Can Shareholder Proposals Hurt Shareholders? Evidence from SEC No-Action Letter Decisions*

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This paper studies the market reaction to SEC no-action letter decisions in order to produce well-identified estimates of the value consequences of shareholder proposals. Whereas previous research is limited by an inability to identify the date when investors become aware of a proposal, our approach employs a well-defined event date at which the SEC makes an uncertain and expressly value-neutral decision to block a proposal or allow it to proceed to a vote. We find that over the period 2007-2016, the market reacted positively when the SEC permitted a proposal to be excluded from the proxy statement, suggesting that the market viewed these proposals as harmful to shareholders. Investors appear to have been most skeptical about proposals relating to corporate governance and the elements of the E-Index, and proposals targeted at high-profit firms. The evidence casts doubt on the assumption that proposal rights can only help and never hurt shareholders.

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1. Introduction

The fundamental goal of corporate governance is to prevent managers from misusing corporate resources, ensuring that financiers earn a return on their investment (Shleifer and Vishny, 1997). One prominent solution championed by many scholars and reformers is to allow shareholders to propose and vote on corporate policies through the shareholder proposal process. Shareholder proposals are increasingly important in practice: more than 17,000 proposals have been submitted at large corporations since 1997, votes have recently been held to break up the largest commercial banks and drive down executive pay,[1] and proposals have pressured many companies to eliminate staggered boards, replace supermajority with majority voting standards, enhance proxy access, and disclose their political contributions, among other issues.[2] The surge in shareholder proposals has been accompanied by regulatory changes expanding voting rights and making it easier for shareholders to bring proposals to a vote.

Advocates of shareholder democracy who support expanding the process doubt that shareholders at large will suffer because shareholders are unlikely to hurt themselves by approving value-reducing proposals.[3] Yet skeptics point out that the process could be detrimental to shareholders because they might make wrong decisions when voting, proposals might distract and disrupt managers, and managers might make value-reducing

[1] In 2015, shareholders voted on proposals sponsored by labor-affiliated groups to break up Bank of America, Citigroup, JPMorgan Chase, and Wells Fargo. An example on executive pay: "Janus cuts CEO pay 40 percent after shareholder vote," *Reuters* (Kerber, 2012).

[2] Examples: In 2005, only nine of the S&P 100 companies used majority voting for director elections; by January 2014, almost 90 percent of the S&P 500 had adopted majority voting (Choi et al., 2016). The number of S&P 500 companies with staggered boards declined from 300 in the year 2000 to 60 in 2013 (Harvard Shareholder Rights Project: http://srp.law.harvard.edu/index.shtml).

[3] For example, Bebchuk (2005, p. 894): "Given that it is their money that is on the line, shareholders naturally would have incentives to make the decision that would best serve their interests."

side payments to sponsors in order to have proposals withdrawn.[4] Our paper contributes to this debate by examining a significant yet underexplored part of the shareholder proposal process: no-action letter decisions by the Securities and Exchange Commission (SEC) on whether a proposal may be excluded from the proxy statement and effectively shut down.

When a company wishes to exclude a proposal from the proxy statement, it submits a letter to the SEC asking the staff to confirm that the agency will not take action against the company if it omits the proposal, called a "no-action letter." SEC rule 14a-8 allows companies to exclude a proposal on various grounds: the proponent fails to demonstrate minimum stock ownership, the proposal relates to redress of a personal grievance, is "vague or indefinite," or deals with "ordinary business operations," among other grounds. Companies seek to exclude roughly 30 percent of proposals that they receive, and the SEC grants a no-action letter permitting omission in 67 percent of its decisions. By law, SEC decisions are based entirely on whether a proposal meets the conditions of rule 14a-8, and explicitly are not related to the value consequence of a proposal; yet as we discuss below, decisions are not entirely predictable, and a decision is thus new information to the market. Our research strategy is to use event returns associated with the SEC decisions to shed light on whether the market expected proposals to help or hurt shareholders. A positive stock price reaction following a decision that prevents a vote is evidence that the proposal is

[4] Larcker and Tayan (2011) and Larcker et al. (2015) argue that shareholders might make wrong decisions because proxy advisory firms are so ill-informed that they advise shareholders to support proposals that are not in their interest. The chief justice of the Delaware Supreme Court noted (Strine, 2014, pp. 455-456) that "institutional investors have emerged who seem to be motivated by a desire for engagement for reasons unrelated to investment value" and "additional rights will compromise the ability of corporations to pursue the most profitable courses of action … because managers will be distracted and disrupted by constant mini-referendums and continual election seasons initiated by activist investors." In its 2011 *Business Roundtable* decision vacating a new SEC proxy access rule, the D.C. Circuit Court of Appeals expressed concern that "union and state pension funds might use [proxy access] as leverage to gain concessions, such as additional benefits for unionized employees, unrelated to shareholder value." Matsusaka and Ozbas (2017) show theoretically how managers have an incentive to make value-reducing "side payments" to special interest activists in exchange for having a proposal withdrawn, even if the proposal is unlikely to have been approved.

harmful to shareholders. Conversely, a negative stock price reaction following a decision to prevent a vote is evidence that the proposal is beneficial to shareholders.

We study hand-collected data on all 2,828 proposals for which a no-action letter was requested from October 2007 through the end of 2016. Our main finding is that the market responded positively to the issuance of a no-action letter. The mean cumulative abnormal return ranges from 0.20 percent to 0.55 percent depending on the event window, and is statistically distinguishable from zero, meaning that on average the market viewed this set of proposals as being harmful to shareholders. As a back-of-the-envelope calculation, if we assume that the probability of being denied a no-action letter is the sample average of 0.28, then the implied expected value from allowing these proposals to proceed to a vote ranges from -0.71 percent to -1.96 percent of firm value.[5] These numbers appear to be material, and imply that shareholder proposals can harm shareholders.

After establishing the robustness of the main finding, we explore the extent to which the market's response depended on a proposal's topic or the identity of its proponent. The most common topic is corporate governance, and proposals concerning compensation and social issues are popular. We find a positive mean response to omission of corporate governance proposals in the range of 0.33 percent to 0.80 percent, and statistically significant. We also find some evidence that investors were skeptical of proposals that would have improved the quality of governance as defined by the G-Index and E-Index. We find no statistically significant response to omission of proposals related to compensation as a group, or social issues as a group.

Recent court opinions and some scholarly evidence suggest that certain types of shareholders are more likely to bring proposals that advance their narrow interests rather than overall firm value. Labor unions and public pensions have been singled out (Romano, 1993, 2001; Schwab and Thomas, 1998; Matsusaka et al., 2017). We do not find evidence that the announcement return depended on the type of proponent, whether classified broadly as individuals versus organizations, or classified in a more fine-grained way that differentiates SRI funds, non-SRI funds, labor unions, public pensions, and religious groups.

[5] In these calculations, for the sake of brevity, we ignore the expected value of withdrawn proposals. We provide a more comprehensive analysis of the implied value of proposals below.

A subtle issue in interpreting the positive event returns when the SEC permits a proposal to be omitted relates to the market's expectation of what would have happened if the SEC had declined to issue a no-action letter: how did investors expect value to be reduced if the proposal had been allowed to go forward? The market may have expected that shareholders would mistakenly approve a harmful proposal, but another possibility is that the market feared that managers would make a costly accommodation to the sponsor in exchange for having the proposal withdrawn before the vote. This is the danger emphasized by game theoretical modeling of the proposal process (Matsusaka and Ozbas, 2017) and more intuitive discussions of the process.[6] The importance of pre-vote negotiations is illustrated by the fact that about 30 percent of all proposals are withdrawn by the sponsor before a vote, and 14 percent of proposals under review are withdrawn before an SEC decision.

To gain further insight on the value consequences of proposals, we develop a theoretical model of the no-action letter process that allows for three possible outcomes: no-action letter issued, no-action letter declined, and proposal withdrawn. The model illustrates that while the sign of the return associated with an SEC decision can be used to infer the market's assessment of whether shareholders would be hurt by allowing the proposal to go forward (to either a vote or a negotiated outcome), the sign of the return does not necessarily indicate the market's implied value of voting on the proposal itself. Using the model, we prove a result that allows us to infer the mean implied value of voting on proposals from a regression model using abnormal returns. Using this method, we estimate a mean implied value associated with voting on a proposal ranging from -0.13 to -0.33 percent for the entire sample. We then investigate for which firms proposals were most likely to be helpful and harmful. Our main finding in this regard is that proposals

[6] For example, in an article advocating increased scope of shareholder proposals, Bebchuk (2005, p. 878) argues that the benefits of proposals primarily result from proactive behavior by managers, without proposals actually going to a vote: "[I]t should be emphasized that the benefits of shareholder intervention power should not be measured solely, or even primarily, by the rate of actual shareholder intervention. Indeed, a large fraction of the benefits would be indirect. Introducing the power to intervene would induce management to act differently in order to avoid shareholder intervention." The same argument implies that the costs of proposals will largely be indirect as well, arising from managerial actions to preempt proposals.

targeted at high-profit firms were expected to reduce firm value by 0.48 percent to 1.11 percent, depending on the event window, and controlling for topic and proponent type; while proposals at low-profit firms were expected to increase firm value. Investors may dislike proposals targeted at high-profit firms because they threaten to disrupt operations that are performing well. This squares with existing evidence that low-performing firms are most likely to be targeted by shareholder proposals (Denes et al., forthcoming).

The virtue of studying no-action letter decisions by the SEC is that there are well-defined event dates at which new information reaches the market about whether a proposal will go to a vote or not. The tradeoff is that the sample is a subset of all proposals, namely the 31 percent that were reviewed by the SEC. To help put the tradeoff in perspective, we provide a summary of what we believe is the entire literature estimating the value consequences of shareholder proposals. We show that every existing study examines restricted and in some sense non-representative subsets; our sample, which covers 31 percent of all proposals during our sample period compares favorably with the existing literature. We also believe our approach has a much higher power to detect effects than most previous research. Most existing studies estimate event returns associated with the date that the proxy statement is mailed to shareholders. The problem is that in order to make a proposal, a shareholder must send a notice to the company at least 120 days before the proxy statement is mailed; companies must file their proxy with the SEC 10 days before mailing it; and SEC rule 14a-6(e)(1) requires the preliminary statement to be made immediately available for public inspection. Because the existence of a proposal is known to the market well before the proxy is mailed, event returns based on the mailing date have a low power to detect value effects (and, not surprisingly, almost uniformly fail to find abnormal returns different from zero).[7]

[7] Another limitation of the proxy mailing date is that companies often have multiple proposals on the same ballot. With multiple proposals on one event date, it is not possible to isolate effects for individual proposals by type of proponent or proposal topic, and interpretation of the net effect is cloudy: if there are 4 proposals and an abnormal return of zero percent, it could mean that none of the proposals affects value, that half of them increase and half of them decrease value, and so on. Another concern is that proxy statements deliver a variety of information in addition to shareholder proposals.

The best-identified evidence to date, in our view, is Cuñat et al. (2012) that uses a regression discontinuity design to infer value consequences by comparing proposals that narrowly "pass" from those that narrowly "fail". The sample limitations of that study (it covers only about 4 percent of all proposals in its sample period, according to our estimates) are that it only considers corporate governance proposals and proposals that attracted an unusually high level of support. We believe our evidence complements the findings of Cuñat et al. (2012): whereas that study shows that the proposals with strong support from shareholders at large are typically beneficial, our study shows that the proposals removed by managers and the SEC are typically harmful. The two studies together suggest that we should not view proposals as always beneficial or always harmful, but rather recognize that value consequences are likely to be conditional, e.g., beneficial when managers suffer severe agency problems, and harmful when used by special interests as bargaining chips to extract side payments. From a policy perspective, this suggests that reforms should not seek to enhance or impair the shareholder process across the board, but rather encourage the "good" types of proposals while inhibiting the "bad" types. Or put differently, policymakers should not infer from Cuñat et al. (2012) that the population of proposals is value increasing on average, and therefore seek to encourage proposals unconditionally (nor should one infer from our study that the population is value decreasing on average).

Our evidence also provides perspective on the of role managers in the proposal process. Shareholder proposals, almost by their nature, presuppose a failure by management: if the company's managers had already adopted an idea, there would be no need for a proposal to advance it. Thus, a core premise underlying the proposal process is that managers suffer conflicts of interest or a failure to recognize valuable opportunities. This view has a long pedigree, going back at least to Berle and Means (1932). Yet it has been contested for just as long; corporate law is based on a presumption that managers are acting in the interest of shareholders (business judgment rule); and a body of economic research argues that competition in product, capital, and labor markets will put pressure on management to advance shareholder interests (Manne, 1965; Fama, 1980). We add a new piece of evidence to this long-running debate related to the motives of managers in fighting shareholder proposals. Managerial efforts to shut down shareholder proposals

provide an interesting testing ground because the conflict between managers and (a group of) shareholders is so direct. Our evidence is compatible with the view that managerial resistance is often based on a genuine concern that shareholder proposals harm firm value, particularly when it comes to high-performing firms, and is not merely a convenient rationalization in order to preserve managerial private benefits. While the evidence is specific to a particular managerial decision – whether or not to seek exclusion of a shareholder proposal from the proxy statement – and therefore does not support conclusions about agency problems in general, it does suggest that competitive pressures or other forces may place some bounds on the prevalence of managerial agency problems.

2. No-Action Letters and the Proposal Process

Shareholder voting rights are rooted in state corporation law and corporate charter documents, but the proposal process itself is governed by SEC Rule 14a-8. The SEC began regulating the process in 1935 based on Section 14 of the Securities Exchange Act of 1934 that charged the agency to develop proxy regulations "in the public interest and for the protection of investors." Over time, the SEC gradually developed a body of regulations that came to be collected in Rule 14a-8.[8] This rule has been amended many times over the years, most recently in 2011.[9] Under state law, shareholders have a right to make proposals in person at a company's annual meetings. Because most shareholders do not attend the annual meeting, they cast their votes by proxy. The company is required to distribute a proxy statement prior to the annual meeting to all shareholders that in effect allows them to vote in absentia. The federal proxy access rules govern the conditions under which shareholders can require their proposals to be listed in the company's proxy statement.

The proposal process begins with a shareholder "proponent" drafting a proposal and sending it to the company. The proposal offers a resolution to be voted on, as well as an argument in its favor. The resolution can take the form of a specific change in the

[8] For histories of the development of the shareholder proposal rules, see Liebeler (1984) and Fisch (1993). For developments over the last two decades, see Bainbridge (2012).

[9] In September 2011, 14a-8(i) was amended so that a company could no longer exclude proposals that would facilitate director nominations by shareholders (proxy access).

company's bylaws or it can be a request for the company to consider taking some action. The proposal must arrive at the company no later than 120 days before the proxy statement is to be mailed. The company then has the option to include the proposal in the proxy statement or the company can attempt to omit the proposal from the proxy statement by appealing to the SEC. If the company wishes to omit the proposal, it must submit a letter to the SEC no later than 80 days before the proxy statement is mailed; the letter notes that the company intends to omit the proposal and indicates the grounds for doing so. Typically, the company's letter also requests that the SEC staff respond by stating that the staff will not recommend the Commission take an enforcement action against the company if it omits the proposal, called an SEC "no-action letter." If the company requests a no-action letter, the proponent is given an opportunity to respond, which may be followed by a series of responses from both parties. In most cases, if a no-action letter is issued, then the proposal is omitted from the proxy, while if the SEC declines to issue a no-action letter, the proposal appears in the proxy. Both the company and the proponent have the option of taking their case to a federal court if they disagree with the SEC's decision, which happens occasionally. Sometimes the proponent agrees to withdraw the proposal before or after an SEC decision, based on negotiations with the company. The proxy statement containing the proposal (if included) must be mailed to shareholders within a window before the annual meeting that is stipulated by state law (e.g., not more than 60 or fewer than 10 days in California and Delaware).

There are many possible grounds for excluding a proposal under Rule 14a-8. Table 1 provides a summary of the procedural requirements for submitting a proposal (14a-8(b) to 14a-8(e) and 14a-8(h)) and substantive bases for exclusion (14a-8(i)). Procedural requirements include that a proponent must own stock worth at least $2,000 or 1 percent of firm value for at least one year before the meeting; may submit no more than one proposal per meeting; and the proposal and supporting statement may not exceed 500 words. The substantive bases for exclusion are wide ranging. At the most basic level, the proposal must be a proper subject for action under state law. A proposal can be excluded, among other reasons, if it would cause the company to violate a law, is false or misleading, relates to redress of a personal grievance, deals with ordinary business operations,

conflicts with a management proposal, duplicates another proposal in the proxy statement, or relates to a specific amount of dividends.

It is important to note that the SEC does not judge the merits of a proposal when making a no-action letter decision. The Commission's information for companies and shareholders states: "Do we [SEC] judge the merits of proposals? No. We have no interest in the merits of a particular proposal. Our concern is that shareholders receive full and accurate information about all proposals that are, or should be, submitted to them under rule 14a-8."[10] This means that there is no reason investors should make inferences about the merits of proposal from the SEC's decision.

Table 1 reports the number of times that a given reason was the basis for a no-action letter in our sample.[11] The most common reasons for granting a no-action letter were, in order, that the proposal dealt with ordinary business operations, the proponent failed to demonstrate minimum ownership, and the company had already substantially implemented the proposal. Other common grounds for exclusion were that the proposal contained language that was false or misleading, the proposal conflicted with a company proposal offered at the same meeting, and the proposal was not submitted more than 120 days before the proxy statement is to be mailed.

The ability to exclude proposals that are improper under state law is particularly important. Most state laws give the board the authority to run the company, so a proposal that mandates a particular action is often improper under state law (notable exceptions are bylaw amendments concerning decision and governance procedures). Therefore, most proposals are advisory or "precatory" in nature; they "request" or "urge" (or use similar phrasing asking) the company to take an action. In our sample, less than 3 percent of proposals are binding, meaning that proposals are overwhelmingly precatory in nature.

[10] See Question 7 in Division of Corporation Finance, Securities and Exchange Commission, Staff Legal Bulletin No. 14 (CF), dated July 13, 2001.

[11] Companies often claim several grounds for exclusion in their letter to the SEC. If the SEC finds one reason to allow exclusion, it does not offer an opinion on the validity of the other grounds. So this count does not include all grounds for exclusion but rather those grounds that were flagged by the SEC staff.

3. Research Strategy and Related Literature

The essence of our research strategy is to estimate the stock price reaction in the days surrounding the issuance of an SEC no-action letter decision. Because the SEC makes a decision only if a company requests a decision, our sample is not representative of all proposals. This raises the natural question of how to view our contribution in comparison to the existing literature. Table 2 summarizes the existing literature that estimates the value consequences of shareholder proposals. According to Denes et al. (forthcoming), this is the complete list of such papers.

One important fact that is not always recognized about the literature is that *every* paper has a selected sample, often highly non-representative. Of the 12 published papers, seven consider only proposals related to corporate governance and one considers only proposals related to compensation. Six of the papers consider only proposals from certain types of sponsors (four study only proposals from public pension funds, one studies only labor unions, and one studies only proposals from the United Shareholders Association). Eight studies consider only proposals that went to a vote. This might not seem like a material omission, but it excludes the 20 percent of proposals that were omitted following a no-action letter, and the 30 percent that were withdrawn after negotiations, both substantial numbers. More important, the main policy concern with shareholder proposals is not so much that shareholders will approve a bad proposal, but that existence of the proposal itself will be disruptive or that managers will make "side payments" to activists at the expense of shareholders in exchange for having a proposal withdrawn.[12] By construction, then, studies that focus only on voted proposals (a common practice) omit precisely those proposals that are of concern to the law, and include only those proposals that are most likely to be beneficial.

Our study, in comparison, is not restricted to any particular proposal topic, any particular sponsor, or to proposals that went to a vote. In terms of the number of proposals

[12] See the references in footnote 4 as well as see Anabtawi (2006), Bainbridge (2006), Bebchuk (2005), Larcker and Tayan (2012), Romano (2001), and Schwab and Thomas (1998). We emphasize this point to avoid confusion that would arise if one assumed that the main concern with shareholder proposals was bad voting by shareholders.

that are included in the sample as a fraction of all proposals that were made during the sample period, our coverage rate is 31 percent. This is lower than the 49 percent of Thomas and Cotter (2007), but higher than the other studies for which coverage data are available, and well above the 4 percent of Cuñat et al. (2012).

As noted above, we believe the best-identified study of value effects is Cuñat et al. (2012), which uses a regression discontinuity design. By construction, the Cuñat et al. (2012) study only considers proposals for which votes were in the vicinity of 50 percent. Since most proposals receive far fewer votes than this, the proposals in the Cuñat et al. (2012) sample are by construction much more appealing to shareholders than most proposals, and therefore more likely to increase firm value.[13] We do not believe this undermines the value of the Cuñat et al. (2012) study; rather it points out that the Cuñat et al. (2012) study is "only" documenting the value consequences of a particular subset of proposals that are likely to overrepresent the good proposals. Our sample is also restricted, but along a different part of the proposal spectrum, namely proposals that are suspect because managers have chosen to oppose them. As such, we see our evidence as complementary to Cuñat et al. (2012) in that both studies provide evidence on different, but important subsets of proposals.

The purpose of Table 2 is not to criticize the limitations of previous research, but rather to emphasize that our existing knowledge is based on a collection of relatively small fragments of the overall picture. We believe our study fills in a sizeable and particularly important missing piece of the picture by examining, among other issues, proposals that did not go to a vote. Our study also includes much more analysis of non-corporate-governance proposals and non-public-pension-sponsored proposals than the existing literature. Having said that, we do not believe any study – ours or those previously published – is sufficiently free from selection issues that limit the ability to draw conclusions about the full population of shareholder proposals. Proposals sponsored by public pension funds may very well have different value consequences than those sponsored by hedge funds; corporate governance proposals may have different value consequences than proposals focused on social issues; and so forth.

[13] In their sample, 73 percent of proposals fail and the mean vote in favor is 36 percent.

Our main innovation is to study the abnormal return associated with a no-action letter decision. Our event date is well-defined and represents the arrival of new information about the prospects of a proposal. In order for our estimates to reveal the value consequences of a proposal, two conditions must hold: first, market participants must be aware of the existence of a proposal before the SEC makes its decision; and second, the decision must be uncertain from the perspective of investors. The first condition is plausible because prior to the decision the proposal has been seen by various officers in the target company, by the sponsors, and by multiple attorneys at the SEC, in many cases by an outside law firm employed by the company, and sometimes legal counsel for the proponents; it has also been publicly posted on the SEC's web site. Prima facie evidence for the second condition – unpredictability of the decision – is the fact that the SEC grants a no-action letter in only two-thirds of its decisions. An examination of the decision criteria (Table 1) also suggests the difficulty in predicting the SEC's decision. While some criteria seem black and white, such as the proposal not exceeding 500 words, whether a proposal violates other restrictions will not be obvious to an outsider.[14] An outsider will not know if the proponent can demonstrate having met the ownership requirements, and the most common substantive problems – the proposal deals with "ordinary business operations" or has been "substantially implemented" or is "vague or indefinite" – are inherently subjective. While a body of precedential decisions helps to interpret these phrases and predict the outcome, there are still gray areas. If either of these two conditions does not hold, the estimated event return will be zero, biasing against finding a meaningful effect.

4. Data

The empirical analysis draws on three data sources. The primary data are hand-collected from no-action letter files compiled by the SEC. Since October 2007, the files are published on the SEC's web site in PDF format (the information is also available in LexisNexis). Each file contains a cover letter from the SEC that identifies the company, proponent(s), and decision date; a decision letter that explains the reason for the decision;

[14] Even a request to omit a proposal because it exceeds 500 words may not be as obvious as it seems. One decision in our sample concerning the 500-word limit hinged on whether "CEO" was one or three words.

and various letters from the company and its legal representatives and from the proponent and its legal representatives including the proposal itself. Using these files, we hand-collected the decision and decision date for each case, as well as the company, proponents, and content of the proposal. Proposals were grouped into topics, and proponents were grouped into types, as discussed below. Our data run from mid-2007 through the end of 2016. Details of the data collection are reported in the appendix.

Table 3 reports the number of proposals received by companies and the number that companies attempted to omit from October 2007 through the end of 2016. For the years in which the proposals and SEC data fully overlap (2008-2016), 35 percent of proposals are sent to the SEC with a request for a no-action letter. Of the proposals that reach the SEC during the entire period, 57 percent are granted no-action letters and permitted to be omitted from the ballot; 28 percent are not granted no-action letters; and 15 percent are withdrawn or not decided. Of the proposals for which the SEC issues a decision, 67 percent are granted no-action letters.

We use CRSP data to calculate event returns. We calculate the daily abnormal returns using the market-adjusted model and the Fama-French four-factor model of Carhart (1997). The length of the estimation period is 200 trading days, and we require at least 150 days with returns. The estimation period ends 10 days prior to the event date. We winsorize event window cumulative abnormal returns at 1 percent in each tail. We use multiple event windows; all of our event windows start one trading day before the no-action letter decision date and end on dates ranging from one to 10 trading days after the no-action letter decision date. Longer event windows allow for the possibility of some SEC decisions being posted with a delay. We drop an event if the window contains another event (i.e., no-action letter decision date) for the same firm in order to avoid the contamination of abnormal returns with the impact of different decisions. This process leads to a 20 percent decline in sample size because there are many cases in which the SEC makes multiple decisions for a given firm within a short window. There is seasonality in the no-action letter process; 81 percent of no-action letter decision dates are in January, February, or March. Finally, we use Compustat to obtain firm financial information.

5. Evidence on Value Consequences

A. Overall Returns

Table 4 reports the mean abnormal return associated with no-action letter decisions for the full sample. The different panels report mean returns calculated in different ways, in order to assess robustness. In panel A, which contains our main estimates, abnormal returns are calculated using the Fama-French four-factor model, returns are winsorized at the 1 percent level in each tail, and decisions with another decision in the same window are omitted. Column (1) reports the mean abnormal return for decisions that granted a no-action letter, effectively killing the proposal. Returns are reported for various windows beginning one day before the decision and extending to 10 days afterwards. Glancing down column (1), the mean abnormal return ranges from 0.20 percent to 0.55 percent, and is always statistically different from zero. Investors were pleased when the SEC granted a no-action letter, consistent with the idea that managers were acting in shareholder interests when they opposed these proposals. The finding that returns grow as the window becomes longer suggests that information diffuses across the market over a week or two after the decision date.

Panels B and C of Table 4 explore the robustness of this finding. In panel B abnormal returns are adjusted simply by subtracting the market return, but are otherwise calculated as in panel A. The estimates are quite similar to those in panel A: the mean return ranges from 0.24 percent to 0.84 percent, is always statistically different from zero, and grows over time. In panel C, the statistics are calculated as in panel A except that returns are winsorized at the 5 percent level in each tail. The magnitude of the mean return declines – now ranging from 0.10 percent to 0.38 percent – but remains statistically significant except in one case and grows with the length of the window.[15]

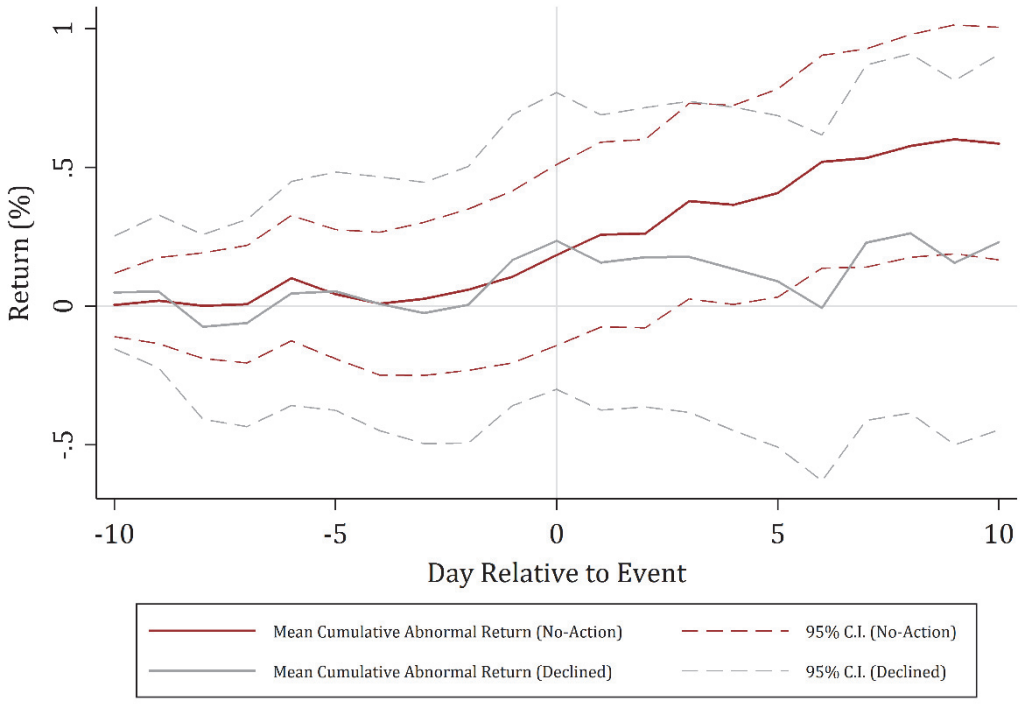
Table 4 reveals a fairly robust pattern that investors responded positively on average to the grant of a no-action letter, that is, the market approved on average when shareholder proposals were omitted. This supports the argument that shareholder proposals can hurt shareholders.

[15] The findings are very similar to panel A if returns are winsorized at the 0.5% level.

Column (2) of Table 4 reports the mean return when the SEC declines to issue a no-action letter, that is, when a proposal is allowed to go to a vote. Given the finding in column (1) that the market approves when proposals are omitted, we might expect to find negative mean returns in column (2), but for the most part that is not what we find. In panel A, which we believe contains the cleanest estimates, the mean return associated with a declined no-action letter request ranges from 0.07 percent to 0.22 percent, depending on the window. None of these estimates can be distinguished from zero statistically at conventional levels of significance, and we do not observe the returns increasing as the window expands. The inability to statistically distinguish the mean from zero is due in part to the much smaller sample size for declined no-action letters compared to granted no-action letters. Examining panels B and C reveals similar findings in that the means are not consistently different from zero, and do not grow in magnitude as the window expands. A mean that is statistically insignificant admits the possibility that the true value is positive, negative, or zero, so we cannot say much here.

Figure 1 presents similar evidence graphically. The figure plots the abnormal return using the Fama-French four-factor model from 10 days before to 10 days after the decision

Figure 1. Cumulative Abnormal Return



date. The red curve shows a gradual increase in the abnormal return for decisions granting a no-action letter after the decision (day 0). The gray curve shows the relatively flat return for decisions that decline to grant a no-action letter; the large confidence interval around the estimates stands out.

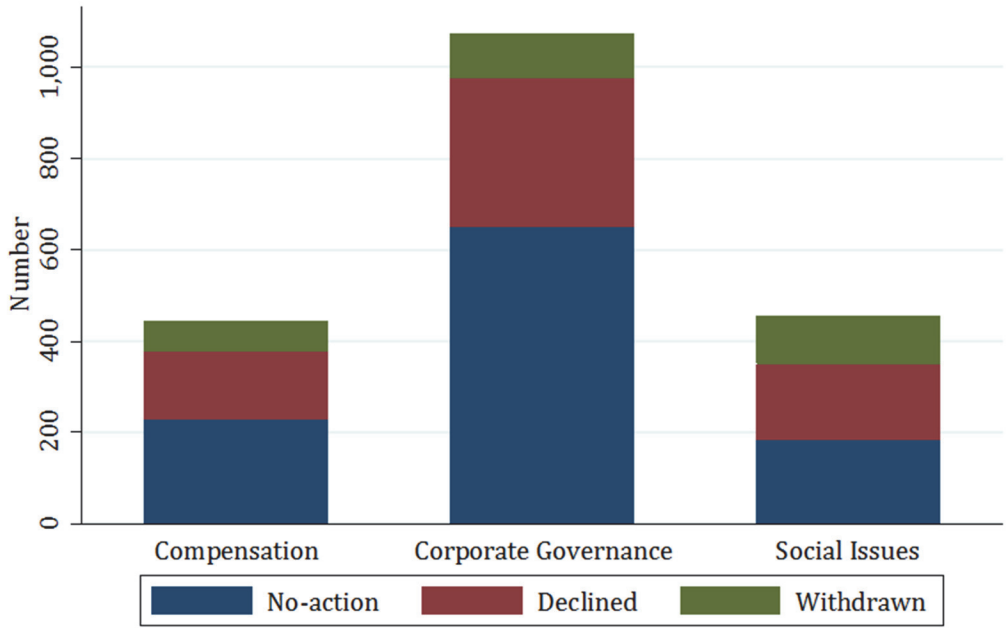
Once a company requests a no-action letter from the SEC, there are three potential outcomes: the no-action letter is granted, the request for a no-action letter is declined, or the proposal is withdrawn by the proponent.[16] For completeness, column (3) of Table 4 reports the mean abnormal return associated with the SEC announcing that the proposal was withdrawn. Unlike the decision to grant or decline a no-action letter request, the announcement of a withdrawn proposal may not be new information to the market because the SEC is merely conveying information it received from the company, and the company only notifies the SEC after it has received a written notification from the proponent. Therefore, our event date (SEC closing the file) is probably several days after the information reaches the market. Table 4 shows that the mean return associated with a withdrawal announcement is usually negative over short windows, sizably so, and statistically different from zero, but statistically insignificant over longer windows. There is some hint that the market views a withdrawn proposal as bad news.

B. By Topic of Proposal

The topic of proposals varies widely, ranging from corporate governance issues to executive compensation to social issues. Different types of proposals may have different effects on firm value. To get a sense of how investors perceive different types of proposals, this section reports the mean returns associated with different proposal topics. Figure 2 provides some context by showing the number of proposals grouped into three broad categories: compensation, corporate governance, social issues. The appendix describes the category definitions in detail. As can be seen, corporate governance proposals are the most popular subject. Figure 2 also shows the fraction of each group that is withdrawn, granted a

[16] There are two other possibilities that occur very rarely: the company may withdraw its request, and the SEC staff may decline to comment. We omit these cases from our sample.

Figure 2. Number of Proposals by Topic



no-action letter, or had a no-action letter request declined. Withdrawal and SEC decision rates vary somewhat across proposals.

Panel A of Table 5 breaks out the mean returns separately for three broad groups of issues: compensation, corporate governance, and social issues. Throughout Table 5, the estimates are based on abnormal returns calculated using the Fama-French four-factor model and winsorized at the 1 percent level in each tail, and windows with more than one event are omitted.

Management's decision to oppose proposals concerning their own compensation deserve particular scrutiny due to the inherent conflict of interest. For compensation proposals, Table 5 shows that the mean return associated with the grant of a no-action letter is positive, ranging from 0.05 percent to 0.57 percent, but not statistically significant. Similarly, for social issues, the mean return associated with a no-action letter is usually positive, but never statistically different from zero. The interesting finding is for corporate governance issues, for which the mean return is always positive and statistically different from zero at the 5 percent level. The means range from 0.33 percent to 0.80 percent, and grow with the window size.

Panel B of Table 5 reports the mean returns for a different grouping of issues. Panel B1 focuses on proposals that would improve governance according to the G-index, and Panel B2 focuses on proposals that would improve governance according to the E-index. Both indexes are intended as summary measures of the quality of a company's governance provisions; they are correlated with a variety of performance metrics and enjoy some popularity among reformers (Bebchuk et al., 2009). The G-index has 24 elements, listed in the appendix., and the E-index has six elements: board declassification, majority voting on bylaw amendments, majority voting for mergers, majority voting for bylaw amendments, limits on golden parachutes, and removal of poison pills. The estimates in Panel B include all proposals that correspond to one of the elements of an index.

Somewhat surprisingly, Panel B of Table 5 shows a consistently positive mean return when the SEC shut down proposals that would have improved governance according to the indexes. The mean return associated with omitting G-index proposals ranges from 0.45 percent to 0.60 percent, and is statistically significant for three of four reported windows. The mean return associated with omitting E-index proposals ranges from 0.68 percent to 1.03 percent, and is statistically different from zero in three of four windows. The mean return associated with the SEC declining to issue a no-action letter is smaller, usually negative, and never distinguishable from zero at conventional levels of statistical significance. There is enough noise in the estimates to be cautious about drawing conclusions, but the estimates seem suggest that investors believed that proposals to increase governance quality as measured by the G-Index and E-Index reduced firm value.

The estimates in Table 5 suggest that investors were uncomfortable with at least some corporate governance proposals. It is natural to wonder precisely which proposals were the main cause of concern. Table 6 reports the mean returns associated with SEC decisions for the six most common specific types of governance proposals in our sample: special meetings, majority voting, independent chair, proxy access, board declassification, and written consent. Data mining is a risk in this sort of exercise because the number of proposals of any specific type can be small and some means are likely to pass critical values for statistical significance simply by chance, so we are hesitant to draw strong conclusions. The basic patterns are the following:

- *Special meetings.* The most common type of proposal expands the right of shareholders who meet certain minimum ownership conditions to call a special meeting of shareholders. The mean return is positive from omitting these proposals and negative from allowing them, but not statistically significant.

- *Majority voting.* The second most common type of proposal requires a majority vote for corporate elections (for directors, bylaws, or control transactions). The move from plurality to majority voting for corporate directors has been one of the most successful planks in the reform platform over the last decade (Choi et al., 2016). The mean return associated with either type of SEC decision on such proposals is positive (with one exception) but not consistently different from zero statistically.

- *Independent chair.* The next most popular type of proposal prohibits the same person from serving as CEO and chair of the board. The mean returns are inconsistently signed and never statistically significant.

- *Proxy access.* Perhaps the strongest evidence concerns proposals to enhance proxy access. Such proposals allow shareholders who meet certain ownership conditions to nominate candidates for the board. Reformers won an important victory in 2010 when the SEC adopted new rules allowing shareholder proposals on proxy access.[17] The mean return associated with omitting such proposals is consistently positive, ranging from 0.24 percent to 1.91 percent, and statistically different from zero for the longer windows. The evidence is not conclusive, but suggests that investors view proxy access proposals with some skepticism. This comports with evidence based on legislative histories finding negative or zero market reactions to enhanced proxy access (Akyol et al., 2012; Larcker et al. 2011; Stratmann and Verret, 2012).

[17] At the same time, the SEC also adopted a rule mandating the shareholder right to nominate directors, but that rule was vacated by the D.C. Court of Appeals in *Business Roundtable v. SEC*, 2011.

- *Board declassification.* Proposals to declassify the board would require all directors to be elected on an annual basis. The alternative – staggered elections – make it more difficult to change control of the board. Several studies have documented a negative correlation between staggered boards and firm value, but recent causal estimates produced mixed findings, or suggest that staggered boards increase value (Cremers et al, forthcoming). The mean return associated with omission of declassification proposals is large and positive in all windows, ranging from 1.17 percent to 2.04 percent, statistically significant at the 10 percent level in three of four windows. The mean return from allowing declassification proposals is positive, but not statistically significant.

- *Written consent.* Finally, the mean return associated with proposals allowing shareholders to act by written consent is positive, and never statistically different from zero.

To summarize, the evidence suggests that the market's concern with shareholder proposals is primarily centered on corporate governance proposals. However, we do not have enough data and precision to drill down very deeply into how investors view specific types of proposals.[18]

C. By Type of Proponent

Just as investors may view some proposal topics more favorably than others, their assessments may also be colored by the identity of the proponent. Because the proponent might be asymmetrically informed about the consequences of a proposal, theory suggests

[18] We also calculated but do not report mean returns associated with proposals that ask companies to reveal their political contributions. Such proposals have been popular recently. Min and You (2015) show that such proposals are targeted at companies with a history of donating to Republican candidates, suggesting they may have a political motivation rather than a value-enhancing goal. The mean returns suggest that investors are skeptical of such proposals, but the magnitudes are not large and the means are never statistically different from zero.

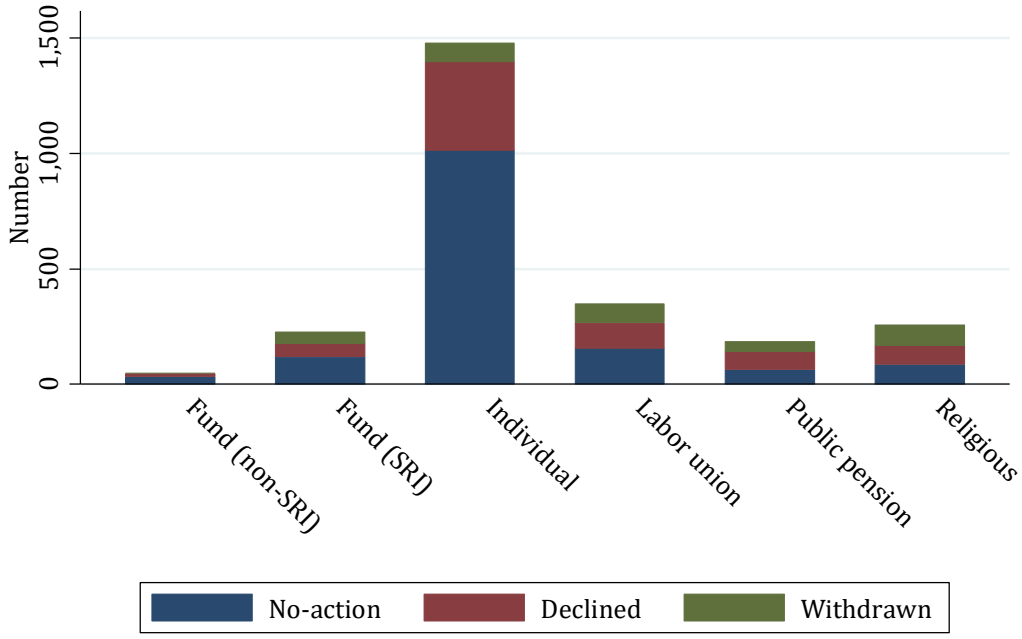
that investors will base their beliefs about its value implications in part on the identity of the sponsor. Here we examine the mean return associated with SEC decisions, by type of proponent.[19]

It is not obvious ex ante which proponents are suspect and which are not, so our estimates should be seen as exploratory. Labor unions and public pensions have been singled out by researchers and in court decisions for potentially using the proposal process to advance private goals that do not maximize value, such as benefits for union workers, which might make investors skeptical about their proposals. But on the other hand, unions may have useful information about a company's operations, putting them in a good position to recognize value-enhancing opportunities. Another group that has been the subject of much discussion is hedge funds. Hedge funds have been lauded for their focus on shareholder value, and substantial evidence exists that activist campaigns increase value (Brav et al., 2015). Others have expressed concern that hedge funds might be short-term oriented, pressing the firm to generate short-term cash distributions at the expense of long-run value (Anabtawi, 2006).

Figure 3 reports the number of proposals in our sample by type of proponent. Individuals make by far more proposals than any other sponsor category, with 1,477 in our sample. This is not simply because proposals from individuals are more likely to be reviewed by the SEC: for the entire ISS Proposals database over 1997-2013, 38 percent of proposals are sponsored by individuals. Some of these proposals originate with persons who make a one-time proposal on a specific issue, but most come from a small number of so-called "corporate gadflies" who make dozens of proposals every year. The most active gadflies in our sample are Gerald R. Armstrong, John Chevedden, husband-wife team James McRitchie and Myra Young, and father-son team William Steiner and Kenneth Steiner. Also mirroring the pattern in the ISS Proposals database, we find very few proposals (a total of 45) from hedge funds (included under "Fund (non-SRI)"). This is because shareholder proposals are not an important element of hedge fund activism in general; hedge funds are

[19] Another (indirect) way to assess how other shareholders view a proposal is through their votes: the evidence connecting votes to the identity of the sponsor is mixed and inconclusive (Thomas and Martin, 1998).

Figure 3. Number of Proposals by Type of Proponent



more focused on other forms of engagement, such as seeking board seats. The most common type of organization to sponsor proposals is labor unions, followed by religious groups, socially responsible investment (SRI) funds, and public pension funds.

Table 7 reports the mean return associated with SEC decisions for different proponent types. Panel A shows the return associated with proposals from individuals, and from organizations as a group. For individuals, the estimates for omitted proposals range from 0.23 percent to 0.43 percent, and are always statistically different from zero. The return is negative when proposals from individuals are allowed to go forward, but never statistically significant. For organizations, the return for omitted proposals is also positive, and statistically significant over the longer windows. There is no statistical difference between proposals from individuals and organizations as a group.[20]

[20] In a preliminary version of this study, we reported some evidence that investors are more skeptical of proposals from individuals than organizations. We do not believe that finding is sufficiently robust to support a general conclusion that investors particularly distrust proposals from individuals.

Panel B of Table 7 reports the mean return associated with proposals from particular types of organizations. For non-SRI funds, the estimates are too noisy to draw convincing conclusions because of so few observations. For SRI funds, the mean return is positive when a proposal is omitted but never statistically distinguishable from zero. The most active SRI funds in our sample are Qube Investment Management, Harrington Investments, and Northstar Asset Management. SRI fund proposals often involve social issues such as global warming and clean energy.

The third section of Panel B of Table 7 reports the mean return associated with proposals from labor unions. As shown in Matsusaka et al. (2017), these proposals are usually sponsored by union-controlled reserve funds and not by union pension funds, which are jointly managed with management. The most prolific union proposers in our sample are the AFL-CIO Reserve Fund, International Brotherhood of Teamsters General Fund, and United Brotherhood of Carpenters Pension Fund. The market's reaction to omission of union proposals is consistently positive but never distinguishable from zero statistically. This does not provide rigorous support for or reject the view that unions use the proposal process opportunistically to extract private benefits. Public pension funds are another group whose motivations have been questioned because they may be conflicted to pursue political objectives. The most common public pension funds in our sample are CalPERS, the New York City funds, and the New York State Common Retirement Fund. The means are imprecisely estimated, and again the evidence does not support or reject the view that investors dislike proposals from public pensions. Finally, the evidence on proposals from religious groups is similarly inconclusive.

6. Evidence on the Value of Proposals

A. Estimating the Value of Proposals

The abnormal return associated with an SEC decision indicates whether the market considers a given shareholder proposal to be in the interest of shareholders at large. However, while the abnormal return is related to the market's assessment of the proposal's value (among other things), the abnormal return is not equal to the proposal's expected value, and there is not even a necessary relation between the sign of the abnormal return and the sign of the proposal's expected value. Here we develop a model of the no-action

letter process to clarify these points. The model leads to a regression approach by which abnormal return data can be used to estimate the implied mean value of proposals in sample.

Once a no-action letter is requested, there are three possible outcomes: the proposal can be withdrawn, a no-action letter can be granted, or the no-action letter request can be declined. Formally, denote the probability of withdrawal as q, and the probability that the SEC declines to issue a no-action letter (i.e., the proposal goes to a vote) conditional on the proposal not being withdrawn as p. The expected percentage change in firm value associated with the proposal going to a vote is Z, which is drawn from a distribution $F(Z)$, and the percentage change in firm value associated with a withdrawn proposal is W. For generality, suppose W is also uncertain and possibly conditional on Z.

We suppose that when a no-action letter indexed by i is requested, the market observes Z_i. Then the return associated with a no-action request is $R_i^{request} = qE[W|Z_i] + (1-q)pZ_i + \varepsilon_i^r$, where ε_i^r is a white noise error term associated with other sources of stock return volatility. If a no-action letter is granted, then the gain or loss from the proposal is not realized and the return is

$$(1) \qquad R_i^{no-action} = -qE[W|Z_i] - (1-q)pZ_i + \varepsilon_i^n;$$

while if the no-action letter request is declined then the gain or loss is realized and the return is

$$(2) \qquad R_i^{declined} = Z_i - qE[W|Z_i] - (1-q)pZ_i + \varepsilon_i^d.$$

The values of $R_i^{no-action}$ and $R_i^{declined}$ are abnormal returns with respective white noise error terms ε_i^n and ε_i^d within an event window.[21]

[21] For simplicity, our return expressions scale a given change in firm value with pre-proposal firm value instead of pre-SEC decision firm value. The magnitude of our estimates in Tables 8 and 9 suggests that any approximation error is negligible.

Note that it is possible for the return associated with a declined request ($R_i^{declined}$) to be positive even if the value of the proposal is negative. This can happen if $qE[W|Z_i]$ is sufficiently negative. In words, the market may respond positively to news that a bad proposal will go to a vote if the consequence of a withdrawn proposal is even worse. This possibility is more than hypothetical: Matsusaka and Ozbas (2017) show theoretically that a negotiated withdrawal is a prime candidate for a value-reducing side deal with the proponent, and give examples in practice. Moreover, withdrawn proposals are not rare, occurring in 14 percent of the cases (Table 3), and there is some evidence of a negative market reaction to withdrawn proposals (Table 4).

The important property of this framework for our purposes is established in the following proposition:

Proposition. $E\left[R^{declined}\middle|declined\right] - E\left[R^{no-action}\middle|no-action\right] = E[Z]$.

Proof: Since q and p are constants, both conditional expectations, which can be estimated with observed data, are equal to their unconditional counterparts. Hence,

$$E\left[R^{declined}\middle|declined\right] - E\left[R^{no-action}\middle|no-action\right] = E\left[R^{declined}\right] - E\left[R^{no-action}\right]$$
$$= E[-qE[W|Z] - (1-q)pZ] - E[Z - qE[W|Z] - (1-q)pZ] = E[Z]. \blacksquare$$

The proposition implies that we can recover the expected value across all SEC-reviewed proposals from the difference between the mean return from proposals with declined requests and the mean return from proposals that were granted a no-action letter. We can implement this with a regression of the form: $R_i = \alpha + \beta \mathrm{DEC_i} + e_i$, where R_i is the abnormal return associated with a decision on proposal i, and DEC_i is a decision dummy variable with

$$\mathrm{DEC}_i = \begin{cases} 1 & \text{if decision = decline request;} \\ 0 & \text{if decision = grant no-action letter.} \end{cases}$$

The proposition requires the assumption that p and q are constant. This is less restrictive than it might seem at first because we can include dummy variables that allow

for differing probabilities corresponding to different proposal topics and sponsor types. Furthermore, we can test if $E[Z]$ varies for groups $G_1, \ldots, G_N$ of proposals, with a specification:

$$(3) \qquad R_i = \alpha_1 I_i^{i\in G_1} + \cdots + \alpha_N I_i^{i\in G_N} + \beta_1 \mathrm{DEC}_i I_i^{i\in G_1} + \cdots + \beta_N \mathrm{DEC}_i I_i^{i\in G_N} + e_i.$$

An important point to recognize is that regression (3) recovers the expected value across all proposals, both those that are removed by a no-action letter and those that are allowed to go to a vote. It should also be kept in mind that Z is an estimate of the expected value of a proposal going to a vote, not the expected value of a proposal being implemented. Formally, the expected value of a proposal going to a vote Z can be decomposed into $Z = \pi X$, where π is the probability that the proposal will be implemented, and X is the value consequence of implementing the proposal. The probability π incorporates the chance of implementation through various channels: management may choose to implement after seeing the vote; management may choose to implement before the vote, after negotiation with the proponent; or in the case of a binding proposal, 51 percent of shareholders might vote in favor. Because $\pi < 1$, our estimates of Z are lower bounds for the value consequence of actually implementing a proposal.

B. Regressions

Table 8 reports a series of regressions. Each column in each panel reports estimates from a single regression. Abnormal returns correspond to the windows indicated at the top of each column, and are calculated as elsewhere in the paper. The estimated value of $E[Z]$ is the coefficient on the decision outcome dummy DEC.

The regressions in Panel A of Table 8 include only one explanatory variable, the decision dummy. The coefficient indicates $E[Z]$ for the full sample. The value ranges from -0.13 percent over the [-1,1] window to -0.33 percent over the [-1,10] window. None of the values are statistically different from zero.

The estimates reported so far implicitly assumed one-size-fits-all when it comes to shareholder proposals. However, it is more realistic to believe that the effect of a given

proposal will vary across firms. Panel B of Table 8 explores this possibility by introducing separate intercepts and decision-dummies for high-profit and low-profit firms. Firms are classified based on whether their income/sales rate is above or below the median. The coefficient on the decision dummies indicate $E[Z|\text{high-profit}]$ and $E[Z|\text{low-profit}]$. The estimates show that the value of proposals is reliably negative at high-profit firms. The estimates range from -0.48 percent to -1.11 percent, and are distinguishable from zero at the 5 percent level. In contrast, the estimated value is positive for low-profit firms, although never statistically different from zero. Proposals appear to have been damaging at high-profit firms, perhaps because they were pressuring managers to move away from practices that seemed to be working well, while there are some hints that at least some proposals might have been beneficial at firms that were struggling.

The regressions in Panel C of Table 8 add topic-specific and proponent type-specific decision dummies, which allow the value of proposals to vary across topics and proponent types. We do not report the coefficients on the individual decision dummies because they are never reliably distinguishable from zero. The coefficient on the high-profit firm decision dummy remains negative, ranging from -0.67 percent to -1.68 percent, and statistically significant. It remains the case that proposals at high-profit firms were harmful, even after controlling for the topic and sponsor. The table also reports the F-statistic for the hypothesis that the values are the same by topic; they are never significant, meaning we cannot detect topic-specific value differences in this framework. The table also reports the F-statistic for the hypothesis that values are the same by proponent type, none of which are statistically significant.

Table 9 sheds additional light on why the market had a negative view of proposals at high-profit firms, by estimating regressions that allow the value to vary with the topic of the proposal. This is essentially a triple interaction (decision x profit x topic), but we present separate regressions by performance level for ease of interpretation. We report estimates for the [-1, 10] window. Panel A divides firms based on their accounting profit. For high-profit firms, the regression in column (1) shows that the market reacted negatively to corporate governance, compensation, and social proposals (but not "other" topics), and all three coefficients are different from zero at the 5 percent level, suggesting that the concern might have been more related to general disruption than the specific

content of the proposals. For low-profit firms, the regression in column (2) shows that the market viewed social proposals positively (5 percent level). Panel B divides firms based on whether their Tobin's Q is above or below the median. This is a more forward-looking measure of the firm's health than accounting profit. The patterns here are muted. The coefficient on corporate governance proposals is negative and significant at the 5 percent level for high Q firms, but no other topic coefficients can be distinguished from zero statistically. Overall, the evidence in Table 9 is mixed, but suggests that the market viewed most types of proposals as disruptive at high-profit firms.

7. Submission of No-Action Letter Requests

A different way to assess the market's view is by studying the return associated with announcement of a no-action letter request to the SEC. Unfortunately, going down this path empirically is challenging because we do not know the precise date at which the review becomes known to the market. We do observe the date that the SEC receives the request, which is published on the SEC web site,[22] but a company's intent to challenge a proposal could well have been revealed to the market some time in advance of formal submission of its letter; at the very least, its legal advisor had advance knowledge in order to prepare the request. All of these caveats suggest that we are unlikely to find a systematic market reaction on the day that the SEC receives the request.

Keeping the limitations in mind, it still seems useful to investigate the return associated with the submission date. To do this, we collected the date that each company submitted its request for a no-action letter to the SEC, and calculated the abnormal return around that date for several event windows. Table 10 presents the estimates. For windows up to 10 days after the submission, the mean returns are quantitatively small (ranging from -0.08 percent to 0.17 percent) and not statistically different from zero. Table 10 also reports the mean return separately for corporate governance, compensation, and social proposals. By and large, the mean return is small and never distinguishable from zero statistically. The lack of evidence of a market reaction to submission of a no-action request could mean that the information is not news to the market.

[22] https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8-incoming.shtml.

8. Conclusions

This paper addresses a debate about whether shareholders can be harmed by the shareholder proposal process. One view, advanced by corporate governance reformers, is that shareholders have a strong self-interest in only approving proposals that increase firm value, and that as a result, shareholders cannot be hurt by proposals. An opposing view is that shareholders might hurt themselves by voting for value-reducing proposals, perhaps based on faulty proxy advice, and that proposals might hurt the firm indirectly by distracting and disrupting managers, or by inducing managers to grant costly "side payments" to activists in order to have their proposals withdrawn.

Using a hand-collected dataset on SEC no-action letter decisions over the period 2007-2016, we study abnormal returns around SEC no-action letter decision dates. Because SEC decisions are uncertain from the perspective of investors until they are made, our finding of an average positive return following decisions to shut down proposals indicates that the market viewed those proposal as value-reducing, suggesting that shareholder proposals can in fact harm shareholders.

Our finding also suggests that managers oppose shareholder proposals for responsible reasons on average: the mean return associated with omission of proposals is reliably positive, ranging from 0.20 percent to 0.55 percent depending on the event window.[23] This is in line with a body of theory that argues competition limits the ability of managers to dissipate shareholder wealth (Manne, 1965; Fama, 1980).

[23] Other than this footnote, we do not discuss the possibility that managers fight proposals for purely technical reasons – that is, they request no-action letters entirely in order to implement rule 14a-8. We believe this is unlikely on the face of it as managers have no legal responsibility to seek a no-action letter on these grounds, and examination of individual letters gives a strong impression that the decision whether or not to request a no-action letter is discretionary to a large degree. Nevertheless, even if we assumed that managers were making requests for purely clerical reasons, our main conclusion would be unchanged: the proposals that the SEC allowed to be omitted would have been harmful to shareholders, in the eyes of the market, if they had been allowed to go forward.

Prior research on shareholder proposals has used event dates, mainly the date that the proxy statement is mailed, that are past the point at which investors become informed about shareholder proposals. It is therefore difficult to draw strong conclusions from the literature's finding of economically small and statistically insignificant abnormal returns. One contribution of our study is to offer a novel identification strategy based on a clean event date at which investors learn whether a shareholder proposal will go to a vote or not.

Our paper is not intended to provide an overall assessment of the value of the shareholder proposal process, but rather to provide well-identified evidence on a particularly important and underexplored subset of proposals – those that are reviewed by the SEC. As we show, every study in the literature to date examines fairly restricted subsets of the population of proposals, and the subsets are not randomly selected and unlikely to be representative. One study with well-identified evidence is Cuñat et al. (2012) that uses a regression discontinuity design to estimate the value of proposals. Taken together, our study and Cuñat et al. (2012) show that shareholder proposals do have real value consequences, contrary to the findings of the early literature that used lower power methods and could not detect significant value effects. Given the fragmentary nature of the samples studied to date, we simply lack evidence at this point to draw confident conclusions about the overall mean effect, or the prevalence of helpful versus harmful proposals. While important issues remain unresolved, the evidence suggests that policy should not be based on a view that the current process generates proposals that are unconditionally helpful or unconditionally harmful for shareholders.

Appendix. Data

The no-action letter files pertaining to shareholder proposals are posted on the SEC's web site: https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml. The decision date was the date on the cover letter from the SEC to the company. If the decision was appealed, we did not consider the second decision.

Decisions were taken from the SEC decision letter. Occasionally, the SEC grants a no-action letter but indicates a specific problem that the proponent may rectify in order to make the proposal acceptable – such as formulating the proposal as precatory rather than mandatory – but gave the proponent the option to change it in a specific way to make it allowable. We classified these cases as the SEC having declined to issue a no-action letter since sponsors typically avail themselves of the opportunity to make the change. Proposals for which the company withdrew its request or for which the SEC declined to issue an opinion were omitted.

The topic of each proposal was identified by reading the actual text supplied by the proponent, and assigned to one of three broad categories. (i) Corporate governance included proposals related to audits, board classification, board committees, board meetings, board structure, compensation committee, cumulative voting, director elections, director evaluation, director independence, director qualifications, independent board chair, majority voting, proxy access, proxy voting, special meetings, shareholder meetings, succession policy, vote counting, and written consent. (ii) Compensation included proposals related to executive compensation including clawbacks, equity holding requirements, incentive pay, limits on pay, perks, say on pay, severance pay, and vesting. (iii) Social issues included proposals relating to animals, energy, environment, foreign investments, health, human rights, and smoking. All other proposals were assigned to a residual "other" category. If a proposal touched on multiple topics, it was assigned to the "other" category, unless all of the topics fit under one of the three broad categories.

The elements of the G-index are: antigreenmail provisions, preferred stock controlled by board (blank check), moratorium on control transactions unless approved by board, limitations on bylaw and charter amendments, control-share cash-out law, classified board, accelerated bonuses upon change of control, golden and silver parachutes, director indemnification, supermajority vote on control transactions, cumulative voting, director duties allow consideration of stakeholders, fair-price provision, golden parachutes, limitation on director liability, pension parachutes, poison pill, confidential voting, executive severance agreements not contingent on control change, special meetings, unequal voting rights, written consent.

Proponents were identified by reading the SEC letter, the company letter, and the proponent(s) documents, and assigned to six broad categories: (i) fund (non-SRI), (ii) fund (SRI), (iii) individual, (iv) labor union, (v) public pension, (vi) religious. If the proponent was an individual usually associated with an organization, such as John Harrington, the president of Harrington Investments, we classified the sponsor as the organization. If a

proposal was jointly sponsored by an organization and an individual, we designated the organization as the sponsor. If a proposal was sponsored by multiple organizations from more than one category, it was assigned to a residual category. Labor unions exclude public sector unions.

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Table 1. Rule 14a-8 Grounds for Exclusion of Shareholder Proposals

Rule number	Procedural requirements	# in sample
14a-8(b)	Proponent must have held stock worth $2,000 or 1% of firm value continuously for at least one year before submitting proposal and must continue to hold them through meeting date	238
14a-8(c)	Proponent may only submit one proposal per meeting	17
14a-8(d)	Proposal and supporting statement may not exceed 500 words	5
14a-8(e)	Proposal must be submitted no less than 120 days before proxy statement is mailed	118
14a-8(h)	Proponent or representative must be present at meeting	23
	Substantive bases for exclusion	
14a-8(i)(1)	Improper subject for action under state law	9
14a-8(i)(2)	Will cause the company to violate state, federal, or foreign law to which it is subject	66
14a-8(i)(3)	Proposal and supporting statement are materially false or misleading	120
14a-8(i)(4)	Relates to redress of a personal claim or grievance, or be designed to provide a benefit to proponent that is not shared by the other shareholders at large	7
14a-8(i)(5)	Relates to operations that account for less than 5 percent of company assets or sales	0
14a-8(i)(6)	Company lacks the power to implement	36
14a-8(i)(7)	Deals with ordinary business operations	424
14a-8(i)(8)	Would disqualify a director candidate, remove a director from office, question competence of director or nominee, seek to include specific nominee, or otherwise affect the outcome of director election	27
14a-8(i)(9)	Conflicts with company's own proposal	119
14a-8(i)(10)	Company has already substantially implemented proposal	229
14a-8(i)(11)	Substantially duplicates another proposal	80
14a-8(i)(12)	Deals with substantially the same subject as another proposal from previous years that received (specified) low support from shareholders	42
14a-8(i)(13)	Relates to specific amounts of dividends	15

Note. This table reports the grounds for excluding a proposal under SEC Rule 14a-8. The last column reports the number of times that a given reason was the basis for a no-action letter in our sample. If a no-action letter was granted for multiple reasons, each reason is counted separately. If the SEC allowed a proponent to modify the proposal to avoid a no-action letter, we count it as a no-action letter not having been granted.

Table 2. Summary of Literature Measuring Returns to Shareholder Proposals

		Event Date (N)					Sample Selection Restrictions			
Study	Period	News story	No-action	Proxy mailing	Annual meeting	Coverage	Topic	Sponsor	Voted only	Other
Karpoff et al. (1996)	1986-1990	27	…	290	258	NA	Gov.	…	…	…
Smith (1996)	1987-1993	39	…	…	…	NA	…	Public pension	…	…
Strickland et al. (1996)	1990-1993	…	…	100	…	NA	Gov.	U.S.A.	Yes	…
Wahal (1996)	1987-1993	96	…	211	…	NA	…	Public pension	…	…
Del Guercio and Hawkins (1999)	1987-1993	….	…	224	224	NA	…	Public pension	…	…
Gillan and Starks (2000)	1987-1994	…	…	1,239	…	NA	Gov.	…	Yes	…
Prevost and Rao (2000)	1988-1994	…	…	32	…	NA	Gov.	Public pension	Yes	…
Thomas and Cotter (2007)	2002-2004	…	…	1,454	1,454	49%	…	…	Yes	…
Cai and Walkling (2011)	2006-2008	…	…	113	…	3%	Comp.	…	Yes	…
Renneborg and Szilagyi (2011)	1996-2005	…	…	1,510	…	< 19%	Gov.	…	Yes	…
Prevost et al. (2012)	1988-2002	…	…	373	…	< 8%	Gov.	Union	Yes	…

Cuñat et al. (2012)	1997-2007	…	…	…	450	4%	Gov.	…	Yes	Approve ~50%
This paper	2007-2016	…	2,217	…	…	31%	…	…	…	No-action request

Note. This table summarizes the literature that estimates abnormal returns associated with shareholder proposal events. The list is drawn from Denes et al. (forthcoming). Studies have employed four event dates: the date that a story appears in news media, the date that the proxy statement is mailed, the date of the annual meeting, and (our study) the date of an SEC no-action letter. The table indicates event date(s) studied in each paper, and the number of observations included in the sample. For example, Karpoff et al. (1996) had a sample of 27 observations when estimating news story event returns. Coverage is the number of proposals in the study as a percentage of proposals received by S&P 1500 firms in the study's sample years; NA indicates that the total number of proposals is unavailable. The study considers only proposals addressed to a specific topic as indicated: "Gov." is corporate governance, "Comp." is executive compensation; no entry means that all proposal topics are included. If the sponsor is listed as "public pension", the sample also included proposals sponsored by CREF; U.S.A. is United Shareholders Association. "Voted only" means that the study examined only proposals that went to a vote, excluding proposals that were withdrawn or omitted.

Table 3. Shareholder Proposals and No-Action Letter Decisions, 2007-2016

			Outcome				
			No-Action Letter Granted		No-Action Letter Declined		Withdrawn
Year	# Received	# Sent to SEC	#	%	#	%	#
2007 (Oct. to Dec.)	1,160	48*	39*	81*	5*	10*	4*
2008	1,147	409	267	66	88	22	47
2009	1,117	407	191	47	158	39	57
2010	1,010	348	228	66	76	22	39
2011	755	305	181	61	79	27	37
2012	715	228	144	65	49	22	30
2013	782	177	88	50	49	28	38
2014	820*	324	184	57	80	25	57
2015	850	296	116	40	124	42	52
2016	840	284	175	62	82	29	26
TOTAL	9,196	2,826	1,613	58	790	28	387

Notes. # Received calculated from ISS Shareholder Proposals database for S&P 1500 companies; approximated for 2014-2016; classified by date of the annual meeting. SEC numbers are classified by year of the SEC decision; collected from no-action letter files. Withdrawn proposals were withdrawn by the proponent. * indicates that the data cover only October, November, and December.

Table 4. Mean Abnormal Return Associated with No-Action Letter Decisions

	No-action letter granted (proposal omitted) (1)			No-action letter declined (proposal permitted) (2)			Proposal withdrawn (3)		
	CAR	SE	N	CAR	SE	N	CAR	SE	N
Panel A. Fama-French four-factor model, winsorized 1%									
[-1,1]	0.20**	0.08	1,288	0.07	0.13	578	-0.38**	0.16	351
[-1,3]	0.32***	0.11	1,236	0.18	0.17	545	-0.05	0.21	335
[-1,5]	0.38***	0.14	1,198	0.15	0.20	528	0.08	0.27	326
[-1,10]	0.55***	0.20	1,095	0.22	0.29	486	0.38	0.37	300
Panel B. ***Market adjusted****, winsorized 1%*									
[-1,1]	0.24**	0.10	1,288	0.23	0.15	578	-0.39**	0.18	351
[-1,3]	0.36***	0.12	1,236	0.40**	0.19	545	0.09	0.23	335
[-1,5]	0.42***	0.15	1,198	0.26	0.24	528	0.12	0.28	326
[-1,10]	0.84***	0.22	1,095	0.70**	0.33	486	0.25	0.37	300
Panel C. Fama-French four-factor model, ***winsorized 5%***									
[-1,1]	0.10	0.06	1,288	-0.001	0.10	578	-0.27**	0.12	351
[-1,3]	0.23***	0.08	1,236	0.08	0.13	545	-0.12	0.16	335
[-1,5]	0.28***	0.10	1,198	0.08	0.16	528	-0.02	0.20	326
[-1,10]	0.38**	0.15	1,095	0.06	0.22	486	0.22	0.27	300

Note. The main entry is the mean cumulative abnormal return (CAR), expressed as a percentage. Standard errors (SE) and number of observations (N) follow the mean. The sample includes all no-action letter decisions from October 2007 through 2016. Overlapping decisions – meaning that the SEC either granted or declined to issue a no-action letter for another proposal at the company in the event window – are omitted. The event window is shown at the beginning of each row. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 5. Mean Abnormal Return by Proposal Topic

	No-action letter granted (proposal omitted) (1)			No-action letter declined (proposal permitted) (2)		
	CAR	SE	N	CAR	SE	N
Panel A. By Broad Topics						
A1. All Compensation						
[-1,1]	0.05	0.23	175	0.07	0.34	103
[-1,3]	0.12	0.31	167	-0.34	0.44	100
[-1,5]	0.53	0.40	158	-0.33	0.53	96
[-1,10]	0.57	0.58	142	-0.24	0.79	84
A2. All Corporate Governance						
[-1,1]	0.33**	0.13	546	-0.11	0.19	241
[-1,3]	0.34**	0.16	530	0.05	0.26	230
[-1,5]	0.42**	0.20	523	-0.09	0.30	221
[-1,10]	0.80***	0.29	492	-0.11	0.44	204
A3. All Social Issues						
[-1,1]	0.13	0.22	156	0.11	0.27	133
[-1,3]	0.28	0.28	145	0.65*	0.36	124
[-1,5]	0.29	0.34	135	0.80*	0.41	122
[-1,10]	-0.02	0.53	122	0.57	0.54	117
Panel B. By Components of Governance Indexes						
B1. Components of G-Index						
[-1,1]	0.45***	0.17	341	-0.34	0.25	153
[-1,3]	0.44**	0.20	332	-0.09	0.32	144
[-1,5]	0.60**	0.26	328	-0.04	0.39	138
[-1,10]	0.53	0.36	313	-0.24	0.55	129
B2. Components of E-Index						
[-1,1]	0.68**	0.28	161	-0.10	0.43	46
[-1,3]	0.88***	0.33	159	-0.03	0.51	44
[-1,5]	1.03**	0.41	157	0.41	0.61	43
[-1,10]	0.94	0.62	154	0.47	0.85	42

Note. The main entry is the mean cumulative abnormal return (CAR), expressed as a percentage. Standard errors (SE) and number of observations (N) follow the mean. The sample includes all no-action letter decisions from October 2007 through 2016. Observations are omitted if the SEC issued a decision on another proposal at the company in the event window. Abnormal returns are calculated using the Fama-French four-factor model, and returns are winsorized at the 1 percent level in each tail. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 6. Mean Abnormal Return by Specific Proposal Topics

	No-action letter granted (proposal omitted)			No-action letter declined (proposal permitted)		
	CAR	SE	N	CAR	SE	N
Special meeting						
[-1,1]	0.36	0.27	116	-0.79	0.51	55
[-1,3]	0.20	0.30	112	-1.05	0.65	50
[-1,5]	0.43	0.40	111	-1.16	0.82	47
[-1,10]	0.27	0.47	106	-0.94	1.18	44
Majority voting						
[-1,1]	0.49*	0.29	110	0.05	0.46	30
[-1,3]	0.53	0.34	108	-0.01	0.59	29
[-1,5]	0.57	0.43	108	0.34	0.63	29
[-1,10]	0.67	0.67	106	0.42	0.97	28
Independent chair						
[-1,1]	-0.26	0.37	50	0.51	0.33	49
[-1,3]	-0.37	0.51	46	0.44	0.38	47
[-1,5]	-0.03	0.70	46	0.32	0.52	45
[-1,10]	0.68	0.96	42	-0.22	0.66	45
Proxy access						
[-1,1]	0.24	0.34	62	-0.16	0.51	48
[-1,3]	0.70*	0.39	62	0.12	0.72	47
[-1,5]	1.09**	0.47	60	-0.21	0.64	46
[-1,10]	1.91**	0.75	55	0.51	1.11	40
Declassify board						
[-1,1]	1.17*	0.70	44	0.41	1.11	9
[-1,3]	1.60*	0.86	44	0.25	1.47	9
[-1,5]	2.04*	1.02	43	0.36	2.10	9
[-1,10]	1.48	1.49	43	1.15	2.52	9
Written consent						
[-1,1]	0.60	0.37	26	-0.13	0.31	32
[-1,3]	0.27	0.47	26	0.61	0.49	30
[-1,5]	0.09	0.54	25	0.60	0.57	29
[-1,10]	0.17	0.73	24	0.07	0.61	25

Note. The main entry is the mean cumulative abnormal return (CAR), expressed as a percentage. Standard errors (SE) and number of observations (N) follow the mean. The sample includes all no-action letter decisions from October 2007 through 2016. Observations are omitted if the SEC issued a decision on another proposal at the company in the event window. Abnormal returns are calculated using the Fama-French four-factor model, and returns are winsorized at the 1 percent level in each tail. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 7. Mean Abnormal Return by Type of Proponent

	No-action letter granted (proposal omitted)			No-action letter declined (proposal permitted)		
	CAR	SE	N	CAR	SE	N
Panel A. Individual vs. Organization Proponents						
1. Individual						
[-1,1]	0.23**	0.11	804	-0.004	0.18	270
[-1,5]	0.42**	0.18	749	-0.15	0.28	244
[-1,10]	0.43**	0.25	690	-0.10	0.40	225
2. Organization						
[-1,1]	0.14	0.13	484	0.13	0.19	308
[-1,5]	0.31	0.22	449	0.40	0.29	284
[-1,10]	0.76**	0.33	405	0.50	0.42	261
Panel B. Types of Organization						
1. Fund (non-SRI)						
[-1,1]	-0.86	0.53	24	0.81	0.62	9
[-1,5]	-0.27	1.38	21	0.30	1.57	9
[-1,10]	0.55	1.93	20	0.07	2.87	9
2. Fund (SRI)						
[-1,1]	0.39	0.22	110	-0.11	0.27	63
[-1,5]	0.14	0.34	104	0.49	0.49	58
[-1,10]	0.62	0.61	93	0.41	0.63	54
3. Labor union						
[-1,1]	0.10	0.27	133	0.45	0.35	96
[-1,5]	0.48	0.43	123	0.21	0.56	90
[-1,10]	0.89	0.67	110	-0.15	0.81	85
4. Public pension						
[-1,1]	0.12	0.47	55	-0.49	0.49	72
[-1,5]	0.46	0.84	51	0.07	0.63	70
[-1,10]	1.19	1.18	47	1.19	0.99	61
5. Religious						
[-1,1]	0.10	0.35	67	0.84*	0.43	55
[-1,5]	0.84	0.58	64	1.17**	0.57	50
[-1,10]	1.10	0.88	58	1.00	0.80	47

Note. The main entry is the mean cumulative abnormal return (CAR), expressed as a percentage. Standard errors (SE) and number of observations (N) follow the mean. The sample includes all no-action letter decisions from October 2007 through 2016. Observations are omitted if the SEC issued a decision on another proposal at the company in the event window. Abnormal returns are calculated using the Fama-French four-factor model, and returns are winsorized at the 1 percent level in each tail. Proposals with multiple sponsors appear under each sponsor type in Panel B. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 8. Regressions of Abnormal Return on Decision Dummy (DEC)

	[-1,1]	[-1,5]	[-1,10]
Panel A. Single Value			
DEC	-0.13	-0.23	-0.33
	(0.15)	(0.25)	(0.36)
Constant	Yes	Yes	Yes
R^2	.0004	.001	.001
N	1,866	1,726	1,581
Panel B. Separate Values by Firm Profit			
DEC × high-profit firm	-0.48**	-0.70**	-1.11**
	(0.22)	(0.34)	(0.50)
DEC × low-profit firm	0.19	0.22	0.48
	(0.22)	(0.36)	(0.51)
Constants: high-profit & low-profit	Yes	Yes	Yes
R^2	.009	.018	.018
N	1,840	1,701	1,558
Panel C. Separate Values by Firm Profit, Topic, and Proponent Type			
DEC × high-profit firm	-0.67**	-0.93*	-1.68**
	(0.31)	(0.50)	(0.72)
DEC × topics	Yes	Yes	Yes
DEC × sponsor	Yes	Yes	Yes
Constants: high-profit & topics & proponent types	Yes	Yes	Yes
R^2	.013	.021	.024
N	1,840	1,701	1,558
H_0: DEC × topics identical	$F = 0.63$	$F = 0.33$	$F = 1.42$
H_0: DEC × proponents identical	$F = 0.52$	$F = 0.16$	$F = 0.61$

Note. Each column of each panel reports estimates from a regression in which the dependent variable is the cumulative abnormal return over the window indicated at the top of the column. Standard errors are in parentheses beneath the coefficient estimates. Abnormal returns are calculated using the Fama-French four-factor model. Returns are winsorized at the 1 percent level in each tail. Observations with another decision in the event window are omitted. DEC is a dummy variable equal to one if the decision was to decline the no-action letter request, and zero if a no-action letter was granted. Each regression includes the logarithm of the market value of the firm as a control variable, and one or more constant terms, whose coefficients are not reported. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 9. Regressions of Abnormal Return on Decision Dummy (DEC), by Issue Type, for High and Low Performing Firms

	High Performing Firms (1)	Low Performing Firms (2)
Panel A. Performance Measured by Accounting Profit		
DEC × Corporate Governance	-1.44**	-0.37
	(0.67)	(0.86)
DEC × Compensation	-2.32**	0.90
	(1.09)	(1.42)
DEC × Social	-2.09**	2.82**
	(1.04)	(1.35)
DEC × Other	0.63	0.79
	(0.93)	(1.38)
R^2	.027	.026
N	787	771
Panel B. Performance Measured by Tobin's Q		
DEC × Corporate Governance	-1.26**	-0.37
	(0.62)	(1.00)
DEC × Compensation	0.06	-1.41
	(1.13)	(1.45)
DEC × Social	0.54	0.28
	(0.94)	(1.63)
DEC × Other	-0.21	1.54
	(1.00)	(1.32)
R^2	.016	.022
N	902	656

Note. Each column of each panel reports estimates from a regression in which the dependent variable is the cumulative abnormal return over a [-1,10] window. Standard errors are in parentheses beneath the coefficient estimates. Abnormal returns are calculated using the Fama-French four-factor model. Returns are winsorized at the 1 percent level in each tail. Observations with another decision in the event window are omitted. DEC is a dummy variable equal to one if the decision was to decline the no-action letter request, and zero if a no-action letter was granted. Each regression includes the logarithm of the market value of the firm as a control variable, and topic-specific constant terms, whose coefficients are not reported. Firms are categorized into high or low performance by comparing their accounting profit or Tobin's Q to the median. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.

Table 10. Mean Return Associated with Submission of No-Action Letter Request

	CAR	SE	N
All Requests			
[-1,1]	-0.08	0.08	1,422
[-1,3]	0.01	0.11	1,376
[-1,5]	-0.05	0.13	1,354
[-1,10]	0.17	0.18	1,297
Corporate Governance			
[-1,1]	-0.07	0.11	648
[-1,3]	-0.02	0.15	632
[-1,5]	-0.05	0.18	628
[-1,10]	-0.10	0.25	608
Compensation			
[-1,1]	0.30	0.23	194
[-1,3]	0.45	0.31	184
[-1,5]	0.33	0.40	181
[-1,10]	1.18**	0.54	169
Social			
[-1,1]	-0.19	0.19	208
[-1,3]	-0.02	0.27	198
[-1,5]	0.10	0.34	192
[-1,10]	0.74*	0.44	185

Note. The main entries are cumulative abnormal returns (CAR) over the indicated windows. CARs are winsorized at the 1 percent level in each tail. Observations for which the company made another submission in the same window are deleted. Significance levels are indicated: * = 10 percent, ** = 5 percent, *** = 1 percent.