

Drawing on findings in prior studies, we hypothesize that while both sellers and buyers experience positive abnormal returns from divestiture transactions, the majority of gains accrue to the sellers. In other words, our initial null hypothesis is that there is no difference between the magnitude and distribution of gains in cross-border divestitures and those of purely domestic divestitures. As a secondary hypothesis, we examine the extent to which the valuation gains accrue to the sellers as opposed to the acquirers. Absent the effects of the factors mentioned previously (market segmentation, market imperfections, etc...), we would expect that the gains will accrue primarily to the selling firms, as in domestic transactions.

IV. EMPIRICAL METHODS

Sample Selection and Description

The sample covers the period 1980-1995, and was gathered by examination of the rosters in the Mergers and Acquisitions quarterly. Cross-border divestiture transactions wherein the acquirer was a Canadian company (and the seller domiciled in the U.S.) were identified. Additional requirements for inclusion in the preliminary sample were that the equity of both firms be publically traded in their respective countries, and that detailed information regarding the transactions (such as identifiable announcement dates) and the essential details of the transaction be reported in the financial press, specifically the *Wall Street Journal* and the wire services found on the *Lexis/Nexis* database. Additionally, for a firm to be included in the sample, daily returns data on its common stock must be available for a period starting 251 trading days prior to the announcement of the sale and