**Questions: Chapter 1**

1. The merger between Exxon and Mobil is an example of:

a. Vertical merger

b. Horizontal merger

c. Conglomerate merger

d. Reverse merger

1. Chartejee and Yan’s research has showed:

a. Mergers don’t pay

b. Contingent value rights are used when the parties have asymmetric information

c. Conglomerate mergers are more likely to yield negative returns

1. In risk arbitrage the following is true:

a. Investors may expects the bidder’s stock price to fall

b. Investors may expect the target’s stock price to rise

c. Both a and b

d. Neither a and b

1. LBOs are:

a. Also called going private transactions

b. Financed primarily with debt

c. Have not been that common since the 1980s

d. All of the above

e. Both a and b

f. Both b and c

1. A letter of intent:

a. Is legally required in all U.S. deals

b. Sets for more detailed terms than a term sheet

c. Is more common in closely held acquisitions

d. None of the above

1. Pursuant *to Basic v Levinson:*

a. Targets must immediately announce all overtures from potential bidders

b. Bidders must announce all overtures to targets

c. Targets may not release false information on deal progress

d. None of the above

1. Following *Smith v. Van Gorkom:*

a. Targets must immediately announce all overtures from potential bidders

b. Directors are more likely to seek outside fairness opinions

c. We have seen more use of debt financing d) none of the above

1. In a short form merger:

a. Bidders only submit a two page filling with the SEC

b. Deals usually close within two weeks

c. The standard stockholder approval process can be bypassed

d. A 51% approval by shareholders is required

1. In a freeze out:

a. Minority shareholders cannot hold up a merger

b. Certain members of management is preventing from entering company facilities

c. Targets are prevented from receiving a takeover premium

d. None of the above

1. In a de facto merger:

a. Bidders may be able to avoid all of the target’s liabilities

b. Bidders own at least 30% of the target’s stock

c. Only California law applies

d. The bidder is considered to have acquired the target even if no formal acquisition took place

**True or False**

1. One of the advantages of an asset acquisition is that it may not be necessary to solicit approval from its own shareholders?

True or False

1. When a company sells off all of its assets, it falls under the regulation of the Investment Company Act of 1940.

True or False

1. A reverse merger takes longer to complete than a typical merger.

True or False

1. With an SPAC bidding shareholders are quite familiar with the target to be acquired when they purchase the SPAC’s shares in its IPO.

True or False

1. SPACs have not been popular since the 1990s.

True or False

1. Targets can use an asset selloff to avoid legitimate liabilities.

True or False

1. Private equity firms are frequent LBO dealmakers?

True or False

1. Bidders use merger arbitrage as a way of lowering their takeover costs.

True or False

1. Under a typical Lehman formula dealmakers may earn 5% of the first $1 million of the takeover price.

True or False

1. Contingent value rights may provide some guarantee if the acquirer’s shares fall below some level.

True or False

**Answers: Chapter 1**

1. b 11. True

2. b 12. True

3. c 13. False

4. e 14. False

5. b 15. False

6. c 16. False

7. b 17. True

8. c 18. False

9. a 19. True

10. d 20. True