

**ONLINE APPENDIX**

**For**

**“Litigation Risk Management Through Corporate Payout Policy”**

## ADDITIONAL ROBUSTNESS TESTS

**TABLE A.1**  
**Litigation Risk and Dividend Forecast Error**

This table reports average estimates of cross-sectional regressions of the dividend forecast error on several factors for a sample of U.S. firms. Observations for years 2008 and 2009 are excluded in specifications (1) through (3). We define the dividend forecast error as  $ERROR_{t,i} = [\Delta DIV_{t,i} - (\beta_{1,i} + \beta_{2,i} EARN_{t,i} + \beta_{3,i} DIV_{t-1,i})] / MV_{t-1,i}$  where  $\Delta DIV_{t,i}$  is the actual change in dividends at time t,  $EARN_{t,i}$  is the earnings at time t,  $DIV_{t-1,i}$  is the dividend level at t-1, and  $MV_{t-1,i}$  is the market value of equity at time t-1. The coefficients  $\beta_{1,i}$ ,  $\beta_{2,i}$ , and  $\beta_{3,i}$  are the parameters of Lintner's (1956) model that have been estimated for each firm over a preforecast period. To be included in the sample, each firm must have paid dividends continuously over the entire preforecast period. If the absolute value of the forecasting error is greater than 5 percent, then the observation is eliminated to reduce the effect of extreme values. "Lawsuit Dummy" is an indicator variable that assumes the value of 1 when a firm is sued the following year, and 0 otherwise. "Litigation Likelihood" are predicted probabilities of litigation estimated with a probit regression on a sample that includes all corporate lawsuits during our sample period. "Litigation Intensity" is the sum of all securities litigation events from Audit Analytics in the firm's three-digit SIC industry divided by that total number firms in the same SIC industry. "Litigation Likelihood (OOS)" are predicted probabilities of litigation estimated with an out-of-sample probit regression on a sample that includes all corporate lawsuits during our sample period. RYIELD is the total expenditure on share repurchases at time t scaled by the market value of equity at time t-1. Log(MV) is the logarithm of the market value of equity. SD(Earnings/Assets) is the standard deviation of Earnings/Assets over the three years prior to the firm-year observation. NOPER is the non-operating income before depreciation scaled by the book value of the total assets. Leverage is the book value of total long-term debt plus the book value of total short-term debt scaled by the book value of the total assets. RYIELD, NOPER, and DEBT have been truncated at the 99th percentile. ROA has been truncated at the 1st and 99th percentiles. We use Fama-MacBeth type regressions to estimate the coefficients and standard errors. First, we estimate year-by-year annual average coefficients. Then, we estimate time series averages for each coefficient. We estimate the standard errors using the Newey-West standard error correction method. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level respectively.

	(1)	(2)	(3)	(4)
Lawsuit Dummy	-0.0009 [-2.41]**			
Litigation Likelihood		-0.0038 [-3.21]***		
Ln Litigation Intensity			-0.0016 [-1.95]*	
Litigation Likelihood (OOS)				-0.0042 [-3.05]***
NOPER	0.0169 [1.42]	0.0162 [1.37]	0.0164 [1.30]	0.0143 [1.38]
Earnings/Assets	0.0098 [2.11]**	0.0113 [2.32]**	0.0090 [2.01]**	0.0103 [2.57]**
RYIELD	-0.0002 [-0.39]	-0.0004 [-0.41]	-0.0009 [-0.25]	-0.0004 [-0.40]
Leverage	-0.0028 [-1.80]*	-0.0029 [-1.85]*	-0.0028 [-1.75]*	-0.0033 [-1.95]*
Log(MV)	0.0002 [2.21]**	0.0003 [2.51]**	0.0002 [1.98]*	0.0003 [2.56]***
SD(Earnings/Assets)	-0.0180 [-1.94]*	-0.0144 [-1.95]*	-0.0147 [-2.00]**	-0.0155 [-2.07]**
Intercept	0.0003 [0.65]	0.0001 [0.34]	0.0006 [0.81]	0.0001 [0.17]
N	16,428	16,428	16,428	18,674

**TABLE A.2**  
**Litigation Risk and the Incidence of Dividend Payments**

This table reports Fama and MacBeth (1973) style estimates of a logit model with Newey-West t-values in parentheses. One cross-sectional model is estimated per year. Observations for years 2008 and 2009 are excluded in specifications (1) through (3). The dependent variable is equal to one for dividend-paying firms and is zero otherwise. “Litigation Likelihood” are predicted probabilities of litigation estimated with a probit regression on a sample that includes all types of corporate lawsuits. “Ln Litigation Intensity” is the logarithm of the sum of all securities litigation events from Audit Analytics in the firm’s three-digit SIC industry excluding the observed firm divided by the total number of firms in the same industry. “Litigation Likelihood (OOS)” are predicted probabilities of litigation estimated with an out-of-sample probit regression on a sample that includes all corporate lawsuits during our sample period. Control variables are idiosyncratic risk, systematic risk, market-to-book ratio, asset growth, earnings to assets, and NYSE percentile to which a firm’s market capitalization belongs. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level respectively.

	(1)	(2)	(3)	(4)
Lawsuit Dummy	-0.1438 [-1.81]*			
Litigation Likelihood		-0.4162 [-2.11]**		
Ln Litigation Intensity			-1.4122 [-3.34]***	
Litigation Likelihood (OOS)				-0.4162 [-2.29]**
Market-to-Book	-0.2321 [-6.02]***	-0.2278 [-5.54]***	-0.2829 [-5.23]***	-0.2506 [-6.11]***
Asset Growth	-1.5342 [-5.34]***	-1.2969 [-6.15]***	-1.4004 [-5.21]***	-1.4122 [-6.21]***
Earnings/Assets	4.6697 [10.43]***	5.2402 [10.54]***	4.6724 [9.65]***	5.3974 [13.97]***
Stock Returns	0.0376 [1.34]	0.0351 [1.45]	0.0335 [1.25]	0.0378 [1.32]
NYSE Percentile	0.1252 [7.43]***	0.1082 [8.65]***	0.1238 [7.54]***	0.1050 [10.59]***
Systematic Risk	-26.6918 [-3.11]***	-30.3688 [-2.87]***	-23.8775 [-3.33]***	-28.1602 [-2.99]***
Idiosyncratic Risk	-80.9094 [-14.56]***	-99.2090 [-15.54]***	-98.8596 [-14.66]***	-89.2881 [-16.55]***
Intercept	1.3878 [61.43]***	1.6216 [6.53]***	1.4663 [7.21]***	1.6378 [6.51]***
Industry Dummy	Yes	Yes	Yes	Yes
N	31,612	31,612	31,612	35,865

**TABLE A.3**  
**Litigation Risk and the Incidence of Share Repurchasing**

This table reports Fama and MacBeth (1973) style estimates of a logit model with Newey-West t-values in parentheses. One cross-sectional model is estimated per year. Observations for years 2008 and 2009 are excluded in specifications (1) through (3). The dependent variable is equal to one for firms that are net repurchasers of common shares, and zero otherwise. “Litigation Likelihood” are predicted probabilities of litigation estimated with a probit regression on a sample that includes all types of corporate lawsuits. “Ln Litigation Intensity” is the logarithm of the sum of all securities litigation events from Audit Analytics in the firm’s three-digit SIC industry excluding the observed firm divided by the total number of firms in the same industry. “Litigation Likelihood (OOS)” are predicted probabilities of litigation estimated with an out-of-sample probit regression on a sample that includes all corporate lawsuits during our sample period. Control variables are idiosyncratic risk, systematic risk, market-to-book ratio, asset growth, earnings to assets, and NYSE percentile to which a firm’s market capitalization belongs. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level respectively.

	(1)	(2)	(3)	(4)
Lawsuit Dummy	0.0865 [2.54]**			
Litigation Likelihood		0.4787 [1.92]*		
Ln Litigation Intensity			0.6112 [2.31]**	
Litigation Likelihood (OOS)				0.5744 [2.00]**
Market-to-Book	-0.1377 [-4.54]***	-0.1315 [-4.11]***	-0.1397 [-3.54]***	-0.1505 [-4.81]***
Asset Growth	-2.0639 [-7.50]***	-2.1086 [-7.11]***	-2.0678 [-8.16]***	-2.2258 [-8.65]***
Earnings/Assets	3.4699 [9.11]***	3.9415 [8.54]***	4.2615 [8.43]***	4.0203 [10.687]***
Stock Returns	-0.0447 [-1.20]	-0.0405 [-1.24]	-0.0453 [-1.45]	-0.0464 [-1.50]
NYSE Percentile	0.1690 [6.43]***	0.1469 [6.89]***	0.1702 [6.87]***	0.1528 [8.59]***
Systematic Risk	-24.7352 [-3.11]**	-26.7099 [-2.99]***	-21.5527 [-3.12]***	-24.0389 [-3.70]***
Idiosyncratic Risk	-36.4818 [-5.67]***	-36.6577 [-6.11]***	-33.3442 [-5.76]***	-33.3252 [-7.11]***
Intercept	-0.7451 [-2.11]**	-0.6053 [-2.23]**	-0.6758 [-2.67]***	-0.6928 [-2.98]**
Industry Dummy	Yes	Yes	Yes	Yes
N	31,612	31,612	31,612	35,865

**TABLE A.4**  
**Litigation Risk and Payout Probability**

This table reports Fama and MacBeth (1973) style estimates of a logit model with Newey-West t-values in parentheses. One cross-sectional model is estimated per year. Observations for years 2008 and 2009 are excluded in specifications (1) through (3). The dependent variable is equal to one for firms that are dividend payers and/or net repurchasers of common shares, and is zero otherwise. “Lawsuit Dummy” is an indicator variable that assumes the value of 1 when a firm is sued the following year, and 0 otherwise. “Litigation Likelihood” are predicted probabilities of litigation estimated with a probit regression on a sample that includes all corporate lawsuits during our sample period. “Ln Litigation Intensity” is the logarithm of the sum of all securities litigation events from Audit Analytics in the firm’s three-digit SIC industry divided by that total number firms in the same SIC industry. “Litigation Likelihood (OOS)” are predicted probabilities of litigation estimated with an out-of-sample probit regression on a sample that includes all corporate lawsuits during our sample period. Control variables are idiosyncratic risk, systematic risk, market-to-book ratio, asset growth, earnings to assets, and NYSE percentile to which a firm’s market capitalization belongs. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level respectively.

	(1)	(2)	(3)	(4)
Lawsuit Dummy	-0.0021 [-0.04]			
Litigation Likelihood		0.4090 [1.36]		
Ln Litigation Intensity			-0.6623 [-1.78]*	
Litigation Likelihood (OOS)				0.4090 [1.38]
Market-to-Book	-0.1666 [-6.34]***	-0.1760 [-6.46]***	-0.1514 [-6.28]***	-0.1584 [-6.69]***
Asset Growth	-1.6992 [-6.87]***	-1.7804 [-6.95]***	-1.5553 [-6.62]***	-1.5538 [-7.00]***
Earnings/Assets	3.3176 [5.45]***	2.8124 [5.43]***	3.0409 [5.23]***	3.2499 [6.12]***
Stock Returns	-0.0329 [-0.90]	-0.0438 [-0.91]	-0.0413 [-0.86]	-0.0378 [-0.95]
NYSE Percentile	0.1849 [19.23]***	0.1632 [18.11]***	0.1860 [19.65]***	0.1665 [18.86]***
Systematic Risk	-27.5809 [-4.32]***	-27.8760 [-4.36]***	-22.0092 [-4.15]***	-24.0747 [-4.67]***
Idiosyncratic Risk	-48.0184 [-8.65]***	-43.5817 [-9.54]***	-47.9510 [-8.45]***	-47.9399 [-10.21]***
Intercept	2.6564 [7.68]***	2.7326 [7.98]***	2.3908 [8.45]***	2.8692 [7.87]***
Industry Dummy	Yes	Yes	Yes	Yes
N	31,612	31,612	31,612	35,865

**TABLE A.5**  
**Litigation Risk and Dividend Yield**

The table reports Fama and MacBeth (1973) style estimates of a Tobit model with Newey-West t-values in parentheses. One cross-sectional model is estimated per year. Observations for years 2008 and 2009 are excluded in specifications (1) through (3). The dependent variable is the dividend yield, the firm's annual dividend payment divided by its year-end market value. "Lawsuit Dummy" is an indicator variable that assumes the value of 1 when a firm is sued the following year, and 0 otherwise. "Litigation Likelihood" are predicted probabilities of litigation estimated with a probit regression on a sample that includes all corporate lawsuits during our sample period. "Ln Litigation Intensity" is the logarithm of the sum of all securities litigation events from Audit Analytics in the firm's three-digit SIC industry divided by that total number firms in the same SIC industry. "Litigation Likelihood (OOS)" are predicted probabilities of litigation estimated with an out-of-sample probit regression on a sample that includes all corporate lawsuits during our sample period. Control variables are idiosyncratic risk, systematic risk, market-to-book ratio, asset growth, earnings to assets, and NYSE percentile to which a firm's market capitalization belongs. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level respectively.

	(1)	(2)	(3)	(4)
Lawsuit Dummy	-0.0056 [-2.45]**			
Litigation Likelihood		-0.0062 [-2.42]**		
Ln Litigation Intensity			-0.0416 [-3.43]***	
Litigation Likelihood (OOS)				-0.0062 [-2.73]***
Market-to-Book	-0.0069 [-15.40]***	-0.0076 [-15.21]***	-0.0075 [-14.75]***	-0.0072 [-16.52]***
Asset Growth	-0.0226 [-5.34]***	-0.0239 [-4.96]***	-0.0229 [-5.65]***	-0.0255 [-5.84]***
Earnings/Assets	0.0959 [10.21]***	0.1092 [9.23]***	0.0862 [9.32]***	0.0943 [9.80]***
Stock Returns	-0.0008 [-1.68]*	-0.0006 [-1.61]	-0.0007 [-1.70]*	-0.0007 [-1.81]*
NYSE Percentile	0.0014 [5.65]***	0.0016 [4.99]***	0.0014 [6.34]***	0.0015 [6.62]***
Systematic Risk	-1.0964 [-3.23]***	-0.9146 [-3.32]***	-0.9016 [-3.10]***	-0.9857 [-3.79]***
Idiosyncratic Risk	-1.5627 [-15.56]***	-1.4010 [-14.45]***	-1.2769 [-15.21]***	-1.4290 [-16.11]***
Intercept	0.0381 [8.56]***	0.0343 [7.30]***	0.0373 [9.43]***	0.0329 [8.53]***
Industry Dummy	Yes	Yes	Yes	Yes
N	31,612	31,612	31,612	35,865

**TABLE A.6**  
**Litigation Risk and Net Repurchase Yield**

The table reports Fama and MacBeth (1973) style estimates of a Tobit model with Newey-West t-values in parentheses. One cross-sectional model is estimated per year. Observations for years 2008 and 2009 are excluded in specifications (1) through (3). The dependent variable is the repurchase yield, the firm's annual total net repurchase amount (repurchases less equity issuances) divided by its year-end market value. "Lawsuit Dummy" is an indicator variable that assumes the value of 1 when a firm is sued the following year, and 0 otherwise. "Litigation Likelihood" are predicted probabilities of litigation estimated with a probit regression on a sample that includes all corporate lawsuits during our sample period. "Ln Litigation Intensity" is the logarithm of the sum of all securities litigation events from Audit Analytics in the firm's three-digit SIC industry divided by that total number firms in the same SIC industry. "Litigation Likelihood (OOS)" are predicted probabilities of litigation estimated with an out-of-sample probit regression on a sample that includes all corporate lawsuits during our sample period. Control variables are idiosyncratic risk, systematic risk, market-to-book ratio, asset growth, earnings to assets, and NYSE percentile to which a firm's market capitalization belongs. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level respectively.

	(1)	(2)	(3)	(4)
Lawsuit Dummy	0.0026 [2.41]**			
Litigation Likelihood		0.0171 [2.99]***		
Ln Litigation Intensity			0.0385 [3.69]***	
Litigation Likelihood (OOS)				0.0190 [2.54]**
Market-to-Book	-0.0039 [-4.65]***	-0.0040 [-4.75]***	-0.0040 [-5.00]***	-0.0036 [-5.21]***
Asset Growth	-0.0689 [-7.75]***	-0.0576 [-8.14]***	-0.0558 [-7.54]***	-0.0646 [-8.65]***
Earnings/Assets	0.1071 [7.87]***	0.1205 [8.78]***	0.1065 [7.75]***	0.1084 [10.01]***
Stock Returns	-0.0001 [-0.16]	-0.0003 [-0.34]	-0.0002 [-0.25]	-0.0003 [-0.37]
NYSE Percentile	0.0036 [5.76]***	0.0031 [5.12]***	0.0033 [6.32]***	0.0033 [6.43]***
Systematic Risk	-0.4677 [-1.66]*	-0.4358 [-1.65]*	-0.5047 [-1.78]*	-0.5036 [-2.09]**
Idiosyncratic Risk	-0.7812 [-6.54]***	-0.7775 [-6.21]***	-0.7098 [-7.06]***	-0.7542 [-7.56]***
Intercept	-0.0048 [-1.23]	-0.0052 [-1.31]	-0.0068 [-1.34]	-0.0057 [-1.04]
Industry Dummy	Yes	Yes	Yes	Yes
N	31,612	31,612	31,612	35,865

**TABLE A.7**  
**Litigation Risk and Payout Yield**

The table reports Fama and MacBeth (1973) style estimates of a Tobit model with Newey-West t-values in parentheses. One cross-sectional model is estimated per year. Observations for years 2008 and 2009 are excluded in specifications (1) through (3). The dependent variable is the payout yield, the firm's annual total net payout (dividends plus repurchases less equity issuances) divided by its year-end market value. "Lawsuit Dummy" is an indicator variable that assumes the value of 1 when a firm is sued the following year, and 0 otherwise. "Litigation Likelihood" are predicted probabilities of litigation estimated with a probit regression on a sample that includes all corporate lawsuits during our sample period. "Ln Litigation Intensity" is the logarithm of the sum of all securities litigation events from Audit Analytics in the firm's three-digit SIC industry divided by that total number firms in the same SIC industry. "Litigation Likelihood (OOS)" are predicted probabilities of litigation estimated with an out-of-sample probit regression on a sample that includes all corporate lawsuits during our sample period. Control variables are idiosyncratic risk, systematic risk, market-to-book ratio, asset growth, earnings to assets, and NYSE percentile to which a firm's market capitalization belongs. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level respectively.

	(1)	(2)	(3)	(4)
Lawsuit Dummy	-0.0024 [-1.03]			
Litigation Likelihood		0.0047 [0.58]		
Ln Litigation Intensity			-0.0018 [-0.26]	
Litigation Likelihood (OOS)				0.0052 [0.39]
Market-to-Book	-0.0064 [-10.43]***	-0.0076 [-10.12]***	-0.0071 [-9.86]***	-0.0072 [-10.81]***
Asset Growth	-0.0580 [-11.54]***	-0.0596 [-10.54]***	-0.0703 [-11.70]***	-0.0662 [-12.48]***
Earnings/Assets	0.1443 [9.65]***	0.1480 [10.15]***	0.1302 [9.54]***	0.1372 [11.53]***
Stock Returns	-0.0017 [-1.13]	-0.0019 [-1.23]	-0.0019 [-1.17]	-0.0016 [-1.05]
NYSE Percentile	0.0029 [10.23]***	0.0031 [7.98]***	0.0031 [10.73]***	0.0030 [9.25]***
Systematic Risk	-1.2510 [-4.11]***	-1.1711 [-4.43]***	-1.1339 [-4.21]***	-1.1360 [-5.57]***
Idiosyncratic Risk	-1.2459 [-10.23]***	-1.1007 [-9.54]***	-1.1247 [-10.96]***	-1.2475 [-11.68]***
Intercept	0.0503 [11.54]***	0.0451 [12.69]***	0.0509 [12.54]***	0.0446 [13.76]***
Industry Dummy	Yes	Yes	Yes	Yes
N	31,612	31,612	31,612	35,865



**TABLE A.8**  
**Litigation Risk and Payout Flexibility**

The table reports Fama and MacBeth (1973) style estimates of OLS regressions with Newey-West t-values in parentheses. One cross-sectional model is estimated per year. Observations for years 2008 and 2009 are excluded in specifications (1) through (3). The dependent variable is payout flexibility, annual net share repurchase amount divided by the total annual net payout. “Lawsuit Dummy” is an indicator variable that assumes the value of 1 when a firm is sued the following year, and 0 otherwise. “Litigation Likelihood” are predicted probabilities of litigation estimated with a probit regression on a sample that includes all corporate lawsuits during our sample period. “Ln Litigation Intensity” is the logarithm of the sum of all securities litigation events from Audit Analytics in the firm’s three-digit SIC industry divided by that total number firms in the same SIC industry. “Litigation Likelihood (OOS)” are predicted probabilities of litigation estimated with an out-of-sample probit regression on a sample that includes all corporate lawsuits during our sample period. Control variables are idiosyncratic risk, systematic risk, market-to-book ratio, asset growth, earnings to assets, and NYSE percentile to which a firm’s market capitalization belongs. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level respectively.

	(1)	(2)	(3)	(4)
Lawsuit Dummy	0.0686 [2.87]***			
Litigation Likelihood		0.0910 [2.78]***		
Ln Litigation Intensity			0.5391 [4.45]***	
Litigation Likelihood (OOS)				0.1213 [2.69]***
Market-to-Book	0.0365 [7.58]***	0.0418 [8.57]***	0.0396 [7.56]***	0.0435 [9.77]***
Asset Growth	-0.1355 [-2.12]**	-0.1654 [-1.99]**	-0.1620 [-1.90]*	-0.1534 [-2.32]**
Earnings/Assets	-0.1002 [-1.77]*	-0.0981 [-1.68]*	-0.1273 [-1.60]*	-0.1145 [-1.85]*
Stock Returns	-0.0010 [-0.15]	-0.0021 [-0.22]	-0.0014 [-0.31]	-0.0018 [-0.38]
NYSE Percentile	0.0050 [0.77]	0.0048 [0.78]	0.0068 [1.54]	0.0046 [0.98]
Systematic Risk	2.6162 [1.17]	3.0595 [1.25]	2.8443 [1.26]	2.9677 [1.31]
Idiosyncratic Risk	7.1187 [7.87]***	7.1035 [8.58]***	7.7624 [8.81]***	7.0325 [9.21]***
Intercept	0.1758 [2.54]***	0.1915 [2.75]***	0.1767 [2.46]***	0.1838 [3.50]***
Industry Dummy	Yes	Yes	Yes	Yes
N	31,612	31,612	31,612	35,865

**TABLE A.9**  
**Payout Policy at the Time of Lawsuit Resolutions**

This table presents the results of Fama MacBeth style regressions on a sample of defendant firms for the years in which at least one of the lawsuits is resolved with a settlement or dismissal. Observations for years 2008 and 2009 are excluded. The “Payout Yield” column shows the results of Fama Macbeth tobit regressions with the payout yield as dependent variable. The “Dividend Yield” column shows the results of Fama Macbeth tobit regressions with the dividend yield as dependent variable. The “Repurchase Yield” column shows the results of Fama Macbeth tobit regressions with the net repurchase yield as dependent variable. The “Dividend Initiations/Omissions” column shows the results of Fama Macbeth ordered logit regressions with a dependent variable that assumes the value of -1 for dividend omissions, 0 for no changes in dividend policy, and +1 for dividend initiations. The “Repurchase Initiations/Interruptions” column shows the results of Fama Macbeth ordered logit regressions with a dependent variable that assumes the value of -1 for repurchase program interruptions, 0 for no changes in repurchasing policy, and +1 for repurchase program initiations. We define all the independent variables in the Appendix. We estimate the standard errors using the Newey-West standard error correction method. \*\*\*, \*\*, \* denote statistical significance at the 1%, 5%, and 10% level respectively.

	Payout Yield	Dividend Yield	Repurchase Yield	Dividend Initiations/ Omissions	Repurchase Initiations/ Omissions
Settlement/Cash <sub>-1</sub>	-0.0301 [-1.78]*	-0.0077 [-1.19]	-0.0601 [-2.31]**	-0.4601 [-1.52]	-3.3715 [-2.27]**
Market-to-Book	-0.0016 [-1.91]*	-0.0078 [-2.63]***	-0.0042 [-2.11]**	-0.5607 [-0.45]	4.1639 [0.99]
Asset Growth	-0.0836 [-4.10]***	-0.0406 [-4.65]***	-0.0698 [-11.54]***	-4.5166 [-1.70]*	-20.5576 [-1.68]*
Earnings/Assets	0.0903 [2.22]**	0.0466 [1.19]	0.1795 [3.84]***	2.3706 [0.99]	20.7306 [0.91]
Stock Returns	-0.0010 [-0.28]	-0.0018 [-0.32]	0.0012 [0.36]	0.0043 [0.44]	0.0046 [0.48]
NYSE Percentile	0.0028 [2.51]**	0.0031 [2.69]***	0.0023 [3.12]***	-0.3592 [-1.52]	-0.8115 [-0.95]
Systematic Risk	-0.4193 [-0.75]	-0.2008 [-0.49]	-1.1275 [-2.00]**	-169.3614 [-1.16]	-543.5318 [-1.11]
Idiosyncratic Risk	-1.2154 [-4.11]***	-1.7322 [-2.14]**	-1.8996 [-4.51]***	-71.7590 [-1.72]*	-106.4866 [-2.02]**
Intercept	0.0507 [5.97]***	0.0235 [1.52]	0.0070 [0.95]	1.7913 [0.77]	-8.5327 [-0.86]
Industry Dummy	Yes	Yes	Yes	Yes	Yes
N	7,119	7,119	7,119	7,119	7,119

**TABLE A.10**  
**Spillover Effects: Same-Industry Litigation Events**

This table reports regression estimates from industry payout policy regressions. Industry membership is based on 3-digit SIC codes. Observations for years 2008 and 2009 are excluded. The firm characteristics, including the payout measures, are aggregated at the industry level each year. Firms that are involved in actual litigation events are not included in the sample. The litigation dummy is set equal to 1 in years when a firm within the same 3-digit SIC industry has a lawsuit initiated against it in that calendar year. The reported t-statistics are based on robust standard errors, clustered at the 3-digit SIC industry level. \*\*\*, \*\*, and \* indicate significance at the 1%, 5%, and 10% levels, respectively.

	Dividend Indicator	Repurchase Indicator	Dividend Yield	Repurchase Yield	Payout Yield
Industry Litigation	-0.4750 [-3.663]**	0.2840 [2.126]**	-0.0089 [-4.422]***	0.0297 [1.447]	-0.1466 [-0.272]
Market-to-Book	-0.0834** [-2.426]	-0.0362** [-2.262]	-0.1796 [-1.134]	-0.0506 [-0.452]	-0.1196 [-3.107]***
Asset Growth	0.0001 [0.101]	-0.0001 [-0.199]	-0.0008 [-0.130]	-0.0006 [-0.143]	0.0000 [0.007]
Earnings/Assets	0.7000* [1.832]	0.1827 [1.026]	0.6914 [0.393]	0.7467 [0.600]	0.8827 [2.063]**
Stock Returns	-0.1122 [-1.685]*	-0.0406 [-1.309]	-0.6744 [-2.197]**	-0.4778 [-2.203]**	-0.1528 [-2.049]**
NYSE Decile	0.0246 [1.082]	0.0052 [0.494]	0.1509 [1.442]	0.0454 [0.614]	0.0298 [1.171]
Systematic Risk	-7.2717 [-1.268]	3.0342 [1.136]	9.9410 [0.376]	5.8252 [0.312]	-4.2376 [-0.660]
Idiosyncratic Risk	-0.9106 [-0.329]	0.9084 [0.705]	-35.325 [-2.770]***	-16.1548 [-1.793]*	-0.0022 [-0.001]
Intercept	0.1327 [0.912]	0.0013 [0.020]	5.8171 [8.675]***	4.7665 [10.060]***	0.1341 [0.823]
N	5,010	5,010	5,010	5,010	5,010

**TABLE A.11**

**Litigation Risk and Payout Policy: Fixed Effects Regressions**

This table reports estimates of payout policy regressions based on panel data estimates with firm fixed effects and year fixed effects. Observations for years 2008 and 2009 are excluded. The reported t-statistics are based on robust standard errors, clustered at the firm level. \*\*\*, \*\*, and \* indicate significance at the 1%, 5%, and 10% levels, respectively.

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Dividend Yield			Repurchase Yield			Payout Yield		
Lawsuit Dummy	-0.0042** (-2.347)			0.0035** (2.022)			-0.0008 (-0.745)		
Litigation Likelihood		-0.0057*** (-2.850)			0.0031** (2.013)			-0.0018 (-0.489)	
Ln Litigation Intensity			-0.0216*** (-3.246)			0.0414*** (4.631)			-0.0011 (-0.364)
Market-to-Book Ratio	0.0002** (2.261)	0.0002** (2.226)	0.0002** (2.306)	-0.0001 (-0.645)	-0.0001 (-0.678)	-0.0001 (-0.630)	0.0003 (1.170)	0.0003 (1.122)	0.0003 (1.204)
Asset Growth	-0.0000 (-0.574)	-0.0000 (-0.569)	-0.0000 (-0.572)	-0.0005*** (-3.617)	-0.0005*** (-3.612)	-0.0005*** (-3.622)	-0.0007*** (-3.419)	-0.0007*** (-3.412)	-0.0007*** (-3.424)
Earnings/Assets	0.0016*** (3.630)	0.0016*** (3.638)	0.0016*** (3.672)	0.0048*** (6.022)	0.0048*** (6.030)	0.0048*** (6.029)	0.0075*** (7.333)	0.0075*** (7.346)	0.0075*** (7.355)
Stock Returns	-0.0002 (-1.475)	-0.0002 (-1.429)	-0.0002 (-1.472)	0.0000 (0.037)	0.0000 (0.082)	0.0000 (0.029)	-0.0003 (-0.704)	-0.0002 (-0.638)	-0.0003 (-0.713)
NYSE Percentile	-0.0002* (-1.870)	-0.0002* (-1.826)	-0.0002* (-1.930)	0.0008*** (4.324)	0.0008*** (4.359)	0.0008*** (4.302)	0.0003 (1.450)	0.0004 (1.506)	0.0003 (1.399)
Systematic Risk	-0.0876*** (-5.081)	-0.0877*** (-5.087)	-0.0880*** (-5.102)	-0.4459*** (-14.193)	-0.4461*** (-14.198)	-0.4457*** (-14.184)	-0.5740*** (-14.174)	-0.5743*** (-14.183)	-0.5739*** (-14.170)
Idiosyncratic Risk	-0.0450*** (-5.444)	-0.0448*** (-5.418)	-0.0454*** (-5.500)	-0.0503*** (-3.336)	-0.0499*** (-3.309)	-0.0507*** (-3.370)	-0.0827*** (-4.259)	-0.0821*** (-4.224)	-0.0837*** (-4.317)
Constant	0.0145*** (11.212)	0.0147*** (11.287)	0.0141*** (10.641)	0.0250*** (10.621)	0.0253*** (10.699)	0.0254*** (10.504)	0.0387*** (12.750)	0.0393*** (12.881)	0.0391*** (12.526)
Firm Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	35,865	35,865	35,865	35,865	35,865	35,865	35,865	35,865	35,865
R-squared	0.631	0.631	0.631	0.380	0.380	0.380	0.430	0.430	0.430