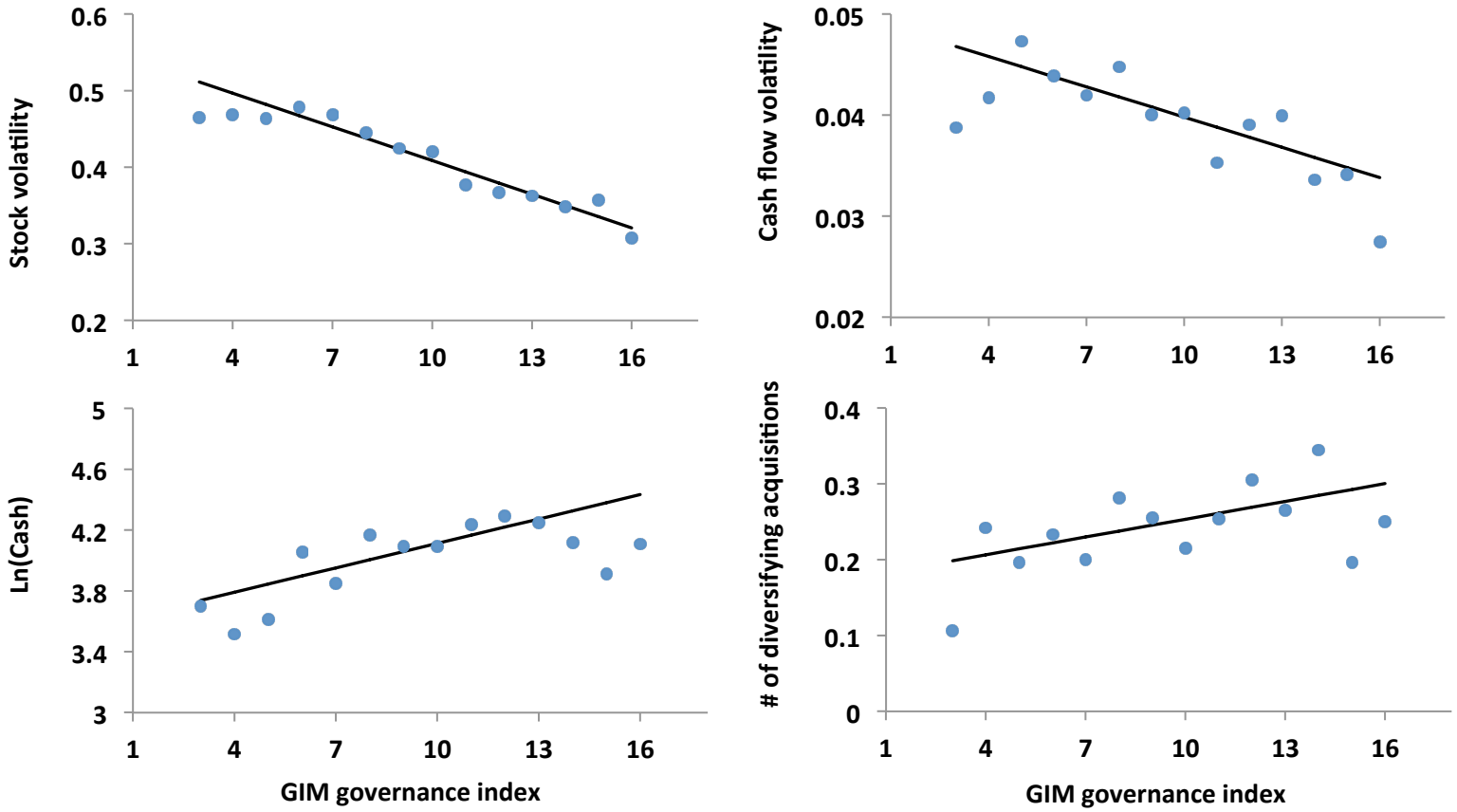

Figure 1

Correlations between standard proxies of firms' riskiness and the GIM governance index

This figure plots the average stock volatility, the volatility of quarterly cash flows to assets, log cash holdings, and the number of diversifying acquisitions against the GIM governance index for index scores with at least 50 observations and for all years in which the index is available from the Investor Responsibility Research Center. The regression lines shown are weighted based on the underlying number of observations.

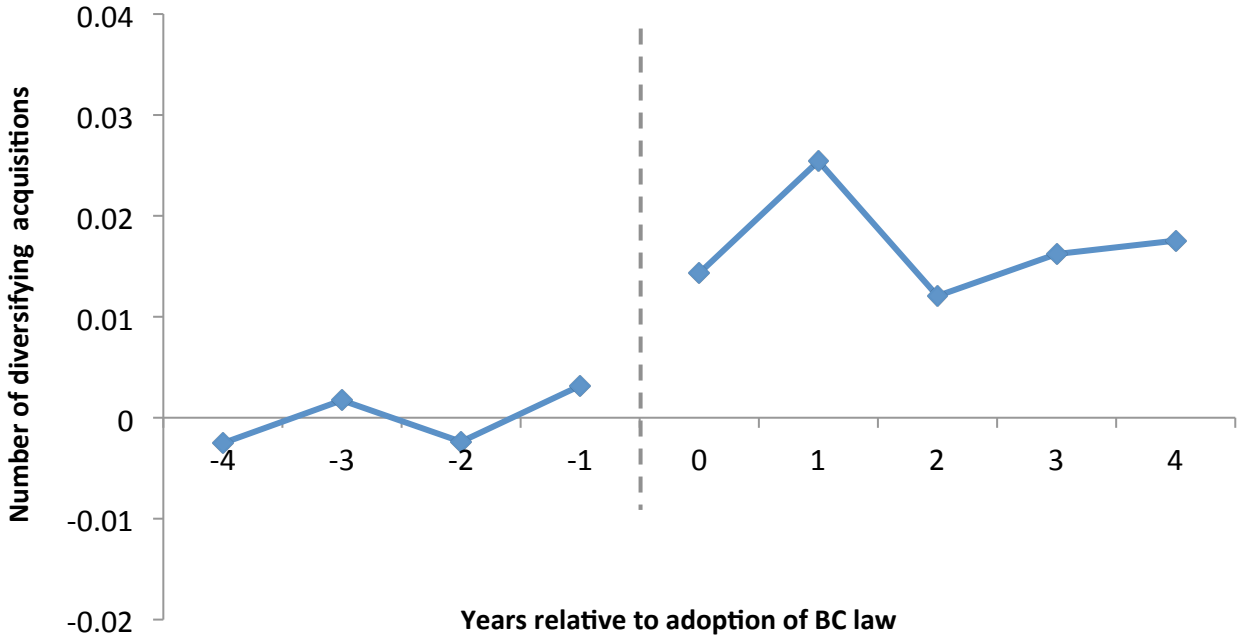

Figure 2

Timing of BC laws' effect on the number of diversifying acquisitions

This figure plots point estimates from a firm-panel regression of an indicator for undertaking an acquisition onto indicators for business combination (BC) laws, firm fixed effects, state of location-by-year fixed effects, and 4-digit SIC industry-by-year fixed effects. The specification is the same as that reported in Table 3, Column (4), except that the effect of BC laws is allowed to vary annually in event time.

Table 1

Firm characteristics before laws' adoption

This table reports summary statistics for firm characteristics in the three years before a new business combination (BC) law is adopted. The mean and standard deviation (in parentheses) for each variable are reported separately for two samples of firms. Column (1) reports estimates for firms incorporated in states that adopt a BC law in the following year. Column (2) reports estimates from the same year for firms incorporated in other states. Column (3) reports the *p*-value from a *t*-test of the difference between affected and unaffected firms, where the standard errors are adjusted for clustering at the state-of-incorporation level.

	BC Law	**No BC Law**	***p*-value of difference**
	(1)	(2)	(3)
Ln(Assets)	4.09	4.02	0.533
	(2.50)	(2.52)	
Return on assets	-0.032	-0.046	0.217
	(0.387)	(0.415)	
Debt / Assets	0.293	0.294	0.896
	(0.297)	(0.315)	
3-year asset CAGR (%)	13.54	13.83	0.824
	(31.78)	(36.64)	
Stock volatility	0.539	0.547	0.683
	(0.313)	(0.373)	
Cash flow volatility	0.077	0.077	0.948
	(0.095)	(0.099)	
Indicator for acquisition	0.076	0.088	0.276
	(0.265)	(0.283)	
# of diversifying acquisitions	0.070	0.086	0.148
	(0.351)	(0.424)	
Observations	5,187	44,771	

Table 2

Effect of BC laws on stock volatility and distress risk

This table reports coefficients from firm-panel regressions of a firm's stock volatility, distress risk, and related characteristics on an indicator for whether the firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects, state of location-by-year fixed effects, and 4-digit SIC industry-by-year fixed effects. The dependent variables are volatility of daily stock returns [Column (1)], an indicator for being delisted because of liquidation, bankruptcy, or other performance-related reason [Column (2)], volatility of daily operating asset returns [Column (3)], volatility of quarterly ratios of cash flow to assets [Column (4)], and log cash holdings [Column (5)]. The sample includes firm-year observations from 1976 to 2006. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level.

Dependent variable =	**Stock volatility**	**Performance-related exit**	**Operating asset volatility**	**Cash flow volatility**	**Ln(Cash)**
	(1)	(2)	(3)	(4)	(5)
BC law	-0.023***	-0.035***	-0.015**	-0.0028	0.121**
	(0.008)	(0.011)	(0.006)	(0.0026)	(0.049)
Firm FE	X	X	X	X	X
State-year FE	X	X	X	X	X
Industry-year FE	X	X	X	X	X
N	132,494	195,895	120,401	100,893	172,739
R^2	0.66	0.22	0.78	0.534	0.83

Table 3

Effect of BC laws on acquisitions

This table reports coefficients from firm-panel regressions of acquisition activity on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects, state of location-by-year fixed effects, and 4-digit SIC industry-by-year fixed effects. The dependent variables are the number of acquisitions [Column (1)], an indicator for undertaking an acquisition [Column (2)], the deal value of acquisitions scaled by the market value of the acquirer's assets in the previous year [Column (3)], and the number of diversifying acquisitions [Column (4)]. The sample includes firm-year observations from 1980 to 2006. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. **significant at the 5% level; *significant at the 10% level.

Dependent variable =	**Number of acquisitions**	**Any acquisition indicator**	**Deal value / (Acquirer assets in t-1)**	**Number of diversifying acquisitions**
	(1)	(2)	(3)	(4)
BC law	0.027**	0.009*	0.0017**	0.018**
	(0.011)	(0.005)	(0.0008)	(0.008)
Firm FE	X	X	X	X
State-year FE	X	X	X	X
Industry-year FE	X	X	X	X
N	192,133	192,133	152,970	192,133
R^2	0.38	0.33	0.27	0.35

Table 4

Effect of BC laws on target characteristics

This table reports coefficients from firm-panel regressions of target firm characteristics on an indicator for whether an acquiring firm's state of incorporation has adopted a business combination (BC) law, an indicator for whether the acquiring firm is ever subjected to a BC law, state of location fixed effects, 4-digit SIC industry fixed effects, year fixed effects, and a control for whether the target is incorporated in a state with a BC law. The dependent variables are ex ante target characteristics from Compustat and CRSP: correlation of monthly stock returns between the acquirer and target in the five years prior to the acquisition, Altman's *z*-score, correlation of monthly operating asset returns between the acquirer and target in the five years prior to the acquisition, correlation of quarterly cash flow scaled by assets between the acquirer and target in the five years prior to the acquisition, log total cash, assets' three-year compounded annual growth rate (CAGR), the ratio of cash flow to assets, and the ratio of the total payout to assets. The sample of acquisitions is the sample analyzed in Table 3 further restricted to mergers with non-missing observations for the target's assets and deal value. All estimations are weighted by deal value. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. *** significant at 1% level, ** significant at 5% level, * significant at 10% level.

Dependent variable =	**Correlation of stock returns**	**Altman's *z*-score**	**Corr. of operating asset returns**	**Correlation of cash flow to assets**	**Ln(Cash)**	**3-year asset CAGR**	**Cash flow / Assets**	**Payout / Assets**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BC law	-0.194***	3.350**	-0.278***	-0.240*	1.123	0.191**	0.089***	0.027***
	(0.061)	(1.330)	(0.071)	(0.131)	(0.722)	(0.085)	(0.019)	(0.005)
N	922	1,925	798	1,174	1,804	1,721	2,001	2,093
R^2	0.79	0.63	0.81	0.60	0.67	0.49	0.46	0.61
Fixed effects:								
State	X	X	X	X	X	X	X	X
Industry	X	X	X	X	X	X	X	X
Year	X	X	X	X	X	X	X	X
Control for target being in BC state	X	X	X	X	X	X	X	X

Table 5

Effect of BC laws on acquisition characteristics

Panel A of this table reports the mean and standard error (in parentheses), weighted by deal value, of acquisition characteristics for acquisitions undertaken by firms incorporated in business combination (BC) law states after the laws' adoption. The acquisition characteristics are the percent of the deal value paid in equity and the acquirer's cumulative abnormal return (CAR) over a three-day window around the deal's announcement, computed using a market model and CRSP equally weighted index returns estimated over the [-300, -46] day interval. Both variables are winsorized at the one percent tails. Panel B reports the coefficients from firm-panel regressions of these characteristics on an indicator for whether an acquiring firm's state of incorporation has adopted a BC law, an indicator for whether the acquiring firm is ever subject to a BC law, state of location fixed effects, 4-digit SIC industry fixed effects, year fixed effects, and an indicator for whether the target is incorporated in a state with a BC law. In Panel B, the sample of acquisitions is the same as in Table 4, and the estimations are weighted by deal value. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. *** significant at 1% level.

Panel A. Average acquisition characteristics in BC law states

	(1)
Percent equity	69.7
	(2.66)
Acquirer announcement CAR [-1,1] (%)	-5.63
	(0.76)

Panel B. Effect of BC laws on acquisition characteristics

Dependent variable =	**Percent equity**	**Acquirer annoucement CAR [-1,1] (%)**
	(2)	(3)
BC law	21.2***	-3.26***
	(5.14)	(1.18)
N	1,978	1,987
R^2	0.61	0.51
Fixed effects:		
State	X	X
Industry	X	X
Year	X	X
Control for target being in BC state	X	X

Table 6

Effect of acquisitions on affected firms' stock volatility and distress risk

This table reports coefficients from firm-level regressions of measures of a firm's stock volatility, distress risk, and related characteristics on an indicator for whether the firm increases its acquisition activity after a business combination (BC) law is adopted. Only firms incorporated in a state that adopts a BC law are included in the regression. The dependent variables are: change in stock volatility [Column (1)], an indicator for being delisted because of liquidation, bankruptcy, or other performance-related reason [Column (2)], change in operating asset volatility [Column (3)], change in cash flow volatility [Column (4)], and change in log cash [Column (5)]. A firm's acquisition response to the adoption of a BC law is measured using the change in the number of acquisitions completed between the years t ϵ [-5, -1] and t ϵ [0, 4]; the median such change in the sample is zero. The changes in volatility and log cash are equal to the differences in volatility and log cash between the year prior to the BC law's adoption and ten years afterwards. All estimates include cohort fixed effects. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level; *significant at the 10% level.

Dependent variable =	**Change in stock volatility [t-1,t+10]**	**Performance-related exit by t = 10**	**Change in operating asset volatility [t-1,t+10]**	**Change in cash flow volatility [t-1,t+10]**	**Change in Ln(Cash) [t-1,t+10]**
	(1)	(2)	(3)	(4)	(5)
Indicator for increase in acquisitions following BC law	-0.037**	-0.042***	-0.025	-0.0083*	0.345***
	(0.016)	(0.011)	(0.018)	(0.0043)	(0.107)
N	1,412	2,565	970	823	1,222
R^2	0.06	0.01	0.05	0.01	0.04

Table 7

Importance of including fixed effects and avoiding endogenous controls

This table reports coefficients from firm-panel regressions of the total number of acquisitions in a year on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law. Column (1) reports estimates from Equation (6)—the standard specification used in the existing literature, which includes controls for the state-year average of the dependent variable, the 3-digit SIC industry-year average of the dependent variable, firm fixed effects, time-varying controls for firm size (measured using log assets), size-squared, firm age (measured using the number of years a firm has been in Compustat), and the Herfindhal-Hirschman index of sales in the firm's 3-digit SIC industry—estimated using a sample window of 1976 to 1995. Each of the next six columns repeats the estimation from the previous column with the following changes: Column (2) extends the sample period to 2006; Column (3) adds the BC law changes for Iowa, Oregon, and Texas; Column (4) uses 4-digit industry-year averages of the dependent variable as controls in place of the 3-digit ones; Column (5) replaces the controls for the industry-year and state-year averages of the dependent variable with industry-by-year and state-by-year fixed effects; Column (6) drops the time-varying controls; and Column (7) uses historical state of locations rather than the locations provided by the legacy version of Compustat and drops firms that change their treatment status by reincorporating. The estimate in Column (7), which correspond to Equation (4), is the same as those reported in Column (1) of Table 3. Column (8) reports results from Equation (7)—the matching difference-in-differences estimator. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level; *significant at the 10% level.

Dependent variable = Number of acquisitions

	Standard specification used in literature ***[Equation (6)]***	**First, extend sample to year 2006**	**Second, add BC law changes for IA, OR, and TX**	**Third, switch to 4-digit SIC controls**	**Fourth, properly control for FE**	**Fifth, drop endogenous controls**	**Sixth, drop endogenous movers** ***[Our final specification, Equation (4)]***	**Our matched diff-in-diff** ***[Equation (7)]***
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BC law	0.014	0.010	0.010	0.010	0.021**	0.031***	0.027**	0.026**
	(0.009)	(0.011)	(0.011)	(0.011)	(0.010)	(0.010)	(0.011)	(0.012)
N	109,168	193,071	193,071	192,809	193,075	198,206	192,133	545,212
R^2	0.35	0.32	0.32	0.32	0.39	0.38	0.38	0.45

Table 8

Heterogeneity with respect to cash flow and leverage

This table reports coefficients from firm-panel regressions of the number of acquisitions or number of diversifying acquisitions on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm-by-cohort fixed effects, state of location-by-year-by-cohort fixed effects, and 4-digit SIC industry-by-year-by-cohort fixed effects. The data include firm-year-cohort observations in the 10 years before and 10 years after the adoption of each new BC law. Panel A restricts the sample to firms with below median ratio of cash flow to assets [Columns (1) and (3)] or above median leverage [Columns (2) and (4)] in the year before a BC law's adoption. Panel B restricts the sample to firms with above median ratio of cash flow to assets or below median leverage. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level.

Dependent variable =	**Number of acquisitions**		**Number of diversifying acquistions**	
	(1)	(2)	(3)	(4)
Panel A: Firms with LOW cash flow or HIGH leverage in year T-1				
	Low cash flow / assets	**High leverage**	**Low cash flow / assets**	**High leverage**
BC law	0.026***	0.034***	0.018**	0.021**
	(0.008)	(0.012)	(0.008)	(0.010)
N	202,376	266,500	202,376	266,500
R^2	0.54	0.52	0.53	0.51
Panel B: Firms with HIGH cash flow or LOW leverage in year T-1				
	High cash flow / assets	**Low leverage**	**High cash flow / assets**	**Low leverage**
BC law	0.003	0.014	-0.004	0.011
	(0.021)	(0.013)	(0.018)	(0.010)
N	230,452	274,936	230,452	274,936
R^2	0.54	0.53	0.52	0.52
Firm-cohort FE	X	X	X	X
State-year-cohort FE	X	X	X	X
Industry-year-cohort FE	X	X	X	X
P-value of difference	0.268	0.112	0.213	0.328

Table 9

Heterogeneity with respect to volatility and distress risk

This table reports coefficients from firm-panel regressions of the number of acquisitions or the number of diversifying acquisitions on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm-by-cohort fixed effects, state of location-by-year-by-cohort fixed effects, and 4-digit SIC industry-by-year-by-cohort fixed effects. The data include firm-year-cohort observations in the 10 years before and 10 years after the adoption of each new BC law. Panel A restricts the sample to firms with greater volatility or distress risk before the BC law's adoption, as measured by having above median stock volatility in the year before adoption [Columns (1) and (5)], above median operating asset volatility in the year before adoption [Columns (2) and (6)], above median cash flow volatility in the three years before adoption [Columns (3) and (7)], or below median cash holdings in the year before adoption [Columns (4) and (8)]. Panel B restricts the sample to firms with below median stock volatility, below median operating asset volatility, below median cash flow volatility, or above median cash holdings. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level.

Dependent variable =	**Number of acquisitions**				**Number of diversifying acquisitions**			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Firms with HIGH volatility and distress risk in year T-1								
	High stock volatility	**High operating asset volatility**	**High cash flow volatility**	**Low cash**	**High stock volatility**	**High operating asset volatility**	**High cash flow volatility**	**Low cash**
BC law	0.037***	0.052***	0.049**	0.050***	0.029***	0.038***	0.028**	0.033***
	(0.011)	(0.010)	(0.019)	(0.007)	(0.009)	(0.011)	(0.014)	(0.007)
N	198,119	167,774	165,270	208,933	198,119	167,774	165,270	208,933
R^2	0.49	0.49	0.59	0.52	0.47	0.45	0.58	0.50

Panel B: Firms with LOW volatility and distress risk in year T-1

	Low stock volatility	Low operating asset volatility	Low cash flow volatility	High cash	Low stock volatility	Low operating asset volatility	Low cash flow volatility	High cash
BC law	0.005	0.008	0.021	0.001	-0.001	-0.005	0.008	0.001
	(0.020)	-(0.020)	(0.019)	(0.020)	(0.016)	(0.015)	(0.009)	(0.017)
N	231,585	185,274	186,376	233,580	231,585	185,274	186,376	233,580
R^2	0.57	0.62	0.58	0.54	0.57	0.62	0.57	0.54
Firm-cohort FE	X	X	X	X	X	X	X	X
State-year-cohort FE	X	X	X	X	X	X	X	X
Industry-year-cohort FE	X	X	X	X	X	X	X	X
P-value of difference	0.128	0.059	0.382	0.011	0.078	0.022	0.233	0.042

Table 10

Heterogeneity with respect to inside ownership

This table reports coefficients from firm-panel regressions of the number of acquisitions or the number of diversifying acquisitions on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm-by-cohort fixed effects, state of location-by-year-by-cohort fixed effects, and 4-digit SIC industry-by-year-by-cohort fixed effects. The data include firm-year-cohort observations in the 10 years before and 10 years after the adoption of each new BC law. Panel A restricts the sample to firms with above median inside ownership in the year before a BC law's adoption. Panel B restricts the sample to firms with below median inside ownership. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. *significant at the 10% level.

Dependent variable =	**Number of acquisitions**	**Number of diversifying acquisitions**
	(1)	(2)
Panel A. Firms with ABOVE median inside ownership in year T-1		
BC law	0.017	0.030*
	(0.013)	(0.016)
N	104,014	104,014
R^2	0.62	0.60
Panel B. Firms with BELOW median inside ownership in year T-1		
BC law	0.005	-0.016
	(0.023)	(0.026)
N	99,729	99,729
R^2	0.68	0.67
Firm-cohort FE	X	X
State-year-cohort FE	X	X
Industry-year-cohort FE	X	X
P-value of difference	0.651	0.021

Table 11

Heterogeneity with respect to CEO age

This table reports coefficients from firm-panel regressions of the number of acquisitions and the number of diversifying acquisitions on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm-by-cohort fixed effects, state of location-by-year-by-cohort fixed effects, and 4-digit SIC industry-by-year-by-cohort fixed effects. The data include firm-year-cohort observations in the 10 years before and 10 years after the adoption of each new BC law. Panel A restricts the sample to firms with a CEO aged 55 years or younger in the year before a BC law's adoption. Panel B restricts the sample to firms with a CEO older than 55 years. In both panels, the sample includes only observations for which that CEO is in office. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level.

Dependent variable =	**Number of acquisitions**	**Number of diversifying acquisitions**
	(1)	(2)
Panel A. Firms with CEO age ≤ 55 in year T-1		
BC law	0.211***	0.203***
	(0.052)	(0.059)
N	73,522	73,522
R^2	0.67	0.64
Panel B. Firms with CEO age > 55 in year T-1		
BC law	0.109	0.035
	(0.091)	(0.050)
N	22,044	22,044
R^2	0.85	0.87
Firm-cohort FE	X	X
State-year-cohort FE	X	X
Industry-year-cohort FE	X	X
P-value of difference	0.216	0.020

Table 12

Heterogeneity in the effect of BC laws on ROA

This table reports coefficients from firm-panel regressions of return on assets (ROA), an outcome used in studies of the "quiet life" agency conflict, on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm-by-cohort fixed effects, state of location-by-year-by-cohort fixed effects, and 4-digit SIC industry-by-year-by-cohort fixed effects. The data include firm-year-cohort observations in the 10 years before and 10 years after the adoption of each new BC law. Panel A restricts the sample to firms with above median leverage [Column (1)] or above median inside ownership [Column (2)] in the year before a BC law's adoption. Panel B restricts the sample to firms with below median leverage [Column (1)] or below median inside ownership [Column (2)]. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. * significant at the 10% level.

Dependent variable =	**Return on assets**	
	(1)	(2)
Panel A: Firms with HIGH leverage or inside ownership in year T-1		
	High leverage	**High ownership**
BC law	0.003	-0.003
	(0.010)	(0.009)
N	254,889	100,488
R^2	0.63	0.70
Panel B: Firms with LOW leverage or inside ownership in year T-1		
	Low leverage	**Low ownership**
BC law	-0.023*	-0.016**
	(0.013)	(0.008)
N	262,662	97,321
R^2	0.60	0.68
Firm-cohort FE	X	X
State-year-cohort FE	X	X
Industry-year-cohort FE	X	X
P-value of difference	0.019	0.268

Appendix Table A.1

Business combination laws adopted by year and state

This table reports the states that adopted a business combination law and the year in which the law was adopted. To identify when BC laws were adopted in each state, we use the dates for 30 states that adopted laws between 1985 and 1991, as reported in Bertrand and Mullainathan (2003), and augment their list to account for the adoption of BC laws in the following three additional states reported in Pinnell (2000): Iowa, Oregon, and Texas.

Arizona (1987)	Nevada (1991)
Connecticut (1989)	New Jersey (1986)
Delaware (1988)	New York (1985)
Georgia (1988)	Oklahoma (1991)
Idaho (1988)	Ohio (1990)
Illinois (1989)	Oregon (1991)
Indiana (1986)	Pennsylvania (1989)
Iowa (1997)	Rhode Island (1990)
Kansas (1989)	South Carolina (1988)
Kentucky (1987)	South Dakota (1990)
Maine (1988)	Tennessee (1988)
Maryland (1989)	Texas (1997)
Massachusetts (1989)	Virginia (1988)
Michigan (1989)	Washington (1987)
Minnesota (1987)	Wisconsin (1987)
Missouri (1986)	Wyoming (1989)
Nebraska (1988)	

Appendix Table A.2
Variable definitions

State of incorporation and state of location for firms	Obtained from Cohen (2012), who collected information back to 1990 from the SEC disclosure CDs and Compustat back-tapes, and from SEC Analytics, which contains historical information back to 1994 from firms SEC filings. In cases where the two sources disagree, we use firms' historical 10Ks and *Moody's Manuals* to determine which is correct. For observations prior to 1990, we use the earliest incorporation and location information available for each firm, and when location information is missing entirely, such as for firms that stopped filling prior to 1990, we use locations reported in the legacy version of Compustat.
Stock volatility	Calculated from CRSP using the square root of the sum of squared daily returns over the year. To adjust for differences in the number of trading days, the raw sum is multiplied by 252 and divided by the number of trading days.
Performance-related exit	Indicator for firm exit because of a liquidation, bankruptcy, or performance-related reason, as identified using CRSP delisting codes 400-500, 550, 552, 560, 561, 572, 574, 580, and 584.
Operating asset volatility	*Stock volatility* × (E/(V − C)), where E/(V − C) is calculated from Compustat using (csho × prcc_f) / (lt + (csho × prcc_f) − ch).
Cash flow volatility	Calculated from Compustat using the annual standard deviation of firms' quarterly ratio of cash flow to assets.
Ln(Cash)	Calculated from Compustat using ln(ch).
Number of acquisitions	Calculated using SDC's Mergers and Acquisitions Database after excluding acquisitions meeting any of the following criteria: (1) the ratio of the deal size to market value of the acquirer's assets is less than 1%; (2) the acquiring firm controlled more than 50% of the target prior to the announcement date or less than 100% after the acquisition was completed; (3) the ultimate parent of the acquirer and the target are the same; (4) either the acquirer or the target is a financial firm; or (5) the deal was not completed within 1,000 days of the announcement date.
Any acquisition indicator	Indicator equal to one if the firm undertakes an acquisition. Calculated using SDC's Mergers and Acquisitions Database using the same filters applied when calculating the number of acquisitions.
Deal value / (Value of acquirer assets in t-1)	Deal value is calculated using SDC's Mergers and Acquisitions Database using the same filters applied when calculating the number of acquisitions. Market value of assets are calculated using Compustat, where market value of assets = csho × prcc_c + dltt + dlc.
Number of diversifying acquisitions	Number of acquisitions a firm undertakes for which its primary SIC industry does not coincide with any SIC code of the target firm. Calculated using SDC's Mergers and Acquisitions Database using the same filters applied when calculating the number of acquisitions.
Correlation of stock returns	Calculated from CRSP using the correlation of monthly stock returns between the acquirer and target firms in the five years prior to the acquisition.

Altman's *z*-score	Calculated from Compustat using (3.3 × oiadp + 0.999 × sale + 1.4 × re + 1.2 × wcap) / at + (0.6 × csho × prcc_f) / lt.
Correlation of operating asset returns	Calculated using the correlation of monthly operating asset returns between the acquirer and target firms in the five years prior to the acquisition, where operating asset returns equal r_f + [prc*(shrout/1000) / (lt + prc × (shrout/1000) − ch)]*(ret − r_f), r_f is the market yield on 1-year constant-maturity U.S. Treasury securities from the Federal Reserve Board, prc, ret, and shrout are from CRSP, and lt and ch are for the most recent quarter-end from Compustat.
Correlation of cash flow to assets	Calculated from Compustat using the correlation of quarterly ratios of cash flow to assets between the acquirer and target firms in the five years prior to the acquisition.
Ln(Assets)	Calculated from Compustat using ln(at).
3-year asset CAGR	Calculated from Compustat using $((at_t / at_{t-3})^{1/3} - 1) \times 100$.
Payouts / Assets	Dividends plus repurchases scaled by assets, calculated from Compustat using (dvc + prstkc) / at.
Percent equity	Percentage of consideration paid in stock (from SDC's Mergers and Acquisition Database).
Acquirer announcement CAR [-1,1] (%)	Acquirer's market model cumulative abnormal stock returns over a three-day window [−1, +1] around a deal's announcement using CRSP equally weighted index returns and parameters estimated over the [−300, −46] day interval (see MacKinlay, 1997).
Return on assets	Calculated from Compustat using ni/at.
Cash flow / Assets	Calculated from Compustat using $oiadp_t$ - $accruals_t$) / at_{t-1}, where $accruals_t = (act_t - act_{t-1}) - (che_t - che_{t-1}) - (lct_t - lct_{t-1}) + (dlc_t - dlc_{t-1}) - dp_t$.
Debt / Assets	Calculated from Compustat using (dltt + dlc)/at.
Inside ownership	Total ownership share of the CEO, as constructed by Yermack (1995), which covers firms listed by Forbes magazine as among the 500 largest U.S. public corporations in each of the years 1984-1991. When this information is missing, we use the total reported shares held by a firm's senior management as a fraction of the firm's total shares outstanding at the end of the year, as recorded by TFN Insider Filing Data and constructed by Panousi and Papanikolaou (2012). When classifying firms, we calculate the median value separately for each data source.
CEO age	Obtained from the Disclosure database, provided by James S. Linck.

* All financial ratios are winsorized at 1% tails

Appendix Table A.3

Summary statistics for outcome variables

This table reports the sample mean, median, and standard deviation for all outcome variables. Target and acquisition charateristics are weighted by deal value. Definitions for all variables can be found in Appendix Table A.2.

	Mean	Median	Standard deviation
	(1)	(2)	(3)
Stock volatility and distress risk			
Stock volatility	0.611	0.499	0.436
Performance-related exit	0.019	0.000	0.137
Operating asset volatility	0.400	0.289	0.369
Cash flow volatility	0.084	0.048	0.123
Ln(Cash)	1.145	1.253	2.700
Acquisition volume			
# acquistions	0.163	0.000	0.679
Indicator for acquisition	0.103	0.000	0.304
Deal value / (Acquirer assets in t-1)	0.013	0.000	0.061
# of diversifying acquisitions	0.107	0.000	0.509
Target characteristics			
Correlation of stock returns	0.456	0.487	0.205
Altman z-score	5.380	2.964	7.861
Correlation of operating asset returns	0.448	0.459	0.214
Correlation of cash flow to assets	0.043	0.083	0.419
Ln(Cash)	4.658	4.818	2.004
3-year asset CAGR	0.170	0.079	0.392
Cash flow / assets	0.139	0.145	0.121
Payouts / assets	0.037	0.022	0.046
Acquisition characteristics			
Percent equity	59.05	78.59	42.72
Acquirer announcement CAR [-1,1] (%)	-4.948	-4.401	8.225

Appendix Table A.4

Distribution of medians used to split the sample

This table reports the distribution of sample medians used to split the sample in Tables 8-10 and 12. For each year that a BC law is adopted, we estimate the difference-in-differences for that event by splitting the sample using the median value of the unaffected and affected firms in the prior year. Because BC laws are adopted in 1997 and every year from 1985-1991, there are 8 separate medians used to split the sample for each of the matched difference-in-differences estimations reported in Tables 8-10 and 12.

	Cash flow / assets [Table 8]	**Leverage** [Tables 8 and 12]	**Stock volatility** [Table 9]	**Operating asset volatility** [Table 9]	**Cash flow volatility** [Table 9]	**Cash in $ millions** [Table 9]	**Inside ownership from Yermack data** [Tables 10 and 12]	**Inside ownership from TFN Insider Filing data** [Tables 10 and 12]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Median by sample year								
1984	0.099	0.226	0.380	0.211	0.063	0.673	0.0017	.
1985	0.097	0.241	0.401	0.225	0.069	0.565	0.0019	.
1986	0.084	0.246	0.449	0.263	0.070	0.585	0.0017	0.0136
1987	0.084	0.244	0.610	0.333	0.072	0.803	0.0019	0.0421
1988	0.089	0.253	0.469	0.255	0.071	1.714	0.0018	0.0373
1989	0.103	0.266	0.443	0.241	0.069	1.916	0.0018	0.0350
1990	0.110	0.257	0.552	0.269	0.066	2.003	0.0019	0.0387
1996	0.100	0.178	0.542	0.346	0.069	4.545	.	0.0553
Distribution of medians								
Mean	0.096	0.239	0.481	0.268	0.069	1.600	0.0018	0.0370
Median	0.098	0.245	0.459	0.259	0.069	1.259	0.0018	0.0380
Min	0.084	0.178	0.380	0.211	0.063	0.565	0.0017	0.0136
Max	0.110	0.266	0.610	0.346	0.072	4.545	0.0019	0.0553

Appendix Table A.5

Robustness of inside ownership to cutting on terciles

This table reports coefficients from firm-panel regressions of the number of acquisitions or the number of diversifying acquisitions on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm-by-cohort fixed effects, state of location-by-year-by-cohort fixed effects, and 4-digit SIC industry-by-year-by-cohort fixed effects. The data include firm-year-cohort observations in the 10 years before and 10 years after the adoption of each new BC law. Panel A restricts the sample to firms with inside ownership in the top tercile in the year before a BC law's adoption. Panel B restricts the sample to firms with inside ownership in the bottom tercile. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. **significant at the 5% level.

Dependent variable =	**Number of acquisitions**	**Number of diversifying acquisitions**
	(1)	(2)
Panel A. Firms with inside ownership in TOP tercile in year T-1		
BC law	0.012	0.037**
	(0.018)	(0.018)
N	68,505	68,505
R^2	0.67	0.67
Panel B. Firms with inside ownership in BOTTOM tercile in year T-1		
BC law	0.007	-0.033
	(0.028)	(0.029)
N	65,042	65,042
R^2	0.73	0.73
Firm-cohort FE	X	X
State-year-cohort FE	X	X
Industry-year-cohort FE	X	X
P-value of difference	0.835	0.014

Appendix Table A.6

Heterogeneity with respect to union representation

This table reports coefficients from firm-panel regressions of the number of acquisitions or the number of diversifying acquisitions on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm-by-cohort fixed effects, state-of-location-by-year-by-cohort fixed effects, and 4-digit SIC industry-by-year-by-cohort fixed effects. The data include firm-year-cohort observations in the 10 years before and 10 years after the adoption of each new BC law. Panel A restricts the sample to firms likely to have a greater union representation in the year prior to a BC law being adopted, as measured by being headquartered in a state without a right-to-work law [Columns (1) and (4)], being headquartered in a state with an above median level of share of employees covered by a collective bargaining agreement (see Hirsch, Macpherson, and Vroman (2001) [Columns (2) and (5)], or operating in a two-digit SIC industry with an above median share of employees covered by collective bargaining agreement (see Hirsh and Macpherson (2003)) [Columns (3) and (6)]. Panel B restricts the sample to firms headquartered in a state with a right-to-work law, firms headquartered in state with below median union coverage, and firms operating in a 2-digit SIC industry with below median union coverage. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. **significant at the 5% level.

Dependent variable =	**Number of acquisitions**			**Number of diversifying acquistions**		
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Firms with MORE union representation in year T-1						
	No right-to-work law	**High state union coverage**	**High industry union coverage**	**No right-to-work law**	**High state union coverage**	**High industry union coverage**
BC law	0.025	0.015	0.020	0.013	0.008	0.010
	(0.017)	(0.019)	(0.020)	(0.012)	(0.016)	(0.017)
N	394,255	215,756	248,255	394,255	215,756	248,255
R^2	0.49	0.56	0.45	0.48	0.56	0.44
Panel B: Firms with LESS union representation in year T-1						
	Right-to-work law	**Low state union coverage**	**Low industry union coverage**	**Right-to-work law**	**Low state union coverage**	**Low industry union coverage**
BC law	0.020	0.027**	0.027**	0.016	0.015	0.017**
	(0.013)	(0.011)	(0.011)	(0.010)	(0.009)	(0.008)
N	150,957	329,456	243,373	150,957	329,456	243,373
R^2	0.57	0.49	0.51	0.57	0.47	0.51
Firm-cohort FE	X	X	X	X	X	X
State-year-cohort FE	X	X	X	X	X	X
Industry-year-cohort FE	X	X	X	X	X	X
P-value of difference	0.816	0.457	0.671	0.867	0.672	0.648

Appendix Table A.7

Heterogeneity with respect to debt concentration

This table reports coefficients from firm-panel regressions of the number of acquisitions or the number of diversifying acquisitions on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm-by-cohort fixed effects, state-of-location-by-year-by-cohort fixed effects, and 4-digit SIC industry-by-year-by-cohort fixed effects. The data include firm-year-cohort observations in the 10 years before and 10 years after the adoption of each new BC law. Panel A restricts the sample to firms with greater debt concentration in the year prior to a BC law being adopted, as measured by having an above median Herfindahl-Hirschman index (HHI) for firms' various long-term debt components, as reported in Compustat, [Columns (1) and (3)] or more than 90% of the firm's long-term debt coming from one type of debt [Columns (2) and (4)]. Panel B restricts the sample to firms with a below median debt HHI or firms where no one type of debt accounts for more than 90% of the firm's long-term debt. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses.

Dependent variable =	**Number of acqusitions**		**Number of diversifying acquisitions**	
	(1)	(2)	(3)	(4)
Panel A: Firms with MORE debt concentration in year T-1				
	High debt HHI	**One debt type > 90% of total**	**High debt HHI**	**One debt type > 90% of total**
BC law	0.011	0.012	0.004	0.004
	(0.009)	(0.009)	(0.008)	(0.008)
N	208,669	191,996	208,669	191,996
R^2	0.52	0.522	0.51	0.506
Panel B: Firms with LESS debt concentration in year T-1				
	Low debt HHI	**No debt type > 90% of total**	**Low debt HHI**	**No debt type > 90% of total**
BC law	0.030	0.037	0.015	0.022
	(0.027)	(0.025)	(0.022)	(0.021)
N	218,562	235,235	218,562	235,235
R^2	0.57	0.563	0.56	0.557
Firm-cohort FE	X	X	X	X
State-year-cohort FE	X	X	X	X
Industry-year-cohort FE	X	X	X	X
P-value of difference	0.502	0.323	0.642	0.421

Appendix Table A.8

Robustness of inside ownership to using only CEOs present in year *T*-1

This table reports coefficients from firm-panel regressions of the number of acquisitions or the number of diversifying acquisitions on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm-by-cohort fixed effects, state-of-location-by-year-by-cohort fixed effects, and 4-digit SIC industry-by-year-by-cohort fixed effects. The data include firm-year-cohort observations in the 10 years before and 10 years after the adoption of each new BC law. Panel A restricts the sample to firms with above median inside ownership in the year before a BC law's adoption. Panel B restricts the sample to firms with below median inside ownership. In both panels, the sample includes only observations for which a firm's CEO is the same as when the BC law was adopted. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ** significant at the 5% level.

Dependent variable =	**Number of acquisitions**	**Number of diversifying acquisitions**
	(1)	(2)
Panel A. Firms with ABOVE median inside ownership in year T-1		
BC law	0.093	0.161**
	(0.080)	(0.067)
N	29,391	29,391
R^2	0.83	0.82
Panel B. Firms with BELOW median inside ownership in year T-1		
BC law	-0.017	0.028
	(0.013)	(0.130)
N	66,730	66,730
R^2	0.73	0.70
Firm-cohort FE	X	X
State-year-cohort FE	X	X
Industry-year-cohort FE	X	X
P-value of difference	0.319	0.199

Appendix Table A.9

Robustness to excluding financial firms

This table reports coefficients from firm-panel regressions of stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash holdings, and acquisition activity on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects, state-of-location-by-year fixed effects, and 4-digit SIC industry-by-year fixed effects. The sample and estimation is the same as in Tables 2 and 3, except that financial firms (SIC = 6000-6999) are excluded. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level; *significant at the 10% level.

Dependent Var. =	**Stock volatility**	**Performance-related exit**	**Operating asset volatility**	**Cash flow volatility**	**Ln(Cash)**	**Number of acquisitions**	**Any acquisition indicator**	**Deal value / (Acquirer assets in t-1)**	**Number of diversifying acquisitions**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BC law	-0.018*	-0.040***	-0.016**	-0.0022	0.123**	0.032**	0.011*	0.0021*	0.021**
	(0.009)	(0.013)	(0.007)	(0.0026)	(0.051)	(0.013)	(0.006)	(0.0011)	(0.010)
Firm FE	X	X	X	X	X	X	X	X	X
State-year FE	X	X	X	X	X	X	X	X	X
Industry-year FE	X	X	X	X	X	X	X	X	X
N	106,847	160,919	97,121	97,306	141,600	157,437	157,437	123,730	157,437
R^2	0.65	0.80	0.75	0.53	0.80	0.38	0.32	0.26	0.35

Appendix Table A.10

Robustness to stopping sample in 1995 and ignoring adoption of later BC laws

This table reports coefficients from firm-panel regressions of stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash holdings, and acquisition activity on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects, state-of-location-by-year fixed effects, and 4-digit SIC industry-by-year fixed effects. The sample and estimation is the same as in Tables 2 and 3, except that only firm-year observations from 1976 to 1995 are included. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level; *significant at the 10% level.

Dependent var. =	**Stock volatility**	**Performance-related exit**	**Operating asset volatility**	**Cash flow volatility**	**Ln(Cash)**	**Number of acquisitions**	**Any acquisition indicator**	**Deal value / (Acquirer assets in t-1)**	**Number of diversifying acquisitions**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BC law	-0.019**	-0.040***	-0.009*	-0.0029	0.123***	0.019**	0.009**	0.0015*	0.012*
	(0.007)	(0.013)	(0.005)	(0.0032)	(0.045)	(0.009)	(0.004)	(0.0008)	(0.007)
Firm FE	X	X	X	X	X	X	X	X	X
State-year FE	X	X	X	X	X	X	X	X	X
Industry-year FE	X	X	X	X	X	X	X	X	X
N	72,685	111,116	61,668	52,283	92,890	109,447	109,447	84,599	109,447
R^2	0.64	0.25	0.78	0.55	0.85	0.42	0.32	0.31	0.39

Appendix Table A.11

Robustness to excluding firms that lobbied for BC laws' adoption, as identified in Karpoff and Wittry (2014)

This table reports coefficients from firm-panel regressions of stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets (CF/A), log cash holdings, and acquisition activity on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects, state-of-location-by-year fixed effects, and 4-digit SIC industry-by-year fixed effects. The sample and estimation is the same as in Tables 2 and 3, except that we exclude observations for firms that lobbied for the BC law's adoption, as listed in Table 3 of Karpoff and Wittry (2014). Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level; *significant at the 10% level.

Dependent var.=	**Stock volatility**	**Performance-related exit**	**Operating asset volatility**	**Cash flow volatility**	**Ln(Cash)**	**Number of acquisitions**	**Any acquisition indicator**	**Deal value / (Acquirer assets in t-1)**	**Number of diversifying acquisitions**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BC law	-0.023***	-0.035***	-0.015**	-0.0029	0.122**	0.027**	0.009*	0.0016*	0.017**
	(0.008)	(0.011)	(0.006)	(0.0027)	(0.050)	(0.011)	(0.005)	(0.0008)	(0.008)
Firm FE	X	X	X	X	X	X	X	X	X
State-year FE	X	X	X	X	X	X	X	X	X
Industry-year FE	X	X	X	X	X	X	X	X	X
N	132,073	195,392	120,036	100,723	172,303	191,630	191,630	152,537	191,630
R^2	0.66	0.22	0.78	0.56	0.83	0.38	0.33	0.27	0.35

Appendix Table A.12

Robustness to only using CEOs present year prior to BC law adoption

This table reports coefficients from firm-panel regressions of stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash holdings, and acquisition activity on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects, state-of-location-by-year fixed effects, and 4-digit SIC industry-by-year fixed effects. The estimation is the same as in Tables 2 and 3, but the sample is restricted to observations for which a firm's CEO is the same as when the BC law was adopted. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level; *significant at the 10% level.

Dependent var. =	**Stock volatility**	**Performance-related exit**	**Operating asset volatility**	**Cash flow volatility**	**Ln(Cash)**	**Number of acquisitions**	**Any acquisition indicator**	**Deal value / (Acquirer assets in t-1)**	**Number of diversifying acquisitions**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BC law	-0.115***	-0.095***	-0.033**	-0.0107**	0.502***	0.070***	0.029***	-0.0011	0.059***
	(0.026)	(0.021)	(0.013)	(0.0053)	(0.115)	(0.019)	(0.012)	(0.0028)	(0.015)
Firm FE	X	X	X	X	X	X	X	X	X
State-year FE	X	X	X	X	X	X	X	X	X
Industry-year FE	X	X	X	X	X	X	X	X	X
N	80,409	114,730	76,284	61,179	105,880	113,473	113,473	90,240	113,473
R^2	0.73	0.30	0.81	0.59	0.83	0.45	0.40	0.34	0.43

Appendix Table A.13

Robustness to being incorporated and located in the same state versus different states

This table reports coefficients from firm-panel regressions of stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash holdings, and acquisition activity on interactions between an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law and indicators for being located and incorporated in the same state or not, firm fixed effects, state-of-location-by-year fixed effects, and 4-digit SIC industry-by-year fixed effects. The sample and estimation is the same as in Tables 2 and 3, except that the BC law indicator is now interacted with (1) an indicator for being incorporated in one's state of location and (2) an indicator for being incorporated in a different state. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level; *significant at the 10% level.

Dependent variable =	**Stock volatility**	**Perf.-related exit**	**Operating asset volatility**	**Cash flow volatility**	**Ln(Cash)**	**Number of acq.**	**Any acq. ind.**	**Deal val. / (Acq. assets in t-1)**	**Number of div. acq.**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BC law × Located in same state	-0.029***	-0.035***	-0.005	-0.0072*	0.174***	0.031**	0.013*	0.0014	0.013
	(0.009)	(0.010)	(0.008)	(0.0041)	(0.050)	(0.013)	(0.007)	(0.0013)	(0.010)
BC law × Located in different state	-0.021***	-0.035***	-0.020***	-0.0009	0.097*	0.026**	0.008*	0.0018**	0.019**
	(0.008)	(0.012)	(0.006)	(0.0023)	(0.050)	(0.011)	(0.005)	(0.0008)	(0.008)
Firm FE	X	X	X	X	X	X	X	X	X
State-year FE	X	X	X	X	X	X	X	X	X
Industry-year FE	X	X	X	X	X	X	X	X	X
N	132,494	195,895	120,401	100,893	172,739	192,133	192,133	152,970	192,133
R^2	0.66	0.22	0.72	0.56	0.83	0.38	0.33	0.27	0.35

Appendix Table A.14

Robustness to other legal changes and court rulings, as identified in Karpoff and Wittry (2014)

This table reports coefficients from firm-panel regressions of stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash holdings, and acquisition activity on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects, state-of-location-by-year fixed effects, 4-digit SIC industry-by-year fixed effects, and additional controls for other anti-takeover laws and court rulings. All independent variables are defined as in Karpoff and Wittry (2014). The sample and estimation is the same as in Tables 2 and 3, except for the additional control variables. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level; *significant at the 10% level.

Dependent variable =	**Stock volatility**	**Performance-related exit**	**Operating asset volatility**	**Cash flow volatility**	**Ln(Cash)**	**Number of acquisitions**	**Any acquisition indicator**	**Deal val. / (Acq. assets in t-1)**	**Number of diversifying acquisitions**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BC law	-0.018*	-0.036**	-0.004	-0.0074*	0.105**	0.025*	0.012**	0.0011	0.025**
	(0.009)	(0.018)	(0.006)	(0.0040)	(0.043)	(0.014)	(0.005)	(0.0013)	(0.010)
Controls for first-generation, poison pill, control share acquisition, directors' duties, and fair price laws	X	X	X	X	X	X	X	X	X
Controls for *MITE*, *CTS*, *Amanda*, and *Unitrin* court decisions	X	X	X	X	X	X	X	X	X
Controls for first-generation law × *MITE*, Control share acquisition law × *CTS*, Business combination law × *Amanda*, Poison pill law × *Unitrin*	X	X	X	X	X	X	X	X	X
Firm FE	X	X	X	X	X	X	X	X	X
State-year FE	X	X	X	X	X	X	X	X	X
Industry-year FE	X	X	X	X	X	X	X	X	X
N	132,484	195,878	120,391	100,893	172,722	192,116	192,116	152,961	192,116
R^2	0.66	0.22	0.78	0.53	0.83	0.38	0.33	0.27	0.35

Appendix Table A.15

Robustness to excluding firms incorporated in Delaware

This table reports coefficients from firm-panel regressions of stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash holdings, and acquisition activity on an indicator for whether a firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects, state-of-location-by-year fixed effects, and 4-digit SIC industry-by-year fixed effects. The sample and estimation is the same as in Tables 2 and 3, except that firms incorporated in Delaware are excluded. Standard errors, which are adjusted for clustering at the state-of-incorporation level, are reported in parentheses. ***significant at the 1% level; **significant at the 5% level; *significant at the 10% level.

Dependent Var. =	**Stock volatility**	**Performance-related exit**	**Operating asset volatility**	**Cash flow volatility**	**Ln(Cash)**	**Number of acquisitions**	**Any acquisition indicator**	**Deal value / (Acquirer assets in t-1)**	**Number of diversifying acquisitions**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BC law	-0.024	-0.024***	-0.013	-0.0097*	0.225***	0.046***	0.020**	0.0016	0.038***
	(0.018)	(0.006)	(0.013)	(0.0055)	(0.081)	(0.017)	(0.008)	(0.0012)	(0.011)
Firm FE	X	X	X	X	X	X	X	X	X
State-year FE	X	X	X	X	X	X	X	X	X
Industry-year FE	X	X	X	X	X	X	X	X	X
N	64,652	99,288	58,477	46,916	85,478	95,526	95,526	76,351	95,526
R^2	0.71	0.64	0.81	0.62	0.85	0.49	0.40	0.35	0.48