

## **Stakeholders' Competing Incentives to Adopt Antitakeover Charter Amendments**

*March 20, 2006*

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## **Abstract**

Successful corporate governance depends on our understanding of the motivations of different groups of stakeholders and how their motivations shape an event. Antitakeover charter amendment (ATA) adoptions provide a unique opportunity to explore this issue. We consider the possibility that ATAs are heterogeneous, and examine characteristics that explain the adoption of specific types and quantities of ATAs. We find ATA quantity is positively related to firm size, inside ownership, and the affiliated outside blockholdings. Evidence indicates different types of ATAs are adopted for different reasons, and the type ATA proposed is a function of which stakeholders benefit most.

## **Stakeholders' Competing Incentives to Adopt Antitakeover Charter Amendments**

Management, the board of directors, and stockholders all play a role in corporate governance. The interplay among these different classes of stakeholders determines the effectiveness of corporate governance. For instance, members of the board of directors can have different incentives, depending upon their affiliation with the firm (Fama and Jensen, 1983). Stockholders with large holdings have different interests than those with small holdings (Shleifer and Vishny, 1986), whereas the incentives of large stockholders can vary based on their business ties to the firm (Brickley, Lease and Smith, 1988). Knowledge of how these competing interests influence a specific event is key to understanding the dynamics of corporate governance. Because of the inherent uncertainty caused by potentially disparate motivations underlying the proposal of antitakeover charter amendments (ATAs), and because ATAs are stockholder-approved, ATA adoptions provide a unique opportunity to gain insight into this dynamic.

Considerable debate has focused on the implications and consequences of the widespread adoption of ATAs. Theory suggests that ATAs can serve a number of functions, some benefiting stockholders, and others benefiting managers at stockholder expense. For instance, ATAs can enable target firm stockholders to extract a greater proportion of gains from takeovers. On the other hand, ATAs can increase the cost of takeovers, reducing the likelihood of takeover bids, and thus allowing target firm managers to entrench (Stulz, 1988). ATAs may also benefit stockholders by providing takeover protection so that managers can pursue long-term investment strategies that might appear unprofitable in the short-run (Stein, 1988).

Previous studies that examine a firm's incentive to adopt ATAs aggregate different types of ATAs, then focus on only one factor to explain the motivation for their adoption. Subsequent studies that examine different factors to explain ATA adoptions include the significant explanatory factors from previous studies as control variables (McWilliams and Sen, 1997; Borokhovich, Brunarski, Harman and Parrino, 2005). The next logical step in advancing our knowledge of this event is to either take a more nuanced look at the event itself or to examine the interplay of the factors that offer significant explanatory power for ATA adoptions. We do both in this study.

In our study, we explore for the possibility that different types of ATAs are adopted for different reasons. Unlike other types of takeover deterrents (e.g., poison pills), ATAs must be approved by stockholders. This has led to questions regarding why some ATAs are approved when they are expected to decrease stockholder wealth. We examine a complex set of competing stakeholder incentives to explain the motivation for the adoption different types of ATAs. These include the competing incentives of management versus outside stockholders, blockholders versus atomistic stockholders, and blockholders with potential business ties to the firm (affiliated blockholders) versus unaffiliated blockholders. Because ATAs can limit the effectiveness of the market for corporate control, the adoption of ATAs provides a single event wherein all of these potential conflicts come into play.<sup>1</sup>

Our study focuses on the four most common types of ATAs: supermajority amendments, fair price amendments, classified (staggered) board amendments, and blank check preferred stock amendments. Supermajority amendments require stockholder approval by more than 50 percent of target firm stockholders for a takeover to succeed. The required approval rate generally ranges from 66 percent to 80 percent. Fair price amendments require bidding firms pay a “fair price” to all tendering stockholders. The fair price is specified to be the highest price paid to any one tendering stockholder. Classified board amendments stipulate that not more than one-third of the members of the board of directors can be replaced in any given year. Blank check preferred stock provides directors with broad discretion to issue new preferred stock with voting rights.

Because different types of ATAs vary considerably in their provisions, they can differ in their benefits to certain stockholders as well as their effectiveness in deterring takeovers. For instance, supermajority amendments can be especially effective in deterring takeovers when management controls a sufficient proportion of the voting rights to ensure that a takeover can succeed only with management’s approval. Thus, managers can block a takeover bid or negotiate a two-tiered bid that allows them to

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<sup>1</sup> Bebchuk, Coates, and Subramanian (2002) report evidence that, between 1996 and 2000, no hostile bid succeeded when the target had a classified board. Borokhovich, Brunarski and Parrino (1997) find evidence that firms that adopt fair price and/or supermajority amendments are significantly less likely to receive a takeover bid in the three years subsequent to the ATA adoptions, compared to a matched sample of firms with no ATAs. Taken together, the evidence is consistent with the notion that ATAs can provide an effective means to deter takeovers.

receive a price high enough to compensate for their lost benefits of control. Fair price amendments are generally less restrictive than supermajority amendments, because fair price amendments typically give the bidder the option of forgoing supermajority approval of the merger as long as the bidder pays the same price for all tendered shares.

Studies that examine the motivations for ATA proposals largely focus on the net wealth effect of ATA proposals, with mixed results. Jarrell and Poulsen (1987) and Bhagat and Jefferies (1991) provide evidence that antitakeover amendment proposals are met with an insignificant negative stock price reaction, Linn and McConnell (1983) and McWilliams (1990) report a positive average stock price reaction, and DeAngelo and Rice (1983) find no meaningful wealth effect, on average. DeAngelo and Rice (1983) also note that classified board amendments are met with the most positive stock price reaction, whereas supermajority amendments are met with the most negative stock price reaction.

The mixed evidence from studies on the wealth effects of ATAs can reflect cross-sectional differences in the motivations underlying the decision to adopt different types and quantities of ATAs. Because ATAs are announced in proxy statements that contain other information, the stock price reaction to ATA proposals can reflect considerable noise (Borokhovich, Brunarski and Parrino, 1997). Hence, event studies can be an ineffective means to analyze the motivation for ATA proposals. Additionally, ATA proposals could signal the firm is a likely takeover target, which would bias the stock price reaction, as target firm stockholders generally earn positive abnormal returns around takeover bids.

Our study provides new evidence on the motivation for ATA adoptions. Rather than focusing on the stock price reaction to ATA proposals, we examine the determinants of the decision to adopt different types and quantities of ATAs for a sample of firms that adopt at least one ATA. Our methods allow us to consider the possibility that different types of ATAs are proposed for different reasons, and that certain types of ATAs serve more than one function. Further, because ATAs are approved by stockholders, differences in the control of voting shares could determine which ATAs are proposed and adopted. For instance, ATAs expected to benefit management at stockholder expense can require greater ownership by firm insiders to ensure that the ATAs are approved. Stockholders with business ties to the firm could

favor ATAs that provide for the continuity of firm leadership. Finally, we examine characteristics of firms that adopt different quantities of ATAs to provide evidence on the motivation of firms pursuing a concerted effort to deter takeovers. By examining the relation between ownership and quantities of ATAs adopted, we document the types of stockholders who benefit most from the adoption of multiple ATAs.

Our sample consists of 267 unique firms that adopt ATAs between 1978 and 2001. We find that firms adopting greater quantities of ATAs are larger and have more growth options. We also find firms with a greater proportion of outside directors adopt more ATAs only when the firm has growth options, suggesting greater quantities of ATAs are approved when firms have an independent board to protect stockholder interests and when firms have a long-term investment strategy.

Additional evidence shows that firms with greater inside ownership adopt more ATAs. This suggests that firms adopt greater quantities of ATAs to benefit managers at stockholder expense. Hence, managers need sufficient voting control of the firm to help ensure ATA approval. Finally, we find the quantity of ATAs is positively related to the percent of total outside blockholdings. This result is driven by the holdings of the blockholders with current or potential business ties to the firm (affiliated). As such, our findings are consistent with ATA adoptions as a means to protect business ties with large stockholders. Another possibility is that the votes of large affiliated stockholders are necessary to help ensure the adoption of larger quantities of ATAs.

Next, we examine the determinants of the decision to adopt a particular type of ATA. We find that supermajority amendments are favored by firms with higher proportions of inside ownership. In contrast, fair price amendments are preferred by firms with lower levels of inside holdings. Fair price amendments are also adopted more frequently by firms with growth options. Classified boards are preferred by larger firms and firms with higher levels of both CEO ownership and affiliated blockholdings. Finally, blank check preferred stock is favored by firms with relatively fewer independent board members, higher growth options, higher beneficial inside holdings, and more total outside blockholdings. As with classified boards, blank check preferred is also adopted more frequently by larger firms. Considered together, our results strongly suggest that different ATAs are adopted for different

reasons. Further, the decision to adopt a given type of ATA appears to be a function of who potentially benefits most, given the particular provisions of the ATA.

The remainder of this paper is organized as follows. Section I describes the particular provisions of each type of ATA. We then discuss the potential benefits of each type of ATA for different classes of stockholders. Section II describes ATAs and their potential uses, whereas Section III discusses factors that have been found to be related to the motives for adoption of ATAs. Section IV describes the data. Evidence on the determinants of the quantity and types of ATAs adopted is presented in Section V and our conclusions are summarized in Section VI.

## **I. Types of ATAs and stockholders who benefit from their adoption**

There are four common types of antitakeover amendments: supermajority, fair price, classified (staggered) board, and blank check preferred stock amendments. Although any of these amendments can be proposed alone, two or more are frequently proposed at the same time. It is important to note that different types of ATAs are not perfect substitutes. Fair price and supermajority amendments are rarely proposed together because there is sufficient overlap in their provisions. However, the provisions of classified board and blank check preferred stock amendments do not duplicate those of any of the other ATAs. In this section, we describe the amendments and discuss their potential benefits to the firm and to certain stockholders.

### **A. Supermajority amendments**

Management does not provide a rationale for the proposal of supermajority amendments other than that they are unambiguously meant to be used as takeover defenses. A supermajority amendment requires that a bid be approved by more than 50% of the votes of the target firm's stockholders. The required supermajority varies by firm, but usually ranges between two-thirds and 80% of the voting shares. With few exceptions, the supermajority requirement only takes effect when the bidding firm holds a certain proportion of the firm's shares at the time of the bid. The usual threshold value is between 5% and 20%. If the bidder meets the minimum threshold, the bid must be accepted by the specified supermajority of voting shares.

Supermajority amendments are most effective when management either holds sufficient shares to preclude a supermajority or when management has enough stockholders voting with it to preclude the supermajority. Managers can then defeat a bid that is not in the best interests of the stockholders, assure that the bid will be sufficiently high to make it acceptable to the stockholders, or use the criteria to entrench against a bid that they oppose. Because of the entrenchment-enhancing characteristics of a supermajority amendment, passage is likely only if the stockholders have evidence that management is working in their best interests. If stockholders are uncertain about management's objectives, passage of the amendment will require a higher proportion of management holdings or stockholders who are willing to vote with management.

### **B. Fair price amendments**

As with supermajority amendments, fair price amendments are only useful in the event of a takeover bid. A fair price amendment requires a bidder to offer a specified minimum price per target share. On rare occasions, the minimum price is a pre-determined dollar value stated in the amendment. However, most fair price amendments allow recent trading activity to set the minimum price. For instance, the fair price can be specified as the highest price paid by the bidder for any of the target firm's shares acquired prior to initiation of the bid. Alternatively, the fair price can be set as the highest price at which the target's shares have traded within one year of the bid. Only a simple majority of the target firm's outstanding voting shares is required to accept a bid that meets or exceeds the minimum fair price.

The purpose of a fair price amendment is to avoid a coercive two-tiered offer. In the case of a two-tiered tender offer, a bidder would offer a reasonable price for a controlling interest in the target firm. Once the bidder has control, it will use its influence to acquire the remaining shares at a below-market price. Stockholders who did not tender their shares in the higher first-tier offer would receive less value in the second-tier offer and would be coerced into accepting the offer. Fair price amendments commonly contain a supermajority alternative to the fair price provision. In such instances, a bidder can meet the requirement of the fair price amendment by making a bid that is acceptable to a specified supermajority of

the target firm's stockholders. This provision can be favored by the bidder if the current target stock price is significantly lower than the required minimum price.

Fair price amendments provide little opportunity for management to prevent takeovers that benefit stockholders, and thus should be easier to pass than supermajority amendments. Additionally, management with significant equity positions in the target firm would have reason to oppose the amendment. Bidders would be unable to pay a higher premium for management's shares than for the shares of the remaining stockholders, thus preventing managers from receiving a greater share of the takeover gains.<sup>2</sup>

### **C. Classified board amendments**

A classified board is one in which all members do not stand for election simultaneously. The directors are divided into approximately equal groups (classes) with staggered terms of office. The most common procedure is to annually elect one-third of the firm's directors to a three-year term. A classified board amendment sets the number of directors to stand at each election as well as specifying the length of the directors' terms of office. An additional provision is often included that allows directors to be removed only for cause.

The antitakeover capabilities of a classified board stem from the length of time required to replace incumbent management. Even if a bidder gains controlling interest in the firm, two elections are required to oust a majority of the incumbent directors from the board. The directors of a target firm with a classified board deter a takeover by refusing to either carry out the policies of the bidder or to relinquish their seats on the board in the event the bidder gains control of the firm. Alternatively, the same directors can facilitate a takeover by cooperating with the bidder if the directors find the bid to be satisfactory. The ability to either deter or facilitate a takeover gives the board of directors a strong negotiating position to be used at their discretion.

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<sup>2</sup> Supermajority and fair price amendments commonly include a board-out clause. These clauses stipulate that the target firm's board of directors can suspend the antitakeover provisions if a sufficient number of the firm's directors favor acceptance of a bid. This clause enables management to make the requirements for a takeover less stringent, but management has no discretionary authority to make the requirements more stringent. A supermajority or fair price amendment that contains a board-out clause provides target management with a strong bargaining position in the event of a takeover bid.

Despite the obvious antitakeover characteristics of a classified board, management often does not refer to such an amendment as a takeover defense. A common justification for a classified board is that it provides continuity of the firm's management. With staggered terms of office, the firm will never find itself with a board composed of a majority of new members unfamiliar with the workings of the firm. To the extent that this argument is credible, a classified board is not entirely a takeover defense.

It is important to note that a classified board amendment also makes proxy contests more difficult. It would take at least two such contests before existing stockholders could wrest control of the board from incumbent management. Because these amendments provide management an opportunity to entrench, stockholders could be reluctant to vote in favor of the proposal. In the absence of strong evidence that the existing board is effectively monitoring management, passage of a classified board amendment should require the significant presence of stockholders likely to vote with management.

#### **D. Blank check preferred stock amendments**

A blank check preferred stock amendment grants management the right to issue preferred stock up to a specified maximum number of shares, and to set voting and conversion rights of the issue. The primary rationale given by management for this amendment is the flexibility it provides in funding decisions. Management claims that the ability to issue stock with rights tailored to the requirements of the equity markets results in lower costs of capital, which is a credible argument.

However, the same provisions of the amendment that provide flexibility in funding also enable management to enact a poison pill takeover defense without further approval. This specific type of poison pill is an issue of preferred stock with special voting or conversion rights that can substantially increase the cost of a takeover to a bidder. Special voting rights in the form of multiple votes per share require the bidder to buy additional voting shares to gain control of the target firm. Special conversion rights allow the holders of the preferred stock to convert their shares into common stock with terms unfavorable to the bidder. The discretionary power to enact such a defense gives target management a strong negotiating position in a takeover attempt, as well as the ability to entrench against an offer they oppose. Management's position is strongest when there is evidence the preferred stock could be privately

placed with management or with management's allies. Passage of a blank check preferred stock amendment should require strong evidence that management will use this amendment to benefit stockholders. Without such evidence, approval of this amendment could require significant inside holdings or the presence of stockholders likely to vote with management.

## **II. Theory and evidence on the motives for ATA adoptions**

Antitakeover amendments have a variety of uses, some benefiting managers at stockholder expense and others benefiting stockholders. Stulz (1988) proposes that two effects occur simultaneously when an ATA is adopted; that is, the expected premium that accrues to target-firm stockholders increases while the probability of a takeover decreases.<sup>3</sup> Borokhovich, Brunarski, and Parrino (1997) find evidence supporting the idea that ATAs reduce the probability of a takeover, thereby facilitating managerial entrenchment. Specifically, they find that the managers of firms proposing ATAs are over-compensated, on average, and that firms with ATAs are less likely to receive takeover bids. This evidence is consistent with the idea that amendment proposals are motivated, at least in part, by efforts on the part of managers to protect above-market compensation.

An ATA can also benefit stockholders by facilitating optimal long-term contracting between stockholders and managers. Knoeber (1986) posits that actions that reduce the likelihood of a hostile takeover can encourage managers to enter into long-term deferred compensation contracts. Stein (1988) suggests that ATAs can provide managers with incentives to invest in positive NPV projects that are likely to initially appear unprofitable to the capital markets. The protection provided by ATAs reduces the likelihood that the manager will be replaced through a takeover before the true value of such projects is revealed to the market.

The general approach to determine the average motive for ATA adoptions has been to examine the stock price reaction to ATA proposals. However, the evidence on the wealth effect around

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<sup>3</sup> See also Williamson (1975) and Pound (1987) for related discussions.

antitakeover amendment proposals is mixed.<sup>4</sup> The mixed evidence from studies of wealth effects around ATA proposals can suggest that ATAs are proposed for a variety of reasons. Another possible explanation is that some types of ATAs are expected to benefit managers while others are expected to benefit stockholders. Additionally, factors such as the ownership of the firm and the incentives of the board members could contribute to the differences in the market's perception of the motivation underlying different amendment adoptions.

Gompers, Ishii and Metrick (2003) provide evidence on variables related to profitability and growth for firms that adopt different quantities of governance provisions that restrict stockholder rights. They do not, however, limit their analysis to stockholder-approved governance provisions, such as ATAs. Gompers, Ishii and Metrick find that firms adopting fewer governance provisions are more profitable than those that adopt more of these provisions. They also report that firms having fewer governance provisions have higher firm value, higher sales growth, lower capital expenditures and make fewer acquisitions.

### **III. Variables that indicate the motive and means for ATA adoptions**

Because of the ambiguity inherent in the motives for ATA proposals, stockholders should consider various firm and ownership characteristics when deciding whether or not to oppose the amendment. For instance, stockholders would be more likely to support adoption of an ATA proposal if the incentives of managers appear to be aligned with those of the stockholders or if the ATA was more likely to benefit the firm. Below we discuss various firm and ownership characteristics that can signal the motive for ATA proposals.

#### **A. Inside stockholdings**

Stulz (1988) suggests that the relation between inside equity holdings and firm value may not be linear. He notes that an ATA can substitute for increased insider equity holdings in providing target management with greater bargaining power when faced with a takeover bid. McWilliams (1990) finds the overall relation between managerial stock ownership and stock price reactions to ATA proposals is

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<sup>4</sup> See, for instance, Jarrell and Poulsen (1987), Bhagat and Jefferies (1991) for evidence of a negative stock price reaction, Linn and McConnell (1983) and McWilliams (1990) for evidence of a positive stock price reaction and DeAngelo and Rice (1983) for evidence of no meaningful wealth effect.

negative. However, consistent with Stulz (1988), she finds a positive relation when insider equity holdings are less than 15 to 20 percent, suggesting that, at low levels of inside holdings, ATAs can result in greater takeover premiums for target firm stockholders. If ATAs are proposed to benefit managers at stockholder expense, greater inside equity holdings can be needed to facilitate their approval by stockholders. Evidence consistent with this notion is reported in McWilliams and Sen (1997). They find a negative relation between the stock price reaction to ATA proposals and the equity holdings of inside and affiliated outside directors.<sup>5</sup>

## **B. Outside blockholdings**

Unlike atomistic stockholders, blockholders have incentives to monitor management, as the benefits of monitoring managers for these stockholders are more likely to exceed the monitoring costs (Shleifer and Vishny, 1986). However, some blockholders can have incentives to vote with management even when management's proposal reduces stockholder wealth (Brickley, Lease and Smith, 1988). For instance, commercial banks are an example of a class of stockholder that has incentives to vote with firm managers. Banks have long been prohibited from owning stock, and can only vote shares held in trust accounts and in corporate pension plans. Moreover, the incentives of banks to secure business relationships with the firms in which they hold shares in trust present a potential for conflicts of interest (Brickley, Lease, and Smith, 1988; Borokhovich, Brunarski, Harman and Parrino, 2006).

Like banks, ESOP trustees also have incentives to vote shares in support of management. ESOP trustees are selected by managers, and, like banks, do not bear the full costs associated with decisions that decrease stockholder value. Therefore, ESOP trustees have incentives to vote with management to protect their positions. Investment banks and insurance companies do not have as strong an incentive to support management as commercial banks and ESOPs because they bear the costs of supporting managers who make decisions that reduce share value. On the other hand, protecting current or potential lines of business can provide an incentive for investment banks and insurance companies to support managers.

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<sup>5</sup> They define affiliated outside to include directors that are not members of firm management, but who have potential business ties to the firm, such as attorneys, consultants, bank and insurance company executives, and accountants.

Because banks, ESOPs, investment banks and insurance companies have incentives to vote with management to protect current or future business ties, we classify these investors as affiliated.<sup>6</sup>

In contrast, the principal interests of other stockholders, such as non-financial corporations, asset management companies, and individuals, are likely to be more focused on the performance of the firm's stock. Unlike affiliated stockholders, these three investor groups tend to have greater incentives to effectively monitor management on behalf of stockholders and to vote in favor of only those proposals that maximize the value of their equity holdings. We designate non-financial firms as unaffiliated investors.<sup>7,8</sup>

### **C. Composition of the board of directors**

Fama and Jensen (1983) argue that outside directors have greater incentives to make decisions that benefit stockholders than do inside directors. They maintain that the decisions made by outside directors signal the labor market concerning their abilities as decision control agents. Because most outside directors are major decision makers at other organizations, concern for their reputations in the labor market provides them with incentives to act in stockholder interests. As such, a greater proportion of outside directors should signal that the ATA will be used to benefit stockholders. McWilliams and Sen (1997) provide evidence consistent with this notion. Specifically, they find that the stock price reaction to ATA proposals is more negative when the firm has boards dominated by inside and affiliated outside directors.

### **D. Firm profitability and investment opportunities**

Jarrell and Poulsen (1987) suggest stockholders are more likely to support an ATA when it is proposed by a management team of proven quality. This effect is likely to be stronger at firms having

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<sup>6</sup> This classification is consistent with Brickley, Lease, and Smith (1988). They refer to these stockholders as "pressure-sensitive."

<sup>7</sup> There are only 18 non-financial firm blockholders in our sample. The evidence we report is robust to the decision to classify non-financial firms this way.

<sup>8</sup> When ATAs are proposed to benefit managers at shareholder expense, one might expect greater support from affiliated blockholders would be needed to ensure their approval. However, contrary to expectations, Brickley, Lease and Smith (1988) note similar opposition to ATA proposals by both affiliated and unaffiliated blockholders when the ATA proposals are met with negative shareholder reactions.

greater growth opportunities. Firms with high growth options can benefit more from the antitakeover amendments' abilities to facilitate efficient long-term contracting along the lines discussed by Knoeber (1986) and Stein (1988). All four types of ATAs can provide protection for managers to accept long term project that initially appear unprofitable. However, blank check preferred stock has a direct use for firms with investment opportunities, in that blank check preferred can be tailored to the needs of the equity market to provide a lower-cost source of capital.

#### **IV. Data**

Our sample consists of firms wherein at least one ATA is proposed in the firm's proxy statement between January 1979 and December 2001. Our sample includes the 129 fair price and/or supermajority amendment proposals from 1979 through 1987 used in Borokhovich, Brunarski and Parrino (1997). We also obtained an additional 278 observations of ATA adoptions from the Investor Responsibility Research Center, Inc.'s (IRRC) *Corporate Takeover Defenses 2002* (Rosenbaum, 2002). The latter includes all firms for which 1) at least one adoption of a supermajority, fair price, classified board, and/or blank check preferred stock amendment is reported, 2) the observation is not already in the sample used by Borokhovich, Brunarski, and Parrino (1997) and 3) the year(s) of the adoption(s) are provided by Rosenbaum. Twenty-four of the firms in our sample adopt ATAs in more than one year. We include only the most recent observation of ATA adoptions for these firms.<sup>9</sup> The resulting sample includes data for 267 unique firms listed on the New York Stock Exchange, American Exchange, and NASDAQ.

We define the total number of ATAs as the sum of supermajority, fair price, classified board and blank check preferred ATAs proposed in the proxy statements. The median firm in our sample adopts three ATA provisions. Of the 267 firms in our sample, 39 (14.6%) adopt one ATA, 97 (29.6%) adopt two ATAs, 131 (49.1%) adopt three ATAs and 18 (6.7%) adopt all four ATA types examined. Fair price is the most common type of ATA, with 204 (76.4%) of the firms in our sample reporting fair price

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<sup>9</sup> DeAngelo and Rice (1983) report that over 95 percent of antitakeover amendment proposals are approved and McWilliams (1990) reports that most rejected antitakeover amendments are stockholder-initiated. We find no evidence to indicate that any of the ATA proposals are defeated or repealed, so we assume that all are subsequently adopted.

proposals, followed by blank check preferred stock, classified board and supermajority, with 193 (72.3%), 188 (70.4%) and 77 (28.8%) observations, respectively.

To obtain industry- and size-adjusted measures of firm performance and growth opportunities, we match each amendment-adopting firm for which size information is available to a firm in the Standard and Poors' *Compustat* database with the same four-digit SIC code that was closest in size to the firm adopting the ATA(s). Size is measured by the book value of total assets for the year prior to the most recent year of ATA adoptions.<sup>10</sup> We use Rosenbaum (2002) to identify whether the potential control firm proposed any ATAs in the years up to and including the year that the matched sample firm proposed an amendment. If the potential control firm proposed an ATA during this period, the firm is eliminated from consideration as a control firm and the matching procedure is repeated with the firm from the same four-digit SIC industry that was next closest in size.

Proxy statements for each firm are used to identify outside blockholders and to obtain information on stock ownership and board composition. Blockholders are defined as stockholders who control at least 5 percent of a firm's voting shares. We define commercial banks, investment banks, insurance companies, and ESOPs that control 5 percent of the firms' shares as affiliated blockholders and all other blockholders as unaffiliated. We classify directors who are employees or a relative of an employee of the firm as inside directors. Non-employee directors who are a former manager or the relative of a former manager, or who are currently employed at an accounting firm, a law firm, a consulting firm, an insurance company, a commercial bank, or an investment bank are classified as affiliated outside directors. We designate all other directors as strict outside directors.

## **V. Empirical evidence**

In this section we first examine the relations between the quantity of ATAs adopted and firm/ownership characteristics to provide new evidence on the underlying motivations for ATA adoptions. Given that a firm chooses to adopt at least one ATA, we also examine the factors that influence

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<sup>10</sup> We were unable to obtain size data for two firms, and as such, were unable to obtain a control firm match for these firms.

the firm's decision to adopt a particular type of ATA.

### **A. Sample descriptive statistics**

We define the variables used in our empirical tests, and the sources for our data in Table 1. Table 2 shows descriptive statistics related to firm characteristics (Panel A), firm ownership (Panel B) and board of director characteristics (Panel C). Panel A shows mean (median) firm size, as measured by the book value of assets, is \$2,729.56 (\$454.33) million. The average firm in our sample has performance and growth options exceeding that of the matched control firm (as measured by EBIT/Book Assets less Control and Market Assets/Book Assets less Control, respectively). The median book value of assets increases monotonically as the number of ATA adoptions increases. Further, median measures of industry- and size-adjusted firm performance and growth options also increase monotonically with the total number of ATA adoptions. The latter results are consistent with the idea that better-performing firms are more likely to adopt a greater number of ATAs, and are less likely to be targets of a disciplinary takeover at the time of ATA proposals.<sup>11</sup> Since there is no evidence that any of these proposals were defeated, our evidence is consistent with Jarrell and Poulsen's (1987) suggestion that stockholders are more likely to support an ATA proposed by proven management.

Panel B of Table 2 shows that the mean (median) firm in our sample has beneficial inside holdings of 13.15 percent (8.09 percent), as measured by the percent of total votes. CEO holdings, defined as the holding of the highest paid executive, average 5.14 percent. Although not reported in the table, 101 firms have at least one inside blockholder and 145 firms have at least one outside blockholder. Of the firms with outside blockholders, 83 have at least one affiliated blockholder, and 96 firms have at least one unaffiliated blockholder. The most common affiliated blockholders are banks (44). The next most common affiliated blockholders are insurance companies (22), followed by ESOPs (19) and investment banks (5). The most common unaffiliated blockholders are asset management companies (70),

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<sup>11</sup> Our results are inconsistent with Gompers, Ishii and Metrick (2003), who report that firms adopting fewer provisions limiting shareholder rights are better-performing. The inconsistency may be due to the fact that Gompers, Ishii and Metrick include takeover deterrents approved by shareholders as well as those that are not. Our sample includes only ATAs that are shareholder-approved.

followed by individuals (21) and non-financial firms (18). The mean percentage ownership of unaffiliated blockholders (4.66 percent) exceeds that of affiliated blockholders (3.77 percent). Of the ownership categories reported in Panel B, only mean affiliated blockholdings increase monotonically as the number of ATAs adopted increases. This finding suggests that multiple ATA adoptions can result from management's desire to protect current or potential ties with major stockholders. Another possible interpretation is that managers propose large numbers of ATAs only when they expect to have the support of affiliated stockholders.

The mean and median percentages of strict outside directors at amendment-adopting firms are 51.11 percent and 52.63 percent, respectively. These values are consistent with those reported in studies examining corporate board composition (see for instance, Weisbach, 1988; and Borokhovich, Parrino, and Trapani, 1996). It is interesting to note that the mean proportion of strict inside directors increases monotonically as the number of ATA adoptions increases.

## **B. Univariate tests of the quantity of ATAs adopted**

Next, we divide our sample into two categories: firms that adopt one or two ATAs (few) and those firms that adopt three or four ATAs (many). We report t-statistics (Wilcoxon Z-statistics) for two-tailed tests that the mean (median) values differ for firms that adopt few and those that adopt many ATAs in Table 3. Evidence reported in Panel A of Table 3 shows that firm size differs significantly for the two subsamples. Specifically, the mean (median) book assets for firms adopting few ATAs is \$1,833.04 (\$344.65) million, versus \$3,438.39 (\$727.55) million for firms adopting many ATAs. The difference in means is significant at the 10 percent level, whereas the difference in medians is significant at the 1 percent level. Since size can serve as a takeover deterrent, it is surprising that firms adopting a greater quantity of ATAs are larger, on average.

Although not reported in the table, the sample of firms adopting many ATAs has a mean and median size-adjusted and industry-adjusted ratio of EBIT/book assets that both exceed zero at the 1 percent level. However, for firms with few ATAs, neither the mean nor median ratio of adjusted EBIT/book assets differs significantly from zero. This suggests that, for firms adopting more than two

ATAs, stockholders require evidence of superior firm performance to persuade them to vote favorably for the ATA adoptions. For both subsamples, the adjusted market asset to book asset ratio exceeds zero, suggesting high growth options are expected for stockholder approval of any number of ATAs. These findings are consistent with Borokhovich, Brunarski and Parrino (1997), who report that firms proposing ATAs have superior accounting performance and more growth options at the time of the proposals.

In Panel B, the evidence shows that affiliated outside blockholdings differ significantly for those firms that adopt one or two ATAs and those firms that adopt three or four ATAs. Mean affiliated holdings for those firms adopting few ATAs is 2.51 percent, whereas mean affiliated holdings for firms adopting many ATAs is 4.77 percent. The difference in both mean and median affiliated holdings is significant at the 1 percent level. Although not reported in the table, 27 (22.9 percent) of the firms adopting one or two ATAs have at least one affiliated blockholder. Fifty-six (37.6 percent) of the firms adopting three or four ATAs have at least one affiliated blockholder. Taken together, this evidence suggests that firms adopting more ATAs require the support of blockholders with current or potential business ties to management to ensure that the ATAs are stockholder-approved.

### **C. Multivariate evidence on the quantity of ATAs adopted**

To provide evidence on the motivation to adopt greater quantities of ATAs, we estimate ordinary least squares regressions in which the dependent variable is the natural log of the number of fair price, supermajority, blank check preferred and classified board amendments adopted. The explanatory variables include the percentage of strict outside directors, measures of firm performance and growth opportunities, officer and director holdings as well as inside blockholdings.<sup>12</sup> Firm performance is measured by the ratio of EBIT-to-book assets less that of the matched control firm. To proxy for growth opportunities, we use both the ratio of market-to-book assets and an indicator variable that equals one if the ratio of market-to-book assets exceeds one. We also include measures of total outside blockholdings and both affiliated and unaffiliated outside blockholdings. Finally, we include the natural log of assets to

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<sup>12</sup> Pound (1993) reports evidence that blockholder-directors tend to be strategically aligned with incumbent management on at least some issues.

control for the extent that firm size acts as a takeover deterrent.

We report coefficient estimates for the ordinary least squares regressions in Table 4. Consistent with evidence reported in Table 3, we find a significant positive relation between firm size and the quantity of ATAs adopted. The coefficient estimates for the natural log of book assets are uniformly positive in Regressions 1 through 5 and significant at the 1 percent level.

Firm performance can be related to the number of ATAs adopted for a number of reasons. For example, managers of poorly performing firms may desire greater protection from disciplinary takeover. Alternatively, stockholders may require managers to demonstrate superior performance before approving greater quantities of ATAs. However, we find no evidence to support either argument. Although the coefficient estimates for industry- and size-adjusted EBIT / book assets are positive, none differ significantly from zero.

The evidence reported in Regressions 1 through 3 indicates that firms with growth options, as measured by an indicator variable, adopt more ATAs. This is consistent with the idea that firms with growth options can benefit from takeover deterrents in that ATAs facilitate efficient long-term contracting as described by Knoeber (1986) and Stein (1988). However, we find no evidence of a significant relation between the quantity of ATAs adopted and the ratio of market-to-book assets.<sup>13</sup> These results suggest that some minimum threshold of growth options must be met for stockholders to support the approval of more ATAs.

In Regressions 1 through 5, we find no evidence that the proportion of strict outside directors is related to the number of ATAs adopted. However, given that ATAs can be adopted for a variety of reasons, independent boards should support ATAs if their adoption can benefit the firm's stockholders. One instance where this would be true is when the firm has growth options. To explore this possibility, we interact the proportion of strict outside directors with a dummy variable equal to one if the ratio of market assets to book assets equals or exceeds one. We include this additional variable in Regressions 4 and 5. The coefficient estimates for the interaction terms are positive and significant, suggesting firms

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<sup>13</sup> We also find no evidence of a significant relation when we replace the dummy variable measure of growth options with the ratio of market assets / book assets in Regressions 1 through 3.

with a greater proportion of independent directors adopt more ATAs only when the firm has growth options. Our results are consistent with Stein's (1988) suggestion that ATAs can facilitate a long-term investment strategy that appears unprofitable in the short run.

If ATAs are adopted to provide greater bargaining power for target firms, as suggested by Stulz (1988), firms with lower levels of inside holdings should benefit more from the adoption of greater numbers of ATAs. Alternatively, if ATAs are adopted as part of a concerted effort to entrench, greater inside control of the firm's voting rights should be necessary to ensure the approval of multiple ATAs. Our regressions include several different measures of inside holdings. In Regressions 1 and 4, we include total beneficial inside holdings. Total beneficial holdings include the stock holdings of managers and directors, measured as a proportion of voting rights in the firm. Regressions 3 and 5 include CEO holdings, which are defined as the voting rights of the top paid executive of the firm. We also include the difference between total inside holdings and those of the CEO in these regressions. Finally, in Regression 2 we include the voting rights of beneficial inside blockholders.

Our results suggest that firms having greater inside control of the voting rights adopt more ATAs. Specifically, the coefficients for beneficial inside holdings in Regressions 1 and 4 are positive and significant at the 5 percent level. The coefficients for CEO holdings in Regressions 3 and 5 are also positive and significant. Although the coefficient for inside holdings less CEO holdings is positive, it does not differ significantly from zero. Finally, there is no evidence that inside blockholdings significantly affect the decision to adopt a greater number of ATAs. Taken together, our results suggest that firms adopting greater quantities of ATAs have managers who control more of the firm's voting shares. As such, the results imply that firms adopting a greater quantity of ATAs do so to facilitate entrenchment.

Finally, we examine the relation between outside blockholdings and the quantity of ATAs adopted. Regressions 1, 3 and 4 include the percentage of total outside blockholdings, whereas we disaggregate outside blockholdings into affiliated and unaffiliated in Regressions 2 and 5. The evidence shows a significant positive relation between total outside blockholdings and the quantity of ATAs

adopted. This positive relation appears to be driven by the firm's affiliated blockholdings, as indicated in Regressions 2 and 5. The coefficient estimates for affiliated blockholdings are positive and significant at the 1 percent level. Although the coefficient estimates for unaffiliated blockholdings are positive, they do not differ from zero. The evidence on outside blockholdings suggests multiple ATAs are adopted to preserve current and/or potential future business ties with large outside stockholders.

To this point, our findings suggest that two different types of firms can be successful in adopting multiple ATAs. The first type of firm has characteristics indicating to the market that the ATAs will benefit stockholders. Specifically, this firm has positive growth options and a greater proportion of independent board members. On the other hand, the second type of firm has sufficient voting control by insiders and affiliated outside blockholders to ensure ATA adoption, regardless of their perceived benefits to stockholders.

#### **D. Multivariate evidence on the types of ATAs adopted**

We next consider the possibility that different types of ATAs are proposed for different reasons, and that certain types of ATAs serve more than one function. The motivation to adopt various types of ATAs can differ based on the firm's characteristics and the potential uses of the ATAs. For instance, supermajority and fair price amendments are only useful in the event of a takeover. On the other hand, classified board and blank check preferred ATAs have other uses. Classified board amendments can help ensure the continuity of firm leadership and blank check preferred stock can provide flexibility in financing options.

For our sample of firms that adopt at least one ATA, we examine those characteristics that determine the choice of a particular ATA. We use a series of maximum likelihood logistic regressions, where the dependent variable is equal to one if the firm adopts a given type of ATA, and zero otherwise. The independent variables are the same as those used in the OLS regressions reported in Table 4. The coefficient estimates for the logistic regressions are reported in Tables 5 through 8.

### *D.1. Adoption of supermajority ATAs*

We report coefficient estimates from maximum likelihood logistic regressions in Table 5. The dependent variable is equal to one if the firm adopts a supermajority amendment, and zero otherwise. The evidence strongly indicates that firms with greater inside ownership are more likely to adopt a supermajority amendment. Specifically, the coefficient estimates for inside holdings and inside blockholdings are all positive and significant at the 1 percent level, whereas the coefficient estimates for CEO holdings and the difference between inside holdings and CEO holdings are positive and significant at the 5 percent level. None of the other variables are significantly related to the decision to adopt a supermajority amendment.

It is interesting to note that supermajority amendments are increasingly effective as management's control of the firm's rights increases. For instance, with sufficient control of firm's votes, managers could either choose to deter a takeover and entrench, or use the added influence of this ATA to negotiate a two-tiered bid. A two-tiered bid would then allow firm insiders to receive a price high enough to compensate them for their lost benefits of control. Managers could then suspend the supermajority amendment and the other stockholders would receive a lower price. As firms with high levels of inside holdings prefer supermajority amendments, our evidence is consistent with supermajority amendment adoption for the above reasons.

### *D.2. Adoption of fair price ATAs*

In Table 6, we report coefficient estimates from maximum likelihood logistic regressions, where the dependent variable is equal to one if the firm adopts a fair price amendment, and zero otherwise. The results show that fair price amendments are more likely to be adopted when the firm has positive growth options, as illustrated by the significant positive coefficient estimates for the growth option indicator variable in Regressions 1 through 3.

We find a significant negative relation between inside holdings and fair price amendment adoptions. Decomposition of inside holdings into subcategories of ownership suggests that the relation is largely driven by the incentives of the top-paid executive as well as inside blockholders. The strong

negative relation between inside blockholdings and fair price amendment adoptions is consistent with the idea that insiders with large equity interests benefit from a two-tiered tender offer. As such, they would oppose an amendment that prohibits a bidder from offering a higher price to certain stockholders. Another possibility is that firms seldom adopt both supermajority and fair price amendments, due to their similarities. Thus, if managers adopt ATAs to entrench, they would prefer supermajority to fair price amendments, because supermajority amendments are more restrictive.

#### *D.3. Adoption of classified boards*

Table 7 shows coefficient estimates for maximum likelihood logistic regressions where the dependent variable is equal to one if a classified board amendment is adopted, and zero otherwise. We find that firm size (as measured by the natural log of book assets) is positively related to classified board amendment adoption. The coefficient estimate for firm size is significant at the 1 percent level in Regressions 1, 3, 4 and 5, and at the 5 percent level in Regression 2. Because larger firms are generally more difficult to manage, a sudden change in leadership would be more costly for these firms. The results suggest that classified board amendments are adopted to preserve the continuity of leadership and decision-making in these firms.

The results also show a positive relation between CEO holdings and classified boards. This suggests that managers with greater control of the board prefer an amendment that makes it more costly for an outsider to gain control of the board. Additional evidence indicates that firms with greater outside blockholdings are more likely to adopt classified board amendments. These results are driven by the blockholdings of affiliated owners, as shown in Regressions 2 and 5. These findings suggest that firms with more affiliated blockholdings may seek to preserve business ties by retaining their current board members. By locking in an acquiescent board for at least two elections, the CEO is safe from both internal and external threats, as are the business ties of the affiliated blockholders.

#### *D.4. Adoption of blank check preferred ATAs*

We report coefficient estimates for maximum likelihood logistic regressions in Table 8. The dependent variable is equal to one if a blank check preferred amendment is adopted, and zero otherwise.

Our results indicate that firm size is positively related to the adoption of blank check preferred amendments. Additionally, we find that firms with growth options are more likely to adopt this amendment. Our findings are consistent with the idea that blank check preferred stock is used to provide more flexible financing options for firms with positive NPV projects.

Interestingly, we find a significant negative relation between the proportion of strict outside directors and blank check preferred adoptions. This is consistent with the idea that, for some firms, blank check preferred stock can facilitate entrenchment. Finally, we find some evidence to suggest that the decision to issue blank check preferred stock is positively related to the holdings of insiders who are not the top-paid executive, as well as outside blockholdings. The issue of blank check preferred stock is a credible takeover deterrent only if there is the likelihood that investors who buy it will support management. Inside stockholders and outside blockholders represent potential management allies who could purchase the preferred stock issue.

Overall, the results in Tables 5 through 8 suggest that ATAs are adopted for a variety of reasons, some benefiting stockholders and others benefiting managers at the expense of stockholders. The evidence strongly indicates that the costs and benefits of ATAs vary by type of ATA. For instance, supermajority, classified board and blank check preferred amendments can facilitate entrenchment, whereas fair price amendments can provide protection for managers to pursue long-term investment strategies. Some ATAs, appear to serve dual purposes. For example, classified board amendments can provide leadership continuity and preserve business ties to large affiliated stockholders.

#### **E. Common combinations of ATAs**

Because ATAs have different characteristics, some combinations of ATAs can be more beneficial to stockholders whereas others can be more costly. Further, different packages of amendments might vary based on the characteristics of the adopting firm. Below, we examine determinants of the decision to issue certain combinations of ATAs.

In Table 9, we report evidence on the determinants of the decision to adopt both supermajority amendments and classified board amendments. The combination of these two amendments should be

highly restrictive, and may permit opportunistic behavior by management. As before, we employ maximum likelihood logistic regressions. The dependent variable is equal to one if the firm adopts a supermajority and a classified board amendment. These firms may or may not adopt additional ATAs. Fifty-two of the firms in our sample adopt supermajority amendments in combination with classified boards. We find strong evidence that the decision to adopt both supermajority and classified board amendments is a function of the level of inside holdings. Specifically, the coefficient estimates for overall inside holdings, CEO ownership, and inside blockholdings are all positive and significant at the 1 percent level. This suggests that, for these most restrictive ATAs, greater inside voting control of the firm is necessary, on average, to ensure their approval.

Next, we report evidence on factors related to the adoption of fair price amendments in combination with classified board amendments. As noted previously, fair price amendments have characteristics that are more likely to protect stockholder interests than to entrench management. The presence of a fair price amendment in combination with a classified board amendment could alleviate some of the uncertainty stockholders have when the latter amendment is proposed alone. Twenty-five firms adopt only a fair price and a classified board amendment. In Table 10, we report coefficient estimates of our logistic regressions, where the dependent variable is equal to one if the firm adopts only these two types of ATAs. The evidence shows that the percent of strict outside directors is positively related to the decision to adopt both of these amendments. The coefficient estimates for strict outside directors differ significantly from zero at the 5 percent level in Regressions 1 through 3. In that independent directors help ensure managers act in the best interests of stockholders, our evidence is consistent with the idea that the combination of these two types of ATAs should benefit stockholders. As expected, the classified board amendment, when proposed in conjunction with a fair price amendment, does not appear to require the level of support from inside holdings and affiliated blockholdings that are required when the amendment is proposed alone. This suggests stockholder concerns about possible entrenchment have been alleviated. Further, because these firms had boards with a higher proportion of

independent directors, stockholders are willing to approve an amendment that helps ensure board continuity.

#### **IV. Robustness tests**

We examine a number of alternative specifications for the regression models in Tables 4 through 8 to determine whether our results are an artifact of our choice of independent variables. For instance, we replace the market assets-to-book asset dummy variable with the control firm-adjusted ratio of market assets-to-book assets. Further, we replace the control firm-adjusted ratio of EBIT-to-book assets with the unadjusted ratio. Finally, we replace the proportion of strict outside directors with the proportion of total outside directors, where total outside directors include those directors with potential business ties to the firm (grays). We find that none of the variations we consider has a material effect on our results.

We also consider the possibility that institutional ownership could affect the quantities and types of ATAs adopted. As such, we obtain data on institutional holdings from the CDA Spectrum database. We examine the relation between the quantities and types of ATAs proposed and institutional ownership, replacing total blockholdings with total institutional holdings. We also replace affiliated and unaffiliated blockholdings with the holdings of affiliated and unaffiliated institutions. We define the aggregate holdings of banks and insurance companies as affiliated institutional holdings and the aggregate holdings of investment companies and investment advisors as unaffiliated institutional holdings.<sup>14</sup> The models reported in Tables 4 through 8 are then re-estimated. For the sake of brevity, we do not report the results in a table. However, in each instance, we find that the coefficient estimate for total institutional holdings has the same sign as that of total outside blockholdings and is significant in each instance that total outside blockholdings was significant. Whereas the results on total blockholdings in Tables 4 through 8 appear to reflect the incentives of affiliated blockholders, the results on total institutional holdings appear to be driven by the incentives of unaffiliated institutional holders.

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<sup>14</sup> We exclude holdings by CDA/Spectrum Type 5 institutions (other institutions such as pension funds, endowments, and foundations) because this category includes both affiliated and unaffiliated institutions and we cannot cleanly distinguish between all of these institutions.

Firms frequently announce the issue of additional shares of common stock in the same proxy in which they propose the ATAs. The announcement of a new common stock issue can affect stockholder perceptions of the ATAs in two ways. First, new common issues can reduce management's control of the firm. Therefore, managers' incentives for ATA proposal can be perceived by stockholders as a means for managers to increase or maintain their relative control of the firm in the event of a takeover bid. Second, a new common issue can signal that the firm has growth options. As such, the ATAs could be considered as part of a policy that allows managers to accept long-term investments that can initially appear unprofitable.

We examine differences in characteristics of firms that announce common stock in the same proxy that includes the ATA proposal(s). As before, we use maximum likelihood regressions. The dependent variable is equal to 1 if the firm announces a common stock issue concurrent with the ATA(s), and zero otherwise. The coefficient estimates are reported in Table 11. We find a significant negative relation between the proportion of strict outside directors and the decision to issue common stock at the same time as the ATA announcement(s). The results imply that, for firms that require external equity funding, managers with greater influence on the board are more likely to propose at least one ATA in the same proxy as the announcement of the new common stock issue. If managers fail to purchase sufficient new equity to maintain their proportional control of the firm, the new equity issue could reduce their influence on the board of directors. For firms with independent boards of directors, this would be of little consequence to managers. However, for managers with greater board representation, an ATA could be deemed necessary to protect management's influence in the event of a control contest.

## **V. Conclusions**

Prior studies that examine management's incentives to adopt ATAs generally aggregate different types of ATAs. These studies implicitly assume that the motive to adopt different types of ATAs is homogeneous across firms. Although ATAs all have the potential effect of deterring takeovers, ATAs vary considerably in their characteristics and potential effectiveness. In our study, we examine the issue of whether different types of ATAs are adopted for different reasons. We focus on the four most

commonly adopted ATAs: supermajority, fair price, classified board and blank check preferred stock. Further, we examine the relation between firm characteristics and the quantity of ATAs adopted to provide evidence on the motivation of firms to use ATAs as part of a concerted effort to deter takeovers.

We find significant positive relations between ATA quantity and firm size, inside ownership, and affiliated outside blockholdings. These results suggest that managers propose greater quantities of ATAs in a concerted effort to deter takeovers and entrench. To do so requires significant support from both insiders and business affiliates to ensure that the ATAs are adopted. We also find a positive relation between the quantity of ATAs adopted and the proportion of independent board members for firms with growth opportunities. This result indicates that firms with independent boards may adopt greater quantities of ATAs to facilitate a long-term investment strategy.

Our evidence also suggests that the decision to adopt a particular type of ATA is a function of who potentially benefits most, given the particular provisions of the ATA. Supermajority amendments are most popular among firms with higher levels of inside holdings, whereas fair price amendments are preferred by firms with growth options and lower levels of inside ownership. Classified boards are preferred by large firms with higher levels of CEO ownership and affiliated blockholdings. Blank check preferred stock is adopted more frequently by larger firms with growth options, fewer independent board members, higher inside holdings and greater outside blockholdings.

Taken together, our results suggest that different types of ATAs are adopted for different purposes, some benefiting stockholders and others benefiting managers at stockholder expense. Hence, aggregation of ATAs as part of a metric to measure of agency costs can result in misleading conclusions.

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**Table 1****Definition of Variables and Data Sources**

Variables used in Tables 2 through 11 are defined above. Proxy statement data is obtained from the proxy that includes the antitakeover amendment proposals. The accounting data is obtained for the fiscal year-end period preceding the date of the ATA announcement.

<i>Variable:</i>	<i>Definition (Source)</i>
Strict outside directors	Directors who are not current or former employees of the firm or relatives of current employees, or who are not currently employed at an accounting firm, commercial bank, investment bank, insurance company, law firm, or consulting firm. (Proxy statement)
Strict inside directors	Directors who are currently employed by the firm. (Proxy statement)
CEO holdings	Total common stock ownership of the highest paid firm executive with the title of CEO, president and/or chairman of the board of directors, expressed as a percentage of the voting rights in the firm. (Proxy statement)
Beneficial inside holdings	Total common stock ownership of the firm managers and members of the board of directors, expressed as a percentage of the voting rights in the firm. (Proxy statement)
Inside blockholdings	Beneficial inside holdings that equal or exceed 5% of the voting rights in the firm. (Proxy statement)
Affiliated outside blockholders	Outside stockholders who have current or potential business ties with the firm and hold 5% or more of the voting rights of the firm. Affiliated stockholders include commercial or investment banks, insurance companies, or employee stock ownership plans (ESOPs). (Proxy statement)
Unaffiliated outside blockholders	Stockholders who own 5% or more of the voting rights of the firm, and who are not classified as affiliated. Unaffiliated blockholders include blockholders include non-financial firms, asset management companies, government entities, and individuals who are unrelated to managers or directors. (Proxy statement)
Industry-adjusted EBIT/book assets	The ratio of EBIT to beginning-of-period book assets less the median of 2-digit SIC-matched firms. (COMPUSTAT)
Market value assets/book value assets	The sum of the market value of common equity, liquidating value of preferred stock and book-value of total debt divided by the book value of assets. (COMPUSTAT)

**Table 2**  
**Descriptive Statistics, by Number of ATAs**

Data are for a sample of 267 observations in which at least one ATA is proposed in a firm's annual proxy statement between January 1979 and December 2001. Variables definitions are provided in Table 1. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. The control firm EBIT-to-book assets and market assets-to-book assets ratios are subtracting from the respective ratio of the ATA-adopting firms to obtain size- and industry-adjusted measures of performance and growth.

<i>Variable</i>	<i>All Firms</i>		<i>1 ATA</i>		<i>2 ATAs</i>		<i>3 ATAs</i>		<i>4 ATAs</i>	
	N	Mean [Median]	N	Mean [Median]	N	Mean [Median]	N	Mean [Median]	N	Mean [Median]
<i>Panel A: Firm Characteristics</i>										
Book assets (\$ millions)	265	2729.56 [454.33]	39	1910.81 [222.30]	78	1794.15 [350.25]	130	3604.07 [727.55]	18	2241.03 [815.17]
Industry-adjusted EBIT/ book assets (%)	265	4.44 [3.04]	39	7.64 [5.81]	78	3.77 [2.92]	130	4.07 [2.93]	18	3.06 [3.74]
EBIT / book assets less control EBIT / book assets (%)	251	2.66 [1.26]	38	4.97 [-0.69]	73	0.46 [1.04]	123	3.13 [1.51]	17	3.59 [3.17]
Market assets / book assets	265	1.55 [1.24]	39	1.52 [1.10]	78	1.72 [1.21]	130	1.47 [1.29]	18	1.42 [1.12]
Market assets / book assets less control market assets / book assets	237	0.20 [0.09]	37	0.13 [0.04]	71	0.33 [0.06]	113	0.14 [0.10]	16	0.33 [0.18]
<i>Panel B: Ownership characteristics</i>										
Total beneficial inside holdings (%)	267	13.15 [8.09]	39	13.15 [10.74]	79	13.48 [8.09]	131	12.17 [5.76]	18	18.79 [12.43]
Total CEO holdings (%)	267	5.14 [0.72]	39	4.59 [1.10]	79	5.61 [0.64]	131	4.90 [0.53]	18	6.00 [1.53]
Total inside blockholdings (%)	267	7.61 [0]	39	8.35 [0]	79	8.59 [0]	131	6.78 [0]	18	7.71 [2.57]
Total outside blockholdings (%)	267	8.43 [5.50]	39	5.20 [0]	79	8.77 [5.60]	131	8.73 [5.90]	18	11.84 [8.41]
Affiliated outside blockholdings (%)	267	3.77 [0]	39	1.39 [0]	79	3.06 [0]	131	4.63 [0]	18	5.74 [2.95]
Unaffiliated outside blockholdings (%)	267	4.66 [0]	39	3.81 [0]	79	5.71 [0]	131	4.09 [0]	18	6.11 [2.50]
<i>Panel C: Board of director characteristics</i>										
Number of directors on board	267	11.32 [11.00]	39	11.00 [10.00]	79	11.37 [11.00]	131	11.41 [11.00]	18	11.11 [10.00]
Strict outside directors (%)	267	51.11 [52.63]	39	52.14 [52.94]	79	52.22 [55.56]	131	50.02 [50.00]	18	51.96 [50.00]
Strict inside directors (%)	267	32.65 [30.00]	39	31.12 [30.00]	79	32.50 [30.00]	131	32.91 [30.00]	18	34.76 [32.39]

**Table 3****Univariate tests of Differences in Firm Characteristics, by Quantity of ATAs Adopted.**

Data are for a sample of 267 firm observations in which at least one antitakeover charter amendment is proposed in a firm's annual proxy statement between January 1979 and December 2001. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. The control firm ratios of EBIT-to-book assets and market assets-to-book assets are subtracting from the respective ratios of the ATA-adopting firms to obtain size- and industry-adjusted measures of performance and growth. T-statistics and Wilcoxon z-statistics are reported for tests of the null hypothesis that there is no difference in the mean and median percentage of blockholdings for those firms with few ATAs (one or two) and those firms with many ATAs (three or four). P-values are computed for two-tailed tests of the null hypothesis that there is no difference in the variable for firms that adopt few and those that adopt many ATAs.

<i>Variable:</i>	<u>1 or 2 ATAs (Few)</u>		<u>3 or 4 ATAs (Many)</u>		t-statistic	Wilcoxon z-statistic
	N	Mean [Median]	N	Mean [Median]		
<i>Panel A: Firm Characteristics</i>						
Book assets (\$ millions)	117	1833.04 [344.65]	148	3438.39 [727.55]	-1.85*	-3.42***
Industry-adjusted EBIT/ book assets (%)	117	5.06 [3.48]	148	3.95 [2.93]	0.68	0.28
EBIT/book assets less control firm EBIT/book assets (%)	111	2.00 [0.18]	140	3.18 [1.65]	-0.61	-0.97
Market assets/ book assets	117	1.65 [1.19]	148	1.46 [1.28]	1.32	-1.18
Market assets/book assets less that of control firm	108	0.26 [0.05]	129	0.16 [0.10]	0.74	-0.63
<i>Panel B: Ownership Characteristics</i>						
Total beneficial inside holdings (%)	118	13.37 [9.79]	149	12.97 [6.27]	0.24	0.72
Total CEO holdings (%)	118	5.27 [0.75]	149	5.03 [0.65]	0.21	0.74
Total inside blockholdings (%)	118	8.51 [0]	149	6.89 [0]	1.05	0.68
Total outside blockholdings (%)	118	7.59 [0]	149	9.10 [6.20]	-1.14	-1.59
Affiliated outside blockholdings (%)	118	2.51 [0]	149	4.77 [0]	-2.85***	-2.80***
Unaffiliated outside blockholdings (%)	118	5.08 [0]	149	4.34 [0]	0.70	0.58
<i>Panel C: Board of Director Characteristics</i>						
Number of directors on board	118	11.25 [11.00]	149	11.38 [11.00]	-0.28	-0.46
Strict outside directors (%)	118	52.20 [55.05]	149	50.26 [50.00]	0.87	1.02
Strict inside directors (%)	118	32.04 [30.00]	149	33.13 [30.00]	-0.61	-0.32

\* and \*\*\* denote significance at the 10% and 1% levels, respectively.

**Table 4**  
**Determinants of the Quantity of ATAs Adopted**

Ordinary least squares regressions are estimated for a sample of 267 firms that propose at least one ATA between January 1979 and December 2001. The dependent variable is the natural log of the total number of ATAs proposed. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. Other independent variables are defined in Table 1. *P*-values for two-tailed tests that the coefficient estimates equal zero are estimated using White's correction for heteroskedasticity.

Dependent variable: Ln(Quantity of fair price, supermajority, classified board and blank check preferred ATAs adopted).

<i>Independent Variables</i>	<i>OLS Regression</i>				
	1	2	3	4	5
Intercept	0.1241	0.3447**	0.1124	0.3098**	0.3050**
Ln(book value assets)	0.1532***	0.1152***	0.1561***	0.1534***	0.1519***
EBIT / book assets less control EBIT / book assets	0.0948	0.1001	0.0859	0.1161	0.0975
Dummy = 1 if market / book assets $\geq$ 1	0.2034**	0.2036**	0.2063**		
Market / book assets				-0.0055	-0.0008
Pct strict outside directors	-0.0131	-0.1174	-0.0122	-0.3284	-0.3259
Pct strict outside directors x dummy = 1 if market assets / book assets $\geq$ 1				0.3582**	0.3545**
Pct beneficial inside ownership	0.4302**			0.4252**	
Pct CEO ownership			0.5547*		0.5563*
Pct beneficial inside ownership less pct CEO ownership			0.3563		0.3378
Pct inside blockholdings		-0.0701			
Pct outside blockholdings	0.5931**		0.6032**	0.6025**	
Pct affiliated outside blockholdings		0.9601***			1.0278***
Pct unaffiliated outside blockholdings		0.2621			0.3281
Number of Observations	234	234	234	234	234
Adjusted R-Square	0.092	0.081	0.089	0.085	0.085
Model F-Statistic ( <i>p</i> -value)	4.95 (0.000)	3.95 (0.000)	4.26 (0.000)	4.08 (0.000)	3.41 (0.001)

\*, \*\*, and \*\*\* denote significance at the 10%, 5%, and 1% levels, respectively.

**Table 5****Determinants of Supermajority Amendment Adoptions**

Maximum likelihood logistic regressions are estimated for a sample of 267 firms that propose at least one ATA between January 1979 and December 2001. The dependent variable is an indicator variable equal to one if the firm proposed a supermajority amendment and 0 otherwise. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. Other independent variables are defined in Table 1. *P*-values are estimated for two-tailed tests that the coefficient estimates equal zero.

Dependent variable: 1 if a supermajority ATA adopted, 0 otherwise.

<i>Independent Variables</i>	<i>Maximum likelihood logistic regression</i>				
	1	2	3	4	5
Intercept	0.1241	0.3447**	0.1124	0.3098**	0.3050**
Ln(book value assets)	0.1532***	0.1152***	0.1561***	0.1534***	0.1519***
EBIT / book assets less control EBIT / book assets	0.0948	0.1001	0.0859	0.1161	0.0975
Dummy = 1 if market / book assets $\geq$ 1	0.2034**	0.2036**	0.2063**		
Market / book assets				-0.0055	-0.0008
Pct strict outside directors	-0.0131	-0.1174	-0.0122	-0.3284	-0.3259
Pct strict outside directors x dummy = 1 if market assets / book assets $\geq$ 1				0.3582**	0.3545**
Pct beneficial inside ownership	0.4302**			0.4252**	
Pct CEO ownership			0.5547*		0.5563*
Pct beneficial inside ownership less pct CEO ownership			0.3563		0.3378
Pct inside blockholdings		-0.0701			
Pct outside blockholdings	0.5931**		0.6032**	0.6025**	
Pct affiliated outside blockholdings		0.9601***			1.0278***
Pct unaffiliated outside blockholdings		0.2621			0.3281
Number of Observations	234	234	234	234	234
Model Chi-Squared ( <i>p</i> -value)	19.09 (0.004)	18.32 (0.011)	19.14 (0.008)	18.31 (0.011)	18.59 (0.029)

\*, \*\*, and \*\*\* denote significance at the 10%, 5%, and 1% levels, respectively.

**Table 6****Determinants of Fair Price Amendment Adoptions**

Maximum likelihood logistic regressions are estimated using data from a sample of 267 firms in which at least one antitakeover charter amendment is proposed in a firm's annual proxy statement between January 1979 and December 2001. The dependent variable is an indicator variable equal to one if the firm proposed a fair price amendment and 0 otherwise. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. Other independent variables are defined in Table 1. *P*-values are estimated for two-tailed tests that the coefficient estimates equal zero.

Dependent variable: 1 if a fair price ATA is adopted, 0 otherwise.

<i>Independent Variables</i>	<i>Maximum likelihood logistic regression</i>				
	1	2	3	4	5
Intercept	-0.2341	0.0572	-0.1385	0.7683	0.8764
Ln(book value assets)	0.1827	0.1088	0.1551	0.1580	0.1112
EBIT / book assets less control EBIT / book assets	-0.4258	-0.2373	-0.3432	-0.0237	0.0659
Dummy = 1 if market / book assets $\geq$ 1	0.9159**	1.0173**	0.8977**		
Market / book assets				-0.1283	-0.1212
Pct strict outside directors	1.4572	1.1227	1.4555	0.0849	0.1281
Pct strict outside directors x dummy = 1 if market assets / book assets $\geq$ 1				1.6660*	1.6013*
Pct beneficial inside ownership	-2.6460**			-2.6243**	
Pct CEO ownership			-3.5105*		-3.5201*
Pct beneficial inside ownership less pct CEO ownership			-2.1119		-2.0742
Pct inside blockholdings		-4.3816***			
Pct outside blockholdings	-1.1789		-1.2671	-1.0648	
Pct affiliated outside blockholdings		0.3476			0.6188
Pct unaffiliated outside blockholdings		-2.3806			-2.0913
Number of Observations	234	234	234	234	234
Model Chi-Squared ( <i>p</i> -value)	18.58 (0.005)	25.06 (0.001)	18.95 (0.008)	18.22 (0.011)	19.46 (0.022)

\*, \*\*, and \*\*\* denote significance at the 10%, 5%, and 1% levels, respectively.

**Table 7**  
**Determinants of Classified Board Amendment Adoptions**

Maximum likelihood logistic regressions are estimated using data from a sample of 267 firms in which at least one antitakeover charter amendment is proposed in a firm's annual proxy statement between January 1979 and December 2001. The dependent variable is an indicator variable equal to one if the firm proposed a classified board amendment and 0 otherwise. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. Other independent variables are defined in Table 1. *P*-values are estimated for two-tailed tests that the coefficient estimates equal zero.

Dependent variable: 1 if a classified board ATA is adopted, 0 otherwise.

<i>Independent Variables</i>	<i>Maximum likelihood logistic regression</i>				
	1	2	3	4	5
Intercept	-2.3152**	-1.6173**	2.6037***	1.3358	-1.6110*
Ln(book value assets)	0.6778***	0.5286**	0.7511***	0.6053***	0.6492***
EBIT / book assets less control EBIT / book assets	0.3374	0.2770	0.1388	1.0139	0.6704
Dummy = 1 if market / book assets $\geq$ 1	0.4276	0.4192	0.4975		
Market / book assets				-0.3578*	-0.3020
Pct strict outside directors	0.9738	0.7528	1.0041	0.3061	0.3378
Pct strict outside directors x dummy = 1 if market assets / book assets $\geq$ 1				0.9526	1.0037
Pct beneficial inside ownership	1.5613			1.6648	
Pct CEO ownership			4.3983**		4.6247**
Pct beneficial inside ownership less pct CEO ownership			0.0014		-0.0183
Pct inside blockholdings		0.2314			
Pct outside blockholdings	3.3558**		3.5848**	3.6579**	
Pct affiliated outside blockholdings		7.9263***			8.5221***
Pct unaffiliated outside blockholdings		0.7325			1.5552
Number of Observations	234	234	234	234	234
Model Chi-Squared ( <i>p</i> -value)	15.90 (0.014)	18.95 (0.008)	19.24 (0.007)	19.11 (0.008)	26.36 (0.002)

\*, \*\*, and \*\*\* denote significance at the 10%, 5%, and 1% levels, respectively.

**Table 8****Determinants of Blank Check Preferred Stock Amendment Adoptions**

Maximum likelihood logistic regressions are estimated using data from a sample of 267 firms in which at least one antitakeover charter amendment is proposed in a firm's annual proxy statement between January 1979 and December 2001. The dependent variable is an indicator variable equal to one if the firm proposed a blank check preferred amendment and 0 otherwise. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. Other independent variables are defined in Table 1. *P*-values are estimated for two-tailed tests that the coefficient estimates equal zero.

Dependent variable: 1 if a blank check preferred ATA is adopted, 0 otherwise.

<i>Independent Variables</i>	<i>Maximum likelihood logistic regression</i>				
	1	2	3	4	5
Intercept	-1.9530**	-0.7973	-1.8351*	-1.6710*	-1.6085
Ln(book value assets)	0.8950***	0.7067***	0.8615***	0.9758***	0.9521***
EBIT / book assets less control EBIT / book assets	1.1263	1.2473	1.2676	0.6849	0.8445
Dummy = 1 if market / book assets $\geq$ 1	0.9693**	0.9772**	0.9406**		
Market / book assets				0.2839	0.2874
Pct strict outside directors	-1.8574**	-2.4531***	-1.8714**	-3.2551***	-3.2264***
Pct strict outside directors x dummy = 1 if market assets / book assets $\geq$ 1				1.4717*	1.4135
Pct beneficial inside ownership	1.1916			1.8816	
Pct CEO ownership			0.2642		0.1830
Pct beneficial inside ownership less pct CEO ownership			3.2884*		3.2268*
Pct inside blockholdings		-0.9015			
Pct outside blockholdings	2.8974*		2.7606*	2.8203*	
Pct affiliated outside blockholdings		2.3842			2.2337
Pct unaffiliated outside blockholdings		2.8661			3.0686
Number of Observations	234	234	234	234	234
Model Chi-Squared ( <i>p</i> -value)	29.31 (0.000)	27.59 (0.000)	30.75 (0.000)	31.10 (0.000)	32.55 (0.000)

\*, \*\*, and \*\*\* denote significance at the 10%, 5%, and 1% levels, respectively.

**Table 9****Determinants of Supermajority and Classified Board Amendment Adoptions**

Maximum likelihood logistic regressions are estimated using data from a sample of 267 firms in which at least one antitakeover charter amendment is proposed in a firm's annual proxy statement between January 1979 and December 2001. The dependent variable is an indicator variable equal to one if the firm adopts a supermajority and a classified board amendment. These firms may or may not adopt other amendments in conjunction with supermajority and classified board amendments. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. Other independent variables are defined in Table 1. *P*-values are estimated for two-tailed tests that the coefficient estimates equal zero.

Dependent variable: 1 if a Supermajority and Classified Board are adopted, 0 otherwise.

<i>Independent Variables</i>	<i>Maximum likelihood logistic regression</i>				
	1	2	3	4	5
Intercept	-2.9292***	-2.0910**	-3.2288***	-2.6983**	-2.9449***
Ln(book value assets)	0.2989	0.1798	0.3739	0.2283	0.3055
EBIT / book assets less control EBIT / book assets	0.3520	0.1226	0.0964	0.8315	0.5766
Dummy = 1 if market / book assets $\geq$ 1	-0.4583	-0.5131	-0.4011		
Market / book assets				-0.3617	-0.3751
Pct strict outside directors	0.7035	0.5081	0.7371	1.1821	1.1332
Pct strict outside directors x dummy = 1 if market assets / book assets $\geq$ 1				-0.4217	-0.2974
Pct beneficial inside ownership	5.1395***			5.2334***	
Pct CEO ownership			7.3859***		7.3876***
Pct beneficial inside ownership less pct CEO ownership			3.8798**		4.0358**
Pct inside blockholdings		4.6534***			
Pct outside blockholdings	0.8256		1.0473	0.9755	
Pct affiliated outside blockholdings		0.5887			0.5230
Pct unaffiliated outside blockholdings		0.7785			1.6493
Number of Observations	234	234	234	234	234
Model Chi-Squared ( <i>p</i> -value)	16.49 (0.011)	11.97 (0.101)	18.85 (0.009)	18.28 (0.011)	20.62 (0.014)

\*\* and \*\*\* denote significance at the 5% and 1% levels, respectively.

**Table 10****Determinants of Fair Price and Classified Board Amendment Adoptions**

Maximum likelihood logistic regressions are estimated using data from a sample of 267 firms in which at least one antitakeover charter amendment is proposed in a firm's annual proxy statement between January 1979 and December 2001. The dependent variable is an indicator variable equal to one if the firm adopts a fair price and a classified board amendment and do not adopt other amendments in conjunction with fair price and classified board amendments. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. Other independent variables are defined in Table 1. *P*-values are estimated for two-tailed tests that the coefficient estimates equal zero.

Dependent variable: 1 if only a Fair Price and Classified Board ATA are adopted, 0 otherwise.

<i>Independent Variables</i>	<i>Maximum likelihood logistic regression</i>				
	1	2	3	4	5
Intercept	-3.5546**	-3.7659***	-3.5705**	-2.7463*	-2.6808*
Ln(book value assets)	-0.2212	-0.2219	-0.2180	-0.2520	-0.2959
EBIT / book assets less control EBIT / book assets	-1.3535	-1.3693	-1.3614	-1.0961	-1.2236
Dummy = 1 if market / book assets $\geq$ 1	0.5464	0.5975	0.5508		
Market / book assets				-0.2024	-0.1444
Pct strict outside directors	3.2175**	3.2737**	3.2210**	2.6554	2.7344
Pct strict outside directors x dummy = 1 if market assets / book assets $\geq$ 1				0.7000	0.6245
Pct beneficial inside ownership	-3.8382			-3.7339	
Pct CEO ownership			-3.5402		-3.5006
Pct beneficial inside ownership less pct CEO ownership			-4.0090		-4.2820
Pct inside blockholdings		-5.3054			
Pct outside blockholdings	1.7706		1.7894	1.9520	
Pct affiliated outside blockholdings		3.5685			3.7585
Pct unaffiliated outside blockholdings		-0.0611			0.0453
Number of Observations	234	234	234	234	234
Model Chi-Squared ( <i>p</i> -value)	14.27 (0.027)	15.65 (0.029)	14.28 (0.046)	14.27 (0.047)	15.05 (0.090)

\*, \*\*, and \*\*\* denote significance at the 10%, 5%, and 1% levels, respectively.

**Table 11****Determinants of Concurrent Common Stock Issue Announcements**

Maximum likelihood logistic regressions are estimated using data from a sample of 267 firms in which at least one antitakeover charter amendment is proposed in a firm's annual proxy statement between January 1979 and December 2001. The dependent variable is an indicator variable equal to one if the firm announces a common stock issue concurrent with an ATA proposal, and 0 otherwise. A control firm that does not adopt an ATA is identified for each amendment-proposing firm, matched on size (book assets) and 4-digit SIC. Other independent variables are defined in Table 1. *P*-values are estimated for two-tailed tests that the coefficient estimates equal zero.

Dependent variable: 1 if common stock issue is announced in same proxy as ATA proposal(s), 0 otherwise.

<i>Independent Variables</i>	<i>Maximum likelihood logistic regression</i>				
	1	2	3	4	5
Intercept	-0.0439	0.1229	-0.0129	0.2247	0.2604
Ln(book value assets)	-0.0354	-0.0484	-0.0432	-0.0083	0.0114
EBIT / book assets less control EBIT / book assets	-0.3065	-0.3031	-0.2840	-0.5249	-0.4866
Dummy = 1 if market / book assets $\geq$ 1	0.5970	0.6204	0.5905		
Market / book assets				0.1119	0.1015
Pct strict outside directors	-2.7045***	-2.8763***	-2.7083***	-3.3344**	-3.3706**
Pct strict outside directors x dummy = 1 if market assets / book assets $\geq$ 1				0.6545	0.6658
Pct beneficial inside ownership	-0.0298			-0.0595	
Pct CEO ownership			-0.3253		-0.3896
Pct beneficial inside ownership less pct CEO ownership			0.1349		0.0905
Pct inside blockholdings		-0.6933			
Pct outside blockholdings	-2.3971		-2.4205	-2.3854	
Pct affiliated outside blockholdings		-4.0502			-3.8444
Pct unaffiliated outside blockholdings		-1.5389			-1.5735
Number of Observations	234	234	234	234	234
Model Chi-Squared ( <i>p</i> -value)	12.80 (0.046)	13.59 (0.059)	12.84 (0.076)	12.61 (0.082)	13.11 (0.158)

\*\* and \*\*\* denote significance at the 5% and 1% levels, respectively.