Is the medium of exchange offered in an initial merger bid important in explaining the probability that a competing bid eventuates? The Eviews dataset F533HW5.WF1 and the Excel spreadsheet F533HW5.XLS contain data on 376 initial merger bids made for widely held target firms between 1986 and 1995. The sample is drawn from the Securities Data Corporation (SDC) Mergers and Acquisitions Database. An “initial” bid is the first bid made by any bidder for a particular target in a merger contest, and to be included in the sample the bidder must be attempting to acquire more than 50% of the target’s voting shares. The variables included in this dataset are:

- **CASH** – dummy variable equal to 1 if the bid is all cash, 0 otherwise.
- **COMP** – dummy variable equal to 1 if another bidder announces a competing bid while the current bid is active, 0 otherwise.
- **EXCH** – dummy variable equal to 1 if the target is exchange-listed, 0 otherwise.
- **PBPREM** – percentage premium of the bid over the target stock price one week prior to bid announcement.
- **SUCCESS** – dummy variable equal to 1 if the bid is successful (consummated), 0 otherwise.
- **TSIZE** – market value of the target, measured at the end of the calendar year prior that in which the bid is announced.

Fishman (1989, *JF*), “Preemptive Bidding and the Role of the Medium of Exchange in Acquisitions,” develops a model that implies, among other things, that the probability that a competing bid is observed is higher after an initial securities offer as compared to an initial cash offer. Jennings and Mazzeo (1993, *RFS*), “Competing Bids, Target Management Resistance, and the Structure of Takeover Bids,” test the hypotheses developed in Fishman, and report some rather unusual results. Specifically, the probability of observing a competing bid is *positively* related to the proportion of cash offered in the initial bid.
Your job (which you have to choose to do) is to replicate the results in Table 3 of Jennings and Mazzeo (JM). The dataset you are given is different to that used by JM, but the variables in your dataset are all used by JM in at least one of their specifications. Are your results consistent with those reported by JM? If not, can you offer potential explanations for the difference? If so, can you provide an alternative interpretation of the results that is compatible with Fishman’s theoretical hypothesis? Is the JM approach a sensible test of the Fishman hypothesis (conditional on the data you are given)? Can you think of additional tests (using this data) that may shed additional light on the issue and support your alternate interpretation offered above?

You should write a short, concise report that includes a minimum of computer output. Show only what is necessary.