

## **Online Appendix**

### **Playing it Safe? Managerial Preferences, Risk, and Agency Conflicts**

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**Table OA1**

## Medians used to split the sample

This table reports the sample medians used to split the sample for the matched difference-in-differences estimations reported in Tables 8–11. For each year that a business combination (BC) law is adopted, we split the sample using each variable’s median value across all firms in the prior year. Because BC laws were adopted in 1997 and in every year from 1985–1991, eight separate medians are used to split the sample in each estimation. The variables are defined in Table A2 of the article’s printed appendix.

Variable											
			<i>Operating</i>			<i>Inside</i>	<i>Inside</i>				
<i>Cash flow</i>	<i>Leverage</i>	<i>Stock</i>	<i>asset</i>	<i>Cash flow</i>	<i>Cash in \$</i>	<i>Yermack</i>	<i>Insider</i>	<i>State</i>	<i>Industry</i>		
<i>/ Assets</i>	[Tables 8	<i>volatility</i>	<i>volatility</i>	<i>volatility</i>	<i>millions</i>	<i>data</i>	<i>Filing data</i>	<i>coverage</i>	<i>coverage</i>	<i>Debt HHI</i>	
[Table 8]	and 11]	[Table 8]	[Table 8]	[Table 8]	[Table 8]	[Tables 9	[Tables 9	[Table 10]	[Table 10]	[Table 10]	
(1)	(2)	(3)	(4)	(5)	(6)	and 11]	and 11]	(9)	(10)	(11)	
Median by sample year											
1984	0.099	0.226	0.380	0.211	0.063	0.673	0.0017	.	25.2	17.2	0.708
1985	0.097	0.241	0.401	0.225	0.069	0.565	0.0019	.	24.3	15.2	0.716
1986	0.084	0.246	0.449	0.263	0.070	0.585	0.0017	0.0136	23.5	14.6	0.742
1987	0.084	0.244	0.610	0.333	0.072	0.803	0.0019	0.0421	22.8	14.4	0.751
1988	0.089	0.253	0.469	0.255	0.071	1.714	0.0018	0.0373	22.0	13.8	0.756
1989	0.103	0.266	0.443	0.241	0.069	1.916	0.0018	0.0350	22.3	13.9	0.763
1990	0.110	0.257	0.552	0.269	0.066	2.003	0.0019	0.0387	21.7	13.3	0.781
1996	0.100	0.178	0.542	0.346	0.069	4.545	.	0.0553	19.2	7.1	0.872
Distribution of medians											
Mean	0.096	0.239	0.481	0.268	0.069	1.600	0.0018	0.0370	22.6	13.7	0.761
Median	0.098	0.245	0.459	0.259	0.069	1.259	0.0018	0.0380	22.6	14.2	0.754
Min	0.084	0.178	0.380	0.211	0.063	0.565	0.0017	0.0136	19.2	7.1	0.708
Max	0.110	0.266	0.610	0.346	0.072	4.545	0.0019	0.0553	25.2	17.2	0.872

**Table OA2**

## Robustness to excluding financial firms

This table reports coefficients from firm-panel regressions of a firm's stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash, and acquisition activity on an indicator for whether the firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects (FE), state-of-location-by-year FE, and four-digit standard industrial classification industry-by-year FE. The estimation is the same as in Tables 2 and 3, except that financial firms (SIC = 6000–6999) are excluded from the sample. Standard errors, which are adjusted for clustering at the state of incorporation level, are reported in parentheses. The variables are defined in Table A2 of the article's printed appendix. \*\*\* denotes significance at the 1% level; \*\* denotes significance at the 5% level; \* denotes significance at the 10% level.

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

**Table OA3**

Robustness to ending the sample in 1995

This table reports coefficients from firm-panel regressions of a firm's stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash, and acquisition activity on an indicator for whether the firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects (FE), state-of-location-by-year FE, and four-digit standard industrial classification industry-by-year FE. The estimation is the same as in Tables 2 and 3, except that the sample is restricted to firm-year observations from 1976–1995. Standard errors, which are adjusted for clustering at the state of incorporation level, are reported in parentheses. The variables are defined in Table A2 of the article's printed appendix. \*\*\* denotes significance at the 1% level; \*\* denotes significance at the 5% level; \* denotes significance at the 10% level.

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

**Table OA4****Robustness to excluding firms that lobbied for business combination (BC) laws' adoption**

This table reports coefficients from firm-panel regressions of a firm's stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash, and acquisition activity on an indicator for whether the firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects (FE), state-of-location-by-year FE, and four-digit standard industrial classification industry-by-year FE. The estimation is the same as in Tables 2 and 3, except that firms listed in Table 3 of Karpoff and Wittry (2014) as having lobbied for the BC law's adoption are excluded from the sample. Standard errors, which are adjusted for clustering at the state of incorporation level, are reported in parentheses. The variables are defined in Table A2 of the article's printed appendix. \*\*\* denotes significance at the 1% level; \*\* denotes significance at the 5% level; \* denotes significance at the 10% level.

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

**Table OA5**

Robustness to limiting the sample to chief executive officers present in the year prior to a business combination (BC) law's adoption

This table reports coefficients from firm-panel regressions of a firm's stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash, and acquisition activity on an indicator for whether the firm's state of incorporation has adopted a business combination law, firm fixed effects (FE), state-of-location-by-year FE, and four-digit standard industrial classification industry-by-year FE. The estimation is the same as in Tables 2 and 3, except that 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. The variables are defined in Table A2 of the article's printed appendix. \*\*\* denotes significance at the 1% level; \*\* denotes significance at the 5% level; \* denotes significance at the 10% level.

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

**Table OA6****Robustness with respect to whether the firm is incorporated in its headquarters' state**

This table reports coefficients from firm-panel regressions of a firm's stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash, and acquisition activity on interactions between an indicator for whether the firm's state of incorporation has adopted a business combination (BC) law and indicators for being incorporated in/outside the firm's headquarters' (HQ) state, firm fixed effects (FE), state-of-location-by-year FE, and four-digit standard industrial classification industry-by-year FE. The 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. The variables are defined in Table A2 of the article's printed appendix. \*\*\* denotes significance at the 1% level; \*\* denotes significance at the 5% level; \* denotes significance at the 10% level.

	Dependent variable								
	<i>Stock volatility</i> (1)	<i>Performance-related exit</i> (2)	<i>Operating asset volatility</i> (3)	<i>Cash flow volatility</i> (4)	<i>Ln(Cash)</i> (5)	<i>Number of acquisitions</i> (6)	<i>Any acquisition indicator</i> (7)	<i>Deal value / Acquirer assets in t-1</i> (8)	<i>Number of diversifying acquisitions</i> (9)
<i>BC law × Incorporated in HQ state</i>	-0.029*** (0.009)	-0.035*** (0.010)	-0.005 (0.008)	-0.0072* (0.0041)	0.174*** (0.050)	0.031** (0.013)	0.013* (0.007)	0.0014 (0.0013)	0.013 (0.010)
<i>BC law × Incorporated in different state</i>	-0.021*** (0.008)	-0.035*** (0.012)	-0.020*** (0.006)	-0.0009 (0.0023)	0.097* (0.050)	0.026** (0.011)	0.008* (0.005)	0.0018** (0.0008)	0.019** (0.008)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State-year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	132,494	195,895	120,401	100,893	172,739	192,133	192,133	152,970	192,133
<i>R</i> <sup>2</sup>	0.66	0.22	0.72	0.56	0.83	0.38	0.33	0.27	0.35

**Table OA7****Robustness to controlling for other legal changes and court rulings**

This table reports coefficients from firm-panel regressions of a firm's stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash, and acquisition activity on an indicator for whether the firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects (FE), state-of-location-by-year FE, four-digit standard industrial classification industry-by-year FE, and additional controls for other anti-takeover laws and court rulings. All independent variables are defined as in Karpoff and Wittry (2014). The 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. The variables are defined in Table A2 of the article's printed appendix. \*\* denotes significance at the 5% level; \* denotes significance at the 10% level.

	Dependent variable								
	<i>Stock volatility</i>	<i>Performance-related exit</i>	<i>Operating asset volatility</i>	<i>Cash flow volatility</i>	<i>Ln(Cash)</i>	<i>Number of acquisitions</i>	<i>Any acquisition indicator</i>	<i>Deal value / Acquirer assets in t-1</i>	<i>Number of diversifying acquisitions</i>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>BC law</i>	-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	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls for <i>MITE</i> , <i>CTS</i> , <i>Amanda</i> , and <i>Unitrin</i> court decisions	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls for first-generation law × <i>MITE</i> , Control share acquisition law × <i>CTS</i> , Business combination law × <i>Amanda</i> , Poison pill law × <i>Unitrin</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State-year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry-year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	132,484	195,878	120,391	100,893	172,722	192,116	192,116	152,961	192,116
<i>R</i> <sup>2</sup>	0.66	0.22	0.78	0.53	0.83	0.38	0.33	0.27	0.35



**Table OA.8****Robustness to excluding firms incorporated in Delaware**

This table reports coefficients from firm-panel regressions of a firm's stock volatility, performance-related exit, operating asset volatility, volatility of quarterly cash flow to assets, log cash, and acquisition activity on an indicator for whether the firm's state of incorporation has adopted a business combination (BC) law, firm fixed effects (FE), state-of-location-by-year FE, and four-digit standard industrial classification industry-by-year FE. The estimation is the same as in Tables 2 and 3, except that firms incorporated in Delaware are excluded from the sample. Standard errors, which are adjusted for clustering at the state of incorporation level, are reported in parentheses. The variables are defined in Table A2 of the article's printed appendix. \*\*\* denotes significance at the 1% level; \*\* denotes significance at the 5% level; \* denotes significance at the 10% level.

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