Internet Appendix to
"Financial Structure, Acquisition Opportunities, and Firm Locations"*

This Internet Appendix consists of 18 tables, which contain descriptive statistics and results not included in the paper.

- **Table IA.I Number of Industry Clusters**

Table IA.I documents the number of industry clusters by SIC Code (Panel A) and by MSA (Panel B) for both *Cluster-Firm* and *Cluster-MV*.

- **Table IA.II Number of Clusters by MSA and SIC Code**

Table IA.II documents the number of clusters by MSA and SIC code. This table complements Table IA.I.

- **Table IA.III Acquisition Activity Summary Statistics**

Table IA.III is an unabridged version of Table II in the main text that includes additional descriptive statistics.

- **Table IA.IV Acquisition Activity Regressions**

Table IA.IV is an unabridged version of Table III in the main text that includes regressions for *Number of Firms* and *Ratio of Firms.*

- **Table IA.V Acquisition Activity Regressions Probit**

The regressions in Table IA.V correspond to the odd-numbered columns OLS regressions in Table IA.IV of this Internet Appendix. As shown in Table IA.V, probit and OLS specifications produce very similar results in both the significance and the magnitude of the marginal effects.

- **Table IA.VI Asset Sales Regressions**

The regressions in Table IA.VI document that firms located in clusters sell more assets.

- **Table IA.VII Acquisition Activity and Leverage** (Stock-financed Acquisitions)

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Table IA.VII shows that the results in Table IV of the paper are robust to restricting the sample to all-stock financed acquisitions (as classified by the SDC database).

- **Table IA.VIII Acquisition Activity and Leverage** (IV-probit Regressions)

In Table IA.VIII we split the sample into firms inside and outside clusters and estimate an IV-probit model for each subsample. The table shows that the marginal effect of net leverage on the probability of making an acquisition is negative and tends to be stronger in clusters, which is consistent with the 2SLS analysis provided in Table IV of the paper.

- **Table IA.IX Change in Financial Slack After Acquisitions (*t*+1) - (*t*-1)**

In Table IA.IX we examine changes in financial slack following acquisitions and find that firms increase their leverage and decrease their cash holdings. These findings also hold for all-stock acquisitions and hence they are not explained by the cash paid out in cash acquisitions.

- **Table IA.X Leverage Regressions**

Table IA.X is an unabridged version of Table V in the main text (columns (1) to (9)) that includes OLS regressions for *Number of Firms* and *Ratio of Firms.*

- **Table IA.XI Leverage Regressions NLLS**

Table IA.XI is an unabridged version of Table V in the main text (columns (10) to (13)) that includes NLLS regressions for *Book Leverage.*

- **Table IA.XII Cash Regressions**

Table IA.XII is an unabridged version of Table VI in the main text that includes regressions for *Number of Firms* and *Ratio of Firms.*

- **Table IA.XIII Cash and Leverage Regressions** (MSAs that do not Change Cluster Status)

Table IA.XIII documents that the leverage and cash results in Tables V and VI of the paper are robust to restricting the sample to MSAs that did not change cluster status (i.e., MSAs that were either a cluster or not a cluster over the time period under study).

- **Table IA.XIV Cash and Leverage Regressions** (Levels of Clustering)

In Table IA.XIV we explore the robustness of the leverage and cash results across different levels of clustering. In particular, for each definition of cluster (*Cluster-MV* and *Cluster-Firm*) we consider a regression with five dummy variables (i.e., *Between 5 and 10; Between 10 and 15; Between 15 and 20; Between 20 and 25;* and *More than 25*) which capture different levels of clustering. For instance, *Between 5 and 10* in the odd-numbered columns is a dummy variable that takes a value of one if there are at least five firms but less than 10 firms within the MSA with the same three-digit SIC and these firms comprise at least 3% of the market value of the industry, and zero otherwise. As documented in Table IA.XIV, all the

dummy variables have the correct sign (that is, negative for leverage and positive for cash holdings) and show an effect that tends to get stronger as the level of clustering increases.

- **Table IA.XV MSA Robustness**

Table IA.XV documents that the leverage and cash results in Tables V and VI of the paper are robust to restricting the sample to the 10 largest MSAs (i.e., New York-Northern New Jersey, Long Island [MSA code 5120], Los Angeles-Anaheim-Riverside [4472], Chicago-Gary-Lake County [1602], San Francisco-Oakland-San Jose [7362], Boston [1122], Philadelphia-Wilmington-Trenton [6162], Detroit-Ann Arbor [2162], Washington [8840], Dallas-Fort Worth [1922], and Houston-Galveston-Brazoria [3362]). In addition, Table IA.XV also reports regressions at the MSA level. Specifically, for each MSA we calculate the industry-year MSA average for all the variables, and then run regressions at the MSA level. (For instance, if in a given year an MSA hosts 10 firms in the same industry, we calculate their average *Net Market Leverage, Sales, EBITDA/TA, Market to Book, Tangible Assets / TA, R&D / TA,* and *Average Stock Return* and treat these averages as a single observation in the leverage regressions. Hence, each MSA has at most one observation per year per industry.) The results show that, for a given industry, the average net market leverage (*cash holdings*) in the MSA is lower (*larger*) if the MSA hosts a cluster in that industry.

- **Table IA.XVI Analysis Excluding Firms in SIC-737**

Table IA.XVI shows that the results in the paper are robust to excluding the software industry, SIC 737, from the sample.

- **Table IA.XVII Older Firms**

Table IA.XVII is an unabridged version of Table VII in the paper that includes additional regressions for *Number of Firms* and *Ratio of Firms.*

- **Table IA.XVIII MSA-specific Controls**

Table IA.XVIII is an unabridged version of Table VIII in the paper that reports the estimated coefficients and their *t*-statistics for all the control variables in the regressions. (In Table VIII in the paper some of the control variables are not reported to save space.)

Table IA.I
Number of Industry Clusters

Panel A:	Cluster-Firm				Cluster-MV			
SIC Codes	Mean	1990	1998	2005	Mean	1990	1998	2005
208	0.0	0	0	0	0.9	1	1	1
230	0.0	0	0	0	0.4	1	0	1
271	0.0	0	0	0	1.1	2	1	1
282	0.0	0	0	0	0.0	0	0	0
283	3.3	2	2	4	1.1	1	1	2
284	0.7	1	1	0	1.0	1	1	1
291	0.0	0	0	0	2.2	2	3	2
308	0.0	0	0	0	1.8	2	1	2
331	0.0	0	0	0	1.1	2	1	1
353	0.4	0	0	1	1.0	1	1	1
355	1.2	0	2	0	2.4	3	2	2
356	0.0	0	0	0	1.9	1	1	3
357	2.9	3	3	2	2.7	3	3	2
366	1.9	1	2	2	2.3	1	2	3
367	2.1	2	1	2	1.6	3	1	1
371	1.0	1	1	1	1.0	1	1	1
372	0.0	0	0	0	1.0	1	1	1
382	3.9	5	4	2	2.4	2	2	3
384	3.9	3	4	5	3.0	3	3	3
394	0.0	0	0	0	1.3	0	1	1
737	5.5	5	6	5	2.6	1	3	3
Total	***26.8***	***23***	***26***	***24***	***32.8***	***32***	***30***	***35***

Panel B:		Cluster-Firm		Cluster-MV	
MSA Codes	MSA Name	1990	2005	1990	2005
520	Atlanta, GA	0	0	0	1
640	Austin, TX	0	0	0	1
1122	Boston, MA	5	3	2	2
1602	Chicago-Gary-Lake County, IL-IN-WI	0	0	2	4
1922	Dallas-Forth Worth, TX	1	1	3	1
2082	Denver-Boulder, CO	0	1	0	0
2162	Detroit-Ann Arbor, MI	1	1	1	1
3362	Houston-Galveston-Brazoria, TX	0	1	1	2
4472	Los Angeles-Anaheim-Riverside, CA	1	3	1	0
5120	Minneapolis-St. Paul, MN-WI	2	1	3	1
5602	New York-Northern New Jersey, Long Island, NY NJ	6	5	13	11
6162	Philadelphia-Wilmington-Trenton, PA-NJ-DE	1	0	0	0
6282	Providence-New Bedford-Fall River, RI-MA	0	0	1	1
7320	San Diego, CA	0	0	0	2
7362	San Francisco-Oakland-San Jose, CA	6	7	3	6
7602	Seattle-Tacoma, WA	0	1	0	1
8840	Washington, DC-MD-VA	0	0	0	1
County	Wayne, Ohio	0	0	1	0
County	Steuben, New York	0	0	1	0
Total		***23***	***24***	***32***	***35***

Table IA.II
Number of Clusters by MSA and SIC Code

Panel A. Cluster Firm

MSA Code	MSA Name	SIC Code											
		283	284	353	355	357	366	367	371	382	384	737	Total
1122	Boston, MA	1	0	0	1	1	1	1	0	1	1	1	**8**
1922	Dallas-Forth Worth, TX	0	0	0	0	0	1	0	0	0	0	1	**2**
2082	Denver-Boulder, CO	0	0	0	0	0	0	0	0	0	0	1	**1**
2162	Detroit-Ann Arbor, MI	0	0	0	0	0	0	0	1	0	0	0	**1**
3362	Houston-Galveston-Brazoria, TX	0	0	1	0	0	0	0	0	0	0	0	**1**
4472	Los Angeles-Anaheim-Riverside, CA	1	0	0	0	1	0	1	0	1	1	0	**5**
5120	Minneapolis-St. Paul, MN-WI	0	0	0	0	0	0	0	0	1	1	0	**2**
5602	New York-Northern New Jersey, Long Island, NY NJ	1	1	0	0	1	1	0	0	1	1	1	**7**
6162	Philadelphia-Wilmington-Trenton, PA-NJ-DE	1	0	0	0	0	0	0	0	0	0	1	**2**
7362	San Francisco-Oakland-San Jose, CA	1	0	0	1	1	1	1	0	1	1	1	**8**
7602	Seattle-Tacoma, WA	0	0	0	0	0	0	0	0	0	0	1	**1**

Panel B. Cluster MV

MSA Code	MSA Name	SIC Code																				
		208	230	271	283	284	291	308	331	353	355	356	357	366	367	371	372	382	384	394	737	Total
520	Atlanta, GA	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	**1**
640	Austin, TX	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	**1**
1122	Boston, MA	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	1	1	0	0	**4**
1602	Chicago-Gary-Lake County, IL-IN-WI	0	0	0	0	0	0	1	0	0	0	1	0	1	0	0	0	0	1	0	0	**4**
1922	Dallas-Forth Worth, TX	0	0	0	0	0	1	0	1	0	0	1	0	0	1	0	0	0	0	0	0	**4**
2162	Detroit-Ann Arbor, MI	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	**1**
3362	Houston-Galveston-Brazoria, TX	0	0	0	0	0	1	0	0	1	0	0	1	0	0	0	0	0	0	0	0	**3**
4472	Los Angeles-Anaheim-Riverside, CA	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	**2**
5120	Minneapolis-St. Paul, MN-WI	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	1	1	0	0	**4**
5602	New York-Northern New Jersey, Long Island, NY NJ	1	1	1	1	1	1	1	0	0	1	1	1	1	0	0	1	1	1	0	1	**15**
6282	Providence-New Bedford-Fall River, RI-MA	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	**1**
7320	San Diego, CA	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	**2**
7362	San Francisco-Oakland-San Jose, CA	0	0	0	1	0	0	0	0	0	1	0	1	1	1	0	0	1	1	0	1	**8**
7602	Seattle-Tacoma, WA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	**1**
8840	Washington, DC-MD-VA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	**1**
County	Wayne, Ohio	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	**1**
County	Steuben, New York	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	**1**
County	Kosciusko, Indiana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	**1**

Note: For a given MSA and SIC Code, a 1 indicates that the MSA has hosted a cluster in that three-digit SIC industry at least one year in our sample (1990 to 2005).

Table IA.III
Acquisition Activity Summary Statistics

Panel A. Ratios

		Cluster-Firm			Cluster-MV		
	Whole Sample	In Cluster	Off Cluster	*t*-stat[b]	In Cluster	Off Cluster	*t*-stat[b]
Ratio of Acquirers	0.376	0.430	0.350	**5.52**	0.434	0.352	**5.23**
Ratio of Firm Acquirers	0.162	0.215	0.137	**6.99**	0.213	0.142	**6.04**
Ratio of Asset Acquirers	0.293	0.322	0.279	**3.24**	0.332	0.277	**3.85**
Ratio of Public Acquirers	0.066	0.096	0.051	**6.08**	0.099	0.052	**5.81**
Ratio of Local Acquirers	0.066	0.129	0.036	**12.04**	0.134	0.039	**11.30**
Ratio of Within Industry Acquirers	0.210	0.268	0.183	**6.48**	0.250	0.194	**4.07**
Ratio of Within Industry Firm Acq.	0.090	0.131	0.071	**6.76**	0.120	0.078	**4.59**
Ratio of Within Industry Asset Acq.	0.153	0.188	0.136	**4.77**	0.176	0.143	**2.89**
Ratio of Within Industry Public Acq.	0.037	0.060	0.027	**5.66**	0.056	0.030	**4.46**
Ratio of Within Industry Local Acq.	0.035	0.072	0.018	**9.03**	0.073	0.019	**8.59**
Acquisitions Value / TA[c]	0.076	0.100	0.065	**5.69**	0.091	0.070	**3.22**
Within Industry Acq. Value / TA	0.041	0.058	0.033	**5.44**	0.048	0.038	**2.36**
Firm Acquisitions Value / TA	0.046	0.068	0.035	**6.71**	0.060	0.040	**4.06**
Asset Acquisitions Value / TA	0.024	0.024	0.024	0.09	0.023	0.024	0.72
Public Acquisitions Value / TA	0.023	0.036	0.017	**6.09**	0.035	0.018	**4.92**
Local Acquisitions Value / TA	0.009	0.018	0.004	**9.04**	0.018	0.005	**8.07**

Panel B. Volume

		Cluster-Firm		Cluster-MV	
	Whole Sample	In Cluster	Off Cluster	In Cluster	Off Cluster
Number of Acquisitions	9,348	3,659	5,689	3,369	5,979
Number of Firm Acquisitions	2,888	1,303	1,585	1,128	1,760
Number of Asset Acquisitions	6,460	2,356	4,104	2,241	4,219
Number of Public Acquisitions	991	483	508	444	547
Number of Within Industry Acquisitions	4,326	1,889	2,437	1,536	2,790
Number of Within Industry Public Acq.	561	293	268	249	312
Number of Local Acquisitions	1,059	699	360	661	398
Average Value per Acquisition *($ million)*	181	250	136	300	114
Average Value per Firm Acquisition	480	600	381	775	292
Average Value per Asset Acquisition	47	56	42	62	39
Average Value per Public Acquisition	1,209	1,396	1,031	1,755	766
Average Value per Within Industry Acq.	227	319	156	419	122
Average Value per Within Ind. Public Acq.	1,299	1,775	944	2,159	612
Average Value per Local Acquisition	450	608	142	660	101

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

b. *t-stat*: *t*-statistic of the difference between the mean value inside and outside clusters (standard errors are robust-clustered by firm).

c. Mean values are reported.

Table IA.IV
Acquisition Activity Regressions

		All Acquisitions		Firm Acquisitions		Asset Acquisitions		Public Acquisitions		Within Industry Acquisitions		Local Acquisitions	
	Cluster Definitions	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1)	Cluster-Firm	**0.048**	**0.074**	**0.049**	**0.123**	**0.026**	0.009	**0.033**	**0.197**	**0.039**	**0.071**	**0.085**	**0.249**
	Observations: 13342	(3.16)	(3.66)	(4.32)	(4.54)	(1.78)	(0.82)	(4.30)	(4.76)	(3.06)	(3.04)	(11.07)	(10.88)
	R^2	0.05		0.04		0.03		0.02		0.08		0.05	
(2)	Cluster-MV	**0.074**	**0.088**	**0.063**	**0.140**	**0.052**	**0.018**	**0.043**	**0.235**	**0.049**	**0.075**	**0.088**	**0.252**
	Observations: 13342	(4.92)	(4.52)	(5.74)	(5.36)	(3.66)	(1.74)	(5.40)	(6.10)	(4.07)	(3.46)	(11.41)	(12.67)
	R^2	0.05		0.05		0.03		0.03		0.08		0.05	
(3)	Number of Firms /10	**0.008**	**0.016**	**0.011**	**0.025**	0.002	0.000	**0.007**	**0.035**	**0.009**	**0.015**	**0.022**	**0.045**
	Observations: 13342	(2.81)	(4.17)	(4.61)	(5.32)	(0.83)	(0.08)	(4.22)	(5.13)	(3.37)	(3.92)	(11.36)	(12.85)
	R^2	0.05		0.04		0.03		0.02		0.08		0.06	
(4)	Ratio of Firms in MSA	**0.203**	**0.335**	**0.230**	**0.634**	0.093	0.017	**0.156**	**1.060**	**0.152**	**0.328**	**0.561**	**1.604**
	Observations: 13342	(2.49)	(3.05)	(4.08)	(4.33)	(1.18)	(0.30)	(4.03)	(4.86)	(2.47)	(2.75)	(12.99)	(14.17)
	R^2	0.05		0.04		0.03		0.02		0.08		0.06	
(5)	Silicon Valley	**0.102**	**0.191**	**0.108**	**0.269**	0.026	-0.002	**0.080**	**0.387**	**0.119**	**0.179**	**0.181**	**0.317**
	Observations: 2631	(3.14)	(4.35)	(3.53)	(5.00)	(0.85)	(0.10)	(3.40)	(4.80)	(3.31)	(4.16)	(6.43)	(7.94)
	R^2	0.03		0.04		0.02		0.02		0.03		0.06	

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

b. Each numbered column and row corresponds to a different regression. Odd-numbered columns correspond to OLS regressions in which the dependent variable is a dummy variable indicating an acquisition. (Several types of acquisitions are considered: *All, Firm, Asset, Public, Within Industry*, and *Local*, as defined in the Data Appendix of the paper). Even-numbered columns correspond to Tobit regressions in which the dependent variable is the ratio of the firm's acquisition volume during the year divided by the firm's total assets. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). All regressions include year fixed effects, and all but the *Silicon Valley* regressions include industry fixed effects. (The *Silicon Valley* regressions study the software industry, that is, SIC 737.)

Table IA.V
Acquisition Activity Regressions Probit

	All Acquisitions		Firm Acquisitions		Asset Acquisitions		Public Acquisitions		Within Industry Acquisitions		Local Acquisitions	
	Probit[c]	OLS[d]	Probit	OLS	Probit	OLS	Probit	OLS	Probit	OLS	Probit	OLS
Cluster Definitions	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Cluster-Firm	**0.048**	**0.048**	**0.044**	**0.049**	**0.026**	**0.026**	**0.028**	**0.033**	**0.037**	**0.039**	**0.072**	**0.085**
Observations: 13342	(3.14)	(3.16)	(4.28)	(4.32)	(1.79)	(1.78)	(4.38)	(4.30)	(3.09)	(3.06)	(11.73)	(11.07)
Pseudo R^2	0.04	0.05	0.05	0.04	0.03	0.03	0.05	0.02	0.07	0.08	0.10	0.05
(2) Cluster-MV	**0.074**	**0.074**	**0.060**	**0.063**	**0.052**	**0.052**	**0.038**	**0.043**	**0.047**	**0.049**	**0.075**	**0.088**
Observations: 13342	(4.87)	(4.92)	(5.86)	(5.74)	(3.67)	(3.66)	(5.92)	(5.40)	(4.03)	(4.07)	(13.64)	(11.41)
Pseudo R^2	0.04	0.05	0.05	0.05	0.03	0.03	0.05	0.03	0.08	0.08	0.10	0.05
(3) Number of Firms /10	**0.008**	**0.008**	**0.007**	**0.011**	0.002	0.002	**0.004**	**0.007**	**0.007**	**0.009**	**0.011**	**0.022**
Observations: 13342	(2.69)	(2.81)	(4.39)	(4.61)	(0.75)	(0.83)	(4.22)	(4.22)	(3.10)	(3.37)	(12.80)	(11.36)
Pseudo R^2	0.04	0.05	0.05	0.04	0.03	0.03	0.05	0.02	0.07	0.08	0.10	0.06
(4) Ratio of Firms in MSA	**0.203**	**0.203**	**0.213**	**0.23**	0.091	0.093	**0.132**	**0.156**	**0.146**	**0.152**	**0.369**	**0.561**
Observations: 13342	(2.43)	(2.49)	(4.03)	(4.08)	(1.15)	(1.18)	(4.24)	(4.03)	(2.41)	(2.47)	(15.30)	(12.99)
Pseudo R^2	0.04	0.05	0.05	0.04	0.03	0.03	0.05	0.02	0.07	0.08	0.12	0.06
(5) Silicon Valley	**0.104**	**0.102**	**0.110**	**0.108**	0.026	0.026	**0.079**	**0.08**	**0.121**	**0.119**	**0.178**	**0.181**
Observations: 2631	(3.10)	(3.14)	(3.69)	(3.53)	(0.85)	(0.85)	(3.84)	(3.40)	(3.33)	(3.31)	(7.73)	(6.43)
Pseudo R^2	0.02	0.03	0.03	0.04	0.02	0.02	0.03	0.02	0.03	0.03	0.08	0.06

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

b. Each numbered column and row corresponds to a different OLS or probit regression in which the dependent variable is a dummy variable indicating an acquisition. (Several types of acquisitions are considered: *All, Firm, Asset, Public, Within Industry*, and *Local*, as defined in the Data Appendix of the paper). All regressions include year fixed effects, and all but the *Silicon Valley* regressions include industry fixed effects. The regressions in this table correspond to the odd-numbered columns OLS regressions in Table III of the paper.

c. Probit regressions report the estimated marginal effects with their *z*-statistics in parentheses (standard errors are robust-clustered by firm).

d. OLS regressions report the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm).

Table IA.VI
Assets Sales Regressions

	All Asset Sales		Within Industry Asset Sales		Local Asset Sales	
	Probit[c]	OLS[d]	Probit	OLS	Probit	OLS
Cluster Definitions	(1)	(2)	(3)	(4)	(5)	(6)
(1) Cluster-Firm	**0.033**	**0.032**	**0.020**	**0.020**	**0.004**	**0.005**
Observations: 13342	(3.04)	(2.93)	(3.16)	(3.02)	(2.53)	(2.27)
Pseudo R^2	0.037	0.031	0.058	0.031	0.057	0.007
(2) Cluster-MV	**0.042**	**0.042**	**0.026**	**0.027**	**0.009**	**0.010**
Observations: 13342	(3.90)	(3.57)	(4.06)	(3.60)	(5.42)	(4.36)
Pseudo R^2	0.039	0.032	0.061	0.033	0.077	0.009

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

b. Each numbered column and row corresponds to a different OLS or probit regression in which the dependent variable is a dummy variable indicating an asset sale. (Several types of sales are considered: *All, Within Industry*, and *Local*, as defined in the Data Appendix of the paper). All regressions include year and industry fixed effects.

c. Probit regressions report the estimated marginal effects with their *z*-statistics in parentheses (standard errors are robust-clustered by firm).

d. OLS regressions report the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm).

Table IA.VII
Acquisition Activity and Leverage (Stock-financed Acquisitions)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A. Acquisition Activity and Net Market Leverage								
	All Stock Acquisitions		Public Stock Acquisitions		Within Ind. Stock Acquisitions		Local Stock Acquisitions	
Cluster[c]	**0.032**	0.022	**0.034**	**0.039**	0.018	0.005	**0.044**	**0.049**
	(2.20)	(1.47)	(3.47)	(3.76)	(1.52)	(0.43)	(4.82)	(4.78)
Net Market Leverage. x Cluster	**-0.146**	-0.038	**-0.143**	**-0.106**	**-0.099**	-0.017	**-0.139**	**-0.128**
	(2.44)	(0.68)	(3.48)	(2.60)	(2.03)	(0.42)	(3.17)	(3.05)
Net Market Leverage	-0.063	**-0.099**	0.001	-0.001	-0.036	**-0.085**	**0.046**	0.034
	(1.44)	(2.17)	(0.03)	(0.03)	(1.02)	(2.29)	(2.14)	(1.46)
Market to Book	**0.023**	**0.023**	**0.007**	**0.008**	**0.016**	**0.015**	**0.007**	**0.007**
	(5.70)	(5.72)	(2.88)	(3.17)	(5.02)	(4.78)	(2.42)	(2.37)
EBITDA/TA	-0.045	**-0.051**	-0.002	-0.003	**-0.041**	**-0.052**	-0.001	-0.008
	(1.58)	(1.73)	(0.11)	(0.13)	(1.83)	(2.25)	(0.08)	(0.47)
Sales	**0.016**	**0.015**	**0.012**	**0.011**	**0.009**	**0.010**	**0.004**	**0.003**
	(6.10)	(5.68)	(8.00)	(7.17)	(5.12)	(5.05)	(2.41)	(2.01)
Average Stock Return	**0.033**	**0.031**	**0.015**	**0.015**	**0.018**	**0.017**	**0.011**	**0.011**
	(4.83)	(4.67)	(3.15)	(2.98)	(3.19)	(3.02)	(2.62)	(2.46)
Age	**-0.001**	**-0.001**	0.000	0.000	**-0.001**	**-0.001**	**0.000**	**0.000**
	(3.24)	(3.33)	(1.42)	(1.61)	(2.97)	(2.95)	(2.38)	(2.54)
Population	0.000	-0.001	0.001	0.000	0.002	0.002	0.000	0.001
	(0.14)	(0.37)	(0.62)	(0.15)	(1.64)	(1.28)	(0.67)	(0.95)
R-squared	0.08	0.08	0.04	0.04	0.06	0.06	0.03	0.04
Panel B. Acquisition Activity and Relative Net Market Leverage								
	All Stock Acquisitions		Public Stock Acquisitions		Within Ind. Stock Acquisitions		Local Stock Acquisitions	
Cluster[c]	**0.019**	**0.021**	**0.017**	**0.021**	0.010	0.007	**0.025**	**0.026**
	(2.42)	(2.86)	(3.18)	(3.74)	(1.43)	(1.22)	(5.56)	(5.25)
Relative Net Market Lever. x Cluster	**-0.277**	**-0.222**	**-0.213**	**-0.255**	**-0.202**	-0.120	**-0.227**	**-0.315**
	(2.98)	(1.76)	(3.41)	(2.94)	(2.77)	(1.32)	(3.12)	(2.88)
Relative Net Market Leverage	-0.035	-0.069	0.009	0.017	-0.014	**-0.069**	**0.060**	**0.052**
	(0.80)	(1.48)	(0.32)	(0.59)	(0.41)	(1.81)	(2.57)	(1.98)
Market to Book	**0.023**	**0.023**	**0.007**	**0.008**	**0.016**	**0.016**	**0.006**	**0.006**
	(6.00)	(6.16)	(2.99)	(3.36)	(5.17)	(5.08)	(2.42)	(2.38)
EBITDA/TA	-0.046	**-0.059**	-0.005	-0.011	**-0.041**	**-0.057**	-0.003	-0.019
	(1.58)	(2.00)	(0.25)	(0.56)	(1.81)	(2.44)	(0.16)	(1.12)
Sales	**0.016**	**0.016**	**0.012**	**0.012**	**0.009**	**0.010**	**0.004**	**0.005**
	(5.93)	(5.43)	(7.92)	(7.04)	(5.07)	(5.02)	(2.35)	(2.19)
Average Stock Return	**0.034**	**0.033**	**0.016**	**0.016**	**0.019**	**0.018**	**0.012**	**0.012**
	(5.06)	(4.95)	(3.29)	(3.19)	(3.38)	(3.24)	(2.76)	(2.71)
Age	**-0.001**	**-0.001**	0.000	**0.000**	**0.000**	**-0.001**	**0.000**	**0.000**
	(2.98)	(3.52)	(1.19)	(1.97)	(2.67)	(3.19)	(2.11)	(2.66)
Population	0.000	-0.001	0.001	0.000	**0.002**	0.002	0.001	0.001
	(0.22)	(0.27)	(0.64)	(0.16)	(1.75)	(1.33)	(0.83)	(0.91)
R-squared	0.08	0.08	0.03	0.03	0.06	0.06	0.01	0.01

Notes

a. The number of observations is 10800. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

b. This table is equivalent to Table IV in the paper except that in the above table we restrict the sample to all-stock-financed acquisitions. Each column (in each panel) corresponds to a different 2SLS regression in which the dependent variable is a dummy variable indicating a stock-financed acquisition. *Net Market Leverage, Relative Net Market Leverage, Market to Book, EBITDA/TA,* and *Sales* are lagged one period. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). All regressions include year and industry fixed effects.

c. In the odd-numbered columns "Cluster" corresponds to the variable *Cluster-Firm,* and in the even-numbered columns "Cluster" corresponds to the variable *Cluster-MV*.

Table IA.VIII
Acquisition Activity and Leverage (IV-probit Regressions)

Panel A. Marginal Effect of Net Market Leverage

	Cluster Firm		Cluster MV	
	Off Cluster	In Cluster	Off Cluster	In Cluster
All Acquisitions	**-0.3654**	-0.3383	**-0.2678**	-0.1753
	(2.85)	(1.50)	(2.11)	(0.72)
Firm Acquisitions	**-0.2409**	**-0.3594**	**-0.2349**	**-0.3338**
	(3.53)	(2.30)	(3.40)	(2.11)
Public Acquisitions	**-0.1017**	**-0.2118**	**-0.0999**	**-0.1948**
	(2.70)	(1.72)	(2.63)	(1.77)
Within Industry Acquisitions	**-0.2800**	**-0.4720**	**-0.2548**	-0.2422
	(3.43)	(2.73)	(3.01)	(1.43)
Within Industry Public Acquisitions	**-0.0726**	**-0.1632**	**-0.0744**	**-0.1296**
	(2.49)	(2.11)	(2.71)	(2.09)
Local Acquisitions	-0.0403	-0.1486	-0.0385	-0.0341
	(1.40)	(1.30)	(1.22)	(0.25)

Panel B. Marginal Effect of Relative Net Market Leverage

	Cluster Firm		Cluster MV	
	Off Cluster	In Cluster	Off Cluster	In Cluster
All Acquisitions	**-0.3424**	-0.3732	**-0.2350**	-0.2780
	(2.65)	(1.61)	(1.84)	(1.10)
Firm Acquisitions	**-0.2220**	**-0.3949**	**-0.2179**	**-0.4286**
	(3.30)	(2.43)	(3.20)	(2.64)
Public Acquisitions[d]	**-0.0873**	**-0.2348**	**-0.0815**	
	(2.35)	(1.82)	(2.20)	
Within Industry Acquisitions	**-0.2525**	**-0.5040**	**-0.2381**	**-0.3265**
	(3.08)	(2.84)	(2.78)	(1.84)
Within Industry Public Acquisitions[d]	**-0.0623**	**-0.1763**	**-0.0654**	
	(2.28)	(2.18)	(2.56)	
Local Acquisitions	-0.0434	-0.1551	-0.0422	-0.0657
	(1.52)	(1.32)	(1.32)	(0.47)

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

b. Each column and row corresponds to a different IV-probit regression. Separate regressions are fitted for firms located outside and inside industry clusters (reported in the "Off Cluster" and "In Cluster" columns, respectively). The dependent variable is a dummy variable indicating an acquisition. (Several types of acquisitions are considered: *All, Firm, Public, Within Industry, Within Industry-Public*, and *Local*, as defined in the Data Appendix.) All regressions include, in addition to *Net Market Leverage* (for Panel A) and *Relative Net Market Leverage* (for Panel B), the following controls: *Market to Book*, *EBITDA/TA*, *Sales*, *Average Stock Return*, *Age*, *Population*, and industry and year fixed effects. Reported is the estimated marginal effect of *Net Market Leverage* (for Panel A) and of *Relative Net Market Leverage* (for Panel B) on the probability of making an acquisition with their *t*-statistics in parentheses (standard errors are robust-clustered by firm).

c. In the regressions in Panel A, we instrument *Net Market Leverage* at *t*-1 with *R&D/TA* and *Tangible Assets/TA* at *t*-2, and with the three-year average profitability (*EBITDA/TA*) and stock returns from *t*-4 to *t*-6. In the regressions in Panel B, we instrument *Relative Net Market Leverage* at *t*-1 with *R&D/TA* and *Tangible Assets/TA* at *t*-2, and with the three-year average relative profitability (*Relative EBITDA/TA*) and average relative stock return (*Relative Stock Return*) from *t*-4 to *t*-6.

d. The maximum likelihood optimization for *Public Acquisitions* and for *Within-Industry Public Acquisitions* in clusters according to the *Cluster-MV* definition does not converge.

Table IA.IX
Change in Financial Slack After Acquisitions (*t*+1) - (*t*-1)

	All Acquisitions				Stock Financed Acquisitions			
	Cluster-Firm		Cluster-MV		Cluster-Firm		Cluster-MV	
	Off Cluster	In Cluster	Off Cluster	In Cluster	Off Cluster	In Cluster	Off Cluster	In Cluster
Change in Net Market Leverage	0.049	0.024	0.051	0.019	0.057	0.024	0.048	0.026
	(21.59)	(10.35)	(22.93)	(8.06)	(7.25)	(4.36)	(7.32)	(4.10)
	[4904]	[3124]	[5131]	[2897]	[450]	[606]	[564]	[492]
Change in Cash/TA	-0.020	-0.025	-0.021	-0.022	-0.037	-0.035	-0.039	-0.033
	(13.04)	(10.89)	(13.39)	(10.36)	(5.49)	(5.68)	(5.99)	(5.10)
	[4919]	[3153]	[5151]	[2921]	[457]	[619]	[572]	[504]
Change in Net Market Leverage (Acquirer + Target)	0.058	0.033	0.054	0.035	0.050	0.027	0.023	0.044
	(5.04)	(3.60)	(5.00)	-3.63	(2.87)	(2.02)	(1.30)	(3.37)
	[216]	[232]	[232]	[216]	[71]	[126]	[81]	[116]
Change in Cash/TA (Acquirer + Target)	-0.029	-0.034	-0.030	-0.034	-0.036	-0.042	-0.027	-0.050
	(3.97)	(3.91)	(3.50)	(4.40)	(2.66)	(3.16)	(1.54)	(4.29)
	[226]	[241]	[239]	[228]	[74]	[129]	[83]	[120]
Industry Adjusted Change in Net Market Leverage	0.040	0.020	0.042	0.014	0.049	0.016	0.042	0.016
	(18.53)	(8.63)	(19.97)	(6.15)	(6.29)	(2.96)	(6.41)	(2.57)
	[4904]	[3124]	[5131]	[2897]	[450]	[606]	[564]	[492]
Industry Adjusted Change in Cash/TA	-0.016	-0.021	-0.017	-0.020	-0.032	-0.029	-0.033	-0.028
	(10.75)	(9.26)	(10.82)	(9.18)	(4.79)	(4.84)	(5.01)	(4.56)
	[4919]	[3153]	[5151]	[2921]	[457]	[619]	[572]	[504]

Notes

a. This table reports average change in financial slack following an acquisition. We identify the most recent fiscal year (*t*) prior to the effective acquisition date and calculate the difference in financial slack in the merged firm a year after the effective date (*t*+1) relative to that in a year before the acquisition date (*t*-1). The *t*-statistics are in parentheses and the number of observations is in brackets.

b. *Changes in Net Market Leverage* [*Changes in Cash/TA*] is defined as the *Net Market Leverage* [*Cash/TA*] of the merged company in the post-acquisition date (*t*+1) minus that of the acquirer in the pre-acquisition date (*t*-1). *Change in Net Market Leverage (Acquirer + Target)* [*Change in Cash/TA (Acquirer + Target)*] is defined as the *Net Market Leverage* [*Cash/TA*] of the merged company in the post acquisition date (*t*+1) minus the ratio of the sum of net market debt to the sum of total assets of the acquirer and the target in the pre-acquisition date (*t*-1). (Note that this measure is only available for public targets that have information on *Net Market Leverage* [*Cash/TA*] prior to the acquisition.) *Industry Adjusted Change in Net Market Leverage* [*Industry Adjusted Change in Cash/TA*] is defined as the industry-adjusted *Net Market Leverage* [*Cash/TA*] of the merged company in the post-acquisition date (*t*+1) minus that of the acquirer in the pre-acquisition date (*t*-1).

Table IA.X
Leverage Regressions

	Book Leverage					Market Leverage					Net Market Leverage				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Cluster-Firm	**-0.029**					**-0.021**					**-0.044**				
	(3.05)					(2.57)					(4.39)				
Cluster-MV		**-0.025**					**-0.019**					**-0.036**			
		(2.74)					(2.39)					(3.63)			
Number of Firms /10			**-0.007**					**-0.003**					**-0.009**		
			(3.66)					(2.41)					(4.99)		
Ratio of Firms				**-0.178**					**-0.137**					**-0.302**	
				(3.27)					(3.00)					(5.35)	
Silicon Valley					**-0.038**					**-0.029**					**-0.056**
					(1.78)					(2.03)					(3.06)
Sales	**0.036**	**0.036**	**0.035**	**0.036**	**0.036**	**0.014**	**0.014**	**0.013**	**0.014**	**0.016**	**0.023**	**0.024**	**0.022**	**0.023**	**0.033**
	(12.65)	(12.64)	(12.58)	(12.71)	(4.75)	(5.06)	(5.14)	(4.92)	(5.08)	(2.58)	(7.56)	(7.64)	(7.39)	(7.63)	(4.48)
EBITDA/TA	**-0.439**	**-0.439**	**-0.447**	**-0.441**	**-0.414**	**-0.392**	**-0.392**	**-0.396**	**-0.394**	**-0.340**	**-0.350**	**-0.350**	**-0.360**	**-0.353**	**-0.279**
	(15.98)	(15.99)	(16.23)	(16.04)	(8.42)	(18.44)	(18.44)	(18.46)	(18.53)	(9.31)	(14.27)	(14.23)	(14.54)	(14.45)	(6.45)
Market to Book	**-0.007**	**-0.007**	**-0.007**	**-0.007**	**-0.011**	**-0.031**	**-0.031**	**-0.031**	**-0.031**	**-0.021**	**-0.027**	**-0.027**	**-0.026**	**-0.026**	**-0.016**
	(2.90)	(2.91)	(-2.57)	(2.83)	(2.66)	(17.73)	(17.62)	(17.58)	(17.58)	(8.19)	(12.97)	(12.90)	(12.52)	(12.65)	(4.88)
Tangible Assets/ TA	**0.083**	**0.083**	**0.081**	**0.080**	**0.456**	**0.073**	**0.072**	**0.072**	**0.070**	**0.352**	**0.210**	**0.209**	**0.208**	**0.203**	**0.499**
	(2.17)	(2.13)	(2.12)	(2.06)	(4.53)	(2.07)	(2.04)	(2.06)	(1.97)	(3.62)	(5.35)	(5.31)	(5.32)	(5.15)	(4.87)
R&D / TA	**-0.285**	**-0.295**	**-0.280**	**-0.275**	**0.048**	**-0.512**	**-0.518**	**-0.515**	**-0.502**	**-0.295**	**-0.701**	**-0.717**	**-0.700**	**-0.678**	**-0.439**
	(4.24)	(4.38)	(4.19)	(4.06)	(0.42)	(10.09)	(10.11)	(10.19)	(9.85)	(3.43)	(11.08)	(11.22)	(11.10)	(10.72)	(4.05)
R&D Dummy	-0.004	-0.005	-0.007	-0.005	0.015	0.021	0.020	0.020	0.021	0.036	**0.026**	0.025	0.023	0.025	0.039
	(0.34)	(0.39)	(0.51)	(0.37)	(0.59)	(1.62)	(1.58)	(1.54)	(1.60)	(1.61)	(1.69)	(1.63)	(1.51)	(1.64)	(1.43)
Average Stock Return	-0.008	-0.009	-0.008	-0.009	0.000	**-0.092**	**-0.093**	**-0.092**	**-0.093**	**-0.076**	**-0.072**	**-0.073**	**-0.072**	**-0.073**	**-0.044**
	(1.28)	(1.31)	(1.23)	(1.31)	(0.03)	(18.57)	(18.55)	(18.50)	(18.63)	(8.29)	(12.06)	(12.06)	(11.97)	(12.17)	(3.78)
Population	0.006	0.005	0.006	**0.008**	0.016	0.003	0.002	0.002	0.004	**0.014**	0.000	-0.001	-0.001	0.004	0.010
	(1.58)	(1.45)	(1.56)	(1.99)	(1.58)	(0.77)	(0.73)	(0.54)	(1.21)	(1.92)	(0.08)	(0.17)	(0.20)	(0.99)	(1.18)
Observations	13342	13342	13342	13342	2631	13342	13342	13342	13342	2631	13342	13342	13342	13342	2631
R^2	0.22	0.22	0.22	0.22	0.21	0.47	0.48	0.47	0.48	0.41	0.46	0.46	0.46	0.46	0.34

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

b. Each column corresponds to a different OLS regression. *Sales, EBITDA/TA, Market to Book, Tangible Assets/TA, R&D/TA,* and *R&D Dummy* are lagged one period. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). All regressions include year fixed effects, and all but the *Silicon Valley* regressions include industry fixed effects. (The *Silicon Valley* regressions study the software industry, that is, SIC 737.)

Table IA.XI
Leverage Regressions (NLLS)

	Book Leverage		Market Leverage		Net Market Leverage	
	(1)	(2)	(3)	(4)	(5)	(6)
Cluster-Firm	-0.020		**-0.055**		**-0.060**	
	(1.31)		(3.14)		(3.43)	
Cluster-MV		**-0.033**		**-0.032**		**-0.039**
		(2.02)		(2.82)		(3.88)
Sales	**0.036**	**0.036**	**0.014**	**0.014**	**0.024**	**0.024**
	(12.07)	(11.83)	(4.69)	(5.01)	(7.15)	(7.45)
EBITDA/ TA	**-0.448**	**-0.433**	**-0.447**	**-0.418**	**-0.391**	**-0.364**
	(14.34)	(14.63)	(17.93)	(17.97)	(13.80)	(13.89)
Market to Book	**-0.008**	**-0.007**	**-0.039**	**-0.034**	**-0.034**	**-0.029**
	(2.85)	(2.86)	(16.70)	(17.01)	(13.02)	(13.05)
Tangible Assets/ TA	**0.083**	**0.084**	**0.068**	**0.067**	**0.206**	**0.207**
	(2.10)	(2.17)	(1.81)	(1.83)	(4.83)	(5.06)
R&D / TA	**-0.295**	**-0.290**	**-0.585**	**-0.546**	**-0.786**	**-0.741**
	(4.25)	(4.34)	(9.88)	(10.00)	(10.73)	(11.05)
R&D Dummy	-0.005	-0.004	0.015	0.017	0.020	0.022
	(0.39)	(0.32)	(1.14)	(1.27)	(1.25)	(1.42)
Average Stock Return	-0.009	-0.009	**-0.103**	**-0.097**	**-0.082**	**-0.075**
	(1.30)	(1.31)	(17.50)	(18.05)	(11.93)	(11.97)
Population	0.006	0.005	0.003	0.003	0.000	0.000
	(1.56)	(1.45)	(0.78)	(0.83)	(0.03)	(0.12)
λ	0.954	1.038	**0.703**	**0.828**	**0.739**	**0.885**
	(0.65)	(0.53)	(8.49)	(4.28)	(5.67)	(2.36)
Observations	13342	13342	13342	13342	13342	13342
R^2	0.22	0.22	0.48	0.48	0.46	0.46

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

b. Each column corresponds to a different NLLS regression. *Sales, EBITDA/TA, Market to Book, Tangible Assets/TA, R&D/TA,* and *R&D Dummy* are lagged one period. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). For λ, the reported *t*-statistics correspond to the test of hypothesis $\lambda \neq 1$. All regressions include year and industry fixed effects.

Table IA.XII
Cash Regressions

	Cash/ nTA					Log (Cash/ nTA)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Cluster-Firm	**0.139**					**0.395**					**0.634**	
	(7.05)					(6.47)					(4.83)	
Cluster-MV		**0.107**					**0.243**					**0.352**
		(5.54)					(4.02)					(2.77)
Number of Firms /10			**0.034**					**0.077**				
			(7.51)					(7.45)				
Ratio of Firms in MSA				**0.898**					**2.527**			
				(7.26)					(7.37)			
Silicon Valley					**0.246**					**0.500**		
					(4.31)					(4.92)		
Sales	**-0.046**	**-0.046**	**-0.043**	**-0.046**	**-0.062**	**-0.073**	**-0.072**	**-0.064**	**-0.075**	**-0.145**	**-0.077**	**-0.073**
	(8.28)	(8.33)	(7.67)	(8.20)	(2.99)	(3.29)	(3.22)	(2.90)	(3.42)	(3.01)	(3.24)	(3.20)
Market to Book	**0.079**	**0.080**	**0.077**	**0.079**	**0.072**	**0.218**	**0.220**	**0.213**	**0.216**	**0.164**	**0.240**	**0.228**
	(12.71)	(12.68)	(12.04)	(12.64)	(6.64)	(16.13)	(16.30)	(15.48)	(15.91)	(7.32)	(13.98)	(15.31)
R&D /TA	**1.378**	**1.430**	**1.324**	**1.317**	**1.342**	**4.952**	**5.133**	**4.898**	**4.784**	**4.418**	**5.304**	**5.213**
	(10.02)	(10.40)	(9.72)	(9.55)	(5.69)	(12.54)	(12.83)	(12.44)	(12.13)	(6.24)	(11.73)	(12.52)
R&D Dummy	-0.012	-0.009	-0.001	-0.009	0.004	**-0.243**	**-0.237**	**-0.218**	**-0.235**	**-0.144**	**-0.233**	**-0.236**
	(0.69)	(0.54)	(0.04)	(0.54)	(0.10)	(2.51)	(2.44)	(2.26)	(2.43)	(0.86)	(2.32)	(2.39)
Capital Exp./ TA	**-0.783**	**-0.783**	**-0.776**	**-0.784**	**-0.555**	**-1.565**	**-1.567**	**-1.552**	**-1.570**	**-1.271**	**-1.672**	**-1.603**
	(8.08)	(8.03)	(8.06)	(8.13)	(2.49)	(4.21)	(4.19)	(4.22)	(4.26)	(1.61)	(4.21)	(4.17)
Debt Rating	**-0.097**	**-0.087**	**-0.086**	**-0.081**	-0.008	0.008	0.032	0.035	0.053	0.508	0.030	0.046
	(2.85)	(2.54)	(2.64)	(2.29)	(0.09)	(0.04)	(0.17)	(0.19)	(0.28)	(1.48)	(0.14)	(0.23)
Dividend	0.006	-0.001	0.004	0.009	-0.039	0.019	-0.001	0.010	0.027	-0.267	0.040	0.007
	(0.36)	(0.06)	(0.24)	(0.54)	(0.74)	(0.27)	(0.01)	(0.13)	(0.37)	(1.67)	(0.53)	(0.10)
Cash Flow Std. Dev.	**0.665**	**0.676**	**0.634**	**0.637**	-0.852	**2.431**	**2.522**	**2.429**	**2.350**	**0.129**	**2.689**	**2.661**
	(1.81)	(1.82)	(1.72)	(1.74)	(1.46)	(2.54)	(2.62)	(2.54)	(2.49)	(0.08)	(2.62)	(2.71)
Average Stock Return	**0.051**	**0.052**	**0.051**	**0.052**	**0.067**	**0.257**	**0.260**	**0.256**	**0.261**	**0.159**	**0.273**	**0.263**
	(3.89)	(3.96)	(3.86)	(4.05)	(2.18)	(6.87)	(6.89)	(6.83)	(6.99)	(2.27)	(6.74)	(6.80)
Population	**0.008**	**0.012**	**0.008**	-0.003	**0.031**	**0.055**	**0.073**	**0.064**	0.025	**0.109**	**0.057**	**0.072**
	(1.92)	(2.62)	(1.84)	(0.53)	(2.05)	(2.11)	(2.81)	(2.51)	(0.91)	(2.02)	(2.18)	(2.77)
λ											**0.847**	0.935
											(2.66)	(1.13)
Observations	13342	13342	13342	13342	2631	13277	13277	13277	13277	2627	13277	13277
R^2	0.38	0.37	0.38	0.38	0.28	0.43	0.42	0.43	0.43	0.33	0.43	0.43

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

b. Each column corresponds to a different regression (OLS for columns (1) to (10) and NLLS for (11) and (12)). *Sales, Market to Book, R&D/TA, R&D Dummy, Capital Expenditures/TA,* and *Dividend* are lagged one period. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). For λ, the reported *t*-statistics correspond to the test of the hypothesis $\lambda \neq 1$. All regressions include year fixed effects, and all but the *Silicon Valley* regressions include industry fixed effects.

Table IA.XIII
Cash and Leverage Regressions
(MSAs that Do Not Change Cluster Status)

	Net Market Leverage		Log (Cash/nTA)	
	(1)	(2)	(3)	(4)
Cluster-Firm	**-0.040**		**0.474**	
	(3.02)		(5.96)	
Cluster-MV		**-0.032**		**0.215**
		(2.33)		(2.48)
Sales	**0.021**	**0.023**	**-0.071**	**-0.069**
	(6.49)	(6.86)	(2.88)	(2.64)
EBITDA/TA	**-0.366**	**-0.386**		
	(12.93)	(13.49)		
Market to Book	**-0.029**	**-0.029**	**0.224**	**0.226**
	(11.97)	(11.34)	(13.86)	(14.01)
Tang. Assets/TA	**0.196**	**0.177**		
	(4.68)	(4.19)		
R&D/TA	**-0.705**	**-0.717**	**4.727**	**4.705**
	(9.71)	(9.52)	(10.48)	(10.19)
R&D Missing Dummy	0.019	0.016	**-0.230**	**-0.235**
	(1.15)	(0.98)	(2.21)	(2.23)
Capital Exp./ TA			**-1.504**	**-1.321**
			(3.67)	(3.23)
Rating			0.063	0.158
			(0.31)	(0.80)
Dividend			0.064	0.065
			(0.82)	**(0.81)**
Cash Flow Std. Deviation			2.325	2.415
			(2.13)	(2.25)
Average Stock Return	**-0.079**	**-0.083**	**0.290**	**0.286**
	(11.30)	(12.17)	(6.68)	(6.70)
Population	-0.001	-0.002	**0.061**	**0.074**
	(0.20)	(0.34)	(2.18)	(2.59)
Observations	11053	10832	10990	10777
R-squared	0.46	0.45	0.42	0.41

Notes

a. This table reports leverage and cash regressions (similar to the ones in Tables V and VI, respectively, of the paper) but restricts the sample to MSAs that do not change the status of industry cluster (that is, for each industry we only consider MSAs that were either a cluster or not a cluster over the entire time period under study).

b. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper.

c. Each column corresponds to a different OLS regression. *Sales, EBITDA/TA, Market to Book, Tangible Assets/TA, R&D/TA, R&D Missing Dummy, Capital Exp./TA*, and *Dividend* are lagged one period. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). All regressions include year and industry fixed effects.

Table IA.XIV
Cash and Leverage Regressions (Levels of Clustering)

	Market Leverage		Net Market Leverage		Cash/ nTA		Log(Cash/ nTA)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Between 5 and 10[a]	**-0.024**	-0.013	-0.026	**-0.023**	0.017	**0.053**	0.094	**0.166**
	(1.70)	(1.29)	(1.54)	(1.92)	(0.90)	(2.79)	(0.87)	(2.15)
Between 10 and 15	**-0.031**	-0.013	**-0.032**	**-0.030**	0.031	**0.153**	0.084	**0.310**
	(1.91)	(1.11)	(1.69)	(2.13)	(1.22)	(4.95)	(0.80)	(3.63)
Between 15and 20	-0.020	-0.016	**-0.039**	**-0.038**	**0.088**	**0.148**	**0.363**	**0.284**
	(1.59)	(1.17)	(2.56)	(2.28)	(2.95)	(4.40)	(3.70)	(2.63)
Between 20 and 25	**-0.043**	**-0.036**	**-0.074**	**-0.053**	**0.167**	**0.101**	**0.645**	**0.268**
	(3.75)	(2.25)	(5.21)	(2.74)	(5.13)	(3.01)	(6.80)	(2.56)
More than 25	**-0.020**	**-0.023**	**-0.050**	**-0.042**	**0.193**	**0.105**	**0.477**	**0.268**
	(2.17)	(2.37)	(4.27)	(3.48)	(6.59)	(4.30)	(6.62)	(3.50)
Sales	**0.014**	**0.014**	**0.023**	**0.024**	**-0.046**	**-0.047**	**-0.074**	**-0.074**
	(5.17)	(5.23)	(7.68)	(7.74)	(8.29)	(8.35)	(3.36)	(3.31)
EBITDA / TA	**-0.393**	**-0.391**	**-0.351**	**-0.349**				
	(18.49)	(18.37)	(14.30)	(14.18)				
Market to Book	**-0.031**	**-0.031**	**-0.026**	**-0.027**	**0.078**	**0.079**	**0.215**	**0.219**
	(17.68)	(17.57)	(12.78)	(12.83)	(12.56)	(12.63)	(15.92)	(16.23)
Tangible Assets / TA	**0.072**	**0.071**	**0.208**	**0.208**				
	(2.04)	(2.02)	(5.27)	(5.27)				
R&D / TA	**-0.514**	**-0.518**	**-0.695**	**-0.715**	**1.334**	**1.410**	**4.875**	**5.092**
	(10.20)	(10.06)	(11.05)	(11.13)	(9.64)	(10.24)	(12.34)	(12.65)
R&D Missing Dummy	0.021	0.020	0.025	0.024	-0.008	-0.009	**-0.235**	**-0.235**
	(1.61)	(1.56)	(1.65)	(1.60)	(0.47)	(0.51)	(2.44)	(2.42)
Capital Exp/TA					**-0.783**	**-0.788**	**-1.568**	**-1.575**
					(8.15)	(8.08)	(4.25)	(4.22)
Debt Rating					**-0.097**	**-0.084**	0.011	0.036
					(2.81)	(2.46)	(0.06)	(0.19)
Dividend					0.006	-0.000	0.022	0.002
					(0.41)	(0.01)	(0.30)	(0.03)
Cash Flow Std. Deviation					0.574	**0.691**	**2.223**	**2.512**
					(1.56)	(1.86)	(2.33)	(2.61)
Average Stock Return	**-0.092**	**-0.093**	**-0.072**	**-0.073**	**0.052**	**0.052**	**0.258**	**0.260**
	(18.62)	(18.61)	(12.11)	(12.13)	(3.99)	(3.98)	(6.90)	(6.93)
Population	0.004	0.003	0.001	0.001	**0.008**	**0.009**	**0.051**	**0.063**
	(1.08)	(0.94)	(0.35)	(0.17)	(1.69)	(1.94)	(1.93)	(2.36)
Observations	13342	13342	13342	13342	13342	13342	13277	13277
R^2	0.48	0.48	0.46	0.46	0.38	0.37	0.43	0.43

Notes

a. This table reports leverage and cash regressions similar to the ones in Tables V and VI, respectively, of the paper, except that instead of including a cluster proxy (*Cluster-Firm* or *Cluster-MV*) each regression includes five dummies that capture different levels of clustering. For instance, *Between 5 and 10* in the odd-numbered columns is a dummy variable that takes a value of one if there are at least five firms but less than 10 firms within the MSA with the same three-digit SIC and these firms comprise at least 3% of the market value of the industry, and zero otherwise. Similarly, *Between 5 and 10* in the even-numbered columns is a dummy variable that takes a value of one if the MSA represents at least 5% but no more than 10% of the market value of the firm's industry and there are at least three firms with the same three-digit SIC within the MSA, and zero otherwise.

b. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper. Each column corresponds to a different OLS regression. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). All regressions include year and industry fixed effects.

Table IA.XV
MSA Robustness

	Ten Largest MSAs[c]				MSA Level Regressions[d]			
	Net Market Leverage		Log (Cash /TA-n)		Net Market Leverage		Log (Cash /TA-n)	
Cluster-Firm	**-0.037**		**0.364**		**-0.037**		**0.350**	
	(3.12)		(5.17)		(3.34)		(4.96)	
Cluster-MV		**-0.028**		**0.235**		**-0.031**		**0.147**
		(2.52)		(3.51)		(2.67)		(1.99)
Sales	**0.025**	**0.026**	**-0.080**	**-0.081**	**0.013**	**0.014**	-0.062	-0.063
	(6.39)	(6.41)	(3.04)	(3.03)	(3.18)	(3.27)	(1.61)	(1.61)
EBITDA / TA	**-0.320**	**-0.322**			**-0.463**	**-0.461**		
	(10.99)	(11.02)			(10.69)	(10.64)		
Market to Book	**-0.020**	**-0.020**	**0.198**	**0.200**	**-0.044**	**-0.044**	**0.265**	**0.266**
	(9.02)	(8.94)	(13.12)	(13.15)	(10.30)	(10.23)	(9.40)	(9.37)
Tangible Assets / TA	**0.284**	**0.285**			**0.103**	**0.101**		
	(5.54)	(5.56)			(1.80)	(1.77)		
R&D / TA	**-0.598**	**-0.605**	**5.011**	**5.101**	**-1.083**	**-1.095**	**6.392**	**6.521**
	(8.25)	(8.23)	(11.18)	(11.13)	(8.68)	(8.76)	(8.33)	(8.43)
R&D Dummy	**0.049**	**0.050**	-0.129	-0.141	-0.023	-0.024	-0.195	-0.189
	(2.32)	(2.37)	(1.01)	(1.10)	(1.10)	(1.14)	(1.41)	(1.37)
Capital Exp / TA			**-1.897**	**-1.906**			**-1.600**	**-1.611**
			(4.20)	(4.23)			(2.41)	(2.42)
Debt Rating			**-0.101**	**-0.080**			0.240	0.263
			(0.48)	(0.37)			(0.78)	(0.85)
Dividend			0.033	0.001			0.124	0.117
			(0.32)	(0.01)			(1.23)	(1.17)
Cash Flow Std. Dev.			1.308	1.265			**4.382**	**4.517**
			(1.20)	(1.15)			(2.34)	(2.41)
Average Stock Return	**-0.057**	**-0.057**	**0.236**	**0.239**	**-0.100**	**-0.100**	**0.315**	**0.315**
	(7.67)	(7.69)	(5.33)	(5.39)	(9.80)	(9.79)	(5.18)	(5.18)
Population	**0.026**	**0.029**	**-0.168**	**-0.194**	0.002	0.001		
	(2.03)	(2.27)	(2.34)	(2.67)	(0.37)	(0.34)		
Observations	7863	7863	7835	7835	6243	6243	6208	6208
R^2	0.45	0.45	0.45	0.45	0.49	0.49	0.38	0.38

Notes

a. This table reports leverage and cash regressions similar to the ones in Tables V and VI, respectively, of the paper. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). All regressions include year and industry fixed effects.

b. In the "Ten Largest MSAs*"* regressions the sample is restricted to firms located in the following MSAs (MSA codes are in parentheses): New York-Northern New Jersey, Long Island (5120), Los Angeles-Anaheim-Riverside (4472), Chicago-Gary-Lake County (1602), San Francisco-Oakland-San Jose (7362), Boston (1122), Philadelphia-Wilmington-Trenton (6162), Detroit-Ann Arbor (2162), Washington (8840), Dallas-Fort Worth (1922), and Houston-Galveston-Brazoria (3362).

c. In the "MSA Level Regressions*"* for each industry (three-digit SCIC) and year, we calculate the MSA average of the dependent (*Net Market Leverage* and *Log (Cash/TA-n*) and independent variables (*Sales*, *EBITDA / TA*, etc.) and run OLS regressions with these averages at the MSA level (and hence, there is at most one industry-year observation per MSA).

Table IA.XVI
Analysis Excluding Firms in SIC-737

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A. Acquisition Activity[b]								
	All Acquisitions		Public Acquisitions		Within Industry Acquisitions		Local Acquisitions	
(1) Cluster-Firm	**0.043**	**0.050**	**0.023**	**0.154**	**0.025**	0.040	**0.086**	**0.270**
Observations: 10771	(2.40)	(2.03)	(2.82)	(3.09)	(1.86)	(1.36)	(10.71)	(10.19)
R^2	0.03		0.02		0.03		0.05	
(2) Cluster-MV	**0.067**	**0.074**	**0.033**	**0.203**	**0.030**	**0.051**	**0.077**	**0.248**
Observations: 10771	(3.90)	(3.24)	(4.10)	(4.51)	(2.47)	(1.95)	(9.79)	(11.00)
R^2	0.03		0.02		0.03		0.05	
(3) Number of Firms / 10	0.010	0.012	**0.008**	**0.050**	0.007	0.011	**0.031**	**0.085**
Observations: 10771	(1.63)	(1.57)	(2.83)	(3.30)	(1.63)	(1.27)	(10.30)	(10.64)
R^2	0.03		0.02		0.03		0.05	
(4) Ratio of Firms	**0.160**	0.187	**0.116**	**0.791**	0.081	0.145	**0.485**	**1.453**
Observations: 10771	(1.81)	(1.56)	(2.91)	(3.35)	(1.30)	(1.08)	(11.06)	(12.25)
R^2	0.03		0.02		0.03		0.06	
Panel B. Acquisition Activity & Leverage[c]								
	All Acquisitions		Public Acquisitions		Within Industry Acquisitions		Local Acquisitions	
Cluster-MV	0.012	0.003	**0.024**	0.007	0.016	-0.004	**0.093**	**0.063**
	(0.43)	(0.14)	(1.75)	(0.88)	(0.76)	(0.26)	(5.68)	(6.99)
Net Market Lever. x Cluster MV	-0.065		**-0.084**		-0.112		**-0.137**	
	(0.67)		(1.72)		(1.61)		(2.20)	
Relative Net Market Leverage x Cluster-MV		**-0.425**		**-0.237**		**-0.374**		**-0.384**
		(2.13)		(2.27)		(2.43)		(2.47)
Observations:	9000	9000	9000	9000	9000	9000	9000	9000
R^2	0.1	0.09	0.07	0.06	0.07	0.06	0.05	0.03
Panel C. Leverage and Cash Regressions[d]								
	Net Market Leverage				Log (Cash/nTA)			
Cluster-Firm	**-0.045**				**0.393**			
	(3.80)				(5.21)			
Cluster-MV		**-0.033**				**0.205**		
		(2.89)				(2.88)		
Number of Firms/10			**-0.020**				**0.142**	
			(4.88)				(6.34)	
Ratio of Firms				**-0.291**				**2.351**
				(4.76)				(6.30)
Observations	10711	10711	10711	10711	10650	10650	10650	10650
R^2	0.47	0.47	0.47	0.47	0.4	0.4	0.4	0.4

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). All regressions include year and industry fixed effects.

b. In Panel A (which is equivalent to Table III in the paper) each numbered column and row corresponds to a different regression. Odd-numbered columns correspond to OLS regressions in which the dependent variable is a dummy variable indicating an acquisition. Even-numbered columns correspond to Tobit regressions in which the dependent variable is the ratio of the firm's acquisition volume during the year divided by the firm's total assets.

c. In Panel B (which is equivalent to Table IV in the paper) each column corresponds to a different 2SLS regression. All regressions include the same controls and instruments as in Table IV of the paper.

d. In Panel C (which is equivalent to the regressions in Tables V and VI in the paper) each column corresponds to a different OLS regression. The *Net Market Leverage* regressions (first four columns in Panel C) include the same controls as in Table V, and the *Log* (*Cash/nTA*) regressions (last four columns in Panel C) include the same controls as in Table VI.

Table IA.XVII
Older Firm Regressions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A. Acquisition Activity[b]								
	All Acquisitions		Public Acquisitions		Within Industry Acquisitions		Local Acquisitions	
(1) Cluster-Firm	**0.048**	**0.062**	**0.032**	**0.141**	**0.055**	**0.082**	**0.090**	**0.249**
Observations: 8415	(2.27)	(2.61)	(2.93)	(3.21)	(3.20)	(3.09)	(9.07)	(9.88)
R^2	0.05		0.03		0.080		0.05	
(2) Cluster-MV	**0.087**	**0.098**	**0.048**	**0.214**	**0.061**	**0.094**	**0.088**	**0.243**
Observations:8415	(4.23)	(4.15)	(4.53)	(5.34)	(3.92)	(3.81)	(8.79)	(8.83)
R^2	0.05		0.04		0.08		0.06	
(3) Number of Firms /10	**0.010**	**0.014**	**0.010**	**0.031**	**0.016**	**0.019**	**0.027**	**0.049**
Observations: 8415	(2.13)	(2.76)	(3.28)	(3.87)	(3.89)	(4.01)	(9.31)	(9.63)
R^2	0.05		0.04		0.08		0.07	
(4) Ratio of Firms in MSA	**0.190**	**0.284**	**0.144**	**0.765**	**0.169**	**0.340**	**0.562**	**1.540**
Observations: 8415	(1.68)	(2.20)	(2.65)	(3.31)	(2.07)	(2.59)	(9.77)	(11.78)
R^2	0.05		0.03		0.08		0.07	
Panel B. Acquisition Activity & Leverage[c]								
	All Acquisitions		Public Acquisitions		Within Industry Acquisitions		Local Acquisitions	
Cluster-Firm	-0.02	0.002	**0.031**	0.016	0.034	**0.034**	**0.121**	**0.088**
	(0.62)	(0.10)	(1.74)	(1.36)	(1.26)	(1.83)	(6.52)	(7.47)
Net Market Leverage x Cluster Firm	0.035		**-0.157**		-0.129		**-0.29**	
	(0.24)		(2.13)		(1.08)		(3.52)	
Relative Net Market Leverage x Cluster-Firm		-0.04		**-0.207**		-0.264		**-0.448**
		(0.19)		(1.74)		(1.40)		(3.28)
Observations:	8245	8245	8245	8245	8245	8245	8245	8245
R^2	0.13	0.13	0.08	0.08	0.13	0.12	0.07	0.05
Panel C. Leverage and Cash Regressions[d]								
	Net Market Leverage				Log (Cash/nTA)			
Cluster-Firm	**-0.036**				**0.354**			
	(2.70)				(4.29)			
Cluster-MV		**-0.031**				**0.192**		
		(2.45)				(2.35)		
Number of Firms /10			**-0.011**				**0.107**	
			(4.05)				(6.36)	
Ratio of Firms				**-0.275**				**2.523**
				(3.65)				(5.45)
Observations	8415	8415	8415	8415	8377	8377	8377	8377
R^2	0.44	0.44	0.44	0.44	0.38	0.38	0.38	0.38

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper. All regressions include year and industry fixed effects, and standard errors are robust-clustered by firm.

b. In Panel A (which is equivalent to Table III) each numbered column and row corresponds to a different regression. Odd-numbered columns correspond to OLS regressions in which the dependent variable is a dummy variable indicating an acquisition. Even-numbered columns correspond to Tobit regressions in which the dependent variable is the ratio of the firm's acquisition volume during the year divided by the firm's total assets.

c. In Panel B (which is equivalent to Table IV) each column corresponds to a different 2SLS. All regressions in Panel B include the same controls and instruments as the regressions in Table IV of the paper.

d. In Panel C (which is equivalent to Tables V and VI) each column corresponds to a different OLS regression. The *Net Market Leverage* regressions (first four columns in Panel C) include the same controls as in Table V, and the *Log*(*Cash/nTA*) regressions (last four columns in Panel C) include the same controls as in Table VI.

Table IA.XVIII
MSA-specific Controls

Panel A. Log (Cash /nTA) Regressions

	MSA Acquisitions / MSA TA				MSA Stock Returns				Population Growth				MSA R&D / MSA TA			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Cluster	**0.375**	**0.224**	**0.312**	**0.180**	**0.384**	**0.239**	**0.303**	0.105	**0.414**	**0.261**	**0.455**	**0.314**	**0.284**	**0.151**	-0.029	-0.023
	(6.09)	(3.70)	(4.47)	(2.56)	(6.28)	(3.95)	(3.78)	(1.25)	(6.70)	(4.20)	(6.38)	(4.51)	(4.29)	(2.39)	(0.28)	(0.34)
Regional Activity	**2.031**	**2.503**	1.014	**1.796**	**0.584**	**0.707**	**0.443**	**0.492**	3.912	2.547	4.658	3.612	**14.614**	**16.951**	**7.132**	**7.329**
	(3.37)	(4.14)	(1.27)	(2.29)	(3.27)	(3.91)	(1.99)	(2.29)	(1.39)	(0.90)	(1.51)	(1.18)	(4.91)	'(5.81)	(1.83)	(2.00)
Cluster x Regional Activity			**2.315**	**1.694**			**0.372**	**0.616**			-4.127	-5.616			**21.064**	**20.460**
			(2.29)	(1.63)			(1.74)	(2.75)			(1.27)	(1.48)			(3.65)	(5.20)
Sales	**-0.073**	**-0.073**	**-0.073**	**-0.073**	**-0.071**	**-0.070**	**-0.072**	**-0.070**	**-0.074**	**-0.074**	**-0.074**	**-0.074**	**-0.071**	**-0.069**	**-0.073**	**-0.072**
	(3.33)	(3.27)	(3.31)	(3.24)	(3.23)	(3.16)	(3.24)	(3.17)	(3.29)	(3.27)	(3.31)	(3.27)	(3.22)	(3.11)	(3.31)	(3.24)
Market to Book	**0.215**	**0.217**	**0.213**	**0.216**	**0.214**	**0.217**	**0.214**	**0.216**	**0.213**	**0.216**	**0.214**	**0.217**	**0.213**	**0.215**	**0.209**	**0.209**
	(15.86)	(15.98)	(15.76)	(15.91)	(15.89)	(16.02)	(15.89)	(15.99)	(15.84)	(15.99)	(15.90)	(16.01)	(15.73)	(15.83)	(15.22)	(15.27)
R&D / TA	**4.920**	**5.083**	**4.919**	**5.080**	**4.850**	**5.011**	**4.842**	**5.001**	**4.839**	**5.022**	**4.823**	**5.020**	**4.680**	**4.772**	**4.530**	**4.532**
	(12.49)	(12.76)	(12.49)	(12.76)	(12.32)	(12.58)	(12.31)	(12.59)	(12.24)	(12.53)	(12.19)	(12.53)	(11.96)	(12.11)	(11.70)	(11.71)
R&D Dummy	**-0.245**	**-0.241**	**-0.242**	**-0.239**	**-0.247**	**-0.242**	**-0.248**	**-0.242**	**-0.263**	**-0.255**	**-0.264**	**-0.254**	**-0.232**	**-0.227**	**-0.229**	**-0.230**
	(2.53)	(2.47)	(2.50)	(2.46)	(2.53)	(2.47)	(2.53)	(2.47)	(2.66)	(2.56)	(2.66)	(2.55)	(2.39)	(2.34)	(2.36)	(2.37)
Capital Exp./TA	**-1.551**	**-1.551**	**-1.533**	**-1.541**	**-1.512**	**-1.512**	**-1.507**	**-1.508**	**-1.626**	**-1.621**	**-1.628**	**-1.625**	**-1.562**	**-1.568**	**-1.550**	**-1.551**
	(4.18)	(4.15)	(4.13)	(4.13)	(4.10)	(4.08)	(4.09)	(4.06)	(4.30)	(4.26)	(4.31)	(4.27)	(4.28)	(4.28)	(4.23)	(4.24)
Debt Rating	0.017	0.042	0.019	0.043	0.011	0.033	0.013	0.035	-0.003	0.027	-0.004	0.025	0.056	0.077	0.090	0.088
	(0.09)	(0.22)	(0.10)	(0.23)	(0.06)	(0.17)	(0.07)	(0.18)	(-0.01)	(0.14)	(-0.02)	(0.13)	(0.30)	(0.42)	(0.49)	(0.48)
Dividend	0.022	0.003	0.023	0.004	0.006	-0.014	0.007	-0.014	0.015	-0.007	0.015	-0.007	0.031	0.020	0.036	0.036
	(0.30)	(0.05)	(0.32)	(0.06)	(0.09)	(0.19)	(0.09)	(0.19)	(0.20)	(-0.09)	(0.21)	(0.10)	(0.42)	(0.28)	(0.49)	(0.50)
Cash Flow Std. Dev.	**2.378**	**2.454**	**2.388**	**2.489**	**2.304**	**2.371**	**2.307**	**2.378**	**2.576**	**2.686**	**2.544**	**2.647**	**2.199**	**2.245**	**2.125**	**2.133**
	(2.50)	(2.57)	(2.52)	(2.60)	(2.42)	(2.47)	(2.43)	(2.48)	(2.70)	(2.79)	(2.67)	(2.74)	(2.33)	(2.37)	(2.29)	(2.30)
Average Stock Return	**0.249**	**0.249**	**0.245**	**0.246**	**0.239**	**0.238**	**0.236**	**0.234**	**0.242**	**0.246**	**0.244**	**0.248**	**0.249**	**0.250**	**0.249**	**0.249**
	(6.62)	(6.61)	(6.50)	(6.52)	(6.28)	(6.24)	(6.20)	(6.13)	(6.35)	(6.41)	(6.38)	(6.48)	(6.66)	(6.67)	(6.70)	(6.70)
Population	**0.051**	**0.066**	**0.054**	**0.069**	**0.048**	**0.066**	**0.049**	**0.069**	**0.057**	**0.075**	**0.057**	**0.074**	**0.053**	**0.068**	**0.063**	**0.064**
	(1.94)	(2.56)	(2.07)	(2.66)	(1.80)	(2.48)	(1.84)	(2.58)	(2.14)	(2.82)	(2.13)	(2.80)	(1.97)	(2.55)	(2.37)	(2.40)
Sales	**-0.073**	**-0.073**	**-0.073**	**-0.073**	**-0.071**	**-0.070**	**-0.072**	**-0.070**	**-0.074**	**-0.074**	**-0.074**	**-0.074**	**-0.071**	**-0.069**	**-0.073**	**-0.072**
	(3.33)	(3.27)	(3.31)	(3.24)	(3.23)	(3.16)	(3.24)	(3.17)	(3.29)	(3.27)	(3.31)	(3.27)	(3.22)	(3.11)	(3.31)	(3.24)
Market to Book	**0.215**	**0.217**	**0.213**	**0.216**	**0.214**	**0.217**	**0.214**	**0.216**	**0.213**	**0.216**	**0.214**	**0.217**	**0.213**	**0.215**	**0.209**	**0.209**
	(15.86)	(15.98)	(15.76)	(15.91)	(15.89)	(16.02)	(15.89)	(15.99)	(15.84)	(15.99)	(15.90)	(16.01)	(15.73)	(15.83)	(15.22)	(15.27)
R&D / TA	**4.920**	**5.083**	**4.919**	**5.080**	**4.850**	**5.011**	**4.842**	**5.001**	**4.839**	**5.022**	**4.823**	**5.020**	**4.680**	**4.772**	**4.530**	**4.532**
	(12.49)	(12.76)	(12.49)	(12.76)	(12.32)	(12.58)	(12.31)	(12.59)	(12.24)	(12.53)	(12.19)	(12.53)	(11.96)	(12.11)	(11.70)	(11.71)
R&D Dummy	**-0.245**	**-0.241**	**-0.242**	**-0.239**	**-0.247**	**-0.242**	**-0.248**	**-0.242**	**-0.263**	**-0.255**	**-0.264**	**-0.254**	**-0.232**	**-0.227**	**-0.229**	**-0.230**
	(2.53)	(2.47)	(2.50)	(2.46)	(2.53)	(2.47)	(2.53)	(2.47)	(2.66)	(2.56)	(2.66)	(2.55)	(2.39)	(2.34)	(2.36)	(2.37)
Observations	13277	13277	13277	13277	13021	13021	13021	13021	12640	12640	12640	12640	13068	13068	13068	13068
R^2	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.44	0.43	0.44	0.44

Table IA.XVIII
MSA-specific Controls

Panel B. Net Market Leverage Regressions

	MSA Acquisitions / MSA TA				MSA Stock Returns				Population Growth				MSA R&D / MSA TA			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Cluster	**-0.038**	**-0.031**	**-0.031**	**-0.021**	**-0.042**	**-0.034**	**-0.043**	**-0.026**	**-0.049**	**-0.041**	**-0.045**	**-0.032**	**-0.035**	**-0.028**	-0.011	-0.013
	(3.80)	(3.19)	(2.67)	(1.83)	(4.10)	(3.41)	(3.08)	(1.80)	(4.85)	(4.08)	(3.88)	(2.85)	(3.17)	(2.65)	(0.66)	(1.19)
Regional Activity	**-0.576**	**-0.608**	**-0.451**	**-0.444**	**-0.103**	**-0.114**	**-0.105**	**-0.100**	**-0.837**	**-0.750**	**-0.768**	-0.581	**-1.237**	**-1.413**	-0.67	-0.616
	(6.52)	(6.89)	(4.14)	(4.14)	(4.03)	(4.39)	(3.36)	(3.33)	(2.06)	(1.84)	(1.74)	(1.34)	(2.54)	(2.97)	(1.04)	(1.02)
Cluster x Regional Activity			**-0.286**	**-0.396**			0.005	-0.039			-0.382	-0.896			**-1.597**	**-1.691**
			(1.82)	(2.45)			(0.14)	(1.11)			(0.73)	(1.48)			(1.73)	(2.61)
Sales	**0.023**	**0.024**	**0.023**	**0.023**	**0.023**	**0.023**	**0.023**	**0.023**	**0.023**	**0.024**	**0.023**	**0.024**	**0.023**	**0.023**	**0.023**	**0.023**
	(7.64)	(7.70)	(7.64)	(7.68)	(7.52)	(7.58)	(7.52)	(7.58)	(7.67)	(7.81)	(7.67)	(7.82)	(7.36)	(7.34)	(7.38)	(7.35)
EBITDA/TA	**-0.355**	**-0.355**	**-0.357**	**-0.358**	**-0.352**	**-0.352**	**-0.352**	**-0.352**	**-0.355**	**-0.355**	**-0.355**	**-0.355**	**-0.354**	**-0.354**	**-0.357**	**-0.357**
	(14.50)	(14.49)	(14.52)	(14.54)	(14.25)	(14.24)	(14.25)	(14.24)	(13.60)	(13.58)	(13.59)	(13.59)	(14.32)	(14.34)	(14.40)	(14.44)
Market to Book	**-0.026**	**-0.026**	**-0.026**	**-0.026**	**-0.026**	**-0.026**	**-0.026**	**-0.026**	**-0.027**	**-0.027**	**-0.027**	**-0.027**	**-0.026**	**-0.026**	**-0.026**	**-0.026**
	(12.51)	(12.43)	(12.45)	(12.33)	(12.65)	(12.57)	(12.66)	(12.58)	(13.20)	(13.07)	(13.17)	(12.99)	(12.44)	(12.34)	(12.22)	(12.12)
Tangible Assets/TA	**0.205**	**0.204**	**0.205**	**0.205**	**0.213**	**0.212**	**0.213**	**0.212**	**0.212**	**0.211**	**0.212**	**0.212**	**0.212**	**0.210**	**0.210**	**0.209**
	(5.23)	(5.19)	(5.22)	(5.20)	(5.39)	(5.35)	(5.39)	(5.34)	(5.39)	(5.36)	(5.39)	(5.36)	(5.37)	(5.33)	(5.31)	(5.27)
R&D / TA	**-0.693**	**-0.706**	**-0.694**	**-0.707**	**-0.692**	**-0.706**	**-0.692**	**-0.705**	**-0.669**	**-0.686**	**-0.670**	**-0.687**	**-0.680**	**-0.689**	**-0.670**	**-0.669**
	(11.02)	(11.13)	(11.03)	(11.14)	(10.93)	(11.04)	(10.94)	(11.04)	(10.65)	(10.79)	(10.68)	(10.81)	(10.75)	(10.80)	(10.65)	(10.63)
R&D Dummy	**0.026**	**0.026**	**0.026**	**0.025**	**0.029**	**0.028**	**0.029**	**0.028**	**0.028**	**0.027**	**0.028**	**0.027**	**0.027**	**0.026**	**0.026**	**0.026**
	(1.74)	(1.68)	(1.71)	(1.66)	(1.88)	(1.82)	(1.88)	(1.82)	(1.84)	(1.75)	(1.83)	(1.76)	(1.75)	(1.70)	(1.73)	(1.71)
Average Stock Return	**-0.070**	**-0.070**	**-0.069**	**-0.069**	**-0.069**	**-0.069**	**-0.069**	**-0.069**	**-0.067**	**-0.068**	**-0.067**	**-0.067**	**-0.071**	**-0.071**	**-0.071**	**-0.071**
	(11.66)	(11.66)	(11.51)	(11.51)	(11.37)	(11.35)	(11.35)	(11.30)	(11.14)	(11.16)	(11.09)	(11.09)	(11.82)	(11.82)	(11.84)	(11.86)
Population	0.002	0.001	0.001	0.000	0.000	-0.001	0.000	-0.001	0.001	-0.000	0.001	-0.000	-0.000	-0.001	-0.001	-0.001
	(0.37)	(0.20)	(0.27)	(0.02)	(0.08)	(0.14)	(0.08)	(0.18)	(0.16)	(0.08)	(0.16)	(0.11)	(0.03)	(0.21)	(0.21)	(0.12)
Observations	13342	13342	13342	13342	13079	13079	13079	13079	12073	12703	12703	12703	13127	13127	13127	13127
R^2	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.45	0.46	0.46	0.46	0.46

Notes

a. Details on the definition and construction of the variables reported in the table are available in the Data Appendix of the paper. Reported are the estimated coefficients with their *t*-statistics in parentheses (standard errors are robust-clustered by firm). All regressions include year and industry fixed effects.

b. Each column corresponds to a different OLS regression. In the *odd-numbered columns* the independent variable "Cluster" corresponds to *Cluster-Firm,* and in the *even-numbered columns* it corresponds to *Cluster-MV*. The independent variable "Regional Activity" corresponds to *MSA Acquisitions/ MSA TA, MSA Stock Returns, Population Growth,* or *MSA R&D/ MSA TA* according to the corresponding column heading.

c. Table IA.XVIII is an unabridged version of Table VIII in the paper (that is, Panel A in I.A.XVIII is equivalent to Panel B in Table VIII and Panel B in I.A.XVIII is equivalent to Panel A in Table VIII). Table IA.XVIII reports the estimated coefficients for all the control variables while in the main text (that is, in Table VIII) some of the control variables are not reported to save space.