

**Internet Appendix for
The Effect of Takeover Protection in
Quiet Life and Bonding Firms**

September 1, 2023

Internet Appendix Table 1

Channels Tests

This table reports regressions of the effect of BC Laws on the marginal value of cash for the full sample of 86,418 firm-year-observations of U.S. firms, excluding financials (SIC 4900-4999), utilities (SIC 6000-6999), and public administration firms (SIC 9000-9999), in the merged CRSP-COMPUSTAT database with complete data from 1972 to 2010. The dependent variable in each model is the Excess Stock Return. Model (1) is run only on High Growth firms (Tobin's Q > Compustat 70th percentile) while models (2) is run only on Low Growth (Tobin's Q < Compustat 30th percentile) firms. Model (3) is run only on firms residing in Bad Bid Industries (the number of value-destroying acquisitions in the 2-digit SIC code industry is above the 70th percentile for at least two years running) while model (4) is run only on firms where Bad Bid Industry equals zero. Additional Controls indicates that the model also contains Δ Earnings, Δ Net Assets, Δ R&D, Δ Interest, Δ Dividends, Cash (t-1), Leverage, and New Finance, but the estimates are omitted to conserve space. Each model includes firm fixed effects. All variables are defined in Appendix A. P-values based on robust clustered standard errors at the firm level are reported below the parameter estimates. The difference (Diff) in coefficient estimates is reported. Estimates with the p-value for statistical significance as indicated. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	Excess Stock Return					
	High Investment Opportunities	Low Investment Opportunities	Diff	Bad Bid Industry = 1	Bad Bid Industry = 0	Diff
	(1)	(2)		(3)	(4)	
BC Law x Δ Cash	0.516*** (0.000)	0.076* (0.063)	0.440*** (0.000)	-0.120 (0.412)	0.162*** (0.000)	-0.282* (0.062)
BC Law	0.051*** (0.002)	-0.001 (0.936)	0.052*** (0.004)	0.040 (0.247)	-0.003 (0.603)	0.043 (0.220)
Δ Cash	1.646*** (0.000)	0.457*** (0.000)	1.189*** (0.000)	1.650*** (0.000)	0.688*** (0.000)	0.962*** (0.000)
Additional Controls	Yes	Yes		Yes	Yes	
Firm FE	Yes	Yes		Yes	Yes	
Adjusted R-squared	0.282	0.233		0.278	0.238	
N	22,537	25,392		18,683	67,735	

Internet Appendix Table 2
Cash Raising v. Cash Distributing Regimes

This table reports regressions of the effect of BC Laws on the marginal value of cash for the full sample of 86,418 firm-year-observations of U.S. firms, excluding financials (SIC 4900-4999), utilities (SIC 6000-6999), and public administration firms (SIC 9000-9999), in the merged CRSP-COMPUSTAT database with complete data from 1972 to 2010. The dependent variable in each model is the Excess Stock Return. Model (1) is run only on firms raising cash (following Halford et al (2016): issues stock exceeding three percent of market capitalization) while model (2) is run only on firms distributing cash (following Halford et al (2016): pays dividends or makes repurchases exceeding issuances and does not issue or pay down debt). Additional Controls indicates that the model also contains Δ Earnings, Δ Net Assets, Δ R&D, Δ Interest, Δ Dividends, Cash (t-1), Leverage, and New Finance, but the estimates are omitted to conserve space. Each model includes firm fixed effects. All variables are defined in Appendix A. P-values based on robust clustered standard errors at the firm level are reported below the parameter estimates. The difference (Diff) in coefficient estimates is reported. Estimates with the p-value for statistical significance as indicated. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively.

	Excess Stock Return		
	Cash Raising Firm	Cash Distributing Firm	Diff
	(1)	(2)	
BC Law x Δ Cash	0.476*** (0.000)	0.048 (0.306)	0.428*** (0.000)
BC Law	0.086*** (0.001)	-0.015*** (0.006)	0.100*** (0.000)
Δ Cash	0.805*** (0.000)	0.583*** (0.000)	0.223*** (0.006)
Additional Controls	Yes	Yes	
Firm FE	Yes	Yes	
Adjusted R-squared	0.287	0.210	
N	13,279	48,016	