

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 (2.50)	4.02 (2.52)	0.533
Return on assets	-0.032 (0.387)	-0.046 (0.415)	0.217
Debt / Assets	0.293 (0.297)	0.294 (0.315)	0.896
3-year asset CAGR (%)	13.54 (31.78)	13.83 (36.64)	0.824
Stock volatility	0.539 (0.313)	0.547 (0.373)	0.683
Cash flow volatility	0.077 (0.095)	0.077 (0.099)	0.948
Indicator for acquisition	0.076 (0.265)	0.088 (0.283)	0.276
# of diversifying acquisitions	0.070 (0.351)	0.086 (0.424)	0.148
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.

<i>Dependent variable =</i>	Stock volatility	Performance- related exit	Operating asset volatility	Cash flow volatility	Ln(Cash)
	(1)	(2)	(3)	(4)	(5)
BC law	-0.023*** (0.008)	-0.035*** (0.011)	-0.015** (0.006)	-0.0028 (0.0026)	0.121** (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
R²	0.66	0.22	0.78	0.534	0.83