Disclosure Management: Evidence from Regulatory Threshold Avoidance

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Abstract
In November 2020, the SEC updated the regulation for risk factor disclosures to require a summary if that disclosure exceeds 15 pages. This change aimed to improve the disclosure's usefulness to investors but created legal uncertainty. In response, many firms shortened the disclosure to avoid the summary. Firms are more likely to shorten risk factor disclosures if they recently received an SEC comment letter unrelated to risk factors or have a powerful general counsel. While some firms only altered formatting, most cut sentences and/or words, with some eliminating entire risk factors. These changes imply firms view the summary as costly, even though descriptive tests indicate the summary appears unlikely to help investors. Firms that cut disclosure length to avoid the summary receive fewer SEC comment letters, implying these reductions helped firms avoid legal scrutiny. Collectively, many risk factor disclosures appear less useful, which is contrary to the SEC's objective.

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1. Introduction

How does legal uncertainty surrounding a new disclosure regulation affect firms' existing disclosures? We examine this question in the context of risk factor disclosures. The Securities and Exchange Commission (SEC) recently updated Item 5 in Regulation S-K (the "Rule"), requiring firms to summarize their risk factors in two pages or less *only* when the disclosure exceeds 15 pages, in an effort to improve the disclosure for investors (SEC, 2020a). Thus, firms can avoid providing the summary by keeping their disclosure under the 15-page threshold. We use the introduction of this threshold to examine whether and how firms adjust their risk factor disclosures to avoid the legal uncertainty related to a summary disclosure. We use the term legal uncertainty to indicate that the directional effect of a policy on future legal risk is ambiguous. We refer to securities litigation and regulatory risk together as "legal risk" because the triggers for both risks are largely the same (Campbell et al., 2014; SEC, 2017; Donelson et al., 2021).

As commenters on the Rule noted, providing a risk factor summary may lead investors to focus only on risks in the summary (Bhatt, 2019; Bishop and Hazen, 2019; Davis Polk & Wardwell LLP, 2019; Stuckey, 2019), exposing firms to litigation if a risk factor excluded from the summary later materializes. Other commenters disagreed, arguing the summary would improve investors' understanding of risk factors without lowering attention to excluded risks (Mahoney, 2019). In the adoption of the Rule, the SEC ultimately sided with the latter viewpoint, claiming the "summary will not detract from a registrant's more extensive disclosure elsewhere in a filing or subject a registrant to greater litigation risk" (SEC, 2020a). However, the uncertainty about how the summary will affect litigation risk, which can impose significant costs on firms (Kim and Skinner, 2012), creates unique, unquantifiable risks for managers to consider (Farber, 2011). Firms with risk factor disclosures exceeding 15 pages must therefore provide a

summary and navigate the corresponding legal uncertainty or *shorten* their disclosure to avoid it.

The primary argument for *longer* risk factor disclosures—and thus the primary argument against shortening disclosures to avoid the summary—is protection from legal risk because more extensive and boilerplate disclosures lead to lower securities litigation costs (Cazier et al., 2021). Relatedly, more specific (longer) risk factor disclosures are more likely to qualify as meaningful cautionary language that is protected by the safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 (PSLRA), should that risk factor materialize (Nelson and Pritchard, 2016; Huang, 2019). Further, insufficiently specific risk factor disclosures may also attract SEC scrutiny through comment letters, which require firms to expend resources to address the concerns raised therein (Cassell et al., 2013, 2019).

Risk factor disclosures also affect how capital market participants evaluate firms. These disclosures reflect useful firm-specific information (Campbell et al., 2014; Chiu et al., 2018; Cohen et al., 2020). Investors respond more favorably to specific, rather than boilerplate, risk factor disclosures, which also allow analysts to assess risk more effectively (Hope et al., 2016). Also, changes in individually disclosed risk factors decrease uncertainty about risk (Lyle et al., 2023), which aligns with theoretical models (Heinle and Smith, 2017). Thus, any changes in disclosure length and content in response to regulatory thresholds will likely have implications for how capital market participants assess firm risk.

We use the introduction of the Rule to examine the effects of legal uncertainty related to a new disclosure requirement (i.e., the summary requirement) on preexisting disclosure (i.e., the disclosure of individual risk factors). Understanding how legal uncertainty shapes corporate disclosure is important for two primary reasons. First, extensive research focuses on the relation between litigation and disclosure (e.g., Skinner, 1997; Field et al., 2005). These studies primarily

focus on settings where disclosure is used to mitigate uncertainty and thus reduce litigation costs. However, there is limited attention to how uncertainty around new disclosure requirements affects disclosure decisions. Second, disclosure regulation plays a central role in capital markets (Leuz and Wysocki, 2016). The SEC introduced the Rule to improve disclosure usefulness, but the legal uncertainty around the summary requirement may have led firms to adjust disclosures in ways that limit their usefulness to market participants. Our findings therefore inform both regulators crafting disclosure regulations and investors using the corresponding disclosures.

Our research setting mitigates endogeneity concerns common in disclosure studies by using a regression discontinuity design around the regulation shock (Lee and Lemieux, 2010; Armstrong et al., 2022). Specifically, we examine how firms that were already near the 15-page threshold adjust their risk factor disclosures in response to the Rule. Thus, a clustering of risk factor disclosures with page lengths just below the threshold after the Rule's implementation provides strong evidence that firms adjust their disclosures in response to the legal uncertainty from the summary requirement. The simple and explicit nature of the SEC's page limit measure also has empirical advantages compared to other research using benchmarks, such as earnings (Durtschi and Easton, 2005, 2009) or debt covenants (Bordeman and Demerjian, 2022), because there are no concerns with scalars, bin widths, or other potential confounds.

Beyond improved identification, this setting also allows us to examine the *types* of firms that shorten the risk factor disclosure to avoid the summary. This analysis allows us to identify the characteristics of firms that perceive higher net costs related to the summary. We also observe *how* these firms shorten their disclosures, allowing us to assess whether the changes likely affect disclosure informativeness. For example, we can assess whether firms make reductions through changes in format, sentence structure, or by eliminating entire risk factors.

We first test for a discontinuity around the 15-page threshold in risk factor disclosures before and after the Rule's implementation. The SEC noted that the "15-page threshold may provide registrants with an incentive to limit the length of their risk factor disclosure" (SEC, 2020a), but it did not opine on how prevalent this behavior may be or on the methods firms may use to reduce disclosure length. The Rule requiring the risk factor summary disclosure went into effect on November 9, 2020. We find that a significant number of firms avoid exceeding 15 pages after the Rule and, thus, summarizing risk factors. That is, there is a significant discontinuity in the distribution of risk factor page length at the 15-page threshold.

To show this result is not spurious, we conduct a falsification test of another important disclosure section of the same 10-K filings: the Management Discussion and Analysis (MD&A). We find no evidence of a discontinuity at any page length for the MD&A, providing further evidence that the change in length in risk factor disclosures for firms at the 15-page threshold was a response to the Rule and not related to general changes in disclosure.

These findings are not a product of small firms, which are generally exempt from risk factor disclosures (SEC, 2020b). Rather, our sample includes a meaningful cross-section of larger firms. For example, Tesla, Wells Fargo, Cisco, and PayPal all had risk factor disclosures greater than 15 pages in length in the year before the Rule but less than or equal to 15 pages in the year after. The combined 2021 market capitalization of firms that appear to shorten their risk factor disclosures to avoid the summary requirement exceeds $2.6 trillion, representing roughly 8% of the 2021 S&P 500 market capitalization.

We next examine the types of firms that manage their risk factor disclosures to avoid the summary by analyzing the characteristics of firms just below and above the threshold. We find that two types of firms with a particular focus on legal issues cut their disclosures to avoid the

summary. The first group is firms that recently went through the SEC comment letter process for any reason *except* risk factor disclosures. In other words, firms that recently faced general regulatory scrutiny avoid providing the summary, presumably because it may result in newfound scrutiny. However, this avoidance does not occur when the prior scrutiny focused on the risk factor disclosures themselves. Firms that recently received risk factor-specific comment letters likely maintain longer disclosures because their risk factor disclosure already faces heightened scrutiny and they want to avoid additional regulatory attention (Kubic and Toynbee, 2023).

The second group of firms that manage their disclosures to avoid the summary are firms with powerful general counsel, as measured by the general counsel ranking in the firm's top five highest compensated executives (Kwak et al., 2012; Hopkins et al., 2015). General counsel prioritize minimizing potential legal risks associated with new regulations (Gilson, 1984; Nelson and Nielsen, 2000), and powerful general counsel have greater influence over corporate disclosure decisions to achieve these objectives (Kwak et al., 2012). Thus, this finding implies that general counsel view summary requirements as introducing additional legal exposure. Notably, firms facing higher predicted or realized securities litigation risk do not appear to manage their disclosures to avoid the summary.

Next, we examine *how* firms whose disclosures had previously exceeded 15 pages cut their disclosures to drop below the 15-page threshold. Despite the litigation-related advantages of longer risk factor disclosures (e.g., Cazier et al., 2021), firms primarily reduced page count by cutting words. However, some of these cuts were cosmetic; Appendix B provides an example wherein a firm reduced its page count by reducing the size of the filing's line breaks. The primary method of reducing page count is eliminating words, so we examine the possibility that firms may have eliminated entire risk factors from their disclosures. While the total number of

risk factors for sample firms generally remain the same or slightly increase, firms that managed disclosure length to achieve the 15-page threshold deleted a net 5 risk factors (adding 5 while removing 10) immediately after the Rule. Given that individual risk factors decrease uncertainty surrounding firm risk (Lyle et al., 2023), this reduction has implications for evaluating firm risk.

The reduction in words could suggest easier-to-read disclosures. We thus examine the readability of risk factor disclosures, as the SEC aimed to improve readability and usefulness for investors through the Rule's changes. While the disclosures of firms with the most incentive to manage disclosure length (i.e., those with pre-Rule risk factor page count between 15 and 17 pages) exhibit modest increased readability—likely as a byproduct of their cuts to avoid the summary—readability for the average firm does not improve. When combined with our findings that some firms delete entire risk factors to avoid the summary requirement and the summary itself appears to provide minimal information content, our results suggest the SEC's goal of improving disclosure usefulness was not accomplished for many firms. Instead, the Rule appears to have motivated strategic disclosure management that reduces information available to investors for firms near the regulatory threshold.

Finally, we provide some evidence that shortening risk factor disclosures in response to the Rule may have deterred SEC scrutiny. Specifically, firms that moved from above the limit (pre-Rule) to under the limit (post-Rule) were less likely to receive a future SEC comment letter, even after controlling for the page length change and other determinants of risk factor scrutiny. Thus, by engaging in the specific avoidance predicted by the SEC when the Rule was issued (SEC, 2020a), firms that shrunk their disclosures attracted less scrutiny than firms that did not. However, we cannot rule out the possibility that these firms' disclosures attract less scrutiny because they are shorter or more readable due to the shortening of their risk factor disclosures.

This study provides several contributions. First, we show that firms manage disclosure around bright line thresholds. In our setting, firms engage in this disclosure management specifically to avoid legal uncertainty associated with providing a summary disclosure. While numerous studies find that firms manage earnings and other accounting measures in response to various incentives (e.g., Burgstahler and Dichev, 1997; Dichev and Skinner, 2002; Dyreng et al., 2017), our study provides the first evidence that firms strategically adjust the length and content of mandatory disclosures to avoid regulatory thresholds and related legal uncertainties. In doing so, we offer a unique contribution to the vast literature examining the determinants of firm disclosure. This also validates that discontinuities can be useful measures of discretion, given concerns that they are artifacts of research design choices, scalars, sample selection, or other factors (e.g., Durtschi and Easton, 2005), because our setting has no such concerns.

Second, our findings shed light on when firms are willing to manage disclosures. We show that firms with meaningful legal risk are more likely to manage disclosures to avoid providing the risk factor summary. Thus, many firms believe that legal uncertainty associated with the summary outweighs the general finding that longer risk factor disclosures lower litigation risk (Cazier et al., 2021). However, firms with the most salient legal concerns (e.g., those who have recently come under SEC scrutiny regarding their risk factor disclosures or with the highest securities litigation risk) do not manage their disclosures, likely to avoid additional scrutiny from regulators or plaintiffs' lawyers from the changes.

Finally, we show the Rule is unlikely to have improved disclosures as the SEC hoped. The SEC (1999) has long expressed concern that disclosures are overly complex and wants them to be simplified to increase their usefulness to investors. More recently, the SEC requires "plain English" in communication with investors from private fund advisers (SEC, 2023). The Rule's

primary objective was to make it easier to understand risk factor disclosures. However, it seems likely that risk factor disclosures will be *less* useful for firms near the regulatory threshold.

2. Background and Hypothesis Development

2.1. Mandatory Risk Factor Disclosures

The Securities and Exchange Commission (SEC) requires firms to disclose risk factors that are specific and tailored to the reporting firm. These disclosures are intended to increase awareness of the risks associated with investment in the firm's securities. Investors and regulators frequently point to the generic nature of these disclosures as evidence that they are uninformative (e.g., Investor Responsibility Research Center Institute, 2016; SEC, 2016). Despite these criticisms, the academic literature generally finds that risk factor disclosures are useful in capital market participant's assessment of investment risk.

For example, Campbell et al. (2014) find that the number of risk factors disclosed is positively associated with firm risk, and the information conveyed therein meaningfully reflects firms' risks. Chiu et al. (2018) similarly find the disclosures enhance transparency and help debt investors assess firms' credit quality. Cohen et al. (2020) find that risk factor disclosures drive future stock returns, yet equity investors fail to fully incorporate the risk information. Hope et al. (2016) use textual analysis and find that investors respond more favorably to specific risk factors and that greater specificity improves analysts' ability to assess firm risk. Also, newly added and removed individual risk factors decrease uncertainty surrounding firm risk (Lyle et al., 2023), consistent with theoretical models of risk factor disclosures (Heinle and Smith, 2017). Thus, any significant changes to the risk factor disclosure from the Rule likely have implications for market participants. Moreover, while most studies focus on the consequences of the disclosures, we focus on a factor that influences firms' crafting of their risk factor disclosures—legal uncertainty.

2.2. Update to Regulation S-K for Risk Factor Disclosures

The SEC stated that the amendment to Item 105 of Regulation S-K (covering risk factors) was intended "to improve disclosure for investors." This amendment introduced three primary changes. First, the SEC mandated a "summary risk factor disclosure of no more than two pages if the risk factor section exceeds 15 pages." Second, the SEC shifted from a principles-based approach to an approach requiring the "disclosure of 'material' risk factors." Finally, "risk factors [must now] be organized under relevant headings in addition to the subcaptions [previously] required, with any risk factors that may generally apply to an investment in securities disclosed at the end of the risk factor section under a separate caption" (SEC, 2020a). We focus on the most significant change, which created the legal uncertainty—the summary disclosure (Alston & Bird 2020).[1]

As noted, the risk factor summary is only required when the disclosure reaches 15 pages. This gives firms some discretion and brings their incentives to the forefront. In fact, the SEC itself noted that the risk factor summary requirement "may create an incentive for registrants to reduce the length of their risk factor discussion to avoid triggering the summary requirement, to the extent that such an incentive outweighs perceived litigation risks" (SEC, 2020a). Notably, the SEC did not provide guidance on how firms could meet the 15-page limit, nor did it specify how it would count pages and whether certain behaviors that go against the spirit of the mandate (e.g., reducing the font size of the individual risk factors) may result in regulatory scrutiny.

2.3. Private Enforcement - Safe Harbor and Meaningful Cautionary Language

Under the PSLRA, firms generally have incentives to provide more risk factors. This is because "meaningful cautionary statements" must accompany forward-looking information for

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[1] The requirement to organize risk factors under relevant headings codified a practice already largely adopted by registrants, and many registrants already included what they believed were their material risks (Alston & Bird 2020).

firms to qualify for the PSLRA's safe harbor protection from legal liability (Nelson and Pritchard, 2016; Huang, 2019). Nelson and Pritchard (2016) find that high litigation risk firms disclose more risk factors, use more readable language, and update their cautionary language more frequently. Cazier et al. (2021) find that firms that use longer, more boilerplate (generic) language have better outcomes when they face securities class actions.[2] Thus, it is unclear how the legal uncertainty associated with the Rule will affect the equilibrium level of mandatory disclosure with respect to risk factor summaries.

2.4. Comment Letters

The SEC enforces regulations through enforcement actions and comment letters. Comment letters are viewed as less serious because they carry no formal penalties and, until recently, were not publicly available (Duro et al., 2019). However, remediation efforts for comment letters are often costly (Cassell et al., 2013). Many firms also engage external securities lawyers to deal with comment letters (Bozanic et al., 2019). Comment letters also provide information for formal enforcement. Hutton et al. (2022) find that the public release of SEC comment letters leads to more alignment of securities class actions with SEC enforcement based on common information available to both parties. To the extent that firms perceive certain risk factor disclosure choices as more likely to trigger regulatory scrutiny through comment letters, these perceptions may influence their disclosures when confronting the summary requirement.

2.5. General Counsel

The general counsel is the chief legal officer of a corporation and manages internal legal staff and contacts with external counsel. Thus, the general counsel is often one of the firm's top executives (Nelson and Nielsen, 2000). However, there are differing findings on whether these

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[2] Humphery-Jenner et al. (2024) and Fu et al. (2025) find that litigation risk is negatively associated with 10-K readability, consistent with more concise language, but these papers do not focus on the risk factor disclosure.

top lawyers act as gatekeepers (i.e., they are active in preventing misconduct) or enablers (i.e., they facilitate misconduct) with respect to the activities of other executives (Morse et al., 2016).

A more powerful general counsel (as measured by pay level within the executive team) leads to lower financial reporting quality within GAAP but lower levels of GAAP violations (Hopkins et al., 2015). Firms also become more tax aggressive when general counsel become part of top management (Abernathy et al., 2016). Black et al. (2022) find that firms with powerful general counsel report more conservatively. Kwak et al. (2012) find that firms with prominent general counsel issue more accurate and more bad news earnings forecasts. Finally, Ham and Koharki (2016) find that promotions of general counsel to top management lead to increases in firm credit risk. Overall, the literature examining the effects of general counsel finds that they play an important role in many firm decisions but do not always reduce firm risk.

2.6. Benchmarks and Discontinuities

Discontinuity research designs offer a powerful approach for estimating treatment effects in nonexperimental settings (Lee and Lemieux, 2010). Whereas early discontinuity studies in economics primarily focused on settings in which the "assignment" variable is unlikely to be manipulated (e.g., Thistlethwaite and Campbell, 1960; Angrist and Lavy, 1999), accounting studies have primarily focused on settings in which the "assignment" variable is easily manipulable, using the resulting discontinuity as evidence of such manipulation.

Hayn (1995) and Burgstahler and Dichev (1997) find a discontinuity in the distribution of earnings around zero, suggesting firms manage earnings to avoid small losses. Other studies examining discontinuities focus on ratios used in debt covenants (Dichev and Skinner, 2002) and working capital (Dyreng et al., 2017). The chief advantage of examining a discontinuity is that, to the extent the discontinuity exists, it serves as direct evidence of an economic actor responding

to an incentive at a given threshold. However, some disagree that discontinuities are a sign of discretion. For example, Durtschi and Easton (2005, 2009) argue that discontinuities result from issues such as sample selection or scaling, rather than managerial reporting choices.

Our study avoids these issues because we examine a benchmark based on page length (which is simple to manipulate) rather than accounting numbers. As such, we measure a decision with a clear, bright-line benchmark that is not subject to scalars or other research design choices. Thus, the existence of a discontinuity in the length of the risk factor disclosure section provides strong evidence that firms are actively avoiding the summary disclosure requirement.

2.7. Disclosure Management

Numerous studies examine whether managers time disclosures to influence markets. For example, Kothari et al. (2009) examine whether managers withhold bad news, while other studies examine whether managers attempt to preempt bad earnings news with warnings to avoid litigation (e.g., Skinner, 1997; Field et al., 2005). Further, Chapman et al. (2019) test whether managers smooth disclosures over time to avoid information overload in the market.

In addition to the likely legal methods of managing disclosures noted above, allegations of misconduct related to misleading disclosure practices (in addition to financial reporting) are common in private securities litigation and SEC enforcement (Donelson et al., 2024). Thus, while disclosure management is the subject of less research than earnings management (and the manipulation of other financial statement figures), several research streams exist in this area.

2.8. Hypotheses

The primary advantage of the risk factor disclosure setting is the relative transparency of the managerial decision to adjust the length of the disclosure. This contrasts with most scenarios where uncovering managerial intent is difficult (e.g., Dechow and Skinner, 2000). Thus,

understanding managerial incentives is critical in this situation.

Conflicting incentives exist for the initial decision to provide a risk factor summary for firms near the 15-page threshold. Longer, more boilerplate risk factor disclosures lower litigation costs (Cazier et al., 2021). At the same time, more specific risk factor disclosures also qualify for the PSLRA's safe harbor (Nelson and Pritchard, 2016), will likely help firms avoid SEC comment letters, and improve capital market participants' ability to evaluate firm risk (Hope et al., 2016; Lyle et al., 2023). These incentives encourage more specific, longer disclosures.

However, as the risk factor section becomes longer, it triggers the summary requirement. Providing a summary introduces uncertainty because beliefs diverge about its impact on legal risk (Bishop and Hazen, 2019; Davis Polk & Wardwell LLP, 2019; Mahoney, 2019; Stuckey, 2019; SEC, 2020a). Thus, it is unclear ex ante whether firms value the benefits of longer risk factor disclosures over the legal uncertainty associated with providing the summary disclosure.

Any potential incentives to change disclosure length should only apply to firms with risk factor disclosure length above and near the 15-page threshold prior to the Rule. Firms with shorter risk factor disclosures would not be affected by the Rule, and firms with much longer risk factor disclosures would require substantive alterations to the disclosure to avoid the summary. We therefore make predictions for and design our tests in a sample of firms with pre-Rule page counts in narrow windows around 15 pages. We state our first Hypothesis in the null:

H1: The revision of Regulation S-K will not change risk factor disclosure length for firms near the 15-page threshold.

We next hypothesize about two scenarios that may affect firms' disclosure decisions amidst this legal uncertainty. First, we examine firms that have recently faced SEC scrutiny by receiving a comment letter. We break this test into two parts based on the level of legal risk the firm is likely to perceive. In the first test, we focus on the receipt of a comment letter for issues

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other than the risk factor disclosure section (that is, firms where the risk factor section is not specifically under scrutiny, but the 10-K is generally under scrutiny). For this "general legal scrutiny" group, we expect firms will reduce page count to influence disclosure length.

In contrast, for firms that recently received a comment letter from the SEC regarding risk factor disclosures, we predict a weakened or no effect from the Rule. The SEC often focuses on similar issues as the most recent comment letter review when there is continuity in its review team (Kubic and Toynbee, 2023). Thus, firms in the "direct legal scrutiny" group will likely seek to avoid making changes and thus drawing attention to the risk factor disclosures as they may credibly expect them to be examined again for compliance after the recent resolution of the comment letter exchange. We thus provide *H2a* in the alternative and *H2b* in the null:

> *H2a*: Firms receiving comment letters *unrelated* to risk factor disclosures will adjust their risk factor disclosure length in response to the Regulation S-K revision.

> *H2b*: Firms receiving comment letters *related* to risk factor disclosures will not adjust their risk factor disclosure length in response to the Regulation S-K revision.

Finally, we examine the effect of having a general counsel as a top executive on shortening risk disclosures. While findings are mixed regarding how general counsel affect firm risk taking, we predict that more powerful general counsel will lead to a higher tendency to shorten risk factor disclosures. This is because there appears to be minimal risk in modestly shortening the disclosure for firms near 15 pages, and more powerful general counsel have a strong influence on disclosure policy (see Kwak et al., 2012). We provide *H3* in the alternative:

> *H3*: The revision of Regulation S-K will have a stronger effect for firms with powerful general counsel.

3. Data

3.1. Descriptive Statistics

We construct a sample using Compustat, CRSP, and 10-K text downloaded using the

SEC API tool. An important variable in our analyses relates to executive compensation, so we also require Execucomp coverage. The Rule was effective for filings after November 9, 2020. Thus, our test sample consists of annual filings three years before and after the Rule (generally fiscal years 2017 through 2022). We require sample firms to have at least one filing in the pre-rule and post-rule periods to ensure results are not due to changes in sample composition.

Panel A of Table 1 presents descriptive statistics. The first five columns present values of test and control variables for the sample in which we perform our tests: firm-years meeting data requirements and having a pre-rule Item 1A page count of 13 to 17 pages. The rightmost five columns are values for the same variables in a broader Compustat-CRSP-Execucomp sample without page count constraints and are provided for comparison purposes. These columns show that sample firms are similar to the universe of firms on dimensions other than Item 1A page count and analyst following. Sample firms are large (*LnMVE* of 8.44), profitable (*DNI* of 0.04), and growing (*ΔLnAssets* of 0.27), which is to be expected given our data requirements.

Panel B of Table 1 shows descriptive information about the disclosures, separated by pre- and post-Rule periods. Over the sample period, Item 1A disclosures contain about 805 words per page (799 in the pre-Rule period and 811 in the post-Rule period). Across the periods, Item 1A page count increased by about a half page (around 400 words) ($p < 0.05$).[3] While word counts are increasing ($p < 0.05$), the sentence count does not ($p = 0.479$, untabulated). The disclosures appear to become more textually dense, with words per sentence and words per page increasing. However, there are fewer sentences per page in the post-Rule period ($p < 0.05$), suggesting firms may be combining sentences to condense their disclosures.

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[3] We find a nearly monotonic annual decrease in MD&A page count across our sample period, suggesting MD&A sections are getting shorter and that the change is unassociated with the rule change we examine (untabulated). As we only use the MD&A disclosure as a benchmark for Item 1A, we leave changes in MD&A to future research.

Panels C and D of Table 1 present descriptive statistics about the textual features of Item 1A disclosures for subsamples where we either expect firms to strategically manage the length of their risk factor disclosure to avoid the summary or observe avoidance behavior ("disclosure shrinkage"). Panel C presents pre-Rule and post-Rule descriptive statistics for firms with pre-Rule Item 1A page counts between 15 and 17 pages. In contrast to Panel B, there is no longer a significant increase in page count in this restricted sample. This stark difference in the trend in risk factor page length for firms just above the threshold suggests a potential discontinuity.

Panel D presents descriptive information for the 56 firms (310 firm-years, or 21.1% of the full sample) with pre-Rule Item 1A page counts between 15 and 17 pages *and* post-Rule Item 1A page counts less than 15 pages. In other words, Panel D presents information for firms where we observe disclosure shrinkage around the 15-page threshold. Thus, 46.0% of the firms with a feasible ability to manage disclosure length appear to do so. By construction, Panel D shows a statistically significant decrease in page, sentence, and word counts ($p < 0.05$). However, changes in words per sentence are not significant ($p > 0.14$, untabulated), which could suggest that firms eliminate entire passages of text to avoid the disclosure summary. We provide further insights into the determinants of textual changes in Section 5 below.

3.2. Risk Factor Summaries

To shed further light on how firms are implementing the new summary requirement, we analyze a random sample of 100 post-Rule 10-Ks with Item 1A disclosures exceeding 15 pages from firms that previously averaged between 10 and 20 pages in their Item 1A disclosures. We make several notable findings. First, 51% of the random sample embed the summary within Item 1A. Second, 53% of the firms replicate the existing Item 1A subcaptions verbatim; the rest rewrite or reorder them (i.e., most of the summary's text is copied from the subcaptions, but

introductory headers are used or the order is changed). Third, 12% do not appear to comply with the requirement and omit an explicit summary despite exceeding 15 pages.[4] Overall, the summary requirement does not seem overly burdensome to preparers or useful to investors.

Despite variation in firms' provision and placement of summaries, these choices show no discernible association with our test variables: correlations between each implementation indicator and *GeneralCLConv*, *RiskFactorCLConv*, and *LegalOfficer* are statistically insignificant (untabulated). This heterogeneity suggests factors outside our main predictors drive how firms comply with the Rule, reinforcing the suitability of the 15-page limit as a distinct disclosure outcome. We have also found no SEC enforcement regarding firm compliance.

4. Graphical Results

To examine the effects of the Rule, we start by analyzing histograms of risk factor disclosure page counts for discontinuities. Figure 1 presents a histogram of Item 1A Page Count in the full sample of 8,541 Compustat-CRSP-Execucomp firm-years. Panel A shows all filings meeting sample selection criteria in the pre-Rule period, Panel B shows the post-Rule page counts, and Panel C overlays the post-Rule histogram on the pre-Rule histogram. There are no apparent discontinuities in the pre-Rule period, but Panels B and C show a striking discontinuity at 15 pages for Item 1A page counts in the post-Rule period.

The overlaid graphs in Panel C suggest this discontinuity arises from two sources. First, the natural growth in Item 1A length shown in Panel B of Table 1 is leading to a rightward shift in the histogram's density, as indicated by the uncovered gray bars for page counts 3 to 10. Second, and most interestingly, given the Rule's requirement of risk factor summaries if Item 1A

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[4] It is possible that these 12 firms are still compliant with the Rule if, for example, other elements of the 10-K adequately summarize their risks and uncertainties.

extends beyond 15 pages, there is a gap in the post-Rule density from about 15 to 17 pages. [5]

While unlikely, to examine whether some other factor could lead to this pattern, we use the MD&A disclosures from *the same* 10-Ks as a benchmark. The MD&A is also a lengthy section of the 10-K that is an important part of a firm's overall disclosure package and contains firm-specific information related to firms' risks (Clarkson et al., 1999; Mayew et al., 2015; Cho and Muslu, 2021). If something other than the Rule affected the construction of the 10-K and, accordingly, Item 1A page counts, that other explanatory factor should lead to a similar reduction in MD&A page counts. Figure 2, Panel A shows a histogram of MD&A page counts in the post-Rule period.[6] There are no discontinuities in the distribution of MD&A page counts. In Panel B, we overlay Item 1A page counts on MD&A page counts from the same filings in the post-Rule period. This figure further illustrates the starkness of the discontinuity in risk factor page length.

Figure 3 presents figures depicting statistical tests of the discontinuity at 15 pages following the local polynomial CDF smoothing methodology for regression discontinuity (RD) manipulation tests advocated by Cattaneo et al. (2020) and Stockbridge (2024). This test compares independent density distributions on either side of a threshold. If the density distributions' confidence intervals (depicted in Figure 3 by shaded red and blue areas) do not overlap at the threshold, then the continuity hypothesis is rejected.

Panel A of Figure 3 shows results of the RD manipulation test for the pre-Rule period, and Panel B shows the post-Rule period. Panel A shows confidence intervals overlapping at the 15-page threshold, suggesting no discontinuity in the pre-period ($p = 0.278$). In contrast, Panel B shows that the discontinuity in the post-period is significant ($p < 0.001$) and visually stark.

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[5] As discussed in Section 3.2 above, the risk factor summary is sometimes placed before Item 1A and sometimes within Item 1A. To the extent firms just above the 15-page threshold include the summary *within* Item 1A, this variation in summary placement biases against us identifying a discontinuity.

[6] For purposes of constructing Figure 2, and only for Figure 2, we trimmed the MD&A sample at 58 pages.

There is some ambiguity about what a "page" is in the Rule. For example, the Rule is unclear as to whether an Item 1A disclosure consisting of 14 (15) full pages, but with the last sentence bleeding onto page 15 (16), would be deemed a 14- (15-) or 15- (16-) page disclosure. The same applies to disclosures beginning near the bottom of a page in the 10-K. Thus, we also run untabulated RD manipulation tests for post-Rule discontinuities at 14 and 16 pages. The discontinuity is statistically significant at both thresholds, but less so than at the 15-page threshold ($T = -10.25$ and $T = -10.89$, respectively, versus $T = -14.49$ for 15 pages, untabulated).

We also examine the persistence of the discontinuity for three years after the Rule. Figure 4 shows a significant discontinuity in each year ($p < 0.001$, untabulated). However, the discontinuity appears largest immediately after the Rule when legal uncertainty around the summary requirement is likely the largest. Collectively, the results displayed in Figures 1 through 4 provide compelling evidence that firms responded to the 15-page threshold by shortening their disclosures to avoid the legal uncertainty associated with the summary disclosure requirement. Thus, we reject *H1*.

5. Empirical Design and Results

We next examine factors potentially driving firms' decisions to reduce risk factor disclosure length to avoid the summary. Despite the Rule's lack of clarity on the definition of a page, some firms with Item 1A page counts near 15 pages have clearly responded to the Rule by reducing the length of their disclosures. Thus, we use a multivariate RD design that estimates determinants of Item 1A page counts in the vicinity of the 15-page threshold. Specifically, to test *H2a* and *H2b* we estimate the following specification in the sub-sample of 1,474 firm-years where the firm's average pre-Rule Item 1A page count is between 13 and 17 pages:[7]

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[7] We focus on these test variable partitions given the legal uncertainty around the rule. However, in untabulated results, we examine this test for the full sample of firms having 15-17 pre-Rule Item 1A pages and find a page count

$$Item\ 1A\ Page\ Count_{it} = \beta_0 + \beta_1 TestVariable_{it} + \beta_2 Post_t + \beta_3 TestVariable_{it} \times Post_t$$
$$+ \mathrm{B}Controls_{it} + \gamma_i + \phi_t + \varepsilon_{it} \qquad (1)$$

where *Item 1A Page Count* is the number of pages in firm *i*'s risk factor disclosure in year *t*;

TestVariable is one of several proxies used to examine the reason for firms' changing page

counts during the period; *Post* is an indicator variable equal to one for 10-K filings after

November 9, 2020, and zero otherwise; *Controls* is a vector of variables from Campbell et al.

(2014) on the determinants of risk factor disclosure length and Kim and Skinner (2012) on

litigation risk; and γ and φ are industry and year fixed effects, respectively. For each test, we also

display results in a smaller subsample where we expect the results to be sharper (page counts

between 15 and 17) and include falsification tests using *MD&A Page Count* as the dependent

variable. All variables are defined in Appendix C.[8]

5.1. Reduced Page Counts, Regulatory Scrutiny, and Powerful General Counsel

As hypothesized in *H2a* and *H2b*, we expect firms to be sensitive to rule changes

affecting risk factor disclosures when recent 10-K filings attracted regulatory scrutiny. Thus, we

construct two test variables to capture whether firms engaged in comment letter conversations

with the SEC when the Rule was issued. We use these test variables in estimating Equation (1).

The first measure is *GeneralCLConv*, which is an indicator variable equal to one if the

firm had at least one multi-round comment letter conversation classified by Audit Analytics as

related to accounting and disclosure, Regulation S-X, Regulation S-K, or legal matters in the

three years before the Rule, and zero otherwise.[9] This variable captures regulatory scrutiny of

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decrease for the average firm (-1.018, $p < 0.10$).

[8] Although smaller reporting companies (SRCs) are not required to provide risk factor disclosures (SEC, 2020b), some provide them voluntarily. Because of the multi-prong test for being considered a SRC, as well as changes during our sample period in the timeframe used for these tests, it is difficult to precisely identify companies that meet the definition of SRC in our sample. Thus, our tests likely include some SRCs. However, results are robust to excluding firms that we classify as meeting the definition of SRC in the year of Rule application (untabulated).

[9] Untabulated regression results are robust to using all non-risk factor topics in comment letter conversations. We

important accounting, legal, and presentation matters in a firm's 10-K, but it abstracts away from Item 1A because we expect firms may respond differently to general versus direct scrutiny.

The second measure is *RiskFactorCLConv*, which is an indicator variable equal to one if the firm had at least one multi-round comment letter conversation classified by Audit Analytics as related to risk factor disclosures in the three years leading up to the Rule, and zero otherwise. This variable captures direct scrutiny of Item 1A.

Table 2 presents results for *GeneralCLConv*. Column 1 shows no significant effect of general legal scrutiny on risk factor disclosure length in a test sample of firms with pre-Rule page counts between 13 and 17 for symmetry around the 15-page threshold. However, given that the Rule only impacts firms with Item 1A *greater* than 15 pages, we expect results to be concentrated among firms with pre-Rule page counts of just over 15 pages. Thus, column 2 presents the results of estimating Equation (1) in the subsample of firms with 15-17 pages pre-Rule Item 1A disclosures. The coefficient of -1.906 suggests that firms having pre-Rule Item 1A disclosures just over the 15-page threshold and that recently engaged with the SEC about important non-risk factor issues have Item 1A disclosures nearly two pages shorter than similar firms that did not receive such comment letters ($p < 0.01$). This represents a decrease of about 12.0% relative to the pre-Rule mean of 15.87 pages, consistent with *H2a*.

A potential concern, as discussed in Section 4 regarding Figure 2, is that firms may have adjusted their disclosure practices for reasons unrelated to the Rule. If so, we would expect similar changes in other sections of the 10-K. Columns 3 and 4 address this by using *MD&A Page Count* as the dependent variable for the same samples and with the same controls. This variable is constructed using the MD&A from the same 10-K as the Item 1A tests where we find

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use these topics because they are most related to the type of scrutiny to which we expect firm responses in Item 1A.

page count reductions. The coefficient on *GeneralCLConv × Post* is not statistically significant, suggesting the Rule did not have the same impact on the MD&A.

Table 3 presents results for *RiskFactorCLConv*. We find no evidence that risk factor-related comment letter exchanges lead to changes in post-Rule Item 1A page counts. Rather, columns 1 and 2 show insignificant coefficients on *RiskFactorCLConv*, failing to reject *H2b*. The lack of disclosure management for these firms aligns with SEC comment letter practices, where SEC staff tend to focus on similar issues in consecutive reviews (Kubic and Toynbee, 2023). Thus, firms are likely prudent to avoid making unnecessary changes to the risk factor disclosure, knowing the SEC will likely give more attention to it in the current period. Perhaps surprisingly, we find a *positive* effect of these comment letters on the length of MD&A— columns 3 and 4 suggest that firms receiving risk factor-related comment letters leading up to the Rule have longer MD&A sections of their 10-K filings by about two pages.[10]

As hypothesized in *H3*, we expect that firms with powerful general counsel will respond more strongly to the Rule. We test this by estimating Equation (1) using *LegalOfficer*, an indicator variable equal to one if Execucomp lists among the top five highest paid executives a title containing the term "counsel," "law," "legal," or other variants, and zero otherwise, similar to Kwak et al. (2012) and Hopkins et al. (2015). Table 4 presents the results.

In column 1, the coefficient of -0.841 on *LegalOfficer × Post* suggests having a legal officer among the highest-paid executives is associated with a post-Rule reduction in Item 1A Page Count by 0.841 pages—a 5.67% decrease relative to the pre-Rule mean of 14.84 pages ($p <$ 0.05). Column 2 shows a coefficient on *LegalOfficer × Post* of -2.213, indicating a page count reduction of 2.213 pages (or 13.94%, $p < 0.01$). As in tests of *H2*, we run a falsification test by

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[10] MD&A page count is used throughout the study for falsification tests. Thus, the relation between Item 1A rules and MD&A length is beyond the scope of the study. We leave exploration of this relationship to future research.

replacing the dependent variable with *MD&A Page Count* and present results in columns 3 and 4. The coefficient on *LegalOfficer × Post* is not statistically significant in either sample, suggesting the reduction is isolated to Item 1A. These results are consistent with *H3* and support the idea that the Rule drives the observed changes, rather than some external factor.[11, 12]

To understand how page reductions are achieved, we next examine word counts. On average, the Item 1A disclosures in our sample contain about 806 words per page (Panel B, Table 1). Reductions of 0.841 and 2.213 pages thus imply word count decreases of 678 and 1,784 words, respectively.[13] To test the source of page count reductions, Table 5 replaces the dependent variable with *Item 1A Word Count/1,000*. Columns 1 and 2 show the coefficient on *LegalOfficer × Post* is -0.646 in the 13-17 pre-Rule page count sample and -1.821 in the 15-17 pre-Rule page count sample ($p < 0.05$). These results align closely with the expected reductions if achieved solely with word count decreases. For consistency and to further examine any potential contemporaneous changes in the same 10-K, we repeat these analyses for the MD&A in columns 3 and 4 and—as in Table 4—do not find statistically significant results.[14]

5.2. Additional Analysis - Mechanism for Page Count Reduction

As indicated by the results in Table 5, the observed page count reductions seem largely attributable to decreases in Item 1A word counts. Further, descriptive evidence in Panel D of Table 1 suggests the firms that managed disclosures in response to the Rule decreased the

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[11] Because the word and page count distributions resemble a Poisson distribution (see Figures 1 through 4) and have integer count values, we also estimate Equation (1) using a Poisson regression model. Results are nearly identical in statistical significance and economic interpretation (untabulated).

[12] The results in Tables 2 and 4 suggest that general legal scrutiny and powerful general counsel are associated with firms avoiding the Rule's summary requirement. A natural follow-on question is whether these effects are independent or interact. In an untabulated regression of *Item 1A Page Count*, we find a coefficient on the triple interaction of *LegalOfficer × GeneralCLConv × Post* is not significantly different from zero, while the coefficients on *LegalOfficer × Post* and *GeneralCLConv × Post* remain significant ($p < 0.05$), suggesting independent effects.

[13] $0.841 \times 806 = 677.846$ and $2.213 \times 806 = 1,783.678$

[14] Untabulated inferences are unchanged when word count tests use *GeneralCLConv* as the independent variable of interest. We only present results for *LegalOfficer* for brevity.

number of pages, sentences, and words. This pattern of results is consistent with firms managing page count by eliminating sentences, paragraphs, or whole blocks of text. In the context of Item 1A, this could imply that firms are removing entire risk factors. We test this idea by extracting, counting, and analyzing the subcaptions in Item 1A of sample firms' 10-Ks.

Item 1A "must be organized logically with relevant headings and each risk factor should be set forth under a subcaption that adequately describes the risk" (SEC, 2020a). Similar to Lyle et al. (2023), we extract text strings with characteristics of subcaptions (i.e., those that are bolded, italicized, or both). We then exclude headings from this analysis.[15]

To ensure accurate comparisons, we use named entity recognition to eliminate any non-dictionary words and remove all punctuation and numbers. In addition to raw risk factor counts, we measure the sources of change in risk factor counts. Specifically, we use subcaption cosine similarity to compare subcaptions within a firm across successive years to identify newly added and deleted risk factors. A subcaption is new if it was not present in the previous year's 10-K, and is deleted if it was present in the prior year's Item 1A but not in the current year Item 1A.[16]

Table 6 presents risk factor counts and sources of changes in counts for (*Non-*)*Shrinker* firms in the last filing year before and the first filing year after the Rule's adoption. *Shrinker* is as defined in Appendix C, comprising the 56 firms with an average risk factor page count in the pre-Rule period of 15 or more pages and less than 15 pages in the post-Rule period, with *Non-Shrinker* firms defined as the sample complement.

As shown in Table 6, *Non-Shrinker* firms on average have 35.7 (36.1) risk factors per

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filing in the year before (after) the Rule.[17] The change is not statistically significant. However, a stable risk factor count in successive years does not imply stability in the disclosure because firms could achieve the same risk factor count by adding and deleting the same number of risk factors. *Non-Shrinker* firms added (deleted) about 3.7 (3.0) risk factors in the year immediately before the Rule and added (deleted) about 4.5 (4.1) risk factors in the year immediately after the Rule. Both increases are significant ($p < 0.01$), suggesting more changes to Item 1A after the Rule. However, the changes did not affect overall risk factor counts.

More importantly, *Shrinker* firms significantly reduced the number of risk factors disclosed after the Rule. While these firms had an average of 43.4 risk factors in the final pre-Rule year, they eliminated over five risk factors resulting in an average of 38 risk factors in 2021 ($p < 0.01$). Contrary to *Non-Shrinker* firms that dynamically added and deleted risk factors in both years, we find that *Shrinker* firms did not change the number of new risk factors in the post-Rule year—the difference between the pre-Rule additions and post-Rule additions is not statistically significant. Rather, the change in overall risk factors comes from their deleting more risk factors than usual. Specifically, whereas *Shrinker* firms on average deleted 5.5 risk factors in the final pre-Rule year, they deleted 9.8 risk factors after the Rule ($p < 0.01$). This is noteworthy and potentially alarming, given the importance of specific risk factor disclosures to investors (Hope et al., 2016; Lyle et al., 2023) and the protection that risk factor disclosure provides against litigation (e.g., Nelson and Pritchard, 2016; Huang, 2019; Cazier et al., 2021).

5.3. Additional Analysis – Readability Changes around the Rule

As indicated by the results in Tables 5 and 6, the observed page count reductions can mostly be attributed to decreases in Item 1A word counts, potentially from removing entire risk

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[17] These averages are consistent with figures reported by law and consulting firms that manually count and report on risk factor trends, validating our extraction and identification algorithm (Kingsley, 2023; Wilson Sonsini, 2021).

factors. Further, descriptive evidence in Panel D of Table 1 suggests that the firms that likely

managed disclosures in response to the Rule decreased the number of pages, sentences, and

words. This pattern of results is most consistent with firms achieving the desired page count by

eliminating entire sentences or even paragraphs of text, which would not necessarily alter the

complexity or readability of the disclosures. However, it is also possible that firms that were

close to the 15-page threshold achieved shorter disclosures by shortening words or sentences,

which could have the effect of making the disclosures more readable.

We do not make a strong prediction about the types of firms that will make their

disclosures more readable in response to the Rule, primarily due to weaknesses in readability

measures that hinge on sentence and word length (i.e., as opposed to actual writing quality).

Thus, we consider this analysis exploratory in nature. To test the prediction, we perform tests to

examine whether some firms altered their risk factor disclosures after the Rule in a manner that

made them more readable. To do so, we estimate the following regression:

$$Readability\ Measure_{it} = \beta_0 + \beta_1 Post_{it} + BControls_{it} + \gamma_i + \phi_t + \varepsilon_{it} \qquad (2)$$

where *Readability Measure* is one of either *FOG* or *ARI*: two well-known measures of textual

complexity (e.g., Chen et al., 2018; Abernathy et al., 2019). Control variables are defined in

Appendix C. Table 7 presents the results, with columns 1 and 3 (2 and 4) estimated in the sample

of firms with pre-Rule Item 1A page counts between 13 and 17 (15 and 17) pages. Columns 1

and 3 show statistically insignificant β_1 coefficients. However, for the subsample of firms with

pre-Rule Item 1A page counts between 15 and 17 pages in columns 2 and 4, the β_1 coefficient is

significantly negative ($p < 0.10$), which directionally suggests modestly improved readability.

Specifically, the results indicate readability improves by around 5% for both measures relative to

their sample averages. This result is arguably consistent with the SEC's objective of simplified

risk factor disclosures being achieved in one dimension—word and sentence length—for the firms that are most likely to manage their risk factor disclosures in response to the Rule.

However, we do not find the same result for firms not near the threshold (untabulated), so any readability improvements from the Rule are limited in both magnitude and scope.[18] Therefore, it seems unlikely that the SEC's stated goal of improving the risk factor disclosure through enhanced readability was accomplished. While our tests indicate increased readability for firms narrowly above the 15-page threshold, it is improbable the SEC deliberately intended such a granular outcome (i.e., only for firms whose risk factor disclosures previously fell within a narrow range of 15 to 17 pages). Rather, the limited enhancement to readability appears to be an unintended consequence of firms strategically managing their disclosures to circumvent the summary requirement, likely decreasing their overall usefulness in the process.

5.4. Additional Analysis - Effects of Page Count Reductions

We next examine how disclosure management affects the likelihood of SEC scrutiny, either in general or specific to risk factor disclosures. Managing Item 1A page count down could attract scrutiny because the SEC was particularly concerned about firms artificially shrinking risk factor disclosures in response to the rule (SEC, 2020a). Moving from a 17-page to a 15-page disclosure with no accompanying changes in the underlying business or risk could either be a cosmetic form-over-substance change or a decrease in the amount of meaningful cautionary language protecting firms from litigation. In other words, to the extent that the additional two pages of risk factors disclosures were meaningful, cutting the disclosure could be problematic.

However, the SEC's plain English efforts suggest a preference for shorter and simpler disclosures, suggesting that even purely stylistic changes to make them shorter may be preferable

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[18] In addition to the specifications presented in Table 7, we estimate Equation (2) in broader samples without page count restrictions. b_1 coefficients are insignificant in all specifications other than those presented in columns 2 and 4.

and could lead to less scrutiny for disclosures under 15 pages. Moreover, a firm with an Item 1A page count greater than 15 pages is required to provide a summary of its risk factors in the 10-K. This summary itself, particularly in the early years of the Rule, could attract additional scrutiny. We test this by estimating the following difference-in-differences model:

$$CLCount_{it} (RiskFactorCLCount_{it}) = \beta_0 + \beta_1 Shrinker_i + \beta_2 Post_t + \beta_3 Shrinker_{it} \times Post_t + \text{B}Controls_{it} + \gamma_i + \phi_t + \varepsilon_{it} \qquad (3)$$

where $CLCount$ ($RiskFactorCLCount$) is the number of (risk factor related) comment letters firm i received in year t; and $Shrinker$ is an indicator variable equal to one if firm i had an average page count over 15 pages in the pre-Rule period but 15 pages or less in the post-Rule period, and zero otherwise. We toggle the dependent variable between $CLCount$ and $RiskFactorCLCount$ to examine whether changes in scrutiny are general or specific to the firm's risk factor disclosures.

Table 8 presents results from estimating Equation (3). $CLCount$ is the dependent variable in columns 1 through 3, and $RiskFactorCLCount$ is the dependent variable in columns 4 through 6. In Column 1 (the sample of firms with pre-Rule Item 1A page counts between 13 and 17 pages), we find a β_3 difference-in-differences coefficient of -0.152 ($p < 0.05$), suggesting that a firm with a pre-Rule Item 1A page count greater than 15 that shrunk its disclosure around the Rule's issuance receives 0.152 fewer comment letters from the SEC than a firm that did not shrink its disclosures. As most observations have $CLCount$ of either zero or one, this can be interpreted as a 15-percentage point decrease in the probability of receiving a comment letter.[19]

In column 2, where the sample is firms with Item 1A page counts between 15 and 17, the β_3 difference-in-differences coefficient of -0.127 is tending toward statistical significance (*one-sided p* = 0.085), suggesting a negative relation between disclosure shrinkage and direct

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[19] Of the 8,500 observations in Column 3, 8,279 (215) [5] {1} have $CLCount$ values of 0 (1) [2] {3}.

disclosure scrutiny. The weak results in column 2 may be due to a lack of power because it is estimated in a sample of only 674 observations. To substantiate this explanation, we relax the pre-Rule page count sample restriction and estimate Equation (5) in the full sample of 8,500 firm-years. The β_3 coefficient in column 3 of Table 8 is -0.139 and statistically significant ($p <$ 0.05), suggesting a similar scrutiny decrease as observed in column 1.

In columns 4 through 6, we also find negative coefficients, consistent with decreased risk factor-specific scrutiny for firms that decreased Item 1A page length. However, the relation is only statistically significant at conventional levels in the full sample specification in column 6.

5.5. Additional Analysis – Firms with the Highest Litigation Risk

We also examine whether firms facing the highest litigation risk change their risk factor disclosures post-Rule. Similar to our predictions for firms that have recently received direct legal scrutiny on their risk factor disclosures, we expect firms facing the highest litigation risk will not shorten their risk factor disclosures. These firms' disclosures are likely to already be under scrutiny from plaintiffs' lawyers (Kartapanis and Yust, 2024) and are more likely to be scrutinized for insufficiency if shortened during any future litigation (Cazier et al., 2021).

We perform an analysis similar to that of Tables 2 through 4, estimating Equation (1) but using firms' ex ante litigation risk (*Lit Risk Cut*) or recently being the target of meritorious securities litigation (*Settled Case*) as test variables. Table 9 presents the results. In both samples, we fail to find evidence that direct litigation risk is related to risk factor page counts.

In untabulated analyses, we examine changes around seasoned equity offerings, completed mergers and acquisitions (M&A), or M&A bids, all of which lead to higher litigation risk (Cohen and Zarowin, 2010; Daines and Koumrian, 2013; Kim and Skinner, 2012; Kim, 2016). We find no significant page or word reductions after the Rule for any of these events.

6. Conclusion

This study provides the first evidence that firms manage their disclosures to hit quantitative regulatory benchmarks that would trigger further disclosure requirements. We provide some of the strongest evidence to date regarding the prominence of legal risk when firms form their disclosure strategy. In our sample, nearly half of firms just above the regulatory threshold before the triggering alter their strategy, presumably to avoid further disclosure. Further, in the subsamples of firms with stronger legal incentives (i.e., those with prior non-disclosure SEC comment letters) or legal focus (general counsel with more power), this percentage increases even more. As such, we provide robust and economically significant evidence that disclosure strategy is an important consideration for firms regarding legal risk.

Our findings contribute to and combine several literatures, such as the research using discontinuities to examine managerial behavior and the limited research on disclosure management. We also inform ongoing efforts by the SEC to increase the usefulness of risk factor disclosure. While disclosure management to evade the summary requirement appears to have modestly improved readability, readability is unchanged for most firms. Thus, the SEC may want to reconsider disclosure page limits necessitating summaries. The summary also seems unlikely to be helpful to investors, as firms appear to just copy or make minor changes to subcaptions to create the summary. At a minimum, it appears that the goal of the Rule (improving the usefulness and understandability of the risk factor disclosures for investors) was not accomplished for many firms. Finally, we also inform managers and regulators on the benefits of these reductions. For firms that shrink their risk factor disclosures, readability is improved for investors and these efforts appear successful at helping firms receive less regulatory scrutiny as they are less likely to receive a future SEC comment letter.

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Appendix A: Example of Risk Factor Summary

This appendix provides an example of the two-page risk factor summary provided by AES Corporation in its 10-K for the year ended December 31, 2020.

PART I

In this Annual Report the terms "AES," "the Company," "us," or "we" refer to The AES Corporation and all of its subsidiaries and affiliates, collectively. The terms "The AES Corporation" and "Parent Company" refer only to the parent, publicly held holding company, The AES Corporation, excluding its subsidiaries and affiliates.

Forward-Looking Information and Risk Factor Summary

In this filing we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe that these forward-looking statements and the underlying assumptions are reasonable, we cannot assure you that they will prove to be correct.

Forward-looking statements involve a number of risks and uncertainties, and there are factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements. Some of those factors (in addition to others described elsewhere in this report and in subsequent securities filings) include:

- the economic climate, particularly the state of the economy in the areas in which we operate and the state of the economy in China, which impacts demand for electricity in many of our key markets, including the fact that the global economy faces considerable uncertainty for the foreseeable future, which further increases many of the risks discussed in this Form 10-K;

- changes in inflation, demand for power, interest rates and foreign currency exchange rates, including our ability to hedge our interest rate and foreign currency risk;

- changes in the price of electricity at which our generation businesses sell into the wholesale market and our utility businesses purchase to distribute to their customers, and the success of our risk management practices, such as our ability to hedge our exposure to such market price risk;

- changes in the prices and availability of coal, gas and other fuels (including our ability to have fuel transported to our facilities) and the success of our risk management practices, such as our ability to hedge our exposure to such market price risk, and our ability to meet credit support requirements for fuel and power supply contracts;

- changes in and access to the financial markets, particularly changes affecting the availability and cost of capital in order to refinance existing debt and finance capital expenditures, acquisitions, investments and other corporate purposes;

- our ability to fulfill our obligations, manage liquidity and comply with covenants under our recourse and non-recourse debt, including our ability to manage our significant liquidity needs and to comply with covenants under our revolving credit facility and other existing financing obligations;

- our ability to receive funds from our subsidiaries by way of dividends, fees, interest, loans or otherwise;

- changes in our or any of our subsidiaries' corporate credit ratings or the ratings of our or any of our subsidiaries' debt securities or preferred stock, and changes in the rating agencies' ratings criteria;

- our ability to purchase and sell assets at attractive prices and on other attractive terms;

- our ability to compete in markets where we do business;

- our ability to operate power generation, distribution and transmission facilities, including managing availability, outages and equipment failures;

- our ability to manage our operational and maintenance costs and the performance and reliability of our generating plants, including our ability to reduce unscheduled down times;

- our ability to enter into long-term contracts, which limit volatility in our results of operations and cash flow, such as PPAs, fuel supply, and other agreements and to manage counterparty credit risks in these agreements;

- variations in weather, especially mild winters and cooler summers in the areas in which we operate, the occurrence of difficult hydrological conditions for our hydropower plants, as well as hurricanes and other storms and disasters, wildfires and low levels of wind or sunlight for our wind and solar facilities;

- pandemics, or the future outbreak of any other highly infectious or contagious disease, including the COVID-19 pandemic;

- the performance of our contracts by our contract counterparties, including suppliers or customers;

- severe weather and natural disasters;

- our ability to raise sufficient capital to fund development projects or to successfully execute our development projects;

- the success of our initiatives in renewable energy projects and energy storage projects;

- the availability of government incentives or policies that support the development of renewable energy generation projects;

- our ability to keep up with advances in technology;

- changes in number of customers or in customer usage;

- the operations of our joint ventures and equity method investments that we do not control;

- our ability to achieve reasonable rate treatment in our utility businesses;

- changes in laws, rules and regulations affecting our international businesses, particularly in developing countries;

- changes in laws, rules and regulations affecting our utilities businesses, including, but not limited to, regulations which may affect competition, the ability to recover net utility assets and other potential stranded costs by our utilities;

- changes in law resulting from new local, state, federal or international energy legislation and changes in political or regulatory oversight or incentives affecting our wind business and solar projects, our other renewables projects and our initiatives in GHG reductions and energy storage, including government policies or tax incentives;

- changes in environmental laws, including requirements for reduced emissions, GHG legislation, regulation, and/or treaties and CCR regulation and remediation;

- changes in tax laws, including U.S. tax reform, and challenges to our tax positions;

- the effects of litigation and government and regulatory investigations;

- the performance of our acquisitions;

- our ability to maintain adequate insurance;

- decreases in the value of pension plan assets, increases in pension plan expenses, and our ability to fund defined benefit pension and other postretirement plans at our subsidiaries;

- losses on the sale or write-down of assets due to impairment events or changes in management intent with regard to either holding or selling certain assets;

- changes in accounting standards, corporate governance and securities law requirements;

- our ability to maintain effective internal controls over financial reporting;

- our ability to attract and retain talented directors, management and other personnel;

- cyber-attacks and information security breaches; and

- data privacy.

These factors, in addition to others described elsewhere in this Form 10-K, including those described under Item 1A.—*Risk Factors* and in subsequent securities filings, should not be construed as a comprehensive listing of factors that could cause results to vary from our forward-looking information.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. If one or more forward-looking statements are updated, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements.

ITEM 1. BUSINESS

Item 1.—*Business* is an outline of our strategy and our businesses by SBU, including key financial drivers. Additional items that may have an impact on our businesses are discussed in Item 1A.—*Risk Factors* and Item 3.—*Legal Proceedings*.

Appendix B: Example of Cosmetically Shortened Disclosure

This appendix presents an example of a risk factor disclosure that was longer than the 15-page threshold in the pre-Rule period, but shorter than 15 pages in the post-Rule period. The first image below is Page 1 of 17 from The Williams Companies, Inc.'s December 31, 2019 10-K, with page break lines on top and bottom to illustrate the filing's HTML rendering. The second image is page 1 of 15 from The Williams Companies, Inc.'s December 31, 2020 10-K. There are minor language, wording, and punctuation differences between the two excerpts (i.e., the phrase "as discussed below" is removed in 2020), but the major difference is the significant decrease in the size of line breaks. Despite the addition of a COVID-19 risk factor in 2020, there are three additional bulleted risk factors in the second excerpt. Overall, The Williams Companies, Inc. added four lines to one page of their December 31, 2020 risk factor disclosure. Similar cosmetic changes throughout the document led to an Item 1A that measured exactly 15 pages in length.

Item 1A. *Risk Factors*

FORWARD-LOOKING STATEMENTS AND CAUTIONARY STATEMENT
FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF
THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The reports, filings, and other public announcements of Williams may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to anticipated financial performance, management's plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions, and other matters as discussed below. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical facts, included in this report that address activities, events, or developments that we expect, believe or anticipate will exist or may occur in the future, are forward-looking statements. Forward-looking statements can be identified by various forms of words such as "anticipates," "believes," "seeks," "could," "may," "should," "continues," "estimates," "expects," "forecasts," "intends," "might," "goals," "objectives," "targets," "planned," "potential," "projects," "scheduled," "will," "assumes," "guidance," "outlook," "in-service date," or other similar expressions. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to management and include, among others, statements regarding:

- Levels of dividends to Williams stockholders;
- Future credit ratings of Williams and its affiliates;
- Amounts and nature of future capital expenditures;
- Expansion and growth of our business and operations;
- Expected in-service dates for capital projects;
- Financial condition and liquidity;
- Business strategy;
- Cash flow from operations or results of operations;
- Seasonality of certain business components;
- Natural gas and natural gas liquids prices, supply, and demand;
- Demand for our services.

Forward-looking statements are based on numerous assumptions, uncertainties, and risks that could cause future events or results to be materially different from those stated or implied in this report. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from results contemplated by the forward-looking statements include, among others, the following:

- Availability of supplies, market demand, and volatility of prices;

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Item 1A. *Risk Factors*

**FORWARD-LOOKING STATEMENTS AND CAUTIONARY STATEMENT
FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF
THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

The reports, filings, and other public announcements of Williams may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to anticipated financial performance, management's plans and objectives for future operations, business prospects, outcomes of regulatory proceedings, market conditions, and other matters. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical facts, included in this report that address activities, events, or developments that we expect, believe, or anticipate will exist or may occur in the future, are forward-looking statements. Forward-looking statements can be identified by various forms of words such as "anticipates," "believes," "seeks," "could," "may," "should," "continues," "estimates," "expects," "forecasts," "intends," "might," "goals," "objectives," "targets," "planned," "potential," "projects," "scheduled," "will," "assumes," "guidance," "outlook," "in-service date," or other similar expressions. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to management and include, among others, statements regarding:

- Levels of dividends to Williams stockholders;
- Future credit ratings of Williams and its affiliates;
- Amounts and nature of future capital expenditures;
- Expansion and growth of our business and operations;
- Expected in-service dates for capital projects;
- Financial condition and liquidity;
- Business strategy;
- Cash flow from operations or results of operations;
- Seasonality of certain business components;
- Natural gas, natural gas liquids, and crude oil prices, supply, and demand;
- Demand for our services;
- The impact of the coronavirus (COVID-19) pandemic.

Forward-looking statements are based on numerous assumptions, uncertainties, and risks that could cause future events or results to be materially different from those stated or implied in this report. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from results contemplated by the forward-looking statements include, among others, the following:

- Availability of supplies, market demand, and volatility of prices;
- Development and rate of adoption of alternative energy sources;
- The impact of existing and future laws and regulations, the regulatory environment, environmental liabilities, and litigation, as well as our ability to obtain necessary permits and approvals, and achieve favorable rate proceeding outcomes;
- Our exposure to the credit risk of our customers and counterparties;
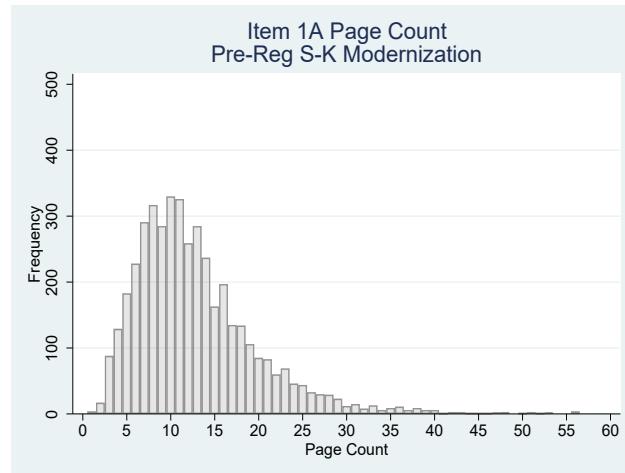
Appendix C: Variable Definitions

Variable	Description
ARI	The Automated Readability Index, calculated for each Item 1A—Risk Factors disclosure as [(4.71 * Average letters per word) + (0.5 * Average sentence length) - 21.43].
BHAR	Market adjusted 12-month stock return for year *t*.
BigN	An indicator variable equal to one if the year *t*'s financial statements were audited by a Big Four firm, and zero otherwise.
BTM	The total book value of equity scaled by total market value of equity in year *t*.
CLCount	The number of comment letters firm *i* received from the SEC classified by Audit Analytics as related to accounting and disclosure, Regulation S-X, Regulation S-K, legal matters, or risk factor disclosures in year *t*.
DNI	Net income before extraordinary items divided by the lagged market value of equity for year *t*.
ETR	Total tax expense divided by pre-tax income for year *t*, where pre-tax income is equal to net income before extraordinary items plus total tax expense.
FOG	The Gunning FOG Index, calculated for each Item 1A—Risk Factors disclosure as [0.4 * (Average sentence length + Percentage of complex words)], where Percentage of complex words is the proportion of words in the text with three or more syllables.
GeneralCLConv	An indicator variable equal to one if the firm had at least one multi-round comment letter conversation classified by Audit Analytics as related to accounting and disclosure, Regulation S-X, Regulation S-K, or legal matters in the three years leading up to the Rule, and zero otherwise.
Item 1A Page Count	The number of pages in firm *i*'s Item 1A—Risk Factors disclosure in the 10-K filed in year *t*.
Item 1A Word Count / 1,000	The number of words in firm *i*'s Item 1A—Risk Factors disclosure in the 10-K filed in year *t*, divided by 1,000.
LegalOfficer	An indicator variable equal to one if Execucomp lists among the top five highest paid executives a title containing the term "counsel," "law," "legal," or other variants, and zero otherwise.
Leverage	Book value of debt divided by total assets in year *t*.
Lit Risk Cut	An indicator variable equal to one if the firm-year measure of Kim and Skinner (2012) litigation risk is greater than the sample median (where the sample is the test sample of firms with 13-17 pages in the pre-Rule period), and zero otherwise.
ΔLnAssets	The average of the natural log of total assets in millions in the post-Rule period minus the average of the natural log of total assets in millions in the pre-Rule period.
LnFollowing	The natural log of the number of analysts issuing annual EPS forecasts for year *t*.
LnMVE	The natural log of total market value of equity in millions in year *t*.
Post	An indicator variable equal to one if the 10-K filing for year *t* occurred after November 9, 2020, and zero otherwise.
Return Skewness	Skewness of firm's 12-month stock returns for year *t*.
RiskFactorCLConv	An indicator variable equal to one if the firm had at least one multi-round comment letter conversation classified by Audit Analytics as related to risk factor disclosures in the three years leading up to the Rule, and zero otherwise.
RiskFactorCLCount	The number of comment letters firm *i* received from the SEC about its risk factor disclosures in year *t*.
Settled Case	An indicator variable equal to one if the firm settled a 10b-5 class action securities case in the three years leading up to the Rule, and zero otherwise.
Share Turnover	Trading volume over the 12-month period ending with year *t*-1 fiscal year-end month scaled by beginning of year shares outstanding.
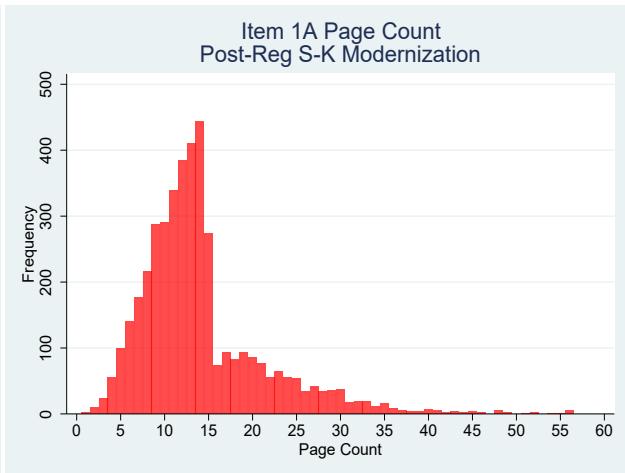
Shrinker	An indicator variable equal to one if the firm had an average page count greater than 15 pages in the pre-Rule period but 15 pages or less in the post-Rule period, and zero otherwise.
Std. Returns	Standard deviation of the firm's 12-month returns for year t.

Figure 1

Panel A

Panel B

Panel C
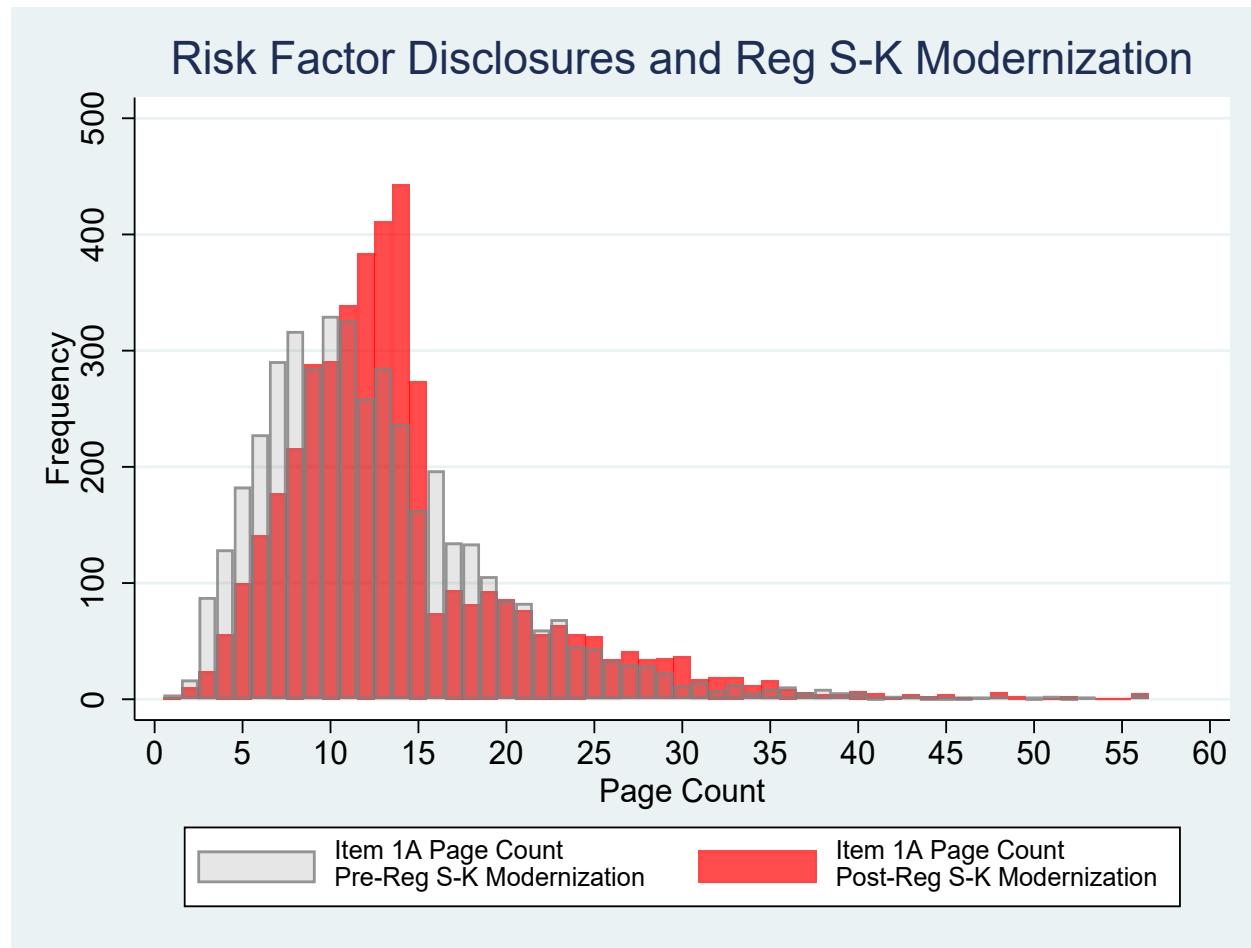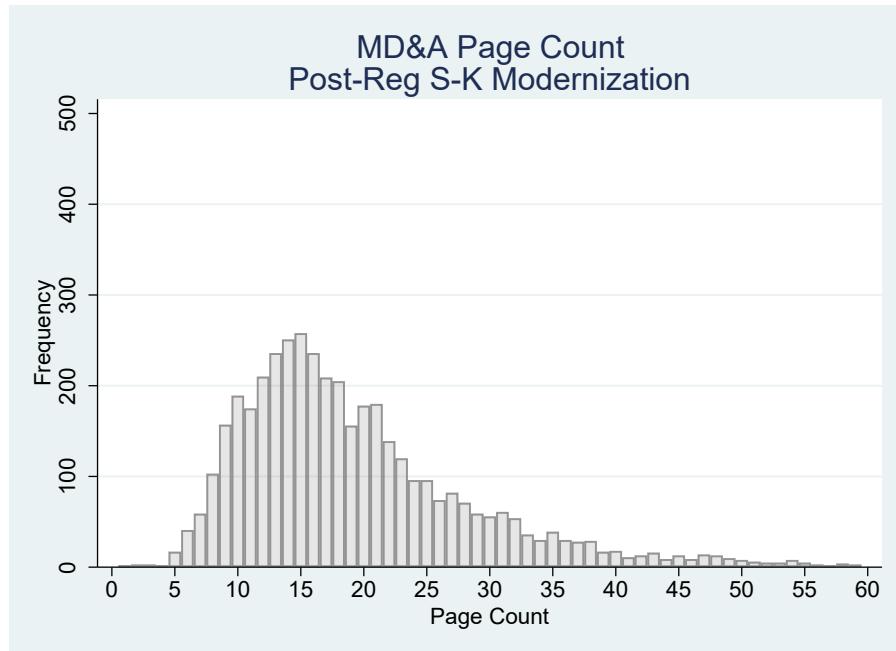
Figure 1 presents histograms of Item 1A (risk factor disclosure) page counts before and after the November 9, 2020 rule modernizing Regulation S-K (the "Rule"). Panel A (B) presents page counts for firms meeting the sample inclusion criteria before (after) the Rule took effect, and Panel C presents pre- and post-Rule page counts overlaid on one another.

Figure 2

Panel A

Panel B
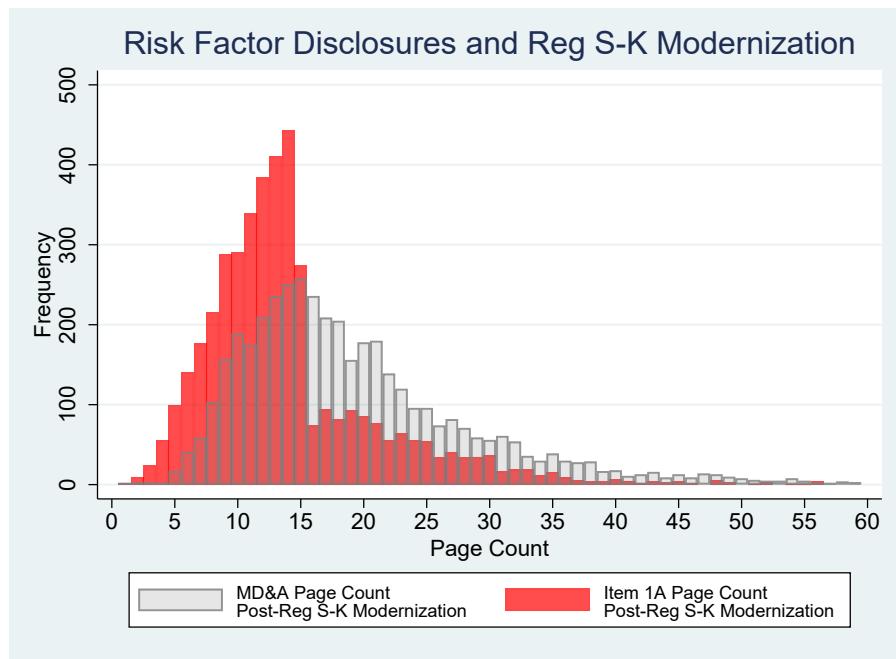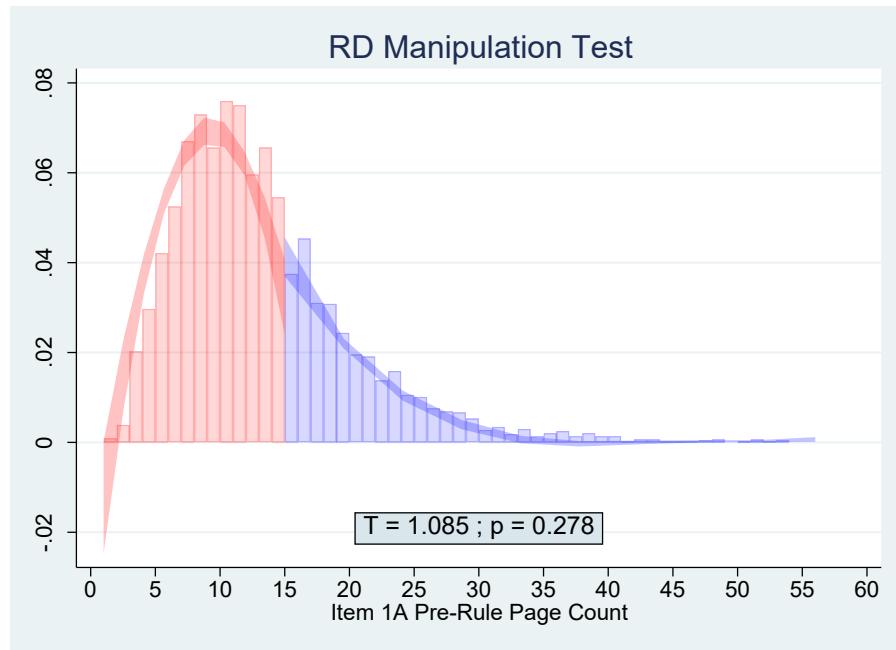
Figure 2 presents histograms of Item 1A and MD&A page counts before and after the Rule. Panel A presents MD&A page counts for firms meeting the sample inclusion criteria after the Rule went into effect, and Panel B presents MD&A and Item 1A post-Rule page counts overlaid on one another.

Figure 3

Panel A

Panel B
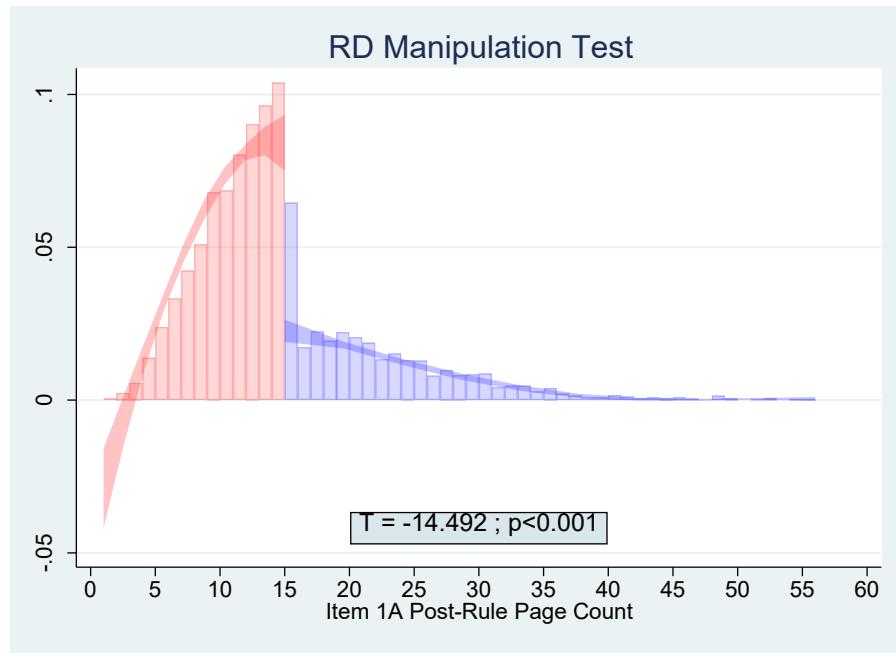
Figure 3 presents histograms of Item 1A (risk factor disclosure) page counts before and after the Rule, along with smoothed local polynomial CDFs and regression discontinuity (RD) manipulation tests. Panel A (B) presents the histogram, local polynomial, and RD tests for the pre-Rule (post-Rule) time period.

Figure 4
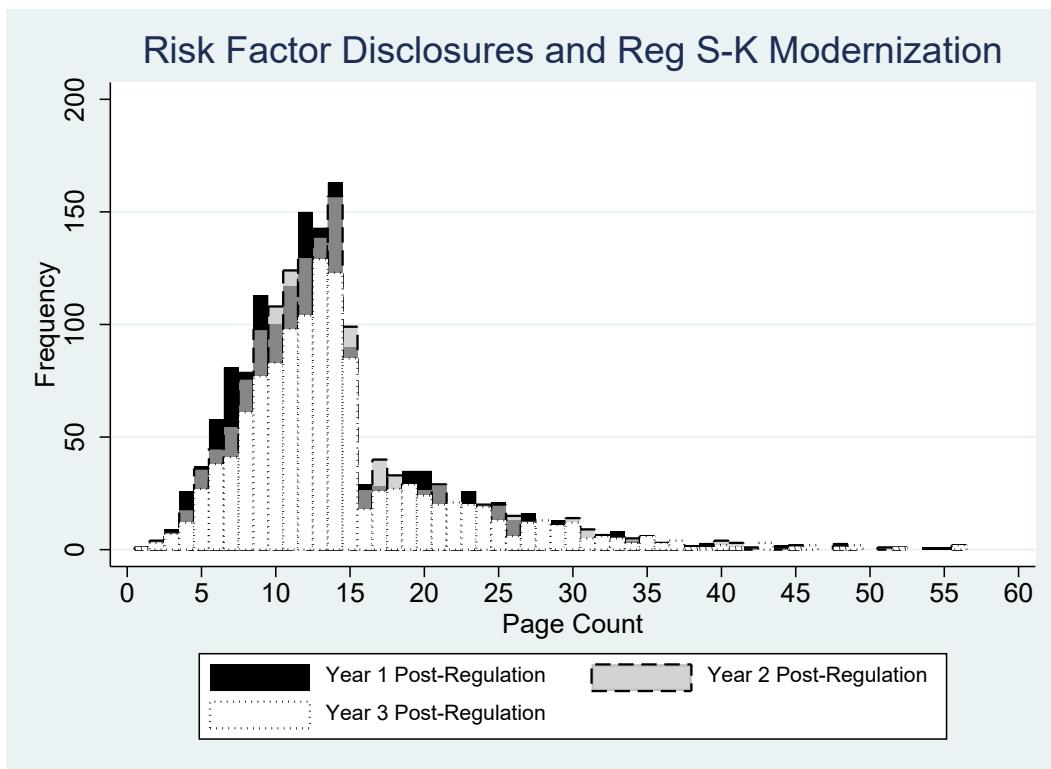
Figure 4 separately presents histograms of Item 1A (risk factor disclosure) page counts over the three fiscal years ending after the Rule took effect.

Table 1. Descriptive Statistics

Panel A: Test Sample Relative to the Broader Sample

	Firm-years with pre-Rule Item 1A Page Count between 13 and 17					All Compustat-CRSP-Execucomp Firm-years				
	N	Mean	25th Pct	Med	75th Pct	N	Mean	25th Pct	Med	75th Pct
Item 1A Page Count	1,474	**15.07**	14.00	15.00	16.00	8,541	**13.50**	9.00	12.00	16.00
Item 1A Word Count / 1,000	1,474	**12.11**	10.58	11.93	13.36	8,541	**10.85**	6.96	9.76	13.07
GeneralCLConv	1,474	0.36	0.00	0.00	1.00	8,509	0.39	0.00	0.00	1.00
RiskFactorCLConv	1,474	0.02	0.00	0.00	0.00	8,509	0.03	0.00	0.00	0.00
LegalOfficer	1,474	0.46	0.00	0.00	1.00	8,541	0.47	0.00	0.00	1.00
LnMVE	1,474	8.44	7.39	8.33	9.51	8,540	8.39	7.30	8.26	9.42
BTM	1,474	0.48	0.19	0.37	0.67	8,540	0.49	0.20	0.40	0.69
BHAR	1,474	0.02	-0.22	-0.02	0.21	8,541	0.01	-0.22	-0.03	0.17
Leverage	1,474	0.31	0.13	0.28	0.45	8,541	0.30	0.12	0.29	0.44
Std. Returns	1,474	0.11	0.07	0.09	0.13	8,539	0.11	0.07	0.09	0.13
Return Skewness	1,474	0.14	-0.37	0.13	0.64	8,533	0.11	-0.40	0.09	0.59
Share Turnover	1,474	2.67	1.47	1.98	2.89	8,541	2.58	1.40	1.92	2.85
BigN	1,474	0.90	1.00	1.00	1.00	8,541	0.89	1.00	1.00	1.00
ETR	1,474	0.17	0.00	0.16	0.25	8,541	0.17	0.00	0.18	0.24
DNI	1,474	0.04	0.01	0.04	0.08	8,541	0.05	0.01	0.04	0.09
LnFollowing	1,474	**2.14**	1.66	2.22	2.74	8,541	**2.06**	1.51	2.11	2.70
ΔLnAssets	1,474	0.27	0.00	0.22	0.44	8,541	0.25	0.05	0.22	0.41
Shrinker	1,474	**0.21**	0.00	0.00	0.00	8,541	**0.08**	0.00	0.00	0.00
FOG	1,474	22.21	21.24	22.28	23.24	8,541	22.14	21.18	22.12	23.08
ARI	1,474	18.59	17.48	18.71	19.77	8,541	18.48	17.35	18.47	19.56
Settled Case	1,474	0.04	0.00	0.00	0.00	8,541	0.04	0.00	0.00	0.00
High Lit Risk	1,474	0.50	0.00	1.00	1.00	8,541	0.53	0.00	1.00	1.00

Panel B: Item 1A Textual Characteristics in RD Sample

Firms with pre-Rule Item 1A Page Count between 13 and 17

		Pre-Rule					Post-Rule		
	N	Mean	25th Pct	Med	75th Pct	N	Mean	25th Pct	Med	75th Pct
Item 1A Page Count	752	**14.84**	14.00	15.00	16.00	722	**15.30**	13.00	15.00	17.00
Item 1A Sentence Count	752	435.86	378.00	425.00	485.50	722	439.46	365.00	426.00	505.00
Item 1A Word Count	752	**11,848.41**	10,590.50	11,869.00	13,056.00	722	**12,390.84**	10,514.00	12,024.00	13,814.00
Item 1A Words per Sentence	752	**27.57**	25.51	27.84	29.77	722	**28.42**	26.43	28.55	30.66
Item 1A Words per Page	752	**799.21**	744.47	804.50	855.10	722	**811.11**	757.78	813.71	865.67
Item 1A Sentences per Page	752	**29.43**	25.90	28.93	32.21	722	**28.87**	25.92	28.46	31.20

Panel C: Item 1A Textual Characteristics in Restricted Sample

Firms with pre-Rule Item 1A Page Count between 15 and 17

		Pre-Rule					Post-Rule		
	N	Mean	25th Pct	Med	75th Pct	N	Mean	25th Pct	Med	75th Pct
Item 1A Page Count	342	15.87	15.00	16.00	17.00	332	16.05	14.00	15.00	19.00
Item 1A Sentence Count	342	463.75	406.00	452.00	513.00	332	461.68	372.00	453.00	522.50
Item 1A Word Count	342	**12,751.26**	11,674.00	12,724.50	13,912.00	332	**13,131.61**	11,025.50	12,387.50	15,031.50
Item 1A Words per Sentence	342	**27.92**	25.97	28.18	30.04	332	**28.75**	26.82	28.98	30.97
Item 1A Words per Page	342	**804.52**	752.25	810.22	854.18	332	**819.46**	770.42	824.36	871.87
Item 1A Sentences per Page	342	29.29	25.88	28.33	32.00	332	28.86	25.81	28.08	31.26

Panel D: Item 1A Textual Characteristics in Observed Shrinkage Sample

Firms with pre-Rule Item 1A Page Count between 15 and 17 and post-Rule Item 1A page count below 15

		Pre-Rule					Post-Rule		
	N	Mean	25th Pct	Med	75th Pct	N	Mean	25th Pct	Med	75th Pct
Item 1A Page Count	155	**15.83**	15.00	16.00	17.00	155	**13.26**	13.00	14.00	14.00
Item 1A Sentence Count	155	**467.98**	414.00	462.00	524.00	155	**388.14**	336.00	372.00	449.00
Item 1A Word Count	155	**12,848.92**	12,002.00	12,837.00	14,010.00	155	**10,880.25**	9,951.00	11,077.00	11,868.00
Item 1A Words per Sentence	155	27.91	26.04	28.30	30.07	155	28.48	25.97	28.69	31.25
Item 1A Words per Page	155	811.92	770.00	812.00	858.13	155	821.49	771.60	824.57	874.46
Item 1A Sentences per Page	155	29.60	26.35	28.94	32.44	155	29.26	26.00	28.13	32.07

Table 1 presents descriptive statistics for the samples used in the study. Panel A presents descriptive information for the full sample of test and control variables used in multivariate analyses, while Panels B through D separately present textual statistics for various samples of interest before and after the Rule. Panel B presents descriptive statistics for the text of Item 1A for firms with pre-Rule Item 1A page counts between 13 and 17 pages. Panel C presents descriptive statistics for the text of Item 1A for firms with pre-Rule Item 1A page counts between 15 and 17 pages. Panel D presents descriptive statistics for the text of Item 1A for firms with pre-Rule Item 1A page counts between 15 and 17 pages *and* post-Rule Item 1A page counts below 15. Bolded means in Panels B through D indicate statistically significant differences across pre- and post-Rule time periods at $p < 0.05$. All variables are defined in Appendix C.

Table 2. Page Counts and General Legal Scrutiny

	(1)	(2)	(3)	(4)
Sample:	Firms with 13-17 pre-Rule Item 1A pages	Firms with 15-17 pre-Rule Item 1A pages	Firms with 13-17 pre-Rule Item 1A pages	Firms with 15-17 pre-Rule Item 1A pages
Dependent Variable:	*Item 1A Page Count*		*MD&A Page Count*	
GeneralCLConv	-0.051	0.155	0.863	1.308
	(-0.231)	(0.558)	(0.890)	(0.884)
Post	0.096	-0.159	0.185	-0.137
	(0.231)	(-0.235)	(0.171)	(-0.099)
GeneralCLConv × Post	-0.444	-1.906***	0.341	1.338
	(-1.041)	(-3.232)	(0.603)	(1.550)
LnMVE	0.203	0.101	1.634***	1.010*
	(1.534)	(0.630)	(3.909)	(1.842)
BTM	0.654**	0.081	3.351***	2.363*
	(2.177)	(0.225)	(2.836)	(1.676)
BHAR	-0.245	-0.508*	-0.268	-0.134
	(-1.338)	(-1.868)	(-0.670)	(-0.252)
Leverage	0.889	-1.113	3.999**	1.604
	(1.556)	(-1.376)	(2.325)	(0.658)
Std. Returns	-0.274	-1.202	5.467	5.930
	(-0.135)	(-0.502)	(0.932)	(0.772)
Return Skewness	0.179*	0.158	-0.164	0.012
	(1.796)	(1.166)	(-0.740)	(0.048)
Share Turnover	0.107**	0.110**	-0.246*	-0.152
	(2.218)	(2.326)	(-1.889)	(-0.964)
Big N	-0.551	-0.103	0.633	-0.847
	(-1.471)	(-0.233)	(0.433)	(-0.363)
ETR	-1.025***	-0.316	-1.284	-1.733
	(-3.226)	(-0.724)	(-1.164)	(-1.245)
DNI	-1.757*	-0.632	-5.962**	-1.894
	(-1.901)	(-0.496)	(-2.262)	(-0.912)
LnFollowing	0.056	-0.142	0.231	0.865
	(0.246)	(-0.437)	(0.313)	(0.713)
ΔLnAssets	0.846***	0.845***	-2.953**	-2.228*
	(3.000)	(2.769)	(-2.591)	(-1.799)
Constant	12.939***	15.872***	4.827	10.699***
	(14.379)	(14.023)	(1.589)	(2.732)
Observations	1,474	674	1,474	674
R-squared	0.175	0.250	0.576	0.591
Adj. R-Squared	0.139	0.185	0.557	0.556
Ind. FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Table 2 presents results of multivariate tests of *H2a*. Columns 1 and 2 have *Item 1A Page Count* as the dependent variable, and columns 3 and 4 have *MD&A Page Count* as the dependent variable. Columns 1 and 3 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 13 and 17, and Columns 2 and 4 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 15 and 17. *, **, and *** indicates statistical significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively. All variables are defined in Appendix C.

Table 3. Page Counts and Direct Legal Scrutiny

	(1) Firms with 13-17 pre-Rule Item 1A pages	(2) Firms with 15-17 pre-Rule Item 1A pages	(3) Firms with 13-17 pre-Rule Item 1A pages	(4) Firms with 15-17 pre-Rule Item 1A pages
Sample:				
Dependent Variable:	*Item 1A Page Count*		*MD&A Page Count*	
RiskFactorCLConv	-0.844	-0.622	2.308	3.757**
	(-1.397)	(-0.781)	(1.429)	(2.328)
Post	-0.045	-0.890	0.250	-0.355
	(-0.112)	(-1.441)	(0.228)	(-0.269)
RiskFactorCLConv × Post	-1.008	-0.999	2.423***	2.925***
	(-1.267)	(-0.981)	(2.677)	(2.992)
LnMVE	0.213	0.076	1.595***	1.032*
	(1.605)	(0.467)	(3.818)	(1.897)
BTM	0.693**	0.192	3.301***	2.211
	(2.243)	(0.527)	(2.790)	(1.534)
BHAR	-0.235	-0.471*	-0.281	-0.247
	(-1.272)	(-1.695)	(-0.697)	(-0.457)
Leverage	0.968*	-0.659	3.882**	0.877
	(1.696)	(-0.785)	(2.246)	(0.360)
Std. Returns	-0.453	-2.332	5.665	7.120
	(-0.224)	(-0.941)	(0.969)	(0.919)
Return Skewness	0.179*	0.174	-0.172	-0.013
	(1.797)	(1.248)	(-0.768)	(-0.051)
Share Turnover	0.101**	0.120**	-0.220*	-0.144
	(2.049)	(2.311)	(-1.653)	(-0.907)
Big N	-0.603	-0.091	0.736	-0.876
	(-1.546)	(-0.175)	(0.491)	(-0.370)
ETR	-1.060***	-0.292	-1.135	-1.612
	(-3.281)	(-0.663)	(-1.033)	(-1.153)
DNI	-1.934**	-0.761	-5.421**	-1.435
	(-2.054)	(-0.548)	(-2.059)	(-0.664)
LnFollowing	0.041	-0.096	0.335	0.821
	(0.182)	(-0.278)	(0.464)	(0.681)
ΔLnAssets	0.870***	0.995***	-3.020***	-2.520**
	(3.053)	(3.281)	(-2.640)	(-2.016)
Constant	12.931***	15.928***	5.052*	11.521***
	(14.155)	(13.792)	(1.660)	(2.863)
Observations	1,474	674	1,474	674
R-squared	0.176	0.212	0.576	0.587
Adj. R-Squared	0.140	0.145	0.557	0.552
Ind. FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Table 3 presents results of multivariate tests of *H2b*. Columns 1 and 2 have *Item 1A Page Count* as the dependent variable, and columns 3 and 4 have *MD&A Page Count* as the dependent variable. Columns 1 and 3 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 13 and 17, and Columns 2 and 4 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 15 and 17. *, **, and *** indicates statistical significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively. All variables are defined in Appendix C.

Table 4. Page Counts and Powerful General Counsel

	(1) Firms with 13-17 pre-Rule Item 1A pages	(2) Firms with 15-17 pre-Rule Item 1A pages	(3) Firms with 13-17 pre-Rule Item 1A pages	(4) Firms with 15-17 pre-Rule Item 1A pages
Sample:				
Dependent Variable:	*Item 1A Page Count*		*MD&A Page Count*	
LegalOfficer	0.285	0.310	-0.817	-0.567
	(1.576)	(1.190)	(-1.010)	(-0.466)
Post	0.323	0.324	0.487	0.010
	(0.728)	(0.453)	(0.396)	(0.006)
LegalOfficer × Post	-0.841**	-2.213***	-0.303	0.001
	(-2.241)	(-4.337)	(-0.430)	(0.001)
LnMVE	0.205	0.107	1.621***	1.046*
	(1.559)	(0.681)	(3.875)	(1.894)
BTM	0.630**	-0.068	3.367***	2.352*
	(2.078)	(-0.197)	(2.862)	(1.702)
BHAR	-0.232	-0.502*	-0.245	-0.189
	(-1.258)	(-1.871)	(-0.599)	(-0.354)
Leverage	0.940	-0.525	4.250**	1.202
	(1.646)	(-0.652)	(2.447)	(0.498)
Std. Returns	-0.637	-2.665	5.351	6.959
	(-0.320)	(-1.110)	(0.907)	(0.878)
Return Skewness	0.186*	0.223	-0.185	-0.021
	(1.854)	(1.546)	(-0.813)	(-0.076)
Share Turnover	0.107**	0.133***	-0.231*	-0.155
	(2.168)	(2.698)	(-1.758)	(-0.971)
Big N	-0.494	-0.012	0.655	-0.891
	(-1.309)	(-0.023)	(0.446)	(-0.379)
ETR	-1.026***	-0.365	-1.208	-1.708
	(-3.181)	(-0.860)	(-1.094)	(-1.190)
DNI	-1.968**	-1.139	-5.837**	-1.671
	(-2.133)	(-0.834)	(-2.168)	(-0.777)
LnFollowing	0.008	-0.251	0.312	0.806
	(0.037)	(-0.740)	(0.428)	(0.698)
ΔLnAssets	0.865***	0.862***	-3.152***	-2.632**
	(2.930)	(2.860)	(-2.718)	(-2.074)
Constant	12.857***	15.851***	5.339*	11.623***
	(13.973)	(14.408)	(1.787)	(3.040)
Observations	1,474	674	1,474	674
R-squared	0.178	0.264	0.576	0.585
Adj. R-Squared	0.142	0.201	0.557	0.550
Ind. FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Table 4 presents results of multivariate tests of *H3*. Columns 1 and 2 have *Item 1A Page Count* as the dependent variable, and columns 3 and 4 have *MD&A Page Count* as the dependent variable. Columns 1 and 3 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 13 and 17, and Columns 2 and 4 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 15 and 17. *, **, and *** indicates statistical significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively. All variables are defined in Appendix C.

Table 5. Word Counts and Powerful General Counsel

	(1) Firms with 13-17 pre-Rule Item 1A pages	(2) Firms with 15-17 pre-Rule Item 1A pages	(3) Firms with 13-17 pre-Rule Item 1A pages	(4) Firms with 15-17 pre-Rule Item 1A pages
Sample:				
Dependent Variable:	*Item 1A Word Count/1,000*		*MD&A Word Count/1,000*	
LegalOfficer	0.353*	0.343	-0.272	-0.349
	(1.877)	(1.194)	(-0.642)	(-0.556)
Post	-0.044	0.484	-0.035	-0.050
	(-0.118)	(0.796)	(-0.057)	(-0.059)
LegalOfficer × Post	-0.646**	-1.821***	-0.188	0.129
	(-2.104)	(-3.738)	(-0.531)	(0.226)
LnMVE	0.269**	0.061	0.752***	0.413
	(2.030)	(0.355)	(3.404)	(1.242)
BTM	0.848***	0.147	1.822***	1.503*
	(2.862)	(0.368)	(2.924)	(1.974)
BHAR	-0.180	-0.518**	-0.168	-0.206
	(-1.129)	(-2.232)	(-0.770)	(-0.701)
Leverage	1.423**	0.239	2.854***	1.300
	(2.438)	(0.263)	(2.796)	(0.858)
Std. Returns	0.531	-1.569	4.190	3.850
	(0.294)	(-0.640)	(1.323)	(0.914)
Return Skewness	0.108	0.164	-0.188	-0.047
	(1.240)	(1.256)	(-1.565)	(-0.317)
Share Turnover	0.119***	0.131**	-0.052	-0.019
	(2.698)	(2.285)	(-0.767)	(-0.236)
Big N	-0.473	0.593	0.481	0.202
	(-1.278)	(0.942)	(0.632)	(0.155)
ETR	-0.654**	-0.201	-0.181	-0.441
	(-2.224)	(-0.501)	(-0.331)	(-0.660)
DNI	-1.766**	-0.809	-2.969**	-0.325
	(-2.239)	(-0.663)	(-2.101)	(-0.231)
LnFollowing	0.187	0.054	0.286	0.495
	(0.773)	(0.142)	(0.738)	(0.788)
ΔLnAssets	0.666**	0.744**	-1.802***	-1.210*
	(2.237)	(2.350)	(-3.104)	(-1.815)
Constant	8.651***	11.325***	3.386**	6.774***
	(9.419)	(8.878)	(2.135)	(3.032)
Observations	1,474	674	1,474	674
R-squared	0.212	0.233	0.519	0.574
Adj. R-Squared	0.177	0.168	0.497	0.538
Ind. FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Table 5 presents results of a variation on tests of *H3*. Columns 1 and 2 have *Item 1A Word Count/1,000* as the dependent variable, and columns 3 and 4 have *MD&A Word Count/1,000* as the dependent variable. Columns 1 and 3 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 13 and 17, and Columns 2 and 4 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 15 and 17. *, **, and *** indicates statistical significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively. All variables are defined in Appendix C.

Table 6. Risk Factor Counts for Shrinker Firms

	Last Filing Before Rule Change	First Filing After Rule Change
Non-Shrinker Firms	*(N=1,403)*	*(N=1,418)*
N Risk Factors	35.7	36.1
New Risk Factors	3.7	4.5***
Deleted Risk Factors	3.0	4.1***
Shrinker Firms	*(N=56)*	*(N=56)*
N Risk Factors	43.4	38.0***
New Risk Factors	4.6	4.8
Deleted Risk Factors	5.5	9.8***

Table 6 presents counts of overall risk factors, new risk factors, and deleted risk factors for sample firms, divided into *Non-Shrinker* and *Shrinker Firms*. *Shrinker Firms* are defined as firms with an average risk factor page count in the pre-Rule period of greater than or equal to 15 pages and less than 15 pages in the post-Rule period, with *Non-Shrinker Firms* defined as the sample complement. Unique risk factor counts are obtained by counting subcaptions within Item 1A, similar to Lyle et al. (2023) and following the process outlined in Section 5.2. New and deleted risk factor counts are obtained by comparing unique Item 1A subcaptions using cosine similarity. A subcaption is considered new if it was not present in Item 1A of the previous year's 10-K. A subcaption is considered deleted if it was present in Item 1A of the previous year's 10-K but not in Item 1A of the current year's 10-K. *** indicates a statistically significant change from the pre-Rule period to the post-Rule period at $p < 0.01$.

Table 7. Readability

Sample:	(1) Firms with 13-17 pre-Rule Item 1A pages	(2) Firms with 15-17 pre-Rule Item 1A pages	(3) Firms with 13-17 pre-Rule Item 1A pages	(4) Firms with 15-17 pre-Rule Item 1A pages
Dependent Variable:	*FOG*		*ARI*	
Post	-0.335	-1.001**	-0.485^	-1.216*
	(-1.154)	(-2.049)	(-1.380)	(-1.841)
LnMVE	0.039	0.099	0.015	0.086
	(0.460)	(0.927)	(0.150)	(0.653)
BTM	0.020	-0.298	-0.155	-0.494**
	(0.125)	(-1.441)	(-0.822)	(-2.085)
BHAR	0.086	0.027	0.051	-0.027
	(1.114)	(0.274)	(0.545)	(-0.223)
Leverage	0.430	1.004**	0.420	1.333**
	(1.076)	(2.348)	(0.852)	(2.517)
Std. Returns	0.885	1.343	1.119	1.818
	(0.850)	(0.944)	(0.887)	(1.035)
Return Skewness	0.110**	0.103*	0.146***	0.135*
	(2.428)	(1.772)	(2.620)	(1.903)
Share Turnover	-0.011	0.038	0.001	0.048*
	(-0.377)	(1.594)	(0.022)	(1.666)
Big N	-0.431*	-1.109**	-0.629**	-1.370**
	(-1.669)	(-2.116)	(-2.087)	(-2.336)
ETR	-0.124	-0.060	-0.040	0.053
	(-0.607)	(-0.218)	(-0.164)	(0.162)
DNI	-0.689	-0.070	-0.669	-0.097
	(-1.226)	(-0.112)	(-0.983)	(-0.132)
LnFollowing	0.334**	0.105	0.479**	0.199
	(2.122)	(0.625)	(2.549)	(0.962)
ΔLnAssets	0.302*	0.262	0.360*	0.296
	(1.723)	(1.119)	(1.732)	(1.076)
Constant	21.458***	22.218***	17.969***	18.719***
	(37.093)	(27.203)	(25.739)	(19.344)
Observations	1,474	674	1,474	674
R-squared	0.270	0.415	0.250	0.392
Adj. R-Squared	0.240	0.367	0.218	0.342
Ind. FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Table 7 presents results from estimating Equation (2). Columns 1 and 3 show results from estimating Equation (2) in the sample of firms with pre-Rule Item 1A page counts between 13 and 17, and columns 2 and 4 show results from estimating Equation (2) in the sample of firms with pre-Rule Item 1A page counts between 15 and 17. *, **, and *** indicates two-sided statistical significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively. All variables are defined in Appendix C.

Table 8. Disclosure Shrinkage and Direct Legal Scrutiny

	(1)	(2)	(3)	(4)	(5)	(6)
Sample:	Firms with 13-17 pre-Rule Item 1A pages	Firms with 15-17 pre-Rule Item 1A pages	All firms	Firms with 13-17 pre-Rule Item 1A pages	Firms with 15-17 pre-Rule Item 1A pages	All firms
Dependent Variable:	CLCount			RiskFactorCLCount		
Shrinker	0.034	-0.011	0.102*	0.004	0.012	0.017^
	(0.558)	(-0.125)	(1.809)	(0.253)	(0.526)	(1.621)
Post	-0.008	-0.249	-0.054	-0.002	-0.099	0.012
	(-0.056)	(-1.007)	(-1.026)	(-0.036)	(-0.650)	(1.008)
Shrinker × Post	-0.152**	-0.127^	-0.139**	-0.015	-0.041^	-0.024*
	(-1.999)	(-1.378)	(-2.338)	(-0.685)	(-1.360)	(-1.669)
LnMVE	-0.011*	-0.016	-0.003	0.010^	0.010	0.010***
	(-1.707)	(-1.273)	(-1.074)	(1.571)	(1.031)	(3.997)
BTM	0.062***	0.065**	0.036***	0.020^	0.039*	0.001
	(3.522)	(2.617)	(4.401)	(1.340)	(1.740)	(0.149)
BHAR	0.133***	0.155***	0.017	-0.003	-0.003	-0.009*
	(3.105)	(2.945)	(0.908)	(-0.261)	(-0.145)	(-1.729)
Leverage	0.017	0.012	-0.048***	-0.004	-0.005	-0.003
	(0.507)	(0.258)	(-2.898)	(-0.236)	(-0.192)	(-0.371)
Std. Returns	0.215***	0.213*	0.153***	-0.048	-0.057	0.038
	(3.068)	(1.913)	(3.978)	(-0.393)	(-0.343)	(0.930)
Return Skewness	-0.496^	0.049	0.326*	-0.000	0.001	0.002
	(-1.519)	(0.101)	(1.940)	(-0.078)	(0.117)	(0.668)
Share Turnover	0.006	-0.001	0.004	0.003	-0.003	0.002*
	(0.300)	(-0.045)	(0.443)	(0.573)	(-1.118)	(1.675)
Big N	0.011^	0.003	-0.001	-0.034**	-0.031	0.000
	(1.612)	(0.316)	(-0.269)	(-1.979)	(-1.038)	(0.011)
ETR	-0.234***	-0.274***	-0.053**	-0.010	-0.037**	0.006
	(-2.961)	(-2.907)	(-2.119)	(-0.437)	(-2.040)	(0.618)
DNI	-0.085	-0.217**	0.013	-0.031	-0.085^	-0.017
	(-1.106)	(-2.007)	(0.353)	(-0.720)	(-1.464)	(-1.013)
LnFollowing	-0.315*	-0.349^	-0.304***	-0.005	-0.003	-0.003
	(-1.869)	(-1.638)	(-4.253)	(-0.442)	(-0.154)	(-0.710)
ΔLnAssets	-0.021	-0.032	-0.010	0.004	0.002	0.009*
	(-0.715)	(-0.743)	(-0.720)	(0.266)	(0.123)	(1.729)
ΔPageCount	0.080*	0.067	0.098***	-0.001	0.001	-0.000
	(1.670)	(1.123)	(4.166)	(-0.585)	(0.287)	(-0.119)
Constant	-0.063	0.095	-0.035	-0.022	0.042	-0.066***
	(-0.430)	(0.430)	(-0.546)	(-0.428)	(0.428)	(-3.617)
Observations	1,474	674	8,500	1,474	674	8,500
R-squared	0.126	0.187	0.049	0.069	0.147	0.040
Adj. R-Squared	0.087	0.116	0.039	0.028	0.073	0.031
Ind. FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 8 presents results from estimating Equation (3). Columns 1 and 4 show results from estimating Equation (3) the sample of firms with pre-Rule Item 1A page counts between 13 and 17, columns 2 and 5 show results from estimating Equation (3) in the sample of firms with pre-Rule Item 1A page counts between 15 and 17, and columns 3 and 6 show results from estimating Equation (3) in the full sample of firms with available data. *, **, and *** indicates two-sided statistical significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively. ^ indicates one-sided statistical significance at $p < 0.10$. All variables are defined in Appendix C.

Table 9. Page Counts and Litigation Risk

	(1) Firms with 13-17 pre-Rule Item 1A pages	(2) Firms with 15-17 pre-Rule Item 1A pages	(3) Firms with 13-17 pre-Rule Item 1A pages	(4) Firms with 15-17 pre-Rule Item 1A pages
Sample:				
Dependent Variable:	*Item 1A Page Count*		*Item 1A Page Count*	
Settled Case	-0.450	0.024		
	(-1.158)	(0.040)		
Post	-0.128	-0.968		
	(-0.330)	(-1.615)		
Settled Case × Post	-0.233	-0.813		
	(-0.306)	(-0.715)		
High Lit Risk Cut			0.176	0.500
			(0.864)	(1.378)
Post			1.828***	-1.400*
			(2.791)	(-1.867)
High Lit Risk × Post			-0.269	0.570
			(-1.016)	(0.896)
LnMVE	0.193	0.072	0.071	-0.008
	(1.448)	(0.434)	(0.760)	(-0.048)
BTM	0.614**	0.144	-0.332*	0.017
	(2.044)	(0.402)	(-1.700)	(0.049)
BHAR	-0.254	-0.496*	-0.068	-0.497*
	(-1.379)	(-1.797)	(-0.375)	(-1.794)
Leverage	0.910	-0.706	0.471	-0.747
	(1.619)	(-0.847)	(1.512)	(-0.874)
Std. Returns	-0.256	-2.423	0.187	-3.206
	(-0.127)	(-0.969)	(0.097)	(-1.243)
Return Skewness	0.172*	0.180	0.070	0.168
	(1.717)	(1.295)	(0.716)	(1.184)
Share Turnover	0.108**	0.120**	0.030	0.128**
	(2.256)	(2.289)	(0.643)	(2.304)
Big N	-0.565	-0.096	0.010	-0.023
	(-1.472)	(-0.187)	(0.035)	(-0.047)
ETR	-1.042***	-0.308	-0.106	-0.247
	(-3.236)	(-0.694)	(-0.335)	(-0.552)
DNI	-1.861*	-0.807	-2.199*	-0.678
	(-1.968)	(-0.567)	(-1.786)	(-0.490)
LnFollowing	0.034	-0.114	-0.539***	-0.116
	(0.153)	(-0.333)	(-2.874)	(-0.336)
ΔLnAssets	0.816***	0.964***	-0.007	1.129***
	(2.780)	(3.078)	(-0.047)	(3.503)
Constant	13.144***	16.089***	1.214*	16.539***
	(14.328)	(14.042)	(1.851)	(14.071)
Observations	1,474	674	1,468	674
R-squared	0.174	0.211	0.131	0.221
Adj. R-Squared	0.137	0.143	0.0931	0.155
Ind. FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Table 9 presents results of estimating Equation (1) with alternative test variables. Columns 1 and 2 have *Item 1A Page Count* as the dependent variable, and columns 3 and 4 have *MD&A Page Count* as the dependent variable. Columns 1 and 3 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 13 and 17, and Columns 2 and 4 show results from estimating Equation (1) in the sample of firms with pre-Rule Item 1A page counts between 15 and 17. *, **, and *** indicates statistical significance at $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively. All variables are defined in Appendix C.