Online Appendix to "The Effect of Liquidity on Governance"

Table OA1: Conditional correlations of liquidity for the subsample of firms targeted by hedge funds

This table reports Pearson and Spearman correlations between stock liquidity and lagged stock liquidity, measured either by *LIQAM* or *LIQFHT*. If a 13G/13D filing takes place in fiscal quarter *q* and fiscal year *y*, *FQTRΔ* measures the correlations between *LIQAM* (*LIQFHT*) in fiscal quarter *q-1* and *LIQAM* (*LIQFHT*) in fiscal quarter *q*; FYEARΔ measures the correlations between *LIQAM* (*LIQFHT*) in fiscal year *y-1* and *LIQAM* (*LIQFHT*) in fiscal year *y*; and *FYEARΔ+1* measures the correlations between *LIQAM* (*LIQFHT*) in fiscal year *y* and *LIQAM* (*LIQFHT*) in fiscal year *y+1*. *** (**) (*) indicates significance level at 1% (5%) (10%) based on two-tailed t-tests.

LIQAM	Pearson			Spearman		
Fiscal based	FQTRΔ	FYEARΔ	FYEARΔ+1	FQTRΔ	FYEARΔ	FYEARΔ+1
13D and 13G	0.88*** (1,080)	0.81*** (1,098)	0.82*** (1,069)	0.96*** (1,080)	0.90*** (1,098)	0.90 *** (1,069)
13D only	0.90*** (482)	0.87*** (485)	0.82*** (475)	0.97*** (482)	0.92*** (485)	0.91*** (475)
13G only	0.85*** (598)	0.82*** (613)	0.82*** (594)	0.95*** (598)	0.87*** (613)	0.87*** (594)
LIQFHT	Pearson			Spearman		
Fiscal based	FQTRΔ	FYEARΔ	FYEARΔ+1	FQTRΔ	FYEARΔ	FYEARΔ+1
13D and 13G	0.87*** (1,081)	0.78*** (1,098)	0.65*** (1,069)	0.83*** (1,081)	0.84*** (1,098)	0.81*** (1,069)
13D only	0.87*** (483)	0.86*** (485)	0.67*** (475)	0.88*** (483)	0.88*** (485)	0.86*** (475)
13G only	0.87*** (598)	0.82*** (613)	0.59*** (594)	0.79*** (598)	0.80*** (613)	0.76*** (594)

Table OA2: Price impact for trading approximately 1% (0.5%, 0.2%) of firm outstanding shares, stratified by firms' liquidity

This table reports the price impact of trading approximately 1% (0.5%, 0.2%) of a stock's outstanding shares, conditional on the level of liquidity. The universe of CRSP stocks is ranked into quartiles based on the average *LIQAM* and *LIQFHT* measures of a stock during calendar year *t-1*, with quartile 1 indicating the subsample of the stocks with the highest liquidity. The price impact is then calculated as the *absolute value* of daily returns to a stock averaged over calendar year *t* in each quartile on days where 0.9-1.1% (0.4-0.6%, 0.1-0.3%) of the shares outstanding is traded, with the returns measured using a stock's daily raw return including dividends (*RET*), daily raw return excluding dividends (*RETX*), *RET* adjusted for the value-weighted market return (*RET_VWADJ*), and *RETX* adjusted for the value-weighted market return (*RETX_VWADJ*), respectively.

Panel A: Trading 0.9-1.1%				
LIQAM	*RET*	*RETX*	*RET_VWADJ*	*RETX_VWADJ*
Quartile 1 (high liquidity)	2.21%	2.22%	1.97%	1.97%
Quartile 2	3.20%	3.20%	3.05%	3.09%
Quartile 3	4.18%	4.18%	4.15%	4.20%
Quartile 4 (low liquidity)	6.95%	6.95%	6.95%	7.00%
LIQFHT				
Quartile 1 (high liquidity)	2.17%	2.18%	1.89%	1.89%
Quartile 2	3.08%	3.09%	2.98%	3.01%
Quartile 3	3.86%	3.86%	3.81%	3.86%
Quartile 4 (low liquidity)	6.91%	6.92%	6.91%	6.96%
Panel B: Trading 0.4-0.6%				
LIQAM	*RET*	*RETX*	*RET_VWADJ*	*RETX_VWADJ*
Quartile 1 (high liquidity)	1.55%	1.56%	1.39%	1.38%
Quartile 2	2.31%	2.31%	2.21%	2.25%
Quartile 3	3.23%	3.23%	3.23%	3.28%
Quartile 4 (low liquidity)	6.01%	6.01%	6.05%	6.10%
LIQFHT				
Quartile 1 (high liquidity)	1.58%	1.58%	1.38%	1.38%
Quartile 2	2.35%	2.35%	2.29%	2.32%
Quartile 3	3.01%	3.01%	2.99%	3.04%
Quartile 4 (low liquidity)	6.00%	6.00%	6.04%	6.09%

Table OA2 (Cont'd)

Panel C: Trading 0.1-0.3%				
LIQAM	*RET*	*RETX*	*RET_VWADJ*	*RETX_VWADJ*
Quartile 1 (high liquidity)	1.10%	1.11%	1.03%	1.02%
Quartile 2	1.67%	1.67%	1.64%	1.68%
Quartile 3	2.42%	2.42%	2.46%	2.52%
Quartile 4 (low liquidity)	4.82%	4.82%	4.90%	4.95%
LIQFHT				
Quartile 1 (high liquidity)	1.15%	1.15%	1.05%	1.05%
Quartile 2	1.72%	1.72%	1.71%	1.74%
Quartile 3	2.27%	2.27%	2.30%	2.36%
Quartile 4 (low liquidity)	4.84%	4.85%	4.93%	4.97%

Table OA3: Long-term returns to 13G filings

Panels A and B report coefficient estimates from equal-weighted calendar-time portfolio regressions using the sample of 13G filings by hedge fund activists and the sample of 13G filings by all activist institutions, respectively. Following Brav et al. (2008), we measure a stock's buy-and-hold return in the event month as well as eight intervals labeled as window (x,y), with x and y indicating the beginning and ending month of the holding interval relative to the event (i.e., 13G announcements). *Alpha* is the estimate of the intercept from the four factor regression models. *RMRF* (*LagRMRF*), *SMB*, and *HML* are the Fama-French three factors loading on the concurrent (lagged) market excess return, size, and book-to-market ratios. *MOM* is the Carhart momentum factor. All four factors are downloaded from Kenneth French's website. R^2 is the R^2 from the regressions. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

Panel A: 13Gs, Activist hedge funds

Window (month)	Alpha	LagRMRF	RMRF	SMB	HML	MOM	No. of monthly obs.	R^2
(-12, -10)	**-0.001**	0.315**	0.948***	0.904***	-0.305	-0.227**	168	0.49
(-9, -7)	**-0.006**	0.141	0.986***	1.049***	-0.277	-0.438***	166	0.52
(-6, -4)	**0.000**	0.316***	1.104***	0.332**	-0.186	-0.132	166	0.53
(-3, -1)	**-0.006**	0.412***	1.269***	0.534***	0.173	0.055	166	0.49
Event	**0.036*****	0.564**	1.117***	0.567	-0.062	-0.369	141	0.26
(1, 3)	**0.009**	0.124	1.051***	1.073***	-0.041	0.016	170	0.56
(4,6)	**-0.001**	0.074	1.052***	1.196***	0.076	-0.147	170	0.58
(7, 9)	**-0.002**	0.019	0.968***	1.234***	0.038	-0.347***	174	0.62
(10, 12)	**-0.003**	0.204**	0.881***	0.911***	-0.108	-0.094	172	0.53

Panel B: 13Gs, Activist institutions

Window (month)	Alpha	LagRMRF	RMRF	SMB	HML	MOM	No. of monthly obs.	R^2
(-12, -10)	**0.000**	0.258**	0.909***	0.686***	-0.284*	-0.249***	188	0.55
(-9, -7)	**-0.003**	0.221**	0.849***	0.836***	-0.295*	-0.415***	186	0.54
(-6, -4)	**-0.003**	0.244***	1.088***	0.589***	-0.107	-0.105	186	0.62
(-3, -1)	**-0.002**	0.106	1.262***	0.518***	0.189	-0.076	186	0.54
Event	**0.023****	0.678***	0.846***	0.489*	-0.442	-0.359**	166	0.32
(1, 3)	**0.007**	0.15	0.937***	0.744***	0.005	-0.142*	188	0.53
(4,6)	**0.002**	0.142	1.061***	1.126***	-0.094	-0.196**	188	0.65
(7, 9)	**0.004**	0.141	0.962***	1.319***	0.288*	-0.430***	190	0.61
(10, 12)	**-0.005**	0.128	0.962***	0.731***	0.067	-0.147*	190	0.56

Table OA4: Summary statistics, sample distribution, and correlations

Panel A: Summary statistics for full sample
This panel reports the summary statistics of the main variables used in our multivariate analysis for full sample of firms.

Variable	N	Mean	SD	5%	25%	Median	75%	95%
BLOCK	88,742	0.018	0.135	0.000	0.000	0.000	0.000	0.000
13Dvs13G	1,636	0.386	0.487	0.000	0.000	0.000	1.000	1.000
LIQAM	88,742	-0.618	1.040	-3.074	-0.776	-0.080	-0.006	0.000
LIQFHT	88,742	-0.014	0.019	-0.053	-0.018	-0.006	-0.002	0.000
MV	88,742	5.402	2.202	1.958	3.800	5.288	6.873	9.335
Q	88,742	2.007	1.822	0.806	1.048	1.360	2.162	5.442
SGR	88,742	0.255	0.779	-0.343	-0.022	0.100	0.279	1.187
ROA	88,742	0.059	0.266	-0.412	0.019	0.093	0.179	0.362
LEV	88,742	0.561	0.299	0.118	0.326	0.550	0.776	0.962
DIVYIELD	88,742	0.013	0.025	0.000	0.000	0.000	0.018	0.058
RDTA	88,742	0.055	0.127	0.000	0.000	0.000	0.048	0.296
HINDEX	88,742	0.022	0.014	0.009	0.012	0.019	0.026	0.053
NANLYST	88,742	1.327	1.073	0.000	0.000	1.386	2.197	3.091
DECIMAL	88,742	0.499	0.500	0.000	0.000	0.000	1.000	1.000
WPS	24,645	38.34	134.6	0.609	3.036	6.860	16.51	145.7
13DFILING	88,742	0.007	0.084	0.000	0.000	0.000	0.000	0.000

Panel B: Summary statistics for subsample of firms targeted by activist institutions
This panel reports the summary statistics of the firm characteristics for the subsample of firms targeted by all activist institutions.

Variable	N	Mean	SD	5%	25%	Median	75%	95%
LIQAM	1,636	-0.358	0.784	-2.143	-0.274	-0.026	-0.004	0.000
LIQFHT	1,636	-0.009	0.014	-0.036	-0.011	-0.004	-0.001	0.000
MV	1,636	5.627	1.876	2.642	4.318	5.562	6.916	8.660
Q	1,636	1.964	1.681	0.789	1.073	1.426	2.157	5.124
SGR	1,636	0.272	0.876	-0.361	-0.030	0.084	0.273	1.224
ROA	1,636	0.057	0.266	-0.467	0.018	0.097	0.177	0.340
LEV	1,636	0.555	0.308	0.120	0.311	0.533	0.746	1.057
DIVYIELD	1,636	0.011	0.024	0.000	0.000	0.000	0.011	0.056
RDTA	1,636	0.060	0.130	0.000	0.000	0.000	0.062	0.297
HINDEX	1,636	0.023	0.014	0.010	0.013	0.020	0.027	0.059
NANALYST	1,636	1.543	1.021	0.000	0.693	1.609	2.303	3.135

Table OA4 (Cont'd)

Panel C: Frequency of block acquisitions by fiscal year
This panel reports the distribution of 13Ds and 13Gs by fiscal year for the subsample of firms targeted by all activist institutions.

Fiscal year	13D	13G	Total	13D% in a year	13G% in a year
1995	21	9	30	70.00%	30.00%
1996	30	19	49	61.22%	38.78%
1997	57	17	74	77.03%	22.97%
1998	46	36	82	56.10%	43.90%
1999	41	79	120	34.17%	65.83%
2000	37	82	119	31.09%	68.91%
2001	34	82	116	29.31%	70.69%
2002	43	101	144	29.86%	70.14%
2003	46	82	128	35.94%	64.06%
2004	58	114	172	33.72%	66.28%
2005	79	137	216	36.57%	63.43%
2006	49	46	95	51.58%	48.42%
2007	49	81	130	37.69%	62.31%
2008	23	63	86	26.74%	73.26%
2009	11	29	40	27.50%	72.50%
2010	7	28	35	20.00%	80.00%
Total	**631**	**1,005**	**1,636**	**38.57%**	**61.43%**

Panel D: Pearson and Spearman correlations between activist institutions' decisions and liquidity for full sample
This panel reports Pearson and Spearman correlations between all activists' block acquisition decision ($BLOCK_{t+1}$), monitoring decision ($13Dvs13G_{t+1}$), and stock liquidity ($LIQAM_t$ and $LIQFHT_t$). Pearson (Spearman) correlations are reported above (below) the main diagonal. *** (**) (*) indicates significance level at 1% (5%) (10%) based on two-tailed t-tests.

Pearson / Spearman	$BLOCK_{t+1}$	$13Dvs13G_{t+1}$	$LIQAM_t$	$LIQFHT_t$
$BLOCK_{t+1}$			0.035***	0.035***
$13Dvs13G_{t+1}$			-0.114***	-0.093***
$LIQAM_t$	0.039***	-0.122***		0.750***
$LIQFHT_t$	0.040***	-0.092***	0.788***	

Table OA5: Does stock liquidity affect block acquisition decisions by activist institutions?

Panel A: The effect of liquidity on the likelihood of a 13D or 13G filing by activist institutions

This panel reports the probit regression results on the relation between a firm's stock liquidity and the probability of an activist institution acquiring a block in the firm. Variable definitions are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. For $LIQAM_t$, $LIQFHT_t$, and *DECIMAL,* the marginal effects (dF/dx) are displayed below the standard errors. Year fixed effects and Fama-French 12 industry effects are included in columns (2), (4), and (6) but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent Variables	**BLOCK$_{t+1}$** *(=1 if 13D Filing or 13G Filing; 0 if no block acquisition)*					
$LIQAM_t$	**0.131*****	**0.142*****				
	(0.014)	(0.019)				
	[0.0057***]	[0.0054***]				
$LIQFHT_t$			**6.756*****	**4.365*****		
			(0.780)	(1.029)		
			[0.2959***]	[0.1694***]		
DECIMAL					**0.241*****	**0.501*****
					(0.020)	(0.056)
					[0.0107***]	[0.0205***]
MV_t		**-0.060*****		**-0.048*****		**-0.031*****
		(0.008)		(0.008)		(0.007)
Q_t		**-0.018****		**-0.017****		**-0.019*****
		(0.007)		(0.007)		(0.007)
SGR_t		**0.017**		**0.020**		**0.023**
		(0.015)		(0.015)		(0.014)
ROA_t		**-0.001**		**-0.024**		**-0.005**
		(0.051)		(0.052)		(0.052)
LEV_t		**0.068***		**0.064***		**0.042**
		(0.038)		(0.039)		(0.038)
$DIVYIELD_t$		**-0.750**		**-0.651**		**-0.608**
		(0.526)		(0.535)		(0.529)
$RDTA_t$		**0.008**		**0.024**		**0.063**
		(0.113)		(0.114)		(0.112)
$HINDEX_t$		**-1.024**		**-0.364**		**-0.808**
		(3.586)		(3.572)		(3.470)
$NANALYST_t$		**0.096*****		**0.115*****		**0.120*****
		(0.014)		(0.014)		(0.014)
INTERCEPT	**-2.023*****	**-2.299*****	**-2.009*****	**-2.412*****	**-2.223*****	**-2.507*****
	(0.010)	(0.125)	(0.012)	(0.127)	(0.016)	(0.111)
Year Fixed Effects		*Included*		*Included*		*Included*
Industry Fixed Effects		*Included*		*Included*		*Included*
Number of Obs. Used	88,742	88,742	88,742	88742	88742	88742
Pseudo R^2	0.008	0.042	0.007	0.039	0.009	0.036

Table OA5 (Cont'd)

Panel B: The effect of decimalization on the likelihood of a 13D or 13G filing by activist institutions, stratified by firms' stock price

This panel reports the probit regression results on the effect of decimalization on the probability of an activist institution acquiring a block in the firm, conditional on the level of the firm's stock price. Variable definitions are listed in Appendix B. $LOWPRC_t$ is an indicator variable that equals one if a firm's closing price at the end of fiscal year t is below the median closing price for that year and zero otherwise. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. Year fixed effects and Fama-French 12 industry effects are included in both columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

	(1)	(2)
Dependent Variables	**BLOCK$_{t+1}$** (=1 if 13D Filing or 13G Filing; 0 if no block acquisition)	
	LOWPRC=1	**LOWPRC=0**
DECIMAL	**0.572*****	**0.150**
	(0.080)	(0.215)
Coefficient Difference in DECIMAL between		
LOWPRC=1 and LOWPRICE=0		**0.422*****
[Two-tailed p-value]		[0.000]
MV$_t$	**0.010**	**-0.029*****
	(0.011)	(0.011)
Q$_t$	**-0.031*****	**-0.020***
	(0.012)	(0.011)
SGR$_t$	**0.008**	**0.041***
	(0.018)	(0.024)
ROA$_t$	**-0.008**	**-0.082**
	(0.069)	(0.090)
LEV$_t$	**0.132*****	**-0.093**
	(0.046)	(0.072)
DIVYIELD$_t$	**0.438**	**-3.107*****
	(0.557)	(1.068)
RDTA$_t$	**0.070**	**-0.047**
	(0.139)	(0.204)
HINDEX$_t$	**-2.053**	**-4.349**
	(4.729)	(4.680)
NANALYST$_t$	**0.124*****	**0.091*****
	(0.020)	(0.020)
INTERCEPT	**-2.682*****	**-1.945*****
	(0.158)	(0.149)
Year Fixed Effects	*Included*	*Included*
Industry Fixed Effects	*Included*	*Included*
Number of Obs. Used	44,454	44,288
Pseudo R^2	0.044	0.040

Table OA5 (Cont'd)

Panel C: The effect of changes in liquidity surrounding decimalization on the likelihood of a 13D or 13G filing by activist institutions

This panel reports the probit regression results on the relation between a firm's change in stock liquidity surrounding decimalization and the probability of an activist institution acquiring a block in the firm immediately post decimalization. Variable definitions are listed in Appendix B. Δ denotes the change in each variable from the fiscal year before decimalization (year t-1) to the fiscal year after decimalization (year t+1) with t indicating the year during which decimalization went into effect for the firm. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity. Fama-French 12 industry effects are included in both columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

Dependent Variables	(1)	(2)
	$BLOCK_{t+2}$ (=1 if 13D Filing or 13G Filing; 0 if no block acquisition)	
$\Delta LIQAM$	0.154***	
	(0.050)	
$\Delta LIQFHT$		6.834***
		(2.628)
ΔMV	-0.160***	-0.146**
	(0.059)	(0.058)
ΔQ	0.008	-0.001
	(0.027)	(0.026)
ΔSGR	-0.003	-0.011
	(0.040)	(0.039)
ΔROA	0.054	-0.012
	(0.155)	(0.150)
ΔLEV	0.002	0.002
	(0.227)	(0.219)
$\Delta DIVYIELD$	-2.082	-1.896
	(1.621)	(1.598)
$\Delta RDTA$	0.131	0.045
	(0.405)	(0.394)
$\Delta HINDEX$	9.577	9.631
	(10.839)	(10.762)
$\Delta NANALYST$	-0.030	-0.015
	(0.080)	(0.079)
INTERCEPT	-1.723***	-1.806***
	(0.144)	(0.148)
Industry Fixed Effects	Included	Included
Number of Obs. Used	4,714	4,714
Pseudo R^2	0.034	0.031

Table OA6: Does stock liquidity affect governance decisions by all activists?

This table reports the probit regression results on the relation between a firm's stock liquidity and its probability of being targeted by a 13D filer as opposed to being targeted by a 13G filer. Variable definitions are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. For $LIQAM_t$, $LIQFHT_t$, and $DECIMAL$, the marginal effects (dF/dx) are displayed below the standard errors. Year fixed effects and Fama-French 12 industry effects are included in columns (2), (4) and (6) but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent Variables		**13Dvs13G$_{t+1}$** *(=1 if 13D Filing; 0 if 13G Filing)*				
$LIQAM_t$	**-0.195*****	**-0.059**				
	(0.043)	(0.057)				
	[-0.0746***]	[-0.0225]				
$LIQFHT_t$			**-7.953*****	**-3.661**		
			(2.298)	(3.010)		
			[-3.0401***]	[-1.3932]		
$DECIMAL_t$					**-0.301*****	**-0.181**
					(0.068)	(0.182)
					[-0.1164***]	[-0.0695]
MV_t		**-0.032**		**-0.039**		**-0.046***
		(0.029)		(0.029)		(0.027)
Q_t		**-0.059****		**-0.054****		**-0.057****
		(0.027)		(0.025)		(0.027)
SGR_t		**0.005**		**0.035**		**0.005**
		(0.039)		(0.039)		(0.039)
ROA_t		**0.009**		**0.143**		**0.035**
		(0.157)		(0.152)		(0.157)
LEV_t		**-0.123**		**-0.112**		**-0.116**
		(0.124)		(0.121)		(0.123)
$DIVYIELD_t$		**-1.852**		**-1.168**		**-1.703**
		(1.354)		(1.363)		(1.344)
$RDTA_t$		**-0.847****		**-0.663***		**-0.844****
		(0.397)		(0.379)		(0.397)
$HINDEX_t$		**-6.820**		**-0.245**		**-2.378**
		(11.808)		(11.256)		(11.664)
$NANALYST_t$		**-0.094****		**-0.104****		**-0.097****
		(0.047)		(0.045)		(0.046)
INTERCEPT	**-0.361*****	**1.519*****	**-0.366*****	**0.534**	**-0.086**	**0.824****
	(0.035)	(0.452)	(0.038)	(0.334)	(0.056)	(0.393)
Year Fixed Effects		*Included*		*Included*		*Included*
Industry Fixed Effects		*Included*		*Included*		*Included*
Number of Obs. Used	1,636	1,636	1,636	1,636	1,636	1,636
Pseudo R^2	0.010	0.090	0.006	0.047	0.009	0.084

Table OA7: Event-study and holding-period returns to 13G filings by activist institutions

Panel A: Announcement returns to 13Gs filed by all activists, stratified by target firms' liquidity

This panel reports the mean 3-day market-adjusted abnormal announcement returns surrounding 13G filings by all activists, conditional on the level of stock liquidity. Each column tests whether the 3-day market-adjusted abnormal announcement returns are greater than zero, with the mean *CAR (-1, +1)* shown in bold and the standard errors displayed in parentheses below. Variable definitions are listed in Appendix B. The subsample *Low LIQAM* (*High LIQAM*) includes sample observations with *LIQAM* below (equal to or above) median *LIQAM* within each year. The subsample *Low LIQFHT* (*High LIQFHT*) includes sample observations with *LIQFHT* below (equal to or above) median *LIQFHT* within each year.

	(1)	**(2)**	**(3)**	**(4)**	**(5)**
	Pooling	*Low LIQAM*	*High LIQAM*	*Low LIQFHT*	*High LIQFHT*
Testing *CAR_VW (-1, +1)>0*	**0.004******	**0.005****	**0.004***	**0.005****	**0.003***
	(0.002)	(0.002)	(0.002)	(0.003)	(0.002)
Testing *CAR_EW (-1, +1)>0*	**0.004******	**0.005****	**0.004***	**0.005***	**0.004****
	(0.002)	(0.002)	(0.002)	(0.003)	(0.002)
Number of Obs. Used	948	474	474	473	475

Panel B: Announcement returns to 13Gs filed by non-hedge fund activists, stratified by target firms' liquidity

This panel reports the mean 3-day market-adjusted abnormal announcement returns surrounding 13G filings by non-hedge fund activists, conditional on the level of stock liquidity. Each column tests whether the 3-day market-adjusted abnormal announcement returns are greater than zero, with the mean *CAR (-1, +1)* shown in bold and the standard errors displayed in parentheses below. Variable definitions are listed in Appendix B. The subsample *Low LIQAM* (*High LIQAM*) includes sample observations with *LIQAM* below (equal to or above) median *LIQAM* within each year. The subsample *Low LIQFHT* (*High LIQFHT*) includes sample observations with *LIQFHT* below (equal to or above) median *LIQFHT* within each year.

	(1)	**(2)**	**(3)**	**(4)**	**(5)**
	Pooling	*Low LIQAM*	*High LIQAM*	*Low LIQFHT*	*High LIQFHT*
Testing *CAR_VW (-1, +1)>0*	**0.001**	**0.003**	**-0.001**	**0.003**	**-0.001**
	(0.002)	(0.003)	(0.003)	(0.003)	(0.002)
Testing *CAR_EW (-1, +1)>0*	**0.003**	**0.004**	**0.002**	**0.004**	**0.002**
	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)
Number of Obs. Used	407	205	202	202	205

Table OA7 (Cont'd)

Panel C: Holding-period returns to 13Gs filed by all activists, stratified by target firms' liquidity

This panel reports the holding-period return to 13G filings by all activist institutions from the initial filing date to the exit date. The exit date is the actual date of exit reported in a successive 13G filing in which the holding by the hedge fund drops below 5%, or the filing date of the successive 13G filing if the actual date of exit is not specified. When a successive 13G filing is not available, we check the successive 13F filings for the size of the holdings. $HOLDINGRET\_VW$ ($HOLDINGRET\_EW$) is calculated as the target firm's compounded daily raw returns minus the corresponding value-weighted (equal-weighted) market returns over the holding period. Each column tests whether the abnormal holding-period returns are greater than zero, with the mean shown in bold and the standard errors displayed in parentheses below. $HIGHLIQAM_t$ ($HIGHLIQFHT_t$) is an indicator variable that equals one if $LIQAM_t$ ($LIQFHT_t$) is equal to or above the median $LIQAM_t$ ($LIQFHT_t$) within each year and zero otherwise.

	(1) Pooling	**(2)** Low LIQAM	**(3)** High LIQAM	**(4)** Low LIQFHT	**(5)** High LIQFHT
Testing $HOLDINGRET\_VW>0$	**0.057*****	**0.046****	**0.067*****	**0.061*****	**0.052*****
	(0.012)	(0.019)	(0.016)	(0.019)	(0.015)
Testing $HOLDINGRET\_EW>0$	**0.048*****	**0.042****	**0.055*****	**0.049*****	**0.047*****
	(0.012)	(0.019)	(0.015)	(0.019)	(0.015)
Number of Obs. Used	828	414	414	414	414

Table OA8: Operating performance consequences of 13G filings by all activists

This table studies the operating performance consequences of a 13G filing. We first match each recipient of a 13G filing with a control firm using propensity score matching. As in the regressions, the control variables are *MV, Q, SGR, ROA, LEV, DIVYIELD, RDTA, HINDEX*, NANALYST, as well as FF 12 industry and year dummies. Each firm can serve at most once as a control firm. Panel A presents the estimated propensity score distributions. Panel B presents differences in pre-event observable characteristics. Panel C is a difference-in-differences test of the change in *EBITDA/ASSET* and *CFO/ASSET* from year *t-1* to year *t+1*. *EBITDA/ASSET* is earnings before interest, taxes, depreciation and amortization, deflated by the average of total assets at the beginning and at the end of the year. *CFO/ASSET* is cash flow from operations deflated by the average of total assets at the beginning and at the end of the year. Panel D is a difference-in-differences test stratified by liquidity subsamples.

Panel A: Estimated propensity score distributions

Propensity Scores	No. of obs.	SD	Min	P25	P50	Mean	P75	Max
13G firms	793	0.011	0.938	0.976	0.983	0.981	0.988	0.999
Control firms	793	0.011	0.938	0.976	0.983	0.981	0.988	0.999
Difference	793	0.000	-0.001	0.000	0.000	0.000	0.000	0.000

Panel B: Differences in pre-event observables

	Treatment	Control	Differences	T-statistics
MV_{t-1}	5.895	5.873	0.022	0.22
Q_{t-1}	2.097	2.090	0.006	0.07
SGR_{t-1}	0.285	0.253	0.032	0.79
ROA_{t-1}	0.051	0.047	0.005	0.33
LEV_{t-1}	0.559	0.551	0.008	0.52
$DIVYIELD_{t-1}$	0.011	0.011	0.001	0.49
$RDTA_{t-1}$	0.070	0.070	-0.001	-0.08
$HINDEX_{t-1}$	0.023	0.024	-0.001	-0.75
$NANALYST_{t-1}$	1.675	1.663	0.012	0.34

Panel C: Difference-in-differences test

	13G firms	Control firms	DiD estimator (13G - control)	T-statistics of DiD estimator
$\Delta EBITDA/ASSET$	-0.005	-0.002	-0.003	-0.56
$\Delta CFO/ASSET$	0.000	0.000	0.000	0.06

Table OA9: Does stock liquidity affect block acquisition decisions by all activists? The effect of wealth-performance sensitivity

This table reports the probit regression results on the relation between a firm's stock liquidity and the probability of an activist institution acquiring a block in the firm and the effect of *WPS* on this relation. Variable definitions are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. The coefficient estimates on WPS_t are multiplied by 1,000 for ease of presentation. Control variables, year fixed effects, and Fama-French 12 industry effects are included in all columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

Dependent Variables	(1)	(2)	(3)
	BLOCK$_{t+1}$ *(=1 if 13D Filing or 13G Filing; 0 if no block acquisition)*		
$LIQAM_t$	**-0.034**		
	(0.086)		
$LIQAM_t \times WPS_t$	**0.024*****		
	(0.009)		
$LIQFHT_t$		**4.913**	
		(4.065)	
$LIQFHT_t \times WPS_t$		**0.619*****	
		(0.174)	
$DECIMAL_t$			**0.279*****
			(0.054)
$DECIMAL_t \times WPS_t$			**0.002*****
			(0.001)
WPS_t	**0.003***	**-0.000**	**-0.000**
	(0.001)	(0.000)	(0.001)
Controls	*Included*	*Included*	*Included*
Year Fixed Effects	*Included*	*Included*	*Included*
Industry Fixed Effects	*Included*	*Included*	*Included*
Number of Obs. Used	24645	24645	24,645
Pseudo R^2	0.022	0.033	0.035

Table OA10: Does stock liquidity affect governance decisions by all activists? The effect of wealth-performance sensitivity

This table reports the probit regression results on the relation between a firm's stock liquidity and its probability of being targeted by a 13D filer as opposed to being targeted by a 13G filer and the effect of *WPS* on this relation. Variable definitions are listed in Appendix B. *HIGHWPS$_t$* is an indicator variable that equals one if *WPS$_t$* is equal to or above the median *WPS* within each year and zero otherwise. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. Control variables, year fixed effects, and Fama-French 12 industry effects are included in all columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

	(1)	(2)	(3)
Dependent Variables	**13Dvs13G$_{t+1}$** *(=1 if 13D Filing; 0 if 13G Filing)*		
LIQAM$_t$	**1.152**		
	(0.732)		
LIQAM$_t$ ×HIGHWPS$_t$	**-1.084**		
	(0.825)		
LIQFHT$_t$		**12.790**	
		(10.682)	
LIQFHT$_t$ ×HIGHWPS$_t$		**-10.662**	
		(14.003)	
DECIMAL$_t$			**0.275**
			(0.374)
DECIMAL$_t$ ×HIGHWPS$_t$			**-0.162**
			(0.236)
HIGHWPS$_t$	**0.190**	**0.153**	**0.334***
	(0.119)	(0.127)	(0.200)
Controls	*Included*	*Included*	*Included*
Year Fixed Effects	*Included*	*Included*	*Included*
Industry Fixed Effects	*Included*	*Included*	*Included*
Number of Obs. Used	597	597	597
Pseudo R^2	0.077	0.065	0.067

Table OA11: Does stock liquidity affect targeting by all activists?

This table reports the probit regression results on the relation between a firm's stock liquidity and its unconditional probability of being targeted by a 13D filer as opposed to being targeted by a 13G filer or not being targeted. Variable definitions are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. For *LIQAM$_t$*, *LIQFHT$_t$*, and *DECIMAL,* the marginal effects (dF/dx) are displayed below the standard errors. Year fixed effects and Fama-French 12 industry effects are included in all columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

	(1)	(2)	(3)
Dependent Variables	**13DFILING$_{t+1}$** *(=1 if 13D Filing; 0 if 13G Filing or no block acquisition)*		
LIQAM$_t$	**0.111*****		
	(0.024)		
	[0.0019***]		
LIQFHT$_t$		**5.041*****	
		(1.389)	
		[0.0854***]	
DECIMAL			**0.350*****
			(0.068)
			[0.0062***]
MV$_t$	**-0.055*****	**-0.049*****	**-0.027*****
	(0.011)	(0.011)	(0.010)
Q$_t$	**-0.045*****	**-0.043*****	**-0.044*****
	(0.014)	(0.014)	(0.013)
SGR$_t$	**0.026**	**0.028**	**0.031**
	(0.021)	(0.021)	(0.021)
ROA$_t$	**0.032**	**-0.002**	**0.030**
	(0.076)	(0.077)	(0.077)
LEV$_t$	**0.037**	**0.039**	**0.016**
	(0.058)	(0.059)	(0.058)
DIVYIELD$_t$	**-0.971**	**-0.932**	**-0.871**
	(0.738)	(0.761)	(0.746)
RDTA$_t$	**-0.266**	**-0.266**	**-0.219**
	(0.178)	(0.178)	(0.176)
HINDEX$_t$	**-1.471**	**-1.033**	**-1.267**
	(5.030)	(5.017)	(4.896)
NANALYST$_t$	**0.036***	**0.049****	**0.053*****
	(0.020)	(0.020)	(0.020)
INTERCEPT	**-2.225*****	**-2.254*****	**-2.435*****
	(0.169)	(0.171)	(0.152)
Year Fixed Effects	*Included*	*Included*	*Included*
Industry Fixed Effects	*Included*	*Included*	*Included*
Number of Obs. Used	88742	88742	88742
Pseudo R^2	0.031	0.029	0.026

Table OA12: Multinomial Logit

Panel A (Panel B) reports the multinomial logit regression results on the relation between a firm's stock liquidity and the target style of a hedge fund activist (an activist institution). *TARGETSTYLE* equals zero if a firm is not targeted by a blockholder, one if it is targeted by a 13G filer, and two if it is targeted by a 13D filer. Definitions of all other variables are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. Year fixed effects and Fama-French 12 industry effects are included in all columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

Panel A: Activist hedge funds

	(1)	(2)	(3)
Dependent Variable	**TARGETSTYLE**=*(0 if no block; 1 if 13G; and 2 if 13D)*		
BASE=1 (13G)			
$LIQAM_t$	**0.650*****		
	(0.092)		
$LIQFHT_t$		**14.143*****	
		(2.641)	
$DECIMAL$			**1.806*****
			(0.196)
MV_t	**-0.335*****	**-0.262*****	**-0.203*****
	(0.033)	(0.033)	(0.029)
O_t	**-0.006**	**-0.004**	**-0.009**
	(0.025)	(0.026)	(0.025)
SGR_t	**0.083**	**0.045**	**0.101****
	(0.051)	(0.055)	(0.050)
ROA_t	**0.226**	**-0.107**	**0.183**
	(0.205)	(0.200)	(0.208)
LEV_t	**0.462*****	**0.510*****	**0.365****
	(0.144)	(0.152)	(0.146)
$DIVYIELD_t$	**-1.310**	**-1.175**	**-0.579**
	(2.076)	(2.313)	(2.113)
$RDTA_t$	**0.173**	**-0.005**	**0.395**
	(0.432)	(0.424)	(0.426)
$HINDEX_t$	**5.829**	**-1.206**	**5.936**
	(14.953)	(9.110)	(13.855)
$NANALYST_t$	**0.198*****	**0.247*****	**0.313*****
	(0.057)	(0.059)	(0.060)
$INTERCEPT$	**-5.919*****	**-4.263*****	**-6.515*****
	(0.640)	(0.357)	(0.475)
BASE=2 (13D)			
$LIQAM_t$	**0.306*****		
	(0.077)		
$LIQFHT_t$		**8.563*****	
		(2.342)	
$DECIMAL$			**0.890*****
			(0.253)
MV_t	**-0.219*****	**-0.186*****	**-0.141*****
	(0.036)	(0.036)	(0.031)
O_t	**-0.204*****	**-0.195*****	**-0.205*****

	(1)	(2)	(3)
	(0.055)	(0.054)	(0.055)
SGR_t	**0.077**	**0.060**	**0.091**
	(0.071)	(0.073)	(0.069)
ROA_t	**0.021**	**-0.146**	**0.015**
	(0.267)	(0.253)	(0.271)
LEV_t	**0.028**	**0.020**	**-0.034**
	(0.182)	(0.188)	(0.182)
$DIVYIELD_t$	**-2.328**	**-2.809**	**-1.973**
	(2.477)	(2.666)	(2.509)
$RDTA_t$	**-0.912**	**-0.966**[*]	**-0.762**
	(0.556)	(0.548)	(0.550)
$HINDEX_t$	**1.951**	**0.539**	**2.524**
	(16.655)	(13.113)	(16.274)
$NANALYST_t$	**0.126**[**]	**0.135**[**]	**0.179**[***]
	(0.063)	(0.062)	(0.063)
INTERCEPT	**-4.370**[***]	**-3.735**[***]	**-4.975**[***]
	(0.576)	(0.417)	(0.521)
Year Fixed Effects	Included	Included	Included
Industry Fixed Effects	Included	Included	Included
Number of Obs. Used	88,742	88,742	88,742
Pseudo R^2	0.058	0.036	0.037
Test[1=2:LIQAM]	$\chi2(1)=8.14$		
	(p=0.004)		
Test[1=2:LIQFHT]		$\chi2(1)=2.50$	
		(p=0.1140)	
Test[1=2:DECIMAL]			$\chi2=8.30$
			(p=0.004)

Panel B: Activist institutions

	(1)	(2)	(3)
Dependent Variable	**TARGETSTYLE**=*(0 if no block; 1 if 13G; and 2 if 13D)*		
BASE=1 (13G)			
$LIQAM_t$	0.516[***]		
	(0.079)		
$LIQFHT_t$		14.604[***]	
		(2.502)	
DECIMAL			1.507[***]
			(0.154)
MV_t	-0.160[***]	-0.128[***]	-0.083[***]
	(0.025)	(0.026)	(0.023)
O_t	-0.011	-0.009	-0.014
	(0.021)	(0.021)	(0.021)
SGR_t	0.022	-0.010	0.039
	(0.045)	(0.048)	(0.044)
ROA_t	-0.033	-0.363[**]	-0.058
	(0.168)	(0.163)	(0.169)
LEV_t	0.235[*]	0.265[**]	0.153
	(0.123)	(0.128)	(0.124)
$DIVYIELD_t$	-1.398	-1.896	-1.030
	(1.763)	(1.988)	(1.791)

$RDTA_t$	0.274	0.061	0.447
	(0.350)	(0.346)	(0.347)
$HINDEX_t$	-0.675	-9.765	-0.755
	(12.287)	(7.861)	(11.419)
$NANALYST_t$	0.304***	0.321***	0.395***
	(0.047)	(0.047)	(0.047)
$INTERCEPT$	-6.124***	-4.067***	-6.253***
	(0.511)	(0.285)	(0.372)

BASE=2 (13D)

$LIQAM_t$	0.348***		
	(0.073)		
$LIQFHT_t$		9.657***	
		(2.158)	
$DECIMAL$			0.774***
			(0.217)
MV_t	-0.155***	-0.134***	-0.079***
	(0.031)	(0.031)	(0.028)
O_t	-0.137***	-0.126***	-0.137***
	(0.041)	(0.040)	(0.041)
SGR_t	0.072	0.061	0.086
	(0.061)	(0.062)	(0.059)
ROA_t	0.105	-0.045	0.104
	(0.223)	(0.216)	(0.226)
LEV_t	0.104	0.108	0.039
	(0.163)	(0.170)	(0.164)
$DIVYIELD_t$	-2.958	-3.546	-2.608
	(2.148)	(2.318)	(2.181)
$RDTA_t$	-0.714	-0.762	-0.564
	(0.506)	(0.504)	(0.501)
$HINDEX_t$	-6.721	-11.284	-5.864
	(14.650)	(12.107)	(14.335)
$NANALYST_t$	0.103*	0.117**	0.163***
	(0.055)	(0.054)	(0.055)
$INTERCEPT$	-4.231***	-3.459***	-4.842***
	(0.484)	(0.371)	(0.438)
Year Fixed Effects	*Included*	*Included*	*Included*
Industry Fixed Effects	*Included*	*Included*	*Included*
Number of Obs. Used	88,742	88,742	88,742
Pseudo R^2	0.048	0.030	0.042
Test[1=2:LIQAM]	$\chi 2(1)=2.39$		
	(p=0.1219)		
Test[1=2:LIQFHT]		$\chi 2(1)=2.24$	
		(p=0.1348)	
Test[1=2:DECIMAL]			$\chi 2(1)=7.75$
			(p=0.005)

Table OA13: Robustness checks controlling for vega

Panel A: Does stock liquidity affect hedge funds' block acquisition decisions? The effect of wealth-performance sensitivity, controlling for vega

This panel reports the probit regression results on the relation between a firm's stock liquidity and the probability of a hedge fund acquiring a block in the firm and the effect of *WPS* on this relation, controlling for *VEGA*. *VEGA* is the dollar change in CEO wealth for a one percentage point change in stock price volatility. Definitions of all other variables are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. The coefficient estimates on WPS_t and $VEGA_t$ are multiplied by 10,000 for ease of presentation. Year fixed effects and Fama-French 12 industry effects are included in both columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

	(1)	(2)
Dependent Variables	**BLOCK$_{t+1}$** *(=1 if 13D Filing or 13G Filing; 0 if no block acquisition)*	
$LIQAM_t$	**0.220****	
	(0.108)	
$LIQAM_t \times WPS_t$	**0.055****	
	(0.028)	
$LIQAM_t \times VEGA_t$	**-0.017**	
	(0.012)	
$LIQFHT_t$		**8.093****
		(3.936)
$LIQFHT_t \times WPS_t$		**0.287****
		(0.116)
$LIQFHT_t \times VEGA_t$		**0.012**
		(0.065)
WPS_t	**-0.014**	**-0.002**
	(0.054)	(0.049)
$VEGA_t$	**-1.570**	**-0.530**
	(2.558)	(1.758)
Controls	*Included*	*Included*
Year Fixed Effects	*Included*	*Included*
Industry Fixed Effects	*Included*	*Included*
Number of Obs. Used	24,633	24,633
Pseudo R^2	0.088	0.052

Table OA13 (Cont'd)

Panel B: Does stock liquidity affect hedge funds' monitoring decisions? The effect of wealth-performance sensitivity, controlling for vega

This panel reports the probit regression results on the relation between a firm's stock liquidity and its probability of being targeted by a hedge fund 13D filer as opposed to being targeted by a hedge fund 13G filer and the effect of *WPS* on this relation, controlling for *VEGA*. *VEGA* is the dollar change in CEO wealth for a one percentage point change in stock price volatility. $HIGHWPS_t$ ($HIGHVEGA_t$) is an indicator variable that equals one if WPS_t ($VEGA_t$) is equal to or above the median *WPS* ($VEGA_t$) within each year and zero otherwise. Definitions of all other variables are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. Year fixed effects and Fama-French 12 industry effects are included in both columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

Dependent Variables	(1)	(2)
	13Dvs13G$_{t+1}$ *(=1 if 13D Filing; 0 if 13G Filing*)	
$LIQAM_t$	**0.806**	
	(0.942)	
$LIQAM_t \times HIGHWPS_t$	**-2.867****	
	(1.401)	
$LIQAM_t \times HIGHVEGA_t$	**0.808**	
	(1.242)	
$LIQFHT_t$		**7.266**
		(11.472)
$LIQFHT_t \times HIGHWPS_t$		**-38.182***
		(22.977)
$LIQFHT_t \times HIGHVEGA_t$		**-1.362**
		(5.363)
$HIGHWPS_t$	**-0.028**	**-0.036**
	(0.177)	(0.193)
$HIGHVEGA_t$	**0.188**	**0.163**
	(0.190)	(0.183)
Controls	Included	Included
Year Fixed Effects	Included	Included
Industry Fixed Effects	Included	Included
Number of Obs. Used	322	322
Pseudo R^2	0.163	0.159

Table OA14: Non-linear effect of liquidity

Panel A reports the probit regression results on the relation between a firm's stock liquidity and the probability of a hedge fund acquiring a block in the firm and the effect of *WPS* on this relation, including the squared term of liquidity as an additional control. Panel B reports the probit regression results on the relation between a firm's stock liquidity and its probability of being targeted by a hedge fund 13D filer as opposed to being targeted by a hedge fund 13G filer and the effect of *WPS* on this relation, including the squared term of liquidity as an additional control. *HIGHWPS$_t$* is an indicator variable that equals one if *WPS$_t$* is equal to or above the median *WPS* within each year and zero otherwise. Definitions of all other variables are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. The coefficient estimates on *WPS$_t$* are multiplied by 1,000 for ease of presentation. Control variables, year fixed effects and Fama-French 12 industry effects are included in all columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

Panel A	(1)	(2)
Dependent Variables	**BLOCK$_{t+1}$** *(=1 if 13D Filing or 13G Filing; 0 if no block*	
LIQAM$_t$	**-0.194**	
	(0.328)	
LIQAM$_t$ ×WPS$_t$	**0.022****	
	(0.011)	
LIQAM$_t$ × LIQAM$_t$	**-0.229**	
	(0.177)	
LIQFHT$_t$		**8.004**
		(5.522)
LIQFHT$_t$ ×WPS$_t$		**0.049****
		(0.021)
LIQFHT$_t$ × LIQFHT$_t$		**-0.535**
		(2.292)
WPS$_t$	**0.003***	**0.020****
	(0.002)	(0.009)
Number of Obs. Used	24,645	24,645
Pseudo R^2	0.050	0.049
Panel B	**(1)**	**(2)**
Dependent Variables	**13Dvs13G$_{t+1}$** *(=1 if 13D Filing; 0 if 13G Filing)*	
LIQAM$_t$	**-0.821**	
	(1.577)	
LIQAM$_t$ ×HIGHWPS$_t$	**-2.207***	
	(1.278)	
LIQAM$_t$ × LIQAM$_t$	**-1.347**	
	(1.074)	
LIQFHT$_t$		**7.809**
		(11.36)
LIQFHT$_t$ ×HIGHWPS$_t$		**-37.58***
		(23.00)
LIQFHT$_t$ × LIQFHT$_t$		**0.130**
		(0.447)
HIGHWPS$_t$	**0.017**	**-0.011**
	(0.171)	(0.188)
Controls (both panels)	*Included*	*Included*
Year Fixed Effects (both panels)	*Included*	*Included*
Industry Fixed Effects (both panels)	*Included*	*Included*
Number of Obs. Used	322	322
Pseudo R^2	0.163	0.157

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Table OA15: Does stock liquidity affect hedge funds' governance decisions: subsample of hedge funds that have used both 13Ds and 13Gs

Panel A reports the probit regression results on the relation between a firm's stock liquidity and its probability of being targeted by a hedge fund 13D filer as opposed to being targeted by a hedge fund 13G filer, using the subsample of firms targeted by hedge funds who have used both 13Ds and 13Gs in our sample period. Panel B examines the effect of *WPS* on this relation. *HIGHWPS$_t$* is an indicator variable that equals one if *WPS$_t$* is equal to or above the median *WPS* within each year and zero otherwise. Variable definitions are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. Control variables, year fixed effects, and Fama-French 12 industry effects are included in all columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

Panel A	(1)	(2)	(3)
Dependent Variables	**13Dvs13G$_{t+1}$** *(=1 if 13D Filing; 0 if 13G Filing)*		
LIQAM$_t$	**-0.168****		
	(0.066)		
LIQFHT$_t$		**-6.052***	
		(3.439)	
DECIMAL			**-0.571****
			(0.241)
Number of Obs. Used	1,009	1,009	1,009
Pseudo R^2	0.099	0.052	0.091
Panel B	(1)	(2)	(3)
Dependent Variables	**13Dvs13G$_{t+1}$** *(=1 if 13D Filing; 0 if 13G Filing)*		
LIQAM$_t$	**1.081**		
	(1.029)		
LIQAM$_t$ ×HIGHWPS$_t$	**-3.493****		
	(1.382)		
LIQFHT$_t$		**4.148**	
		(11.387)	
LIQFHT$_t$ ×HIGHWPS$_t$		**-25.686**	
		(22.275)	
DECIMAL			**5.988**
			(3.331)
DECIMAL×HIGHWPS$_t$			**-0.206**
			(0.451)
HIGHWPS$_t$	**0.012**	**0.078**	**0.015**
	(0.201)	(0.221)	(0.412)
Controls (both panels)	*Included*	*Included*	*Included*
Year Fixed Effects (both panels)	*Included*	*Included*	*Included*
Industry Fixed Effects (both panels)	*Included*	*Included*	*Included*
Number of Obs. Used	269	269	269
Pseudo R^2	0.166	0.152	0.153

Table OA16: Does stock liquidity affect hedge funds' block acquisition decisions? Firm fixed effects

This table reports the linear probit regression results on the relation between a firm's stock liquidity and the probability of a hedge fund acquiring a block in the firm. Variable definitions are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. Firm fixed effects, Year fixed effects and Fama-French 12 industry effects are included in both columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

	(1)	(2)
Dependent Variables	$BLOCK_{t+1}$ (=1 if 13D Filing or 13G Filing; 0 if no block acquisition)	
$LIQAM_t$	**0.002****	
	(0.001)	
$LIQFHT_t$		**0.096****
		(0.041)
MV_t	**-0.003*****	**0.000**
	(0.001)	(0.001)
Q_t	**-0.000**	**-0.001****
	(0.000)	(0.000)
SGR_t	**0.001**	**0.000**
	(0.001)	(0.001)
ROA_t	**-0.007****	**-0.008*****
	(0.003)	(0.003)
LEV_t	**0.002**	**0.006****
	(0.003)	(0.003)
$DIVYIELD_t$	**-0.001**	**-0.021**
	(0.024)	(0.024)
$RDTA_t$	**-0.003**	**-0.009**
	(0.007)	(0.007)
$HINDEX_t$	**-0.045**	**-0.299****
	(0.141)	(0.133)
$NANALYST_t$	**-0.002***	**-0.004*****
	(0.001)	(0.001)
INTERCEPT	**0.014**	**0.016***
	(0.009)	(0.009)
Year Fixed Effects	Included	Included
Industry Fixed Effects	Included	Included
Firm Fixed Effects	Included	Included
Number of Obs. Used	88,742	88,742
Adjusted R^2	0.142	0.139

Table OA17: Does stock liquidity affect targeting by hedge fund activists? Firm fixed effects

This table reports the linear probit regression results on the relation between a firm's stock liquidity and its unconditional probability of being targeted by a hedge fund 13D filer as opposed to being targeted by a hedge fund 13G filer or not being targeted by hedge fund blockholders. Variable definitions are listed in Appendix B. Coefficient estimates are shown in bold and their standard errors are displayed in parentheses below, adjusted for heteroskedasticity and clustered by firm. Year fixed effects and Fama-French 12 industry effects are included in all columns but the coefficient estimates are not reported. *** (**) (*) indicates significance at the 1% (5%) (10%) level.

	(1)	(2)
Dependent Variables	**13DFILING$_{t+1}$** *(=1 if 13D Filing; 0 if 13G Filing or no block acquisition)*	
LIQAM$_t$	**0.003****	
	(0.001)	
LIQFHT$_t$		**0.061****
		(0.027)
MV$_t$	**0.000**	**0.000**
	(0.000)	(0.000)
Q$_t$	**-0.001*****	**-0.001*****
	(0.000)	(0.000)
SGR$_t$	**0.000**	**0.000**
	(0.000)	(0.000)
ROA$_t$	**-0.004****	**-0.004****
	(0.002)	(0.002)
LEV$_t$	**0.002**	**0.002**
	(0.002)	(0.002)
DIVYIELD$_t$	**-0.023**	**-0.023**
	(0.016)	(0.016)
RDTA$_t$	**-0.004**	**-0.003**
	(0.005)	(0.005)
HINDEX$_t$	**-0.045**	**-0.051**
	(0.084)	(0.084)
NANALYST$_t$	**-0.001****	**-0.001***
	(0.001)	(0.001)
INTERCEPT	**0.011***	**0.011***
	(0.006)	(0.006)
Year Fixed Effects	*Included*	*Included*
Industry Fixed Effects	*Included*	*Included*
Firm Fixed Effects	*Included*	*Included*
Number of Obs. Used	88,742	88,742
Adjusted R^2	0.136	0.136