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Antonio J. Macias, Thomas Moeller



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Target signaling with material adverse change clauses in merger agreements[☆]Antonio J. Macias^{a1}, Thomas Moeller^{b2}^aBaylor University^bTexas Christian University

antonio_jesus@baylor.edu

t.moeller@tcu.edu

Abstract

Material Adverse Change (MAC) clauses play key roles in essentially all merger negotiations. Fewer exclusions in MAC clauses imply broader abandonment options for acquirers. We study the motivation for different scopes of acquirers' abandonment options. In our comprehensive hand-collected sample, broader firm-specific abandonment options are associated with higher target announcement returns and higher combined acquirer and target announcement gains, lower probabilities of MAC occurrences, and

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¹ One Bear Place #98004, Waco, TX 76798, , 254.710.4140

² TCU Box 298530, Fort Worth, TX 76129, , 817.760.0050

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