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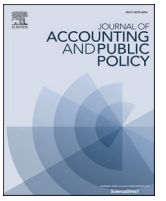

Full length article

The real effects of disclosure in going private deals

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ABSTRACT

Going private transactions have become an area of increasing interest for regulators and policymakers. Disclosures in these transactions are subject to special Securities and Exchange Commission (SEC) rules that require management to provide detailed information to all shareholders before a general vote. We examine the role of disclosure in addressing the frictions between sellers and buyers. We find that disclosure volume is positively associated with the likelihood of closing a deal. However, disclosure volume is also positively related to the intensity of shareholders' negotiations, which increases the likelihood of shareholder litigation. These findings suggest that disclosure has real effects on the success of going private transactions and highlight the trade-offs that buyers face when determining the volume of disclosure. The results also speak to the extent to which the SEC rules fulfill the regulator's intent in mandating going private disclosures.

1. Introduction

Going private transactions have attracted increasing interest from regulators and policymakers. The number of companies opting to go private has steadily risen over the past decade (Driebusch and Cooper, 2023), contributing to the widening of the U.S. "listing gap," where the number of publicly listed companies in the U.S. is unusually low compared to other developed markets and relative to the country's level of development and the state of its institutions (Doidge et al., 2013; 2017).[1] Going private transactions are driven by various factors, including the desire to avoid the regulatory burden and public scrutiny associated with being a publicly traded company, as well as the preference to focus on long-term growth strategies over short-term financial performance.[2] The termination of

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[1] Karma (2023) argues that, by taking companies private, private equity firms have already made about one-fifth of the U.S. market invisible to investors, media, and regulators, creating a danger of lack of transparency in the U.S. economy. (Source: https://www.theatlantic.com/ideas/archive/2023/10/private-equity-publicly-traded-companies/675788/).

[2] See, for example, Engel et al. (2007), Leuz et al. (2008), Bargeron et al. (2008), Henderson and Epstein (2009), Officer et al. (2010), Bharath and Dittmar (2010), Zimmerman (2016), Gaughan (2010), and Doidge et al. (2017).

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a company's public status often raises concerns about conflicts of interest, particularly when ownership and control transfer to affiliated parties (Leuz et al., 2008).[3] Disclosure in going private transactions can play a significant role in ensuring that both buyers and sellers can negotiate a fair price and that sellers are fully informed about the terms and implications of the deal. However, the role of going private disclosures in deal completion and litigation remains unexplored.Fig. 1.Fig. 2..

Our study on going private disclosures is motivated by several important and previously unexamined issues. To date, research on the properties of SEC filings and their consequences has focused primarily on recurring disclosures, such as 10-K reports (Li, 2010; Loughran and McDonald, 2016) and on transaction-specific disclosures during events like IPOs and M&As, often reported in 8-K forms (Lerman and Livnat, 2010; Segal and Segal, 2016; Leone et al., 2007; Kimbrough and Louis, 2011). While many of these disclosures are unaudited, they are made by firms that are public or in the process of becoming public, where building and maintaining a disclosure reputation significantly influences management's disclosure incentives (Rock, 2002; Graham et al., 2005; Beyer and Dye, 2012). In contrast, going private disclosures–also unaudited–represent the final transaction-specific disclosure before a company delists, making disclosure reputation less relevant. At the same time, going private transactions face an unusually high risk of litigation.[4] This combination of unaudited disclosures, diminished reputational concerns, and increased litigation risk may create a distinct set of disclosure incentives for management in going private deals. Understanding how these incentives manifest in the volume and characteristics of disclosure remains an unexamined issue in accounting research.

The Securities and Exchange Commission's (SEC) Rule SC 13E-3 requires a company's management to provide detailed disclosures to all shareholders before a general vote to approve going private transactions. The SEC's Form SC 13E-3 and its accompanying documents constitute the most comprehensive communication regarding the going private transaction, covering its purpose, timing, terms, key risk factors, and a third-party fairness opinion.[5] The rule applies to all companies that intend to go private and file Form SC 13E-3, regardless of the transaction's motives or eventual outcome (Bharath and Dittmar, 2010; Engel et al., 2007).[6] This framework allows us to examine the real effects of disclosure in complex transactions involving both managers and shareholders. Specifically, we build on prior research on takeover outcomes (e.g., Dhaliwal et al., 2016; Krishnan et al., 2012) to investigate how disclosure impacts the likelihood of deal completion and the risk of litigation in going private transactions.[7]

The likelihood of completing a deal is a direct indicator that the transaction has successfully met all regulatory requirements and passed the sellers' vetting process. Previous theory and broad evidence on disclosure suggest that selling shareholders are less likely to block a transaction if the disclosure facilitates valuation and monitoring.[8] Longer disclosure may reduce uncertainty and mistrust between the parties, thereby increasing the likelihood of reaching an agreement. Conversely, longer and potentially more complex going private disclosures could hinder shareholders' ability to fully understand the terms and implications of the transaction, thereby increasing uncertainty and mistrust, which could ultimately lead to the deal's failure. In addition to these core dynamics, several alternative explanations and confounding variables merit consideration. For example, the relative attractiveness of a deal is often influenced by the share price premium offered by the acquirer. A generous premium might mitigate concerns about limited disclosure by compensating for any residual uncertainty, whereas a lower premium could heighten shareholders' demands for more comprehensive disclosure. Market dynamics and prevailing economic conditions may also shape how disclosure is perceived; in volatile or uncertain market environments, shareholders might rely more heavily on detailed disclosures to assess risk, thereby altering the relationship between disclosure volume and deal completion.

Furthermore, the negotiation process between buyers and sellers introduces additional layers of complexity. Intense buyer–seller negotiations, which are often intertwined with the disclosure process, could both improve the transparency of the deal and increase the risk of litigation if disagreements over valuation or compensation arise. For instance, less disclosure might elevate litigation risk by fostering information asymmetry, prompting shareholders to file lawsuits to obtain additional private information from the acquirer. Conversely, more extensive disclosure might attract scrutiny from various external stakeholders—including selling shareholders, their legal advisors, and regulatory bodies such as the SEC and the Federal Trade Commission. Such scrutiny may empower these stakeholders to independently assess the firm's strategic decisions, which in turn could embolden selling shareholders to engage in more rigorous negotiations or even challenge the transaction on grounds of fiduciary breach (De Franco et al., 2013).

We also note the unique institutional context for going private transactions. In scenarios where disclosures are perceived as lacking credibility—perhaps because they are seen as mere boilerplate or as signals of management's alignment with the acquirer—the anticipated benefits of detailed disclosure might not materialize. In addition, the influence of blockholders and the alignment of management with acquirers represent additional contextual factors that can shape the disclosure–deal success nexus. Blockholders, with their

[3] The main parties to these transactions are affiliates of the target (e.g., management and blockholders) and other shareholders. The SEC defines "affiliate" as any person who directly or indirectly controls, is controlled by, or is under common control with the company. The term typically covers all executive officers, directors, and larger shareholders of a company. Because going private often leads to increased debt well above industry averages, these transactions often include backing from institutional or private equity investors (Leuz et al., 2008). These investors are affiliates if they are shareholders when the deal is announced.

[4] 52.5 percent of the deals in our sample face litigation.

[5] Please refer to Appendix B for more details on Form SC 13E-3. If a deal is successfully completed, a company must subsequently file Form 25 to delist its securities.

[6] Although these deals can include other communication channels, the SEC filings constitute the most complete, organized, and legitimate source of information. For example, Elon Musk's August 2018 communication on Twitter about taking Tesla private does not constitute a disclosure that shareholders could use to vote on a potential deal.

[7] Throughout the paper, we refer to minority shareholder litigation as litigation for the sake of brevity.

[8] See, for example, Bushee and NOE (2000), Leuz and Verrecchia (2000), Healy and Palepu (2001), Core (2001), Bushee et al. (2003), Ajinkya et al. (2005), Lambert et al. (2007), Beyer et al. (2010), and Berger (2011).

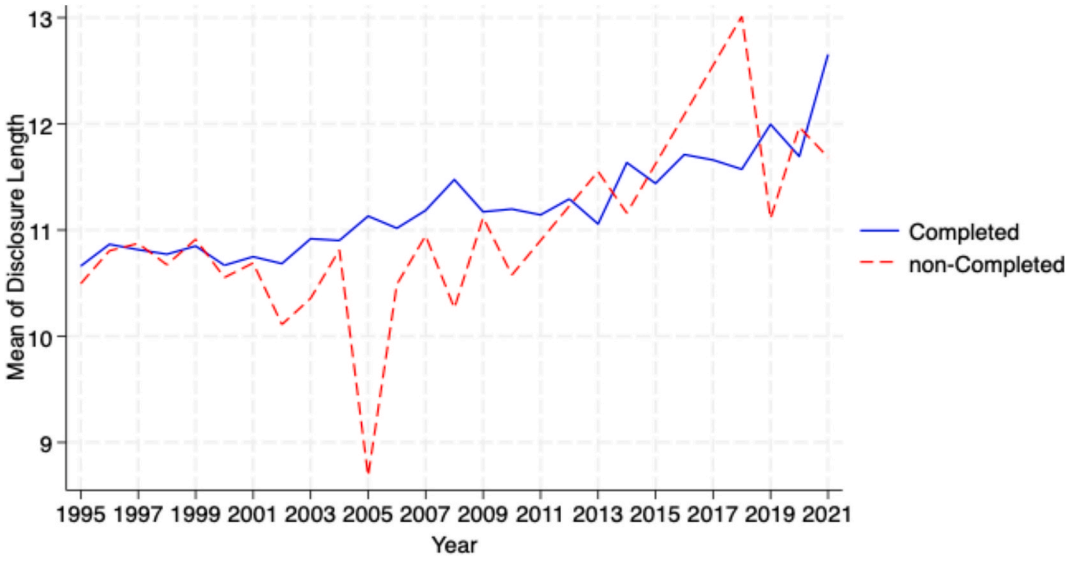

Fig. 1. Mean disclosure length for the sample period by deal completion.

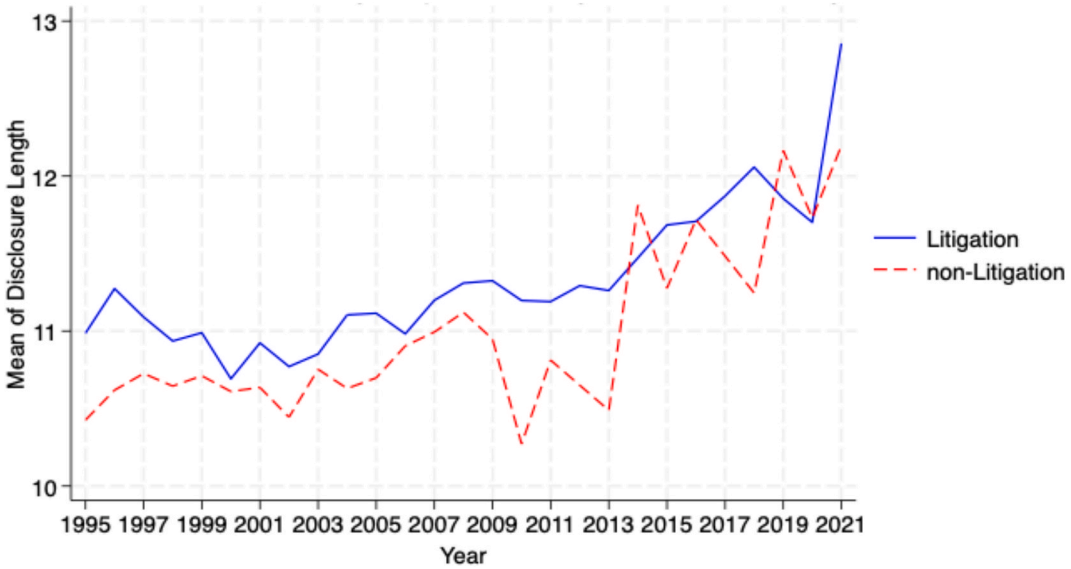

Fig. 2. Mean disclosure length for the sample period by deal litigation.

significant stake and potential control rights, may have distinct incentives that either amplify or mitigate the effects of disclosure. Similarly, if management is closely aligned with the acquirer, the perceived need for extensive disclosure may be diminished, as stakeholders might assume that management's interests are already congruent with those of the acquirer, thereby reducing the perceived risk of a misaligned transaction. Taken together, these considerations highlight the multifaceted role of disclosure in going private transactions. While longer disclosure can enhance transparency and reduce uncertainty—thereby increasing the likelihood of deal completion—it can also provoke heightened negotiation intensity and regulatory scrutiny, which may elevate litigation risk.

Our paper does not focus on modeling the decision to go private or investigating the reasons behind the transaction. Instead, we aim to demonstrate the incremental role of disclosure. Following the methodology used in prior studies (Leuz and Schrand, 2009; Li, 2010; Lo, 2014; Bozanic et al., 2017), we employ the length of transaction-specific SEC filings as our primary measure of disclosure volume. This measure provides an objective and quantifiable proxy for the overall comprehensiveness of the information provided, which

facilitates the aggregation of data and the comparison of deals with heterogeneous filings.[9] While qualitative aspects such as tone and specificity undoubtedly influence the informativeness of a disclosure—and are controlled for in our empirical models—they can be more challenging to measure consistently across filings. Moreover, by emphasizing length, we capture an important dimension of disclosure related to the potential for cognitive overload among shareholders, as noted in the accounting literature (e.g., Healy and Palepu, 2001; Bushman et al., 2004). These studies highlight that while increased disclosure generally reduces information asymmetry, the benefits may be offset by the complexity and volume of information. Such complexity can impede effective processing by investors, suggesting that beyond a certain point, longer disclosures may lead to cognitive overload. This perspective supports our emphasis on disclosure length as a quantifiable proxy for the overall volume—and potential complexity—of information provided in SEC filings. By focusing on disclosure length, our study captures a critical dimension that speaks directly to the trade-off between reducing uncertainty and the risk of overwhelming stakeholders with too much information.

Our sample consists of 537 deals with transaction-specific SEC filings from 1995 to 2021. For each deal, we collect all filings and measure the aggregate text length (i.e., the total number of words). Our descriptive statistics show that the median disclosure length is approximately 60,415 words, with significant variation in disclosure volume, suggesting that managers have considerable discretion over the level of detail in SEC filings. Our univariate analysis supports this observation: 91.1 percent of deals are successfully completed when filings are in the highest tercile of disclosure length, compared to 77.1 percent for deals in the lowest tercile. Litigation rates also differ notably– 70.4 percent of deals with filings in the highest tercile face litigation, compared to 36.3 percent in the lowest tercile.[10]

Our multivariate analyses reinforce our univariate evidence and reveal a nuanced trade-off in disclosure practices for going private transactions. Controlling for various deal characteristics as well as additional textual properties (i.e., complexity, tone, and specificity), we find that longer disclosures are associated with both a higher likelihood of deal completion and an increased risk of litigation. On one hand, managers may opt for more comprehensive disclosures to reduce information asymmetry and build shareholder confidence. By providing detailed information, they alleviate uncertainty among shareholders, thereby facilitating a smoother approval process and increasing the probability of deal completion. In our analysis, moving from the 25th to the 75th percentile of disclosure length increases the estimated likelihood of deal completion by approximately seven percent, suggesting that deals with more extensive disclosures are more likely to succeed.

On the other hand, more extensive disclosures can expose the firm to greater scrutiny from shareholders, legal advisors, and regulatory bodies, thereby increasing the probability of litigation. This heightened legal exposure appears to be an implicit cost that managers are willing to bear to secure deal completion. In fact, moving from the 25th to the 75th percentile of disclosure length is associated with an 11 percent increase in the likelihood of litigation—our proxy for the intensity of shareholder negotiations. Managers appear to view the risk of legal challenges as a necessary trade-off in a context where closing the deal is of paramount importance, especially given that the SEC mandates comprehensive disclosures to empower shareholders with transparency. Overall, these findings underscore that while extensive disclosure promotes transparency and enhances the likelihood of a successful transaction, it also incurs higher transaction costs through increased litigation risk.

We highlight three additional analyses. First, we examine the content of transaction-specific SEC filings in detail and subdivide the going private disclosures into four sections: (1) transaction summary, (2) deal discussion, (3) exhibits, and (4) any other information. We find that only the lengths of the exhibits and discussion sections are positively and significantly correlated with our outcomes of interest. Second, we analyze the role of disclosure in shareholder conflicts related to squeeze-outs. We find that the interactions between a squeeze-out indicator variable and disclosure characteristics lack statistical significance.[11] Third, we address the concern that the same or similar information from going private disclosures might also appear in other filings over time. To account for this, we control for the number of deal amendments and the length of 10-K reports. We find that the length of the 10-K lacks statistical significance in our models, while the number of deal amendments is positively associated with both deal completion and litigation. Despite these controls, the length of going private disclosures remains positively and significantly associated with our key outcomes.

Our findings have several important implications for theory and practice. First, they suggest that disclosure plays an incremental role in completing going private transactions. While prior studies have focused on various drivers, costs, and benefits that influence going private transactions, we extend this research by highlighting the specific role of mandatory SEC filings in facilitating deal completion (e.g., Engel et al., 2007; Leuz et al., 2008). Our findings offer insights into the real effects of mandatory disclosure in this context and align with the broader literature on disclosure processing costs (Blankespoor et al., 2020). We also shed light on a crucial step for companies seeking to terminate their public status (Engel et al., 2007; Leuz et al., 2008).

[9] Form SC 13E-3 often references a variety of other SEC Forms (e.g., Schedule TO and Form DEF-14) and exhibits. Other studies have used disclosure length as a proxy for business complexity (Guay et al., 2016) and for discretionary complexity that increases investors' disclosure processing costs (Blankespoor et al., 2020). We follow the literature on textual analysis (e.g., Asay et al., 2016; Muslu et al., 2014; Rogers et al., 2011) and control in our empirical models for variation in other characteristics of disclosure associated with business and discretionary complexity, namely linguistic complexity, specificity, and tone. Our analyses further control for company characteristics (including business complexity), the structure and key terms of deals, and the short-term market reactions to deals' initial announcements.

[10] These findings align with prior evidence suggesting that agency problems increase frictions in the negotiation of mergers and acquisitions (M&As). However, prior evidence shows that M&A deals have a lower incidence of litigation of 10.3 percent (Krishnan et al., 2012).

[11] In squeeze-outs, the bidder has at least a five percent toehold ownership in the target firm before the going private announcement date. Our models include fixed effects for various SEC forms that can satisfy the disclosure requirements (i.e., different forms are filed for deals with different structures). However, we also examine the incremental effect of squeeze-outs on the association between our four disclosure characteristics (length, linguistic complexity, tone, and specificity) and the likelihood of completing a going private deal.

Second, our study contributes to the literature on the association between information asymmetry and the outcomes of negotiation processes involving conflict and settlements. Previous experiments in union negotiations have shown that settlements and post-negotiation conflicts appear unaffected by disclosure (Elias, 1990), with the conclusion that management should avoid disclosure, as more information will unambiguously result in adverse outcomes. In contrast, we find that in the case of asymmetric financial information in going private transactions, management disclosure is associated with both costs (increased litigation) and benefits (a higher likelihood of completion). Our study characterizes the trade-offs managers are willing to make to achieve the desired outcome of a successfully completed negotiation.

Finally, our findings indicate that mandated disclosure fulfills the intent of the SEC to protect the rights of minority shareholders during going private transactions. While disclosure is not related to a lower likelihood of deal completion, it is associated with higher litigation risk, which may pose challenges for buyers. We suggest th‘at regulators should further investigate these real outcomes of the going private disclosure requirements and consider introducing safeguards to mitigate frictions when going private is beneficial for all stakeholders.

2. Background and hypotheses

2.1. Reasons for going private

Academics and practitioners cite several reasons for companies to go private. These reasons include (1) allowing shareholders to realize a better share price by reducing frictions that can lower public company valuation, such as the difficulty of valuing intangible assets and complex financial reporting; (2) enabling management to focus on long-term objectives rather than short-term profits; (3) reducing costs and avoiding the regulatory burden of compliance, particularly under the Sarbanes-Oxley Act of 2002; (4) reorganizing operations and management incentives without concerns over public shareholders scrutiny, particularly in high-risk businesses; (5) generating tax benefits by increasing leverage beyond levels acceptable for public companies; and (6) lowering litigation risks from dissatisfied public shareholders (Engel et al., 2007; Leuz et al., 2008; Bargeron et al., 2008; Henderson and Epstein, 2009; Officer et al., 2010; Bharath and Dittmar, 2010; Zimmerman, 2016). These factors suggest that companies aim to create a valuation surplus after a successful reorganization.

2.2. Conflict of interest in going private transactions

Despite their advantages, going private transactions pose unique conflicts of interest. The offer price in such deals is not typically the result of arm’s-length negotiations, which can create an information imbalance favoring affiliated parties (Bates et al., 2006). Unlike other takeovers, these deals often involve acquirers, including affiliates, who may have access to non-public information about the company, enabling them to benefit from the surplus created after reorganization. Courts also view these deals as “inherently coercive”, as acquiring shareholders –and sometimes management–are on both sides of the deal.[12]

2.3. Deregistration and its impact

Prior studies also have explored the regulatory mechanisms for opting out of SEC compliance (Engel et al., 2007; Leuz et al., 2008), noting that firms deregister due to poor prospects, financial distress, and the cost of compliance. However, deregistration often results in a negative market reaction due to reduced public information and greater opportunities for insiders to extract private benefits. Two types of deregistration exist: going private and going dark. Going private firms concentrate ownership and delist from public markets (after filing SEC Form 25), while going-dark firms cease SEC reporting (after filing SEC Form 15) but may continue trading in over-the-counter markets, providing limited information to a smaller group of investors. Our focus is on the disclosure practices of firms pursuing going private transactions, irrespective of whether the deal is completed.

2.4. Types of going private transactions

All going private transactions are regulated by SEC Rule 13E-3, including: (1) mergers or sales of all or most of the target’s assets, often involving a management buy-out (MBO) or a leveraged buy-out (LBO); (2) reverse stock splits; and (3) tender offers. Rule 13E-3 and Schedule 13E-3 apply when an affiliate of the target, or the target itself, engages in a transaction that will result in the deregistration or delisting of a class of securities.

In MBOs, managers, who typically hold substantial ownership in the firm, initiate the transaction, often with financial backing from a private equity investor. Managers expect to maintain their positions and consolidate control in the newly private firm. This direct involvement creates a potential conflict of interest, as managers may attempt to minimize the deal price, while selling shareholders seek maximum compensation (Hafzalla, 2009). Managers have access to private information that could influence the timing and structure of the transaction. For example, they could manage earnings downward before announcing the bid, making the company

[12] See Appendix D for more details on the legal conflict-of-interest distinctions between going private and M&A transactions.

appear less valuable and lowering the offer price (Perry and Williams, 1994). Conflicts of interest arise primarily when managers derive benefits beyond the agreed offer price (Hafzalla, 2009). In some cases, managers may want to divest their ownership, which could incentivize them to share more of the benefits of going private with other shareholders (Halpern et al., 1999).[13]

In typical LBOs, managers hold a smaller ownership stake and are not directly involved in initiating the transaction. Instead, private equity investors or an external management team (in a management buy-in) lead the deal (Renneboog and Simons, 2005). Incumbent managers may join the bidding side but generally play a minor role. In these cases, managers' incentives are often aligned with those of selling shareholders, as both groups aim to maximize the offer price (Hafzalla, 2009). However, incentives may vary if managers anticipate a future role in the newly private firm, such as receiving shares as part of their compensation, which could create a conflict of interest even if they are not central to the bidding process.[14]

In a reverse stock split, a firm amends its charter to reduce the number of authorized and outstanding shares, aiming to bring the number of record holders below 300, which allows the firm to avoid SEC reporting obligations. The process requires managers to set a ratio of old to new shares and establish the price per fractional share, potentially leading to conflicts of interest similar to those in LBOs.[15]

Finally, tender offers involve requests by a third party, often an affiliate of the target (e.g., a parent company), to purchase additional shares or a repurchase by the target. In some cases, a parent company can use a tender offer to merge with a subsidiary through a board resolution, bypassing a shareholder vote. For example, in a two-step merger, the acquirer first initiates a voluntary tender offer to gain majority ownership and then completes the merger without shareholder approval. In contrast, MBOs, LBOs, or reverse stock splits typically require shareholder approval for mergers or corporate charter amendments. Dissenting shareholders in merger transactions are entitled to appraisal rights, though this remedy is unavailable in cash-outs through reverse stock splits, asset sales, or first-step tender offers. In tender offers, SEC Schedule 14D-9 requires target companies to disclose accurate and complete information, including whether the board supports the offer.

2.5. Disclosure requirements for going private transactions

SEC Rule 13E-3 requires company management to issue detailed disclosures to all shareholders before a going private transaction is put to a general vote. These disclosures must include information about the transaction's purpose, timing, terms, and key risk factors, as well as a third-party fairness opinion via Schedule 13E-3 (see Appendix B). The target company must also describe any alternatives considered and why they were rejected and explain the effects of the transaction on both affiliates and unaffiliated stockholders. Additionally, the company is required to provide information regarding the substantive and procedural fairness of the transaction. Furthermore, all reports, opinions, and appraisals from external parties that are materially related to the price or fairness of the transaction, including a third-party fairness opinion, must be disclosed to the SEC. Despite these requirements, managers have significant discretion over the level of detail and structure of the disclosure, as it is not subject to external audit requirements.

Depending on the structure of the transaction, Schedule 13E-3 must be filed together with other forms.[16] In a one-step merger, the target company must solicit stockholders' approval through a proxy statement that complies with Regulation 14A (Schedule 14A) or with Regulation 14C (Schedule 14C) if proxies are not solicited. In a two-step merger, the bidder must file a tender offer statement via Schedule TO, while the target company must file a Schedule 14D-9.[17] When a proxy statement or an offer to purchase is filed, Schedule 13E-3 must reference the information contained in Schedule 14A or Schedule TO. Once the deal is completed, the company must file Form 25 to delist its securities. Therefore, although Form SC 13-E3 is the primary document fulfilling SEC requirements, a comprehensive analysis of each transaction must consider all relevant forms.

The timing of the Schedule 13E-3 filing also depends on the transaction structure. In one-step mergers, the form must be filed simultaneously with the proxy statements. In tender offers, the form must be filed as soon as the tender offer information is made public. Schedule 13E-3 must also be amended to reflect any changes in the proxy statements or tender offer. Additionally, the timing of the transaction may depend on the SEC's review of and comments on the filings.

In these transactions, managers and directors have significant responsibilities, including the duties of loyalty to the company and its shareholders, care, good faith, and disclosure. In *Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc.*, the Delaware Supreme Court argued that the board must act as an "auctioneer" for the company, securing the highest possible offer price for selling shareholders (a requirement sometimes referred to as the "Revlon duty"). However, there is no singular blueprint for fulfilling this duty. In our paper,

[13] Dell Inc. represents a good example of an MBO. Michael Dell, CEO, founder and largest shareholder, took the company private for 24.4 billion. The transaction was backed by a group of investors (e.g., Microsoft Corp.) and organized by a private investment fund (Silver Lake Partners). Another example of an MBO is Perry Ellis International Inc. The founder, George Feldenkreis, together with his son Oscar, CEO of Perry Ellis, decided to take the company private for 437 million, backed by the private-equity firm Fortress Investment Group LLC.

[14] An example of an LBO is the purchase of Keurig Green Mountain, Inc., for $13.9 billion by JAB Holding Co, a privately held company in partnership with other investors (e.g., Mondelez International) with holdings in a third company controlling Keurig (Jacobs Douwe Egberts BV). Another example of an LBO is the purchase of Genesee & Wyoming, Inc., for $6.5 billion by a group of investors organized by Brookfield Infrastructure Partners LP and the Singapore sovereign-wealth fund. In both deals, incumbent management did not initiate the transaction.

[15] Gander Mountain Company (today known as Gander RV & Outdoors) filed an amendment to the company's articles of incorporation to effect a 1-for-30,000 reverse stock split of its common stock, offering a cash payment of 5.15 to any shareholder holding less than one share after the stock split for each share held prior to the transaction.

[16] For more details about going private disclosures, see the practical guidance issued by Sanborn et al. (2018).

[17] The main difference between a two-step and a one-step merger is that, in the two-step approach, the buyer does not obtain the whole share capital of the target in the tender offer and thus has to acquire the remaining shares of the target in a second-step merger.

we examine SEC disclosure requirements as a critical aspect of this duty.[18]

2.6. Litigation in going private transactions

In going private transactions, litigation primarily involves derivative lawsuits, in which the corporation functions as the plaintiff, and the allegations assert that the company's officers and directors breached their fiduciary duties (Erickson, 2010). The objective of derivative lawsuits is to compel officers and directors to compensate the firm for the damage they allegedly caused (Bourveau et al., 2018). In these transactions, minority shareholders often claim that officers and directors failed to negotiate fair compensation for their ownership stakes. Most derivative lawsuits are resolved through settlements (Erickson, 2010). Although directors may shield themselves with liability insurance, such policies typically do not cover intentional misconduct or breaches that result in personal gain for the directors (Bourveau et al., 2018).

2.7. Hypotheses development

The incremental role of mandatory SEC disclosures in completing going private deals remains uncertain. Prior theory and evidence suggest that sellers are less likely to block a transaction when the disclosure helps in valuation and monitoring. Specifically, prior literature demonstrates that comprehensive and transparent disclosure reduces information asymmetry between insiders and shareholders, thereby lowering uncertainty and facilitating a more accurate appraisal of the firm (e.g., Leuz and Verrecchia, 2000; Lambert et al., 2007). In addition, such transparency may help mitigate agency problems by enabling shareholders to more effectively monitor managerial actions (e.g., Bushee and NOE, 2000; Bushee et al., 2003; Ajinkya et al., 2005; De Franco et al., 2013).[19]

Longer disclosure may thus signal a comprehensive commitment to transparency, increasing the likelihood of deal completion. However, there is also a potential downside: overly lengthy or complex disclosures could overwhelm shareholders, making it difficult for them to fully understand the terms of the transaction. This cognitive overload could increase uncertainty and foster mistrust, ultimately reducing support for the deal. Furthermore, given that these disclosures are not externally audited, and that management's reputational concerns are muted in a going private context, such information might be viewed merely as a compliance formality rather than a credible source of valuation information. Moreover, the role of disclosure may be secondary to other deal features, such as the share price premium offered by the acquirer.

Thus, by focusing on disclosure volume—a quantifiable proxy for the comprehensiveness of information—we aim to capture the dual role it plays. We, therefore, state our first hypothesis in its null form:

Hypothesis 1. *Ceteris paribus, there is no association between the volume of disclosure and the likelihood of closing a going private transaction.*

The relationship between disclosure volume and litigation risk in going private transactions is similarly ambiguous. On the one hand, less disclosure may leave stakeholders insufficiently informed about the deal's details, potentially increasing litigation risk as shareholders or other parties might claim they were misled or harmed by incomplete information. In line with the arguments presented by Krishnan et al. (2012)*, such litigation may serve as a mechanism for stakeholders to obtain additional private information and mitigate information asymmetry.*

On the other hand, lengthier disclosures can also have adverse effects. Detailed filings may draw heightened scrutiny from selling shareholders, legal advisors, and regulatory agencies such as the SEC and the Federal Trade Commission. This external oversight might empower these parties to form independent, informed views of the firm's decisions, potentially prompting more aggressive negotiations or legal challenges if they uncover perceived inadequacies in the transaction's terms (De Franco et al., 2013). Moreover, if the disclosure is seen as excessively complex or lacking credibility—due in part to its compliance-oriented nature and the absence of external audits—the expected benefits of mitigating litigation risk may not be realized.

By focusing on the volume of disclosure, we can more readily assess this trade-off between reducing uncertainty (and thus litigation risk) and potentially increasing scrutiny that may lead to more litigation. Therefore, we frame our second hypothesis as follows:

Hypothesis 2. *Ceteris paribus, there is no association between the volume of disclosure and the likelihood of litigation.*

3. Research design

To test our two hypotheses, we estimate the following cross-sectional logistic regression:

$$Outcomei = \alpha_i + \beta DisclosureLengthi + \omega DealControls_i + \gamma FEi + \varepsilon_i. \quad (1)$$

In it, we alternatively test for the association between *Disclosure Length* and one of two outcome variables: *Complete* and *Litigation*. The outcome variable *Complete* is an indicator variable equal to one if the deal is completed and zero otherwise. *Litigation* is an indicator variable equal to one if the going private transaction is challenged by minority shareholder litigation and zero otherwise. In the

[18] For a discussion of how a board of directors may satisfy its duties under the decision of the Delaware Supreme Court in *Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc.*, 506 A.2d 173 (Del. 1986).

[19] Typically, a majority of shareholders (i.e., a 51 percent margin) must approve a transaction, at which point all shareholders are required to tender their shares, regardless of whether they voted for or against. In the business acquisitions literature, these forced minority sales are known as squeeze-outs or freeze-outs (Gaughan, 2010).

model, the subscript *i* corresponds to each going private transaction observation. The coefficient of interest, β, captures the association between the variation in *Disclosure Length* and each outcome variable.

For each deal, we collect all the filings and use the aggregate length of their text as our main measure of disclosure volume. The main independent variable of interest, *Disclosure Length*, is the natural logarithm of the number of words in the going private disclosure. Although the primary document fulfilling the SEC requirements is Form SC 13E-3, this form often references a variety of forms (e.g., Schedule TO and Form 14) and appendices. Therefore, to properly capture the full length of disclosure, for each deal, we collect the filings that contain all required disclosure items and use the aggregate length of their text (i.e., the total number of words). Our main measure facilitates the cross-sectional comparison of deals with heterogeneity in the filings and follows prior studies that use length as a proxy for disclosure volume (Leuz and Schrand, 2009; Li, 2010; Lo, 2014).

The literature on textual analysis has proposed several other proxies that capture variation in disclosure (e.g., Asay et al., 2016; Li, 2008; Muslu et al., 2014; Rogers et al., 2011). Thus, in the model, we also include three additional disclosure characteristics as controls: (1) linguistic complexity (*Linguistic Complexity*), (2) negative tone (*Negative Tone*), and (3) disclosure specificity (*Specificity*). We note that our variable of interest, *Disclosure Length*, together with these disclosure characteristics (i.e., complexity, negative tone, and specificity) are not only measures commonly used by the literature on textual analysis but are also important aspects of disclosure, considered by the SEC in its rule-setting process (Bozanic et al., 2017).

Linguistic Complexity is defined as the Gunning Fog Index of the going private disclosure filing, computed as: 0.4*(number of words /number of sentences) + 0.4*(number of words with more than two syllables /number of words). *Negative Tone* captures the number of negative words less the number of positive words, scaled by the total number of words in the going private disclosure filing. The positive and negative word list follows Loughran and McDonald (2011). Finally, we measure *Specificity* as the natural log of the number of numbers in sentences in the going private disclosure filing.

While we do not model the decision to go private, our analyses control for known drivers of going private deals (i.e., the structure of the transaction and performance) and disclosure choices (i.e., firm characteristics and information environment). Our study focuses on the incremental role of disclosure for firms that announce their intention to go private following the SEC procedure. First, regarding the characteristics of the going private transaction, we control for economic complexity by including deal size (*Offer Size*). We further control for the nature of negotiations, including whether the deal involves an acquirer and target from the same industry (*Int-Ind Deal*), whether the deal involves a hostile takeover attempt (*Hostile*), whether there were multiple bidders involved in the negotiations (*Multiple Bidders*), and the one-day deal premium (*Premium*). Intra-industry transactions are generally associated with lower information asymmetry and a higher likelihood of synergistic *ex post* performance (Andrade et al., 2001), which might affect both the likelihood and timing of deal completion. Both hostile bids and transactions involving multiple bidders have a lower likelihood of deal completion (Bradley et al., 1988; Bebchuk et al., 2001). We control for the existing ownership of the acquirer by including an indicator variable for ownership levels exceeding 5 percent (*SqueezeOut*). This captures the relative influence of the acquirer on the target. We also control for whether the offer was a tender offer (*Tender Offer*) and the percent of cash financing used to fund the transaction (*Perc Cash*). We control for the inclusion in the deal of a termination fee (*Term Fee*), given prior literature suggests that the presence of a termination fee increases the probability of deal completion (Officer 2003). We control for the reputation of the financial advisor on the deal (*Top Inv Bank*) and control for the percentage of litigious words (*Lit Words*) in the going private disclosure filing using the litigious word list of Loughran and McDonald (2011) to capture the existing litigation environment surrounding the deal. We also control for the increase in offer price from the initial offer (*Price Revision Up*).

Second, regarding the determinants of disclosure and company characteristics, we include several controls for the stock performance of the going private firm before the deal, including equity returns (*Target Returns*), equity return volatility (*Target Returns Volatility*), and equity return skewness (*Target Returns Skewness*). These variables, along with industry, are known determinants of litigation risk (Kim and Skinner, 2012). We also control for several firm characteristics, including size (*Target Firm Size*), tangibility (*Target Tangibility*), profitability (*Target ROA*), leverage (*Target Leverage*), and analyst following indicator (*Target Analyst Foll)*. Finally, we include a control for the period when the transaction takes place relative to Sarbanes-Oxley (*Post SOX*) and an indicator variable to control for LBO transactions (*LBO*). All the models include industry (Fama-French 30) and year fixed effects to address deal outcome differences across industries and over time. We also control for differences in disclosure forms by using form fixed effects. Different forms are required for different going private transactions. Thus, the inclusion of form fixed effects allows us to capture any differences in management incentives related to the type of going private transactions.

4. Data and descriptive statistics

4.1. Sample selection

We begin constructing our sample by identifying 2,444 filings of an initial Form SC 13E-3 from January 1995 through June 2021.[20] The Form SC 13E-3 filing requirement omits firms that may take some initial steps to go private (e.g., talks with private equity

[20] We start our sample period as early as 1995 and choose to control for the passage of the Sarbanes-Oxley Act (SOX) instead of excluding the pre-SOX period from our analyses for several reasons: (1) Doidge et al. (2017) show a consistent large percentage of delistings from the US markets starting as early as 1997 and continuing until the end of their sample period 2012; (2) Prior literature indicates that the SOX regulation is largely unrelated to going private transactions (Leuz, 2007; Leuz et al., 2008); and (3) Our analyses show that the mean disclosure length is consistently higher for deals that are completed and those facing litigation throughout the sample period (see Figs. 1 and 2). Our sample period ends in 2021 to allow time for any relevant litigation to occur and to observe the deal completion outcome for the deals in our sample.

investors) but do not proceed with the transaction.[21] Form SC 13E-3 gives the details of the going private transaction. In addition, we do not condition our sample on filing SEC Form 15 and Form 25, which indicate the termination of security registration. Conditioning on these forms would truncate deals that were not successful. We instead rely on SDC Platinum's classification of transactions that were completed or withdrawn. We match each SC 13E-3 filing with CRSP to obtain equity return characteristics. We also match each observation to SDC Platinum's M&A database to obtain transaction characteristics and outcomes. We have 537 transactions with available data.[22]

Next, we manually check whether each transaction was challenged through litigation. We use Lexis-Nexis, SEC filings, and Google news searches to identify whether there is any indication of a lawsuit specifically triggered by the going private transaction. This procedure is consistent with prior studies involving M&A litigation (Krishnan et al., 2012). We identify 282 transactions with litigation, which represent roughly half of our sample.

Finally, we read each Form SC 13E-3 to determine whether the required information was disclosed within the filing, or it was incorporated by reference. Firms are allowed to disclose the information required under Rule 13E-3 in other filings, such as proxy statements and tender offer documents. If they elect this option, they must identify the exact filing that contains the required disclosure.[23] We download the text file that contains the going private disclosure for each transaction and use it to calculate our textual measures.

4.2. Descriptive statistics

Table 1 presents the descriptive statistics for our sample. In Panel A we present descriptives for variables used in the empirical analyses. We find that 85.8 percent of going private deals in our sample are completed. Furthermore, consistent with anecdotal evidence, many going private transactions are the target of litigation (52.5 percent in our sample). The panel also shows that disclosures of going private deals are lengthy. The natural log of the average length of the mandatory disclosure is 10.986, which corresponds to approximately 59,042 words. This contrasts to, on average, approximately 43,915 words in our sample target firms' annual reports (untabulated). The average deal size is relatively small, approximately $105.8 million, but is consistent with prior studies (Engel et al., 2007; Leuz et al., 2008). In Panel B, we display descriptive statistics of deal characteristics and deal outcomes partitioned by annual terciles of disclosure length. We show that 91.1 (77.1) percent of the deals are successfully completed when their filings are in the highest (lowest) tercile of disclosure length and 70.4 (36.3) of going private transactions are litigated in the highest (lowest) tercile of disclosure length.

Table 2 provides the correlations amongst the dependent and independent covariates for our main analysis. *Disclosure Length* is positively and significantly correlated with deal completion. Moreover, we observe positive and significant correlations between *Disclosure Length* and our negotiation intensity proxy, i.e., *Litigation*. Finally, *Disclosure Length* is positively associated with *Negative Tone* and negatively associated with *Linguistic Complexity* and *Specificity*. Next, we present the main empirical findings of the study.

4.3. Results

Table 3 shows the results from testing our hypotheses, namely whether the volume of disclosure (*Disclosure Length*) is associated with the likelihood of completing a going private deal (*Completed*) and the probability of litigation (*Litigation*). Column (1) shows results investigating our first hypothesis on the association between the volume of disclosure and the completion probability. We find a significant and positive coefficient on *Disclosure Length* (coefficient = 0.746, $p < 0.01$). From the other disclosure characteristics, only *Linguistic Complexity* is positively and significantly related to the probability of completion (coefficient = 0.232, $p < 0.01$). The coefficients on *Negative Tone* and *Specificity* lack statistical significance. We also find that several deal and firm characteristics are associated with completion rates. Larger deals, squeeze-outs, deals structured as tender offers, and deals with larger termination fees are more likely to be completed. In contrast, transactions involving multiple bidders, or transactions in which targets have larger size, higher profitability, and higher leverage are less likely to be completed. We conducted marginal analyses using this model. The predicted probabilities of completing a deal when *Disclosure Length* is at the 25th and 75th percentiles, all else equal, are 0.811 and 0.866, respectively. Thus, moving from the 25th to the 75th percentile increases the likelihood of completion by 6.8 percent (0.866/0.811).

Next, column (2) includes results from testing our second hypothesis on the association between *Disclosure Length* and *Litigation*. The coefficient on *Disclosure Length* is positive and significant (coefficient = 0.423, $p < 0.01$). Thus, companies with lengthier going private disclosures are more likely to face litigation during the going private process. We also document that *Negative Tone* and *Specificity* are significantly related to the litigation probability. A more negative tone is associated with a higher litigation probability. At the same time, the use of more numbers in the disclosure relates to a higher likelihood of litigation. Looking at the rest of our controls, litigation seems to be more likely for larger deals, squeeze-outs, and LBOs. The predicted probabilities of facing litigation when *Disclosure Length*

[21] This initial search criterion is consistent with the SEC definition of going private and with prior studies (Engel et al., 2007; Leuz et al., 2008).

[22] We notice that our sample size is consistent with Engel et al. (2007) for the period in which our studies overlap. Engel et al. (2007) identified 343 going private transactions with requisite data in that period that closely match our requirements, where we identify 312. Our sample is slightly smaller because we require more control variables. We differ from Leuz et al. (2008) because we do not include firms that are not required to file a Form SC 13E-3, including those not listed on national exchanges.

[23] In our sample, most firms make the required disclosure in a preliminary proxy statement (e.g., PREM 14A, PRE 14A, etc.).

Table 1
Descriptive Statistics.

Panel A: Full sample (Observations 537)

Variable	Mean	SD	P25	Median	P75
Completed	0.858	0.349	1.000	1.000	1.000
Litigation	0.525	0.500	0.000	1.000	1.000
Disclosure Length	10.986	0.733	10.649	11.009	11.369
Complexity	12.199	2.107	11.380	11.900	12.500
Negative Tone	0.548	0.284	0.382	0.555	0.729
Specificity	0.047	0.108	0.008	0.014	0.045
Lit Words	1.755	0.546	1.447	1.820	2.104
Offer Size	4.662	2.004	3.175	4.559	6.096
Int-Ind Deal	0.389	0.488	0.000	0.000	1.000
Top Inv Bank	0.259	0.438	0.000	0.000	1.000
Hostile	0.114	0.318	0.000	0.000	0.000
Multiple Bidders	0.166	0.372	0.000	0.000	0.000
SqueezeOut	0.449	0.498	0.000	0.000	1.000
Tender Offer	0.240	0.428	0.000	0.000	0.000
Term Fee	0.356	0.479	0.000	0.000	1.000
Perc Cash	0.896	0.272	1.000	1.000	1.000
Premium	0.375	0.331	0.165	0.301	0.470
Target Firm Size	5.590	1.793	4.352	5.288	6.685
Target Tangibility	0.267	0.341	0.049	0.248	0.514
Target ROA	−0.013	0.160	−0.026	0.022	0.060
Target Sales Growth	0.042	0.259	−0.015	0.034	0.143
Target Leverage	0.201	0.235	0.000	0.109	0.326
Target Returns	−0.030	0.467	−0.326	−0.107	0.172
Target Returns Volatility	0.134	0.073	0.082	0.118	0.162
Target Returns Skewness	0.388	0.775	−0.100	0.327	0.834
Target Analyst Foll.	0.434	0.496	0.000	0.000	1.000
Post SOX	0.402	0.491	0.000	0.000	1.000
LBO	0.339	0.474	0.000	0.000	1.000
Price Revision Up	0.292	0.455	0.000	0.000	1.000

Panel B: Descriptive statistics by terciles of disclosure length

Variable	Low Disclosure Mean	Med Disclosure Mean	High Disclosure Mean	High vs. Low Diff in Means	
Completed	0.771	0.894	0.911	0.140	***
Litigation	0.363	0.508	0.704	0.341	***
Disclosure Length	10.253	11.009	11.697	1.444	***
Complexity	12.017	12.510	12.070	0.053	
Tone	0.453	0.540	0.651	0.198	***
Specificity	0.057	0.038	0.046	−0.011	
Lit Words	1.568	1.892	1.805	0.236	***
Offer Size	3.712	4.902	5.372	1.659	***
Int-Ind Deal	0.441	0.408	0.318	−0.123	*
Top Inv Bank	0.151	0.285	0.341	0.190	***
Hostile	0.101	0.089	0.151	0.050	
Multiple Bidders	0.151	0.101	0.246	0.095	*
SqueezeOut	0.469	0.492	0.385	−0.084	
Tender Offer	0.363	0.246	0.112	−0.251	***
Term Fee	0.196	0.358	0.514	0.318	***
Perc Cash	0.911	0.895	0.882	−0.029	
Premium	0.377	0.392	0.357	−0.020	
Target Firm Size	5.089	5.588	6.092	1.003	***
Target Tangibility	0.328	0.277	0.197	−0.131	***
Target ROA	−0.006	0.009	−0.043	−0.037	*
Target Sales Growth	0.040	0.039	0.046	0.006	
Target Leverage	0.155	0.211	0.237	0.082	***
Target Returns	−0.045	0.015	−0.060	−0.015	
Target Returns Volatility	0.137	0.126	0.137	0.000	
Target Returns Skewness	0.436	0.355	0.372	−0.064	
Target Analyst Foll.	0.268	0.441	0.592	0.324	***
Post SOX	0.240	0.307	0.659	0.419	***
LBO	0.240	0.391	0.385	0.145	**
Price Revision Up	0.240	0.307	0.330	0.089	
Observations	179	179	179		

This table presents descriptive statistics. Panel A presents descriptives for variables used in the empirical analyses, while Panel B presents descriptive statistics of deal characteristics and deal outcomes partitioned by terciles of disclosure length. Descriptive statistics are calculated whenever there are non-missing data available. All continuous variables are winsorized at the 1 percent and 99 percent levels. In this table statistical significance is denoted by * for significance at the 10 percent level, ** for significance at the 5 percent level, and *** for significance at the 1 percent level. Variable definitions are available in Appendix A.

is at the 25th and 75th percentiles, all else equal, are 0.496 and 0.551 respectively. Thus, moving from the 25th to the 75th percentile increases the likelihood of litigation by 11.1 percent (0.551/0.496).[24]

Together, the findings in Table 3 indicate that disclosure plays an incremental role in going private deals and has real-world implications for the likelihood of deal completion and litigation. The results in the table also speak to the costs managers are willing to bear to achieve the desired outcome of successfully completing the negotiation process.

4.4. Examining the content of the transaction-specific filings

Next, we examine in detail the content of the SEC filings to provide additional comfort that disclosure length (after controlling for other variables) captures variation in information content and to check whether our results are attributable to a specific section of the filings. We manually review all the deals in our sample. To quantify and examine the disclosure volume of various sections of the filings, we calculate the length of four sections that are common to all deals and provide distinct information: transaction summary, deal discussion (e.g., risk factors and transaction agreement details), exhibits, and any other information (e.g., shareholder meeting details). The SEC requires specific content to be disclosed (please refer to Appendix B for the list of items that should be included in Form SC 13E-3). We link these four sections to the items required by the SEC in Form SC 13E-3: summary (Item 1), deal discussion (Item 4 through Item 12), other information (Item 2, 3, 13, 14, and 15), and exhibits (Item 16). We then tag each section and calculate a specific measure of disclosure length.

In Table 4, we show results from analysis of the association between *Disclosure Length* of the separate sections of the going private disclosure and our outcomes of interest. Panel A includes descriptive statistics for the length of disclosures overall and each section individually. Of the four disclosure sections, "Exhibits" are the longest, on average. They are followed by the discussion section and section "Other." The "Summary" section is the shortest portion of the going private disclosures. Panel B includes the correlations between the different disclosure sections. All correlations are positive and significant, indicating that a larger overall *Disclosure Length* is associated with a greater length of every section of the disclosure.

Furthermore, Panels C through F show the association between the length of each disclosure section and our outcomes of interest (i.e., the likelihood of completion and litigation). The results indicate that the length of the "Discussion" and "Exhibits" sections is positively and significantly associated with the probability of completion and the likelihood of litigation (Panels C and F). While the "Other" and "Summary" sections are not related to either the probability of completion or the litigation probability (Panels D and E).

Finally, Table 4, panel G shows results from the analysis including the length of all four sections to determine their relative importance for our outcomes of interest. The length of the "Exhibits" section matters most for the likelihood of deal completion. Taken together, the findings in Table 4 indicate that the "Discussion" and "Exhibits" sections seem to be relatively more important for the realization of these outcomes.

5. Additional analyses

5.1. Disclosure length and outcomes of going private deals in the case of squeeze-outs

Deals with different structures can satisfy the SEC requirements using various forms. In our main analyses, the inclusion of form fixed effects allows us to account for the type of deals and the associated management incentives. In particular, we focus on squeeze-out transactions —deals in which the bidder holds a toehold of 5 percent or greater in the target firm before the announcement date of the going private deal—as these typically involve significant blockholders exerting considerable influence. In essence, squeeze-out deals serve as a proxy for concentrated ownership, where the presence of a dominant blockholder can intensify conflicts of interest. By controlling for squeeze-outs in all our analyses, we indirectly account for important ownership structure effects likely to be present in fragmented ownership scenarios. Furthermore, we conduct additional analyses to examine the incremental effects of squeeze-outs on the associations between the probability of deal completion and disclosure volume and other (potentially incremental) characteristics (i.e., complexity, specificity, and negative tone). This approach helps us better isolate the impact of disclosure practices while addressing the critical role of ownership structure and blockholder influence. In these analyses, we include an interaction between each of our four disclosure characteristics and *SqueezeOut*. Table 5 displays the results. Despite the inclusion of the interaction, *Disclosure Length* remains positively and significantly associated with the probability of completion. Additionally, we find that the interactions between a squeeze-out indicator variable and disclosure characteristics lack statistical significance.[25]

[24] In untabulated analyses, we delve deeper into the association between the probability of deal completion and litigation and disclosure length by splitting the observations in our sample into disclosure length terciles. Interestingly, the likelihood of deal completion increases for deals in both medium- and high-disclosure length terciles, but the likelihood of litigation increases only for deals in the high-disclosure length tercile.

[25] We conducted additional (untabulated) analyses on the association between *Disclosure Length* and the probability of deal completion and litigation. Specifically, we partition firms into two groups: (i) those with *IntInd_Deal* equal to one versus those with *IntInd_Deal* equal to zero; and (ii) those with *Multiple_Bidders* equal to one versus those with *Multiple_Bidders* equal to zero. We compared the regression coefficients for *Disclosure Length* across each set of subsamples using the SUEST command in Stata. Our findings reveal that *Disclosure Length* increases the likelihood of deal completion in cases with a single bidder compared to those with multiple bidders, while we found no significant differences among the other subsamples.

Table 2
Correlation Table.

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Completed	(1)	1										
Litigation	(2)	0.0204	1									
Disclosure Length	(3)	0.1650*	0.2530*	1								
Complexity	(4)	0.0343	0.1061*	−0.1025*	1							
Negative Tone	(5)	0.0247	0.1901*	0.2360*	0.1007*	1						
Target 10 K Length	(6)	0.1526*	0.1826*	0.4874*	−0.3214*	0.0188	1					
Amends Count	(7)	0.1051*	0.1416*	0.0129	0.0772	0.0456	−0.0096	1				
Specificity	(8)	−0.0272	0.0698	−0.0992*	0.0665	−0.0551	−0.0911	0.0629	1			
Lit Words	(9)	0.0181	0.0951*	0.1355*	0.2874*	0.4894*	−0.1896*	0.0496	−0.1604*	1		
Offer Size	(10)	0.1427*	0.2806*	0.3471*	0.0064	0.1158*	0.4108*	0.076	−0.0253	0.1527*	1	
Int-Ind Deal	(11)	0.0283	−0.067	−0.0481	−0.1841*	−0.1401*	0.1024*	−0.0257	−0.0427	−0.1951*	0.0395	1
Top Inv Bank	(12)	0.0692	0.1448*	0.1782*	0.0047	0.1062*	0.2584*	0.0626	−0.0055	0.0864*	0.5110*	0.0253
Hostile	(13)	−0.0062	0.1289*	0.0909*	−0.084	0.0385	0.2588*	0.0461	−0.0551	−0.0856*	0.1624*	0.0994*
Multiple Bidders	(14)	−0.0058	0.0628	0.1553*	−0.2713*	−0.0189	0.3926*	0.0026	−0.1290*	−0.058	0.2019*	0.1064*
SqueezeOut	(15)	0.0764	0.0333	−0.0168	−0.029	0.0049	0.0467	−0.0259	−0.001	0.0138	−0.0663	0.0246
Tender Offer	(16)	0.0908*	−0.0850*	−0.2585*	−0.0759	−0.0857*	−0.1419*	0.0855	0.1299*	−0.1267*	−0.0301	0.1323*
Term Fee	(17)	0.1120*	0.2002*	0.2537*	0.1301*	0.0774	0.1755*	0.1292*	−0.015	0.0647	0.3425*	−0.1463*
Perc Cash	(18)	−0.0213	0.0237	−0.0358	0.0413	0.0273	0.0697	0.0595	0.076	0.0048	−0.1052*	−0.0950*
Premium	(19)	−0.0006	−0.0306	0.0219	0.0656	−0.065	−0.0975*	−0.0366	0.0213	0.0347	−0.1578*	−0.0207
Target Firm Size	(20)	0.0566	0.1872*	0.2802*	−0.1314*	0.0709	0.5044*	0.0576	0.0034	0.0362	0.7716*	0.2076*
Target Tangibility	(21)	−0.0012	−0.0479	−0.1609*	0.0573	−0.0093	−0.3120*	0.0298	−0.0949*	0.0126	−0.1870*	−0.0151
Target ROA	(22)	−0.0302	−0.0189	−0.0469	0.002	−0.0146	−0.1028*	−0.0042	−0.0212	0.0724	0.2350*	0.0189
Target Sales Growth	(23)	0.0959*	0.0116	−0.0207	0.0268	−0.0449	−0.1139*	−0.0483	−0.1047*	0.0695	0.0599	−0.0356
Target Leverage	(24)	−0.0711	0.0616	0.1937*	−0.1086*	0.0479	0.2444*	0.0375	0.0828	−0.039	0.1597*	−0.0208
Target Returns	(25)	0.0354	0.0508	−0.026	0.059	−0.0421	−0.0368	0.0194	0.0728	0.0643	0.1803*	0.0612
Target Returns Volatility	(26)	−0.0145	−0.0168	−0.0187	−0.0063	0.0577	−0.0768	0.0109	0.0277	0.0394	−0.2976*	−0.1547*
Target Returns Skewness	(27)	−0.0287	−0.0980*	−0.0342	0.0564	−0.0379	−0.1029*	−0.0718	−0.0209	0.0231	−0.1569*	−0.0469
Target Analyst Foll.	(28)	0.0321	0.2306*	0.2900*	0.0372	0.1521*	0.3576*	0.0745	0.0802	0.0415	0.5394*	0.0101
Post SOX	(29)	0.0498	0.2249*	0.3614*	0.0652	0.0073	0.5526*	0.1043*	0.1979*	−0.2184*	0.2812*	−0.0317
LBO	(30)	−0.0253	0.1373*	0.1004*	0.2082*	0.1133*	−0.1090*	0.0237	−0.0721	0.2204*	0.0787	−0.4667*
Price revision up	(31)	0.0378	0.1521*	0.0907*	0.0338	0.0890*	0.0417	0.0747	0.0202	0.0273	0.1260*	−0.0177

		(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Top Inv Bank	(12)	1										
Hostile	(13)	0.1234*	1									
Multiple Bidders	(14)	0.1139*	0.2192*	1								
SqueezeOut	(15)	0.0138	0.1843*	−0.1303*	1							
Tender Offer	(16)	−0.0238	0.0734	−0.1568*	0.2113*	1						
Term Fee	(17)	0.1737*	0.0282	0.0141	−0.1620*	−0.1082*	1					
Perc Cash	(18)	−0.064	−0.0212	−0.0337	0.1012*	0.0658	−0.0012	1				
Premium	(19)	−0.0657	−0.0587	−0.0293	0.1245*	−0.0261	−0.0221	0.0298	1			
Target Firm Size	(20)	0.4175*	0.1708*	0.2069*	0.1109*	−0.008	0.1160*	−0.0278	−0.1742*	1		
Target Tangibility	(21)	−0.2108*	−0.0835	−0.0682	0.0033	0.0741	−0.0403	0.0578	0.0054	−0.3577*	1	
Target ROA	(22)	0.0461	−0.0036	−0.0025	−0.0376	0.0601	−0.0257	0.0422	−0.1334*	0.2016*	0.2423*	1
Target Sales Growth	(23)	0.0203	−0.0653	−0.0288	−0.0709	0.0736	0.0215	−0.0507	−0.0077	−0.0287	0.0636	0.1317*
Target Leverage	(24)	0.1745*	0.0687	0.0276	0.0402	−0.0551	0.07	−0.0594	−0.0507	0.2615*	−0.4982*	0.006
Target Returns	(25)	0.0670	0.0436	−0.0955*	−0.0164	0.0167	0.0517	−0.0018	−0.0323	0.0637	0.0794	0.1780*
Target Returns Volatility	(26)	−0.1400*	−0.037	−0.1159*	0.0552	−0.0243	−0.0722	0.0192	0.2924*	−0.2907*	−0.0162	−0.3605*
Target Returns Skewness	(27)	−0.0578	−0.0159	−0.044	0.0353	−0.0192	0.0136	−0.011	0.2306*	−0.1530*	−0.0012	−0.0646

(*continued on next page*)

Table 2 (*continued*)

		(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Target Analyst Foll.	(28)	0.2804*	0.1129*	0.0241	−0.0647	0.0178	0.1972*	0.0428	−0.1505*	0.4569*	−0.1517*	0.0756
Post SOX	(29)	0.1829*	0.1731*	0.0735	−0.0301	−0.1146*	0.2711*	0.1699*	−0.0766	0.2682*	−0.1602*	−0.0058
LBO	(30)	0.0439	−0.1075*	−0.1181*	−0.0924*	−0.2184*	0.2159*	0.1452*	0.0215	−0.0609	0.0018	0.1041*
Price revision up	(31)	0.1249*	0.2989*	−0.0112	0.3996*	0.1177*	−0.0243	0.1278*	0.055	0.1563*	0.0004	0.0179

		(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
Target Sales Growth	(23)	1								
Target Leverage	(24)	−0.048	1							
Target Returns	(25)	−0.0221	0.016	1						
Target Returns Volatility	(26)	−0.0332	−0.0433	0.0072	1					
Target Returns Skewness	(27)	−0.0457	−0.0303	0.1758*	0.3525*	1				
Target Analyst Foll.	(28)	0.0548	0.1133*	0.0246	−0.1684*	−0.2001*	1			
Post SOX	(29)	−0.064	0.1412*	0.0251	−0.1469*	−0.0960*	0.3316*	1		
LBO	(30)	0.0518	0.0719	0.0127	0.0054	−0.0298	0.0876*	−0.0097	1	
Price revision up	(31)	−0.0466	0.0822	0.0324	−0.0668	−0.0394	0.0651	0.0989*	0.0414	1

This table presents a correlation matrix where a star indicates that the correlation is significant at the 0.05 level or better. Variable definitions are available in Appendix A.

Table 3
Disclosure Length and Outcomes of the Going Private Deals.

	Completed		Litigation	
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Disclosure Length	0.746***	3.32	0.423***	3.3
Linguistic Complexity	0.232***	2.77	0.013	0.21
Negative Tone	0.049	0.05	1.435***	2.76
Specificity	1.123	0.72	2.975**	2.19
Lit Words	−0.267	−0.61	−0.191	−0.63
Offer Size	0.542**	2.5	0.306***	2.84
Int-Ind Deal	0.096	0.23	0.148	0.55
Top Inv Bank	0.439	1.31	−0.179	−0.66
Hostile	−0.708	−0.83	0.474	1.06
Multiple Bidders	−1.154*	−1.85	0.685	1.17
SqueezeOut	0.850*	1.95	0.541***	2.96
Tender Offer	0.999*	1.84	0.395	0.61
Term Fee	0.559*	1.78	0.019	0.05
Perc Cash	−0.190	−0.27	−0.074	−0.16
Premium	−0.329	−0.63	−0.342	−0.93
Target Firm Size	−0.314*	−1.86	−0.071	−0.50
Target Tangibility	−0.754	−1.31	0.244	0.51
Target ROA	−2.256**	−2.35	−1.352	−1.09
Target Sales Growth	1.120	1.38	0.486	0.76
Target Leverage	−2.735***	−3.44	−0.016	−0.02
Target Returns	0.029	0.09	0.124	0.44
Target Returns Volatility	0.481	0.24	1.261	0.66
Target Returns Skewness	−0.182	−1.18	−0.273	−1.20
Target Analyst Foll.	−0.662	−1.18	0.184	0.85
Post SOX	0.645	0.20	−0.957	−0.96
LBO	−0.184	−0.51	0.477*	1.88
Price Revision Up	0.313	0.61	0.357	1.12
Observations	537		537	
Pseudo R-squared	0.246		0.241	
ROC Curve	0.831		0.812	

This table presents the regression results examining whether Disclosure Length is associated with Going Private Deal Outcomes. The dependent variable in column 1 is an indicator variable equal to one if the deal is completed and zero otherwise (*Completed*) and in column 2 is an indicator variable equal to one if the going private transaction was challenged by litigation and zero otherwise (*Litigation*). The independent variable of interest is the natural log of the number of words in the mandatory filing associated with the going private transaction (*Disclosure Length*). Industry (Fama-French 30), year, and filing form fixed effects are included in each specification. Standard errors are clustered by industry. In this table statistical significance is denoted by * for significance at the 10 percent level, ** for significance at the 5 percent level, and *** for significance at the 1 percent level. Variable definitions are available in Appendix A.

5.2. Redundancy in disclosure (10-K and number of deal amendments)

A concern when examining the association between disclosure volume and the probability of deal completion and litigation is a potential redundancy in disclosure. Specifically, some of the firms in our sample may be disclosing the same or similar information in different forms filed over time. However, examining the repetition of wording in these forms or the time between their filing is impractical, given our sample size. Therefore, we opt to conduct an alternative analysis to alleviate this concern. In Table 6, we repeat our analyses from Table 3, including, as an additional control, the length of the most recent Form 10-K filed before the transaction was proposed and the number of deal amendments related to the deal.[26] We identified 437 10-K's with available data for our sample.[27] Our main inferences about the role of transaction-specific disclosure remain unchanged after controlling for potential disclosure redundancy.

5.3. Abnormal disclosure length

In our main analyses, we control for several other disclosure characteristics, including linguistic complexity, negative tone, and specificity. However, to ensure that the analyses capture the effect of disclosure length incremental to the other textual characteristics, we rerun the analyses from Table 3 using abnormal disclosure as our alternative variable of interest. The abnormal disclosure is the

[26] Including control for 10-K length, also helps us mitigate concerns that the volume of transaction-specific disclosures simply reflects a firm's disclosure strategy and other unobservable characteristics tied to recurrent mandatory disclosures (e.g., Form 10-K).

[27] We thank Tim Loughran and Bill McDonald for making available the 10-K textual characteristic data (Loughran and McDonald, 2011, 2014, 2016).

Table 4
Content of the Disclosure and Outcomes of Going Private Deals.

Panel A: Content of disclosure descriptive statistics

	Mean	SD	p25	p50	p75
Disclosure Length	11.004	0.805	10.653	11.019	11.384
Discussion Length	9.701	1.323	9.503	9.884	10.234
Other Length	7.997	2.816	7.977	8.902	9.459
Summary Length	7.383	2.110	7.314	7.938	8.322
Exhibits Length	9.937	1.621	9.595	10.189	10.649

Panel B: Correlation table

	Disclosure Length	Discussion Length	Other Length	Summary Length	Exhibits Length
Disclosure Length	1				
Discussion Length	0.5381*	1			
Other Length	0.2998*	0.2262*	1		
Summary Length	0.4618*	0.3270*	0.2845*	1	
Exhibits Length	0.7435*	0.3936*	0.2103*	0.2729*	1

Panel C: Disclosure length of the Discussion section

	Completed		Litigation	
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Discussion Length	0.164**	2.25	0.141*	1.75
Controls	YES		YES	
Observations	537		537	
Pseudo R-squared	0.232		0.238	

Panel D: Disclosure length of the Other section

	Completed		Litigation	
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Other Length	0.093	1.18	−0.059	−0.85
Controls	YES		YES	
Observations	537		537	
Pseudo R-squared	0.232		0.236	

Panel E: Disclosure length of the Summary section

	Completed		Litigation	
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Summary Length	0.114	1.51	0.135	1.38
Controls	YES		YES	
Observations	537		537	
Pseudo R-squared	0.231		0.239	

Panel F: Disclosure length of the Exhibits section

	Completed		Litigation	
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Exhibits Length	0.217**	2.34	0.157*	1.93
Controls	YES		YES	
Observations	537		537	
Pseudo R-squared	0.244		0.24	

Panel G: Disclosure length of all four sections

	Completed		Litigation	
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Discussion Length	−0.082	−0.48	0.075	0.73
Other Length	0.074	0.79	−0.069	−0.99
Summary Length	0.062	0.8	0.088	0.86
Exhibits Length	0.220*	1.81	0.128	1.64
Controls	YES		YES	
Observations	537		537	
Pseudo R-squared	0.247		0.245	

This table examines how the length of the components of the disclosure are associated with going private deal outcomes. Panel A presents descriptive statistics for the disaggregated disclosure variables. Panel B presents the correlation table for the disaggregated disclosure variables. Panels C through G show results of multivariate analyses where the dependent variable in column 1 is an indicator variable equal to one if the deal is completed and zero otherwise (*Completed*), and in column 2 is an indicator variable equal to one if the going private transaction was challenged by litigation and zero otherwise (*Litigation*). The independent variables of interest are the natural log of the number of words in the deal discussion (*Discussion Length*) in Panel C, other (*Other Length*) in Panel D, summary (*Summary Length*) in Panel E, and exhibits (*Exhibits Length*) in Panel F, respectively. Panel G includes as independent variables of interest the natural log of the number of words of all four sections (i.e., deal discussion, exhibits, other, and summary). All

continuous variables are winsorized at the 1 percent and 99 percent levels. In this table statistical significance is denoted by * for significance at the 10 percent level, ** for significance at the 5 percent level, and *** for significance at the 1 percent level. Industry (Fama-French 30), year, and filing form fixed effects are included in each specification. Standard errors are clustered by industry. Variable definitions are available in Appendix A.

Table 5
Disclosure Characteristics and Outcomes of Going Private Deals in Squeeze-outs.

	Completed							
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Disclosure Length	0.447**	2.06						
Disclosure Length*SqueezeOut	0.448	1.38						
Linguistic Complexity			0.253**	2.13				
Linguistic Complexity*SqueezeOut			−0.086	−0.55				
Negative Tone					1.112	0.83		
Negative Tone*SqueezeOut					−1.451	−1.35		
Specificity							−0.150	−0.26
Specificity*SqueezeOut							1.547	0.76
SqueezeOut	−4.007	−1.06	1.815	1.03	1.537**	2.15	0.705*	1.74
Controls	YES		YES		YES		YES	
Observations	537		537		537		537	
Pseudo R-squared	0.233		0.228		0.221		0.218	

This table examines whether disclosure length is associated with going private deal outcomes in *SqueezeOut* deals. In columns 1 through 4 we interact each property of disclosures and *SqueezeOut* deals. The dependent variable in all columns is an indicator variable equal to one if the deal is completed and zero otherwise (*Completed*). In this table statistical significance is denoted by * for significance at the 10 percent level, ** for significance at the 5 percent level, and *** for significance at the 1 percent level. Industry (Fama-French 30), year, and filing form fixed effects are included in each specification. Standard errors are clustered by industry. Variable definitions are available in Appendix A.

residual of a model regressing *Disclosure Length* on *LinguisticComplexity*, *NegativeTone*, *LitWords*, *OfferSize*, and *TargetROA*. We include the results of this analysis in Table 7. Using this alternative variable, our results continue to hold. *Abnormal Disclosure Length* is positively and significantly related to the probability of deal completion and litigation.

5.4. Other robustness tests and sensitivity analyses

We consider whether the distribution of disclosure volume could be driving our findings. While having binary dependent variables mitigates this concern, our primary variable of interest, *Disclosure Length*, is continuous. As such, we calculate a tercile for each observation's *Disclosure Length* of the mandatory filing associated with the going private transaction and create a new variable, *Disclosure Length Tercile*. For consistency, we also form terciles based on the other three disclosure characteristics (i.e., *Linguistic Complexity*, *Negative Tone*, and *Specificity*). Table 8 shows the results of this analysis. Both columns confirm our main findings and suggest our inferences are unlikely attributable to extreme observations of the disclosure characteristics.

Another concern is that litigation precedes deal completion. Thus, in Table 9 we include *Litigation* as a control variable in the model examining the association between deal completion probability and *Disclosure Length*. Our findings indicate that *Disclosure Length* remains positively and significantly associated with the probability of deal completion even after controlling for *Litigation*. As can be expected, *Litigation* is significantly and negatively associated with the likelihood of completing the deal.

In additional (untabulated) analyses, we address potential endogeneity concerns by implementing an entropy balancing procedure based on the first two moments of disclosure length. Specifically, we create an indicator variable equal to 1 when *Disclosure Length* is in the top tercile (treatment group) and 0 when *Disclosure Length* is in the bottom tercile (control group). Entropy balancing is a quasi-matching approach that re-weights control observations so that the post-weighting distributional properties (mean and variance) of the covariates in the treatment and control groups are virtually identical (McMullin and Schonberger, 2020). The results from these tests are consistent with our main findings, suggesting that the observed relationships between disclosure length and our outcome variables are robust. However, we acknowledge that these analyses do not establish strict causality but rather reinforce the associative nature of our findings, given the cross-sectional nature of our sample.[28]

Finally, to address the potential alignment of management incentives with the buyer, we include a control for leveraged buyout (LBO) transactions in our empirical models. Although we lack direct data on managers' ownership stakes, we further proxy CEO incentives by extracting information on CEO salaries and ages from a subset of SC13E-3 forms. We then include *CEO salary* (natural logarithm of CEO salary in dollars) and *CEO age* (natural logarithm of CEO age in years) as additional control variables in Equation (1). Untabulated results show that neither *CEO salary* nor *CEO age* is statistically significant, while *Disclosure Length* remains significant in both specifications. This suggests that our primary variable retains its explanatory power even when accounting for CEO incentives.

[28] While executing our entropy balancing analyses, we had to relax the tolerance level to 2.5 to minimize the loss of observations. As a result, our takeaways from these analyses should be interpreted with caution.

Table 6
Disclosure and Outcomes of Going Private Deals Controlling for 10-K Disclosure and Amendments Count.

	Completed		**Litigation**	
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Disclosure Length	0.708**	2.28	0.334**	2.50
Target 10 K Length	1.215	1.64	0.236	0.86
Amends Count	0.194	1.61	0.164**	2.07
Linguistic Complexity	0.159	1.60	0.070	1.39
Negative Tone	0.582	0.52	1.442**	2.39
Specificity	2.969**	2.02	2.463	1.54
Lit Words	−0.442	−1.17	−0.558	−1.50
Offer Size	0.814***	3.99	0.281*	1.83
Int-Ind Deal	0.085	0.12	0.226	0.57
Top Inv Bank	−0.067	−0.12	0.064	0.22
Hostile	−1.084	−0.88	0.703*	1.79
Multiple Bidders	−1.271	−1.22	0.674	0.96
SqueezeOut	0.515	1.21	0.641***	3.18
Tender Offer	2.011***	2.74	−0.013	−0.02
Term Fee	−0.269	−0.59	−0.003	−0.01
Perc Cash	0.152	0.25	0.023	0.03
Premium	−0.442	−0.83	−0.435	−0.98
Target Firm Size	−0.621***	−2.98	−0.034	−0.16
Target Tangibility	−0.526	−0.85	0.625	1.20
Target ROA	−2.771**	−2.50	−0.646	−0.51
Target Sales Growth	2.135	1.56	0.330	0.47
Target Leverage	−2.730*	−1.96	0.291	0.35
Target Returns	−0.396	−0.88	0.113	0.33
Target Returns Volatility	3.700	0.86	1.382	0.52
Target Returns Skewness	−0.049	−0.23	−0.446*	−1.88
Target Analyst Foll.	−0.903	−1.33	−0.003	−0.01
Post SOX	−3.767	−1.12	−0.886	−0.55
LBO	0.426	0.80	0.315	1.12
Price Revision Up	0.317	0.68	0.352	0.81
Observations	437		437	
Pseudo R-squared	0.316		0.251	

This table presents the regression results examining whether disclosure length is associated with going private deal outcomes after controlling for 10-K disclosure characteristics of the target. The dependent variable in column 1 is an indicator variable equal to one if the deal is completed and zero otherwise (*Completed*), and in column 2 is an indicator variable equal to one if the going private transaction was challenged by litigation and zero otherwise (*Litigation*). The independent variable of interest is the natural log of the number of words in the mandatory filing associated with the going private transaction (*Disclosure Length*). We control for the natural log of the number of words in the most recent 10-K filed by the target (*Target 10 K Length*). Industry (Fama-French 30), year, and filing form fixed effects are included in each specification. Standard errors are clustered by industry in all specifications. Variable definitions are available in Appendix A.

Table 7
Analyses using Abnormal Disclosure Length as an Alternative Variable of Interest.

	Completed		**Litigation**	
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Abnormal Disclosure Length	0.844***	3.01	0.317***	2.99
Specificity	0.637	0.44	2.597**	2.07
Int-Ind Deal	0.002	0.01	0.012	0.04
Top Inv Bank	0.833***	2.78	0.083	0.28
Hostile	−0.604	−0.85	0.507	1.42
Multiple Bidders	−0.82	−1.16	0.726	1.29
SqueezeOut	0.501	1.27	0.377**	2.18
Tender Offer	1.002*	1.89	0.291	0.48
Term Fee	1.036***	4.48	0.335	1.03
Perc Cash	−0.72	−1.19	−0.311	−0.69
Premium	−0.331	−0.58	−0.365	−1.06
Target Firm Size	0.079	0.76	0.149*	1.75
Target Tangibility	−0.773	−1.23	0.194	0.4
Target Sales Growth	0.89	1.08	0.32	0.62
Target Leverage	−2.738***	−4.81	−0.134	−0.16
Target Returns	0.147	0.51	0.173	0.83
Target Returns Volatility	0.923	0.52	2.91	1.41
Target Returns Skewness	−0.255	−1.61	−0.309	−1.43
Target Analyst Foll.	−0.249	−0.56	0.497**	2.39
Post SOX	0.076	0.03	−1.432	−1.29
LBO	−0.086	−0.26	0.456**	1.96
Price Revision Up	0.459	1.13	0.484	1.56
Observations	537		537	
Pseudo R-squared	0.197		0.21	

This table presents the regression results examining whether Abnormal Disclosure Length is associated with Going Private Deal Outcomes. The dependent variable in column 1 is an indicator variable equal to one if the deal is completed and zero otherwise (*Completed*) and in column 2 is an indicator variable equal to one if the going private transaction was challenged by litigation and zero otherwise (*Litigation*). The independent variable of interest is the residual from the following model: Disclosure Length = Complexity + Tone + Litigious + OfferSize + Target ROA. Industry (Fama-French 30), year, and filing form fixed effects are included in each specification. Standard errors are clustered by industry. In this table statistical significance is denoted by * for significance at the 10 percent level, ** for significance at the 5 percent level, and *** for significance at the 1 percent level. Variable definitions are available in Appendix A.

Table 8
Terciles of Disclosure Properties and Outcomes of the Going Private Deals.

	Completed		**Litigation**	
Variables	*Coeff.*	*t-stat*	*Coeff.*	*t-stat*
Disclosure Length Terciles	0.664**	2.48	0.401***	3.33
Linguistic Complexity Terciles	0.389**	2.12	−0.031	−0.20
Negative Tone Terciles	−0.011	−0.03	0.322*	1.84
Specificity Terciles	0.169	0.46	−0.005	−0.03
Lit Words	−0.112	−0.28	−0.099	−0.36
Offer Size	0.516**	2.56	0.292**	2.53
Int-Ind Deal	0.150	0.37	0.121	0.46
Top Inv Bank	0.419	1.26	−0.182	−0.62
Hostile	−0.678	−0.77	0.393	1.02
Multiple Bidders	−1.126*	−1.92	0.744	1.24
SqueezeOut	0.867*	1.84	0.528***	2.94
Tender Offer	1.024*	1.91	0.532	0.87
Term Fee	0.573**	1.96	−0.018	−0.05
Perc Cash	−0.321	−0.45	−0.044	−0.10
Premium	−0.286	−0.60	−0.303	−0.80
Target Firm Size	−0.304*	−1.72	−0.090	−0.63
Target Tangibility	−0.878	−1.37	0.198	0.45
Target ROA	−1.804*	−1.88	−1.037	−0.88
Target Sales Growth	1.112	1.30	0.287	0.49
Target Leverage	−2.813***	−3.64	0.171	0.25
Target Returns	0.026	0.08	0.140	0.47
Target Returns Volatility	0.864	0.40	1.412	0.72
Target Returns Skewness	−0.155	−1.01	−0.295	−1.40
Target Analyst Foll.	−0.552	−0.99	0.266	1.21
Post SOX	0.601	0.20	−0.728	−0.65
LBO	−0.210	−0.57	0.444*	1.72
Price revision up	0.304	0.58	0.336	1.09
Observations	537		537	
Pseudo R-squared	0.245		0.231	

This table presents the regression results examining whether Disclosure Length is associated with Going Private Deal Outcomes. The dependent variable in column 1 is an indicator variable equal to one if the deal is completed and zero otherwise (*Completed*), and in column 2 is an indicator variable equal to one if the going private transaction was challenged by litigation and zero otherwise (*Litigation*). The independent variable of interest is the tercile of each observation's natural log of the number of words in the mandatory filing associated with the going private transaction (*Disclosure Length Terciles*). Industry (Fama-French 30), year, and filing form fixed effects are included in each specification. Standard errors are clustered by industry. Variable definitions are available in Appendix A.

Table 9
Disclosure Length, Litigation and Completed Deals.

	Completed	
Variables	Coeff.	t-stat
Disclosure Length	0.624***	3.24
Linguistic Complexity	0.237***	2.70
Negative Tone	0.267	0.24
Specificity	0.893	1.38
Price revision up	0.489	0.99
Litigation	−0.659**	−2.45
Lit Words	−0.344	−0.74
Offer Size	0.566***	2.65
Int-Ind Deal	0.046	0.11
Top Inv Bank	0.479	1.29
Hostile	−0.701	−0.85
Multiple Bidders	−1.202*	−1.91
SqueezeOut	0.824*	1.88
Tender Offer	1.006*	1.84
Term Fee	0.606*	1.96
Perc Cash	−0.341	−0.46
Premium	−0.268	−0.52
Target Firm Size	−0.294*	−1.79
Target Tangibility	−0.691	−1.19
Target ROA	−2.532***	−2.87
Target Sales Growth	1.150	1.51
Target Leverage	−3.011***	−3.32
Target Returns	0.088	0.28
Target Returns Volatility	0.622	0.31
Target Returns Skewness	−0.260*	−1.70
Target Analyst Foll.	−0.584	−1.02
Post SOX	0.425	0.13
LBO	−0.096	−0.26
Observations	537	
Pseudo R-squared	0.255	

This table presents the regression results examining whether Disclosure Length is associated with Deal Completeness, controlling for other outcomes of going private deals, in particular *Litigation*. The dependent variable is an indicator variable equal to one if the deal is completed and zero otherwise (*Completed*). The independent variable of interest is the natural log of the number of words in the mandatory filing associated with the going private transaction (*Disclosure Length*). Industry (Fama-French 30), year, and filing form fixed effects are included in each specification. Standard errors are clustered by industry. Variable definitions are available in Appendix A.

6. Conclusion

Going private transactions have become an increasingly significant focus for regulators and policymakers, in part due to their unique and detailed SEC disclosure requirements. These regulations are designed to inform shareholders before a general vote, yet the incremental value of these disclosures remains ambiguous. On one hand, detailed disclosures may reduce information asymmetry and facilitate deal completion, but on the other, they may merely serve a compliance role, lack credibility, or be secondary to other deal characteristics, such as the share price premium offered by the acquirer. Moreover, the content of these disclosures can sometimes be leveraged by sellers to delay a deal and secure better terms.

Our study contributes to this literature by demonstrating that disclosure plays an incremental role in going private transactions. We find that a greater volume of disclosure is associated with an increased likelihood of deal completion—as well as a higher probability of litigation. This suggests that managers are willing to incur higher legal risks as a trade-off to reduce uncertainty and secure a successful transaction. In this context, the SEC's regulation appears to serve its intended purpose: protecting the interests of vulnerable shareholders without diminishing the overall likelihood of deal completion.

Nevertheless, while our additional analyses, including entropy balancing, help mitigate endogeneity concerns, the cross-sectional nature of our sample limits our ability to draw definitive causal inferences. Future research should further explore these dynamics using alternative designs that more robustly address causality, particularly given the potential for excessive litigation associated with going private transactions.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix A. . Variable definitions

This table provides the definitions of the variables used in our empirical analyses.

Variable	Definition	Source
Number of Words (000′s)	The number of words (in 000′s) in the going private disclosure filing.	Self-constructed
Disclosure Length	Natural log of the number of words in the going private disclosure filing.	Self-constructed
Completed	Indicator variable equal to one if the going private transaction is successfully completed, and zero otherwise.	SDC Platinum
Price Revision Up	Indicator variable equal to one if the share price offered for the target is increased from the initial offer for the going private trans- action, and zero otherwise.	SDC Platinum
Litigation	Indicator variable equal to one if the going private transaction is challenged by minority shareholder litigation, and zero otherwise.	Self-constructed
Linguistic Complexity	The Gunning Fog Index, which is computed as follows: 0.4 * (number of words/number of sentences) + 0.4 * (number of words with more than two syllables/number of words). The Fog Index is calculated for the disclosure filing associated with the going private transaction.	Self-constructed
Negative Tone	The number of negative words less the number of positive words, scaled by the total number of words, in the proxy filing associated with the going private transaction. The positive and negative word list follows Loughran and McDonald (2011).	Self-constructed
Specificity	Natural log of the number of numbers in sentences in the going private disclosure filing	Self-constructed
Lit Words	The percentage of litigious words in the going private disclosure filing. The litigious word list follows Loughran and McDonald (2011).	Self-constructed
Offer Size	Natural log of the total consideration paid by the acquirer for the target, less fees and expenses.	SDC Platinum
Int-Ind Deal	Indicator variable equal to one when the bidder is associated with the same Fama-French 30 industry, and zero otherwise.	SDC Platinum
Top Inv Bank	Indicator equal to one if the target retains an advisor that is in the top 10 M&A advisors (by deal amounts in SDC) for that year, and zero otherwise.	SDC Platinum
Hostile	Indicator variable equal to one for hostile bids and unsolicited offers, and zero otherwise.	SDC Platinum
Multiple-Bidders	Indicator variable equal to one if there are competing offers associated with the going private transaction, and zero otherwise.	SDC Platinum
SqueezeOut	An indicator variable equal to one if the bidder has a toehold of at least 5 percent, in the target firm before the announcement date, and zero otherwise.	SDC Platinum
Tender Offer	An indicator variable equal to one if the going private bid was a tender offer, and zero otherwise.	SDC Platinum
Term Fee	An indicator variable equal to one if there is a provision in the transaction agreement that requires the target to pay the bidder a termination fee, and zero otherwise.	SDC Platinum
Perc Cash	The percentage of total offer consideration that is in cash.	SDC Platinum
Premium	The takeover premium (%) associated with the going private transaction. This corresponds to the offered price per share, less the price per share 1 day prior to the transaction announcement, scaled by the price per share 1 day prior to the announcement.	SDC Platinum and hand-collected
Variable	**Definition**	**Source**
Target Firm Size	The natural log of the total assets for the target firm as of the most recent fiscal year ended prior to the going private transaction announcement.	SDC Platinum
Target Tangibility	The percentage of tangible assets relative to total assets for the target firm as of the most recent fiscal period ended prior to the going private transaction announcement.	SDC Platinum
Target ROA	The net income of the target scaled by the target's total assets as of the most recent fiscal year ended prior to the going private transaction announcement.	SDC Platinum
Target Leverage	The total debt divided by the total assets for the target firm as of the most recent fiscal year ended prior to the going private transaction announcement.	SDC Platinum
Target Returns	The target's buy and hold annual return for the fiscal year prior to the going private transaction	CRSP
Target Returns Volatility	The standard deviation of the target's monthly returns for the fiscal year prior to the going private transaction.	CRSP
Target Returns Skewness	The skewness of the target's monthly returns for the fiscal year prior to the going private transaction.	CRSP
Target Analyst Foll.	Indicator equal to one if the firm has at least one analyst issuing earnings forecast if the fiscal year prior to the going private transaction, and zero otherwise.	IBES
Post Sox	An indicator variable equal to one if the transaction announcement occurs after 2004, and zero otherwise.	Self-constructed
LBO	An indicator variable equal to one if the deal is a Leveraged-Buyout (LBO), and zero otherwise	SDC Platinum
Target 10 K Length	Natural log of the number of words in the target firm's 10-K filing of the most recent fiscal period ended prior to the going private transaction.	Self-constructed
Amends Count	Number of 13E3 amendments filed during the 2-year window starting the initial 13E3 filing.	Self-constructed

Appendix B. . Going private disclosure requirements and filings

In this Appendix, we describe the required disclosures associated with going private transactions (governed under Rule 13-E3). A Rule 13E-3 transaction is defined as follows:

- A purchase of any equity security by the issuer of such security or by an affiliate of such issuer
- A tender offer for or request or invitation for tenders of any equity security made by the issuer of such class of securities or by an affiliate of such issuer
- A solicitation by the issuer of the class of securities or by an affiliate of such issuer, in connection with: a merger, consolidation, reclassification, recapitalization, reorganization, or similar corporate transaction of an issuer or between an issuer (or its subsidiaries) and its affiliate; a sale of substantially all the assets of an issuer to its affiliate or group of affiliates; or a reverse stock split of any class of equity securities of the issuer involving the purchase of fractional interests.

Where the definition of an affiliate of an issuer is a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such issuer. The SEC requires that each firm undergoing a "going private" transaction must file a Form SC 13E-3. The intent of this schedule is to establish a minimum threshold of required disclosures associated with these transactions. In general, Form SC 13E-3 is mandated to be filed in association with the following:

- At the time of the release of a Preliminary or Definitive Proxy Statement (e.g. PREM14A, DEF14A, etc.)
- At the time of the release of a Registration Statement
- At the time of the release of a Tender Offer
- At least 30 days before the purchase of securities subject to Rule 13-E3.

The Form SC 13E-3 can reference the aforementioned associated documents (provided they are released before or simultaneously with the Form SC 13E-3).[29] At a minimum, the Form SC 13E-3 (or document incorporated by reference) must disclose the following:

- Item 1. Summary Term Sheet
- Item 2. Subject Company Information
- Item 3. Identity and Background of the Filing Person
- Item 4. Terms of the Transaction
- Item 5. Past Contacts, Transactions, Negotiations and Agreements
- Item 6. Purposes of the Transaction and Plans or Proposals
- Item 7. Purposes, Alternative, Reasons and Effects
- Item 8. Fairness of the Transaction
- Item 9. Reports, Opinions, Appraisals and Negotiations
- Item 10. Source and Amounts of Funds or Other Consideration
- Item 11. Interest in Securities of the Subject Company
- Item 12. The Solicitation or Recommendation
- Item 13. Financial Statements
- Item 14. Persons/Assets, Retained, Employed, Compensated or Used
- Item 15. Additional Information
- Item 16. Exhibits

Appendix C. . Example of a going private Timeline — Dell, Inc

For illustration purposes, we summarize the main facts about a going private transaction that involved Dell Inc., which attracted considerable media attention and was the subject of multiple lawsuits. In July 2012, Michael Dell, founder and largest shareholder of Dell Inc., discussed with Silver Lake Partners, a private investment fund, the opportunity to take the company private, after Southeastern Asset Management (one of the stockholders of the company) pitched him the idea a month before.

On August 14, Mr. Dell informed Mr. Mandl, the lead independent director of the company, that he was exploring the possibility of a transaction to take Dell Inc. private. On August 17, Mr. Mandl informed the Board of Dell Inc. and asked the advice of a Delaware counsel firm. On August 20, the Board of Dell Inc. authorized the formation of a Special committee to make a recommendation concerning the proposed transaction.

A couple of months later, on January 11, 2013, the media reported the existence of a possible going private transaction. On February 3, Silver Lake, together with Mr. Dell and a pool of other investors, including Microsoft Corp. submitted a non-binding proposal with a price of $13.60, which included a premium of 25 percent above the closing price on January 11, 2013. On February 4, the Special committee recommended that the Board approve the merger agreement. The financial advisor, J.P. Morgan,

[29] For our sample, if the Form SC 13E-3 incorporates disclosure by reference to another document, we use the other document as the going private disclosure with which we measure out textual characteristics.

also rendered its opinion that the proposed merger was fair. The day after, the Board approved unanimously the transaction with a 45-day clause to go shop for other offers and with a higher price of $13.65 per share. Before and following the announcement of the execution of the merger agreement, 25 lawsuits challenging the proposed going private transactions were filed.

During the go-shop window, a group affiliated with Blackstone Group L.P. and activist Carl C. Icahn filed two alternative acquisition proposals. On March 29, Dell Inc. filed a preliminary Form SC 13E-3, which was followed by five subsequent revisions. On April 18, Blackstone withdrew its bid. Later, on September 9, also Carl C. Icahn dropped his bid.

Finally, on September 12, the company's stockholders voted to approve a proposal to adopt the Merger Agreement. On October 10, Dell Inc. filed with the SEC the final Form SC 13E-3 with updated terms, including a final price of $13.75 per share. On October 29, Dell filed a Form 25-NSE to delist its securities from the exchange and on November 11 Dell Inc. eventually filed a Form 15-12G to terminate the registration. Among the 25 lawsuits, the last one to be dismissed by the Delaware Supreme Court (Appraisal of Dell Inc., case number 9322) was a consolidated"appraisal" class of 13 petitioners, including T. Rowe Price & Associates, Inc., Magnetar Capital Master Fund Ltd., and Global Continuum Fund, Ltd., that challenged the price offered by Silver Lake Partners, claiming that the fair value of Dell Inc. at the time of the merger was $17.62 per share, or $3.87 per share more than the merger consideration and generating a gross common fund of $25,225,145 for the plaintiffs.

Appendix D. . Legal considerations of conflicts of interest between going private and traditional M&A transactions

Court consideration of potential conflict of interest in corporate transactions and subsequent litigation involves two main scenarios: (1) directors/managers could be obtaining benefits as a result of the transaction, different from the benefits obtained by stockholders; and/or (2) the controlling shareholders are standing on both sides of the transaction (Stafford 2015). Only the first of these scenarios applies to M&As. For M&As, agency problems can be sought along the lines of managers and board members of the acquiring company obtaining benefits in addition to the ones obtained by the regular stockholders in the form of prestige, additional power, and higher compensation (Afsharipour 2011). While they stand to benefit more from M&A transactions, managers and directors are the ones that begin the acquisition process, determine the price that they are willing to pay for the target, and structure the transaction. What is more, several ways of structuring the transaction exist that help managers avoid altogether a vote by the acquirer's shareholders. Avoiding a vote also means avoiding the need to present to the acquirer's shareholders any detailed disclosures outside of form 8-K and informal communications through the media and analyst calls.

Despite the agency problems arising in them, M&A transactions are considered disinterested (third-party) transactions (Stafford 2015). This can be contrasted to the going private transactions, which often meet both scenarios of judicial review and are therefore viewed as interested and inherently coercive transactions, in which controlling shareholders are on both sides of the deal. As in M&A transactions, managers and boards of directors determine when and at what price to take the company private. Unlike in M&A transactions, going private deals deprive stockholders of a market for their shares. In addition, following the transaction, all benefits from the transaction itself and future operations of the company accrue to the controlling shareholders (Kleinbard 1975).

The different level of conflict of interest in M&A and going private transactions affects their legal treatment. The Delaware courts have historically considered M&A decisions part of the regular operations of the company and the fiduciary duty standard applied to these transactions is the business judgment rule (BJR) (Afsharipour 2011). The business judgment rule is a judicial presumption that company directors make their decisions on an informed basis, in good faith, and upon the belief that their actions are in the best interest of the corporation. Courts usually assume that the directors rather than the court have better information and act in a disinterested manner when making acquisition decisions. On the other hand, as interested transactions, going private transactions are evaluated under the much stricter presumption of entire fairness. This presumption has two components fair dealing and paying a fair price and the two components are to be reviewed jointly (Stafford 2015). The fair dealing part of the presumption refers to the way the transaction was started, structured, and negotiated. It also deals with how the transaction was disclosed to directors and shareholders and how the approval of the transaction was obtained both from the board of directors and stockholders. The fair price presumption is associated with the economic and financial parameters of the deal. Until 2013 the entire fairness presumption was applied invariably to one-step going private transactions. The rules were modified somewhat in 2013, with six conditions introduced for controlling shareholders to avoid entire fairness and get reviewed by the courts under the BJR presumption instead. Even before 2013, the BJR standard was applied for non-coercive tender offers by controlling shareholders.

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Data availability

The authors do not have permission to share data.

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