

# Selective Disclosure Contracts\*

Jordan Schoenfeld  
Georgetown University

November 2018

## Abstract

Principal-agent theory predicts that to the extent voluntary disclosure is a contractible action, sophisticated investors will write contracts with managers that specify the disclosure action space. Consistent with this idea, this study provides some of the first evidence that managers and large shareholders often write contracts that specify voluntary disclosure actions, including selective access to internal accounting records and trade secrets, the right to inspect company premises, and observer directorships. Of the 1,637 contracts in my sample from 1996 to 2015, 549 specify disclosure provisions, and these provisions are more prevalent in firms with increased manager-shareholder information asymmetry. Finally, I use these contracts to directly show a subtle and lesser known feature of Regulation Fair Disclosure, namely that it reduces but does not eliminate selective disclosure to shareholders.

**Keywords:** Financial Contracts, Securities Regulations, Selective Disclosure

**JEL Classification:** D80, D82, G30, G34, K22, L14

---

\*I appreciate the helpful comments from Mark Bradshaw (the editor), two anonymous referees, Rachel Hayes, Russell Lundholm, Venky Nagar, Marlene Plumlee, and workshop participants at the University of British Columbia, the University of Oregon, and the University of Utah. Corresponding author: Jordan Schoenfeld, Georgetown University, 37th and O Streets, Washington, DC 20057; e-mail: jms705@georgetown.edu; tel: (440) 759-2506.

# 1 Introduction

Accounting information often facilitates the writing of contracts between managers and their capital providers (Watts and Zimmerman 1990). To extend this research, Hart (2001, 2017) suggests looking at contracts between managers and shareholders. Viewing the manager-shareholder relationship through the classical principal-agent model, Prendergast (2002) predicts that when actions are contractible, those actions will be contracted upon. Identifying which actions are contractible in practice is the empirical question this study pursues.

A particularly well-studied action in the accounting literature is voluntary disclosure (e.g., Verrecchia 2001). The seminal study by Verrecchia (1983) predicts that voluntary disclosure is typically induced by compensation contracts based on outcomes such as stock price. Empirical studies have therefore linked the provision of voluntary disclosure to managerial stock compensation (e.g., Nagar et al. 2003). By contrast, Prendergast (2002) predicts that to the extent voluntary disclosure is a contractible action, sophisticated principals will write contracts with managers that specify the disclosure action space. Theoretically, I should therefore find such contracts between managers and large shareholders. Beyond this, there is little theoretical guidance as to when such contracts will be written or what disclosure provisions such contracts might specify. To assess these specific contract features, I analyze the contracts directly. To the best of my knowledge, this study is one of the first to do so.

I start by hand collecting 1,637 bilateral contracts between managers and large shareholders using 13D filings from 1996 to 2015, which the SEC requires for investments of 5 percent or more of a public company's common stock. I refer to these contracts as *shareholder agreement contracts (SACs)* as this is the term most frequently used in my sample. I find that of the 1,637 SACs in my sample, 549 or about 34 percent specify managers' voluntary disclosure actions such that shareholders receive selective access to disclosure (i.e., *selective disclosure rights*). These 549 SACs involve companies valued at about \$835 billion in sum over the sample period, and due to data limitations, this value represents a lower bound for such contracts in the market.

I find that three types of investments are commonly associated with selective disclosure rights: (1) minority equity investments by investment managers such as hedge funds, (2) investments that involve one corporation investing in another, typically for joint-venture purposes, and (3) investments that precipitate mergers and acquisitions.

Across these three types of investments, SACs can give shareholders selective disclosure rights to a variety of information sources, including internal financial reports and accounting records, access to external auditors, rights to inspect company premises, access to trade secrets, and board of director observerships that let a shareholder attend board meetings. Many SACs also specify provisions that prohibit shareholders from trading on selective disclosures. Nonetheless, even though shareholders may not be able to trade on selective disclosures until a later date, they can still benefit from a stewardship perspective, e.g., by learning whether managers are taking the appropriate actions (Lambert 2001, Section 3.3.5).<sup>1</sup>

Since Prendergast (2002) does not specify other factors that may cause an action to be contractible, I follow Gow, Larcker, and Reiss (2016) and empirically model the probability that an SAC specifies selective disclosure rights, conditional on several institutionally motivated factors. Gow, Larcker, and Reiss (2016, p. 480) argue that in emerging research fields “it is important to conduct sophisticated descriptive research.” Similarly, Zimmerman (2001, p. 412) argues that many research fields “started descriptively, but as empirical findings accumulated, theories were developed to explain what was observed and to predict phenomena yet to be observed.”

I include several relevant covariates in this regression analysis, all of which I motivate in Section 5. One evident result is that the prevalence of selective disclosure rights is significantly positively associated with a measure of information asymmetry between managers and shareholders. Selective disclosure rights are also significantly negatively associated with a measure of a firm’s proprietary cost of public disclosure. These findings suggest that managers and shareholders may use selective disclosure in circumstances where public disclosure

---

<sup>1</sup>Section 2 provides examples of and elaborates further on the selective disclosure rights specified by SACs.

is relatively incomplete or costly. Section 5 discusses other cross-sectional findings.

Lastly, I use SACs to show that Regulation Fair Disclosure (Reg FD) has a subtle and lesser known feature, namely that it does not eliminate managers' selective disclosures to shareholders. Despite the strong conceptual link from Reg FD to managers' selective disclosure activities, it has proved challenging to assess whether Reg FD affects such activities. The reason is that managers' selective disclosure activities are difficult to empirically observe and measure, and cannot be inferred from other voluntary disclosures, such as those induced by outcome-based compensation contracts (Koch et al. 2013). This challenge is largely alleviated by SACs that directly specify managers' selective disclosure activities.

I find that in my sample's pre-Reg FD period of 1996 to 1999, about 45 percent (218/484) of SACs specify selective disclosure rights for investors. By contrast, in the post-Reg FD period of 2001 to 2015, about 28 percent (282/991) of SACs specify selective disclosure rights for investors, and this difference is statistically significant. These findings are consistent with Reg FD's mandate, which does not prohibit all selective disclosure to investors as commonly believed. For example, a recent survey of Reg FD research suggests that the Reg FD mandate includes a "prohibition against selective disclosure" (Koch et al. 2013, p. 620).<sup>2</sup> A closer reading of the Reg FD mandate suggests that this is not the case.

My findings contribute to the literature in several ways. First, Prendergast (2002) predicts that managers and sophisticated investors may be able to write contracts that specify the voluntary disclosure action space, but this prediction is an empirical matter. My findings therefore extend research on the drivers of voluntary disclosure activities and the information acquisition activities of capital providers (e.g., Armstrong et al. 2014; Beyer et al. 2010).

Second, my findings are consistent with Reg FD's mandate not to eliminate all selective disclosure to investors, as commonly supposed in the literature (e.g., Koch et al. 2013, p. 620). This may help to explain the mixed findings of Reg FD studies. For example, some

---

<sup>2</sup>Other examples include Bailey et al. (2003, p. 2488), who state that "Reg FD prohibits selective disclosure of information," and Bushee et al. (2004, p. 618), who interpret Reg FD as a mandate "that prohibits firms from disclosing material information to select groups of market participants."

studies find that Reg FD improved firms' information environments (e.g., Bailey et al. 2003; Heflin et al. 2003), while other studies find that Reg FD had no effect on firms' information environments (e.g., Francis et al. 2006). In related research, Soltes (2014b) suggests that managers may selectively disclose information to analysts in the post-Reg-FD era, but he does not focus on shareholders.

Third, my findings complement research on the economic consequences of Reg FD. This literature has examined, among other phenomena, the relations among Reg FD and managers' voluntary disclosure choices, analyst forecasts, and stock liquidity (e.g., Koch et al. 2013; Leuz and Wysocki 2016). My study extends this research by showing that Reg FD has financial contracting implications, in that it decreases the prevalence of selective disclosure activities in SACs. Additionally, my approach of combining classical empirical methods and a form of field evidence follows Bloomfield et al. (2016), Gow et al. (2016), and Soltes (2014a), all of whom argue that this type of research is important because it can reveal crucial features of securities regulations.

The remainder of this study is organized as follows. In Section 2, I provide institutional background and analyze a set of SACs that specify voluntary disclosure provisions. In Section 3, I discuss my data-collection procedures and how researchers can access my data. In Section 4 and Section 5, I motivate and interpret the empirical analysis, respectively. In Section 6, I conclude.

## **2 Analysis of Selective Disclosure Contracts**

In classical models of voluntary disclosure, disclosure is typically induced by managerial compensation contracts based on outcomes such as stock price (Verrecchia 1983). Empirical research has therefore linked the provision of voluntary disclosure to managerial stock compensation (e.g., Nagar et al. 2003). However, Admati et al. (1994) argue that some sophisticated investors may have expertise in monitoring management, and therefore may

take large ownership stakes for control purposes, i.e., to ensure that managers take the right actions.<sup>3</sup> To the extent that managerial disclosure actions are directly contractible, Prendergast (2002) further argues that these investors may use explicit action-based contracts that specify the disclosure action space. Thus, the empirical question this study pursues is whether and to what extent the disclosure action space is contractible in practice. To address these questions, I directly analyze such action-based contracts (*SACs*).

SACs that specify managers' voluntary disclosure actions commonly arise in connection to large equity investments in public companies. My discussions with practitioners suggest that SACs are enacted concurrent with large equity investments, typically after an investor approaches a firm with a value proposition and meets with its management and board. SACs are increasingly prevalent, with their use having more than doubled over this study's sample period. From 2010 to 2015, 13.7 percent of 13D investments involve SACs, whereas from 1996 to 1999, only 6.5 percent of 13D investments involve SACs.

Prior research commonly supposes that securities regulations would prohibit managers' selective disclosures to shareholders as specified by SACs (Koch et al. 2013). However, according to various SEC releases, managers' selective disclosures to shareholders are permitted by law in many situations. To articulate the link between selective disclosure rights in SACs and securities regulations, I draw primarily on Reg FD, whose enactment in 2000 overhauled selective disclosure regulation.

Reg FD was primarily designed to decrease selective disclosure in a way that would not interfere with managers' ordinary business communications and financing activities. As a result, among its other exemptions, Reg FD (1) exempts communications to investors whom managers believe will not trade on the information; (2) exempts communications made in connection to securities offerings under the Securities Act of 1993; (3) exempts credit rating agencies and foreign governments (Jorion et al. 2005); (4) exempts companies' customers, suppliers, and strategic partners; (5) exempts any individual who expressly agrees verbally

---

<sup>3</sup>Note that Admati et al. (1994) argue that free-riding by other shareholders is not a concern, i.e., any gains from monitoring outweigh its costs.

or in writing to maintain the selectively disclosed information in confidence. Thus, Reg FD gives managers considerable latitude to selectively disclose information to investors.

As mentioned in Section 1, SACs primarily relate to three types of investments: (1) minority equity investments by investment managers such as hedge funds, (2) investments that involve one corporation investing in another for joint-venture purposes, and (3) investments that precipitate mergers and acquisitions. However, each SAC and its selective disclosure provisions (if specified) often have idiosyncratic features. I therefore analyze selective disclosure rights in three SACs, each of which pertains to one of the three investment types mentioned above. I select SACs enacted post Reg FD to ensure they reflect the current regulatory environment. This case study approach follows Brav et al. (2008, Section II.B) and Klein and Zur (2009, Section II.C), both of whom also use case studies.<sup>4</sup>

## **2.1 Investment Managers: The Case of Fortress Investment Group and Gaming and Leisure Properties**

I begin by analyzing an investment by an investment manager, a type of investor whose “activist” agendas are the focus of ongoing research (e.g., Brav et al. 2015; Edmans and Holderness 2017). Some investment managers are, as Gillan and Starks (2007, p. 55) put it, “investors who, dissatisfied with some aspect of a company’s management or operations, try to bring about change within the company without a change in control.” Other investment managers are more passive in their investment style. My sample involves relatively active investors, and managers often write contracts with these investors that shape the action spaces of both parties.<sup>5</sup>

I focus on Fortress Investment Group’s (Fortress) investment in Gaming and Leisure

---

<sup>4</sup>One advantage of analyzing SACs in this way is that I can directly observe how SACs alter the disclosure action spaces of managers and investors. By contrast, in a purely statistical analysis, I must infer action spaces using revealed preferences based on correlations in the data, which is the focus of Section 4.

<sup>5</sup>Passive investors are outside my sample because they file 13Gs (Edmans et al. 2013, p. 2). Unlike 13Ds, 13Gs do not have reporting requirements for SACs (see Section 3).

Properties (GLP).<sup>6</sup> The 13D filing for this investment was filed on November 1, 2013, at which time Fortress owned 9.69 percent of Gaming and Leisure Properties' common stock. The SAC for this investment is also dated November 1, 2013. The 13D notes that Fortress held the stock for investment purposes. Fortress's website states that it is an investment manager "focused on control-oriented investments in cash-flow generating assets and asset-based businesses in North America, the Caribbean and Western Europe." The investee, GLP, is a publicly traded real estate and casino operator that, at the time of the investment, was valued at about \$9.7 billion.

The SAC between Fortress and GLP specifies provisions pertaining to standstill obligations, anti-dilution protections, and several other elements of managers', directors', and the investor's action spaces. The focus of this study is the SAC's section entitled "Information Rights." This section spans about two pages of the contract and outlines various types of selective disclosure rights to which Fortress is entitled. Some results of note include the following provisions:

... the right to visit and inspect any of the offices and properties of the Company and its subsidiaries and inspect the books of account and other financial data of the Company and its subsidiaries, in each case at such times as the Holder shall reasonably request and upon reasonable advance notice...

... use reasonable efforts to make appropriate officers and directors of the Company, available at such times as reasonably requested by the Holder for consultation with the Holder or its designated representative with respect to matters relating to the business and affairs of the Company and its subsidiaries...

... use reasonable efforts to inform the Holder or its designated representative in advance with respect to any significant corporate actions and to provide the Holder or its designated representative with the right to consult with the Company with respect to such actions...

... The Holder covenants and agrees that all information provided by the Company to the Holder or its affiliates, directors, officers, employees, and legal counsel (collectively, "Agents") pursuant to this Section 3.1, whether in oral, written, electronic or other form, shall not be used in any way directly or indirectly detrimental to the Company, or for any other purpose, and will be kept confidential by the Holder and its Agents and will not be disclosed by the Holder and its Agents to any other Person...

---

<sup>6</sup>As of 2017, Fortress had \$43.6 billion in assets under management.

The above provisions show that Fortress gained access to GLP’s accounting books, premises, employees, and directors. Given that not all investors have such extensive access to the company, these provisions suggest that this SAC facilitates selective disclosure between GLP and Fortress. The SAC also prohibits Fortress from trading on selective disclosure and using the disclosures in a way that would be “detrimental to the Company.” Nonetheless, even though Fortress may not be able to immediately trade on selective disclosures, it can still benefit from a stewardship perspective (Lambert 2001, Section 3.3.5). This SAC terminates if Fortress decreases its ownership stake to below 2.5 percent of GLP’s common stock, or if both parties agree in writing to terminate the SAC.

The findings above provide some of the first evidence that managers’ voluntary disclosure actions are contractible, and that selective disclosure to shareholders is prevalent post Reg FD. These findings are consistent with the prediction of Prendergast (2002) that some sophisticated investors may be able to write contracts with managers that specify elements of the disclosure action space.

A limitation of this analysis is that it is challenging to measure the extent to which information gets selectively disclosed. This limitation applies to and is acknowledged by other studies on selective disclosure (e.g., Bushee et al. 2018, 2017; Solomon and Soltes 2015). More important, even if I could identify what information gets selectively disclosed, the SAC’s confidentiality provisions and trading restrictions make it unlikely that a standard market-reaction test could measure information transfer.

## **2.2 Joint Ventures: The Case of Celgene and Accelron**

I next focus on selective disclosure in joint-venture investments. Barclay et al. (2009) find that corporations often make large equity investments in other corporations to facilitate collaborative business projects. SACs associated with these investments often specify selective disclosure rights that are similar to those for investment managers, but can include additional conditions pertaining to specific features of the joint-venture project, such as trade

secrets and proprietary technologies.

I focus on Celgene’s SAC with Acceleron Pharma. The 13D for this investment was filed on September 24, 2013, at which time Celgene owned 11.40 percent of Acceleron’s common stock. The SAC is also dated September 24, 2013, although it references other contracts between the parties that date back to 2008. Both Celgene and Acceleron are east-coast-based, multi-billion-dollar pharmaceutical companies that develop cancer treatments. The 13D notes that Celgene and Acceleron intend “to investigate and develop certain protein-based product candidates incorporating ActRIIA for the treatment, prevention, or modulation of diseases and conditions in humans.”

The SAC between Celgene and Acceleron spans more than 100 pages and specifies provisions that impact Celgene’s ability to attain directorships and management roles at Acceleron, and it also gives Celgene various redemption rights for its stock.<sup>7</sup> The SAC also specifies several selective disclosure rights for Celgene. This aspect of the contract starts by defining the different classes of information:

- (a) “Confidential Information” means (i) Investment Information and (ii) Scientific Information.
- (b) “Investment Information” means any and all non-public scientific, technical, business or financial information, in whatever form (written, oral or visual) relating to the Corporation and delivered to the Investor other than Scientific Information...
- (d) “Scientific Information” means any and all non-public scientific, technical, business or financial information, in whatever form (written, oral or visual) relating specifically to programs based on ActRIIA.

The contract subsequently uses these terms within its selective disclosure provisions:

14.2 Investor covenants that it will (a) hold in confidence all Confidential Information and not publish or disclose it except as provided hereunder; (b) use the Scientific Information solely for the Purpose and the Investment Purpose (defined below); (c) treat Confidential Information with the same degree of care it uses to protect its own confidential information but in no event with less than a reasonable degree of care; (d) reproduce the Scientific Information solely to accomplish

---

<sup>7</sup>Note that companies can increase the size of their board and appoint individuals to the new board vacancies immediately (Cavale 2017). SACs often specify such actions.

the Purpose and the Investment Purpose, and (e) disclose Confidential Information solely to its employees or consultants on a need-to-know basis, provided that each such employee and consultant is bound by obligations of confidentiality at least as restrictive as those set forth in this Agreement.

14.3 In addition to all obligations of Investor pursuant to Section 14.2, Investor also covenants that it will (a) use the Investment Information solely for the purpose of evaluating its equity investment in the Corporation (the “Investment Purpose”); (b) reproduce the Investment Information only as necessary and solely to accomplish the Investment Purpose, and (c) disclose Investment Information solely to individuals that are employees within Investor’s Business Development, Finance or Legal Departments, and outside counsel retained by employees within Investor’s Business Development, Finance or Legal Departments, in each case solely to the extent that such individuals have a need to use the Investment Information for the Investment Purpose and provided that each such employee and consultant is bound by obligations of confidentiality at least as restrictive as those set forth in this Agreement. . .

14.5 It is understood and agreed that the Corporation may be irreparably injured by a breach of this Section 14; that money damages would not be an adequate remedy for any such breach; and that the Corporation will be entitled to seek equitable relief, including injunctive relief and specific performance, as a remedy for any such breach, and such remedy will not be the Corporation’s exclusive remedy for any breach of this Section 14.

14.6 Investor acknowledges that Confidential Information may still be under development, or may be incomplete, and that such information may relate to products that are under development or are planned for development. The corporation makes no warranties whatsoever regarding the accuracy of the confidential information, other than as set forth explicitly in this agreement, the other transaction documents, or the license agreement.

These selective disclosure rights delineate between confidential information that pertains to financial information about Acceleron (“Investment Information”), and confidential information that pertains more to Acceleron’s proprietary trade secrets (“Scientific Information”). This implies that Acceleron and Celgene will likely exchange trade secrets when developing the new product. The SAC assigns to Celgene the duty to monitor who within Celgene can access such confidential information, and to refrain from publicly disclosing this information. However, the SAC expressly allows Celgene to use confidential information about Acceleron to “evaluate its equity investment” in Acceleron. Specifically, the SAC states:

Celgene intends to review its investment on a regular basis and, as a result

thereof, may at any time or from time to time determine, either alone or as part of a group, (a) to acquire additional securities of Acceleron, through open market purchases, privately negotiated transactions or otherwise, (b) to dispose of all or a portion of the securities of Acceleron owned by it in the open market, in privately negotiated transactions or otherwise.

This finding suggests that selective disclosure may drive Celgene's future decisions to trade (or not to trade) Acceleron's stock. Importantly, this provision does not appear to violate Reg FD, which exempts joint-venture partners.

This SAC also specifies various legal protections for Acceleron. For example, Acceleron makes no warranties as to the completeness and accuracy of the information that it discloses to Celgene, perhaps to partly shield itself from potential litigation (e.g., Skinner 1997). Furthermore, Section 14.6 of the SAC specifies that if Celgene uses confidential information in a way that materially damages Acceleron, Acceleron will likely take legal action against Celgene. This SAC terminates when the licensing agreement between Celgene and Acceleron terminates, for which the contract does not define a date.

### **2.3 Mergers and Acquisitions: The Case of Oracle and Stellant**

The third and final investment type in my sample is mergers and acquisitions (M&A). Prior to the consummation of M&A deals, the acquirer often establishes a toehold—or a large but minority equity investment—in the target firm (Wolf et al. 2012). Acquirers can use toeholds to signal their interest in a potential deal, and they typically maintain their position until such a deal closes. If the deal does not close between when the toehold is acquired and the closing date, the acquirer typically liquidates his or her toehold stake in secondary share markets. Such investors likely qualify for the strategic partnership exemption in Reg FD, as M&A deals often serve to facilitate these partnerships.

I focus on Oracle Corporation's SAC with Stellant, Inc. The 13D for this investment was filed on November 2, 2006, at which time Oracle owned 10.60 percent of Stellant's common stock. The SAC is also dated November 2, 2006. At the time of the 13D filing, both Oracle

and Stellant were large providers of enterprise resource planning software. The contract specifies several selective disclosure provisions, one of which is the following:

Section 7.04. Access to Information. From the date hereof until the Effective Time and subject to the Confidentiality Agreement, the Company shall (i) give to Parent and its Representatives reasonable access to the offices, properties, books, records, Contracts, Governmental Authorizations, documents, directors, officers and employees of the Company and its Subsidiaries, (ii) furnish to Parent and its Representatives such financial and operating data and other information as such Persons may reasonably request, and use its reasonable best efforts to cause Grant Thornton LLP to furnish its work papers in respect of the Company and its Subsidiaries. . .

Note that although this SAC refers to Oracle as the “Parent,” my discussions with practitioners suggest that this acquisition had yet to close when this SAC was enacted. The SAC specifies the various steps that must be taken to close the deal, one of which is the following:

Upon the consummation of the Merger, (i) Issuer will become a wholly-owned subsidiary of [Oracle] and (ii) each Share which has not been purchased pursuant to the Offer will be converted into the right to receive \$13.50 in cash, subject to certain exceptions more fully described in the Merger Agreement. In addition, options to acquire Shares and restricted share awards in respect of Shares, each outstanding immediately prior to the consummation of the Merger will, upon consummation of the Merger, be converted into options to acquire shares of Oracle common stock, and restricted share awards in respect of Oracle stock, each based on an exchange ratio contained in the Merger Agreement.

The SAC grants Oracle access to a variety of information sources, including Stellant’s books, directors, properties, and auditor Grant Thornton. Oracle is subject to a confidentiality agreement embedded within the SAC, which covers both financial information and “trade secrets or other confidential or proprietary information.”

### **3 Overview of Data**

The data source for this study is 13D filings provided by the SEC. Securities regulations mandate that shareholders file a 13D with the SEC within 10 days of acquiring 5 percent or more of a public company’s common stock. I extract SACs from item 6 of the filings,

which is entitled “Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.” Instructions for Item 6 read as follows:

Describe any contracts, arrangements, understandings or relationships (legal or otherwise) among the persons named in Item 2 and between such persons and any person with respect to any securities of the issuer, including but not limited to transfer or voting of any of the securities, finder’s fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies, naming the persons with whom such contracts, arrangements, understandings or relationships have been entered into.

To identify which 13Ds involve SACs, I follow Schoenfeld (2018) and perform a textual analysis of 13D filings for the following terms: *cooperation agreement, exchange agreement, investment agreement, investor agreement, investor rights, shareholder agreement, stockholder agreement, and support agreement*. For consistency, I refer to these contracts as *shareholder agreement contracts (SACs)* since this is the term that is most frequently used.

To further identify which SACs specify selective disclosure provisions, I perform another textual analysis of SACs for the following terms: *information rights, access to information, access to documents, visit and inspect, and communication with accountants*. My reading of a sample of SACs that have one or more of these terms finds no false positives. Of the 18,927 13D filings from 1996 to 2015, 1,637 or about 9 percent contain an SAC, of which 549 or 33.5 percent specify selective disclosure rights.

The prevalence of selective disclosure rights in my sample represents a lower bound of selective disclosure in the market for at least two reasons. First, because I rely on the 13D’s reporting requirements to observe SACs, I do not analyze (and cannot readily observe) SACs enacted outside of the 13D universe. For instance, Microsoft and ValueAct enacted an SAC in 2013, but because ValueAct owned less than 5 percent of Microsoft’s stock, ValueAct did not file a 13D (Bass and Weiss 2013). Second, I do not analyze SACs in amended 13D filings (i.e., 13D/A filings). The difficulty with 13D/A filings is that they can include restated and renegotiated SACs. For example, suppose a 13D contains an SAC and the blockholder all else equal buys more shares in the target. He or she may then file a 13D/A that not only

revises his or her ownership stake, but also may restate the initial 13D. I therefore focus on 13Ds to avoid including duplicate SACs in the analysis.<sup>8</sup>

At the same time, I do not limit my sample to hedge funds, so my sample is larger than those of other studies that use hedge fund 13Ds over similar time periods (e.g., Bebchuk et al. 2015; Brav et al. 2008; Clifford 2008; Klein and Zur 2009, 2011). My sample is also larger than those of other studies that analyze contracts in different settings. For example, Roberts (2015, p. 62) uses 114 firms to analyze the evolution of debt contracts, and Smith and Warner (1979) analyze the covenants of 80 debt contracts.

To facilitate the cross-sectional regressions, I link each 13D to Compustat, CRSP, and IBES. I then incorporate covariates that represent a variety of relevant institutionally motivated constructs. I next motivate these covariates.

## 4 Motivation of the Empirical Tests

Since Prendergast (2002) does not specify factors that may cause an action such as disclosure to be contractible, I empirically model the probability that an SAC specifies selective disclosure rights, conditional on several institutionally motivated factors. My aim is to identify some of the factors and circumstances that make selective disclosure an optimal outcome for managers and investors. I select covariates based in part on the regressions in Brav et al. (2008, Table IV) and Klein and Zur (2009, Table III), whose goals are similar to mine in that they are interested in when large shareholders engage managers.

My analysis also includes only observations for which a 13D contains an SAC; that is, I condition on there being an SAC in place and examine drivers of within-SAC heterogeneity. This ensures that I am not simply predicting the probability of an SAC in the population of 13D filings, for that is the focus of Schoenfeld (2018). By contrast, I am interested in how firm and investor heterogeneity correlate with selective disclosure rights within my sample of SACs.

---

<sup>8</sup>Klein and Zur (2009, p. 19) also recognize this issue and use 13Ds.

Constructing such an empirical model follows the structure of several related studies. For example, Kaplan and Strömberg (2003, Section 4.2.2), Smith and Warner (1979, p. 124), and Sufi (2009, p. 1086) empirically model various contract features to understand the contracting motives in venture capital financing, public debt financing, and private debt financing, respectively. This approach also follows Gow et al. (2016, p. 480), who argue that in emerging research fields “it is important to conduct sophisticated descriptive research.” Zimmerman (2001, p. 412) also argues that many research fields “started descriptively, but as empirical findings accumulated, theories were developed to explain what was observed and to predict phenomena yet to be observed.”

## 4.1 Regression Specification

I use a linear probability model on the sample of SACs, where the dependent variable equals 1 when the SAC specifies selective disclosure rights, and 0 otherwise. Note that I find qualitatively similar results when I use logit and probit models. I start by including geographical separation (in miles) between the firm’s headquarters and the investor’s offices. This follows Costello (2013), Mian (2006), and Sufi (2007), whose findings are consistent with the idea that geographic separation proxies for information asymmetry between managers and investors by increasing the investor’s cost of staying informed about his or her investments. This is a salient construct in my setting because selective disclosure actions may be driven by information asymmetry.<sup>9</sup>

To further proxy for a firm’s information environment, I also include firm size as proxied for by log of market value, as prior research has argued that larger firms operate in a richer information environment (e.g., Fama and French 1995). I also include bid-ask spreads, institutional ownership, and analyst following, each of which has been used by prior research

---

<sup>9</sup>Note that some filings are missing location data for either the firm or the investor. To account for these filings, I follow Khanna et al. (2015) and create an indicator variable that equals one if a filing is missing location data, zero otherwise. I then set geographical separation equal to zero for filings with missing location data. My reading of SACs suggests that when location information is missing, it is because investors left this field blank.

to proxy for a company's information asymmetry (e.g., Armstrong et al. 2011, 2012; Barth et al. 2017; Bushee et al. 2010; Guay et al. 2016; Schoenfeld 2017). However, I expect that these market-derived measures are unlikely to matter in this setting since they do not pertain to any specific investor (unlike geographical separation, which does).

I then follow Chava and Roberts (2008, p. 2110), Shleifer and Vishny (1997, p. 746), and Klein and Zur (2009, p. 189), who argue that agency conflicts are larger in firms that hold excess cash and pay relatively low dividends. Investors might seek selective disclosure rights if they believe managers might misallocate cash (e.g., Armstrong et al. 2014). I therefore include the firm's cash holdings, net cash flows, and dividend yield.

I also follow Brown et al. (2009), Kaplan and Strömberg (2004, p. 2179), and Shleifer and Vishny (1997, p. 746), who argue that informational agency conflicts are exacerbated by weak investment opportunities and intangible assets that may demand manager-specific discretion. I therefore include the firm's intangible assets, book-to-market ratio to proxy for investment opportunities, and research and development (R&D) and capital expenditures (CAPEX) to proxy for actual investment.

I also include firm age to proxy for managerial experience, as Greenwood and Schor (2009) and Kaplan and Strömberg (2004) argue that investors may seek more information from inexperienced managers whose ability is not well known to investors. Conversely, experienced managers may have more expertise in keeping investors informed through investor relations activities (e.g., Bushee and Miller 2012).

I include leverage since shareholders and debtholders likely prefer different managerial actions. To the extent that debtholders encourage managerial actions that shareholders may not prefer, shareholders may seek additional information about managers' actions (e.g., Klein and Zur 2011; Nini et al. 2012).

I include the target's ROA and recent stock performance since prior research finds that company performance may drive investor demand for information and managers' disclosure decisions (e.g., Graham et al. 2005; Miller 2002; Roberts and Sufi 2009). I also include recent

stock return volatility, as volatility can proxy for investor uncertainty about management’s future actions (Roberts 2015), about which managers might seek to inform investors or investors might seek information.

The last firm-level variable I include is Hoberg et al.’s (2014) firm-level HHI measure, which proxies for a firm’s product-market pricing power. To the extent that firms with relatively low pricing power operate in more competitive conditions, this may increase the proprietary cost of public disclosure (e.g., Bernard 2016). If this is the case, I would expect managers of these firms to more often disclose information to investors through selective disclosure. Shareholders in these firms may likewise prefer selective disclosure so as not to erode their returns.

Finally, I include the shareholder’s ownership level in the firm, as measured by percentage of shares outstanding. By affecting investment payoffs, ownership may drive the effort that shareholders put towards staying informed about their investments. Ownership may also increase shareholders’ bargaining power over managers in SAC negotiations. For example, shareholder exit threats become more credible to managers as the shareholder’s ownership in the firm increases (e.g., Bond et al. 2012, Section 4.6).<sup>10</sup> The exact formulas for all of the variables are defined in the Appendix.

## 5 Empirical Results

### 5.1 Univariate Statistics

Table 1 provides descriptive statistics for all 13Ds, 13Ds with SACs, and 13Ds with SACs that specify selective disclosure rights. Starting from the top of the table, 13Ds with SACs have higher geographical separation between the firm and investor relative to all 13Ds, and SACs that specify selective disclosure rights have higher geographical separation than 13Ds

---

<sup>10</sup>As explained in fn. 9, I follow Khanna et al. (2015) and create an indicator variable that equals one if a filing is missing ownership data, zero otherwise.

with SACs that do not specify selective disclosure rights (5% level). The average distance between the firm and the investor is about 715 miles (as the crow flies) for SACs that specify selective disclosure rights. By contrast, geographical separation is about 646 miles for 13Ds without SACs. To put these distances into perspective, recall that Washington, DC is about 204 miles away from New York, NY.<sup>11</sup>

Firm size, as proxied for by log of market value, is comparable across the three groups of firms. Turning to the next variables, relative to 13Ds with SACs that do not specify selective disclosure, 13Ds with SACs that specify selective disclosure correspond to firms that have wider percent spreads (1% level), lower institutional ownership (1% level), and lower analyst following (10% level). These findings provide initial evidence that selective disclosure is more prevalent in firms with increased investor information asymmetry.

13Ds with SACs correspond to higher corporate cash holdings and cash flows than 13Ds without SACs, although cash holdings and cash flows are statistically similar across SACs that do not specify selective disclosure rights and those that do. However, the differences in cash holdings and cash flows do not translate to significant differences in dividend yields. Across all 13Ds and 13Ds with SACs, there are some significant differences in book to market, R&D, CAPEX, and intangibles, but all of these variables are statistically similar across 13Ds with SACs that do not specify selective disclosure rights and those that do.

Turning to company age, older companies are less likely to have SACs with investors. But among companies that do have SACs with investors, older companies are more likely to have SACs that specify selective disclosure rights (1% level). Leverage, ROA, and pricing power are statistically similar across 13Ds with SACs that do not specify selective disclosure rights and those that do. Recent stock returns are higher for firms that have SACs that specify selective disclosure rights (10% level). Return volatility is also higher for firms that

---

<sup>11</sup>13Ds with SACs are more likely to be missing geographical separation data. This appears to be an artifact of foreign investors who leave blank the zip code field in the 13D, which is required to compute distance. However, this result is still consistent with the idea that distanced foreign investors likely face increased information asymmetry (see Section 5.2). Also note that SAC duration often cannot be discerned ex ante because many contracts terminate only when the shareholder decreases his or her stake in the firm.

have SACs that specify selective disclosure (10% level).

Table 2 shows the yearly distribution of 13Ds, 13Ds with SACs, and 13Ds with SACs that specify selective disclosure rights. The frequency of 13Ds spiked in the late 1990s but has remained relatively stable since then. However, the proportion of 13Ds containing SACs has increased considerably over the sample period. Since 2009, 12 to 17 percent of 13Ds contain SACs on an annual basis, whereas from 1996 to 1999, 5 to 8 percent of 13Ds contain SACs on an annual basis.

At the same time, the proportion of SACs specifying selective disclosure rights has decreased over the sample period, especially after Reg FD's enactment. Prior to Reg FD, 45 percent (218/484) of SACs specify selective disclosure rights for investors, whereas post Reg FD, about 28 percent (282/991) of SACs specify selective disclosure rights. In 2000, the year of Reg FD's enactment, the prevalence of selective disclosure rights in SACs decreased by 22.2 percentage points from the previous year, but this decrease was only temporary, and it took until 2005 to see a sustained decrease in selective disclosure rights in SACs. Nonetheless, a key result of note is that selective disclosure rights in SACs are still prevalent post Reg FD, occurring in about 36 percent of SACs from 2001 to 2008 and 20 percent of SACs from 2009 to 2015.

Table 3 shows the industry distribution of 13Ds, 13Ds with SACs, and 13Ds with SACs that specify selective disclosure rights. All 12 Fama-French industries are represented in the sample of 13Ds and SACs, with the most populous industries being business equipment, finance, and health care. As a proportion of SACs that specify selective disclosure rights, there is no obvious dominant industry.

Table 4 provides the investor types in the sample. According to the SEC, investors can categorize themselves based on a menu of categories included in the 13D form. Investors can also categorize themselves as more than one type, not categorize themselves at all, or categorize themselves as "other," which explains why the percentages in each of the three columns sum to more than 100 percent.

Corporations account for 38.8 percent of 13Ds, 56.1 percent of 13Ds with SACs, and 65.0 percent of 13Ds with SACs that specify selective disclosure rights. To compute these percentages for investment managers, I sum holding company, investment adviser, investment company, and partnerships, and find that investment managers account for 59.0 percent of 13Ds, 54.6 percent of 13Ds with SACs, and 52.3 percent of 13Ds with SACs that specify selective disclosure rights. The “other” category is also well represented in the sample. Some investors in the sample also classify themselves as both a corporation and one of the investment manager categories.

Since investment managers and corporations may both be involved in M&A and activist-style investments, I can only approximate what proportions of my sample correspond to the three investment types identified in Section 2. Nonetheless, 4 suggests that SACs that include selective disclosure rights are prevalent in all three investment types.

## 5.2 Regression Results

I next run regressions of the probability that an SAC specifies selective disclosure rights for the investor using the sample of 13Ds that contain SACs. Recall that I use a linear probability model for this analysis, although I find qualitatively similar results when I use logit and probit models.

The first result of note in Table 5, Column 1 is that geographic separation between the firm and the investor is positively associated with selective disclosure rights in SACs (1% level). Geographic separation is commonly used in prior research to proxy for manager-investor information asymmetry (e.g., Bradshaw et al. 2004; Brochet et al. 2016; Costello 2013; Mian 2006). For a one standard deviation increase in log of geographical separation, the likelihood of selective disclosure rights in SACs increases by about 6.4 percent. Selective disclosure rights in SACs are also positively associated with 13D filings that are missing geographical data (1% level). My reading of SACs suggests that this is likely due to foreign investors who leave the zip code field blank. Both of these findings are consistent with the

idea that information asymmetry between managers and investors increases the prevalence of selective disclosure.<sup>12</sup>

The next result in Table 5, Column 1 is that post Reg FD, the likelihood that an SAC specifies selective disclosure rights decreases by about 10.7 percent (1% level). One interpretation of this result is that by altering the regulations that apply to managers' selective disclosure activities, Reg FD outlawed or otherwise deterred some of the selective disclosure rights that managers and investors wrote into SACs pre Reg FD.<sup>13</sup> In any case, the evidence suggests that Reg FD unambiguously decreases the prevalence of selective disclosure rights in SACs.

Table 5, Column 1 also shows that company age is positively associated with the likelihood that an SAC specifies selective disclosure rights (1% level). For a one standard deviation increase in company age, the likelihood of selective disclosure rights in an SAC increases by about 5.1 percent. Greenwood and Schor (2009) and Kaplan and Strömberg (2004) argue that company age proxies for managerial experience and more mature companies. Thus, this finding is consistent with the idea that more experienced managers may prefer to use selective disclosure, perhaps because these managers have more experience in investor relations (Bushee and Miller 2012). This finding is also consistent with the idea that mature businesses are better suited for the types of investments that benefit from selective disclosure rights in SACs. For example, a younger firm may not be at a stage where selective disclosure in joint ventures or M&As are optimal decisions.

The only significant balance-sheet variable in Table 5, Column 1 is intangibles (10% level). For a one standard deviation increase in intangibles, the likelihood of selective disclosure rights in an SAC increases by about 2.6 percent. This result is notable since intangibles may represent assets that demand manager-specific discretion (e.g., patents and other in-

---

<sup>12</sup>Importantly, because I condition on there being an SAC in the 13D, this result is additive to the unconditional result in Schoenfeld (2018, Section 4) that SACs in general are more prevalent among investments with high geographical separation between the firm and investor.

<sup>13</sup>An alternative hypothesis is that Reg FD could have increased selective disclosure activities by explicitly defining when selective disclosure is allowed, thereby clarifying a matter for which prior regulations were often ambiguous (e.g., SEC 2000).

tellectual property acquired by the firm), about which the investor may seek information. Intangible assets may also proxy for trade secrets and other proprietary information that is best disclosed selectively (e.g., Brown et al. 2009). The insignificance of the other financial-statement variables could arise from the information environment of public firms, which prior research has argued is quite rich to begin with (e.g., Leuz and Verrecchia 2000). Managers may therefore not need to selectively disclose to investors about these aspects of the firm.

The last statistically significant result in Table 5, Column 1 is a company's product market pricing power, which is negatively associated with the likelihood that an SAC specifies selective disclosure rights (10% level). For a one standard deviation increase in pricing power, the likelihood of selective disclosure rights in an SAC decreases by about 2.3 percent. To the extent that decreased pricing power represents increased competitiveness and thus increased proprietary costs of public disclosure, this finding suggests that managers and investors use selective disclosure to avoid these costs (e.g., Bernard 2016; Verrecchia 1983).

The remainder of the coefficients in Table 5, Column 1 are statistically insignificant at conventional levels, although many of the signs of these coefficients are intuitive and worth noting. The positive sign on market value is consistent with the aforesaid reasoning that large firms may be better suited for the types of investments that benefit from selective disclosure rights in SACs. The positive sign for percent spreads is consistent with the argument that managers may compensate for a lower-quality information environment by increasing selective disclosure to large shareholders. Likewise for institutional ownership and analyst following, both of which measures are inversely related to the quality of a firm's information environment (e.g., Balakrishnan et al. 2014; Bushee and Noe 2000; Lang and Lundholm 1996).<sup>14</sup> The coefficient on the shareholder's ownership level is also positive, which suggests that increased ownership may increase shareholders' bargaining power for selective disclosure rights.

---

<sup>14</sup>It could be that correlation among spreads, institutional ownership, and analyst following attenuates their respective coefficients in Table 5, Column 1. However, I find similar results when I include each of these variables in the regression separately.

Importantly, the statistically significant results in Table 5, Column 1 are also economically meaningful given that about 33.5 percent of SACs specify selective disclosure rights for investors. Nonetheless, one limitation of Table 5, Column 1 is that it restricts the coefficients to be the same for all the covariates pre and post Reg FD. However, it could be that Reg FD affects certain contracting settings more than others. For example, Reg FD may decrease selective disclosure rights more in circumstances where selective disclosure rights were optimal pre Reg FD, but post Reg FD are viewed by investors and managers as too risky to write into their SACs.

In Table 5, Column 2, I therefore assess whether Reg FD has such heterogeneous effects on SACs by allowing the coefficients for some covariates to vary post Reg FD (Angrist and Krueger 2001). Given that Reg FD's central tenet pertains to information transfer, I add several interaction terms at once for Post Reg FD and the measures of information environment, including geographical separation between the company and investor, spreads, institutional ownership, analyst following, and return volatility. I also include company age, intangibles, and pricing power given their significance in Table 5, Column 1.

Table 5, Column 2 shows that Reg FD's enactment is associated with a significant decrease in the positive association between geographical separation and selective disclosure rights in SACs (1% level). The finding implies that for a given increase in distance between the firm and investor, managers and investors write fewer selective disclosure rights into SACs post Reg FD relative to pre Reg FD. This result is to be expected given that Table 2 shows that selective disclosure rights in SACs decrease on the aggregate in the post-Reg-FD era.

By contrast, the interaction term for institutional investors is positive and significant (5% level). This result implies that institutional investors began writing more selective disclosure rights into their SACs with managers after Reg FD may have foreclosed some of their other channels of private-information acquisition, such as private conference calls (Bushee et al. 2004). The interaction effects for company age, intangibles, pricing power, spreads,

analyst following, and return volatility are statistically insignificant, although the main effects for intangibles and company age are significant in both columns of Table 5.<sup>15</sup> Taken together, these findings suggest that Reg FD has some heterogeneous effects on managers' and shareholders' propensity to write selective disclosure rights into SACs.

The above findings should be interpreted cautiously, for I do not have a strong instrument to test for causality, and theory suggests that financial contracting is dynamic and cannot be distilled into any one empirical model (e.g., Hart 1995, 2001, 2017; Prendergast 1999, 2017).<sup>16</sup> For example, in his Nobel Prize article, Hart (2017, p. 1749) argues that “there is as yet no tractable, widely agreed upon, theory of incomplete contracts,” and calls for researchers to “continue to work on this challenging topic.” My empirical focus is therefore on the circumstances in which it is optimal for managers and shareholders to write selective disclosure rights into SACs, given these parties' constraints on using other disclosure channels. This approach follows Edmans and Holderness (2017, p. 588), who suggest that when studying large shareholders in equilibrium, one should draw on institutional detail to construct relevant empirical models. However, I do not mean to imply that the variables in this analysis are the only factors that matter in this setting. On the contrary, one could conceivably improve the understanding of contractible disclosure actions by pursuing research avenues where other factors may be more relevant.

## 6 Conclusion

The seminal study by Verrecchia (1983) predicts that voluntary disclosure is typically induced by compensation contracts based on outcomes such as stock price. Empirical studies have therefore linked voluntary disclosure choices to managerial stock compensation (e.g., Nagar et al. 2003). By contrast, Prendergast (2002) predicts that to the extent voluntary

---

<sup>15</sup>Correlation among the main effects and interaction effects in Table 5, Column 2 may be driving the insignificance of the coefficients that are significant in Table 5, Column 1.

<sup>16</sup>Likewise for the incentives of managers and large shareholders (e.g., Adams et al. 2010; Holderness and Sheehan 1988).

disclosure is a contractible action, sophisticated investors will write contracts with managers that specify the disclosure action space. However, there is little theoretical guidance as to when such contracts will be written or what disclosure provisions such contracts might specify. I therefore directly analyze these contracts. To the best of my knowledge, this study is one of the first to do so.

Using hand-collected data, I find that managers and large shareholders often write contracts that specify voluntary disclosure actions, including selective access to internal accounting records and trade secrets, the right to inspect company premises, and observer directorships. These selective disclosure rights are prevalent both pre and post Reg FD, which is consistent with Reg FD's mandate not to regulate all selective disclosure to investors.

Following Gow, Larcker, and Reiss (2016), I also empirically model the probability that a contract specifies selective disclosure rights, conditional on several institutionally motivated factors. Gow, Larcker, and Reiss (2016, p. 480) argue that in emerging research fields "it is important to conduct sophisticated descriptive research." One evident result is that the prevalence of selective disclosure rights is significantly positively associated with a proxy for information asymmetry between managers and shareholders. Selective disclosure rights are also significantly negatively associated with a proxy for a firm's proprietary cost of public disclosure. These findings suggest that managers and shareholders may use selective disclosure in circumstances where public disclosure is relatively incomplete or costly.

Collectively, my findings extend prior research on managers' voluntary disclosure choices and shareholders' information acquisition activities. My findings also suggest that Reg FD has implications for financial contracts, in that it decreases the frequency of contracts that specify selective disclosure activities. More broadly, my findings contribute to the ongoing research on selective disclosure's role in the stock market (e.g., Frankel 2017; SEC 2000, Section V).

## References

- Adams, R., Hermalin, B. E., Weisbach, M. S., 2010. The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey. *Journal of Economic Literature* 48, 58–107.
- Admati, A. R., Pfleiderer, P., Zechner, J., 1994. Large Shareholder Activism, Risk Sharing, and Financial Market Equilibrium. *Journal of Political Economy* 102, 1097–1130.
- Angrist, J., Krueger, A., 2001. Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments. *Journal of Economic Perspectives* 15, 69–85.
- Armstrong, C., Balakrishnan, K., Cohen, D., 2012. Corporate governance and the information environment: Evidence from state antitakeover laws. *Journal of Accounting and Economics* 53, 185–204.
- Armstrong, C., Core, J., Guay, W., 2014. Do Independent Directors Cause Improvements in Firm Transparency? *Journal of Financial Economics* 113, 383–403.
- Armstrong, C., Core, J., Taylor, D., Verrecchia, R., 2011. When Does Information Asymmetry Affect the Cost of Capital? *Journal of Accounting Research* 49, 1–40.
- Bailey, W., Li, H., Mao, C. X., Zhong, R., 2003. Regulation Fair Disclosure and Earnings Information: Market, Analyst, and Corporate Responses. *The Journal of Finance* 58, 2487–2514.
- Balakrishnan, K., Billings, M., Kelly, B., Ljungqvist, A., 2014. Shaping Liquidity: On the Causal Effects of Disclosure and Liquidity. *Journal of Finance* 69, 2237–2278.
- Barclay, M. J., Holderness, C. G., Sheehan, D. P., 2009. Dividends and Corporate Shareholders. *Review of Financial Studies* 22, 2423–2455.
- Barth, M., Landsman, W., Taylor, D., 2017. The JOBS Act and Information Uncertainty in IPO Firms. *The Accounting Review* 92, 25–47.
- Bass, D., Weiss, M., 2013. Microsoft Signs Pact to Cooperate With Activist ValueAct. *Bloomberg* p. August 30.
- Bebchuk, L., Brav, A., Jiang, W., 2015. The Long-Term Effects of Hedge Fund Activism. *Columbia Law Review* 115, 1085–1156.

- Bernard, D., 2016. Is the risk of product market predation a cost of disclosure? *Journal of Accounting and Economics* 62, 305–325.
- Beyer, A., Cohen, D., Lys, T., Walther, B., 2010. The Financial Reporting Environment: Review of the Recent Literature. *Journal of Accounting and Economics* 50, 296–343.
- Bloomfield, R., Nelson, M., Soltis, E., 2016. Gathering Data for Archival, Field, Survey, and Experimental Accounting Research. *Journal of Accounting Research* 54, 341–395.
- Bond, P., Edmans, A., Goldstein, I., 2012. The Real Effects of Financial Markets. *Annual Review of Financial Economics* 4, 339–360.
- Bradshaw, M., Bushee, B., Miller, G., 2004. Accounting Choice, Home Bias, and U.S. Investment in Non-U.S. Firms. *Journal of Accounting Research* 42, 795–841.
- Brav, A., Jiang, W., Kim, H., 2015. Recent Advances in Research on Hedge Fund Activism: Value Creation and Identification. *Annual Review of Financial Economics* 7, 579–595.
- Brav, A., Jiang, W., Partnoy, F., Thomas, R., 2008. Hedge Fund Activism, Corporate Governance, and Firm Performance. *Journal of Finance* 63, 1729–1775.
- Brochet, F., Naranjo, P., Yu, G., 2016. The Capital Market Consequences of Language Barriers in the Conference Calls of Non-U.S. Firms. *The Accounting Review* 91, 1023 – 1049.
- Brown, J. R., Fazzari, S. M., Petersen, B. C., 2009. Financing Innovation and Growth: Cash Flow, External Equity, and the 1990s R&D Boom. *Journal of Finance* 64, 151–185.
- Bushee, B., Core, J., Guay, W., Hamm, S., 2010. The Role of the Business Press as an Information Intermediary. *Journal of Accounting Research* 48, 1–19.
- Bushee, B., Gerakos, J., Lee, L., 2018. Corporate jets and private meetings with investors. *Journal of Accounting and Economics* Forthcoming.
- Bushee, B., Jung, M., Miller, G., 2017. Do Investors Benefit from Selective Access to Management? *Journal of Financial Reporting* 2, 31–61.
- Bushee, B., Matsumoto, D., Miller, G., 2004. Managerial and Investor Responses to Disclosure Regulation: The Case of Reg FD and Conference Calls. *The Accounting Review* 79, 617–643.
- Bushee, B., Miller, G., 2012. Investor Relations, Firm Visibility, and Investor Following. *The Accounting Review* 87, 867–897.

- Bushee, B., Noe, C., 2000. Corporate Disclosure Practices, Institutional Investors, and Stock Return Volatility. *Journal of Accounting Research* 38, 171–202.
- Cavale, S., 2017. P&G appoints Peltz to board despite losing proxy battle. Reuters December 15.
- Chava, S., Roberts, M. R., 2008. How Does Financing Impact Investment? The Role of Debt Covenants. *Journal of Finance* 63, 2085–2121.
- Clifford, C., 2008. Value creation or destruction? Hedge funds as shareholder activists. *Journal of Corporate Finance* 14, 323–336.
- Costello, A., 2013. Mitigating incentive conflicts in inter-firm relationships: Evidence from long-term supply contracts. *Journal of Accounting and Economics* 56, 19–39.
- Edmans, A., Fang, V., Zur, E., 2013. The Effect of Liquidity on Governance. *Review of Financial Studies* 26, 1443–1482.
- Edmans, A., Holderness, C. G., 2017. Blockholders: A Survey of Theory and Evidence. In: Hermalin, B. E., Weisbach, M. S. (eds.), *The Handbook of the Economics of Corporate Governance*, North Holland, vol. 1, chap. 8, pp. 541–636.
- Fama, E., French, K., 1995. Size and Book-to-Market Factors in Earnings and Returns. *The Journal of Finance* 50, 131–155.
- Francis, J., Nanda, D., Wang, X., 2006. Re-examining the effects of regulation fair disclosure using foreign listed firms to control for concurrent shocks. *Journal of Accounting and Economics* 41, 271–292.
- Frankel, R., 2017. Commentary on: Selective disclosure. *Journal of Financial Reporting* 2, 63–68.
- Gillan, S., Starks, L., 2007. The Evolution of Shareholder Activism in the United States. *Journal of Applied Corporate Finance* 19, 55–73.
- Gow, I., Larcker, D., Reiss, P., 2016. Causal inference in accounting research. *Journal of Accounting Research* 54, 477–523.
- Graham, J., Campbell, R. H., Rajgopal, S., 2005. The Economic Implications of Corporate Financial Reporting. *Journal of Accounting and Economics* 40, 3–73.
- Greenwood, R., Schor, M., 2009. Investor Activism and Takeovers. *Journal of Financial Economics* 92, 362–375.

- Guay, W., Samuels, D., Taylor, D. J., 2016. Guiding through the fog: Financial statement complexity and voluntary disclosure. *Journal of Accounting and Economics* 62, 234–269.
- Hart, O., 1995. *Firms, Contracts, and Financial Structure*. Clarendon Press.
- Hart, O., 2001. Financial Contracting. *Journal of Economic Literature* 39, 1079–1100.
- Hart, O., 2017. Incomplete Contracts and Control. *American Economic Review* 107, 1731–1752.
- Hefflin, F., Subramanyam, K. R., Zhang, Y., 2003. Regulation FD and the Financial Information Environment: Early Evidence. *The Accounting Review* 78, 1–37.
- Hoberg, G., Phillips, G., Prabhala, N., 2014. Product Market Threats, Payouts, and Financial Flexibility. *Journal of Finance* 69, 293–324.
- Holderness, C. G., Sheehan, D. P., 1988. The role of majority shareholders in publicly held corporations: An exploratory analysis. *Journal of Financial Economics* 20, 317–346.
- Jorion, P., Liu, Z., Shi, C., 2005. Informational effects of regulation FD: evidence from rating agencies. *Journal of Financial Economics* 76, 309–330.
- Kaplan, S., Strömberg, P., 2003. Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts. *Review of Economic Studies* 70, 281–315.
- Kaplan, S., Strömberg, P., 2004. Characteristics, Contracts, and Actions: Evidence from Venture Capitalist Analyses. *Journal of Finance* 59, 2177–2210.
- Khanna, V., Kim, E. H., Lu, Y., 2015. CEO Connectedness and Corporate Fraud. *Journal of Finance* 70, 1203–1252.
- Klein, A., Zur, E., 2009. Entrepreneurial Shareholder Activism: Hedge Funds and Other Private Investors. *Journal of Finance* 64, 187–229.
- Klein, A., Zur, E., 2011. The Impact of Hedge Fund Activism on the Target Firm’s Existing Bondholders. *Review of Financial Studies* 24, 1735–1771.
- Koch, A. S., Lefanowicz, C. E., Robinson, J. R., 2013. Regulation FD: A Review and Synthesis of the Academic Literature. *Accounting Horizons* 27, 619–646.
- Lambert, R., 2001. Contracting theory and accounting. *Journal of Accounting and Economics* 32, 3–87.

- Lang, M., Lundholm, R., 1996. Corporate Disclosure Policy and Analyst Behavior. *The Accounting Review* 71, 467–492.
- Leuz, C., Verrecchia, R., 2000. The Economic Consequences Increased Disclosure. *Journal of Accounting Research* 38, 91–124.
- Leuz, C., Wysocki, P., 2016. The Economics of Disclosure and Financial Reporting Regulation: Evidence and Suggestions for Future Research. *Journal of Accounting Research* 54, 525–622.
- Mian, A., 2006. Distance Constraints: The Limits of Foreign Lending in Poor Economies. *Journal of Finance* 61, 1465–1505.
- Miller, G., 2002. Earnings Performance and Discretionary Disclosure. *Journal of Accounting Research* 40, 173–204.
- Nagar, V., Nanda, D., Wysocki, P., 2003. Discretionary Disclosure and Stock-Based Incentives. *Journal of Accounting and Economics* 34, 283–309.
- Nini, G., Smith, D. C., Sufi, A., 2012. Creditor Control Rights, Corporate Governance, and Firm Value. *Review of Financial Studies* 25, 1713–1761.
- Prendergast, C., 1999. The Provision of Incentives in Firms. *Journal of Economic Literature* 37, 7–63.
- Prendergast, C., 2002. The Tenuous Trade-off between Risk and Incentives. *Journal of Political Economy* 110, 1071–1102.
- Prendergast, C., 2017. Agency Issues. *Journal of Political Economy* 125, 1878–1884.
- Roberts, M. R., 2015. The role of dynamic renegotiation and asymmetric information in financial contracting. *Journal of Financial Economics* 116, 61–81.
- Roberts, M. R., Sufi, A., 2009. Renegotiation of financial contracts: Evidence from private credit agreements. *Journal of Financial Economics* 93, 159–184.
- Schoenfeld, J., 2017. The effect of voluntary disclosure on stock liquidity: New evidence from index funds. *Journal of Accounting and Economics* 63, 51–74.
- Schoenfeld, J., 2018. An Analysis of Financial Contracts Between Managers and Shareholders. Working Paper.

- SEC, 2000. Selective Disclosure and Insider Trading. <https://www.sec.gov/rules/final/33-7881.htm>.
- Shleifer, A., Vishny, R., 1997. A Survey of Corporate Governance. *Journal of Finance* 52, 737–783.
- Skinner, D., 1997. Earnings Disclosures and Stockholder Lawsuits. *Journal of Accounting and Economics* 23, 249–282.
- Smith, C., Warner, J., 1979. On financial contracting: An analysis of bond covenants. *Journal of Financial Economics* 7, 117–161.
- Solomon, D., Soltes, E., 2015. What Are We Meeting For? The Consequences of Private Meetings with Investors. *Journal of Law and Economics* 58, 325–355.
- Soltes, E., 2014a. Incorporating Field Data into Archival Research. *Journal of Accounting Research* 52, 521–540.
- Soltes, E., 2014b. Private Interaction Between Firm Management and Sell-Side Analysts. *Journal of Accounting Research* 52, 245–272.
- Sufi, A., 2007. Information Asymmetry and Financing Arrangements: Evidence from Syndicated Loans. *Journal of Finance* 62, 629–668.
- Sufi, A., 2009. Bank Lines of Credit in Corporate Finance: An Empirical Analysis. *Review of Financial Studies* 22, 1057–1088.
- Verrecchia, R., 1983. Discretionary Disclosure. *Journal of Accounting and Economics* 5, 179–194.
- Verrecchia, R., 2001. Essays on Disclosure. *Journal of Accounting and Economics* 32, 97–180.
- Watts, R. L., Zimmerman, J. L., 1990. Positive Accounting Theory: A Ten Year Perspective. *The Accounting Review* 65, 131–156.
- Wolf, D., Zachariah, J., Feirstein, D., 2012. “Toehold” Stakes in Target Firms. <https://corpgov.law.harvard.edu/2012/05/15/toehold-stakes-in-target-firms/>.
- Zimmerman, J. L., 2001. Conjectures regarding empirical managerial accounting research. *Journal of Accounting and Economics* 32, 411–427.

## Appendix Variable Construction

This appendix describes each variable used in this study and its source. Index  $i$  represents each 13D observation. Index  $d$  represents the event day and  $q$  represents the event year-quarter, where  $d = 0$  and  $q = 0$  are the 13D filing day and year-quarter, respectively. Index  $f$  represents the target firm,  $r$  represents raw target-firm returns, and  $n$  is the number of trading days in the corresponding observation window. Data source C = Compustat, F = FactSet, IBES = Institutional Brokers' Estimate System, and SEC = Securities and Exchange Commission's EDGAR.

Variable	Definition	Source
Shareholder Agreement $_i$	1 if 13D contains a shareholder agreement contract, 0 otherwise	SEC
Selective Disclosure in SAC $_i$	1 if 13D contains a shareholder agreement contract that specifies selective disclosure rights, 0 otherwise	SEC
Geographical Distance $_i$	Distance in miles between the firm's headquarters and the investor's offices, 0 if missing	SEC
Missing Geographical Distance $_i$	1 if Geographical Distance $_i$ is missing, 0 otherwise	SEC
Post Reg FD $_i$	1 if SAC is enacted after October, 2000, 0 otherwise	SEC
Market Value $_i$	Shares Outstanding $_{f,d=0}$ $\times$ Stock Price $_{f,d=0}$	CRSP
Percent Bid-Ask Spread $_i$	$\frac{1}{n} \times \sum_{d=-365}^{d=-6} \frac{(Ask_{fid} - Bid_{fid})}{M_{fid}}$	CRSP
Institutional Investor Holdings $_i$	Institutional Investor Holdings $_{f,q=0}$	F
Analyst Following $_i$	Analyst Following $_{f,d=0}$	IBES
Cash $_i$	(Cash + Short Term Equiv. $_{f,q=0}$ )/Total Assets $_{f,q=0}$	C
Net Cash Flows $_i$	(Net Operating Activities $_{f,q=0}$ + Net Investing Activities $_{f,q=0}$ + Net Financing Activities $_{f,q=0}$ )/Total Assets $_{f,q=0}$	C
Dividend Yield $_i$	Dividends $_{f,q=0}$ /Market Cap. $_{f,d=0}$	C, CRSP
Book:Market $_i$	Common Equity $_{f,q=0}$ /Market Cap. $_{f,d=0}$	C
R&D $_i$	Research and Development $_{f,q=0}$ /Total Assets $_{f,q=0}$	C
CAPEX $_i$	Capital Expenditures $_{f,q=0}$ /Total Assets $_{f,q=0}$	C
Intangibles $_i$	Intangibles $_{f,q=0}$ /Total Assets $_{f,q=0}$	C
Company Age $_i$	Days since target was first listed in CRSP $_{f,d=0}$	CRSP
Leverage $_i$	Total Debt $_{f,q=0}$ /Total Assets $_{f,q=0}$	C
ROA $_i$	Net Income $_{f,q=0}$ /Total Assets $_{f,q=0}$	C
Returns [X, Y] $_i$	$\left[ \exp \left[ \sum_{d=X}^Y \ln(1 + r_{fd}) \right] - 1 \right]$	CRSP
Return Volatility $_i$	$\sigma(r_{fd}_{[-365,-6]})$	CRSP
Pricing Power $_i$	Firm's product-market pricing power at time $q$ from Hoberg et al. (2014)	C
Blockholder Ownership Level $_i$	Blockholder's ownership as a % of Common Stock Outstanding $_{f,d=0}$ , 0 if missing	SEC
Missing Blockholder Ownership $_i$	1 if Blockholder Ownership Level $_i$ is missing, 0 otherwise	SEC

**Table 1****Descriptive Statistics for 13D Filings from 1996 to 2015**

The sample includes 18,927 13D filings. 1,637 of the 13D filings contain an SAC, of which 549 specify selective disclosure rights (see Section 3). Index  $i$  represents the SAC and the corresponding firm and shareholder. Selective Disclosure in  $SAC_i$  equals 1 if the SAC specifies selective disclosure rights for the investor, and 0 otherwise. Income statement and balance sheet variables are measured in the year-quarter of the SAC filing date. If necessary, variables are increased by 1 before being logged. All variables are winsorized at the 2% level except for indicator variables, Institutional Holdings, and Blockholder Ownership. Variables with a lower bound of 0 (e.g., Geographical Distance) are winsorized from the top only. The “Diff.” column provides the t-statistic from a two-tailed t-test of the differences in means for 13Ds with SACs ( $Mean_2$ ) and SACs with selective disclosure provisions ( $Mean_3$ ). See the Appendix for variable definitions.

Variable	(1) All 13Ds			(2) 13Ds with SACs			(3) SACs with Selective Disclosure			Diff.
	$N_1$	$Mean_1$	$\sigma_1$	$N_2$	$Mean_2$	$\sigma_2$	$N_3$	$Mean_3$	$\sigma_3$	
Shareholder Agreement Contract $_i$	18,927	0.086	0.28	1,637	1.000	0.00	549	1.000	0.00	(.)
Selective Disclosure in SAC $_i$	18,927	0.029	0.17	1,637	0.335	0.47	549	1.000	0.00	(.)
Log of Geographical Separation $_i$	18,927	4.040	3.13	1,637	3.962	3.19	549	4.223	3.17	(2.36)
Missing Geographical Separation $_i$	18,927	0.136	0.34	1,637	0.203	0.40	549	0.224	0.42	(1.49)
Log of Market Value $_i$	18,927	18.643	1.80	1,637	19.106	1.83	549	19.060	1.85	(0.71)
Log of Percent Bid-Ask Spread $_i$	18,907	0.031	0.03	1,636	0.025	0.03	548	0.028	0.03	(2.80)
Institutional Ownership $_i$	18,927	0.285	0.30	1,637	0.291	0.29	549	0.264	0.29	(2.70)
Log of Analyst Following $_i$	18,927	0.694	0.78	1,637	0.806	0.81	549	0.760	0.79	(1.64)
Cash $_i$	18,927	0.336	0.40	1,637	0.393	0.43	549	0.374	0.40	(1.33)
Net Cash Flows $_i$	18,927	1.043	7.42	1,637	2.629	10.27	549	2.683	10.23	(0.15)
Dividend Yield $_i$	18,927	0.013	0.04	1,637	0.013	0.04	549	0.011	0.04	(1.00)
Book:Market $_i$	18,927	0.660	0.70	1,637	0.540	0.66	549	0.526	0.67	(0.58)
R&D $_i$	18,927	0.054	0.12	1,637	0.064	0.13	549	0.066	0.13	(0.37)
CAPEX $_i$	18,927	0.051	0.07	1,637	0.050	0.07	549	0.050	0.06	(0.05)
Intangibles $_i$	18,927	0.122	0.18	1,637	0.145	0.20	549	0.154	0.20	(1.38)
Log of Company Age $_i$	18,927	6.977	2.43	1,637	6.349	2.82	549	6.805	2.36	(5.05)
Leverage $_i$	18,927	0.254	0.24	1,637	0.259	0.25	549	0.264	0.25	(0.55)
ROA $_i$	18,927	-0.122	0.32	1,637	-0.156	0.34	549	-0.166	0.35	(0.83)
[-365, -5] Returns $_i$	18,762	0.078	0.65	1,611	0.128	0.68	541	0.173	0.73	(1.83)
Log of Return Volatility $_i$	18,550	0.044	0.03	1,590	0.047	0.03	535	0.048	0.03	(1.75)
Pricing Power $_i$	18,927	0.218	0.23	1,637	0.206	0.22	549	0.198	0.20	(1.15)
Blockholder Ownership Level $_i$	18,927	14.676	16.76	1,637	21.552	19.74	549	22.623	19.19	(1.58)
Missing Blockholder Ownership $_i$	18,927	0.079	0.27	1,637	0.075	0.26	549	0.066	0.25	(1.07)

**Table 2**  
**Year Distribution for 13D Filings from 1996 to 2015**

Note that the SEC enacted Regulation Fair Disclosure (Reg FD) in October, 2000.

Year $t$	$\frac{13Ds_t}{N = 18,927 \text{ Total } 13Ds}$	$\frac{13Ds \text{ with } SACs_t}{N = 1,637 \text{ Total } SACs}$	$\frac{13Ds \text{ with } SACs_t}{13Ds_t}$	$\frac{SACs \text{ with Selective Disclosure}_t}{13Ds \text{ with } SACs_t}$
1996	7.6%	5.6%	6.3%	57.1%
1997	12.7%	9.9%	6.7%	34.0%
1998	10.4%	6.5%	5.3%	38.1%
1999	8.5%	7.7%	7.8%	52.4%
Pre Reg FD ↑				
2000	7.9%	9.9%	10.9%	30.2%
Post Reg FD ↓				
2001	5.3%	5.6%	9.0%	49.5%
2002	3.8%	2.9%	6.7%	45.8%
2003	3.5%	3.1%	7.5%	44.0%
2004	2.9%	3.2%	9.7%	43.4%
2005	3.8%	2.6%	6.0%	23.3%
2006	4.0%	3.2%	7.1%	35.9%
2007	4.7%	4.3%	8.0%	32.4%
2008	4.6%	3.4%	6.5%	19.6%
2009	2.4%	4.2%	14.8%	23.5%
2010	2.6%	5.1%	16.7%	24.1%
2011	2.4%	4.2%	15.4%	21.7%
2012	2.5%	3.5%	12.4%	17.2%
2013	3.0%	4.6%	13.3%	21.1%
2014	3.8%	5.4%	12.3%	22.5%
2015	3.6%	5.1%	12.1%	12.0%
Total	100%	100%	-	-

**Table 3**  
**Industry Distribution for 13D Filings from 1996 to 2015**

Industry <i>i</i>	$\frac{13Ds_i}{N = 18,927 \text{ Total } 13Ds}$	$\frac{13Ds \text{ with } SACs_i}{N = 1,637 \text{ Total } SACs}$	$\frac{SACs \text{ with Selective Disclosure}_i}{13Ds \text{ with } SACs_i}$
Consumer Nondurables	5.1%	3.7%	41.7%
Consumer Durables	2.1%	1.9%	32.3%
Manufacturing	7.4%	6.3%	22.3%
Energy, Oil, Gas, and Coal	4.6%	4.0%	22.7%
Chemicals and Allied Products	1.7%	1.7%	37.0%
Business Equipment	18.8%	21.3%	37.1%
Telecommunications	5.2%	8.9%	40.0%
Utilities	1.1%	0.9%	26.7%
Wholesale and Retail	9.8%	7.4%	36.4%
Health Care	12.3%	13.3%	28.6%
Finance	16.9%	14.5%	32.9%
Other	15.0%	16.1%	34.1%
Total	100%	100%	-

**Table 4****Investor Type for 13D Filings from 1996 to 2015**

13D filings let investors self-select their type from a menu of investor types, and investors can select more than one type, which explains why the percentages in each column sum to more than 100 percent.

Investor Type $i$	$\frac{13Ds_i}{N = 18,927 \text{ Total } 13Ds}$	$\frac{13Ds \text{ with } SACs_i}{N = 1,637 \text{ Total } SACs}$	$\frac{SACs \text{ with Selective Disclosure}_i}{N = 549 \text{ Total } SACs \text{ with Selective Disclosure}}$
Bank	0.9%	1.8%	2.4%
Broker Dealer	2.2%	1.1%	0.5%
Corporation	38.8%	56.1%	65.0%
Employee Benefit/Endowment Fund	1.1%	0.6%	1.0%
Holding Company	9.8%	11.5%	11.3%
Insurance Company	0.8%	0.9%	1.1%
Investment Adviser	13.7%	6.8%	4.7%
Investment Company	4.4%	7.0%	6.4%
Partnership	29.0%	29.3%	29.9%
Religious Organization	0.2%	0.3%	0.5%
Savings Association	0.3%	0.4%	0.2%
Other	32.8%	36.8%	33.9%

**Table 5****Regression Model of Selective Disclosure Rights in Shareholder Agreement Contracts from 1996 to 2015**

This table reports linear probability models for whether a shareholder agreement contract specifies selective disclosure rights for the investor. Index  $i$  represents the SAC and the corresponding firm and shareholder. Selective Disclosure in SAC $_i$  equals 1 if the SAC specifies selective disclosure rights for the investor, and 0 otherwise. Income statement and balance sheet variables are measured in the year-quarter of the SAC filing date. Observations vary based on data availability of the regressors. See the Appendix for exact variable definitions. For display purposes, I omit “Log of” in the labels of the logged variables that are interacted with Post Reg FD. T-statistics are in parentheses and standard errors are robust to heteroskedasticity. \*\*\*, \*\*, and \* indicate statistical significance at the two-tailed 1%, 5%, and 10% level, respectively.

	(1)		(2)	
	Selective Disclosure in SAC $_i$		Selective Disclosure in SAC $_i$	
Log of Geographical Separation $_i$	0.020***	(4.28)	0.042***	(5.68)
Missing Geographical Separation $_i$	0.147***	(3.95)	0.256***	(4.05)
Post Reg FD $_i$	-0.107***	(-3.78)	-0.030	(-0.28)
Log of Market Value $_i$	0.014	(1.35)	0.013	(1.20)
Log of Percent Bid-Ask Spread $_i$	0.436	(0.73)	-0.091	(-0.11)
Institutional Ownership $_i$	-0.063	(-1.32)	-0.251***	(-2.70)
Log of Analyst Following $_i$	-0.021	(-1.07)	-0.013	(-0.37)
Cash $_i$	-0.010	(-0.24)	-0.009	(-0.22)
Net Cash Flows $_i$	0.001	(0.56)	0.001	(0.48)
Dividend Yield $_i$	-0.173	(-0.56)	-0.159	(-0.52)
Book:Market $_i$	-0.006	(-0.31)	-0.007	(-0.36)
R&D $_i$	0.031	(0.23)	0.045	(0.34)
CAPEX $_i$	-0.068	(-0.36)	-0.038	(-0.19)
Intangibles $_i$	0.130*	(1.95)	0.198*	(1.68)
Log of Company Age $_i$	0.018***	(4.44)	0.020*	(1.91)
Leverage $_i$	-0.028	(-0.52)	-0.022	(-0.40)
ROA $_i$	-0.044	(-0.92)	-0.033	(-0.68)
[-365, -5) Returns $_i$	0.020	(1.04)	0.019	(1.00)
Log of Return Volatility $_i$	0.139	(0.24)	-0.803	(-0.85)
Pricing Power $_i$	-0.104*	(-1.92)	-0.082	(-0.88)
Blockholder Ownership Level $_i$	0.001	(1.40)	0.001	(1.16)
Missing Blockholder Ownership $_i$	-0.016	(-0.35)	-0.021	(-0.45)
Post Reg FD $\times$ Geographical Separation $_i$			-0.037***	(-3.95)
Post Reg FD $\times$ Missing Geo. Separation $_i$			-0.176**	(-2.26)
Post Reg FD $\times$ Company Age $_i$			-0.002	(-0.19)
Post Reg FD $\times$ Pricing Power $_i$			-0.061	(-0.53)
Post Reg FD $\times$ Intangibles $_i$			-0.100	(-0.73)
Post Reg FD $\times$ Percent Bid-Ask Spread $_i$			1.111	(0.98)
Post Reg FD $\times$ Institutional Ownership $_i$			0.260**	(2.42)
Post Reg FD $\times$ Analyst Following $_i$			-0.010	(-0.24)
Post Reg FD $\times$ Return Volatility $_i$			1.242	(1.14)
Observations	1,589		1,589	
$R^2$	0.05		0.07	