

The New Form 8-K Disclosures

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Abstract

The Securities and Exchange Commission (SEC) has mandated new disclosure requirements in Form 8-K, which became effective on August 23, 2004. The SEC expanded the list of items that have to be reported, and accelerated the timeliness of these reports. This study investigates whether the various items that need to be disclosed are associated with significant contemporaneous excess market returns and abnormal trading volume and volatility, as well as drift in returns subsequently. We find that the new required items consist of over one half of the Form 8-K filings in 2005-2006, and that these items are associated with abnormal volume and return volatility around both the SEC filing date and the event date. We also find some items to have significant return drifts after the SEC filings. We further find that firms typically disclose the required items within the mandatory period (typically four days), and that market participants seem to use this more timely information in setting immediate security prices, although not always completely.

The New Form 8-K Disclosures

The SEC requires public companies to file, in a timely fashion, reports of material events. These Form 8-K filings alert shareholders to potentially significant events such as an initiation of bankruptcy proceedings, a change in the certifying accountant, or a significant acquisition of assets. The SEC has recently promulgated a new guidance expanding the scope of events which may trigger the filing of Form 8-K, and significantly reducing the delay in the filing of such reports (SEC, 2004). The new SEC rule “Additional Form 8-K Disclosure Requirements and Acceleration of Filing Date” introduced or significantly amended twelve items that the commission deemed relevant to the public. It also reorganized all disclosure items into topical categories and shortened the filing deadline for all mandatory items to four business days (from the prior deadlines of between five and fifteen days depending on the item). This study investigates the timeliness of and market reactions to 8-K reports filed under the new regime.

Using a large sample of 8-Ks filed in 2005 and 2006 we document that new or largely expanded items (henceforth, referred to together as “new” items) are present in over half of all filings made during this period. We show that the new items have significant information content as measured by the abnormal trading volume and abnormal return volatility around both the event date (the day on which the event occurred; which may be disclosed to the market through a press release) and the Form 8-K filing date. The majority of the new items also exhibit significant abnormal **signed** stock price reaction around the event date, the filing date or both (of appropriate direction where the sign could be hypothesized). Additionally, some of the items exhibit significant return drift in the expected direction for up to 90 days after the SEC filings. Similar results are obtained for items which have been previously disclosed in Forms 8-K,

indicating that the new events are as informative to the market as those events which were typically disclosed in Form 8-K before 2004.

Examining the timeliness of filings under the new guidance, we observe that voluntary and semi-voluntary events are reported in the timeliest manner (consistent with prior literature's results regarding filings made under the old guidance). We find that nearly 95 percent of filings are made within the new four business day deadline, with a third of the timely filings for mandatory items made on the last allowed day. Overall, we conclude that the new SEC guidance has been successful in providing the investing public with relevant information on a timelier basis.

Our study contributes to the current literature on Form 8-K along three main dimensions. First, it examines the information content of the new items that have been added recently to the list of mandatory items. Second, it examines the market reactions not only by signed returns, but also by investigating the association of the new information with contemporaneous return volatility and trading volume. Finally, it examines whether there is a drift in returns beyond the SEC filing date, similar to the well documented post earnings announcement drift. Our study is also much more comprehensive than prior studies that hand collected their samples, and is several orders of magnitude larger than prior studies, covering well over 120,000 initial Form 8-K filings in 2005-2006.

The rest of this paper is organized as follows. The next section provides detail on the new SEC Form 8-K guidance, reviews the relevant literature and formulates the research questions for the study. The third section defines our variables and describes our sample. The fourth section presents and discusses our empirical results and the final section concludes.

II. Background and Research Questions

2.1 SEC Guidance

Among the purposes of the Securities Exchange Act of 1934 was the promotion of full public disclosure of company information. The Exchange Act requires firms to disclose information to the public about their financial and managerial conditions that is considered to be ‘material’. Since that time, Form 8-K, the “current report”, has been used by firms to disclose timely information on important changes in its operations or financial condition between periodic reports. Originally, the form had to be filed with the SEC within ten days of the end of any month during which certain significant events occurred. These events included a change in control of the registrant, an acquisition or disposal of assets, bankruptcy or receivership, change in registrant's certifying accountants, resignation of registrant's directors, a change in fiscal year and other unspecified events deemed important, as well as any related exhibits and financial statements. Two more events were subsequently defined: amendments to or waivers of the company's code of ethics and a temporary suspension of trading under the company's employee benefit plans. In the 1980s, the deadline for filing Form 8-Ks for non-voluntary events was shortened to five through fifteen days after the occurrence of the event.¹

In June of 2002, the SEC proposed a rule to increase the number of events reportable on a Form 8-K to twenty two and to shorten the filing deadline for most items to two business days.² The guidance discussion was further influenced by the Sarbanes-Oxley Act [SOX] enacted by Congress in July of 2002. Section 409 of SOX mandates the public disclosure in plain English and “on a rapid and current basis” of all material changes to financial conditions or operations of

¹ SEC Financial Reporting Release No. 34 (1989)

² Proposed Rule: Additional Form 8-K Disclosure Requirements and Acceleration of Filing Date, Release No. 33-8106, Release No. 34-46084 (June 17, 2002)

the firm. Correspondingly, the SEC felt that the proposed amendments for Form 8-K were responsive to the real time issuer disclosure mandated in SOX Section 409. The final rule was issued on March 16, 2004 in an SEC Release 33-8400 with compliance required by August 23, 2004.

The final rule “Additional Form 8-K Disclosure Requirements and Acceleration of Filing Date” (SEC, 2004) made three main amendments to prior guidance. It expanded the scope of the events subject to Form 8-K disclosure, created a new topical format, and shortened the deadline for these filings. As in the proposed rule, the number of reportable events was increased to twenty two. There were eight new mandatory items added to Form 8-K: entry into or termination of a material agreement, creation or increase of an off-balance sheet obligation, exit or disposal activities, material impairments, notice of delisting, and non-reliance on a previously issued reports. In addition, two items were transferred from the periodic 10-Q and 10-K reports to continuous and timely disclosure in the 8-K: unregistered sale of securities and modifications to the rights of security holders, and two more items were expanded to the point of essentially becoming new items: departure of directors and amendments to bylaws. Lastly, several items either remained or were introduced on a voluntary or a semi-voluntary basis: results of operations, Regulation FD disclosure (primarily governed by Regulation FD itself) and other material events. The new set of covered events was further reorganized and renumbered into topical categories (see Appendix 1 for a detailed list of categories and items). The last drastic change introduced by Rule 33-8400 was the shortened filing deadline for Forms 8-K. Although the proposed rule suggested that filings be made within two business days of the event, many of the 85 comment letters received by the SEC expressed apprehension at such a short period. Consequently, the SEC shortened the deadline for all non-voluntary items to four business days

following the occurrence of the event. All public domestic companies are required to make their SEC filings available on EDGAR (the Electronic Data Gathering, Analysis, and Retrieval system), which ensures that the reports are generally available to the public within at most one business day of the filing. Thus, the new Form 8-K guidance enables the public to receive information regarding material events within five business days of their occurrence.

2.2 Prior Studies

The majority of prior studies related to Form 8-K examine either auditor related filings or earnings announcements. The auditor related literature examines questions such as whether disclosures of auditor changes are made promptly (Schwartz and Soo [1996], Ettredge et al [2001]) and whether such disclosures have information content (Whisenant et al [2003]). The earnings announcement literature is extensive and addresses issues including the timing of the announcements (Chambers and Penman [1984], Begley and Fischer [1998]), the persistent drift of stock prices subsequent to the announcements (Bernard and Thomas [1989,1990], Collins and Hribar [2000]), and, of course, the market reaction around the earnings announcements. The studies of immediate reaction to earnings announcements examine stock prices (Easton and Zmijewski [1987], Ball and Kothari [1991]), volume and volatility of trading (Beaver [1968], Bamber and Cheon [1995], Landsman and Maydew [2002]), and behavior of sophisticated investors and analysts (Cornell and Landsman [1989], El-Gazzar [1998]). These studies conclude that earnings announcements are valuation relevant and are heavily relied on by market participants. These studies use the preliminary earnings report date which is available in the Compustat database. This date may or may not be the same date on which a Form 8-K disclosing the new earnings information is filed. In fact, many of the firms have not filed a Form 8-K to

disclose their new quarterly or annual earnings prior to 2005, so the earnings-related findings are difficult to generalize to other events disclosed by firms in their Form 8-K.

A few papers examine all events included in Form 8-K disclosure. Carter and Soo [1999] investigate the timeliness of and the stock price reaction to a sample of 5,736 8-K's from 1993. They find that a quarter of the sample 8-K's are filed later than the deadline of five to fifteen days, and that bad (good) news are on average disclosed later (earlier) and with greater instances of deadline non-compliance. Carter and Soo (1999) also observe a strong price reaction around the event date but find that only relatively timely filings (within seven calendar days of the event) exhibit significant price reaction at the filing date. They conclude that the timeliness of a filing determines its informativeness. McLelland [2004] works with the same 1993 sample as Carter and Soo, further amending it with several data requirements, and examines separately three dates relevant for an event warranting a Form 8-K disclosure: the event date, the filing date and the press release date. Examining the trading by small and large investors across these settings he concludes that trading behavior of large vs. small investors differs more for settings where a press release was made and for filings dealings with acquisition and disposal of assets. The last in this group of papers is Pinsker [2006], a descriptive follow up to Carter and Soo's timeliness study in the post SOX era. Using a sample of 462 reportable events from the last three months of 2004 the author finds an improvement in timeliness with 95% of the Forms filed within four business days of the event.

Several law journal articles have contrasted the potential costs and benefits of new Form 8-K requirements. For example, Bernstein [2004] points out the complexity of certain transactions and the time it would take to analyze them, determine the necessity of an 8-K, draft the document for SEC submission, review with relevant parties and file. He hypothesizes that the

shortened period will lead to lower quality reports and the sheer increase in Form 8-K filings will reduce the informativeness of the 8-K.

The literature on Forms 8-K is sparse and leaves a lot of room for further investigation. For example, we do not know whether the new disclosure requirements of the SEC beginning in 2005 actually improved the information set for investors or whether the new requirements for timeliness actually make the new Form 8-K disclosures less informative. The literature to date has focused on signed returns to infer whether investors used the information in Forms 8-K. However, in many cases, the direction of the market reaction to the new information is unclear. For example, is the CEO resignation a good or bad signal for investors? It may be a good signal if the CEO's prior performance had been inferior, but a bad signal if his performance was superior and the CEO is moving to manage a larger competitor. Also, previous studies examine the market reactions to the information disclosed in the Form 8-K, but not whether subsequent market returns tend to drift in the same direction, i.e., whether the reaction to the information is complete at the time of its disclosure. Given the documented evidence of under-reaction to preliminary earnings announcements, it is only natural to ask whether such under-reaction also exists for other Form 8-K events. Prior studies necessarily used small samples since the required disclosures were hand-collected. Since we are able to use a new database that contains SEC Form 8-K filings, the process of constructing a large sample to investigate these questions is now feasible at a low cost.

2.3 Research Questions

Research Question 1: Are Forms 8-K filed under the new SEC guidance informative to the market?

As mentioned previously, the SEC added new Form 8-K items and simultaneously shortened the filing period for these and for existing items. It is unclear a priori if these additional items are value-relevant to investors, given that they are required to be filed for the first time after 2004. If they were deemed important, these events could have been disclosed prior to 2005 on a voluntary basis. Furthermore, the shorter filing period (to within four business days) may mean more firms are likely to err in their initial filings of both new and existing 8-K items. To address this question, we examine the price and volume reactions to the newly disclosed items, as well the price and volume reactions to the old 8-K items in 2005 and 2006 when the filing period was shortened. Furthermore, we examine the delayed stock price reaction to the disclosed events in Form 8-K whether these items are newly required or previously disclosed.

Research Question 2: Are Forms 8-K filed in accordance with the new shortened SEC deadline?

Does the timeliness of the filing affect information content?

We extend the prior literature by examining the timeliness of Form 8-K filings given the shortened disclosure period, and the impact of timeliness on the market reaction to filings under the new guidelines. In addition to general tests of compliance with the shortened disclosure period, we examine whether market reactions differ by how timely the disclosure is.

III. Sample Selection and Variables

3.1 Sample Selection

We obtain initial filings of Form 8-K in the SEC EDGAR database during 2005 and 2006.³ Unfortunately, the SEC EDGAR database identifies firms according to CIK codes, which

³ We do not examine amended disclosures by Form 8-K/A and we exclude duplicate Forms 8-K.

are not well-mapped into other databases used in practice and in academe such as Compustat or CRSP. The Standard & Poors' (S&P) Filing Dates database seeks to fill this void⁴. It contains a match between all companies on the Compustat database (identified by GVKEY) with the CIK identifiers on the SEC EDGAR database⁵. The S&P Filing Dates database matches all Compustat firms (by GVKEY) to CIK codes on the SEC EDGAR database as they were known on the Compustat database at the time through the Charter Oak Point-In-Time database, whether those companies are still active or have become inactive due to such events as mergers, acquisitions, going private or bankruptcies.⁶ Thus, it is useful in constructing a universe of firms that professional investors could have actually been using at the time without survivorship bias. The S&P Filing Dates Database includes all EDGAR filings for a firm identified by GVKEY, as well as some information retrieved from these filings. For example, for 10-Q or 10-K forms, the database includes the report date, which is the end-of the period for which the form is filed. For 8-K Forms, the database contains the report date, which is the date on which the disclosed event had occurred, the filing date, and the SEC category (or categories, but no more than five categories) of events which were reported by the Form 8-K.

We further matched each GVKEY on Compustat that had a Form 8-K filing in 2005 or 2004 with a PERMNO on CRSP, and retained only identifiable unique observations where returns are non-missing for at least some period from 1 day before the event date to 90 days after the SEC filing date to obtain a sample of 127,273 observations that are fairly evenly distributed across the eight calendar quarters of 2005-2006. The SEC allows a firm to file a single Form 8-K

⁴ The database is available through WRDS or directly from S&P.

⁵ The database includes all GVKEY's where the market value of the firm's equity at quarter-end exceeded \$1 million.

⁶ The Charter Oak PIT database is a monthly snapshot of what Compustat users would have access to in the Compustat database during that month. It is available through WRDS. For a description of the database see Livnat and Mendenhall (2006).

to satisfy one or more disclosure items, provided that the company identifies by item number and caption all applicable items being satisfied and provides all of the substantive disclosure required by each of the items. However, in such a case only one date will be presented on the 8-K as the “Date of Report” which will represent the date of earliest event reported. Alternatively, a company may choose to report material events in separate 8-Ks even when the event date and/or the filing date are identical. Although less than 5% of the 8-Ks in our sample are filed on the same date as another 8-K of the same firm, we create two alternative samples to deal with these potential discrepancies. For analyses dealing with event dates, we create *Sample Event Date*, which merges all identical event dates reported on multiple Forms 8-K of a given firm filed on the same date, as if the firm had filed a single Form 8-K. The resulting *Sample Event Date* has 125,468 observations. For analyses dealing with filing dates, we create a smaller *Sample Filing Date*, which merges all identical filing dates reported on multiple Forms 8-K of a given firm, as if the firm had filed a single Form 8-K, even if the original Forms 8-K had different event dates. In effect, we merge the multiple contemporaneous Forms 8-K into one observation assigning the earliest “Date of Report” as the event date. The *Sample Filing Date* has 123,890 observations. Our sample includes 5,457 firms, with 20% having fewer than 13 filing-days (days on which they filed at least one 8-K), 42% having 13 through 24 filing-days, 35% having 25 through 49 filings-days, and the remaining 5% having at least 50 and as much as 172 filing-days during the two-year period 2005-2006.

3.2 Measures of Market Reaction

We use abnormal buy and hold stock returns, abnormal trading volume and abnormal stock price volatility as our measures of market reactions to the information in Forms 8-K. We compute these measures on several windows of interest, including the three days centered on the

event date, the three days centered on the filing date and the period from one day prior to the event date through one day after the filing date. For our drift analysis we compute the abnormal buy and hold returns for the period starting one day after the filing date through 30/60/90 subsequent calendar days.

To estimate the abnormal buy and hold return, we compute the buy and hold return on the individual stock from the first trading day of the period through the last day, and then subtract the buy and hold return on value-weighted portfolio of companies with similar size and book-to-market ratios. The cut-off points to determine the size and B/M matched portfolios and the daily portfolio returns were obtained from Professor Kenneth French's data library, based on a classification of the population into six (two size and three B/M) portfolios.⁷ To avoid any delisting bias we use the delisting return from CRSP where appropriate. If the delisting is due to a forced delisting from an exchange and CRSP has a missing delisting return, we assume the return to be -100%. The firm is assumed to earn the benchmark return subsequent to a delisting.

We estimate abnormal trading volume as average daily share trading volume over the three periods of interest (days -1 through +1 relative to the event or filing date, or from one day before the event date to one day after the filing date) divided by the normal daily share volume during the non-event period (estimated over days -8 through -63 relative to the first day of the period examined). Thus, we designate the abnormal volume for firm *i* filing *j* as $ABVOLUME_{ij,t}$:

$$ABVOLUME_{ij} = \frac{Avg_{d \in [period]} [VOL_{ij,d}]}{Avg_{d \in [-63, -8]} [VOL_{ij,d}]} - 1$$

where *period* is one of the three periods indicated above and $VOL_{ij,d}$ is the daily trading volume in millions of shares on day *d* obtained from CRSP. The abnormal trading volume measures the percentage of changes in daily trading volume during the event period relative to the non-event

⁷ The library is at http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html.

period. We exclude observations where the average volume in the non-event period is equal to zero.

We estimate abnormal stock price return volatility as the average squared abnormal returns in the period of interest (days -1 through +1 relative to the event or filing date, or from one day before the event date to one day after the filing date), divided by the variance of abnormal returns in the non-event period (days -8 through -63 relative to the first day of the period examined). Formally, the abnormal volatility for firm i filing j is designated as $ABVOLAT_{j,t}$:

$$ABVOLAT_{ij} = \frac{Avg_{d \in [period]} [RET_{ij,d} - RFF_{j,d}]^2}{[Std_{d \in [-63,-8]} [RET_{ij,d} - RFF_{j,d}]]^2}$$

where period is one of the three periods indicated above, $RET_{ij,d}$ is the stock return on day d obtained from CRSP, and $RFF_{j,d}$ is the Fama-French value-weighted return on the portfolio with similar size and B/M (6-groups).

IV. Results

4.1 Sample Characteristics

4.1.1 Content

The majority of 8-K's in our sample represent filings related to one event only: 22% of the *Sample Event Date* are filings related to one item, with an additional 56% containing only one item plus exhibits (technically these filings contain two items, but the second item is 9.01). Thus, nearly 80% of the sample Forms 8-K are single-event filings, with 16% covering two events and 4% cover three or more events. We present the distribution of the triggering events in

our sample of 8-K's in Panel A of Table 1. The most common filings are those triggered by the public disclosure regarding results of operations comprising 30% of the sample, followed by 8-Ks reporting the new item *Entry into a Material Agreement* disclosed in 28% of the sample. *Departure and Election of Directors*, an item significantly expanded by the new regulation is discussed in 12% of the sample. Each of the other non-voluntary items is discussed in less than 4% of the sample (less than 5,000 filings). Overall, the new items which were not reported on Form 8-K before 2005 now account for more than 50% of the sample!

(Insert Table 1 about here)

4.1.2 Financial characteristics:

Panel B of Table 1 reports statistics about the distribution of market reactions and financial characteristics of the sample. Unless otherwise noted, we calculate all characteristics for the fiscal quarter in which the filing has occurred based on COMPUSTAT quarterly data. As can be seen in the table, both mean and median 3-day event and filing abnormal returns are very close to zero, which is expected if we do not know whether the information released is favorable or unfavorable. In contrast, both the event and the filing date have over 50% greater volume than “normal” period earlier, and the volatility of abnormal returns during both event and filing dates is more than twice as large as that in the “normal” earlier period. This indicates the importance of using unsigned measures of returns and volume to study the market reactions to the Form 8-K disclosures, which by definition can have favorable as well as unfavorable implications for investors.

The sample firms have a wide distribution of market values from \$110 million for the first quartile to \$1.5 billion for the third quartile. This is expected given our sample selection criteria, basically requiring membership in both Compustat and CRSP. Note that leverage is

slightly lower than reported in prior studies, mean (median) of roughly 20% (15%), whereas prior studies report a median leverage ratio of around 50%. Similarly, the return on asset ratio has a negative mean, although its median is positive at 0.006. Thus, our sample is likely to be tilted to companies that are slightly smaller, less profitable and less financially levered than those used in prior studies.

4.2 Timeliness

The standard setters sought to both shorten and simplify Form 8-K filing deadline in the new guidance. The new rule requires a report to be filed or furnished within four business days after occurrence of the event for all non-voluntary items. Item 8.01 *Other Events* does not have a deadline although prompt reporting is encouraged. For item 7.01 *Regulation FD Disclosure* (and Item 8.01 when filed solely to satisfy its obligations under Regulation FD), the deadline is in accordance with the requirements of Rule 100(a) of Regulation FD. For item 2.02 *Results of Operations and Financial Condition* the event date shall be considered the date of the public disclosure of relevant materials.

When examining the *Sample Event Date* we observe that nearly 95% of 8-Ks are filed within four business day of the event date. The timeliness of the filings categorized by the type of the event can be most clearly seen on a subsample of filings which report one section only (or two sections with the second one being Section 9 *Financial Statements and Exhibits*). This subsample contains 100,607 filings and thus represents 80% of the full sample. Table 2 Panel A contains the distribution of the filing lag by sections for this sub-sample. Consistent with earlier findings of Carter and Soo (1999), we observe that voluntary disclosures of Section 8 *Other Events* are very timely as are also the filings of Section 7 *Regulation FD Disclosures*. The highly timely Section 2 *Financial Information* is primarily driven by the semi-voluntary Item 2.02

Results of Operations filings, 61% of which are filed within one business day of the disclosure of this information to the public. The other five items within Section 2 exhibit similar timeliness to the mandatory items within other sections. We observe that nearly a third of the Forms 8-K disclosing non-voluntary items are filed on the last allowed business day. Finally, the patterns about timeliness reported in Panel A of Table 2 remain the same when examining the full sample (including more than one event per Form 8-K).

(Insert Table 2 about here)

Roughly 20% of our sample represents Forms 8-K filed within one calendar day of Form 10-Q or 10-K filing. Examining only the filings reporting one section within *Sample Event Date*, we observe that 8-Ks filed in proximity to the periodic (10-Q/10-K) reports are slightly more timely both overall and for each section. (Table 2, Panel B) While the percentage of filers violating the four business day rule remains approximately equal at 5%, the distribution of timely filings among the business days is modified; more filings are made on the same business day as the event date or one to two days afterwards, and fewer filings are made on business days three and four subsequent to the event. We conjecture that when firms intend to file a Form 8-K around the time of the periodic filing they schedule the event triggering the filing to occur immediately preceding the deadline for the filing of the periodic report.

Overall, we conclude that for most disclosures, Form 8-K represents a timely disclosure of unexpected events.

4.3 Distribution across Time

We examine the distribution of 8-K filing dates across the two calendar years to discern any patterns or clusters in the filings. Figure 1 depicts the distribution of both stand-alone Forms 8-K and those filed contemporaneously with periodic reports. We see six distinct spikes in the

graph which represent periods approximately four weeks subsequent to the calendar quarter-ends for calendar quarters 1, 2 and 3 in each year (around dates 4/28/2005, 7/28/2005, 10/27/2005, 4/27/2006, 7/27/2006, 10/26/2006). This is expected since the largest single event reported in a Form 8-K in our sample is the disclosure of the results of operations. When we exclude this Item 2.02 from the sample (see Figure 2) we observe that the filings are fairly evenly distributed across the period. Examining each section separately we observe some clustering; Section 1 *Registrant's Business and Operations* features a small cluster in late December of 2005, Section 4 *Matters Related to Accountants and Financial Statements* is concentrated in the first calendar quarters of both 2005 and 2006, likely because changes in auditors tend to occur in the first quarter, as are restatements. Section 5 *Corporate Governance and Management* increases significantly in November and December of 2006, and Section 7 *Regulation FD Disclosure* exhibits spikes on the 1st of several months.

(Insert Figures 1 and 2 around here)

4.4 Market Reactions

4.4.1 Abnormal Contemporaneous Returns

We examine the abnormal buy and hold stock returns for several periods of interest. We perform analysis of 3-day returns centered on the filing date on *Sample Filing Date*, where multiple 8-K filings were merged if they had the same filing date (regardless of the event date). The analyses of 3-day returns centered on the event date and of returns from the event date to the filing date are carried out on *Sample Event Date*, where multiple 8-K filings were merged only if they had the same filing and event date. The overall mean returns are 0.1% (0.2%) for the 3-day period around the event day (the period from the event to the filing date), and are insignificantly different from zero for the 3 days around the filing date. For all three periods, the returns are not

significantly different between firms which filed one or more than one Form 8-K on the same date. There is some evidence that for the 20% of firms that filed an 8-K contemporaneously with an annual or quarterly report (10-Q or 10-K), the mean returns are lower than for the 80% of the firms that filed stand-alone 8-K reports. For the 3 days around the event (filing) date, the abnormal returns are -0.03% (-0.08%) and +0.15% (+0.03%) respectively for those filing with and without a contemporaneous periodic report. While these returns are small in magnitude they are statistically significantly different from each other at the 1% (5%) level. For the period from the event date to the filing date, we observe this phenomenon in medians while the means are statistically insignificantly different. There is also evidence that a greater number of events reported in the same Form 8-K leads to greater abnormal returns (where number of events equals the number of items reported excluding item 9.01 *Exhibit and Financial Reports*). In the 3-day period centered on the event date the mean return for the filings reporting 1, 2, 3, 4 and 5 or more items are respectively 0.1%, 0.2%, 0.8%, 1.0%, and 3.8%, as can be seen in Table 3 Panel A. A similar pattern is observed for the period from event to filing, but not for the 3-day period around the filing date.

(Insert Table 3 about here)

Table 3 Panel B contains the mean abnormal returns in the three periods of interest segregated by the event that triggered the filing. The mean returns are very much in line with expectations. Ten items have statistically significant mean positive returns either around the event date or the filing date. The highest statistically significant returns are observed for Item 3.03 *Material Modifications to the Rights of Security Holders* (in fact in the period around the filing date it is the only item that exhibits a cumulative abnormal return greater than 2%). This item was previously disclosed in the periodic reports and may report events such as an increase

in the number of authorized shares of common stock, changes in the expiration date of the preferred stock purchase rights, etc. Of the 967 filings which contain this item, 70% also contain item 1.01 *Entry into a Material Definitive Agreement*. Thus, these filings specify amendment to the rights of security holders which stem from a merger or purchase, a new credit facility, etc.⁸ These observations which contain both 3.03 and 1.01 drive the positive return for this item - the 3-day abnormal return around the event (filing) date for these observations is +3.98% (+3.10%) significant at .01% level, while the mean abnormal return for the observations which contain item 3.03 but not item 1.01 is not significantly different from zero. Other items that exhibit positive returns are *Unregistered Sales of Equity Securities* (previously disclosed in periodic reports) and *Completion of Acquisition or Disposition of Assets* (an old item). For these three items, as well as for all items exhibiting smaller positive returns, we observe that the return around the event date is higher than the return around the filing date even though the latter is for the most part statistically significant.

Eight items have statistically significant mean negative returns either around the event date or the filing date. The event generating the strongest price impact of -12% (-3% in the median) around the filing date is *Bankruptcy or Receivership*, which has a very small number of observations (the returns for this item around the event date are positive but not statistically significant). Four newly disclosed items generate significant negative returns around both the event date and the filing date: *Costs Associated with Exit or Disposal Activities*, *Material Impairments*, *Notice of Delisting...Transfer of Listing*, and *Non-Reliance on Previously Issued Financial Statements*. We note that for all of these items the magnitude of returns around the filing date is larger than the magnitude of returns around the event date (the opposite of what we

⁸ In some instances a firm refers to the modification of securities holders rights as the material definitive agreement itself. In those cases, item 1.01 in the 8-K contains a lengthy discussion on the modification of rights and item 3.03 simply refers to discussion in item 1.01.

observed for items generating positive returns). Similarly, one old item *Changes in Registrant's Certifying Accountant* exhibits negative but insignificant returns around the event date and negative and highly significant returns around the filing date. We conjecture that either the firm is more forthcoming about disclosing good news earlier, or the market has other means to learn about such events at the time of their occurrence. In either case, we conclude that the “bad news” 8-Ks have greater information content (than “good news” reports) and that market participants especially benefit from these reports being filed in a timelier manner.

4.4.2 Drift Analysis

We now examine the buy and hold abnormal returns starting one day after the filing date and lasting through 30, 60 or 90 calendar days afterwards (using *Sample Filing Date*). As in the shorter windows, we observe that returns are not statistically significantly different between firms submitting one vs. multiple Forms 8-K on the same date, but that they are higher for firms submitting 8-Ks simultaneously with the filings of periodic reports. See Table 3 Panel C for details. We do not find strong evidence that the number of reported events impacts the magnitude of the drift. Examining the returns by the triggering event, we observe that *Bankruptcy or Receivership* leads to the lowest drift of -15%, -13% and -19% for the 30, 60 and 90 day periods respectively. The items *Changes in Control of Registrant* and *Increase/Acceleration of a Direct/Off-Balance Sheet Financial Obligation* also have significant negative drifts between -1.5% and -3.7% in those periods. Notably, we have not observed either of these items significantly negative at the shorter windows. Several other items have negative significant drift returns of a smaller magnitude. Very few items have positive and statistically significant abnormal drift returns, the highest of which are *Material Modifications to Rights of Security Holders* and *Amendments to the Registrant's Code of Ethics*. See Table 3 Panel D for details.

To summarize the results of the signed market reactions, we find some items have predominantly positive mean market effects that are significantly different from zero, whereas others have negative returns around the event and filing dates. Positive returns appear stronger around the event days, while negative are stronger at the filing days. We also see that the immediate market reactions are in several cases incomplete around the event or filing dates, with future abnormal returns continuing for period of 30 to 90 days after the initial event. Still, we do find several categories that show no significant abnormal returns in any of the return periods. Thus, we need to examine unsigned returns and trading volume.

4.4.3 Abnormal Volume and Volatility Analyses

We now examine the abnormal trading volume and abnormal stock return volatility for the three periods of interest. The mean abnormal volume is 62%, 56%, and 60% respectively, for the periods around the event date, filing date and between the two (the mean volatility is 2.8, 2.5, and 2.7 respectively). Both volume and volatility are slightly higher around the event date for firms filing more than one 8-K, but they are the same around the filing date and between the two dates. Not surprisingly, there is evidence that for the firms that filed an 8-K contemporaneously with an annual or quarterly (10-K or 10-Q) report the mean volume and volatility in all periods were higher than for the 80% of the firms that filed stand-alone 8-K reports (significantly different at the 5% level for volume and 1% level for volatility). We also observe that a greater number of reported events lead to greater abnormal volume and volatility (where number of events equals the number of items reported excluding item 9.01 *Exhibit and Financial Reports*). In the 3-day period around the event date the mean abnormal volume for the filings reporting 1, 2, 3, 4, and 5 or more items is respectively 61%, 62%, 82%, 92%, and 190% (with a similar

monotonic pattern observed for volatility). In the 3 days around the filing date we observe this pattern in an even stronger fashion – see Table 4 Panel A and Table 5 Panel A for details.

(Insert Table 4 around here)

Table 4 Panel B contains the mean abnormal volume in the three periods of interest segregated by the event that triggered the filing. We observe that the abnormal volume in every period for every item is significantly greater than zero. From this result alone, we may conclude that Forms 8-K filed under the new SEC regime are associated with significant abnormal market trading volume. The two items which exhibit the highest abnormal volume are *Bankruptcy or Receivership* and *Material Modifications to the Rights of Security Holders*. Recall that these two items exhibit respectively the lowest and highest signed abnormal returns in the periods examined. As expected, the filings reporting the results of operations also exhibit high abnormal volume. Other voluntary and semi-voluntary items such as regulation FD disclosures and Other Events also exhibit fairly high abnormal volume. The item which has the lowest abnormal volume in all three periods is the previously disclosed item *Suspension of Trading Under Registrant's Employee Benefit Plans* (which is still statistically significant at the 10% level and with a magnitude of over 10% of abnormal volume). We note that seven of the twenty two items, including six new and one significantly expanded, have higher abnormal volume around the filing date than around the event date. All of these seven items exhibit negative stock abnormal returns as indicated in prior tables. This supports our earlier conclusion that the content and the timeliness of the “bad news” filings are especially relevant to market participants, as this information is less likely to be disclosed earlier by management or via other means.

The abnormal volatility means segregated by items are to a large degree similar to the abnormal volume results (see Table 5 Panel B). Again, we observe that the abnormal volatility in

every period for almost every item is significantly greater than zero. The highest volatility is generated by the same three items: the “bad news” of *Bankruptcy or Receivership*, the “good news” of *Material Modifications to the Rights of Security Holders* and, as expected, the *Results of Operations and Financial Condition*. The low volatility items are the same as the low volume items except that the lowest volatility is observed in the item *Amendments to the Registrant's Code of Ethics*. Again we observe that the “bad news” items are more likely to have higher volatility around the filing date vs. the volatility around the event date.

(Insert Table 5 around here)

4.5 Impact of the Filing Lag

In the spirit of Carter and Soo (1999), we examine whether the 3 day return, volume and volatility around the filing date differ for filings of varying filing lags, i.e. whether timeliness impacts informativeness of Forms 8-K. However, since 95% of our sample represent filings within the four business days deadline, these tests are significantly less powerful than those of Carter and Soo who observed a large variation in filing lags. Table 6 Panel A contains the mean 3 day abnormal returns by business days elapsed between the event and the filing dates. Since we observe that returns vary by triggering events we tabulate the analysis across Sections as well as across filing lags. The abnormal returns for Sections 3 and 4 (Securities and Trading Markets and Matters Related to Accountants and Financial Statements respectively) appear to be lower when the filing was not made in a timely manner (more than four business days elapsed). However, we do not observe any evidence that the returns vary by filing lag if the 8-K is filed within the deadline. Similarly, for all other Sections the returns appear fairly constant regardless of the filings' timeliness. Panels B and C of Table 6 contain respectively the mean volume and volatility tabulated across Sections and across filing lags. We first note that the 3 day volume

around the filing date is greatest for all Sections when the filing is made on the next business day subsequent to the event. This is a result of the construction of a 3 day metric: if the filing is made on the same business day as the event date the 3 day average will include one day when the public could not have had any knowledge of the event, thus lowering the average volume; if the filing is made on the next business day the 3 day average will include both the event date (when some information is already available to the market) and the filing date (when all information becomes available); if the filing is made on the second business day or subsequently the 3 day period again does not include the event date, lowering the average volume. We also note that for Section 3 and to a lesser degree for Section 2 (Securities and Trading Markets and Financial Information respectively) the abnormal volume is larger when the filing is not made within the new deadline. Further analysis shows that the high abnormal volume and the low abnormal return we observe for tardy filers of Section 3 are driven by results for both Item 3.01 *Notice of Delisting ... Transfer of Listing* and Item 3.03 *Material Modifications to the Rights of Security Holders*. More specifically for disclosure of delisting, the average 3 day return (volume) around the filing date is -2.81% (48.8%) if the form is filed within the deadline and -4.30% (178.8%) if the form is filed subsequently. Similarly for disclosure of material modifications of rights the average 3 day return (volume) around the filing date is +2.27% (119.3%) if the form is filed within the deadline and -1.72% (196.7%) if the form is filed subsequently. The reason behind stronger reaction to tardy filings of these items may be due to some systematic difference between the content of timely and tardy disclosures. When examining abnormal volatility we see similar results to those of abnormal volume (see Panel C of Table 6).

(Insert Table 6 around here)

Thus, our results do not indicate a significant association between filing lags and market reactions, likely because most filers adhered to the shorter filing period promulgated by the SEC.

4.6 Sensitivity Analyses

For robustness, we carry out all the abnormal returns, volume and volatility analyses on the subsample of firms which did not file contemporaneously with a periodic filings (80% of the full sample). All our findings remain qualitatively the same.

V. Conclusions

This study examines the market reactions associated with the new SEC disclosure rules regarding events that need to be reported in Form 8-K filings. The SEC has expanded the list of events that are now required to be disclosed in Form 8-K filings, and shortened the filing period considerably to four business days. We examine a large sample of Form 8-K filings in 2005 and 2006 to determine whether firms actually filed within the shortened mandatory period, and whether Form 8-K filings are associated with significant market reactions.

We find that contrary to prior findings of Carter and Soo (1999), most firms (about 95%) file their Forms 8-K within the required period, indicating a much better compliance with the new requirements. We also find that market reactions to the Form 8-K filings vary by category, with some disclosed events eliciting strong positive mean abnormal returns and others strong negative abnormal returns. We observe that negative returns appear stronger at the filing date, while positive returns appear stronger at the event date, suggesting that the timely disclosures of “bad news” are especially relevant to market participants, as this information is less likely to be disclosed earlier by management voluntarily or via other means. We also find that some items do not exhibit signed abnormal returns, although this can be interpreted as either no information

content for these items, or that these items have favorable implications for some firms and unfavorable for others, with an average market reactions that is indistinguishable from zero. To address this issue, we also examine the market reactions to Forms 8-K filings in terms of both abnormal trading volume and abnormal stock return volatility. We do find significant market reactions to all items using these measures, indicating that the failures of some items to yield mean signed abnormal returns is not due to lack of information content, but likely due to inconsistent implications across filers.

Similar to the post-earnings-announcement drift, we examine subsequent stock market reactions to determine whether the market reactions are complete around the Form 8-K filings, or whether market participants seem to under-react to the information in the Form 8-K filings. Our results seem to be consistent with incomplete initial market reactions, and with significant stock return drifts for several items.

Our results contribute to the existing literature along three main dimensions. First, we show that the new SEC disclosure requirements for Form 8-K were both complied with and yielded information that users reacted to. Second, we show that analysis of market reactions to items in the Form 8-K filings needs to incorporate unsigned abnormal returns and volume. Finally, we document the existence of return drifts for events disclosed through Form 8-K filings.

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Appendix 1

Reportable Events Under SEC Release No. 33-8400

Section	Item	Item Name	New Item*
1	Registrant's Business and Operations	1.01 Entry into a Material Definitive Agreement	Yes
		1.02 Termination of a Material Definitive Agreement	Yes
		1.03 Bankruptcy or Receivership	No
2	Financial Information	2.01 Completion of Acquisition or Disposition of Assets	No
		2.02 Results of Operations and Financial Condition	No (semi-voluntary)
		2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant	Yes
		2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation under an Off-Balance Sheet Arrangement	Yes
		2.05 Cost Associated with Exit or Disposal Activities	Yes
		2.06 Material Impairments	Yes
3	Securities and Trading Markets	3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing	Yes
		3.02 Unregistered Sales of Equity Securities	Yes (from periodic)
		3.03 Material Modifications to Rights of Security Holders	Yes (from periodic)
4	Matters Related to Accountants and Financial Statements	4.01 Changes in Registrant's Certifying Accountant	No
		4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review	Yes
5	Corporate Governance and Management	5.01 Changes in Control of Registrant	No
		5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers	No (expanded)
		5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year	No (expanded)
		5.04 Temporary Suspension of Trading Under Registrant's Employee Benefit Plans	No
		5.05 Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics	No
7	Regulation FD Disclosure	7.01 Regulation FD Disclosure	Yes (semi-voluntary)
8	Other Events	8.01 Other Events	No (voluntary)
9	Financial Statements and Exhibits	9.01 Financial Statements and Exhibits	No

Notes :

- * Yes (from periodic) : indicates items which were transferred from periodic reporting in the 10-Q and the 10-K to continuous and timely reporting in the 8-K.
- * No (expanded) : indicates items which were items were expanded to the point of essentially becoming new items.
- * (semi-voluntary) : indicates items the requirements for which are triggered by the firm's disclosure of material events.
- * (voluntary) : indicates items stemming from material events whose reporting is encouraged but not required.

Table 1 : Descriptive Characteristics

Panel A : Form 8-K Content Distribution

ITEM	Frequency	Percent
1.01 Entry into a Material Definitive Agreement	34,997	27.9%
1.02 Termination of a Material Definitive Agreement	2,637	2.1%
1.03 Bankruptcy or Receivership	18	0.0%
2.01 Completion of Acquisition or Disposition of Assets	2,508	2.0%
2.02 Results of Operations and Financial Condition	37,704	30.1%
2.03 Creation of a Direct/Off-Balance Sheet Financial Obligation	4,747	3.8%
2.04 Increase/Acceleration of a Direct/Off-Balance Sheet Financial Obligation	361	0.3%
2.05 Cost Associated with Exit or Disposal Activities	907	0.7%
2.06 Material Impairments	532	0.4%
3.01 Notice of Delisting ... Transfer of Listing	2,137	1.7%
3.02 Unregistered Sales of Equity Securities	2,518	2.0%
3.03 Material Modifications to Rights of Security Holders	967	0.8%
4.01 Changes in Registrant's Certifying Accountant	1,148	0.9%
4.02 Non-Reliance on Previously Issued Financial Statements	1,124	0.9%
5.01 Changes in Control of Registrant	152	0.1%
5.02 Departure / Election of Directors or Principal Officers	15,056	12.0%
5.03 Amendments to Articles of Incorporation or Bylaws	2,720	2.2%
5.04 Suspension of Trading Under Registrant's Employee Benefit Plans	279	0.2%
5.05 Amendments to the Registrant's Code of Ethics	246	0.2%
7.01 Regulation FD Disclosure	19,332	15.4%
8.01 Other Events	28,467	22.7%
9.01 Financial Statements and Exhibits	94,153	75.0%

Panel B : Financial Characteristics

Variables	N	Mean	Std. Dev.	25th Perc.	50th Perc.	75th Perc.
Abnormal Return (3 day - event)	112,245	0.001	0.073	(0.023)	(0.001)	0.023
Abnormal Return (3 day - filing)	123,891	0.000	0.073	(0.024)	0.001	0.022
Abnormal Volume (3 day - event)	112,245	0.621	5.699	(0.305)	0.035	0.611
Abnormal Volume (3 day - filing)	112,245	0.555	4.755	(0.283)	0.045	0.582
Abnormal Volatility (3 day - event)	112,245	2.810	11.552	0.297	0.757	1.930
Abnormal Volatility (3 day - filing)	112,245	2.470	9.813	0.355	0.807	1.887
Market Value of Equity (t-1)	38,046	3,268.66	14,739.64	110.50	399.26	1,534.72
Book Value of Equity (t-1)	37,752	1,231.68	5,600.97	45.72	163.56	616.74
Stock Price (t)	38,195	43.14	1,324.10	7.47	18.15	32.55
Leverage (t)	34,674	0.202	0.232	0.015	0.148	0.301
ROA (t)	36,937	(0.004)	0.116	(0.001)	0.006	0.019

Notes :

In Panel A, the number of disclosures exceeds the sample size because a firm may disclose multiple events in an 8-K. In Panel B when computing financial characteristics from COMPUSTAT we retained one firm-quarter observation regardless of how many 8-Ks were filed in that fiscal quarter by the firm. Abnormal Return is the buy and hold return on a stock minus the average return on a matched size-B/M portfolio in the three days around the event date (Date or Report on Form 8-K) or the filing date.

Abnormal Volume is average shares traded in the three days around the event/filing date scaled by average shares traded in a preceding non-event period less one. Abnormal Volatility is the squared abnormal returns in the three days around the event/filing date scaled by the variance of abnormal returns in the non-event period. Market (Book) Value of Equity (in \$million) is as of quarter end. Price, Leverage (total debt divided by total assets), and ROA (Income before Extraordinary Items divided by lagged total assets) are as of quarter end.

Table 2 : Form 8-K Filing Lag by Section

Panel A : Subsample of Firms Reporting One Event Only (100,607 obs)

Section	Business Days Between Event and Filing (0=same day filing) : % of Observations					Total % in 4		Total # obs
	0	1	2	3	4	bus. days	>=5	
1 Registrant's Business and Operations	13.3	13.3	14.0	19.3	34.1	93.8	6.2	21,020
2 Financial Information	58.1	20.9	6.1	3.8	4.2	93.2	6.8	32,442
3 Securities and Trading Markets	15.5	15.9	15.7	18.5	28.3	93.9	6.2	2,178
4 Accountants and Financial Statements	16.1	13.4	11.9	18.4	33.0	92.8	7.2	1,492
5 Corporate Governance and Management	21.8	19.0	16.2	17.2	22.0	96.1	3.9	9,994
7 Regulation FD Disclosure	64.4	22.9	5.8	2.8	1.3	97.1	2.9	11,971
8 Other Events	45.6	27.5	10.5	6.4	5.2	95.1	4.9	20,534
9 Financial Statements and Exhibits	45.5	21.5	9.6	8.1	10.3	95.0	5.0	73,151

Panel B : Subsample of Firms Reporting One Event Only and Filed Within One Business Day of a 10-K or 10-Q Filing (21,094 obs)

Section	Business Days Between Event and Filing (0=same day filing) : % of Observations					Total % in 4		Total # obs
	0	1	2	3	4	bus. days	>=5	
1 Registrant's Business and Operations	13.2	14.2	15.9	17.4	32.5	93.2	6.9	3,447
2 Financial Information	61.6	22.4	4.3	2.5	2.4	93.2	6.8	8,774
3 Securities and Trading Markets	17.1	16.7	16.0	16.0	24.7	90.6	9.4	287
4 Accountants and Financial Statements	19.0	18.7	14.1	17.2	24.7	93.7	6.3	348
5 Corporate Governance and Management	22.8	20.1	17.5	15.4	19.7	95.5	4.5	1,524
7 Regulation FD Disclosure	63.9	24.6	5.0	2.6	1.3	97.3	2.7	2,436
8 Other Events	48.9	29.0	8.2	5.6	4.0	95.6	4.4	3,926
9 Financial Statements and Exhibits	50.9	23.1	7.9	6.0	7.1	94.9	5.1	16,042

Table 3 : Abnormal Buy and Hold Returns Analysis

Panel A : 3 Day Abnormal Returns Around the Event Date by Number of Items Reported

# of Events	N	Mean	Pr > t	t-test of diff
1	89,294	0.1%	0.004	
2	18,186	0.2%	0.001	
3	3,381	0.8%	<.0001	<.0001
4	556	1.0%	0.028	
>=5	30	3.8%	0.258	

Panel B : Abnormal Returns by Item

Item	New	Expected Sign	Abnormal Returns		
			3 Day ED	3 Day FD	ED to FD
1.01 Entry into a Material Definitive Agreement	Yes	? Or +	0.52% ***	0.41% ***	0.74% ***
1.02 Termination of a Material Definitive Agreement	Yes	? Or -	0.11%	-0.24%	-0.16%
1.03 Bankruptcy or Receivership	No	-	5.77%	-11.90% *	-8.86%
2.01 Completion of Acquisition or Disposition of Assets	No	?	0.91% ***	0.44% ***	1.13% ***
2.02 Results of Operations and Financial Condition	No (voluntary)	?	-0.15% ***	-0.24% ***	-0.12%
2.03 Creation of a Direct/Off-Balance Sheet Financial Obligation	Yes	?	0.25% ***	0.19% **	0.47% ***
2.04 Increase/Acceleration of a Direct/Off-Balance Sheet Financial Obligation	Yes	-	-0.04%	-1.05%	-2.00% **
2.05 Cost Associated with Exit or Disposal Activities	Yes	?	-0.58% **	-1.08% ***	-1.42% ***
2.06 Material Impairments	Yes	-	-1.13% ***	-1.65% ***	-2.31% ***
3.01 Notice of Delisting ... Transfer of Listing	Yes	-	-1.13% ***	-2.90% ***	-3.65% ***
3.02 Unregistered Sales of Equity Securities	Yes (from periodic)	+	0.97% ***	0.19%	1.23% ***
3.03 Material Modifications to Rights of Security Holders	Yes (from periodic)	?	2.84% ***	2.17% ***	3.73% ***
4.01 Changes in Registrant's Certifying Accountant	No	-	-0.14%	-0.59% ***	-0.84% ***
4.02 Non-Reliance on Previously Issued Financial Statements	Yes	-	-1.04% ***	-1.61% ***	-2.34% ***
5.01 Changes in Control of Registrant	No	?	1.62% **	0.40%	0.94%
5.02 Departure / Election of Directors or Principal Officers	No (expanded)	?	-0.04%	-0.11% **	-0.08%
5.03 Amendments to Articles of Incorporation or Bylaws	No (expanded)	?	0.14%	0.18%	0.29% *
5.04 Suspension of Trading Under Registrant's Employee Benefit Plans	No	-	0.47% **	0.05%	-0.04%
5.05 Amendments to the Registrant's Code of Ethics	No	?	0.34%	-0.27%	-0.08%
7.01 Regulation FD Disclosure	Yes (voluntary)	?	0.22% ***	0.16% ***	0.29% ***
8.01 Other Events	No (voluntary)	?	0.26% ***	0.06%	0.40% ***
9.01 Financial Statements and Exhibits	No	?	0.13% ***	0.02%	0.18% ***

Panel C : 30/60/90 Days Drift - Firms Filing Together with a Periodic Report vs. Those Filing Separately

	Periodic Filing	N	Mean	Pr > t	t-test of diff
30 days	No	98,227	-0.02%	0.601	
	Yes	24,531	0.28%	0.001	0.001
60 days	No	97,520	-0.01%	0.917	
	Yes	24,363	0.29%	0.010	0.016
90 days	No	96,876	0.05%	0.438	
	Yes	24,177	0.47%	0.001	0.007

Panel D : 30/60/90 Days Drift by Item

Item	New	Expected Sign	30 days Mean	60 days Mean	90 days Mean
1.01 Entry into a Material Definitive Agreement	Yes	? Or +	0.01%	0.10%	0.22% *
1.02 Termination of a Material Definitive Agreement	Yes	? Or -	-0.15%	0.00%	-0.42%
1.03 Bankruptcy or Receivership	No	-	-14.70% **	-13.32% **	-19.00% **
2.01 Completion of Acquisition or Disposition of Assets	No	?	-0.17%	0.13%	-0.06%
2.02 Results of Operations and Financial Condition	No (voluntary)	?	0.18% ***	0.19% **	0.29% ***
2.03 Creation of a Direct/Off-Balance Sheet Financial Obligation	Yes	?	-0.40% **	-0.59% **	-0.65% **
2.04 Increase/Acceleration of a Direct/Off-Balance Sheet Financial Obligation	Yes	-	-1.53% *	-2.50% **	-2.04% *
2.05 Cost Associated with Exit or Disposal Activities	Yes	?	-1.11% ***	-0.97% *	-1.14%
2.06 Material Impairments	Yes	-	-1.23% ***	-1.62% **	-1.95% **
3.01 Notice of Delisting ... Transfer of Listing	Yes	-	-0.54%	-0.44%	0.27%
3.02 Unregistered Sales of Equity Securities	Yes (from periodic)	+	0.37%	0.35%	0.31%
3.03 Material Modifications to Rights of Security Holders	Yes (from periodic)	?	0.71%	1.45% *	1.34%
4.01 Changes in Registrant's Certifying Accountant	No	-	-0.68%	-0.93%	-0.84%
4.02 Non-Reliance on Previously Issued Financial Statements	Yes	-	0.13%	0.52%	0.94%
5.01 Changes in Control of Registrant	No	?	-2.06% *	-3.69% **	-3.44% *
5.02 Departure / Election of Directors or Principal Officers	No (expanded)	?	-0.28% ***	-0.36% **	-0.45% **
5.03 Amendments to Articles of Incorporation or Bylaws	No (expanded)	?	-0.02%	0.17%	0.04%
5.04 Suspension of Trading Under Registrant's Employee Benefit Plans	No	-	-0.26%	-0.28%	-0.68%
5.05 Amendments to the Registrant's Code of Ethics	No	?	0.97%	1.14%	0.92%
7.01 Regulation FD Disclosure	Yes (voluntary)	?	0.29% ***	0.53% ***	0.69% ***
8.01 Other Events	No (voluntary)	?	-0.13% *	-0.35% ***	-0.45% ***
9.01 Financial Statements and Exhibits	No	?	0.08% **	0.07%	0.12% *

Notes :

* indicates significance at 10% level; ** indicates significance at 5% level; *** indicates significance at 1% level

Abnormal Return is the buy and hold return on a stock minus the average return on a matched size-B/M portfolio in the period of interest : the three days around the event date (Date or Report on Form 8-K), the three days around the filing date, the period from one day prior to the event date through one day after the filing date, and periods from one day after the filing date through 30/60/90 calendar days.

Table 4 : Abnormal Volume Analysis

Panel A : Abnormal Volume around Filing Date by Number of Items Reported

# of Events	N	Mean	Pr > t	t-test of diff
1	89,294	53%	<.0001	
2	18,186	62%	<.0001	
3	3,381	79%	<.0001	0.002
4	556	95%	<.0001	
>=5	30	119%	0.032	

Panel B : Abnormal Volume by Item

Item	New	Abnormal Volume		
		3 Day ED	3 Day FD	ED to FD
1.01 Entry into a Material Definitive Agreement	Yes	51% ***	51% ***	51% ***
1.02 Termination of a Material Definitive Agreement	Yes	48% ***	49% ***	49% ***
1.03 Bankruptcy or Receivership	No	400% **	578% **	464% **
2.01 Completion of Acquisition or Disposition of Assets	No	33% ***	33% ***	33% ***
2.02 Results of Operations and Financial Condition	No (voluntary)	88% ***	76% ***	87% ***
2.03 Creation of a Direct/Off-Balance Sheet Financial Obligation	Yes	31% ***	26% ***	28% ***
2.04 Increase/Acceleration of a Direct/Off-Balance Sheet Financial Obligation	Yes	83% ***	77% ***	78% ***
2.05 Cost Associated with Exit or Disposal Activities	Yes	41% ***	51% ***	50% ***
2.06 Material Impairments	Yes	27% ***	40% ***	36% ***
3.01 Notice of Delisting ... Transfer of Listing	Yes	43% ***	55% ***	49% ***
3.02 Unregistered Sales of Equity Securities	Yes (from periodic)	77% ***	70% ***	73% ***
3.03 Material Modifications to Rights of Security Holders	Yes (from periodic)	131% ***	121% ***	124% ***
4.01 Changes in Registrant's Certifying Accountant	No	28% **	21% **	23% **
4.02 Non-Reliance on Previously Issued Financial Statements	Yes	35% ***	45% ***	43% ***
5.01 Changes in Control of Registrant	No	71% **	61% **	54% **
5.02 Departure / Election of Directors or Principal Officers	No (expanded)	26% ***	29% ***	28% ***
5.03 Amendments to Articles of Incorporation or Bylaws	No (expanded)	37% ***	32% ***	34% ***
5.04 Suspension of Trading Under Registrant's Employee Benefit Plans	No	14% ***	11% *	11% **
5.05 Amendments to the Registrant's Code of Ethics	No	67% *	40% **	53% *
7.01 Regulation FD Disclosure	Yes (voluntary)	57% ***	52% ***	57% ***
8.01 Other Events	No (voluntary)	82% ***	73% ***	77% ***
9.01 Financial Statements and Exhibits	No	69% ***	61% ***	67% ***

Notes :

* indicates significance at 10% level; ** indicates significance at 5% level; *** indicates significance at 1% level

Abnormal Volume is average shares traded in the period of interest scaled by the average shares traded in a preceding non-event period less one. Periods of interest are: the three days around the event date (Date or Report on Form 8-K), the three days around the filing date, and the period from one day prior to the event date through one day after the filing date.

Table 5 : Abnormal Volatility Analysis
Panel A : Abnormal Volatility around Filing Date by Number of Items Reported

# of Events	N	Mean	Pr > t	t-test of diff
1	89,294	2.39	<.0001	
2	18,186	2.72	<.0001	
3	3,381	3.39	<.0001	<.0001
4	556	2.77	<.0001	
>=5	30	3.70	0.065	

Panel B : Abnormal Volatility by Item

	Item	New	Abnormal Volatility			
			3 Day ED	3 Day FD	ED to FD	
1.01	Entry into a Material Definitive Agreement	Yes	2.22 ***	2.04 ***	2.05 ***	
1.02	Termination of a Material Definitive Agreement	Yes	2.24 ***	2.43 ***	2.35 ***	
1.03	Bankruptcy or Receivership	No	3.17 **	8.73 *	6.57 *	
2.01	Completion of Acquisition or Disposition of Assets	No	1.58 ***	1.46 ***	1.52 ***	
2.02	Results of Operations and Financial Condition	No (voluntary)	4.37 ***	3.70 ***	4.17 ***	
2.03	Creation of a Direct/Off-Balance Sheet Financial Obligation	Yes	1.33 ***	1.26 ***	1.27 ***	
2.04	Increase/Acceleration of a Direct/Off-Balance Sheet Financial Obligation	Yes	3.25 **	2.98 ***	2.56 ***	
2.05	Cost Associated with Exit or Disposal Activities	Yes	2.47 ***	2.42 ***	2.50 ***	
2.06	Material Impairments	Yes	2.31 ***	2.79 ***	2.57 ***	
3.01	Notice of Delisting ... Transfer of Listing	Yes	2.14 ***	1.98 ***	2.03 ***	
3.02	Unregistered Sales of Equity Securities	Yes (from periodic)	2.30 ***	2.00 ***	2.21 ***	
3.03	Material Modifications to Rights of Security Holders	Yes (from periodic)	7.80 ***	5.44 ***	5.73 ***	
4.01	Changes in Registrant's Certifying Accountant	No	1.49 ***	1.24 ***	1.34 ***	
4.02	Non-Reliance on Previously Issued Financial Statements	Yes	2.40 ***	3.83 ***	3.22 ***	
5.01	Changes in Control of Registrant	No	2.16 ***	1.78 ***	1.81 ***	
5.02	Departure / Election of Directors or Principal Officers	No (expanded)	1.62 ***	1.65 ***	1.62 ***	
5.03	Amendments to Articles of Incorporation or Bylaws	No (expanded)	1.93 ***	1.75 ***	1.82 ***	
5.04	Suspension of Trading Under Registrant's Employee Benefit Plans	No	1.25 ***	1.28 ***	1.29 ***	
5.05	Amendments to the Registrant's Code of Ethics	No	1.18 ***	1.33 ***	1.27 ***	
7.01	Regulation FD Disclosure	Yes (voluntary)	2.75 ***	2.46 ***	2.60 ***	
8.01	Other Events	No (voluntary)	2.95 ***	2.60 ***	2.72 ***	
9.01	Financial Statements and Exhibits	No	3.12 ***	2.69 ***	2.92 ***	

Notes :

* indicates significance at 10% level; ** indicates significance at 5% level; *** indicates significance at 1% level

Abnormal Volatility is the squared abnormal returns in the period of interest scaled by the variance of abnormal returns in the non-event period. The periods of interest are : the three days around the event date (Date or Report on Form 8-K), the three days around the filing date, and the period from one day prior to the event date through one day after the filing date.

Table 6 : Information Content by Timeliness of Filing

Panel A : 3 Day Abnormal Buy and Hold Returns Around the Filing Date by Filing Lag

Business Days		Section 1	Section 2	Section 3	Section 4	Section 5	Section 7	Section 8	Section 9
0	Mean	0.008	-0.001	-0.006	-0.011	0.000	0.002	0.002	0.001
	Pr > t	<.0001	0.034	0.097	0.001	0.979	0.007	0.001	0.146
	N	5,079	23,241	831	399	3,602	10,931	11,743	39,180
1	Mean	0.009	-0.002	0.007	-0.011	-0.001	0.002	0.002	0.002
	Pr > t	<.0001	0.012	0.128	0.007	0.534	0.037	0.038	0.003
	N	5,253	9,199	983	344	3,067	4,453	7,325	19,805
2	Mean	0.004	-0.005	-0.007	-0.009	-0.003	-0.003	-0.001	-0.002
	Pr > t	0.000	<.0001	0.0723	0.1119	0.0172	0.0431	0.5652	0.0338
	N	5,118	3,455	808	294	2,741	1,441	3,177	9,676
3	Mean	0.001	-0.002	-0.009	-0.006	-0.001	0.003	-0.003	0.000
	Pr > t	0.089	0.185	0.001	0.052	0.207	0.116	0.016	0.583
	N	6,616	2,734	929	392	3,081	907	2,287	8,759
4	Mean	0.002	-0.002	-0.011	-0.012	0.000	0.003	-0.003	-0.001
	Pr > t	0.003	0.057	<.0001	0.000	0.689	0.332	0.051	0.274
	N	11,906	3,976	1,654	673	4,460	903	2,554	12,151
>=5	Mean	0.000	-0.002	-0.024	-0.024	-0.001	0.001	-0.004	-0.002
	Pr > t	0.931	0.247	0.001	0.001	0.644	0.649	0.030	0.083
	N	-1,912	2,856	267	164	720	697	1,381	4,582

Panel B : 3 Day Abnormal Volume around the Filing Date by Filing Lag

Business Days		Section 1	Section 2	Section 3	Section 4	Section 5	Section 7	Section 8	Section 9
0	Mean	66%	70%	72%	32%	27%	45%	57%	63%
	Pr > t	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001
	N	4,744	21,530	780	366	3,358	10,069	10,731	36,157
1	Mean	97%	81%	113%	70%	36%	69%	109%	81%
	Pr > t	<.0001	<.0001	<.0001	0.022	<.0001	<.0001	<.0001	<.0001
	N	4,694	8,381	907	315	2,737	3,929	6,446	17,721
2	Mean	49%	67%	75%	43%	30%	60%	84%	62%
	Pr > t	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001
	N	4,556	3,115	740	257	2,454	1,288	2,853	8,642
3	Mean	44%	59%	77%	18%	29%	52%	75%	53%
	Pr > t	<.0001	<.0001	<.0001	0.006	<.0001	<.0001	<.0001	<.0001
	N	5,895	2,431	830	352	2,755	814	2,029	7,770
4	Mean	29%	36%	38%	21%	28%	56%	47%	34%
	Pr > t	<.0001	<.0001	<.0001	0.006	<.0001	<.0001	<.0001	<.0001
	N	10,605	3,516	1,479	616	4,054	793	2,288	10,859
>=5	Mean	28%	66%	137%	20%	34%	48%	23%	45%
	Pr > t	<.0001	<.0001	0.018	0.213	<.0001	<.0001	<.0001	<.0001
	N	1,279	2,073	186	80	470	451	937	3,112

Panel C : 3 Day Abnormal Volatility around the Filing Date by Filing Lag

Business Days		Section 1	Section 2	Section 3	Section 4	Section 5	Section 7	Section 8	Section 9
0	Mean	2.53	3.77	2.98	1.92	1.68	2.32	2.58	3.10
	Pr > t	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001
	N	4,744	21,530	780	366	3,358	10,069	10,731	36,157
1	Mean	3.25	3.50	4.62	2.42	1.73	2.83	2.94	3.04
	Pr > t	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001
	N	4,694	8,381	907	315	2,737	3,929	6,446	17,721
2	Mean	2.13	2.68	2.94	2.46	1.65	2.56	2.63	2.41
	Pr > t	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001
	N	4,556	3,115	740	257	2,454	1,288	2,853	8,642
3	Mean	1.57	2.02	1.69	2.22	1.53	1.96	1.88	1.73
	Pr > t	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001	<.0001
	N	5,895	2,431	830	352	2,755	814	2,029	7,770
4	Mean	1.62	1.62	1.48	3.06	1.58	2.77	2.60	1.76
	Pr > t	<.0001	<.0001	<.0001	0.060	<.0001	<.0001	<.0001	<.0001
	N	10,605	3,516	1,479	616	4,054	793	2,288	10,859
>=5	Mean	1.54	3.09	2.38	2.23	1.67	2.41	1.79	2.33
	Pr > t	<.0001	<.0001	<.0001	0.005	<.0001	<.0001	<.0001	<.0001
	N	1,279	2,073	186	80	470	451	937	3,112

Notes :

Abnormal Return is the buy and hold return on a stock minus the average return on a matched size-B/M portfolio in the three days around the filing date. Abnormal Volume is average shares traded in the three days around the filing date scaled by average shares traded in a preceding non-event period less one. Abnormal Volatility is the squared abnormal returns in the three days around the filing date scaled by the variance of abnormal returns in the non-event period.

Figure 1 : Form 8-K Filing Date Distribution across 2005-2006

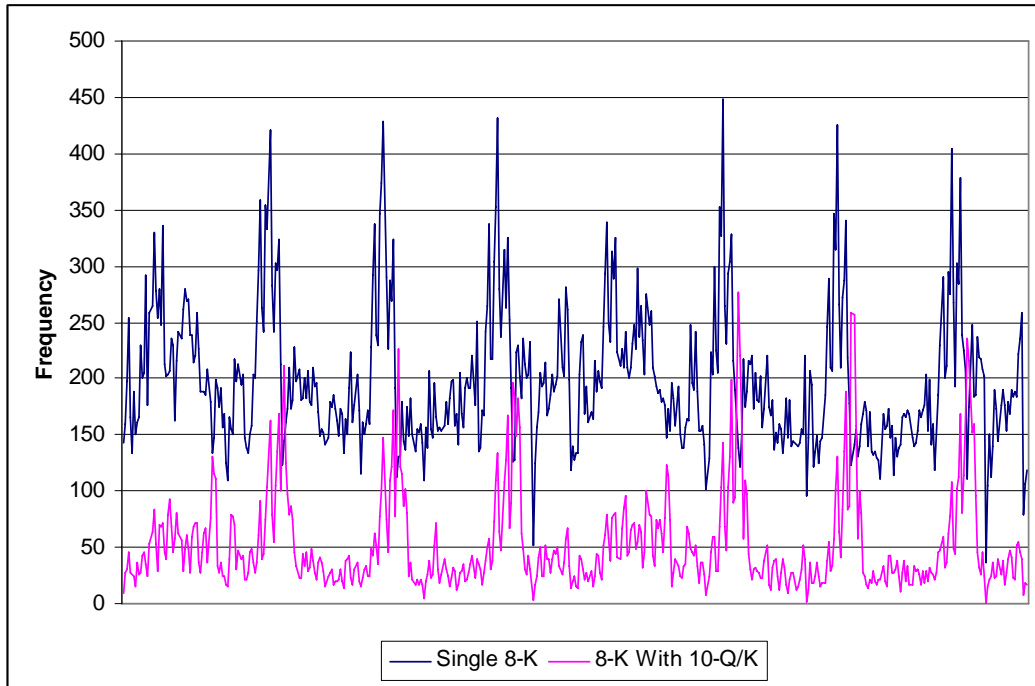


Figure 2 : Form 8-K Filing Date Distribution across 2005-2006 excluding Item 2.02 *Results of Operations and Financial Condition*

