

**Supplement**  
**“Universal Demand Laws Did Not Increase Management Entrenchment”**

Appendix 1: UD Law Effective Dates

Appendix 2: State of Incorporation Frequencies

Appendix 3: Variable Definitions

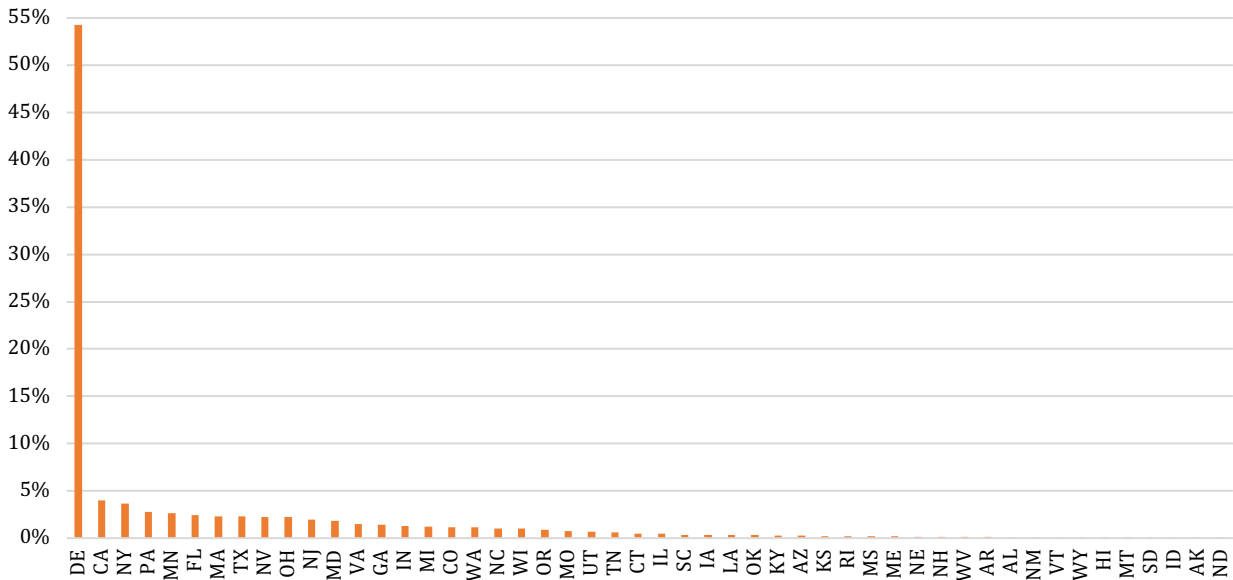
Appendix 4: Identifying the Adoption of Entrenchment Provisions

**Appendix 1**  
**UD Law Effective Dates**

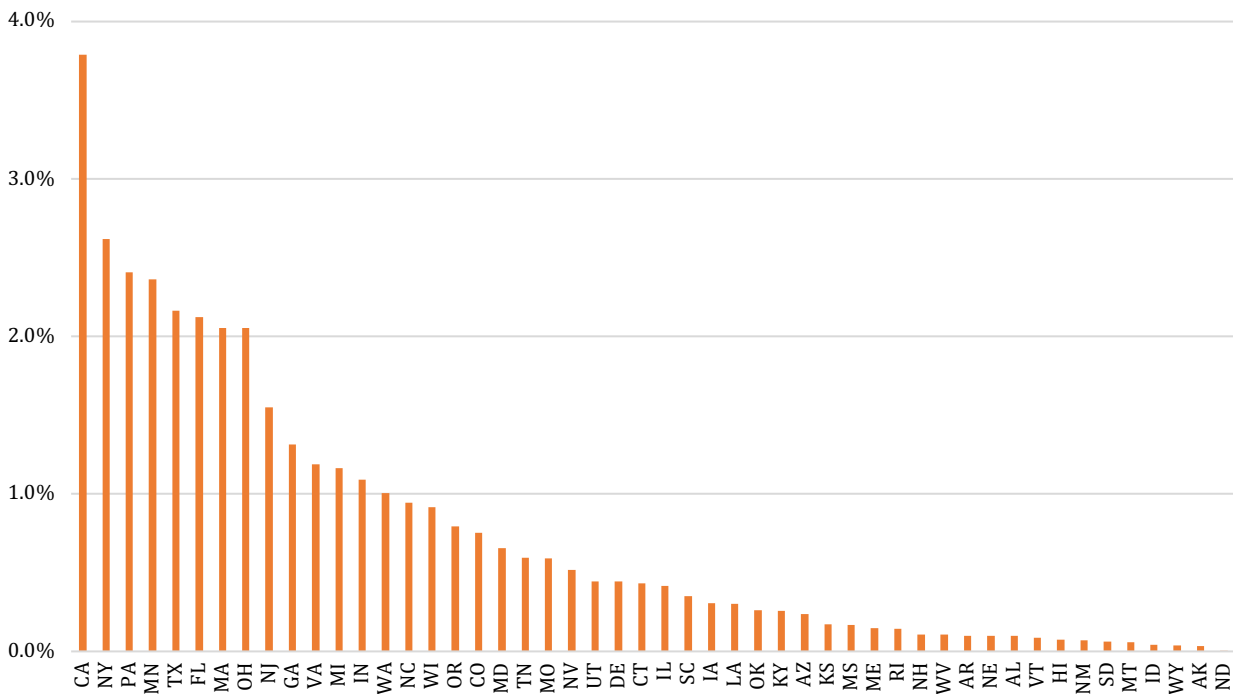
Year	State	Citation	Effective Date
1989	Georgia	Georgia Code Ann. § 14-2-742	Jul-01-1989
1989	Michigan	Michigan Comp. Laws Ann. § 450.1493a	Oct-01-1989
1990	Florida	Florida Stat. Ann. § 607.07401	Jul-01-1990
1991	Wisconsin	Wisconsin Stat. Ann. § 180.742	May-13-1991
1992	Montana	Montana Code Ann. § 35-1-543	Jan-01-1992
1992	Virginia	Virginia Code Ann. § 13.1-672.1B	Jul-01-1992
1993	New Hampshire	New Hampshire Rev. Stat. Ann. § 293-A:7.42	Jan-01-1993
1993	Mississippi	Mississippi Code Ann. § 79-4-7.42	Jul-01-1993
1995	North Carolina	North Carolina Gen. Stat. § 55-7-42	Oct-01-1995
1996	Arizona	Arizona Rev. Stat. Ann. § 10-742	Jan-01-1996
1996	Nebraska	Nebraska Rev. Stat. § 21-2072	Jan-01-1996
1997	Connecticut	Connecticut Gen. Stat. Ann. § 33-722	Jan-01-1997
1997	Maine	Maine Rev. Stat. Ann. 13-C, § 753	Sep-19-1997
1997	Pennsylvania	Cuker v. Mikalauskas (547 Pennsylvania. 600, 692 A.2d 1042)	Apr-21-1997
1997	Texas	Texas Bus. Corp. Act. § 5.14c	Sep-01-1997
1997	Wyoming	Wyoming Stat. § 17-16-742	Jul-01-1997
1998	Idaho	Idaho Code § 30-1-742	Jul-01-1998
2000	Utah	Utah Code Ann. § 16-10a-740(3)(a)	May-01-2000
2001	Hawaii	Hawaii Rev. Stat. § 414-173	Jul-01-2001
2003	Iowa	Iowa Code Ann. § 490.742	Jan-01-2003
2004	Massachusetts	Massachusetts Gen. Laws Ann. Ch. 156D, § 7.42	Jul-01-2004
2005	Rhode Island	Rhode Island Gen. Laws § 7-1.2-710 ( C )	Jul-01-2005
2005	South Dakota	South Dakota Codified Laws 47-1A-742	Jul-01-2005

## Appendix 2 State of Incorporation Frequencies

**Panel A: All Incorporations.**



**Panel B: In-State Incorporations.**



**Explanation:** This figure plots the pooled distribution of public firms by state of incorporation. The sample covers all firms in the CRSP-Compustat universe during the period between 1990 and 2006. Panel A includes all firms, and Panel B includes in-state incorporations, whose headquarters are located in their state of incorporation.

### Appendix 3 Variable Definitions

Variable	Definition
Classified Board (CB)	An indicator that equals one if the entity has a classified board in which directors are divided into separate classes with each class being elected to overlapping terms.
Supermajority Voting (SV)	An indicator that equals one if the entity has a supermajority voting requirement, which requires more than a majority of shareholders to approve a merger.
Limit Bylaw (LB)	An indicator that equals one if the entity has a provision limiting shareholders' ability through a majority vote to amend the corporate bylaws.
Limit Charter (LC)	An indicator that equals one if the entity has a provision limiting shareholders' ability through a majority vote to amend the corporate charter.
Poison Pill (PP)	An indicator that equals one if the entity has a poison pill, which is a shareholder right that is triggered in the event of an unauthorized change in control that typically renders the target company financially unattractive or dilutes the voting power of the acquirer.
Golden Parachute (GP)	An indicator that equals one if the entity has a golden parachute, which is a severance agreement that provides benefits to management/board members in the event of firing, demotion, or resignation following a change in control.
E-Index	The Entrenchment Index of Bebchuk, Cohen and Ferrell (2009) measured as the sum of the six entrenchment indicators defined above.
ln(Assets)	Natural logarithm of total assets.
CAPEX	Capital expenditure divided by total assets. Extreme values are winsorized at the top and bottom percentile.
Leverage	Total debt divided by total assets. Extreme values are winsorized at the top and bottom percentile.
R&D	R&D expenditure divided by total assets. Extreme values are winsorized at the top and bottom percentile.
Cash	Cash and cash equivalents divided by total assets. Extreme values are winsorized at the top and bottom percentile.

## Appendix 4

### Identifying the Adoption of Entrenchment Provisions

State Inc.	Company Name	Adoption Type	Filings	Adoption Date
MS	FIRST MISSISSIPPI CORP	Supermajority Voting	<a href="#">10-K</a>	9/26/1990
Amendment to Article IX (pp. 151): "The affirmative vote or consent of the holders of not less than four-fifths of the outstanding shares of stock of this corporation (the "Corporation") entitled to vote in elections of directors shall be required: (1) to adopt any agreement for, or to approve, the merger or consolidation of the Corporation or any subsidiary . . .with or into any other person. . ."				
CT	GERBER SCIENTIFIC INC	Golden Parachute	<a href="#">DEF14A</a>	4/28/1995
Exhibit A. 1992 EMPLOYEE STOCK PLAN, AS AMENDED AND RESTATED AS OF APRIL 28, 1995 - ARTICLE 2 (pp. A-2): "The purpose of this Plan is to offer as an additional incentive to the officers and other key Employees who are the most responsible for the growth and success of the Company and its Subsidiaries, the opportunity to increase their proprietary interest in the Company under conditions which will encourage their continued employment in the service of the Company or its Subsidiaries and to recognize and reward their contribution to creating shareholder value."				
PA	SUN INC	Poison Pill	<a href="#">8-K</a>	2/1/1996
Item 7. Financial Statements and Exhibits. Exhibit 99(a): The Shareholder Rights Plan [is] "designed to protect shareholders against unsolicited takeover attempts that do not offer an adequate price to all shareholders or are otherwise not in the best interests of the company and its shareholders."				
PA	CBS CORP	Poison Pill	<a href="#">10-K</a>	12/29/1995
Common Shares (pp. 50): "On December 29, 1995, the Board of Directors adopted a shareholder rights plan providing for the distribution of one right for each share of common stock outstanding on January 9, 1996 or issued thereafter until the occurrence of certain events. The rights become exercisable only in the event, with certain exceptions, that an acquiring party accumulates 15% or more of our voting stock or a party announces an offer to acquire 30% or more of the voting stock."				
PA	CBS CORP	Golden Parachute	<a href="#">DEF14A</a>	11/28/1995
COMPENSATION AND SEVERANCE ARRANGEMENTS (pp. 28): "If Mr. Lund is terminated for a reason other than cause, or if he elects to terminate the agreement for good reason as defined in the agreement (which includes a change in control of the Company, removal from his title or position as president and chief executive officer of CBS, a diminution of his authority for the operation and management of CBS, or requiring him to report to someone other than the Company's chief executive officer), all of Mr. Lund's options granted will vest, and he will be entitled to receive immediately a lump-sum payment equal to the greater of (i) the balance of all remaining unpaid base salary and guaranteed bonus amounts through the end of the contract term, or (ii) severance pay in accordance with CBS's present policy, but in no event less than one year's base salary at the then-existing rate plus the guaranteed bonus for that year."				
PA	CROWN CORK & SEAL CO INC	Poison Pill	<a href="#">8-A</a>	8/7/1995
Item 1. Description of Securities to be Registered (pp.4): "The Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on a substantial number of Rights being acquired. Accordingly, the existence of the Rights may deter certain acquirors from making takeover proposals or tender offers. However, the Rights help ensure that the Company's shareholders receive fair and equal treatment in the event of any proposed takeover of the Company. The execution of the Rights Agreement by the Company is not in response to any specific takeover threat or proposal, but is a precaution taken to protect the rights of the Company's shareholders."				
PA	ARMSTRONG WORLD INDUSTRIES INC	Golden Parachute	<a href="#">DEF14A</a>	3/18/1997
Change in Control and Termination of Employment Agreements (pp. 12): "The purpose of the agreements is to foster the continued employment of key officers by allowing them to focus attention on their assigned responsibilities without distraction in the event of circumstances arising from the possibility of a change in control of the Company."				
PA	CHARMING SHOPPES INC	Golden Parachute	<a href="#">DEF14A</a>	5/23/1996
MANAGEMENT COMPENSATION -- Employment, Change of Control and Severance Agreements (pp. 15): "If Ms. Bern resigns upon a Change of Control, she will be entitled to post-termination compensation on these same terms for a period of two years, subject to the Mitigation Reduction. If within 12 months following a Change of Control, Ms. Bern's employment is terminated by her for Good Reason or if her employment is terminated without Cause then, in lieu of any other severance payments under the Agreement, the Company will pay Ms. Bern on termination a lump sum amount equal to 2.5 times her "base amount" within the meaning of Section 280G(b)(3) of the Internal Revenue Code of 1986, as amended."				

PA	CHECKPOINT SYSTEMS INC	Golden Parachute	<a href="#">DEF14A</a>	7/1/1995
<p>Compensation of Directors (pp. 7): Each Agreement provides that upon termination of employment in certain circumstances the executive would be entitled to severance pay of not less than twelve months of base salary and not more than eighteen months of base salary plus health insurance benefits during such period. A change- in- control of the Company (as defined in the Agreement) or a change in the responsibilities or duties of the executive could result in severance payments to the executive under the Agreement.</p>				
PA	MINE SAFETY APPLIANCES CO	Poison Pill	<a href="#">10-K</a>	2/10/1997
<p>Exhibit 4 (pp. 28) (Rights Agreement Dated February 10, 1997): "The company has a Shareholder Rights Plan under which each outstanding share of common stock is granted one-third of a preferred share purchase right. The rights are exercisable for a fraction of a share of preferred stock, only if a person or group acquires or commences a tender offer for 15% or more of the company's common stock. In the event a person or group acquires 15% or more of the outstanding common stock, each right not owned by that person or group will entitle the holder to purchase that number of shares of common stock having a value equal to twice the \$225 exercise price."</p>				
PA	GLATFELTER P H CO	Golden Parachute	<a href="#">DEF14A</a>	3/13/1997
<p>APPROVAL OF AMENDMENTS TO THE 1992 KEY EMPLOYEE LONG- TERM INCENTIVE PLAN (pp. 6): "The Long-Term Incentive Plan, as amended, is designed to enable the Company to offer key employees and directors of the Company and its subsidiaries equity interests in the Company and other incentive awards in order to attract, retain, and reward such individuals and to strengthen the mutuality of interests between such individuals and the Company's shareholders."</p>				
PA	INTELLIGENT ELECTRONICS INC	Poison Pill	<a href="#">10-K</a>	3/8/1996
<p>Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - Shareholders' Rights Plan: "In the event that (i) the Company is the surviving corporation in a merger with an Acquiring Person and shares of Company Common Stock remain outstanding, (ii) a person becomes the beneficial owner of 15% or more of the then outstanding shares of Company Common Stock, (iii) an Acquiring Person engages in one or more "self-dealing" transactions as set forth in the Rights Agreement, or (iv) during such time as there is an Acquiring Person, an event occurs which results in such Acquiring Person's ownership interest being increased by more than 1%, then each holder of a right will have the right to receive, upon exercise, Units of Preferred Stock having a current market value equal to two times the exercise price of the right."</p>				
TX	SOUTHWEST AIRLINES CO	Poison Pill	<a href="#">10-K</a>	7/18/1996
<p>Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA - 12. COMMON STOCK (pp. 48): "Pursuant to the Agreement, each outstanding share of the Company's common stock is accompanied by one common share purchase right (Right). Each Right is exercisable only in the event of a proposed takeover, as defined by the Agreement. The Company may redeem the Rights at \$.0022 per Right prior to the time that 15 percent of the common stock has been acquired by a person or group. The Agreement is not applicable to a fully-financed or cash tender offer for all of the Company's shares of common stock, which remains open for at least 60 calendar days, is at a price equal to the higher of (a) 65% over the average closing price of the common stock during the 90 days preceding the offer and (b) the highest closing price during the 52 weeks preceding the offer, and is accompanied by a written fairness opinion of a nationally recognized investment banking firm. If the Company is acquired, as defined in the Agreement, each Right will entitle its holder to purchase for \$3.29 that number of the acquiring company's or the Company's common shares, as provided in the Agreement, having a market value of two times the exercise price of the Right. The Rights will expire no later than July 30, 2005.</p>				
TX	TCA CABLE TV INC	Poison Pill	<a href="#">10-K</a>	1/15/1998
<p>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - 17. Subsequent Events (pp. 40): "On January 15, 1998, the Company's Board of Directors adopted a Shareholder Rights Plan (the "Rights Plan"). In connection with the adoption of the Rights Plan, the Board declared a dividend of one preferred share purchase right for each outstanding share of Company Common Stock. Each Right, which is not presently exercisable, entitles the holder to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock at an exercise price of \$170. In the event that any person acquires 15 percent or more of the outstanding shares of Common Stock, each holder of a Right (other than the acquiring person or group) will be entitled to receive, upon payment of the exercise price, that number of Common Stock having a market value equal to two times the exercise price."</p>				
TX	TCA CABLE TV INC	Golden Parachute	<a href="#">DEF14A</a>	3/28/1996
<p>EXECUTIVE COMPENSATION - EMPLOYMENT AGREEMENTS (pp. 12): "The Employment Agreements provide that in the event the employee is terminated by the Company for any reason following a change of control or the employee terminates his employment due to a Constructive Termination following a change of control, the employee shall be entitled to receive an amount of cash equal to 2.99 times the employee's average annual compensation during the previous five full taxable years and insurance benefits substantially similar to those received immediately prior to termination for the employee and his</p>				

immediate family. The Company is also obligated to pay legal fees and expenses incurred by the employee to enforce the change of control provision."

WY	WAINOCO OIL CORP (Frontier Oil Corp)	Golden Parachute	<a href="#">10-Q</a>	4/1/1996
	Executive Employment Agreement – Termination (pp. 13): “7.02 In the event of a Termination the Company shall, as liquidated damages or severance pay, or both, pay to the Executive and provide him, his dependents, beneficiaries and estate, with the following: (a)…”			
UT	UNION PACIFIC CORP	Golden Parachute	<a href="#">DEF14A</a>	11/1/2000
	Change in Control Arrangements (pp.35): "In November 2000, the Board of Directors adopted a Change in Control policy to provide the Company with a smooth transition of management and continuing operations throughout a Change in Control transaction. The Key Employee Continuity Plan (the Continuity Plan) provides severance benefits to 34 senior level executives of the Company and its subsidiaries in the event a Change in Control occurs."			
UT	FRANKLIN COVEY CO	Golden Parachute	<a href="#">DEF14A</a>	9/1/2000
	EMPLOYMENT AGREEMENTS (pp. 10): “The Company does not have an employment agreement with any of its named executive officers, other than Robert A. Whitman, the President, Chief Executive Officer, and Chairman of the Board . . . In the event there is a change in control of the Company as defined in the Agreement that is not approved by the current board of directors or successor directors nominated by at least a two-thirds majority of existing directors, and, during the 24 month period following the date of the change in control, Mr. Whitman's employment is terminated for any reason other than cause, or by Mr. Whitman for good reason, as defined in the agreement, the Company will pay all termination amounts set forth above to Mr. Whitman and, in addition, all of the options held by Mr. Whitman will immediately vest and become exercisable. If the change of control has been approved by the incumbent board, 801,000 shares of any non-vested options shall become immediately vested.”			
MA	TERADYNE INC	Golden Parachute	<a href="#">10-Q</a>	9/3/2004
	EX 10.45 - Termination Benefits and Covenants (pp. 4): "the Company shall provide the following Termination Benefits to the Executive if his employment with the Company is terminated by the Company for any reason other than for Death, Disability, or Cause, regardless of whether prior to, following or relating to a Change of Control. (a) Continued Payments: The Company shall pay the Executive a monthly amount equal to 1/12th of his current annual Model Compensation as of the Date of Termination for a period of twenty-four (24) months from the Date of Termination (the “Severance Period”). Except as otherwise expressly provided herein, under no circumstances shall the Executive receive more than a total of twenty-four (24) months of payments under this Agreement. All such continued payments shall be in accord with the Company’s usual model compensation pay practices."			
MA	MERCURY COMPUTER SYSTEMS	Poison Pill	<a href="#">Form 8-A12G</a>	12/14/2005
	Item 1. Description of Registrant’s Securities to be Registered (pp. 2): "We have adopted a Shareholder Rights Plan, the purpose of which is, among other things, to enhance the ability of our board of directors to protect the interests of our shareholders and to ensure that shareholders receive fair treatment in the event any coercive takeover attempt of Mercury is made in the future. The Shareholder Rights Plan could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, Mercury or a large block of Mercury’s common stock."			
MA	MKS INSTRUMENTS INC	Limit Bylaw	<a href="#">S-1/A</a>	2/17/1999
	Risk Factors (pp. 14) and ARTICLE VIII - Amendments: Changed as part of its IPO, apparently to maintain family control: "Upon consummation of this offering, John R. Bertucci, Chairman, Chief Executive Officer and President of MKS, and members of his family will, in the aggregate, beneficially own approximately % of our outstanding common stock. As a result, these stockholders, acting together, will be able to take any of the following actions without the approval of our public stockholders: - amend our Articles of Organization in certain respects or approve a merger, sale of assets or other major corporate transaction - defeat any non-negotiated takeover attempt that may be beneficial to our public stockholders - determine the amount and timing of dividends paid to themselves and to our public stockholders - otherwise control our management and operations and the outcome of all matters submitted for a stockholder vote, including the election of directors"			