.920	5337
<i>TFEE_CONTINGENT</i>	3.376	6.022	0	53.500	5337
<i>TFEE_DEAL INITIATION</i>	0.007	0.214	0	7.000	5337
<i>TFEE_FAIRNESS OPINION</i>	0.224	0.886	0	15.000	5337
<i>TFEE_RETAINER</i>	0.042	0.322	0	10.000	5337
<i>TFEE_REPRESENTED SELLER</i>	0.004	0.159	0	6.700	5337

Table 4: Description of the Variables

Variables	Description
<i>HOSTILE</i>	is equal to 1 for hostile takeover, 0 otherwise
<i>ACQ_NOADV</i>	is the number of advisors used by the acquiring firm
<i>TGT_NOADV</i>	is the number of advisors used by the target firm
<i>D_TENDER</i>	is equal to 1 for tender offer, and 0 otherwise
<i>D_TWOTIER</i>	is equal to 1 for a two-tier transaction, and 0 otherwise
<i>D_INITIATE</i>	is equal to 1 if either the target or the acquiring firm or both pay a deal- initiation fee to their advisor for initiating the deal
<i>ACQ_TIER1</i>	is equal to 1 if the acquiring firm uses tier-1 advisor, and 0 otherwise
<i>TGT_TIER1</i>	is equal to 1 if the target firm uses tier-1 advisor, and 0 otherwise
<i>D_OLDADV</i>	is equal to 1 if the acquiring firm uses an advisor with whom they have had prior relationship (advised them previously on another merger deal), and 0 otherwise
<i>D_SAMEADV</i>	is equal to 1 if at least one of the advisors was advising both the target and the acquiring firms for the deal
<i>FTOTPCT</i>	is dollar value (in \$ million) of total fees paid to advisors by the target and the acquiring firm combined
<i>AFEE_SHARE</i>	is percentage of advisory fees paid by the acquiring firm (<i>AFEE_TOT</i>) to total combined fees paid for the transaction (<i>AFEE_TOT</i> + <i>TFEE_TOT</i>)
<i>AFEE_PCT</i>	is percentage of fees paid by the acquirer relative to transaction value
<i>TFEE_PCT</i>	is percentage of fees paid by the target relative to transaction value
<i>FEECTG_TOT</i>	is dollar amount (in \$ million) of contingent fees paid by both the target and the acquiring firm combined
<i>FEECTG_ACQ</i>	is dollar amount (in \$ million) of contingent fees paid by the acquirer
<i>FEECTG_TGT</i>	is dollar amount (in \$ million) of contingent fees paid by both the target
<i>LOG(VAL)</i>	is log of the dollar value of transaction
<i>TIER_SAME</i>	is equal to 1 if the acquiring firm switches its advisor but stays within the same tier, and 0 otherwise
<i>TIER_UP</i>	is equal to 1 if the acquirer switches its advisor to a better tier (such as from tier-2 to tier-1 advisor or from tier-3 to either tier-1 or tier-2 advisor), and 0 otherwise

<i>TIER_DOWN</i>	is equal to 1 if the acquirer switches its advisor to a lower tier (such as from tier-1 to either tier-2 or tier-3 advisor or from tier-2 to tier-3 advisor), and 0 otherwise
<i>D1996, D1997, D1998, D1999, D2000</i>	is equal to 1 if the deal was announced in 1996, 1997, 1998, 1999, and 2000, respectively, and 0 otherwise
<i>D_MOE</i>	is equal to 1 for a merger of equals, and 0 otherwise
<i>D_SAMESIC</i>	is equal to 1 if both the target and the acquiring firms are in the same business line (same SIC codes), and 0 otherwise
<i>RELSIZE</i>	is the ratio (in percent) of the market value of the acquiring firm to market value of the target multiplied by 100 percent

Table 5: Probability of Completing the Deals

Dependent variable is a binary variable *D_COMPLT*, which is equal to 1 for completed deals and zero otherwise. Explanatory variables are defined in Section IV. ***, **, and * represent significance at the 1, 5, and 10 percent, respectively.

Independent Variable	(1)	(2)	(3)	(4)	(5)
<i>Intercept</i>	2.734 ^{***} (0.000)	2.997 ^{***} (0.000)	3.043 ^{***} (0.000)	1.486 ^{***} (0.005)	1.447 ^{***} (0.007)
<i>D_HOSTILE</i>	-3.300 ^{***} (0.000)	-3.153 ^{***} (0.000)	-3.151 ^{***} (0.000)	-3.407 ^{***} (0.000)	-3.426 ^{***} (0.000)
<i>ACQ_NOADV</i>	0.269 [*] (0.080)	0.219 ^{**} (0.027)	0.271 [*] (0.078)	0.452 (0.143)	0.444 (0.151)
<i>TGT_NOADV</i>	0.678 ^{***} (0.000)	0.686 ^{***} (0.000)	0.656 ^{***} (0.000)	1.325 ^{***} (0.000)	1.321 ^{***} (0.000)
<i>D_TENDER</i>	0.370 ^{***} (0.005)	0.316 ^{**} (0.018)	0.323 ^{**} (0.016)	0.349 (0.123)	0.357 (0.116)
<i>D_TWOTIER</i>	-1.559 ^{***} (0.000)	-1.624 ^{***} (0.000)	-1.626 ^{***} (0.000)	-2.738 ^{***} (0.000)	-2.792 ^{***} (0.000)
<i>D_INITIATE</i>	-0.703 (0.263)	-0.775 (0.216)	-0.772 (0.218)	-0.724 (0.496)	-0.720 (0.499)
<i>ACQ_TIER1</i>	0.289 ^{**} (0.012)	0.353 ^{***} (0.002)	0.350 ^{***} (0.003)	0.286 (0.143)	0.225 (0.293)
<i>TGT_TIER1</i>					0.153 (0.471)
<i>D_OLDADV</i>	0.092 (0.526)	0.091 (0.529)	0.087 (0.548)	-0.055 (0.803)	-0.061 (0.781)
<i>FTOTPCT</i>	-0.008 (0.667)		-0.010 (0.591)	0.001 (0.975)	0.004 (0.911)
<i>AFEE_SHARE</i>	-0.001 (0.683)		-0.001 (0.683)	0.002 (0.695)	0.002 (0.661)
<i>FEECTG_TOT</i>		-0.005 ^{***} (0.000)	-0.005 ^{***} (0.000)		
<i>FEECTG_ACQ</i>				-0.003 ^{**} (0.016)	-0.003 ^{**} (0.014)
<i>FEECTG_TGT</i>				-0.002 ^{**} (0.044)	-0.002 ^{**} (0.039)
<i>D1996</i>	-0.561 [*] (0.063)	-0.500 (0.102)	-0.501 (0.102)	0.580 (0.205)	0.579 (0.206)
<i>D1997</i>	-0.965 ^{***} (0.000)	-0.892 ^{***} (0.001)	-0.891 ^{***} (0.001)	-0.299 (0.408)	-0.293 (0.418)
<i>D1998</i>	-1.035 ^{***} (0.000)	-1.021 ^{***} (0.000)	-1.020 ^{***} (0.000)	-0.534 (0.117)	-0.525 (0.123)

<i>D1999</i>	-1.557 ^{***} (0.000)	-1.520 ^{***} (0.000)	-1.519 ^{***} (0.000)	-0.777 ^{**} (0.023)	-0.769 ^{**} (0.025)
<i>D2000</i>	-3.456 ^{***} (0.000)	-3.427 ^{***} (0.000)	-3.425 ^{***} (0.000)	-2.974 ^{***} (0.000)	-2.973 ^{***} (0.000)
Concordant	76.7%	77.2%	77.2%	82.6%	82.5%
Discordant	21.9%	21.8%	21.9%	16.5%	16.0%
C-Value	0.774	0.777	0.776	0.830	0.830
Model χ^2 (P-Value)	515.173 (0.000)	554.914 (0.000)	555.329 (0.000)	314.075 (0.000)	314.595 (0.000)
N	5152	5152	5152	2227	2227

Table 6: Number of Days From Announcement to Effective Date (*SPEED*)

Explanatory variable is *SPEED*, as defined in Section IV. ***, **, and * represent significance at the 1, 5, and 10 percent, respectively.

Independent Variable	(1)	(2)	(3)	(4)	(5)
<i>Intercept</i>	146.910 ^{***} (0.000)	147.273 ^{***} (0.000)	153.380 ^{***} (0.000)	154.200 ^{***} (0.000)	153.710 ^{***} (0.000)
<i>D_HOSTILE</i>	60.907 ^{***} (0.000)	62.120 ^{***} (0.000)	61.378 ^{***} (0.000)	42.477 ^{***} (0.001)	42.037 ^{***} (0.001)
<i>ACQ_NOADV</i>	18.677 ^{***} (0.000)	13.582 ^{***} (0.000)	19.372 ^{***} (0.000)	18.315 ^{***} (0.001)	18.225 ^{***} (0.001)
<i>TGT_NOADV</i>	8.376 ^{***} (0.001)	11.361 ^{***} (0.000)	8.834 ^{***} (0.000)	16.634 ^{***} (0.000)	16.106 ^{***} (0.000)
<i>D_TENDER</i>	-78.934 ^{***} (0.000)	-81.554 ^{***} (0.000)	-79.916 ^{***} (0.000)	-83.687 ^{***} (0.000)	-83.760 ^{***} (0.000)
<i>D_TWOTIER</i>	67.976 ^{***} (0.000)	70.316 ^{***} (0.000)	68.961 ^{***} (0.000)	43.581 ^{***} (0.000)	42.672 ^{***} (0.000)
<i>D_INITIATE</i>	1.633 (0.901)	-0.620 (0.962)	0.707 [*] (0.054)	-16.677 (0.382)	-16.480 (0.388)
<i>ACQ_TIER1</i>	-13.519 ^{***} (0.000)	-11.544 ^{***} (0.000)	-11.941 ^{***} (0.000)	-8.885 ^{**} (0.020)	-10.089 ^{**} (0.013)
<i>TGT_TIER1</i>					3.470 (0.380)
<i>D_OLDADV</i>	-0.555 (0.843)	0.122 (0.965)	-0.517 (0.853)	-0.248 (0.955)	-0.456 (0.918)
<i>FTOTPCT</i>	-1.874 (0.000)		-1.820 ^{***} (0.000)	-3.462 ^{***} (0.000)	-3.385 ^{***} (0.000)
<i>AFEE_SHARE</i>	-0.111 (0.050)		-0.135 ^{**} (0.018)	-0.069 (0.502)	-0.062 (0.549)
<i>FEECTG_TOT</i>		-0.134 ^{***} (0.000)	-0.137 ^{***} (0.000)		
<i>FEECTG_ACQ</i>				-0.124 ^{***} (0.001)	-0.128 ^{***} (0.001)
<i>FEECTG_TGT</i>				-0.238 (0.000)	-0.242 ^{***} (0.000)

<i>D1996</i>	-4.149 (0.348)	-2.213 (0.616)	-2.944 (0.505)	11.473* (0.085)	11.288* (0.091)
<i>D1997</i>	-4.340 (0.252)	-1.976 (0.602)	-2.901 (0.445)	-5.864 (0.327)	-5.767 (0.335)
<i>D1998</i>	6.270* (0.080)	8.083** (0.024)	7.554** (0.035)	13.695** (0.020)	13.765** (0.019)
<i>D1999</i>	-9.850*** (0.008)	-7.590** (0.040)	-8.223** (0.026)	0.205 (0.974)	0.449 (0.942)
<i>D2000</i>	-32.854*** (0.000)	-29.701*** (0.000)	-31.039*** (0.000)	-45.727*** (0.002)	-45.909*** (0.002)
R ²	0.221	0.221	0.224	0.243	0.243
Adjusted R ²	0.218	0.218	0.222	0.237	0.237
N	4648	4648	4648	2033	2033

Table 7: Post-Acquisition Gain to Acquirers (*ACQ_GAIN*)

Explanatory variable is *ACQ_GAIN*, as defined in Section IV. ***, **, and * represent significance at the 1, 5, and 10 percent, respectively.

Independent Variable	(1)	(2)	(3)	(4)
<i>Intercept</i>	-10192 ^{***} (0.000)	-10090 ^{***} (0.000)	-9904.373 ^{***} (0.000)	-9769.556 ^{***} (0.000)
<i>ACQ_NOADV</i>	666.625 ^{***} (0.002)	798.096 ^{***} (0.000)	575.751 ^{***} (0.006)	744.458 ^{***} (0.000)
<i>TGT_NOADV</i>	294.792 (0.120)	222.425 (0.181)	293.231 (0.120)	197.276 (0.233)
<i>D_TENDER</i>	-869.113 ^{***} (0.000)	-854.342 ^{**} (0.000)	-850.578 ^{**} (0.000)	-830.425 ^{***} (0.000)
<i>D_TWOTIER</i>	-1363.382 ^{**} (0.024)	-1362.291 ^{**} (0.024)	-1128.182 [*] (0.062)	-1132.521 [*] (0.061)
<i>D_HOSTILE</i>	2251.946 ^{***} (0.000)	2260.341 ^{***} (0.000)	2270.173 ^{***} (0.000)	2286.233 ^{***} (0.000)
<i>ACQ_TIER1</i>	-1406.425 ^{***} (0.000)	-1392.851 ^{***} (0.000)	-1633.467 ^{***} (0.000)	-1619.169 ^{***} (0.000)
<i>TGT_TIER1</i>	-1671.488 ^{**} (0.000)	-1677.565 ^{**} (0.000)	-1630.041 ^{***} (0.000)	-1635.901 ^{***} (0.000)
<i>D_SAMEADV</i>	1085.477 (0.390)	1116.139 (0.376)	958.654 (0.445)	1000.930 (0.425)
<i>LOG(VAL)</i>	2248.236 ^{***} (0.000)	2246.152 ^{***} (0.000)	2215.361 ^{***} (0.000)	2215.009 ^{***} (0.000)
<i>TIER_SAME</i>			1789.699 ^{***} (0.000)	1766.014 ^{***} (0.000)
<i>TIER_UP</i>			-501.215 (0.195)	-510.952 (0.187)
<i>TIER_DOWN</i>			-1526.512 (0.000)	-1541.742 ^{***} (0.000)
<i>AFEE_PCT</i>		153.638 [*] (0.065)		175.688 ^{**} (0.034)
<i>TFEE_PCT</i>		212.257 ^{***} (0.000)		207.779 ^{***} (0.000)
<i>FTOTPCT</i>	196.142 ^{***} (0.000)		199.063 ^{***} (0.000)	
<i>AFEE_SHARE</i>	2.798 (0.503)		4.082 (0.327)	
<i>D1996</i>	-412.647 (0.235)	-428.657 (0.216)	-434.791 (0.209)	-454.987 (0.188)
<i>D1997</i>	-202.775 (0.492)	-221.598 (0.451)	-280.391 (0.343)	-303.298 (0.304)

<i>D1998</i>	354.496 (0.206)	332.836 (0.233)	255.552 (0.362)	230.854 (0.409)
<i>D1999</i>	139.673 (0.628)	120.152 (0.676)	-12.104 (0.967)	-34.962 (0.904)
<i>D2000</i>	-550.816 (0.264)	-559.492 (0.256)	-787.898 (0.111)	-800.895 (0.105)
R ²	0.274	0.274	0.282	0.282
Adjusted R ²	0.272	0.272	0.279	0.279
N	5289	5289	5289	5289

Table 8: Fees Paid by Acquirers (*AFEE_PCT*) and Targets (*TFEE_PCT*) as Percent of Transaction Value

Explanatory variables *AFEE_PCT* and *TFEE_PCT*, as defined in Section IV. ***, **, and * represent significance at the 1, 5, and 10 percent, respectively.

Independent Variable	Dependent Var= <i>AFEE_PCT</i>		Dependent Var= <i>TFEE_PCT</i>	
	(1)	(2)	(3)	(4)
<i>Intercept</i>	0.852 ^{***} (0.000)	0.833 ^{***} (0.000)	1.704 ^{***} (0.000)	1.699 ^{***} (0.000)
<i>ACQ_NOADV</i>	0.477 ^{***} (0.000)	0.480 ^{***} (0.000)	-0.052 (0.115)	-0.051 (0.122)
<i>TGT_NOADV</i>	-0.089 ^{***} (0.009)	-0.089 ^{**} (0.010)	0.382 ^{***} (0.000)	0.384 ^{***} (0.000)
<i>D_TENDER</i>	0.137 ^{***} (0.005)	0.134 ^{***} (0.006)	0.127 ^{**} (0.027)	0.130 ^{**} (0.024)
<i>D_TWOTIER</i>	-0.060 (0.688)	-0.065 (0.661)	-0.032 (0.855)	-0.040 (0.820)
<i>D_MOE</i>	0.024 (0.834)	0.024 (0.833)	0.052 (0.705)	0.045 (0.743)
<i>D_SAMESIC</i>	0.067 ^{**} (0.048)	0.064 [*] (0.058)	-0.015 (0.707)	-0.011 (0.773)
<i>RELSIZE</i>	0.000 (0.737)	0.000 (0.746)	0.000 (0.711)	0.000 (0.717)
<i>D_HOSTILE</i>	-0.059 (0.522)	-0.076 (0.415)	-0.026 (0.810)	-0.026 (0.811)
<i>PREM4WK</i>	-0.000 (0.516)	-0.000 (0.572)	0.000 (0.962)	0.000 (0.968)
<i>ACQ_TIER1</i>	0.097 ^{**} (0.014)	0.123 ^{***} (0.002)	0.072 (0.123)	0.063 (0.189)
<i>TGT_TIER1</i>	0.096 ^{**} (0.016)	0.098 ^{**} (0.013)	0.156 ^{***} (0.001)	0.156 ^{***} (0.001)
<i>D_SAMEADV</i>	-0.052 (0.825)	-0.020 (0.931)	-0.022 (0.938)	-0.005 (0.987)
<i>TIER_SAME</i>		-0.124 ^{**} (0.014)		0.016 (0.787)
<i>TIER_UP</i>		-0.132 [*] (0.098)		0.006 (0.949)
<i>TIER_DOWN</i>		0.063 (0.473)		-0.133 (0.202)
<i>LOG(VAL)</i>	-0.146 ^{***} (0.000)	-0.145 ^{***} (0.000)	-0.272 ^{***} (0.000)	-0.271 ^{***} (0.000)
<i>D1996</i>	-0.042 (0.497)	-0.036 (0.560)	0.087 (0.234)	0.087 (0.236)

<i>D1997</i>	0.020 (0.714)	0.036 (0.519)	0.196 ^{***} (0.003)	0.197 ^{***} (0.003)
<i>D1998</i>	-0.036 (0.489)	-0.021 (0.694)	0.215 ^{***} (0.001)	0.213 ^{***} (0.001)
<i>D1999</i>	0.107 ^{**} (0.034)	0.130 ^{**} (0.011)	0.311 ^{***} (0.000)	0.315 ^{***} (0.000)
<i>D2000</i>	0.122 (0.127)	0.156 [*] (0.054)	0.303 ^{***} (0.001)	0.306 ^{***} (0.001)
R ²	0.314	0.319	0.340	0.341
Adj R ²	0.302	0.305	0.329	0.329
N	1098	1098	1098	1098

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