Internet Appendices C and D:
When a Buyer Gets Cold Feet:
What is the Value of a Bidder Termination Provision in a Takeover?

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ABSTRACT

This article contains internet appendices C and D that accompany our paper "*When a Buyer Gets Cold Feet: What is the Value of a Bidder Termination Provision in a Takeover?*". Appendix C presents extensions to the main model in the paper. Appendix D reports the results of additional analysis that is not reported in the main text of the paper.

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Appendix C - Model Extensions

This appendix presents extensions to the model in Section 2 of the main text of our paper. The notation used follows what is in the main text of the paper. All works cited are listed in the References section in the main text of our paper.

C.1   Target Termination Provisions

In this section we examine how a target's termination right in the presence of a competing bid by another bidder affects our predictions regarding bidder termination provisions. For tractability, we examine this by modifying the numerical example that we present in Section 2.1. The modification consists of allowing the arrival of a second bidder between the time the target signs the takeover contract with the incumbent bidder and completion. The target firm has the ability to terminate the deal with the incumbent bidder in favor of the deal with a second bidder that presents the better offer (for simplicity, we only consider the second bidder in our example below), and pay a termination fee to the incumbent bidder.

In the same numerical example, K denotes the offer price of the incumbent bidder. That is, the target receives K if the incumbent bidder completes the deal and it does not terminate the deal in favor of the offer from the second bidder. P is the termination fee paid by the incumbent bidder if it terminates the deal. We assume without loss of generality that there is a 50% probability that the second bidder arrives and makes an offer x to the target after the target has signed the takeover contract with the incumbent bidder. This offer is attractive for the target in the sense that it is greater than the expected value of the target firm under the control of its existing management (i.e., $x \geq 0.5(60 + 70)$). The target needs to pay target termination fee of q if it chooses to terminate the deal with the incumbent bidder in the favor of the second bidder's offer.

In the absence of the bidder termination provision, the total expected payoff of the target and the incumbent bidder is

$$\text{Payoff}(Total) = 0.5[0.5(100 - 70) + 0.5(50 - 60)] + 0.5[x - 0.5(60 + 70)] = 0.5x - 27.5,$$

and the total payoff is shared equally by the bidder and target who have equal bargaining power

$$\text{Payoff}(Target) = \text{Payoff}(Bidder) = 0.25x - 13.75.$$

Now we consider the inclusion of a bidder termination provision. An optimal price, bidder termination fee and target termination fee ensure that the bidder terminates the deal in the bad state and the target terminates the deal whenever a second bidder arrives with a superior bid conditional on target firm's expected payoff with the second bidder exceeding its payoff from completing the deal with the incumbent bidder.

Like the basic setup without a target termination fee and a second bidder, the incumbent bidder's payoff from terminating the deal in the bad state, $-P$, must be greater than its payoff from completing the deal, $50 - K$. Therefore, the optimal price and bidder termination fee must satisfy the inequality $50 - K < -P$ or $P < K - 50$. Moreover, the optimal price, the bidder termination fee, and the target termination fee must satisfy the inequality $0.5(K-70)+0.5P < x-0.5(60+70)-q$. This inequality ensures that it is rational for the target to terminate the incumbent offer (for which its payoff is $0.5(K-70)+0.5P$) in favor of the second bidder's offer (for which its payoff is $x - 0.5(60 + 70) - q$).[1]

Next, we consider the combined expected payoff with bidder and target termination provisions and a 50% chance of arrival of a second bidder. If the bidder completes the deal in the good state and terminates it in the bad state, the payoffs to the target and the incumbent bidder are

$$\text{Payoff}(Target) = 0.5[0.5(K - 70) + 0.5P] + 0.5[x - 0.5(60 + 70) - q]$$

$$\text{Payoff}(Bidder) = 0.5[0.5(100 - K) - 0.5P] + 0.5q$$

Summing the two payoffs yields a total expected payoff, $\text{Payoff}(Total) = 0.5x - 25$, that is higher than the total expected payoff without a bidder termination provision $(0.5x - 27.5)$. Furthermore, because the bidder and the target have equal bargaining power, they each receive an equal share of the total expected payoff. In this case, the bidder and target are each better off with the inclusion of a bidder termination provision, receiving a payoff of $0.25x - 12.5$, rather than without it where each received $0.25x - 13.75$.

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[1]If there were infinitely many states, then changing these inequality constraints to equality would result in threshold states $P = K - 50$ and $0.5(K - 70) + 0.5P = x - 0.5(60 + 70) - q$ where the incumbent bidder and the target would each terminate the deal in states where their respective payoff from the deal is below the threshold state payoff.

This example illustrates that inclusion of a target termination provision, when there is a possibility of higher bids from other bidders after the contract is signed, does not alter the optimality of the bidder termination provisions. That is, as long as the inclusion of a bidder termination provision is optimal in the absence of a target termination provision, it remains optimal to include a bidder termination provision in the presence of a target termination provision that allows the target to terminate the deal with the incumbent bidder in favor of another offer from the second bidder.

Next, we examine the key prediction of the model — that bidder termination fee increases with the volatility of the target's assets under the bidder's control, σ_B — under the inclusion of a target termination provision (q) in the presence of a competing bid by another bidder. We consider the case where the value of the target under bidder control in the bad state is determined by $50 - \delta$ so that σ_B increases with δ. We then derive the comparative static of the model with respect to the σ_B. We show that, the bidder termination fee (P^*) as a fraction of the offer price (K^*) expressed by $p^* = \frac{P^*}{K^*}$ increases in σ_B.

The comparative static of p^* with respect to σ_B can be expressed as follows:

$$\frac{\partial p^*}{\partial \sigma_B} = \frac{\partial(\frac{P^*}{K^*})}{\partial \delta} \frac{\partial \delta}{\partial \sigma_B}$$

It is straightforward to show that $\frac{\partial \delta}{\partial \sigma_B} > 0$ as $\text{Var}(S_B) = (25 + 0.5\delta)^2$. Hence, $\sigma_B = 25 + 0.5\delta$. Thus, $\frac{\partial \delta}{\partial \sigma_B} > 0$. Therefore, the comparative static for the bidder termination fee expressed as a percentage of the offer price with respect to σ_B has the same sign as the comparative static for the bidder termination fee expressed as a percentage of the offer price with respect to δ. To sign $\frac{\partial(\frac{P^*}{K^*})}{\partial \delta}$, we need to solve for the optimal bidder termination fee (P^*) and offer price (K^*).

As elaborated above, there are two binding constraints that must hold so that the incumbent bidder would terminate the deal in the bad state and the target firm would prefer the second bidder's offer over the incumbent bidder's offer. Moreover, because the bidder and the target have equal bargaining power, they each receive an equal share of the total expected payoff. As elaborated above this results in an expected payoff of $0.25x - 12.5$ for each party. This produces a third equation needed to solve for the optimal bidder termination fee, offer price, and the target termination fee.

$$K - (50 - \delta) = P$$

$$0.5(K - 70) + 0.5P = x - 0.5(60 + 70) - q$$

$$0.5(0.5(K - 70) + 0.5P) + 0.5(x - 0.5(60 + 70) - q) = 0.25x - 12.5$$

Solving these equations results in the following expressions for the optimal bidder termination fee, offer price and the target termination fee:[2]

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\begin{aligned}
P^* &= \frac{x}{4} + \frac{\delta}{2} - 2.5 \\
K^* &= \frac{x}{4} - \frac{\delta}{2} + 47.5 \\
q^* &= \frac{3x}{4} - 52.5
\end{aligned}
$$

Therefore, we can express the optimal bidder termination fee as a fraction of the optimal offer price as follows:

$$p^* = \frac{P^*}{K^*} = \frac{\frac{x}{4} + \frac{\delta}{2} - 2.5}{\frac{x}{4} - \frac{\delta}{2} + 47.5}$$

Hence, the comparative static for the bidder termination fee as a percentage of the offer price (p^*) with respect to δ can be expressed as follows:

$$\frac{\partial p^*}{\partial \delta} = \frac{0.5(\frac{x}{2} + 45)}{(\frac{x}{4} - \frac{\delta}{2} + 47.5)^2} > 0$$

Therefore, $\frac{\partial(\frac{P^*}{K^*})}{\partial \delta} > 0$. Moreover, as illustrated earlier $\frac{\partial \delta}{\partial \sigma_B} > 0$. Hence, $\frac{\partial p^*}{\partial \sigma_B} = \frac{\partial(\frac{P^*}{O^*})}{\partial \delta} \frac{\partial \delta}{\partial \sigma_B} > 0$. In sum, in the presence of a second bidder and a target termination provision, the optimal bidder termination fee as a percentage of the optimal offer price increases when the volatility of the target's assets under the bidder's control increases. Given that this numerical setting includes only one period, we are unable to derive the comparative static with respect to the expected time to completion T. However, given that the mechanism through which T affects P^* is similar to the effect of σ_B on P^*, we can infer that P^* must also increase in T.[3]

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[2]Note that the optimal bidder termination fee P^* is not equal to the optimal target termination fee q^*.

[3]That is, the mechanism through which the time to maturity affects the value of an option is related to effect of volatility on the value of an option. Thus in general, the value of the bidder's real option to abandon the takeover must also increase with the time to maturity.

C.2 Stock Deals

In this section we examine how the use of stock as a method of payment affects our predictions regarding bidder termination provisions. Once again, for tractability, we examine this by modifying the numerical example that we present in Section 2.1. The modification consists of replacing the cash payment in the numerical example, with a payment of the bidder's stock. Let the standalone value of bidder be S_L in the bad state and S_H in the good state . Let β denote the stock swap ratio. That is, $\beta(Bidder\ Value + Target\ Value)$ is paid if the bidder completes the deal.[4] As before, P is a termination fee paid by the bidder if it terminates the deal. In the absence of a termination provision, like the cash deal, the total expected payoff of the target and bidder is $\text{Payoff}(Total) = 0.5(100-70)+0.5(50-60) = 10$ and the total payoff is shared equally by the bidder and target who have equal bargaining power ($\text{Payoff}(Target) = \text{Payoff}(Bidder) = 5$).

When a bidder termination provision is included, it will not be optimal for the bidder to complete the deal in the bad state if the bidder's payoff from terminating the deal in the bad state, $-P$, is greater than its payoff from completing the deal, $50 - \beta(S_L + 50)$. Therefore, the optimal price and termination fee must satisfy the inequality $P < \beta(S_L+50) - 50$. Like the cash payment setup, if the bidder completes the deal in the good state and terminates it in the bad state, the payoffs to the target and the bidder are

$$\text{Payoff}(Target) = 0.5(\beta(S_H + 100) - 70)) + 0.5P$$

$$\text{Payoff}(Bidder) = 0.5(100 - \beta(S_H + 100)) - 0.5P.$$

Like the cash setup, summing the two payoffs yields a total expected payoff, $\text{Payoff}(Total) = 15$, that is higher than the total expected payoff without a bidder termination provision (10). Furthermore, because the bidder and target have equal bargaining power, they each receive an equal share of the total expected payoff (7.5). Therefore, like to the cash deal, the bidder and target are each better off with the inclusion of a bidder termination provision, receiving a payoff of 7.5, than without it where each received 5.

Next, we examine the key prediction of the model — that bidder termination fee increases with the volatility of the target's assets under the bidder's control, σ_B — if the method of payment is stock

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[4]Here $Target\ Value$ refers to the target value under the bidder's control.

instead in cash. We consider the case were the value of the target under bidder control in the bad state is determined by $50 - \delta$ so that σ_B increases with δ. We can then derive the comparative static of the model with respect to the σ_B. We show that, as is the case in the cash setup, in a stock deal the bidder termination fee (P^*) as a fraction of the offer price (O^*) increases in σ_B. In our numerical example of a stock deal, $p^* = \frac{P^*}{O^*}$ where $O^* = \beta^*(75 - \frac{\delta}{2} + \frac{S_H + S_L}{2})$.

The comparative static of p^* with respect to σ_B can be expressed as follows:

$$\frac{\partial p^*}{\partial \sigma_B} = \frac{\partial(\frac{P^*}{O^*})}{\partial \delta} \frac{\partial \delta}{\partial \sigma_B}$$

It is straightforward to show that $\frac{\partial \delta}{\partial \sigma_B} > 0$ as $\mathrm{Var}(S_B) = (25 + 0.5\delta)^2$. Hence, $\sigma_B = 25 + 0.5\delta$. Thus, $\frac{\partial \delta}{\partial \sigma_B} > 0$.

Therefore, the comparative static for the bidder termination fee expressed as a percentage of the offer price with respect to σ_B has the same sign as the comparative static for the bidder termination fee expressed as a percentage of the offer price with respect to δ. To sign $\frac{\partial(\frac{P^*}{O^*})}{\partial \delta}$, we first solve for optimal offer price and bidder termination fee. Because the bidder's share of the surplus is 7.5, we can write $0.5(100 - \beta(S_H + 100)) - 0.5P = 7.5$. Given that the bidder would terminate the deal in states where the payoff from the deal is below the threshold state payoff, we can also write $P = \beta(S_L + 50) - (50 - \delta)$. Using these equations we can solve for the optimal bidder termination fee P^* and optimal stock swap ratio β^*.

$$\beta^* = \frac{135 - \delta}{150 + S_H + S_L - \delta}$$
$$P^* = \beta^*(50 - \delta + S_L) - (50 - \delta)$$

Therefore, we can express the optimal bidder termination fee as a fraction of the optimal offer price as follows:

$$p^* = \frac{P^*}{O^*} = \frac{\beta^*(50 - \delta + S_L) - (50 - \delta)}{\beta^*(75 - \frac{\delta}{2} + \frac{S_H + S_L}{2})}$$

Hence, the comparative static for the bidder termination fee as a percentage of the offer price with

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respect to δ can be expressed as follows:

$$\frac{\partial(\frac{P^*}{O^*})}{\partial\delta} = \frac{\frac{dP^*}{d\delta}\beta^*(75 - \frac{\delta}{2} + \frac{S_H+S_L}{2}) - P^*(\frac{\partial\beta^*}{\partial\delta}(75 - \frac{\delta}{2} + \frac{S_H+S_L}{2}) - 0.5\beta^*)}{(\beta^*(75 - \frac{\delta}{2} + \frac{S_H+S_L}{2}))^2}$$

The denominator is always positive. Moreover, because $\frac{\partial\beta^*}{\partial\delta} = \frac{-(15+S_L+S_H)}{(150+S_H+S_L-\delta)^2} < 0$, $0 < \beta^* < 1$, $75 - \frac{\delta}{2} + \frac{S_H+S_L}{2} > 0$, and $P^* > 0$, the second term in the numerator is always positive. That is, $-P^*(\frac{\partial\beta^*}{\partial\delta}(75 - \frac{\delta}{2} + \frac{S_H+S_L}{2}) - 0.5\beta^*) > 0$.

The first term in the numerator can be expressed as:

$$\frac{dP^*}{d\delta}\beta^*(75 - \frac{\delta}{2} + \frac{S_H + S_L}{2}) = (\frac{\partial P^*}{\partial\beta^*}\frac{\partial\beta^*}{\partial\delta} + \frac{\partial P^*}{\partial\delta})\beta^*(75 - \frac{\delta}{2} + \frac{S_H + S_L}{2})$$

Substituting for $\beta^* = \frac{135-\delta}{150+S_H+S_L-\delta}$, $\frac{\partial P^*}{\partial\beta^*} = 50 - \delta + S_L$, $\frac{\partial\beta^*}{\partial\delta} = \frac{-(15+S_L+S_H)}{(150+S_H+S_L-\delta)^2}$, and $\frac{\partial P^*}{\partial\delta} = 1 - \frac{135-\delta}{150+S_H+S_L-\delta}$, the first term in the numerator can be rewritten as:

$$\frac{dP^*}{d\delta}\beta^*(75 - \frac{\delta}{2} + \frac{S_H + S_L}{2}) = \frac{(S_L + S_H + 15)(100 + S_U)}{(150 + S_H + S_L - \delta)^2} > 0$$

Therefore, $\frac{\partial(\frac{P^*}{O^*})}{\partial\delta} > 0$ because the first term in the numerator, like the second term and the denominator, is positive. Moreover, as illustrated earlier $\frac{\partial\delta}{\partial\sigma_B} > 0$. Hence, $\frac{\partial p^*}{\partial\sigma_B} = \frac{\partial(\frac{P^*}{O^*})}{\partial\delta}\frac{\partial\delta}{\partial\sigma_B} > 0$. In sum, in the case of a stock payment, like a cash payment, the optimal bidder termination fee as a percentage of the optimal offer price increases when the volatility of the target's assets under the bidder's control increases. Once again, given that this numerical setting includes only one period, we are unable to derive the comparative static with respect to the expected time to completion T. However, as we previously stated, given that the mechanism through which T affects P^* is similar to the effect of σ_B on P^*, we can infer that P^* must also increase in T.

Finally, we compare the size of the bidder termination fee as a percentage of the offer price in cash offers with that in stock offers. In a cash offer because the bidder's share of the surplus is 7.5, we can write $0.5(100 - K) - 0.5P = 7.5$. Given that the bidder would terminate the deal in states where the payoff from the deal is below the threshold state payoff, we can also write $P = K - 50$. Using these equations we can solve for the optimal bidder termination fee $P^* = 17.5$ and optimal offer price $K^* = 67.5$. Therefore,

we can express the optimal bidder termination fee as a fraction of the optimal offer price as follows:

$$p^*_{cash} = \frac{P^*}{K^*} = \frac{17.5}{67.5} = \frac{35}{135}$$

We know using the same numerical example in a stock offer (that is, $\delta = 0$), the optimal bidder termination fee P^* and optimal stock swap ratio β^* can be expressed as follows:

$$\beta^* = \frac{135}{150 + S_H + S_L}$$
$$P^* = \beta^*(50 + S_L) - 50$$

Therefore, in a stock offer we can express the optimal bidder termination fee as a fraction of the optimal offer price as follows:

$$p^*_{stock} = \frac{P^*}{O^*} = \frac{\beta^*(50 + S_L) - 50}{\beta^*(75 + \frac{S_H + S_L}{2})} = \frac{(50 + S_L) - \frac{50}{\beta^*}}{75 + \frac{S_U + S_L}{2}}$$

Substituting for β^*, we can write $p^*_{stock} = \frac{50 + S_L}{75 + \frac{S_U + S_L}{2}} - \frac{100}{135}$. It is straightforward to show that $p^*_{cash} > p^*_{stock}$. We need to show that $\frac{35}{135} > \frac{50 + S_L}{75 + \frac{S_U + S_L}{2}} - \frac{100}{135}$. This inequality can be rewritten as $\frac{50 + S_L}{75 + \frac{S_U + S_L}{2}} < 1$. Now because $S_L \leq S_U$, we have $\frac{50 + S_L}{75 + \frac{S_U + S_L}{2}} \leq \frac{50 + S_L}{75 + \frac{S_L + S_L}{2}} = \frac{50 + S_L}{75 + S_L} < 1$. Therefore, $p^*_{cash} > p^*_{stock}$.

This is an intuitive result. Using stock as a method payment introduces a positive correlation between the value of the target to the bidder and the offer price, because the offer price becomes a function of the bidder's post-merger value, which includes the target's value to the bidder. Thus, stock gives the bidder some "price protection", reducing the bidder's incentive to terminate the deal ceteris paribus. To offset this effect, the optimal BTF is reduced because a lower BTF increases a bidder's incentive to terminate the deal.

Appendix D - Tables Reporting Further Analysis

This appendix reports the results of further analysis to accompany the main text of the paper. All variables not defined in the table captions are defined in Table A.1 in the main text of the paper. All works cited are listed in the References section in the main text of our paper.

Table D.1:

Existing Literature on Bidder Termination Provisions

This table lists published papers in the Finance and Law literatures that discuss bidder termination provisions, which are cited in our paper. "Bidder (target) termination provision" and "bidder (target) termination fee" are abbreviated as "BTP (TTP)" and "BTF (TTF)". The table indicates whether bidder termination provisions are the main focus of the paper, and whether the paper provides any theoretical, descriptive (only) and empirical analysis of bidder termination provisions. It also summarize the main findings and conclusions of the papers on the issues of BTP inclusion, BTF size, and the effect of BTPs on merger gains and outcomes.

	BTP Focus	Theory	Descriptive Only	Empirical	BTP Inclusion	BTF Size	Merger Gains/Outcome
Finance:							
Bates and Lemmon (2003)	No	No	No	Yes	Finds that BTP inclusion is positively related to TTP inclusion, stock payment and deal value, and negatively related to tender offers. Proposes a target insurance hypothesis to explain BTP inclusion.		Finds that bid premiums and target announcement returns are negatively related to BTP inclusion. Finds that deal completion is unrelated to BTP inclusion.
Officer (2003)	No	No	No	Yes	Finds that BTP inclusion is positively related to TTP inclusion.		Finds that bid premiums are unrelated to BTP inclusion. Finds that deal completion is unrelated to BTP inclusion.
Offenberg and Pirinsky (2015)	No	No	No	Yes		Finds that BTFs are lower in tender offers, suggesting that BTFs are lower in deals that are expected to be completed quickly.	
Law:							
Davidoff (2009)	No	No	Yes	No	Discusses optionality created by a BTP in the context of private equity deals and also discusses asymmetry between BTPs and TTPs.	Discusses why BTFs and TTFs should not be equal.	
Afsharipour (2010)	Yes	No	Yes	No	Discusses the increasing use and evolution of BTPs in strategic deals and the optionality created by a BTP. Considers the reallocation of deal risk facilitated by a BTP. Compares triggers and characteristics of strategic deals with BTPs between an early period (2003-2004) and later period (2008-2009).	Reports descriptive statistics on BTF size. Also discusses why BTFs and TTFs should not be equal.	
Quinn (2010)	Yes	No	Yes	No	Discusses whether BTPs are a symmetrical response to a TTP and examines triggers for BTPs in a sample of deals (2003-2008). Concludes that BTPs are not a symmetric response to TTPs.	Reports descriptive statistics on BTF size. Also discusses why BTFs and TTFs should not be equal.	
Sekhon (2010)	Yes	Yes	Yes	No	Reports BTP inclusion for a small sample of transactions.	Proposes valuing BTF by replacing Black-Scholes model inputs with merger-related parameters. Option value is driven by variation in the target's stand-alone value. Reports BTFs for a small sample of transactions.	
Cain, Macias and Davidoff-Solomon (2014)	No	No	No	Yes		Proposes a reputation hypothesis and finds that buyers with low reputations for completion face higher BTFs.	Finds that termination by private equity buyers is negatively related to BTF size.

Table D.2:

Terminated Deals — Reasons for Termination

This table reports a summary of reasons deals in our sample are terminated. The sample consists of a subsample of 160 deals that were subsequently terminated from a sample of 2078 takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. Data on termination provisions is from SDC and reasons for termination are coded by hand from reading SEC 8-K filings and press reports. Bids rejected by targets and unsuccessful bids withdrawn by bidders are excluded. Panel A reports the party responsible for termination (target, bidder or both), also splitting the deals into those that do not and do include a bidder termination provision (BTP). Panel B lists the reasons why bidders terminated deals — the sample consists of 29 deals from Panel A for which termination was attributed to the bidder. Deals are split into those that do not and do include a bidder termination provision. For deals with a bidder termination provision, the table indicates whether a bidder termination fee (BTF) was paid and whether the bidder and target contested whether the bidder termination fee was payable.

Panel A:

Who Terminates	All Deals	% of All Deals	No BTP	% of terminated deals with no BTP	Includes BTP	% of terminated deals with BTP
Target	83	52%	72	58%	11	31%
Bidder	29	18%	13	10%	16	46%
Both	48	30%	40	32%	8	23%
Total	160		125		35	

Panel B:

	No BTP	Includes BTP		
	N	N	BTF Paid	BTF Contested
Bidder received takeover offer	0	1	1	0
Antitrust	1	1	0	1
Other regulatory Issue	2	1	1	0
Bidder failed to secure financing	0	3	3	0
Bidder shareholders disapproved	2	2	1	1
Adverse economic conditions for bidder	0	4	3	1
Target Material Adverse Change	3	1	0	0
Target breached agreement terms	5	0	0	0
Other/undisclosed	0	3	2	1

Table D.3:
Inclusion of Bidder Termination Provisions — Controlling for Deal Completion Status
This table reports estimates from logit regressions that examine the inclusion of bidder termination provisions in takeover agreements. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The dependent variable equals 1 if the takeover agreement included a bidder termination provision. All explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. t-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)
Dependent Variable	=1 if deal includes a Bidder Termination Provision			
Bidder Asset Volatility	1.304***		1.025**	
	(3.39)		(2.39)	
Target Asset Volatility		1.143***		0.897***
		(3.58)		(2.67)
Bidder-Target Asset Covariance	-2.974**	-2.734**	-2.764*	-2.566*
	(-2.09)	(-2.09)	(-1.87)	(-1.91)
Log(Time-to-Completion (Actual))	0.646***	0.657***	0.649***	0.660***
	(4.99)	(5.03)	(4.64)	(4.70)
Target Termination Provision			2.416***	2.423***
			(7.54)	(7.54)
Collar			-0.618***	-0.587**
			(-2.64)	(-2.51)
Lockup Option			0.131	0.145
			(0.59)	(0.66)
Stock Offer	0.455**	0.496***	0.547***	0.567***
	(2.38)	(2.59)	(2.71)	(2.82)
Stock and Cash Offer	0.240	0.270	0.150	0.164
	(1.32)	(1.48)	(0.76)	(0.83)
Bidder Toehold	-0.521**	-0.530**	-0.524**	-0.532**
	(-2.57)	(-2.53)	(-2.49)	(-2.46)
Tender Offer	-0.0675	-0.0497	-0.172	-0.163
	(-0.29)	(-0.21)	(-0.71)	(-0.67)
Hostile Approach	-1.298**	-1.336**	-0.512	-0.539
	(-2.17)	(-2.22)	(-0.92)	(-0.96)
Same Industry	0.00610	0.0222	-0.0587	-0.0459
	(0.05)	(0.17)	(-0.44)	(-0.34)
Completed Deal	0.896***	0.870***	0.284	0.273
	(3.85)	(3.76)	(1.12)	(1.08)
Log(Target Market Cap.)	0.646***	0.683***	0.609***	0.642***
	(6.68)	(7.12)	(6.09)	(6.46)
Target Market-to-Book Assets	0.0163	-0.0179	-0.00883	-0.0357
	(0.50)	(-0.50)	(-0.24)	(-0.91)
Log(Bidder Market Cap.)	-0.523***	-0.557***	-0.513***	-0.545***
	(-5.75)	(-6.24)	(-5.47)	(-5.95)
Bidder Market-to-Book Assets	0.0148	0.0256	0.0164	0.0255
	(0.57)	(1.00)	(0.54)	(0.85)
Target Market Cap./Bidder Market Cap.	-0.152	-0.178	-0.0294	-0.0631
	(-0.76)	(-0.88)	(-0.13)	(-0.29)
Constant	-2.907***	-2.805***	-3.791***	-3.714***
	(-4.11)	(-4.08)	(-4.93)	(-4.98)
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	2078	2078	2078	2078
Pseudo R^2	0.161	0.161	0.217	0.218

Table D.4:
Determinants of Bidder Termination Fees — Controlling for Deal Completion Status
This table reports estimates from OLS regressions that examine the size of bidder termination fees payable by a bidder upon terminating a takeover agreement. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms, that included a bidder termination provision in the takeover agreement. The dependent variable is the value of the bidder termination fee divided by the total value of the transaction. All explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. t-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)
Dependent Variable:	Bidder Termination Fee/Transaction Value			
Bidder-Target Asset Covariance	-0.0493**	-0.0337	-0.0461**	-0.0281
	(-2.11)	(-1.37)	(-2.00)	(-1.21)
Bidder Asset Volatility	0.0223***		0.0197***	
	(3.05)		(2.61)	
Target Asset Volatility		0.0111*		0.00834
		(1.67)		(1.31)
Log(Time-to-Completion (Actual))	0.0128***	0.0121***	0.0115**	0.0107**
	(2.86)	(2.76)	(2.43)	(2.35)
Target Termination Fee/Transaction Value			0.303**	0.319***
			(2.40)	(2.60)
Collar			-0.00573*	-0.00438
			(-1.66)	(-1.30)
Lockup Option			0.00385	0.00329
			(0.94)	(0.80)
Stock Offer	-0.0116**	-0.0114*	-0.0120**	-0.0118**
	(-1.98)	(-1.93)	(-2.03)	(-1.97)
Stock and Cash Offer	-0.0164***	-0.0168***	-0.0158***	-0.0162***
	(-3.02)	(-3.02)	(-2.83)	(-2.83)
Bidder Toehold	0.0484***	0.0491***	0.0311***	0.0306***
	(6.19)	(6.28)	(3.18)	(3.16)
Tender Offer	-0.00285	-0.00242	-0.00418	-0.00394
	(-0.39)	(-0.33)	(-0.56)	(-0.53)
Hostile Approach	-0.0141	-0.0145	-0.0192	-0.0201
	(-0.94)	(-0.96)	(-1.27)	(-1.33)
Same Industry	0.00134	0.00211	0.00125	0.00198
	(0.40)	(0.60)	(0.37)	(0.56)
Completed Deal	-0.0108*	-0.0104*	-0.0118*	-0.0115*
	(-1.76)	(-1.72)	(-1.91)	(-1.89)
Log(Target Market Cap.)	-0.00179	-0.00138	-0.000968	-0.000627
	(-1.01)	(-0.71)	(-0.50)	(-0.30)
Target Market-to-Book Assets	0.000119	-0.000254	0.000151	-0.000171
	(0.24)	(-0.51)	(0.30)	(-0.35)
Log(Bidder Market Cap.)	0.00104	0.000304	0.000778	0.000161
	(0.64)	(0.18)	(0.45)	(0.09)
Bidder Market-to-Book Assets	-0.0000753	0.000171	-0.0000292	0.000205
	(-0.29)	(0.60)	(-0.11)	(0.81)
Target Market Cap./Bidder Market Cap.	-0.00563	-0.00625	-0.00660	-0.00712
	(-0.92)	(-0.99)	(-1.07)	(-1.13)
Constant	0.0992***	0.106***	0.0831**	0.0890**
	(3.19)	(3.25)	(2.39)	(2.42)
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	433	433	433	433
Adjusted R^2	0.167	0.158	0.199	0.190

Table D.5:

Bidder Termination Provisions and Wealth Gains from Takeovers - Propensity-score Matched Samples

This table reports means of deal and firm characteristics for propensity-score matched samples that are used to examine the relationship between combined announcement returns and the inclusion of bidder termination provisions. The main sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The table reports means for three subsamples of deals (described below), and matched samples for each, selected using propensity-score matching with replacement. t-statistics and p-values that evaluate whether the differences between the means are statistically significant are also reported for each subsample. The variables used for matching are summarized in the table, with the exception of indicators for the year of the deal announcement, and indicators for the target's Fama-French 10 industry. All variables reported are defined in Table B1. The first subsample consists of deals with a bidder termination provision that have a bidder termination fee that is not equal to the target termination fee (if included). The matched sample is selected from deals that do not have a bidder termination provision. The second subsample consists of deals with a bidder termination provision that have a bidder termination fee that is equal to the target termination fee, and a matched sample of deals without a bidder termination provision. The third subsample consists of deals with a bidder termination provision that have a bidder termination fee that is not equal to the target termination fee and a matched sample of deals with a bidder termination provision with a bidder termination fee that is equal to the target termination fee. Deals without a target termination fee are excluded from the third sub-sample.

	BTF≠TTF vs No BTP				BTF=TTF vs No BTP				BTF≠TTF vs BTF=TTF			
	BTF≠TTF N=151	Matched N=151	t-stat	p-value	BTF=TTF N=282	Matched N=282	t-stat	p-value	BTF≠TTF N=135	Matched N=135	t-stat	p-value
Bidder Asset Volatility	0.268	0.253	0.61	0.54	0.363	0.337	1.04	0.30	0.254	0.246	0.34	0.73
Target Asset Volatility	0.327	0.320	0.2	0.84	0.402	0.400	0.06	0.95	0.302	0.299	0.09	0.93
Bidder Target Asset Covariance	0.037	0.034	0.44	0.66	0.047	0.045	0.30	0.76	0.031	0.027	0.6	0.55
Log(Time-to-Completion (Actual))	-1.031	-1.065	0.54	0.59	-1.019	-0.996	-0.52	0.60	-1.006	-1.004	-0.03	0.98
Target Termination Provision	0.894	0.874	0.54	0.59	1.000	1.000			1.000	1.000		
Collar	0.066	0.060	0.24	0.81	0.074	0.103	-1.18	0.24	0.067	0.052	0.51	0.61
Lockup Option	0.099	0.060	1.28	0.20	0.110	0.078	1.30	0.20	0.081	0.074	0.23	0.82
Stock Offer	0.285	0.219	1.33	0.19	0.443	0.418	0.59	0.55	0.274	0.230	0.84	0.40
Mixed Offer	0.430	0.483	-0.92	0.36	0.408	0.418	-0.26	0.80	0.444	0.422	0.37	0.71
Bidder Toehold	0.000	0.000			0.004	0.000	1.00	0.32	0.000	0.000		
Tender Offer	0.126	0.159	-0.82	0.41	0.067	0.082	-0.64	0.52	0.126	0.119	0.19	0.85
Hostile Approach	0.013	0.007	0.58	0.56	0.004	0.004	0.00	1.00	0.015	0.000	1.42	0.16
Same Industry	0.682	0.702	-0.37	0.71	0.656	0.610	1.13	0.26	0.674	0.607	1.14	0.26
Log(Target Market Cap.)	12.839	12.851	-0.06	0.95	12.633	12.561	0.47	0.64	12.894	12.884	0.05	0.96
Target Market-to-Book Assets	1.753	1.701	0.32	0.75	2.076	2.100	-0.12	0.90	1.642	1.785	-0.86	0.39
Log(Bidder Market Cap.)	14.491	14.542	-0.24	0.81	13.890	13.927	-0.24	0.81	14.419	14.690	-1.12	0.26
Bidder Market-to-Book Assets	2.232	1.945	0.93	0.35	2.545	2.193	1.08	0.28	1.823	2.015	-0.98	0.33
Target Mkt Cap./Bidder Mkt Cap.	0.386	0.421	-0.5	0.62	0.473	0.423	1.38	0.17	0.405	0.389	0.32	0.75
Bidder New Shares Issued >20%	0.828	0.795	0.73	0.46	0.840	0.851	-0.35	0.73	0.837	0.874	-0.86	0.39
Financial Buyer	0.066	0.113	-1.41	0.16	0.067	0.074	-0.33	0.74	0.067	0.022	1.78	0.08
Bidder Industry HHI	0.051	0.055	-0.85	0.40	0.048	0.047	0.29	0.78	0.051	0.057	-1.37	0.17
Same Ind. × Bidder Industry HHI	0.033	0.035	-0.55	0.59	0.030	0.029	0.33	0.74	0.032	0.029	0.76	0.45

Table D.6:
Inclusion of Bidder Termination Provisions — Material Adverse Change Clauses

This table reports estimates from logit regressions that examine the inclusion of bidder termination provisions in takeover agreements. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms for which a merger agreement was located. The dependent variable equals 1 if the takeover agreement included a bidder termination provision. *Material Adverse Change Clause* is an indicator equal to 1 if the merger agreement mentions a Material Adverse Change Clause (following Denis and Macias (2013) keywords). All other explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)
Dependent Variable:	=1 if deal includes a Bidder Termination Provision			
Bidder Asset Volatility	0.967**		0.811*	
	(2.40)		(1.80)	
Target Asset Volatility		1.048***		0.879**
		(3.15)		(2.52)
Bidder-Target Asset Covariance	-2.537*	-2.824**	-2.324	-2.569*
	(-1.71)	(-2.05)	(-1.53)	(-1.84)
Log(Time-to-Completion (Actual))	0.758***	0.777***	0.691***	0.712***
	(6.11)	(6.19)	(4.95)	(5.07)
Material Adverse Change Clause	0.160	0.144	-0.115	-0.115
	(0.84)	(0.76)	(-0.58)	(-0.58)
Target Termination Provision			2.354***	2.351***
			(7.32)	(7.30)
Collar			-0.652***	-0.618**
			(-2.60)	(-2.47)
Lockup Option			0.137	0.159
			(0.59)	(0.68)
Stock Offer	0.424**	0.448**	0.512**	0.518**
	(2.17)	(2.30)	(2.50)	(2.53)
Stock and Cash Offer	0.207	0.232	0.119	0.133
	(1.11)	(1.24)	(0.60)	(0.66)
Bidder Toehold	-0.540***	-0.547***	-0.543***	-0.548**
	(-2.71)	(-2.68)	(-2.60)	(-2.56)
Tender Offer	0.120	0.136	-0.0481	-0.0354
	(0.51)	(0.57)	(-0.19)	(-0.14)
Hostile Approach	-1.755***	-1.782***	-0.750	-0.776
	(-3.02)	(-3.05)	(-1.42)	(-1.45)
Same Industry	0.0113	0.0156	-0.0634	-0.0566
	(0.08)	(0.11)	(-0.45)	(-0.41)
Log(Target Market Cap.)	0.613***	0.652***	0.608***	0.644***
	(6.28)	(6.68)	(5.94)	(6.31)
Target Market-to-Book Assets	0.00169	-0.0279	-0.0187	-0.0437
	(0.05)	(-0.74)	(-0.47)	(-1.05)
Log(Bidder Market Cap.)	-0.480***	-0.509***	-0.495***	-0.522***
	(-5.25)	(-5.64)	(-5.20)	(-5.62)
Bidder Market-to-Book Assets	0.0180	0.0257	0.0166	0.0237
	(0.67)	(0.99)	(0.53)	(0.77)
Target Market Cap./Bidder Market Cap.	-0.173	-0.202	-0.0536	-0.0889
	(-0.89)	(-1.02)	(-0.25)	(-0.42)
Constant	-2.062***	-2.118***	-3.420***	-3.463***
	(-2.91)	(-3.06)	(-4.38)	(-4.57)
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	1893	1893	1893	1893
Pseudo R^2	0.150	0.152	0.209	0.211

Table D.7:

Target Performance from Announcement to Completion/Termination

This table reports estimates from OLS regressions that examine the target's performance between announcement and completion. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The dependent variable in (1) is the change in the target's ROA (net income/total assets) from the last quarter-end prior to the announcement, to the last quarter-end before completion or termination — deals that are completed/terminated before a new quarter-end are excluded. The dependent variable in (2) is the change in the target's ROA (net income/total assets) from the last quarter-end prior to the announcement, to the second quarter-end after termination (*). The dependent variable in (3)-(5) ((6)-(8)) is the target firm's annualized buy-and-hold return computed from day 6 after the announcement until the date of completion or termination (less the bidder's buy-and-hold return during the same period) — deals that are completed/terminated within 5 days of the announcement are excluded. The sample in (1, (3) and (6) consists of all deals; (2) includes only terminated deals; (4) ((7)) includes only deals where the method of payment consists entirely of cash (stock); (5) ((8)) includes only deals where the method of payment has any cash (stock) component. The explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. t-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Target ROA Change		Target Buy-and-hold Return			Target-Bidder Buy-and-hold Return		
	All	Terminated*	All	All Cash	Any Cash	All	All Stock	Any Stock
Bidder Termination Provision	-0.000743	-0.0111	-0.0380	-0.0803	0.0140	0.0340	-0.101	0.00842
	(-0.51)	(-0.70)	(-0.35)	(-0.84)	(0.19)	(0.45)	(-0.65)	(0.10)
Target Termination Provision	0.00169	-0.0317**	0.210	-0.0365	-0.0289	0.265**	0.558***	0.264**
	(1.05)	(-2.13)	(1.58)	(-0.14)	(-0.20)	(2.54)	(3.27)	(2.46)
Collar	-0.00218	0.0272	0.0780		0.0881	0.157	0.0193	0.0323
	(-1.12)	(1.53)	(0.44)		(0.48)	(1.37)	(0.11)	(0.33)
Lockup Option	0.00185	0.0175	0.168	0.0824	0.0802	0.00539	0.243	0.147
	(0.99)	(0.80)	(0.91)	(0.43)	(0.54)	(0.04)	(1.44)	(1.24)
Stock Offer	0.00178	0.0183	0.296**			0.509***		
	(1.04)	(0.85)	(2.12)			(4.61)		
Stock and Cash Offer	0.00192	0.0544***	0.0793			0.272***		
	(1.28)	(2.91)	(0.72)			(2.84)		
Bidder Toehold	0.000595	-0.000157	0.0432	0.0683	0.0218	0.0252	0.0240	-0.0388
	(0.59)	(-0.06)	(0.52)	(0.57)	(0.24)	(0.42)	(0.68)	(-0.86)
Tender Offer	0.00680**	0.0167	-0.0983	0.00235	-0.0909	-0.167	0.898	-0.105
	(2.30)	(0.94)	(-0.71)	(0.01)	(-0.68)	(-1.25)	(1.42)	(-0.48)
Hostile Approach	-0.0101**	-0.00770	0.330	-0.311	0.155	0.561	0.182	0.916**
	(-2.21)	(-0.42)	(0.91)	(-0.54)	(0.38)	(1.49)	(0.36)	(2.23)
Same Industry	-0.00220*	-0.0104	0.190**	0.125	0.177**	0.0369	0.00948	0.123
	(-1.75)	(-0.94)	(2.06)	(1.04)	(2.01)	(0.51)	(0.07)	(1.50)
Completed Deal	-0.000656		-0.339	-1.330**	-0.654**	-0.374**	0.408	0.0185
	(-0.26)		(-1.38)	(-2.18)	(-2.09)	(-1.98)	(1.38)	(0.10)
Log(Target Market Cap.)	0.00272***	-0.00157	-0.0735	-0.0923*	-0.0626*	-0.0179	-0.101	-0.0563
	(4.38)	(-0.14)	(-1.53)	(-1.92)	(-1.88)	(-0.47)	(-1.26)	(-1.22)
Target Market-to-Book Assets	-0.00115**	-0.00312	0.0106	0.0689	0.0651*	0.0307	0.0338	0.0364*
	(-2.46)	(-1.16)	(0.32)	(1.29)	(1.66)	(1.54)	(1.50)	(1.75)
Log(Bidder Market Cap.)	-0.00158***	0.000612	0.0107	0.0225	0.00408	0.0467	0.0590	0.0447
	(-2.97)	(0.05)	(0.29)	(0.60)	(0.14)	(1.47)	(0.97)	(1.19)
Bidder Market-to-Book Assets	0.0000171	0.00290	-0.0123	-0.0723*	-0.0810***	-0.0142	-0.0128	-0.00880
	(0.07)	(0.54)	(-0.49)	(-1.91)	(-3.31)	(-1.49)	(-1.25)	(-0.96)
Target Market Cap./Bidder Market Cap.	-0.00106	0.00195	0.0335	-0.0590	-0.0731	-0.183	0.274	-0.0295
	(-0.65)	(0.07)	(0.17)	(-0.27)	(-0.98)	(-1.09)	(0.71)	(-0.18)
Constant	-0.0166***	0.00260	0.968**	2.300***	1.619***	-0.426	-0.582	0.0598
	(-2.87)	(0.05)	(2.37)	(2.76)	(3.55)	(-1.15)	(-0.97)	(0.18)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Target Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1215	82	2074	698	1414	2074	660	1376
Adjusted R^2	0.040	0.135	0.028	0.040	0.028	0.030	0.011	0.006

16

Table D.8:
Inclusion of Bidder Termination Provisions — Analyst Coverage

This table reports estimates from logit regressions that examine the inclusion of bidder termination provisions in takeover agreements. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The dependent variable equals 1 if the takeover agreement included a bidder termination provision. *Bidder Analyst Following* is he number of analysts following the bidder and *Bidder Analyst Forecast Precision* equals 1 divided by the standard deviation of analyst forecasts for firms followed by more than one analyst and equals 0 for firms followed by one or no analysts (Source: IBES). All other explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable	(1)	(2)	(3)	(4)	(5)	(6)
	=1 if deal includes a Bidder Termination Provision					
Bidder Asset Volatility	1.016**		1.021**		1.021**	
	(2.36)		(2.38)		(2.38)	
Target Asset Volatility		0.899***		0.902***		0.902***
		(2.67)		(2.67)		(2.67)
Bidder-Target Asset Covariance	-2.759*	-2.584*	-2.794*	-2.615*	-2.797*	-2.615*
	(-1.86)	(-1.91)	(-1.89)	(-1.94)	(-1.89)	(-1.94)
Log(Time-to-Completion (Actual))	0.657***	0.668***	0.657***	0.668***	0.657***	0.668***
	(4.78)	(4.84)	(4.78)	(4.84)	(4.78)	(4.85)
Target Termination Provision	2.480***	2.483***	2.485***	2.488***	2.485***	2.488***
	(8.01)	(7.98)	(7.99)	(7.96)	(7.99)	(7.96)
Collar	-0.615***	-0.583**	-0.621***	-0.588**	-0.621***	-0.588**
	(-2.64)	(-2.51)	(-2.67)	(-2.54)	(-2.67)	(-2.53)
Lockup Option	0.134	0.150	0.132	0.147	0.132	0.147
	(0.61)	(0.68)	(0.60)	(0.67)	(0.60)	(0.67)
Stock Offer	0.538***	0.558***	0.540***	0.560***	0.540***	0.560***
	(2.68)	(2.79)	(2.69)	(2.79)	(2.69)	(2.79)
Stock and Cash Offer	0.144	0.157	0.142	0.155	0.142	0.155
	(0.74)	(0.81)	(0.73)	(0.80)	(0.73)	(0.80)
Bidder Toehold	-0.528**	-0.536**	-0.530**	-0.538**	-0.530**	-0.538**
	(-2.56)	(-2.52)	(-2.57)	(-2.53)	(-2.57)	(-2.53)
Tender Offer	-0.170	-0.162	-0.170	-0.162	-0.170	-0.162
	(-0.71)	(-0.67)	(-0.71)	(-0.67)	(-0.71)	(-0.67)
Hostile Approach	-0.590	-0.612	-0.591	-0.615	-0.593	-0.615
	(-1.09)	(-1.12)	(-1.10)	(-1.13)	(-1.10)	(-1.13)
Same Industry	-0.0523	-0.0400	-0.0502	-0.0383	-0.0507	-0.0382
	(-0.39)	(-0.30)	(-0.37)	(-0.29)	(-0.37)	(-0.28)
Log(Target Market Cap.)	0.604***	0.638***	0.605***	0.639***	0.605***	0.639***
	(6.09)	(6.46)	(6.09)	(6.46)	(6.12)	(6.50)
Target Market-to-Book Assets	-0.0110	-0.0378	-0.0114	-0.0382	-0.0113	-0.0382
	(-0.29)	(-0.96)	(-0.30)	(-0.97)	(-0.30)	(-0.97)
Log(Bidder Market Cap.)	-0.504***	-0.534***	-0.505***	-0.537***	-0.506***	-0.536***
	(-5.22)	(-5.67)	(-5.41)	(-5.90)	(-5.27)	(-5.73)
Bidder Market-to-Book Assets	0.0169	0.0259	0.0171	0.0262	0.0171	0.0262
	(0.56)	(0.86)	(0.57)	(0.87)	(0.57)	(0.87)
Target Market Cap./Bidder Market Cap.	-0.0340	-0.0672	-0.0426	-0.0760	-0.0431	-0.0760
	(-0.16)	(-0.31)	(-0.20)	(-0.36)	(-0.20)	(-0.36)
Bidder Analyst Following	-0.000998	-0.00146			0.000504	-0.0000719
	(-0.10)	(-0.15)			(0.05)	(-0.01)
Bidder Analyst Forecast Precision			-0.00113	-0.00109	-0.00115	-0.00108
			(-0.62)	(-0.60)	(-0.61)	(-0.58)
Constant	-3.612***	-3.560***	-3.585***	-3.517***	-3.570***	-3.519***
	(-4.39)	(-4.44)	(-4.75)	(-4.81)	(-4.34)	(-4.39)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2078	2078	2078	2078	2078	2078
Pseudo R^2	0.217	0.217	0.217	0.217	0.217	0.217

Table D.9:
Determinants of Bidder Termination Fees — Analyst Coverage
This table reports estimates from OLS regressions that examine the size of bidder termination fees payable by a bidder upon terminating a takeover agreement. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms, that included a bidder termination provision in the takeover agreement. The dependent variable is the value of the bidder termination fee divided by the total value of the transaction. *Bidder Analyst Following* is he number of analysts following the bidder and *Bidder Analyst Forecast Precision* equals 1 divided by the standard deviation of analyst forecasts for firms followed by more than one analyst and equals 0 for firms followed by one or no analysts (Source: IBES). All other explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent Variable:			Bidder Termination Fee/Transaction Value			
Bidder Asset Volatility	0.0189**		0.0197***		0.0192**	
	(2.52)		(2.60)		(2.57)	
Target Asset Volatility		0.00772		0.00848		0.00782
		(1.21)		(1.33)		(1.22)
Bidder-Target Asset Covariance	-0.0420*	-0.0240	-0.0474**	-0.0294	-0.0440*	-0.0252
	(-1.87)	(-1.06)	(-2.04)	(-1.25)	(-1.96)	(-1.11)
Log(Time-to-Completion (Actual))	0.0110**	0.0103**	0.0114**	0.0106**	0.0111**	0.0103**
	(2.39)	(2.31)	(2.39)	(2.31)	(2.39)	(2.31)
Target Termination Fee/Transaction Value	0.295**	0.311**	0.295**	0.310**	0.295**	0.311**
	(2.33)	(2.52)	(2.36)	(2.55)	(2.35)	(2.54)
Collar	-0.00614*	-0.00485	-0.00642*	-0.00499	-0.00640*	-0.00502
	(-1.77)	(-1.43)	(-1.81)	(-1.43)	(-1.82)	(-1.46)
Lockup Option	0.00435	0.00377	0.00353	0.00300	0.00420	0.00367
	(1.04)	(0.90)	(0.85)	(0.72)	(0.99)	(0.86)
Stock Offer	-0.0119**	-0.0117**	-0.0122**	-0.0120**	-0.0121**	-0.0119**
	(-2.02)	(-1.97)	(-2.05)	(-2.00)	(-2.05)	(-1.99)
Stock and Cash Offer	-0.0161***	-0.0165***	-0.0163***	-0.0166***	-0.0163***	-0.0166***
	(-2.88)	(-2.88)	(-2.90)	(-2.89)	(-2.91)	(-2.90)
Bidder Toehold	0.0298***	0.0294***	0.0286***	0.0283***	0.0294***	0.0291***
	(3.13)	(3.11)	(2.96)	(2.95)	(3.07)	(3.06)
Tender Offer	-0.00373	-0.00351	-0.00390	-0.00366	-0.00376	-0.00353
	(-0.49)	(-0.46)	(-0.51)	(-0.48)	(-0.49)	(-0.46)
Hostile Approach	-0.0152	-0.0162	-0.0169	-0.0179	-0.0153	-0.0163
	(-0.87)	(-0.94)	(-0.99)	(-1.05)	(-0.88)	(-0.94)
Same Industry	0.000611	0.00135	0.000747	0.00146	0.000694	0.00141
	(0.19)	(0.39)	(0.23)	(0.43)	(0.21)	(0.41)
Log(Target Market Cap.)	-0.00131	-0.00100	-0.000777	-0.000450	-0.00118	-0.000905
	(-0.69)	(-0.49)	(-0.40)	(-0.22)	(-0.61)	(-0.43)
Target Market-to-Book Assets	0.0000741	-0.000227	0.0000824	-0.000241	0.0000763	-0.000229
	(0.15)	(-0.47)	(0.17)	(-0.50)	(0.15)	(-0.48)
Log(Bidder Market Cap.)	0.00176	0.00117	0.000720	0.000103	0.00164	0.00107
	(0.89)	(0.58)	(0.42)	(0.06)	(0.82)	(0.53)
Bidder Market-to-Book Assets	-0.0000959	0.000132	-0.0000718	0.000163	-0.0000999	0.000132
	(-0.36)	(0.53)	(-0.28)	(0.64)	(-0.38)	(0.53)
Target Market Cap./Bidder Market Cap.	-0.00523	-0.00574	-0.00618	-0.00667	-0.00555	-0.00598
	(-0.84)	(-0.89)	(-0.98)	(-1.03)	(-0.89)	(-0.93)
Bidder Analyst Following	-0.000296	-0.000292			-0.000263	-0.000268
	(-1.28)	(-1.26)			(-1.13)	(-1.14)
Bidder Analyst Forecast Precision			-0.0000381	-0.0000322	-0.0000219	-0.0000157
			(-1.01)	(-0.85)	(-0.60)	(-0.42)
Constant	0.0643*	0.0705**	0.0715**	0.0776**	0.0652*	0.0712**
	(1.90)	(1.97)	(2.13)	(2.18)	(1.92)	(1.99)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	433	433	433	433	433	433
Adjusted R^2	0.192	0.184	0.189	0.181	0.190	0.182

Table D.10:
Bidder Termination Provisions and Deal Completion
This table reports estimates from logit regressions that examine the completion of takeovers. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The dependent variable equals 1 if the takeover takeover was successfully completed. The explanatory variables are defined in Table B1. (1) includes all deals. (2) includes only deals with a bidder termination provision — the Bidder Toehold is excluded because it perfectly completes deal completion. Year fixed effects and target Fama-French 10 Industry fixed effects are included. t-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)
Dependent Variable:	=1 if deal is Completed	
Bidder Termination Provision	0.325	
	(1.28)	
Bidder Termination Fee/Transaction Value		-18.54***
		(-2.64)
Target Termination Provision	2.264***	
	(10.98)	
Target Termination Fee/Transaction Value		36.61**
		(2.42)
Collar	-0.188	0.0636
	(-0.62)	(0.08)
Lockup Option	0.861**	0.367
	(2.37)	(0.38)
Stock Offer	0.187	-0.422
	(0.76)	(-0.51)
Stock and Cash Offer	0.000761	0.0842
	(0.00)	(0.10)
Bidder Toehold	-0.328***	
	(-3.71)	
Tender Offer	0.352	-0.640
	(1.14)	(-0.61)
Hostile Approach	-2.636***	-1.617
	(-5.94)	(-1.04)
Same Industry	-0.200	0.822*
	(-1.09)	(1.86)
Log(Target Market Cap.)	-0.456***	-0.131
	(-4.13)	(-0.51)
Target Market-to-Book Assets	-0.129***	0.0621
	(-2.64)	(0.52)
Log(Bidder Market Cap.)	0.601***	0.146
	(5.80)	(0.59)
Bidder Market-to-Book Assets	-0.0198	0.403*
	(-0.91)	(1.70)
Target Market Cap./Bidder Market Cap.	0.123	-0.949
	(0.45)	(-1.51)
Constant	-0.537	19.96***
	(-0.65)	(5.72)
Year FE	Yes	Yes
Industry FE	Yes	Yes
Observations	2078	433
Pseudo R^2	0.304	0.195

Table D.11:
Inclusion of Bidder Termination Provisions — Intangible Assets and Principle Customers

This table reports estimates from logit regressions that examine the inclusion of bidder termination provisions in takeover agreements. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The dependent variable equals 1 if the takeover agreement included a bidder termination provision. *Target Intangible Capital/Total Capital* is the Peters and Taylor (2017) estimated replacement cost of the target firm's intangible capital divided by its sum with Net Property, Plant and Equipment from Compustat. *Target PPENT/Total Assets* is the target's Net Property, Plant and Equipment divided by Total Assets from Compustat. *Target Principal Customer* is an indicator equal to 1 if the target has at least one principal customer accounting for at least 10% of sales and *Target Principal Customer Sales %* is the total fraction of the target's sales accounted for by all of its principal customers accounting for at least 10% of sales each (source: Compustat). All other explanatory variables are defined in Table B1. The toehold indicator is omitted in (1) and (2) because it perfectly predicts bidder termination fee inclusion. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dependent Variable:	=1 if deal includes a Bidder Termination Provision							
Bidder Asset Volatility	1.079**		1.003**		0.983**		1.015**	
	(2.44)		(2.28)		(2.21)		(2.34)	
Target Asset Volatility		0.922***		0.882**		0.874**		0.898***
		(2.65)		(2.56)		(2.51)		(2.63)
Bidder-Target Asset Covariance	-2.840*	-2.604*	-2.689*	-2.515*	-2.747*	-2.587*	-2.763*	-2.588*
	(-1.89)	(-1.90)	(-1.80)	(-1.84)	(-1.85)	(-1.91)	(-1.86)	(-1.92)
Log(Time-to-Completion (Actual))	0.699***	0.707***	0.719***	0.729***	0.660***	0.671***	0.657***	0.668***
	(4.95)	(4.98)	(5.10)	(5.15)	(4.78)	(4.85)	(4.75)	(4.81)
Target Termination Provision	2.436***	2.437***	2.467***	2.466***	2.479***	2.481***	2.480***	2.483***
	(7.65)	(7.61)	(7.73)	(7.70)	(8.01)	(7.98)	(8.01)	(7.98)
Collar	-0.667***	-0.630***	-0.685***	-0.652***	-0.616***	-0.585**	-0.615***	-0.583**
	(-2.73)	(-2.59)	(-2.80)	(-2.68)	(-2.64)	(-2.52)	(-2.64)	(-2.51)
Lockup Option	0.208	0.217	0.224	0.236	0.135	0.150	0.134	0.149
	(0.94)	(0.98)	(1.01)	(1.05)	(0.61)	(0.68)	(0.60)	(0.67)
Stock Offer	0.634***	0.656***	0.648***	0.671***	0.544***	0.563***	0.539***	0.558***
	(3.09)	(3.20)	(3.11)	(3.23)	(2.70)	(2.80)	(2.68)	(2.78)
Stock and Cash Offer	0.208	0.223	0.208	0.223	0.150	0.164	0.144	0.158
	(1.05)	(1.12)	(1.04)	(1.11)	(0.77)	(0.84)	(0.74)	(0.81)
Bidder Toehold			-0.534**	-0.540**	-0.529**	-0.536**	-0.528**	-0.536**
			(-2.43)	(-2.40)	(-2.55)	(-2.51)	(-2.55)	(-2.52)
Tender Offer	-0.0924	-0.0845	-0.106	-0.0971	-0.165	-0.158	-0.170	-0.162
	(-0.38)	(-0.34)	(-0.44)	(-0.40)	(-0.69)	(-0.65)	(-0.71)	(-0.67)
Hostile Approach	-0.597	-0.620	-0.694	-0.722	-0.599	-0.622	-0.595	-0.618
	(-1.13)	(-1.16)	(-1.28)	(-1.32)	(-1.11)	(-1.14)	(-1.10)	(-1.13)
Same Industry	-0.0677	-0.0530	-0.0964	-0.0859	-0.0512	-0.0398	-0.0532	-0.0413
	(-0.49)	(-0.39)	(-0.71)	(-0.63)	(-0.38)	(-0.30)	(-0.40)	(-0.31)
Log(Target Market Cap.)	0.561***	0.600***	0.562***	0.597***	0.603***	0.636***	0.605***	0.639***
	(5.23)	(5.55)	(5.41)	(5.71)	(6.04)	(6.38)	(6.06)	(6.42)
Target Market-to-Book Assets	-0.0102	-0.0375	-0.00898	-0.0348	-0.0112	-0.0372	-0.0109	-0.0375
	(-0.27)	(-0.95)	(-0.24)	(-0.88)	(-0.30)	(-0.95)	(-0.29)	(-0.96)
Log(Bidder Market Cap.)	-0.473***	-0.510***	-0.482***	-0.516***	-0.507***	-0.537***	-0.507***	-0.539***
	(-4.71)	(-5.13)	(-4.94)	(-5.35)	(-5.43)	(-5.88)	(-5.43)	(-5.91)
Bidder Market-to-Book Assets	0.0171	0.0268	0.0186	0.0276	0.0179	0.0266	0.0170	0.0261
	(0.57)	(0.90)	(0.62)	(0.92)	(0.59)	(0.89)	(0.56)	(0.87)
Target Market Cap./Bidder Market Cap.	0.152	0.105	0.0888	0.0456	-0.0333	-0.0659	-0.0346	-0.0681
	(0.56)	(0.38)	(0.36)	(0.18)	(-0.15)	(-0.31)	(-0.16)	(-0.32)
Target Intangible Capital/Total Capital	0.0919	0.0914						
	(0.31)	(0.31)						
Target PPENT/Total Assets			0.524	0.561*				
			(1.54)	(1.65)				
Target Principal Customer					0.0505	0.0501		
					(0.36)	(0.35)		
Target Principal Customer Sales %							0.00495	0.00410
							(0.03)	(0.02)
Constant	-3.686***	-3.586***	-3.562***	-3.484***	-3.580***	-3.517***	-3.581***	-3.515***
	(-4.55)	(-4.55)	(-4.58)	(-4.61)	(-4.74)	(-4.81)	(-4.74)	(-4.80)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1985	1985	2017	2017	2078	2078	2078	2078
Pseudo R^2	0.219	0.220	0.225	0.225	0.217	0.217	0.217	0.217

Table D.12:
Determinants of Bidder Termination Fees — Intangible Assets and Principle Customers

This table reports estimates from OLS regressions that examine the size of bidder termination fees payable by a bidder upon terminating a takeover agreement. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms, that included a bidder termination provision in the takeover agreement. The dependent variable is the value of the bidder termination fee divided by the total value of the transaction. *Target Intangible Capital/Total Capital* is the Peters and Taylor (2017) estimated replacement cost of the target firm's intangible capital divided by its sum with Net Property, Plant and Equipment from Compustat. *Target PPENT/Total Assets* is the target's Net Property, Plant and Equipment divided by Total Assets from Compustat. *Target Principal Customer* is an indicator equal to 1 if the target has at least one principal customer accounting for at least 10% of sales and *Target Principal Customer Sales %* is the total fraction of the target's sales accounted for by all of its principal customers accounting for at least 10% of sales each (source: Compustat). All other explanatory variables are defined in Table B1. The toehold indicator is omitted in (1) and (2) because it perfectly predicts bidder termination fee inclusion. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. t-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Bidder Termination Fee/Transaction Value				
Bidder Asset Volatility	0.0173**		0.0186**		0.0176**		0.0185**	
	(2.14)		(2.44)		(2.43)		(2.53)	
Target Asset Volatility		0.00667		0.00762		0.00709		0.00799
		(1.04)		(1.18)		(1.09)		(1.26)
Bidder-Target Asset Covariance	-0.0418*	-0.0245	-0.0440*	-0.0264	-0.0455*	-0.0298	-0.0449*	-0.0287
	(-1.79)	(-1.08)	(-1.93)	(-1.15)	(-1.96)	(-1.29)	(-1.93)	(-1.23)
Log(Time-to-Completion (Actual))	0.0110**	0.0102**	0.0111**	0.0103**	0.0113**	0.0106**	0.0113**	0.0105**
	(2.30)	(2.24)	(2.32)	(2.25)	(2.37)	(2.29)	(2.37)	(2.30)
Target Termination Fee/Transaction Value	0.292**	0.306**	0.284**	0.294**	0.293**	0.306**	0.294**	0.309**
	(2.31)	(2.50)	(2.18)	(2.30)	(2.30)	(2.46)	(2.31)	(2.49)
Collar	-0.00645*	-0.00526	-0.00662*	-0.00537	-0.00584*	-0.00464	-0.00589*	-0.00461
	(-1.74)	(-1.44)	(-1.77)	(-1.45)	(-1.68)	(-1.34)	(-1.68)	(-1.34)
Lockup Option	0.00489	0.00446	0.00476	0.00430	0.00396	0.00355	0.00384	0.00337
	(1.15)	(1.05)	(1.11)	(1.01)	(0.94)	(0.84)	(0.92)	(0.81)
Stock Offer	-0.0117*	-0.0116*	-0.0116*	-0.0114*	-0.0119**	-0.0118*	-0.0121**	-0.0120**
	(-1.88)	(-1.84)	(-1.86)	(-1.82)	(-2.01)	(-1.97)	(-2.02)	(-1.98)
Stock and Cash Offer	-0.0161***	-0.0165***	-0.0161***	-0.0165***	-0.0158***	-0.0161***	-0.0159***	-0.0162***
	(-2.78)	(-2.77)	(-2.77)	(-2.77)	(-2.87)	(-2.87)	(-2.86)	(-2.87)
Bidder Toehold			0.0304***	0.0304***	0.0294***	0.0291***	0.0290***	0.0286***
			(3.04)	(3.06)	(3.05)	(3.05)	(3.01)	(3.00)
Tender Offer	-0.00356	-0.00329	-0.00396	-0.00386	-0.00347	-0.00316	-0.00369	-0.00344
	(-0.46)	(-0.42)	(-0.50)	(-0.49)	(-0.45)	(-0.41)	(-0.48)	(-0.45)
Hostile Approach	-0.0159	-0.0165	-0.0161	-0.0169	-0.0178	-0.0190	-0.0180	-0.0192
	(-0.95)	(-1.00)	(-0.95)	(-0.99)	(-1.04)	(-1.11)	(-1.05)	(-1.12)
Same Industry	0.000734	0.00147	0.000551	0.00120	0.000808	0.00153	0.000728	0.00144
	(0.23)	(0.43)	(0.17)	(0.36)	(0.24)	(0.43)	(0.22)	(0.41)
Log(Target Market Cap.)	-0.000957	-0.000679	-0.00108	-0.000812	-0.000890	-0.000596	-0.000934	-0.000606
	(-0.48)	(-0.32)	(-0.55)	(-0.38)	(-0.46)	(-0.29)	(-0.49)	(-0.29)
Target Market-to-Book Assets	0.0000353	-0.000247	0.000114	-0.000172	0.000108	-0.000158	0.0000953	-0.000205
	(0.07)	(-0.51)	(0.23)	(-0.35)	(0.22)	(-0.31)	(0.19)	(-0.42)
Log(Bidder Market Cap.)	0.000750	0.000223	0.000744	0.000141	0.000650	0.0000937	0.000699	0.000112
	(0.42)	(0.12)	(0.42)	(0.08)	(0.37)	(0.05)	(0.40)	(0.06)
Bidder Market-to-Book Assets	-0.0000828	0.000118	-0.0000684	0.000156	-0.0000467	0.000162	-0.0000511	0.000168
	(-0.32)	(0.47)	(-0.26)	(0.61)	(-0.19)	(0.64)	(-0.20)	(0.67)
Target Market Cap./Bidder Market Cap.	-0.00518	-0.00546	-0.00573	-0.00634	-0.00586	-0.00638	-0.00579	-0.00633
	(-0.77)	(-0.80)	(-0.86)	(-0.93)	(-0.92)	(-0.98)	(-0.91)	(-0.97)
Target Intangible Capital/Total Capital	0.00611	0.00787						
	(0.96)	(1.29)						
Target PPENT/Total Assets			0.00146	0.00327				
			(0.18)	(0.39)				
Target Principal Customer					0.00274	0.00356		
					(0.89)	(1.10)		
Target Principal Customer Sales %							0.00328	0.00391
							(0.86)	(1.00)
Constant	0.0669*	0.0713*	0.0724**	0.0791**	0.0716**	0.0771**	0.0719**	0.0776**
	(1.92)	(1.95)	(2.13)	(2.18)	(2.14)	(2.19)	(2.14)	(2.18)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	414	414	415	415	433	433	433	433
Adjusted R^2	0.169	0.163	0.174	0.166	0.189	0.183	0.189	0.182

Table D.13:
Price Revisions

This table reports estimates from logit regressions that examine price revisions in takeovers. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The dependent variable in (1) and (2) ((3) and (4)) [(5) and (6)] equals 1 if the final price reported in SDC is not equal to (less than) [greater than] the initial price. The explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. t-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	Final Price $\neq$ Initial Price		Final Price $<$ Initial Price		Final Price $>$ Initial Price	
Dependent Variable:						
Bidder Termination Provision	0.202	0.238	0.328	0.237	0.0688	0.212
	(1.19)	(1.35)	(1.39)	(0.98)	(0.30)	(0.88)
Target Termination Provision		-0.0423		0.584*		-0.471**
		(-0.22)		(1.89)		(-2.01)
Collar		0.648***		0.633**		0.610**
		(3.00)		(2.19)		(2.13)
Lockup Option		-0.134		-0.178		-0.0238
		(-0.59)		(-0.56)		(-0.08)
Stock Offer	0.840***	0.765***	1.920***	1.851***	0.148	0.0339
	(3.68)	(3.27)	(4.30)	(4.07)	(0.53)	(0.12)
Stock and Cash Offer	0.535**	0.461**	1.550***	1.436***	0.00931	-0.0342
	(2.57)	(2.17)	(3.64)	(3.28)	(0.04)	(-0.13)
Bidder Toehold	0.129	0.132	0.0253	0.0376	0.143	0.143
	(1.45)	(1.47)	(0.18)	(0.25)	(1.33)	(1.32)
Tender Offer	0.317	0.334	-0.625	-0.680	0.608**	0.672**
	(1.41)	(1.48)	(-1.25)	(-1.35)	(2.27)	(2.52)
Hostile Approach	2.029***	1.982***	-13.70***	-13.27***	2.158***	1.974***
	(4.70)	(4.47)	(-26.87)	(-23.47)	(4.92)	(4.40)
Same Industry	0.0938	0.0899	0.0860	0.0250	0.0796	0.105
	(0.66)	(0.62)	(0.42)	(0.12)	(0.44)	(0.57)
Completed Deal	-0.512**	-0.509**	-0.269	-0.423	-0.646**	-0.486*
	(-2.47)	(-2.30)	(-0.87)	(-1.32)	(-2.49)	(-1.71)
Log(Target Market Cap.)	0.172**	0.174**	0.0826	0.0763	0.222**	0.225**
	(2.31)	(2.31)	(0.77)	(0.71)	(2.25)	(2.27)
Target Market-to-Book Assets	-0.00568	-0.00327	-0.0214	-0.0241	0.00712	0.0175
	(-0.16)	(-0.09)	(-0.41)	(-0.44)	(0.15)	(0.39)
Log(Bidder Market Cap.)	-0.0971	-0.0934	-0.0783	-0.0689	-0.0908	-0.0906
	(-1.52)	(-1.46)	(-0.85)	(-0.76)	(-1.08)	(-1.06)
Bidder Market-to-Book Assets	-0.0433	-0.0449	-0.0407	-0.0444	-0.0404	-0.0425
	(-1.35)	(-1.36)	(-0.94)	(-0.95)	(-0.99)	(-1.04)
Target Market Cap./Bidder Market Cap.	-0.478*	-0.450*	-0.657	-0.541	-0.300	-0.302
	(-1.88)	(-1.81)	(-1.46)	(-1.32)	(-1.05)	(-1.05)
Constant	-2.572***	-2.664***	-3.617***	-3.913***	-3.472***	-3.460***
	(-3.74)	(-3.85)	(-3.69)	(-3.94)	(-3.94)	(-3.92)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2078	2078	2078	2078	2078	2078
Pseudo R-squared	0.075	0.080	0.100	0.111	0.116	0.122

Table D.14:

Inclusion of Bidder Termination Provisions — Controlling for Price Revisions

This table reports estimates from logit regressions that examine the inclusion of bidder termination provisions in takeover agreements. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The dependent variable equals 1 if the takeover agreement included a bidder termination provision. *Final Price ≠ Initial Price* (*Final Price < Initial Price*) [*Final Price > Initial Price*] equals 1 if the final price reported in SDC is not equal to (less than) [greater than] the initial price. All other explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent Variable:	=1 if deal includes a Bidder Termination Provision					
Bidder Asset Volatility	1.006**		1.011**		1.011**	
	(2.33)		(2.34)		(2.35)	
Target Asset Volatility		0.883***		0.890***		0.893***
		(2.62)		(2.64)		(2.65)
Bidder-Target Asset Covariance	-2.785*	-2.589*	-2.773*	-2.584*	-2.774*	-2.594*
	(-1.88)	(-1.92)	(-1.87)	(-1.91)	(-1.87)	(-1.92)
Log(Time-to-Completion (Actual))	0.643***	0.657***	0.650***	0.663***	0.652***	0.663***
	(4.64)	(4.72)	(4.69)	(4.76)	(4.74)	(4.80)
Target Termination Provision	2.482***	2.484***	2.477***	2.481***	2.484***	2.486***
	(8.03)	(8.00)	(8.00)	(7.96)	(8.01)	(7.98)
Collar	-0.621***	-0.587**	-0.617***	-0.585**	-0.618***	-0.586**
	(-2.66)	(-2.52)	(-2.65)	(-2.52)	(-2.65)	(-2.52)
Lockup Option	0.137	0.151	0.136	0.150	0.134	0.149
	(0.62)	(0.68)	(0.62)	(0.68)	(0.61)	(0.67)
Stock Offer	0.534***	0.555***	0.532***	0.555***	0.540***	0.559***
	(2.66)	(2.77)	(2.65)	(2.76)	(2.69)	(2.79)
Stock and Cash Offer	0.141	0.156	0.140	0.156	0.144	0.158
	(0.72)	(0.80)	(0.72)	(0.80)	(0.74)	(0.81)
Bidder Toehold	-0.533***	-0.539**	-0.527**	-0.535**	-0.534***	-0.541**
	(-2.60)	(-2.56)	(-2.55)	(-2.52)	(-2.61)	(-2.57)
Tender Offer	-0.182	-0.170	-0.172	-0.163	-0.178	-0.169
	(-0.75)	(-0.70)	(-0.71)	(-0.67)	(-0.74)	(-0.69)
Hostile Approach	-0.634	-0.648	-0.587	-0.613	-0.634	-0.654
	(-1.17)	(-1.18)	(-1.09)	(-1.12)	(-1.16)	(-1.18)
Same Industry	-0.0557	-0.0430	-0.0551	-0.0423	-0.0538	-0.0419
	(-0.41)	(-0.32)	(-0.41)	(-0.32)	(-0.40)	(-0.31)
Final price ≠ Initial price	0.106	0.0795				
	(0.60)	(0.45)				
Final price < Initial price			0.104	0.0635		
			(0.43)	(0.27)		
Final price > Initial price					0.0893	0.0806
					(0.37)	(0.33)
Log(Target Market Cap.)	0.604***	0.638***	0.605***	0.639***	0.604***	0.638***
	(6.07)	(6.44)	(6.07)	(6.45)	(6.06)	(6.43)
Target Market-to-Book Assets	-0.0107	-0.0370	-0.0107	-0.0373	-0.0108	-0.0374
	(-0.29)	(-0.94)	(-0.29)	(-0.95)	(-0.29)	(-0.95)
Log(Bidder Market Cap.)	-0.508***	-0.539***	-0.508***	-0.539***	-0.507***	-0.538***
	(-5.44)	(-5.92)	(-5.43)	(-5.92)	(-5.44)	(-5.92)
Bidder Market-to-Book Assets	0.0178	0.0266	0.0175	0.0263	0.0172	0.0262
	(0.59)	(0.88)	(0.58)	(0.87)	(0.57)	(0.87)
Target Market Cap./Bidder Market Cap.	-0.0335	-0.0666	-0.0336	-0.0672	-0.0346	-0.0678
	(-0.15)	(-0.31)	(-0.15)	(-0.31)	(-0.16)	(-0.32)
Constant	-3.590***	-3.518***	-3.587***	-3.516***	-3.583***	-3.517***
	(-4.75)	(-4.81)	(-4.75)	(-4.80)	(-4.75)	(-4.81)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2078	2078	2078	2078	2078	2078
Pseudo R^2	0.217	0.217	0.217	0.217	0.217	0.217

Table D.15:
Determinants of Bidder Termination Fees — Controlling for Price Revisions

This table reports estimates from OLS regressions that examine the size of bidder termination fees payable by a bidder upon terminating a takeover agreement. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms, that included a bidder termination provision in the takeover agreement. The dependent variable is the value of the bidder termination fee divided by the total value of the transaction. *Final Price ≠ Initial Price* (*Final Price < Initial Price*) [*Final Price > Initial Price*] equals 1 if the final price reported in SDC is not equal to (less than) [greater than] the initial price. All other explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent Variable:			Bidder Termination Fee/Transaction Value			
Bidder Asset Volatility	0.0192**		0.0194***		0.0188**	
	(2.55)		(2.60)		(2.45)	
Target Asset Volatility		0.00756		0.00815		0.00784
		(1.16)		(1.28)		(1.20)
Bidder-Target Asset Covariance	-0.0463**	-0.0271	-0.0462**	-0.0277	-0.0438*	-0.0263
	(-2.07)	(-1.17)	(-2.03)	(-1.21)	(-1.91)	(-1.13)
Log(Time-to-Completion (Actual))	0.0108**	0.0101**	0.0111**	0.0104**	0.0110**	0.0102**
	(2.22)	(2.13)	(2.30)	(2.22)	(2.31)	(2.23)
Target Termination Fee/Transaction Value	0.299**	0.314**	0.295**	0.311**	0.298**	0.313**
	(2.33)	(2.52)	(2.32)	(2.50)	(2.34)	(2.54)
Collar	-0.00585*	-0.00456	-0.00603*	-0.00466	-0.00570*	-0.00440
	(-1.67)	(-1.33)	(-1.72)	(-1.35)	(-1.65)	(-1.30)
Lockup Option	0.00366	0.00307	0.00372	0.00314	0.00354	0.00299
	(0.89)	(0.74)	(0.90)	(0.76)	(0.85)	(0.72)
Stock Offer	-0.0124**	-0.0121**	-0.0121**	-0.0119**	-0.0120**	-0.0119**
	(-2.16)	(-2.09)	(-2.08)	(-2.02)	(-2.05)	(-2.00)
Stock and Cash Offer	-0.0161***	-0.0165***	-0.0160***	-0.0164***	-0.0161***	-0.0164***
	(-2.92)	(-2.90)	(-2.88)	(-2.87)	(-2.88)	(-2.87)
Bidder Toehold	0.0257**	0.0257**	0.0295***	0.0290***	0.0252**	0.0247**
	(2.43)	(2.45)	(3.06)	(3.04)	(2.29)	(2.28)
Tender Offer	-0.00432	-0.00404	-0.00385	-0.00362	-0.00436	-0.00415
	(-0.58)	(-0.55)	(-0.50)	(-0.47)	(-0.60)	(-0.57)
Hostile Approach	-0.0190	-0.0197	-0.0170	-0.0180	-0.0191	-0.0201
	(-1.09)	(-1.13)	(-1.00)	(-1.07)	(-1.05)	(-1.12)
Same Industry	0.000341	0.00113	0.000490	0.00127	0.000476	0.00119
	(0.10)	(0.32)	(0.15)	(0.36)	(0.14)	(0.34)
Final price ≠ Initial price	0.00390	0.00342				
	(0.90)	(0.77)				
Final price < Initial price			0.00300	0.00199		
			(0.61)	(0.40)		
Final price > Initial price					0.00415	0.00426
					(0.68)	(0.69)
Log(Target Market Cap.)	-0.000896	-0.000607	-0.000951	-0.000611	-0.000854	-0.000536
	(-0.47)	(-0.29)	(-0.49)	(-0.30)	(-0.45)	(-0.26)
Target Market-to-Book Assets	0.0000787	-0.000221	0.0000993	-0.000221	0.0000514	-0.000253
	(0.16)	(-0.47)	(0.20)	(-0.47)	(0.10)	(-0.52)
Log(Bidder Market Cap.)	0.000727	0.000141	0.000755	0.000142	0.000692	0.000106
	(0.42)	(0.08)	(0.44)	(0.08)	(0.40)	(0.06)
Bidder Market-to-Book Assets	-0.0000214	0.000207	-0.0000350	0.000189	-0.0000500	0.000175
	(-0.08)	(0.81)	(-0.14)	(0.75)	(-0.19)	(0.69)
Target Market Cap./Bidder Market Cap.	-0.00567	-0.00618	-0.00561	-0.00618	-0.00582	-0.00634
	(-0.90)	(-0.95)	(-0.88)	(-0.94)	(-0.93)	(-0.98)
Constant	0.0704**	0.0768**	0.0709**	0.0772**	0.0710**	0.0770**
	(2.06)	(2.14)	(2.10)	(2.16)	(2.11)	(2.15)
					Yes	Yes
Year FE	Yes	Yes	Yes	Yes	No	No
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	433	433	433	433	433	433
Adjusted R^2	0.190	0.182	0.189	0.180	0.189	0.181

24

Table D.16:
Inclusion of Bidder Termination Provisions — Method of Payment Interactions
This table reports estimates from logit regressions that examine the inclusion of bidder termination provisions in takeover agreements. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The dependent variable equals 1 if the takeover agreement included a bidder termination provision. *Cash Offer* equals 1 if the method of payment consisted entirely of cash. All other explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable:	(1)	(2)	(3)	(4)
	=1 if deal includes a Bidder Termination Provision			
Bidder Asset Volatility	1.107***		0.795*	
	(2.74)		(1.77)	
Target Asset Volatility		1.127***		0.798**
		(3.21)		(2.20)
Bidder-Target Asset Covariance	-2.906**	-3.085**	-2.604*	-2.723*
	(-1.98)	(-2.26)	(-1.71)	(-1.96)
Log(Time-to-Completion (Actual))	0.547***	0.567***	0.361**	0.386**
	(3.92)	(4.01)	(2.24)	(2.39)
Target Termination Provision			2.533***	2.527***
			(8.13)	(8.09)
Cash Offer × Bidder Asset Volatility	0.499		0.918	
	(0.58)		(0.99)	
Cash Offer × Target Asset Volatility		-0.202		0.0581
		(-0.29)		(0.08)
Cash Offer × Bidder-Target Asset Covariance	2.423	3.956	3.242	5.062
	(0.48)	(0.77)	(0.59)	(0.91)
Cash Offer × Log(Time-to-Completion (Actual))	0.544**	0.507**	0.836***	0.797***
	(2.25)	(2.09)	(3.08)	(2.92)
Collar			-0.621***	-0.595***
			(-2.71)	(-2.60)
Lockup Option			0.163	0.181
			(0.75)	(0.82)
Stock Offer	0.0135	-0.0742	-0.109	-0.224
	(0.04)	(-0.20)	(-0.27)	(-0.57)
Stock and Cash Offer	-0.193	-0.284	-0.502	-0.617
	(-0.53)	(-0.79)	(-1.28)	(-1.60)
Bidder Toehold	-0.560***	-0.570***	-0.534***	-0.546***
	(-2.98)	(-2.97)	(-2.64)	(-2.64)
Tender Offer	0.0515	0.0919	-0.0728	-0.0230
	(0.21)	(0.37)	(-0.28)	(-0.09)
Hostile Approach	-1.904***	-1.956***	-0.699	-0.768
	(-3.13)	(-3.17)	(-1.25)	(-1.36)
Same Industry	0.00647	0.0148	-0.0762	-0.0646
	(0.05)	(0.11)	(-0.56)	(-0.48)
Log(Target Market Cap.)	0.621***	0.657***	0.600***	0.630***
	(6.55)	(6.95)	(5.95)	(6.28)
Target Market-to-Book Assets	0.0115	-0.0216	-0.0105	-0.0350
	(0.35)	(-0.61)	(-0.28)	(-0.90)
Log(Bidder Market Cap.)	-0.497***	-0.528***	-0.514***	-0.542***
	(-5.62)	(-6.06)	(-5.46)	(-5.92)
Bidder Market-to-Book Assets	0.0169	0.0270	0.0162	0.0248
	(0.67)	(1.08)	(0.55)	(0.84)
Target Market Cap./Bidder Market Cap.	-0.183	-0.206	-0.0220	-0.0488
	(-0.96)	(-1.05)	(-0.10)	(-0.22)
Constant	-1.696**	-1.565**	-3.079***	-2.897***
	(-2.38)	(-2.25)	(-3.91)	(-3.82)
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	2078	2078	2078	2078
Pseudo R^2	0.155	0.156	0.222	0.222

Table D.17:
Determinants of Bidder Termination Fees — Method of Payment Interactions

This table reports estimates from OLS regressions that examine the size of bidder termination fees payable by a bidder upon terminating a takeover agreement. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms, that included a bidder termination provision in the takeover agreement. The dependent variable is the value of the bidder termination fee divided by the total value of the transaction. *Cash Offer* equals 1 if the method of payment consisted entirely of cash. All other explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)
Dependent Variable:	Bidder Termination Fee/Transaction Value			
Bidder Asset Volatility	0.0167***		0.0139**	
	(2.67)		(2.26)	
Target Asset Volatility		0.0106		0.00741
		(1.63)		(1.18)
Bidder-Target Asset Covariance	-0.0400*	-0.0370	-0.0380**	-0.0326
	(-1.96)	(-1.64)	(-2.02)	(-1.58)
Log(Time-to-Completion (Actual))	0.00718**	0.00729**	0.00609*	0.00610*
	(2.21)	(2.22)	(1.95)	(1.95)
Target Termination Fee/Transaction Value			0.291**	0.302**
			(2.22)	(2.35)
Cash Offer × Bidder Asset Volatility	0.0305		0.0324	
	(0.90)		(0.97)	
Cash Offer × Target Asset Volatility		-0.0167		-0.0145
		(-0.83)		(-0.69)
Cash Offer × Bidder-Target Asset Covariance	-0.0594	0.101	-0.0379	0.122
	(-0.45)	(0.82)	(-0.28)	(0.96)
Cash Offer × Log(Time-to-Completion (Actual))	0.0204*	0.0180*	0.0196*	0.0172
	(1.84)	(1.72)	(1.71)	(1.60)
Collar			-0.00582*	-0.00498
			(-1.65)	(-1.45)
Lockup Option			0.00366	0.00275
			(0.87)	(0.66)
Stock Offer	-0.0269*	-0.0337**	-0.0254*	-0.0320*
	(-1.95)	(-2.12)	(-1.78)	(-1.94)
Stock and Cash Offer	-0.0317**	-0.0387**	-0.0294**	-0.0362**
	(-2.34)	(-2.46)	(-2.07)	(-2.19)
Bidder Toehold	0.0346***	0.0330***	0.0187	0.0163
	(2.84)	(2.59)	(1.60)	(1.37)
Tender Offer	-0.00127	0.000794	-0.00306	-0.00107
	(-0.15)	(0.11)	(-0.35)	(-0.14)
Hostile Approach	-0.0122	-0.0160	-0.0163	-0.0206
	(-0.76)	(-1.08)	(-0.99)	(-1.39)
Same Industry	0.00000582	0.000795	-0.0000847	0.000721
	(0.00)	(0.24)	(-0.03)	(0.22)
Log(Target Market Cap.)	-0.00209	-0.00185	-0.00118	-0.00101
	(-1.15)	(-0.92)	(-0.62)	(-0.48)
Target Market-to-Book Assets	0.0000177	-0.000309	0.0000606	-0.000207
	(0.04)	(-0.64)	(0.13)	(-0.45)
Log(Bidder Market Cap.)	0.00131	0.000817	0.000956	0.000544
	(0.76)	(0.45)	(0.55)	(0.29)
Bidder Market-to-Book Assets	-0.0000752	0.000148	-0.0000313	0.000185
	(-0.28)	(0.52)	(-0.12)	(0.72)
Target Market Cap./Bidder Market Cap.	-0.00409	-0.00433	-0.00520	-0.00535
	(-0.70)	(-0.71)	(-0.91)	(-0.89)
Constant	0.0975***	0.111***	0.0799**	0.0921**
	(3.04)	(3.06)	(2.18)	(2.22)
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	433	433	433	433
Adjusted R^2	0.176	0.166	0.205	0.196

Table D.18:
Inclusion of Bidder Termination Provisions — Excluding Deals with Equal Bidder and Target Termination Fees
This table reports estimates from logit regressions that examine the inclusion of bidder termination provisions in takeover agreements. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms, excluding deals with a bidder termination fee that is equal to the target termination fee. The dependent variable equals 1 if the takeover agreement included a bidder termination provision. All explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. t-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable:	(1)	(2)	(3)	(4)
	=1 if deal includes a Bidder Termination Provision			
Bidder Asset Volatility	-0.185		-0.230	
	(-0.28)		(-0.33)	
Target Asset Volatility		0.603		0.574
		(1.23)		(1.15)
Bidder-Target Asset Covariance	0.271	-1.352	0.263	-1.408
	(0.11)	(-0.58)	(0.10)	(-0.62)
Log(Time-to-Completion (Actual))	0.718***	0.753***	0.695***	0.728***
	(4.19)	(4.37)	(3.65)	(3.82)
Target Termination Provision			1.165***	1.150***
			(3.50)	(3.46)
Collar			-0.557	-0.577
			(-1.53)	(-1.58)
Lockup Option			0.302	0.347
			(0.80)	(0.92)
Stock Offer	0.323	0.323	0.387	0.382
	(1.16)	(1.17)	(1.32)	(1.31)
Stock and Cash Offer	0.356	0.358	0.308	0.310
	(1.43)	(1.44)	(1.19)	(1.20)
Bidder Toehold	-3.541***	-3.562***	-3.643***	-3.656***
	(-10.66)	(-10.50)	(-10.25)	(-10.20)
Tender Offer	0.124	0.128	0.0568	0.0602
	(0.39)	(0.40)	(0.18)	(0.19)
Hostile Approach	-1.038	-1.056	-0.340	-0.359
	(-1.48)	(-1.50)	(-0.48)	(-0.51)
Same Industry	0.135	0.100	0.0963	0.0666
	(0.66)	(0.50)	(0.47)	(0.33)
Log(Target Market Cap.)	0.477***	0.511***	0.477***	0.508***
	(3.61)	(3.91)	(3.56)	(3.87)
Target Market-to-Book Assets	-0.0522	-0.0772	-0.0700	-0.0942
	(-0.88)	(-1.19)	(-1.13)	(-1.38)
Log(Bidder Market Cap.)	-0.336***	-0.346***	-0.354***	-0.363***
	(-2.72)	(-2.87)	(-2.89)	(-3.06)
Bidder Market-to-Book Assets	0.0303	0.0296	0.0304	0.0299
	(0.90)	(0.91)	(0.84)	(0.86)
Target Market Cap./Bidder Market Cap.	-0.169	-0.217	-0.103	-0.147
	(-0.72)	(-0.90)	(-0.47)	(-0.67)
Constant	-2.547**	-2.925***	-3.084***	-3.458***
	(-2.54)	(-2.96)	(-2.98)	(-3.41)
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	1796	1796	1796	1796
Pseudo R^2	0.130	0.132	0.150	0.151

Table D.19:
Inclusion of Bidder Termination Provisions — Excluding Early Terminations
This table reports estimates from logit regressions that examine the inclusion of bidder termination provisions in takeover agreements. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms, excluding deals that were terminated early (offers that were rejected by the target or withdrawn by the bidder because they were unsuccessful). The dependent variable equals 1 if the takeover agreement included a bidder termination provision. All explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. t-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)
Dependent Variable:	=1 if deal includes a Bidder Termination Provision			
Bidder Asset Volatility	1.271***		1.033**	
	(3.29)		(2.41)	
Target Asset Volatility		1.132***		0.897***
		(3.50)		(2.67)
Bidder-Target Asset Covariance	-3.017**	-2.804**	-2.797*	-2.579*
	(-2.11)	(-2.13)	(-1.89)	(-1.92)
Log(Time-to-Completion (Actual))	0.628***	0.640***	0.626***	0.637***
	(4.91)	(4.94)	(4.42)	(4.49)
Target Termination Provision			2.283***	2.290***
			(7.29)	(7.27)
Collar			-0.616***	-0.584**
			(-2.65)	(-2.51)
Lockup Option			0.125	0.139
			(0.57)	(0.63)
Stock Offer	0.389**	0.426**	0.522***	0.542***
	(2.03)	(2.22)	(2.58)	(2.69)
Stock and Cash Offer	0.185	0.210	0.136	0.150
	(1.01)	(1.14)	(0.69)	(0.76)
Bidder Toehold	-0.467***	-0.475***	-0.488**	-0.498**
	(-2.69)	(-2.62)	(-2.43)	(-2.39)
Tender Offer	-0.107	-0.0932	-0.198	-0.190
	(-0.45)	(-0.39)	(-0.81)	(-0.77)
Hostile Approach	-0.999*	-1.010*	-0.268	-0.288
	(-1.67)	(-1.68)	(-0.45)	(-0.48)
Same Industry	0.0153	0.0318	-0.0482	-0.0351
	(0.12)	(0.24)	(-0.36)	(-0.26)
Log(Target Market Cap.)	0.649***	0.686***	0.611***	0.644***
	(6.74)	(7.17)	(6.13)	(6.49)
Target Market-to-Book Assets	0.00572	-0.0276	-0.0113	-0.0380
	(0.17)	(-0.76)	(-0.30)	(-0.97)
Log(Bidder Market Cap.)	-0.513***	-0.549***	-0.512***	-0.543***
	(-5.72)	(-6.21)	(-5.48)	(-5.96)
Bidder Market-to-Book Assets	0.0178	0.0284	0.0173	0.0266
	(0.69)	(1.11)	(0.58)	(0.89)
Target Market Cap./Bidder Market Cap.	-0.164	-0.193	-0.0344	-0.0678
	(-0.83)	(-0.95)	(-0.16)	(-0.31)
Constant	-2.133***	-2.043***	-3.440***	-3.362***
	(-3.15)	(-3.10)	(-4.58)	(-4.62)
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	1993	1993	1993	1993
Pseudo R^2	0.153	0.153	0.205	0.205

Table D.20:
Determinants of Bidder Termination Fees - Tobit Specification
This table reports estimates from Tobit regressions that examine the size of bidder termination fees payable by a bidder upon terminating a takeover agreement. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms, that included a bidder termination provision in the takeover agreement. The dependent variable is the value of the bidder termination fee divided by the total value of the transaction. *Bidder Fee ≠ Target Fee* equals 1 if the bidder termination fee equals the target termination fee or if there is a bidder termination provision and no target termination provision, and 0 otherwise. All other explanatory variables are defined in Table B1. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable:	(1)	(2)	(3)	(4)
	Bidder Termination Fee/Transaction Value			
Bidder Asset Volatility	0.0191***		0.00720	
	(2.68)		(1.15)	
Target Asset Volatility		0.00838		0.00438
		(1.39)		(0.81)
Bidder-Target Asset Covariance	-0.0443**	-0.0274	-0.0308*	-0.0281
	(-2.05)	(-1.26)	(-1.85)	(-1.64)
Log(Time-to-Completion (Actual))	0.0112**	0.0105**	0.00618**	0.00632**
	(2.50)	(2.42)	(2.49)	(2.54)
Bidder Fee ≠ Target Fee			-0.00427	-0.00169
			(-0.39)	(-0.15)
Bidder Target Covariance × Bidder Fee ≠ Target Fee			-0.0586	-0.0118
			(-0.95)	(-0.19)
Bidder Asset Volatility × Bidder Fee ≠ Target Fee			0.0486**	
			(2.08)	
Target Asset Volatility × Bidder Fee ≠ Target Fee				0.0205
				(1.25)
Log(Time-to-Completion (Actual)) × Bidder Fee ≠ Target Fee			0.0140*	0.0123
			(1.81)	(1.65)
Target Termination Fee/Transaction Value	0.294**	0.310***	0.312***	0.323***
	(2.45)	(2.64)	(2.64)	(2.95)
Collar	-0.00593*	-0.00460	-0.00331	-0.00270
	(-1.78)	(-1.40)	(-1.14)	(-0.91)
Lockup Option	0.00364	0.00311	0.00379	0.00347
	(0.92)	(0.79)	(0.92)	(0.85)
Stock Offer	-0.0119**	-0.0117**	-0.0100*	-0.0102*
	(-2.11)	(-2.06)	(-1.68)	(-1.65)
Stock and Cash Offer	-0.0160***	-0.0163***	-0.0156***	-0.0160***
	(-3.00)	(-3.00)	(-2.86)	(-2.80)
Bidder Toehold	0.0293***	0.0289***	0.0299***	0.0292***
	(3.20)	(3.18)	(3.61)	(3.61)
Tender Offer	-0.00386	-0.00363	-0.00520	-0.00281
	(-0.53)	(-0.50)	(-0.71)	(-0.40)
Hostile Approach	-0.0170	-0.0180	-0.0300	-0.0310
	(-1.06)	(-1.13)	(-1.38)	(-1.50)
Same Industry	0.000599	0.00132	-0.0000901	0.000687
	(0.19)	(0.40)	(-0.03)	(0.21)
Log(Target Market Cap.)	-0.000922	-0.000574	-0.000716	-0.000216
	(-0.50)	(-0.29)	(-0.42)	(-0.12)
Target Market-to-Book Assets	0.0000796	-0.000238	0.0000656	-0.0000311
	(0.17)	(-0.53)	(0.15)	(-0.07)
Log(Bidder Market Cap.)	0.000730	0.000124	0.000456	-0.000396
	(0.44)	(0.07)	(0.29)	(-0.24)
Bidder Market-to-Book Assets	-0.0000574	0.000169	-0.0000349	0.0000389
	(-0.24)	(0.70)	(-0.12)	(0.14)
Target Market Cap./Bidder Market Cap.	-0.00571	-0.00626	-0.00569	-0.00654
	(-0.95)	(-1.01)	(-1.08)	(-1.19)
Constant	0.0714**	0.0773**	0.0695**	0.0768**
	(2.25)	(2.29)	(2.37)	(2.52)
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	433	433	433	433

Table D.21:

Inclusion of Bidder Termination Provisions — Volatility Alternative

This table reports estimates from logit regressions that examine the inclusion of bidder termination provisions in takeover agreements. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms. The dependent variable equals 1 if the takeover agreement included a bidder termination provision. *Return Difference Volatility* is the standard deviation of the difference between the bidder's return and the target's return during the 250-trading day period end 30 trading days before the merger announcement. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				=1 if deal includes a Bidder Termination Provision				
Bidder Asset Volatility	1.220**		0.859					
	(2.51)		(1.57)					
Target Asset Volatility		1.339***		0.873*				
		(3.06)		(1.84)				
Bidder-Target Asset Covariance	-2.980**	-3.026**	-2.658*	-2.572*				
	(-2.04)	(-2.25)	(-1.76)	(-1.88)				
Return Difference Volatility	0.0317	-0.199	0.158	0.0277	0.448*	0.448*	0.416	0.416
	(0.10)	(-0.58)	(0.46)	(0.07)	(1.90)	(1.90)	(1.63)	(1.63)
Log(Time-to-Completion (Actual))	0.730***	0.740***	0.656***	0.667***	0.689***	0.689***	0.629***	0.629***
	(6.15)	(6.17)	(4.78)	(4.84)	(5.85)	(5.85)	(4.61)	(4.61)
Target Termination Provision			2.485***	2.483***			2.516***	2.516***
			(8.00)	(7.94)			(8.07)	(8.07)
Collar			-0.610***	-0.583**			-0.562**	-0.562**
			(-2.62)	(-2.51)			(-2.45)	(-2.45)
Lockup Option			0.136	0.149			0.112	0.112
			(0.62)	(0.67)			(0.51)	(0.51)
Stock Offer	0.448**	0.498***	0.533***	0.557***	0.441**	0.441**	0.520***	0.520***
	(2.36)	(2.59)	(2.66)	(2.76)	(2.36)	(2.36)	(2.63)	(2.63)
Stock and Cash Offer	0.246	0.280	0.141	0.157	0.248	0.248	0.133	0.133
	(1.36)	(1.54)	(0.72)	(0.80)	(1.39)	(1.39)	(0.69)	(0.69)
Bidder Toehold	-0.560***	-0.565***	-0.535***	-0.537**	-0.566***	-0.566***	-0.552***	-0.552***
	(-2.86)	(-2.77)	(-2.62)	(-2.55)	(-2.88)	(-2.88)	(-2.69)	(-2.69)
Tender Offer	-0.00775	0.00475	-0.170	-0.162	-0.00472	-0.00472	-0.170	-0.170
	(-0.03)	(0.02)	(-0.71)	(-0.67)	(-0.02)	(-0.02)	(-0.71)	(-0.71)
Hostile Approach	-1.767***	-1.787***	-0.598	-0.617	-1.775***	-1.775***	-0.593	-0.593
	(-3.09)	(-3.10)	(-1.11)	(-1.13)	(-3.10)	(-3.10)	(-1.10)	(-1.10)
Same Industry	0.0180	0.0276	-0.0502	-0.0412	0.0570	0.0570	-0.0298	-0.0298
	(0.14)	(0.21)	(-0.37)	(-0.31)	(0.44)	(0.44)	(-0.22)	(-0.22)
Log(Target Market Cap.)	0.628***	0.652***	0.621***	0.641***	0.650***	0.650***	0.630***	0.630***
	(6.39)	(6.69)	(5.87)	(6.20)	(6.82)	(6.82)	(6.23)	(6.23)
Target Market-to-Book Assets	0.0108	-0.0251	-0.0131	-0.0372	-0.00138	-0.00138	-0.0258	-0.0258
	(0.33)	(-0.70)	(-0.35)	(-0.94)	(-0.04)	(-0.04)	(-0.68)	(-0.68)
Log(Bidder Market Cap.)	-0.495***	-0.532***	-0.511***	-0.539***	-0.513***	-0.513***	-0.522***	-0.522***
	(-5.56)	(-6.09)	(-5.45)	(-5.92)	(-5.82)	(-5.82)	(-5.68)	(-5.68)
Bidder Market-to-Book Assets	0.0173	0.0289	0.0170	0.0258	0.0214	0.0214	0.0180	0.0180
	(0.67)	(1.14)	(0.56)	(0.84)	(0.82)	(0.82)	(0.57)	(0.57)
Target Market Cap./Bidder Market Cap.	-0.190	-0.209	-0.0450	-0.0690	-0.200	-0.200	-0.0458	-0.0458
	(-0.98)	(-1.06)	(-0.21)	(-0.32)	(-1.02)	(-1.02)	(-0.21)	(-0.21)
Constant	-2.115***	-1.786**	-3.772***	-3.549***	-2.084***	-2.084***	-3.686***	-3.686***
	(-2.77)	(-2.32)	(-4.40)	(-4.05)	(-2.88)	(-2.88)	(-4.51)	(-4.51)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2078	2078	2078	2078	2078	2078	2078	2078
Pseudo R^2	0.152	0.154	0.217	0.217	0.149	0.149	0.215	0.215

Table D.22:

Determinants of Bidder Termination Fees — Volatility Alternative

This table reports estimates from OLS regressions that examine the size of bidder termination fees payable by a bidder upon terminating a takeover agreement. The sample consists of takeovers announced between 1997 and 2013 involving bidders and targets that were both publicly listed U.S. firms, that included a bidder termination provision in the takeover agreement. The dependent variable is the value of the bidder termination fee divided by the total value of the transaction. *Return Difference Volatility* is the standard deviation of the difference between the bidder's return and the target's return during the 250-trading day period end 30 trading days before the merger announcement. Year fixed effects and industry fixed effects at the target's Fama-French 10-industry level are included. *t*-statistics are computed using heteroscedasticity-consistent standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable:	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Bidder Termination Fee/Transaction Value				
Bidder Asset Volatility	0.0152		0.0148					
	(1.42)		(1.37)					
Target Asset Volatility		-0.00464		-0.00544				
		(-0.45)		(-0.54)				
Bidder-Target Asset Covariance	-0.0452*	-0.0195	-0.0428*	-0.0161				
	(-1.96)	(-0.79)	(-1.87)	(-0.69)				
Return Difference Volatility	0.00659	0.0159*	0.00446	0.0139*	0.0113**	0.0113**	0.00895*	0.00895*
	(0.87)	(1.94)	(0.61)	(1.72)	(2.42)	(2.42)	(1.93)	(1.93)
Log(Time-to-Completion (Actual))	0.0124***	0.0116***	0.0112**	0.0103**	0.0118***	0.0118***	0.0105**	0.0105**
	(2.75)	(2.65)	(2.35)	(2.27)	(2.67)	(2.67)	(2.28)	(2.28)
Target Termination Fee/Transaction Value			0.292**	0.297**			0.303**	0.303**
			(2.29)	(2.37)			(2.41)	(2.41)
Collar			-0.00587*	-0.00569			-0.00476	-0.00476
			(-1.67)	(-1.56)			(-1.38)	(-1.38)
Lockup Option			0.00355	0.00263			0.00284	0.00284
			(0.86)	(0.65)			(0.70)	(0.70)
Stock Offer	-0.0119**	-0.0119**	-0.0121**	-0.0120**	-0.0119**	-0.0119**	-0.0121**	-0.0121**
	(-2.02)	(-2.02)	(-2.04)	(-2.01)	(-2.01)	(-2.01)	(-2.03)	(-2.03)
Stock and Cash Offer	-0.0168***	-0.0172***	-0.0162***	-0.0165***	-0.0170***	-0.0170***	-0.0163***	-0.0163***
	(-3.09)	(-3.10)	(-2.89)	(-2.89)	(-3.06)	(-3.06)	(-2.87)	(-2.87)
Bidder Toehold	0.0411***	0.0339***	0.0259**	0.0181	0.0375***	0.0375***	0.0217**	0.0217**
	(3.84)	(3.00)	(2.15)	(1.59)	(3.90)	(3.90)	(2.05)	(2.05)
Tender Offer	-0.00260	-0.00248	-0.00384	-0.00375	-0.00226	-0.00226	-0.00362	-0.00362
	(-0.34)	(-0.33)	(-0.50)	(-0.50)	(-0.30)	(-0.30)	(-0.48)	(-0.48)
Hostile Approach	-0.0127	-0.0131	-0.0173	-0.0179	-0.0125	-0.0125	-0.0176	-0.0176
	(-0.76)	(-0.79)	(-1.01)	(-1.07)	(-0.77)	(-0.77)	(-1.06)	(-1.06)
Same Industry	0.000801	0.00149	0.000647	0.00135	0.00137	0.00137	0.00119	0.00119
	(0.24)	(0.43)	(0.20)	(0.39)	(0.40)	(0.40)	(0.35)	(0.35)
Log(Target Market Cap.)	-0.00105	-0.000512	-0.000475	0.0000465	-0.000929	-0.000929	-0.000294	-0.000294
	(-0.53)	(-0.26)	(-0.23)	(0.02)	(-0.49)	(-0.49)	(-0.15)	(-0.15)
Target Market-to-Book Assets	-0.0000116	-0.0000257	0.0000367	0.0000307	-0.000289	-0.000289	-0.000243	-0.000243
	(-0.02)	(-0.05)	(0.07)	(0.06)	(-0.60)	(-0.60)	(-0.53)	(-0.53)
Log(Bidder Market Cap.)	0.000835	0.000622	0.000635	0.000468	0.000665	0.000665	0.000461	0.000461
	(0.50)	(0.37)	(0.36)	(0.36)	(0.40)	(0.40)	(0.27)	(0.27)
Bidder Market-to-Book Assets	-0.000118	-0.0000261	-0.0000687	0.0000283	-0.0000625	-0.0000625	-0.000000840	-0.000000840
	(-0.44)	(-0.09)	(-0.27)	(0.11)	(-0.21)	(-0.21)	(-0.00)	(-0.00)
Target Market Cap./Bidder Market Cap.	-0.00515	-0.00526	-0.00590	-0.00595	-0.00526	-0.00526	-0.00605	-0.00605
	(-0.81)	(-0.81)	(-0.93)	(-0.92)	(-0.82)	(-0.82)	(-0.94)	(-0.94)
Constant	0.0800**	0.0753**	0.0662*	0.0609*	0.0819**	0.0819**	0.0671*	0.0671*
	(2.41)	(2.29)	(1.82)	(1.72)	(2.54)	(2.54)	(1.91)	(1.91)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	433	433	433	433	433	433	433	433
Adjusted R^2	0.160	0.156	0.188	0.185	0.158	0.158	0.187	0.187