

The Role of Newswires in Screening and Disseminating Value-Relevant Information in Periodic SEC Reports

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Abstract

We examine the role of Dow Jones Newswires in identifying and conveying market-moving information in periodic SEC reports to capital market participants. We find that Dow Jones is more likely to send alerts on firms not releasing preliminary earnings, having credit ratings, included in major market indices, with litigation exposure, or reporting losses. Reflective of the market's focus on certain key events, firms with a nonstandard audit opinion, in the process of delisting, reporting unusual accounting items, or raising equity capital also receive alerts. From a value relevance perspective, not only do we find significant price and volume reactions to the alerts at the daily level, but also we document noticeable intra-day market activity triggered by the alerts, whereas no similar reaction is found for SEC filings that precede the alerts. Overall, the study provides evidence that newswires act as delegated information intermediaries, thereby enriching the information environment of the capital markets.

Keywords: *Information Intermediaries; Newswires; Periodic SEC Reports; Information Dissemination; Market Microstructure*

Data Availability: Various data sources are identified in the text. Contact authors for any specific data requests.

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I. INTRODUCTION

This study examines the role of Dow Jones Newswires as an information intermediary in the capital markets. Dow Jones Corporate Filing Alert (hereafter, DJCFA), a service offered by Dow Jones Newswires, screens for and disseminates important market-moving information buried in SEC filings to professional investors and other market participants in a timely manner.¹ Over the 1997-2004 period, around nine percent of the periodic SEC reports received one or more alerts. What firm and informational characteristics in a periodic report motivate Dow Jones to issue a filing alert? Given that the SEC filings are already publicly available on EDGAR, is the information disseminated by DJCFA incrementally value relevant to investors? We address these two questions in this study.

Despite extensive research on the role of financial analysts in the capital market, there is only limited evidence on the economic function of *pure* information intermediaries such as newswires.² We choose a context in which information intermediaries must be highly skilled to identify market-moving information. As earnings press releases become increasingly preemptive (D'Souza et al. 2010a; see also Francis et al. 2002), swift identification of any market-relevant

¹ The alerts we examine, which are identified using Factiva, are mostly recitation of specific facts already disclosed by companies in their periodic SEC reports, and therefore, are unlikely to reflect the *quid pro quo* relation found between reporters and their corporate sources (Dyck and Zingales 2003). We understand that Dow Jones News Services has strict conflict of interest policies to ensure independence in coverage of companies. Also, given the factual nature of the Dow Jones alerts, they do not suffer from the spin effect presented in the typical news stories (Dyck and Zingales 2003; Sadique et al. 2007).

² We view a pure information intermediary as “an independent, profit maximizing information processing system performing its activities (information acquisition, processing, and distribution) on behalf of other agents’ information needs” (Rose 1999, p. 79). Related evidence on newswires as an information intermediary include Dawkins and Bamber (1998) who find that the adverse market reaction to corporate bankruptcy filings is mostly due to information in bankruptcy filings disseminated through Broadtape, and Dopuch et al. (1986) who find that stock market reacts adversely only to audit qualifications discussed by media. Also see Bhattacharya et al. (2009), Dyck and Zingales (2003), Bushee et al. (2007), and Soltes (2009) on the broader role of business press in shaping the capital market information environment. See D'Souza et al. (2010b) on the role of capital market data aggregators.

information in periodic reports requires sophisticated information screening by intermediaries. In addition, despite the sophistication of the U.S. capital markets, academic research suggests that the confluence of demand and supply-side effects restricts the market's processing ability when it is inundated with information or when facing complex information (Hirshleifer et al. 2008; You and Zhang forthcoming), which is commonly the case in periodic reports (Griffin 2003; Li and Ramesh 2009a).

We posit that even large investors generally do not satisfy the cost-benefit calculus for combing through periodic reports of every stock they own or in their investment possibility set to identify market-moving information. The broad market demand for corporate accounting information, coupled with the prevalence of high fixed costs and close-to-zero marginal costs in the market for information goods (Romer 1990), provides the impetus for information intermediaries such as DJCFA to enter the marketplace. To quote Dow Jones:

“From initial public offerings to Chapter 7 liquidations, Dow Jones Corporate Filings Alert offers readers invaluable information and analysis beyond news available in press releases. As the volume of company filings to the SEC keeps growing, we can save our readers time and give them the edge they need in an information-overloaded environment” (Dow Jones Newswires Re-launches Corporate Filings Alert; Division Will Also Open First Bureau in Wilmington, Delaware, 2 April 2001, Business Wire).

Our analysis is based on a comprehensive sample of 26,615 alerts pertaining to 20,797 periodic SEC reports issued by Dow Jones over the post-EDGAR period 1997-2004, representing nine percent of all periodic reports in our sample. While roughly 82% of the filings with alerts receive only one alert, another 12% receive two, with the remainder receiving three or more. The number of news categories in an alert ranges from one to seven with a mean value of two.³ Dow Jones takes, on average, 2.3 weekdays to release an alert after the corresponding SEC

³ Dow Jones categorizes the alerts based on more than 200 subject codes, which we collapse into ten broad news categories. See Section III for details.

report is filed although 68 percent of the initial alerts are released within 24 hours of the filing. In addition, we find that the proportion of alerts released within 24 hours after a filing increases almost monotonically with the number of news categories, consistent with Dow Jones staff placing higher priority on periodic reports with possibly multiple market-moving information.

Our first analysis examines the demand and supply considerations in the information market that guide the alert decision. Specifically, we posit that the market demand for information arises from investor awareness and information environment. Consistent with the investor awareness argument (Wurgler and Zhuravskaya 2002; Chen et al. 2004, 2006; Docking and Downen 2006; Elliott et al. 2006; Mase 2006; D'Souza et al. 2010b), firms included in S&P major market indices are more likely to receive a Dow Jones alert. Reflective of equity and credit market demands, analyst following and coverage by credit rating agencies are positively associated with the incidence of receiving alerts. Investors in loss firms are alerted more often given that traditional profitability measures alone may be insufficient for valuation purposes (Chen et al. 2002; Ajinkya et al 2005; Hayn 1995; Collins et al. 1997). Firms skipping preliminary earnings announcements also experience a higher incidence of alerts given that their periodic reports are more apt to include information hitherto not disclosed to the marketplace. Consistent with the value of identifying market-moving information, we find more alerts on firms from industries with higher litigation risk.

Among the key firm-specific events, firms raising equity capital, approaching delisting, experiencing large price reactions at preliminary earnings announcements, reporting extraordinary or special items, or receiving a nonstandard audit opinion are more likely to prompt an alert by Dow Jones. In terms of economic significance, nonstandard audit reports increase the probability of an alert by 5.1 percentage points, followed by firms without a

preliminary earnings announcement (3.7 percentage points), periodic reports of firms with a credit rating (3.0 percentage points), firms subject to delisting (1.9 percentage points), firms listed in major market indices (1.2 percentage points), and firms facing a higher litigation risk (1.1 percentage points). In terms of supply-side effects, we find that Dow Jones' propensity to issue an alert drops when the market is inundated with large number of periodic reports. We also provide evidence that Dow Jones switches resources away from periodic reports on days when there is increased incidence of earnings releases in the marketplace.

Our second set of analyses focuses on the information content of filing alerts. After controlling for earnings announcements and filing of periodic reports, we find statistically significant price and volume reactions on the days when Dow Jones issues an alert. However, the market reactions are limited to the initial alert regardless of whether the initial alert is followed by another alert. Using the alert-day observations, we also find that while legal- and bankruptcy-related alerts consistently generate higher price and volume reactions compared to the other news categories, alerts with missing news codes generate significantly lower market reactions as immediate trading either based on algorithms or that require human intervention is constrained in these circumstances.

One obvious concern with using daily data is the possible endogeneity that firm-quarters with a Dow Jones alert have a selection bias. We address this endogeneity by comparing the price and volume reactions over a narrow intra-day period surrounding the release of filing alerts with those of a pseudo event matched on the weekday and release time of the alert. Compared to the 60-minute pre-event period, the absolute stock returns (trading volume) for each of the first five minutes following the alert is between 27 and 52 percent (18 and 69 percent) higher, with no similar reactions following pseudo events. In addition, our formal statistical tests show that the

price and volume reactions to alerts during the first 16 minutes (including the event minute) are significantly higher than those during the comparable pre- and post-event windows as well as those during the corresponding pseudo event window. However, when our analysis is based on the actual filing time of periodic reports, we find no significant price or volume reactions. Our results for the alerts and filings hold when we split the sample observations into 10-K filings versus 10-Qs. More importantly, despite the fact that there are abnormally low price and volume reactions generally surrounding the release of 10-Q reports (Li and Ramesh 2009a), 10-Q based alerts generate immediate price and volume reactions comparable to those generated by 10-K-based alerts. In addition, we find significant volume reactions from both large and small trades to alerts, with small trades exhibiting a more pronounced volume activity. Finally, we conduct a battery of tests to show that the intra-day price/volume reactions to alerts are not merely due to noise trading.

Taken together, our results suggest that DJCFA makes value-relevant information in periodic SEC reports more salient, and thereby, improves the efficacy of the stock market in processing and incorporating information into prices. More importantly, the significant market reaction points to the cost-benefit tradeoff at work in the market for corporate financial information given that the median time lag for the same-day Dow Jones alerts is more than two hours after the filing of the periodic report.

Overall, our study makes several contributions to the extant literature. First, capital allocation and social welfare are clearly dependent on the efficiency of financial markets (Jennings and Barry 1983). Our study provides large-sample evidence on the key role played by newswires in reducing information overload faced by market participants and improving price efficiency. Second, while the traditional asset pricing literature assumes instantaneous

information diffusion and complete market reaction to publicly available information (Merton 1987), the behavioral finance literature allows for bounded rationality and slow diffusion of information (e.g., Hong and Stein 1999). However, there is no substantial body of literature that examines the cost-benefit tradeoffs market participants face in designing the capital market information infrastructure. Our study fills this gap by showing that newswire services such as DJCFA act as delegated information intermediaries for various sophisticated market participants and help shape an efficient and effective information environment. Finally, the market microstructure analysis we conduct offers a more direct approach to parsing the pricing and trading implications of specific accounting or non-accounting events when facing confounding events (Ecker et al. 2007; Li and Ramesh 2009a).

Section II discusses the role of newswires in shaping the capital market information infrastructure and describes the Dow Jones alert service. Section III describes our sample screening procedures and presents descriptive evidence on the filing alerts. The analyses of factors that influence Dow Jones to issue an alert and the market reaction to the alerts are detailed in sections IV and V, respectively. The final section provides a conclusion.

II. NEWSWIRES AND THE MARKET FOR INFORMATION IN PERIODIC REPORTS

In this section we first postulate the role of newswires generally in the market for information in periodic SEC reports, followed by a discussion of the Dow Jones Corporate Filing Alert service, the specific newswire service that we study in this paper.

Role of Newswires in the Market for Information in Periodic SEC Reports

In recent years, an increasing number of firms include detailed financial statement information in their earnings press releases, thereby partially preempting information in periodic SEC reports (D'Souza et al. 2010a; see also Francis et al. 2002). Consistent with these findings,

using a large sample in the post-EDGAR period, Li and Ramesh (2009a) report no significant price or volume reactions surrounding the filing of quarterly periodic reports and find market reactions to 10-K reports only under limited circumstances.⁴

When periodic reports contain key value-relevant information, managers themselves may have incentives to highlight it to mitigate litigation risk. For instance, Li and Ramesh (2009a, 2009b) find that when the audited earnings number in the periodic reports is substantially lower than that released earlier in a press release, managers use a salient disclosure channel to draw investor attention to the shortfall, thereby engendering immediate price reactions. However, when such disclosure incentives are absent, the speed with which the market assimilates new information from periodic SEC reports must be determined by the demand and supply forces at work in the market for corporate accounting information.

Hirshleifer et al. (2008) find that the market reacts less to earnings announcements when they are clustered in calendar time, and in addition, document a stronger post-earnings announcement drift for releases made on such days. You and Zhang (forthcoming) document stronger investor under-reaction when firms file 10-K reports that have extensive textual information. Collectively, not only are earnings announcements and other disclosures increasingly preempting periodic reports, but also periodic reports tend to cluster in calendar time (Griffin 2003; Li and Ramesh 2009a) and require substantial information processing efforts.

However, while most investors acting alone would find it formidable to perform detailed quantitative and textual analysis on periodic reports of all stocks in their investment set, the nature of market for information goods suggests that information intermediaries such as Dow

⁴ Beyer et al. (2009) find that market reaction to voluntary disclosures are in general greater than that for mandatory disclosures, which suggests that periodic reports may play more of a confirmatory role, adding credibility to prior voluntary disclosures such as preliminary earnings announcements or management forecasts. In addition, You and Zhang (forthcoming) find that the market is sluggish in reacting to 10-K reports and document a 12-month post-10-K drift in stock returns.

Jones Newswires would enter the marketplace acting as information gathering agents and serve a multitude of principals. Romer (1990) suggests that although the market for information goods is characterized by large fixed costs, it faces trivial reproduction and dissemination costs, thereby virtually eliminating marginal cost. Given the broad market demand for corporate accounting information, sophisticated information intermediaries can obtain economies of scale by spreading the large fixed cost of information retrieval and processing among many customers (Veldkamp 2006). We argue that these market characteristics provide impetus for newswire services with extensive expertise in the financial information market to act as delegated information intermediaries to large groups of market participants for collecting key information from periodic reports.⁵

Description of Dow Jones Corporate Filing Alert Service

The major wire services that deliver real-time business news and news alerts are Dow Jones, Reuters, and Bloomberg, while PR Newswire and Business Wire disseminate corporate press releases. We choose to examine the DJCFA of Dow Jones, Inc. for three reasons. First, Dow Jones is a leading provider of business content and information services to the capital markets through newswires and other channels. Second, DJCFA specifically targets SEC filings, which is the focus of this study. Third, the alerts issued by this service are publicly available through Factiva. Below we provide a brief description of the history and the information services provided by DJCFA.⁶

⁵ D'Souza et al. (2009b) examine the determinants of the speed with which S&P's Compustat collects and disseminates standardized accounting information from periodic reports to their commercial clients, and the consequences of the dissemination speed on institutional trading behavior. Unlike the focus of Dow Jones Newswires clients on market-moving information, S&P Compustat's institutional clients are more interested in a high-quality standardized panel data that they can use to conduct large-scale sophisticated investment analysis including backtesting.

⁶ This sub-section is based on our discussions with Rick Stine of Dow Jones, various news releases relating to DJCFA obtained through Factiva, on-line search, and other publicly available news sources. We limit our discussions to SEC filings although DJCFA also reviewed bankruptcy court filings and information sources.

In 1989 Dow Jones acquired Federal Filings Inc., a private company that acted as an information intermediary culling through the voluminous SEC paper filings to extract and disseminate key information to various capital market participants including Wall Street. Dow Jones initially provided the alerts under Federal Filings Newswires, which was re-launched as DJCFA in 2001. The purpose of the alert service is to screen for key information disclosed in SEC filings that were not preceded by a press release, identify various value-relevant information buried in SEC filings, and offer market-moving alerts. Given that selective disclosure is prohibited under Reg FD, DJCFA monitors SEC filings to quickly draw professional investors' attention to key corporate disclosures in the post-Reg FD period.

During the period we study, DJCFA was staffed by editors and reporters who were industry specialists with expertise to search for market-moving items of interest to professional investors and Wall Street. While some information intermediaries cater to individual client needs when aggregating financial data (D'Souza et al. 2010b), the alert service was entirely news-driven with a view to delivering price-sensitive real-time content. Specifically, the DJCFA staff determines data collection strategies and dissemination speed based on perceived market following and news value.

The DJCFA service targets traders on the floor of major exchanges, at the trading desks of various brokerage houses, mutual funds, and hedge funds, though individual investors can access a large portion of real-time news from Dow Jones Newswires through *The Wall Street Journal Online* (www.wsj.com). Along with DJCFA, Dow Jones news is distributed to over 100 vendors. Market participants who need real-time information obtain Dow Jones news through

distribution platforms hosted by Thomson Reuters, Bloomberg, FactSet, etc. Those interested in archival research rely on services such as Factiva.⁷

III. SAMPLE AND DESCRIPTIVE EVIDENCE ON DOW JONES CORPORATE FILING ALERTS

In this section, we first describe our sample construction, and then provide descriptive statistics on Dow Jones Corporate Filing alerts.

Sample Screening Procedure and Distribution

Our sample screening procedure is detailed in Panel A of Table 1. We ran a keyword search in *Factiva Academic* and obtained 36,984 entries for the period of 1997-2004.⁸ Of these, 3,220 are actually advertisements for the DJCFA service, 1,996 are news articles related to a group of firms rather than an individual firm's periodic report, and 438 are rumors. Given that we focus on the alerts that follow 10-K/10-Q filings, we exclude alerts pertaining to 8-Ks, notices of non-timely filing, amended filings, and periodic filings of foreign companies. We further drop alerts for small business companies because they face different mandatory disclosure standards. Finally, a small set of observations (351) without filing time stamps are deleted.⁹ The final sample consists of 26,625 alerts. Panel B indicates that these alerts are related to 20,797 periodic SEC filings (hereafter, alerted filings). While more than 80 percent of these filings generate only a single alert, a few filings generate as many as five or more alerts.

⁷ Beginning July 2, 2009, Dow Jones has restructured the DJCFA service for various financial reasons given the current market conditions. The restructured service will utilize limited DJCFA reporters along with the entire corporate reporting staff at the New York desk to look for market-moving alerts to be sent either as part of DJCFA or broadly through Dow Jones Newswires.

⁸ Based on discussions with Factiva, we used the free text string "10-K" or "10-Q" or "10K" or "10Q" or "10KSB" or "10QSB" or "10-KSB" or "10-QSB" with "Dow Jones Corporate Filing Alerts" as the source. We searched the period beginning in 1997, the first full calendar year after EDGAR became effective, and ending in 2004, the last year for which we are able to consistently identify alerts related to periodic reports through *Factiva Academic*.

⁹ We manually checked the 351 cases and found that 230 are non-filing news and 67 are related to SEC filings other than 10-Ks/10-Qs. The rest seems to be caused by database omissions or errors.

Panel A of Table 2 presents the incidence of alerted filings and all periodic SEC filings by year. While the number of all SEC 10-K/10-Q filings declines slightly over our sample period, alerted filings dropped prior to year 2001, possibly due to lower demand for the federal filings news services after the adoption of EDGAR. However, the number of filing alerts rebounded in the year 2001, reflecting Dow Jones' increased emphasis on the alert service after Reg-FD.¹⁰ In Panel B of Table 2 we compare the number of alerted filings and the Compustat sample firms by industry. In general, the alert sample is representative of the overall Compustat population except that we observe disproportionately more (less) alerted filings concentrated in retail (financial services) industry.

News Content of Corporate Filing Alerts

We use the news subject codes provided by Dow Jones Newswires to classify the content of filing alerts. We group the more than 200 subject codes into ten broad news categories. Performance news (*PER*) includes information on sales, earnings, and dividends. Credit (*CRE*) (equity news (*EQU*)) gives information on debt (equity issuances/changes). Business structure changes (*BSC*) capture major corporate events such as mergers and acquisitions, joint ventures, divestitures and spinoffs, etc., while corporate business news (*BUS*) provides details on government and non-government contracts, new products/services, intellectual property, licensing agreements, research and development, and outsourcing. Issues such as management turnover, executive compensation, layoffs, or insider stock transactions are classified as employment-related news (*EMP*). In addition, we have news groups corresponding to management forecasts (*FOR*), bankruptcy (*BKC*), legal issues (*LGL*), and tax matters (*TAX*). Subjects that cannot be easily classified into any of the above categories are included in "Other"

¹⁰ See "Dow Jones Newswires Re-launches Corporate Filings Alert; Division Will Also Open First Bureau in Wilmington, Delaware," 2 April, 2001, Business Wire.

(*OTH*). The footnote in Table 3 provides a detailed breakdown of the subject codes comprising each news category, and the appendix provides a sample alert for each news category.¹¹

A filing alert may cover several information items from a periodic SEC report, and therefore, could be tagged with multiple news categories. For the 26,013 alerts with non-missing subject codes, we identify 49,868 news categories. Panel A of Table 3 shows that the number of news categories assigned to an alert ranges from one to seven, and the majority of alerts have more than one news category. Panel B shows that around 50 percent of categories are performance related, which is not surprising given that the primary objective of Dow Jones Corporate Filing Alert is to highlight market-moving information. The second and third largest groups are credit- and equity-related news, followed by alerts relating to business structure changes, legal and employment matters. Forecasts, bankruptcy, and tax matters are the smallest groups, accounting in total for only three percent of all news categories.

Panel C of Table 3 compares the content of alerts from 10-K filings versus 10-Qs. We find that 10-K alerts are more about credit and equity arrangements, employment-related issues, and bankruptcy than 10-Q alerts. While Dow Jones staff could be more sensitive to these events during the fourth quarter, it is possible that business events relating to these news categories occur more frequently around the finalization of the annual report. We find a relatively higher incidence of performance-related news alerts based on interim reports. Given that the market

¹¹ These samples illustrate the various alerts in which Dow Jones tries to demonstrate the news value to its subscribers: performance-related alert providing summary performance information from a 10-K report that was not preceded by a preliminary earnings announcement; a credit-related alert explaining terms of a new credit line being finalized; equity-related alert detailing recent share repurchase; a business structure change alert revealing financial terms of an acquisition not disclosed earlier; a legal alert indicating the company's strategy to defend a regulatory complaint; an employment-related alert indicating immediate exercise of stock option awards by employees; a corporate business related alert detailing the company and its competitors' relative advertising spending; forecast-related alert providing management guidance on revenue; a bankruptcy alert indicating the company's intent to make an objection to a claim; a tax-related alert revealing that the company is in settlement negotiations with IRS; and an uncategorized alert indicating that the company's ability to deliver power may be compromised by another utility's lack of Y2K compliance.

may be less attentive surrounding 10-Q filings (Li and Ramesh 2009a), one conjecture is that Dow Jones might consider this as an opportune time to draw the market's attention to key performance information.

Panel D indicates that only performance and corporate business news items are more likely to be included in follow-up alerts than in initial alerts, while information on the remainder of the news categories is more often included in the initial alerts. Finally, Panel E suggests that while filings made within trading hours contain significantly more performance-related news, those made after trading hours contain more news in all other categories with several of the categories showing statistically significant differences. One conjecture is that firms try to avoid market attention to non-performance-related news by filing periodic reports after trading hours.

Timing of Dow Jones Corporate Filing Alerts

We obtain corporate filing alert release date/time from *Factiva Academic* and 10-K/10-Q filing date and time stamp from an EDGAR database. The alert release time stamp represents the time when an alert becomes available to the Dow Jones Corporate Filing Alert subscribers, and the 10-K/10-Q filing time stamp is when the periodic filing first appears in EDGAR.¹² Figure 1A plots the frequency of SEC filings and the corresponding initial alerts in blocks of 30-minute intervals. While the number of filings steadily accumulates over most of the SEC working hours

¹² Based on our discussions with SEC's Office of Information Technology, we understand that the periodic report time stamp is a good indication of when the filing could be accessed by users, but at least in the earlier years not everyone had instantaneous access to EDGAR (Balsam et al. 2002). When EDGAR was first rolled out, the Level 1 subscribers to EDGAR and their clients (which included many Wall Street firms and investment houses) had immediate access to the filings. The filings were not available at the public website for another 24 hours, which was changed in the year 2002 ("SEC Announces Free, Real-Time Public Access to EDGAR Database," <http://www.sec.gov/news/press/2002-75.htm>). Untabulated results show that (1) after year 2002 more alerts were issued within the first 15 minutes of filing; and (2) after eliminating these potentially confounding observations from our sample, alerts do (filings do not) trigger significant immediate market activity in periods both before and after the change in the public availability of periodic reports.

of 8:30 a.m. to 5:30 p.m.,¹³ the distribution of alerts is relatively smoother and saddle-shaped, with two small peaks at 11:30 and 15:30.

In Figure 1B we plot the time distribution of alerts in three groups: alerts less than 24 hours lagged and released on the same day as the corresponding filing, alerts less than 24 hours lagged and released on the next business day after the filing, and alerts more than 24 hours lagged. This partition makes it clear that the first hump in Figure 1A for alerts is caused by the collection efforts to clear the backlog of periodic SEC reports filed later during the previous business day. More importantly, as for the alerts issued on the same day as the alerted filing, the collection efforts of Dow Jones Newswires are consistent with the calendar-time distribution of periodic SEC filings.

We next examine the timeliness of corporate filing alerts by measuring the release lag as the number of weekdays between the periodic SEC report filing time and the release time of the first alert (*RL_WEEKDAY*).¹⁴ Because 68 percent of the initial alerts are released within 24 hours after the SEC report is filed, we also measure the release lag in minutes (*RL_MINUTE*) for such alerts. Panel A of Table 4 indicates that, on average, it takes Dow Jones Newswires 2.3 weekdays to release an alert after the corresponding SEC report is filed, with an inter-quartile range of one weekday. We also present statistics on the release lag for 10-K alerts and 10-Q alerts separately and find that the difference in *RL_WEEKDAY* is insignificant between the two groups. However, for alerts released within one weekday after an SEC filing, *RL_MINUTE* is significantly shorter for 10-Q alerts compared to 10-K alerts. A comparison of median values

¹³ Based on our discussions with SEC's Office of Information Technology, periodic reports filed before 17:31 Eastern time will receive a filing date and time identical to its EDGAR receipt date and time. Filings with a receipt time on or after 17:31 Eastern time will be assigned the next business day after the receipt date as the filing date and 6:00 as the filing time. Prior to 2003, the practice appears to have been the use of an 8:00 a.m. time stamp. The two spikes at 6:00 a.m. and 8:00 a.m. are consistent with the SEC time stamping practice.

¹⁴ We calculate *RL_WEEKDAY* as the number of hours elapsed from the time when a filing appears on EDGAR to the time when the first alert is released by DJCFA and divide it by 24. We subtract two if this timeframe contains a weekend. Similarly, the weekend is excluded in computing *RL_MINUTE*

indicates that Dow Jones newswires take 43 percent less time to collect information from 10-Q filings than from 10-Ks (113 versus 197 minutes), consistent with increased complexity requiring additional time to review 10-K reports for market-moving information.

As indicated above, the collection priority and speed of Dow Jones staff are mainly determined by the perceived market following and news value. We use the number of news categories in an alert to proxy for the news value to the DJCFA subscribers and provide descriptive statistics on the release time of the first alert in Panel B of Table 4. We find that the mean of *RL_WEEKDAY* (the proportion of alerts released within 24 hours after filing) decreases (increases) almost monotonically with the number of news subjects, consistent with Dow Jones staff placing higher priority on periodic reports with possibly multiple market-moving information.¹⁵

IV. DETERMINANTS OF DOW JONES CORPORATE FILING ALERTS

In this section we first develop predictions regarding the circumstances in which Dow Jones is likely to issue an alert based on information in periodic SEC reports. Past research has not identified contexts in which information intermediaries more saliently disseminate to market participants information already disclosed by companies (Dopuch et al. 1986). Our predictions are based on firm characteristics that capture market demand for information and key firm-specific events likely to heighten market's attention on those firms. We then provide empirical results testing our predictions.

Predictions

We posit that market demand for information relates to firm characteristics that capture investor awareness and information environment. Extant research (Wurgler and Zhuravskaya

¹⁵ Our inferences from Table 4 are unaltered when we exclude observations relating to filings with a time stamp in the interval [6:00 a.m., 8:00 a.m.] Eastern time.

2002; Chen et al. 2004, 2006; Docking and Downen 2006; Elliott et al. 2006; Mase 2006) suggests that firms whose shares are included in a major market index have increased investor awareness. Consistent with this argument, D'Souza et al. (2010b) find that data aggregators place higher collection priority on financial statement information of these firms. Therefore, we predict that newswire services are more likely to target periodic reports of firms whose stocks are included in the S&P 500, S&P MidCap 400, or S&P SmallCap index (*SP1500*).¹⁶

In addition, we posit that newswire services would target firms facing a richer information environment in which multitudes of market participants actively participate in information gathering and analysis, thereby creating a broader demand for the sophisticated information screening services offered by newswires. Specifically, we predict that newswire alerts would be more prevalent in firms with greater analyst following (*Analysts*) (Kaznik and Lev 1995; Frankel et al. 1999; Piotroski and Roulstone 2004; Bushman et al. 2003) and greater institutional ownership (*Instown*) (Jiambalvo et al. 2002; Piotroski and Roulstone 2004; O'Brien and Bhushan 1990). While analysts following and institutional ownership proxy for equity demand for information, we consider the availability of a credit rating (*Rating*) as a proxy for creditor demand, thereby predicting a positive association with the existence of newswire alerts.

Academic research also suggests that when firms experience losses, market participants face an information environment in which traditional profitability measures may be lacking for valuation purposes (Chen et al. 2002; Ajinkya et al 2005; Hayn 1995; Collins et al. 1997). As additional disclosures of loss firms may be relevant to the marketplace, we also predict that newswires would more often generate alerts for loss firms (*Loss*) to enable investors to better evaluate their financial circumstances.

¹⁶ All explanatory variables are defined in Table 5.

Li and Ramesh (2009a) find that that a segment of firms first release its quarterly earnings information only with the periodic reports (also see Amir and Livnat 2005). While the lack of a preliminary earnings release is consistent with lower value relevance of earnings and limited coverage by sophisticated market participants, periodic reports of these firms are more apt to include information hitherto not disclosed to the marketplace. Therefore, we expect newswire services to closely monitor the periodic reports of firms that did not provide a preliminary earnings release (*NoPrelim*). Finally, we consider exposure to litigation risk (*Litigation*) another factor that would influence Dow Jones to search for market-moving information in periodic reports.

We next identify key firm-specific events that create heightened market attention in general or point to the existence of potentially value-relevant information in periodic reports. With respect to general market attention, we expect that firms raising capital (*Stockissue* and *Debtissue*), who are takeover targets (*Takeover*), or confronting financial distress (*Ch11* and *Delisting*) face increased market scrutiny and therefore, would be fitting targets of newswire services as their periodic reports could contain useful information to interested stakeholders.

With respect to potentially value-relevant information, we first consider circumstances surrounding preliminary earnings releases that would enhance the confirmatory role of periodic reports (Beyer et al. 2009). Specifically, we argue that the market is more likely to demand confirming or negating information in periodic reports when preliminary earnings announcements generate large price reactions (*EA_mktr*) or when firms just meet or beat earnings targets (*JMOB*). In addition, we posit that firms reporting extraordinary items (*Extraordinary*) or special items (*Special*) and firms that receive a nonstandard audit opinion (*Nonstandard*) are likely to include in their periodic filings important information about the

economic circumstances they face. Consequently, the periodic reports of such firms are likely to attract news alerts.

To test these predictions, we employ the following empirical model (firm and quarter subscripts are suppressed):

$$\begin{aligned}
 Alert = & \beta_0 + \beta_1 SP1500 + \beta_2 Analysts + \beta_3 Instown + \beta_4 Rating + \beta_5 Loss \\
 & + \beta_6 NoPrelim + \beta_7 Litigation + \beta_8 Stockissue + \beta_9 Debtissue + \beta_{10} Takeover \\
 & + \beta_{11} Ch11 + \beta_{12} Delisting + \beta_{13} ER_mktr + \beta_{14} JMOB + \beta_{15} Extraordinary \quad , \quad (1) \\
 & + \beta_{16} Special + \beta_{17} Nonstandard + \beta_{18} ROA + \beta_{19} Leverage + \beta_{20} Liquidity \\
 & + \beta_{21} Arbrisk + \beta_{22} Volume + \beta_{23} nEA100 + \beta_{24} nFL100 + \sum_{T=1998}^{2004} \beta_{25,T} YT + \varepsilon
 \end{aligned}$$

As additional controls, we also include three performance measures (*ROA*, *Leverage*, and *Liquidity*) given the documented relationship between firm performance and propensity for disclosures (Frankel et al. 1999). Moreover, we add controls for idiosyncratic volatility (*Arbrisk*) and trading volume (*Volume*) given that trading frictions can dampen the demand for corporate accounting information even among sophisticated investors (Collins et al. 2003; Ali et al. 2003; Mashruwala et al. 2006; D'Souza et al. 2010b). Finally, we include proxies for the overall market incidence of earnings announcements (*nEA100*) and periodic reports (*nFL100*) to capture supply-side constraints of Dow Jones when the market is inundated with corporate accounting information (See D'Souza et al. (2010b) for similar effects for a data aggregator.).

Empirical Results

Table 5 provides descriptive statistics on all explanatory variables for the full sample of 210,620 firm-quarters, as well as two subsamples with and without alerts from Dow Jones. We find that in less than nine percent of firm-quarters with a periodic report (18,599/210,620) does Dow Jones send an alert. The low incidence is not surprising given that the market focuses more on earnings announcements, which increasingly provide detailed financial statement information

and thereby preempt disclosures in periodic filings. Consequently, information intermediaries must have cost-effective screening mechanisms to identify value-relevant information buried in periodic reports.

The univariate test results of comparing alert and non-alert sample means/medians are largely consistent with our predictions. We highlight a few univariate results here and defer a more comprehensive discussion of the predicted effects to the multivariate regression analysis section. We suppress the median statistics and their test results for indicator variables as they are not incrementally informative but are consistent with the mean results. In support of the investor awareness argument, roughly 38 percent of the alert sample pertains to firms included in one of the S&P major market indices, compared to only about 20 percent in the non-alert sample. Similarly, the median analyst following (institutional ownership) in the alert sample is thrice (more than twice) that in the non-alert sample, consistent with equity holders' demand for information. The evidence on credit demand is strong with half of the alert sample having a S&P credit rating compared to less than a quarter in the non-alert sample. Apart from *Takeover*, *EA_mktr*, and *JMOB*, all firm-specific events have statistically significant higher incidence of occurrence in the alert sample.¹⁷ Consistent with nontrivial supply-side effects, periodic reports that do not receive alerts are likely to be filed on days when the median number of filings made with the SEC is 542, compared to 186 for periodic reports that received alerts (*nFL100*).

Turning to the multivariate analysis, we estimate model (1) using (a) pooled probit and (b) Chamberlain's Random Effects (CRE) probit estimators, with the results presented in Table 6.¹⁸ In addition to reporting marginal effects and their p-values, we also report the economic

¹⁷ *EA_mktr* is measured at the earnings announcement day (day 0). We also calculate the price reactions to earnings announcements over days [0, +1] and find somewhat weaker results in terms of economic significance.

¹⁸ Two observations are in order. First, by comparing the two estimators, we provide evidence on whether unobserved firm-specific heterogeneity overstates the reported coefficients of interest in the pooled analysis. CRE

significance of each independent variable as the marginal effect itself for the indicator variables and the marginal effect times their inter-quartile range for all other explanatory variables.¹⁹

Table 6 indicates that the CRE estimator provides generally lower marginal effects and more conservative p-values relative to the pooled probit estimator, suggesting the existence of significant correlated unobserved firm-specific effects. For instance, the marginal effects of *Rating*, *Ch11*, and *Extraordinary* are substantially lower in the CRE probit model, consistent with large cross-sectional variation in these variables during our sample period. On the contrary, the marginal effects of *S&P1500*, *Delisting*, *EA_mktr*, and *Nonstandard* are robust to control for firm effects, suggesting large time-series variation in these variables. We limit our discussion to the CRE probit results.

The overall model is statistically significant as indicated by the Wald chi-squared statistic, with a Pseudo R-squared of 13.5 percent. Twelve of the 17 predicted effects have statistically significant marginal effects with the correct signs at the two-tailed 0.10 level. Given that the unconditional probability of an alert from Dow Jones is around 0.09, the reported economic significance of many of the predicted effects appears material. We list below variables for which the economic significance is at least half a percentage point and the statistical significance is at least at the 0.05 level:

probit offers a consistent approach to incorporating unobserved firm-specific heterogeneity as well as the ability to estimate marginal effects. We do not consider fixed effects probit or fixed effects logit as the former is inconsistent and the latter does not identify marginal effects (Wooldridge 2002, Chapter 15). Second, neither regression suffers from multicollinearity as the average VIFs for the pooled and CRE probit regressions are 1.50 and 3.66, respectively. The relatively higher VIF for the CRE probit is due to the inclusion of firm-specific means of all time-varying independent variables to control for firm fixed effects rather than due to the correlation among predicted effects.

¹⁹ The marginal effects and p-values we report are based on the partial average effects (PAEs), estimated as the marginal effect at the means of each independent variable. We also estimate average partial effects (APEs), computed as the marginal effect for each observation in the sample and then averaged across all observations (Wooldridge 2002, pp. 22-24). The marginal effects and p-values of APEs (untabulated) are virtually identical to those of PAEs.

Variable	Economic Significance
<i>Nostandard</i>	0.051
<i>NoPrelim</i>	0.037
<i>Rating</i>	0.030
<i>Delisting</i>	0.019
<i>SP1500</i>	0.012
<i>Litigation</i>	0.011
<i>Special</i>	0.007
<i>Loss</i>	0.005
<i>Stockissue</i>	0.005

Taken together, we find that Dow Jones staff consider investor awareness, information environment, and key firm-specific events to identify potentially value-relevant information from periodic SEC reports.²⁰ Of the control variables, the supply-side proxies show the largest effect on the incidence of alerts, with the probability of alerts declining by 0.017 when the intensity of earnings releases in the marketplace (*nEA100*) increases by its inter-quartile range (221). The evidence is consistent with the perceived priority of earnings announcements, and consequently, the diversion of Dow Jones' resources away from the periodic reports.²¹

V. DO DOW JONES ALERTS CONTAIN INCREMENTALLY VALUE-RELEVANT INFORMATION?

In this section we first use daily returns and trading volume to examine the value relevance of alerts issued by Dow Jones. For those alerts issued during trading hours, we next

²⁰ While we find that greater analyst following (*Analysts*) is associated with higher incidence of alerts, we document an unexpectedly negative association for institutional ownership (*Instown*). Given that analysts have competitive advantage in extracting industry-level information from firm performance, Dow Jones alert services can be a complementary source of idiosyncratic firm information to the marketplace. On the contrary, institutional investors are likely to expend greater resources in gathering firm-specific information, which could result in alert services competing with institutions' private search efforts. See Piotroski and Roulstone (2004) on the relative information advantages of analysts and institutional investors.

²¹ Untabulated analysis suggests that conditional on issuing an alert the alert lag (*RL_WEEKDAY*) is 40 (22) percent shorter for firm-quarters without a preliminary earnings announcement (for firms with higher litigation risk). In addition, alert lag has a significantly negative association with demand-side factors *EA_mkt* and *Volume*, with supply-side effects of information overload (*nEA100* and *nFL100*) delaying the alert.

examine intra-day price and volume reactions to isolate the immediate trading implications of the alerts and to control for any endogeneity present in the analysis based on daily data.

Daily Returns and Volume Analysis

Using daily data over the period 1997-2004, we develop a multiple regression model to jointly examine market reactions to Dow Jones alerts after controlling for the effects of periodic filings and earnings announcements:

$$DV_t = \alpha + \sum_{Event=1}^7 \sum_{Day=-2}^2 \beta^{Event,Day} \cdot Indicator_t^{Event,Day}, \quad (2)$$

where DV is a measure of daily stock price or volume reaction (defined below). The independent variables are 35 indicator variables corresponding to five event days (-2 to +2) surrounding Dow Jones alert as well as for each of (1) two categories of earnings announcements (interim versus annual), (2) two categories of 10-K reports (with and without a Dow Jones alert), and (3) two categories of 10-Q reports (with and without a Dow Jones alert).²² We include separate indicator variables for periodic reports with and without a Dow Jones alert to control for any characteristics of the alert firm-quarter that might engender a differential reaction to the periodic filing. In the expanded version of the model, we break down the alert days into three sub-categories: (1) issuance of a single initial alert on a periodic report; (2) issuance of multiple alerts on the same day as the initial alert; and (3) issuance of follow-up alerts subsequent to the initial alert day.

Following Li and Ramesh (2009a), the dependent variable for stock returns is the standardized absolute excess return, calculated as the absolute value of the difference between daily return and value-weighted market return. Following Cready and Mynatt (1991), share

²² If the alerts or periodic reports are released after the market closes (i.e., post 16:00 Eastern time), we re-center the 5-day event window around the next business day.

turnover is calculated as the natural logarithm of the sum of volume and 0.000255, where volume equals daily trading volume divided by total outstanding shares. We normalize both the stock returns and trading volume measures by subtracting their firm-year mean and dividing by their firm-year standard deviation.

We also consider nonparametric measures for our dependent variables following Easton and Zmijewski (1993) and Carter and Soo (1999). In the stock return model, DV is a Z-transformation of rank scores calculated for each calendar year and each firm based on the daily absolute value of raw returns minus value-weighted CRSP market return (Blom 1958). In the trading volume model, the Z-transformation of rank scores is based on the share turnover measure.

OLS slope estimates from (2) based on parametric measures of stock returns and trading volume are presented in panels A and B, respectively, of Table 7, with the corresponding results for the nonparametric measures in panels C and D. After controlling for earnings announcements and periodic SEC filings, we find that firm-quarters with a Dow Jones alert elicit statistically significant price and volume reactions on the event day (day 0).²³ The expanded regression results for the alerts (shaded columns) indicate that the market reactions are limited to the initial alert regardless of whether it is followed by another alert or not.²⁴ While the follow-up alerts may have market implications, our results do not provide any evidence of their market-moving effects using daily data. The nonparametric results are largely consistent except that the price reaction to the first alert-day on which a series of alerts are released is significant only at the 0.13 two-tailed level (untabulated).

²³ See Li and Ramesh (2009a) for a discussion of a calendar quarter-end effect surrounding the filing of 10-K reports as well as evidence of a possible information transfer during quarter ends. Our inferences regarding the market reaction to alerts are identical after controlling for the quarter-end effect (untabulated).

²⁴ We suppress the slope estimates of all other variables in the expanded regression as our inferences remain unchanged.

In untabulated analysis, we find that the tenor of our results hold when we separate the alerts into 10-K- versus 10-Q-based alerts in the expanded regression. Given that the sign and magnitude of the slope estimates are comparable for the single versus multiple alerts issued on the initial alert day, we focus on the effect of all initial alerts combined when comparing between 10-K and 10-Q alerts. We find that both 10-K- and 10-Q-based initial alerts are associated with significant market reactions (two-tailed p-value < 0.10 or better) except for the initial 10-Q alerts in the nonparametric returns regression (p-value = 0.16), and there is no significant difference in the magnitude between initial 10-K and 10-Q alerts in all regressions. As in Table 7, follow-up alerts continue to generate insignificant market reaction. Overall, despite the fact that there is abnormally low price and volume reactions generally surrounding the release of 10-Q reports (Li and Ramesh 2009a), 10-Q-based initial alerts issued by Dow Jones appear to generate immediate price and volume reactions. Taken together, we find that Dow Jones alerts provide incrementally value relevant information that market participants rely on to make trading decisions.

We next provide evidence on the differential value of various news categories. Given the general market reactions to all alerts, we estimate the following regression based on 17,454 alert-day observations with non-missing price and trading volume data:

$$\begin{aligned}
DV_t = & \beta_0 + \beta_1 PER_t + \beta_2 CRE_t + \beta_3 EQU_t + \beta_4 BSC_t + \beta_5 LGL_t + \beta_6 EMP_t \\
& + \beta_7 CBS_t + \beta_8 FOR_t + \beta_9 BKC_t + \beta_{10} TAX_t + \beta_{11} OTH_t + \beta_{12} Missing_t \\
& + \beta_{13} Unclassified_t + \beta_{14} Multiple_t + \beta_{15} Second\ Alert\ Day_t \\
& + \beta_{15} Third\ and\ Following\ Alert\ Days_t + \varepsilon_t
\end{aligned} \tag{3}$$

Regression (3) includes indicators for each of the news categories as well as controls for alerts with missing subject codes (*Missing*) and unclassified codes (*Unclassified*).²⁵ Given that the news categories are not mutually exclusive, we are able to include indicator variables for each of

²⁵ We cannot categorize 276 alerts whose subject codes do not indicate any specific news subjects (e.g., “Corporate/Industrial News,” “Commodity/Financial Market News,” etc.).

them. In addition, we include an indicator for days with multiple alerts (*Multiple*), and indicators for the second trading day with another alert(s) based on the same periodic report (*Second Alert Day*), and alert days beyond the second for the same periodic report (*Third and Following Alert Days*).

The statistical significance of the return and volume model intercepts in Table 8 captures the market reactions reported in Table 7 for this sub-sample. When discussing Table 8 results, we limit our discussions to indicator variables with consistent price and volume reactions in both parametric and nonparametric estimations. Compared with other news categories, the legal- and bankruptcy-related alerts generate consistently higher price reaction and trading volume, whereas the alerts with missing news codes generate significantly lower market reactions. The results for bankruptcy-related alerts are consistent with the deterioration in the conventional public sources of information on distressed companies coupled with the demand from sophisticated market participants for trading in such companies (Gilson 1995).²⁶

The lower price and volume reactions to alerts without a specific news category suggest that immediate trading either based on algorithms or requiring human intervention is constrained in these circumstances. As in the expanded regression results, we find that follow-up alerts issued one or more days after the initial alert generate much less market activity with lower activity found in alerts sent after the second day. The lower market reaction for delayed alerts is consistent with the limits to any single information intermediary's ability to consistently identify market-moving information hidden in periodic reports long after their filing. Overall, while the market responds most strongly to legal- and bankruptcy-related alerts, alerts without a specific news category and delayed alerts may not be value relevant.

²⁶ Consistent with our result for the legal-related alerts, our discussions with a money manager indicate that some institutional investors rely on information intermediaries to track litigation-related disclosures or information of companies they follow.

Intra-Day Returns and Volume Analysis

One obvious concern with using daily data is the possible endogeneity that firm-quarters with a Dow Jones alert have a selection bias in the sense that market participants are more focused on these firm-quarters for reasons other than information contained in the alerts. We partially control for this possibility in Table 7 by including separate indicator variables for periodic reports with and without a Dow Jones alert in addition to indicators for the alerts themselves. In this sub-section we attempt to isolate the price and volume reactions to a narrow intra-day period surrounding the release of Dow Jones alerts, thereby eliminating other confounding effects.

We start with the sub-sample of alerts issued within trading hours (15,403), and then limit our focus to those alerts issued between 10:30 a.m. and 3:00 p.m. (11,059) to allow for the 60-minute pre- and post-event windows that we examine.²⁷ After merging with the TAQ database, we have 7,913 alerts with complete trading data. In the spirit of Brown et al. (1992, pp. 77-78), corresponding to each alert we identify a pseudo-event as occurring at the same hour and minute as the alert and on the same weekday of the week that immediately follows the alert. We choose the pseudo events after the issuance of the alerts so that earnings announcements are less likely to confound our inferences.

For both pseudo and actual alerts, our intraday return and volume metrics are measured using the TAQ trade files by keeping only trades that meet all of the following criteria (Ng et al. 2008): (i) trades occurred on the NYSE, AMEX or NASDAQ; (ii) trades were made under

²⁷ Two observations are in order. First, limiting our alerts to those issued between 10:30 a.m. and 3:00 p.m. could introduce another selection bias. However, we believe the benefits of our sample restriction outweigh any costs as the opening-of-day and end-of-day market effects documented in the finance literature (Gerety and Mulherin 1992) would inextricably confound our analysis based on the full sample. Moreover, we believe that the incentives of the newswire service should be unaltered by the timing of the alert so the results based on our restricted sample should have broader implications. Second, Brown et al. (1992) use a similar restriction in their analysis to control for the opening-of-day and end-of-day effects.

regular market conditions; (iii) trades were made within the normal trading hours (i.e., 9:30 - 16:00); (iv) trades were good trades without subsequent cancellations; and (v) the transaction price and the number of shares traded were both positive. We consider a window starting 60 minutes prior to the event minute to 60 minutes following (a total of 121 minutes). For each minute in the event window, we calculate our stock return measure (*ABSRET*) as the absolute value of $\frac{(PRICE_t - PRICE_{t-1})}{PRICE_{t-1}}$, where $PRICE_t$ is the trading price of the last transaction within minute t and $PRICE_{t-1}$ is the trading price of the last transaction before minute t. If no transaction occurs within minute t, return is set to be zero. We consider both raw (number of shares traded within the minute) and standardized (raw volume deflated by shares outstanding) measures of trading volume, labeled *VOL* and *SVOL*, respectively.

In the three panels of Figure 2 we plot the average minute-by-minute *ABSRET*, *VOL*, and *SVOL*, respectively, for the Dow Jones alerts versus the pseudo events. In all three cases we find no noticeable market activity surrounding the pseudo events, consistent with their proxy for non-event behavior. However, we find almost instantaneous price and volume reactions to the issuance of Dow Jones alerts with persistent market movements for several minutes following the alert. Compared to the average *ABSRET* of the 60-minute pre-event period, the absolute returns for the first five minutes following the alert (including the minute of the alert) are between 28 to 52 percent higher, with the corresponding figures of -11 to 3 percent for the pseudo events (untabulated). The results based on *SVOL* are quite similar with 18 to 69 percent higher trading activity following the alert, compared to between -4 and 4 percent following the pseudo events (untabulated).²⁸

²⁸ Kim et al. (1997) do not find price reactions to the public release of analyst recommendations by Dow Jones through the Broad Tape. The lack of a price reaction is not surprising given that Dow Jones is merely re-releasing

In the three panels of Figure 3 we plot the average minute-by-minute *ABSRET*, *VOL*, and *SVOL* for the periodic filings versus their corresponding pseudo events. For this analysis, we identify the alerted filings that were issued within trading hours (11,649). After limiting our focus to those periodic reports filed between 10:30 a.m. and 3:00 p.m. (7,429), we have 4,766 periodic reports with complete trading data in the TAQ database. After eliminating duplicate periodic reports corresponding to multiple alerts, our final sample is 3,948 periodic reports. Figure 3 provides no evidence of incremental market movements following the filing of periodic reports. The higher trading volume and the somewhat higher price reactions at the end of our event period in both the filing and pseudo filing samples are likely due to the increasing number of periodic reports filed during the course of a workday (Figure 1A), with the post-event market activity reflecting the end-of-day trading effect documented in the finance literature (Gerety and Mulherin 1992).^{29,30}

We next formally test the significance of the price and volume reactions to the release of Dow Jones alerts. We define the event window as consisting of the event minute corresponding

information that was privately distributed to important analyst clients before the market opened. In fact, Kim et al. (1997) find that the information released privately to the clients was impounded during the first five to 15 minutes after the market opened. In our context, while the periodic reports are publicly available, Dow Jones screens for and identifies market-moving information from them. Indeed, our results suggest that the screening service of Dow Jones has informational value to the marketplace.

²⁹ Given the lower incidence of periodic filings during the opening period of the market, the opening-of-day trading effect (Gerety and Mulherin 1992) does not impact our measurement of the pre-event market activity in both the actual and pseudo filing samples.

³⁰ In untabulated analysis, we plot the price and volume activities of the 48,565 SEC filings during the sample period that did not receive a Dow Jones filing alert and are filed between 10:30am and 3:00pm. To address the quarter-end effect documented in Li and Ramesh (2009a), we divide the filings into three groups: 10-K QEND (3,594), 10-K NQEND (6,038), and 10-Q (38,933), where 10-K QEND (NQEND) refers to 10-Ks filed within (outside of) the [-1, +1] trading day window around any calendar quarter end. 10-Q refers to all 10-Q filings. The price and volume charts for all three groups show no evidence of a market reaction around the filing of the periodic reports. This evidence dispels the concern that the lack of an immediate intra-day market reaction to filings that are followed by alerts may not be generalized to other periodic SEC filings. Consistent with Li and Ramesh (2009a), 10-Q graphs show no noticeable market activity throughout the event window, whereas non-quarter-end 10-K graphs show higher market volatility but similar price and trading levels when compared to the 10-Qs. The quarter-end 10-Ks are associated with the highest volatility and trading/price levels among the three groups, but the high volatility and trading levels are present during the entire 121-minute window, consistent with a quarter-end effect (Li and Ramesh 2009a).

to the alert (or SEC filing) time stamp and the 15 minutes immediately to follow. To avoid any confounds, we further limit our analysis to periodic reports and alerts that are more than 15-minute apart. We define pre- and post-event periods of the same length (denoted, [-16, -1] and [+16, +31]) for benchmarking. In addition, using the pseudo events discussed above, we similarly define three event windows. For each of the 16-minute windows, we calculate the absolute return and share turnover measures. The significance of t-tests for the mean absolute returns and share turnover at the alert and SEC filing event windows are reported in panel A and B, respectively, of Table 9. We also report test results separately for quarterly and annual reports and their corresponding alerts.

In columns (4) and (5) of both panels we compare the “true” event-window price or volume measure with that of the pre- and post-event window, respectively. In columns (9) and (10), we report similar test results but based on pseudo event windows. Finally, in column (11) we compare the “true” event-window price or volume measure with that of the pseudo event-window. Focusing on the pseudo event results for the alerts and the SEC filings in columns (9) and (10), the event-window returns and volume behave in a similar fashion to those in both pre- and post-event window with only four out of 24 comparisons providing significant differences. Overall, the pseudo event window market reaction appears to be a reasonable benchmark for testing the information content of Dow Jones alerts.

As shown in Panel A of Table 9 for all alerts (“All”), when compared to pre- or post-event window, we find statistically significant increase in market activity at the event window capturing the release of Dow Jones alerts (see columns (4) and (5)). This result holds when we benchmark the alert event window against the pseudo event window (column (11)). Note that the economic significance is larger when we benchmark against the pseudo event window. For

instance, the alert event price reaction is 35 percent larger when compared to the pseudo event, but it is only 18 percent larger when compared to the pre-event period. The corresponding figures for the trading volume are 47 percent for the pseudo event comparison and 22 percent for the pre-event comparison. When we break down alerts between 10-K-based versus 10-Q-based, our results are largely consistent in that both sub-groups show significant market reactions. The results in Panel B indicate that when compared to the pre- or post-event period, the periodic SEC reports do not generate significantly larger price or volume activity during the 16-minute filing window using any of the three benchmarks.

Sensitivity Analyses and Robustness Checks

We discuss below a series of untabulated sensitivity analyses and robustness checks. One concern about the immediate market reactions to Dow Jones alerts is that they may merely reflect noise trading as opposed to trading behavior consistent with improved price efficiency. If so, one would expect complete price reversals as informed traders enter to correct any mispricing. When we classify Dow Jones alerts into good and bad news based on the sign of the price reaction during the five minute window $[0, +4]$, we find no evidence of any price reversal in the bad news group during the next 120 minutes. However, while we find a 30-percent price reversal in the good news group by the 30-minute point, there is no further reversal during the next 90 minutes. In addition, we find no inter-day price reversals when we regress alert-day returns against returns of the next two days.³¹ Overall, while there is some evidence of intra-day reversal in good news alerts, our results do not appear to be driven by noise trading.

To gain further insight into the intra-day market responses to Dow Jones alerts and periodic filings, we examine volume reactions separately for small versus large trades during the

³¹ In our inter-day analysis, we use a pseudo event day (i.e., the same weekday in the next week) as the benchmark to control for the short-term price reversal documented in the finance literature (see discussions in Thomas and Zhang 2008).

window [0, +15]. Following Bhattacharya (2001), we define a large (small) trade as any transaction with a dollar value higher than \$50,000 (lower than \$5,000). However, when the stock price is over \$50, any transaction with less than or equal to 100 shares is also defined as a small trade. We calculate the standardized trading volume (*SVOL*) separately for large and small trades by deflating the corresponding raw volumes by total shares outstanding. Untabulated results show that: (1) both large and small trades exhibit significant volume reactions to the issuance of Dow Jones alerts in the first 16-minute event window; (2) small trade volume reaction in the event window exceeds that in the corresponding pseudo-event window by 83.4%, but the reaction is only 35.6% for large trades; and (3) periodic SEC filings engender insignificant volume reactions from both large and small trades. Overall, the large and small trade results echo the aggregate trading volume results. Finally, we find that large trades neither lead nor lag small trades, further suggesting that our results are unlikely due to noise trading.³²

Prior research suggests that bad news would attract more coverage by media and other information intermediaries (Gaa 2009) as managers have lower incentives to disseminate such information voluntarily (Kothari et al. 2009). Based on the first five-minute price response to the alert, we assign firm-quarters into bad news, good news, and no response categories. Using an ordered probit model, we find that none of the news categories in Table 8 is significantly associated with the sign of the market response.

Taken together, our analysis provides a consistent picture of the market reacting immediately to the release of Dow Jones alerts. While we find no pervasive evidence of an immediate price or volume reaction to periodic reports, our results do not suggest that periodic reports never engender instantaneous market reaction. Future research could identify

³² While the total trading volume is not correlated with the level of institutional ownership, we find a statistically significant positive (negative) correlation between event-window volume due to large (small) trades and institutional ownership.

circumstances that contribute to immediate processing and reaction to information in periodic reports, which could help regulators grapple with the information mosaic of our mandatory disclosure system.

VI. CONCLUSION

As the capital markets transition into the new information age, market participants are facing not only exponential growth in the quantum of available financial information, but also rapid increases in the number of channels for obtaining information. The new information landscape can stifle even sophisticated investors as they encounter information overload. Consequently, major capital market participants are increasingly relying on internal resources as well as delegated external information intermediaries to screen the influx of corporate financial reports and identify value-relevant information on a timely basis to make informed investment decisions.

Our study focuses on the Corporate Filing Alert service provided by Dow Jones, Inc., which seeks to identify and convey important market-moving information buried in lengthy periodic SEC reports to market participants. We find that for all 10-K/10-Q reports filed between 1997 and 2004, only nine percent received one or more Dow Jones alerts. Sixty eight percent of the alerts are issued within 24 hours after the release of corresponding SEC reports, and the time lag to issue an alert decreases with the number of news subjects, consistent with the notion that Dow Jones staff prioritizes its efforts based on the amount of important information in SEC reports.

In general, we posit that Dow Jones' decision to issue an alert is driven by newsworthiness, and therefore, by the perceived value that investors might place on the selected information in periodic SEC reports. We consider investor demand arising from investor

awareness and information environment. We find evidence that the likelihood of receiving alerts increases in firms not releasing preliminary earnings, having credit ratings, included in major market indices, with litigation exposure, or reporting losses. Among key firm specific events, firms with a nonstandard audit opinion, in the process of delisting, reporting unusual accounting items, or raising equity capital are more likely to receive an alert.

Regarding the information content of alerts, we document significant price and volume reactions on the day when news alerts are issued, with bankruptcy- and legal-related news generating the largest reactions. To circumvent any selection bias in firm-quarters followed by DJCFA, we examine the 121-minute event window surrounding the release of alerts and find that both absolute stock returns and turnover are significantly higher in the 16-minute window immediately following the alert compared with the pre-event or pseudo-event period. The market reactions to alerts are not due to noise trading while both large and small trades contribute to the reactions. Taken together, our results strongly suggest that Dow Jones convey value-relevant information to investors via alerts.

Our study provides new insights into the role of information intermediaries such as Dow Jones Newswires in improving informational efficiency of the capital market. We show that Dow Jones Newswires caters to investors' informational needs by screening and identifying important market-moving information from SEC filings and disseminating it to major market participants on a timely basis. Its efforts relieve some of the information overload problems confronted by investors and enrich the information environment of firms.

From a regulatory standpoint, information overload has two implications. To quote the current SEC Commissioner Troy A. Paredes that “[s]ecurities regulation focuses primarily on disclosing information, and pays relatively little attention to how the information is used –

namely, how do investors and securities market professionals search and process information and make decisions based on the information the securities laws make available?" (Paredes 2003)³³

One perspective is to consider eliminating disclosure regulations that have little or no value to investors, but identifying them in a convincing fashion may be fraught with hurdles. Another perspective is to enable investors to more effectively search and process information through offering technology-enhanced disclosure systems such as XBRL. While both approaches merit consideration, our study suggests that the SEC should consider expanding both the breadth and depth of the interactive disclosure requirements. To the extent mandatory disclosures become more technologically friendly, capital market information intermediaries are bound to leverage the technology by designing faster and better targeted information search and dissemination strategies to further enhance the efficiency of the U.S. capital markets.

³³ Commissioner Troy A. Paredes' writing that we cite was published when he was an academic.

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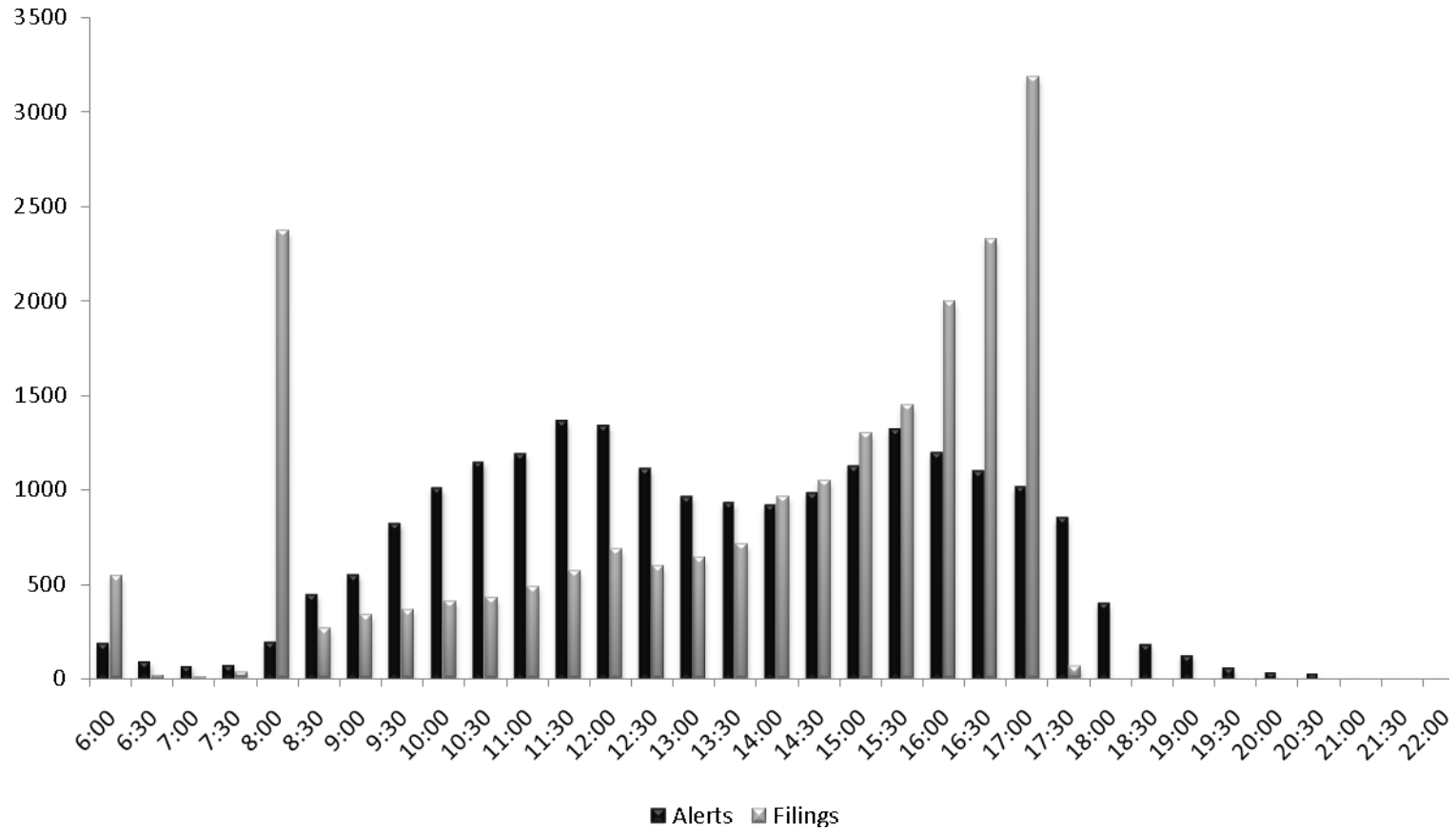
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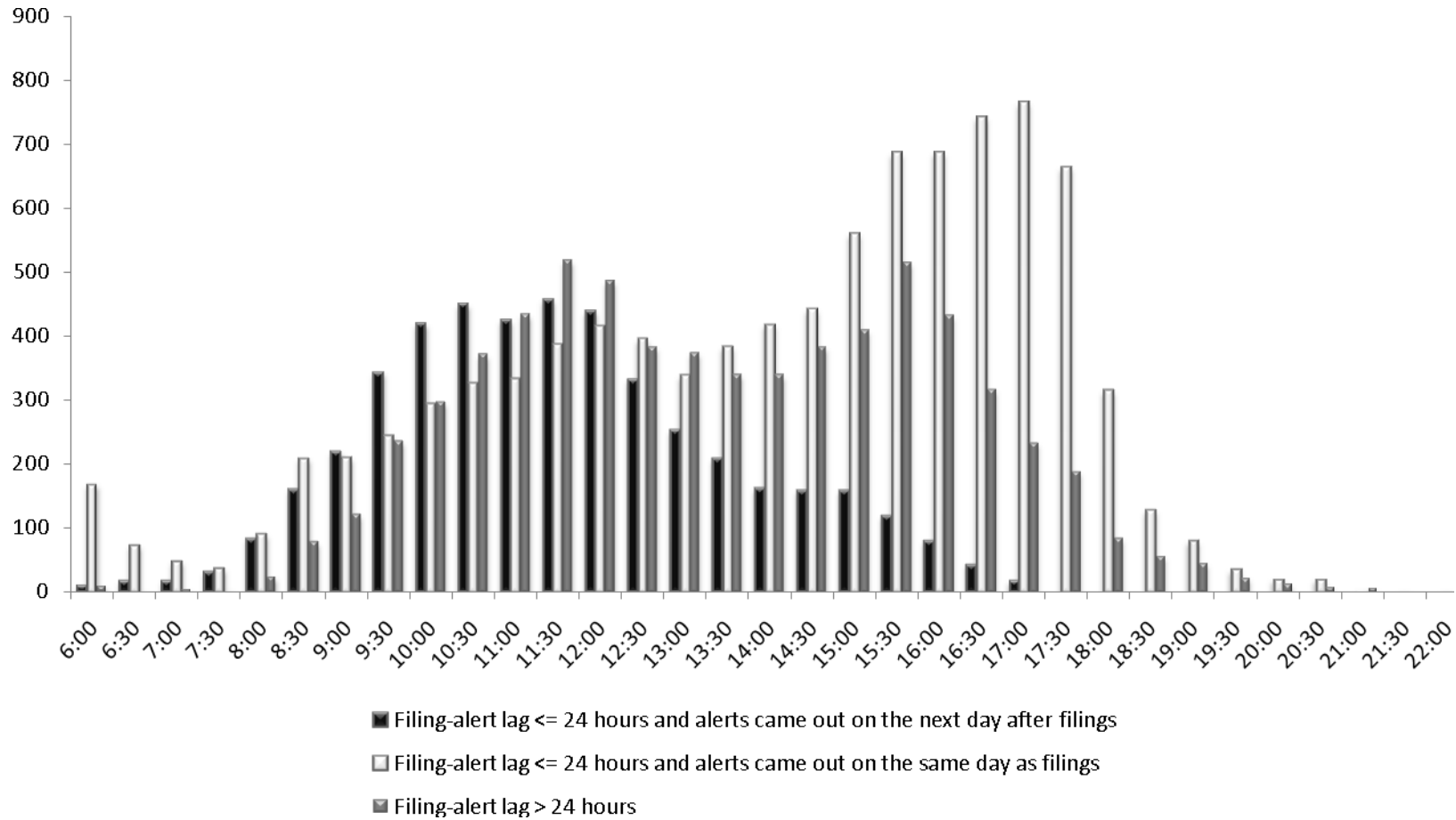
Figure 1A
Time Frequency of SEC Filings and the Corresponding Initial Dow Jones Alerts



This figure presents the time distribution of 20,797 periodic SEC filings and the corresponding initial alerts between 1997 and 2004. The x-axis depicts the time in 30-minute intervals, and the y-axis is the number of periodic SEC filings and the corresponding initial alerts. Unreported analysis reveals similar patterns between 10-K and 10-Q filings/alerts.

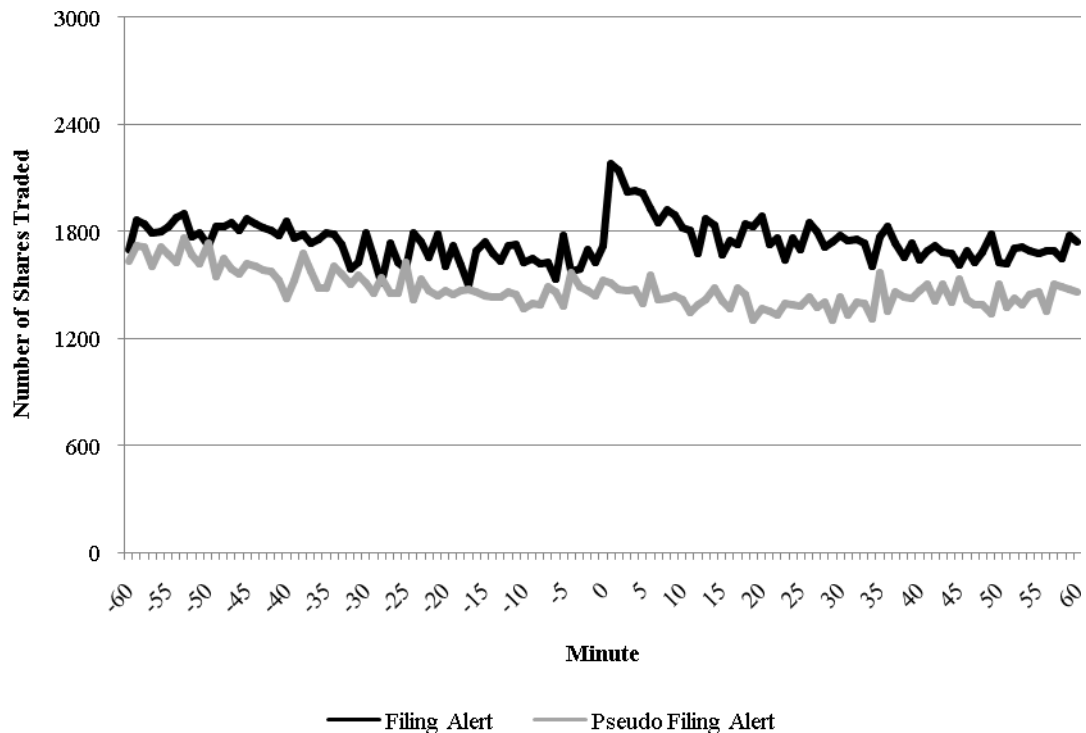
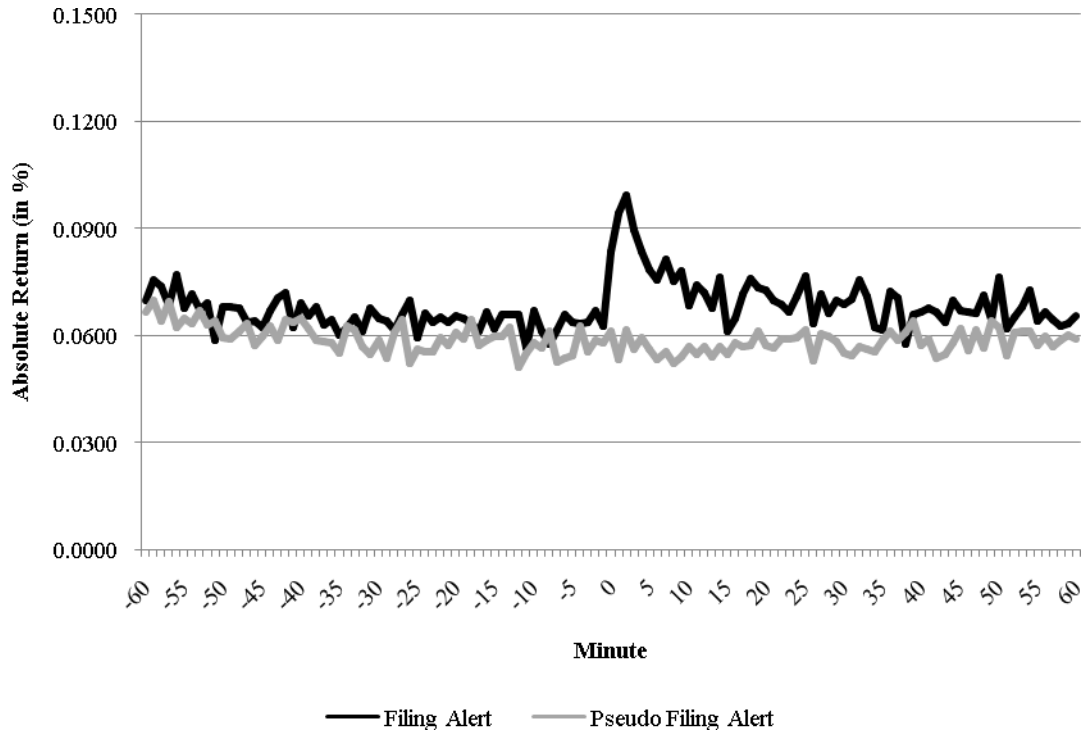
Figure 1B

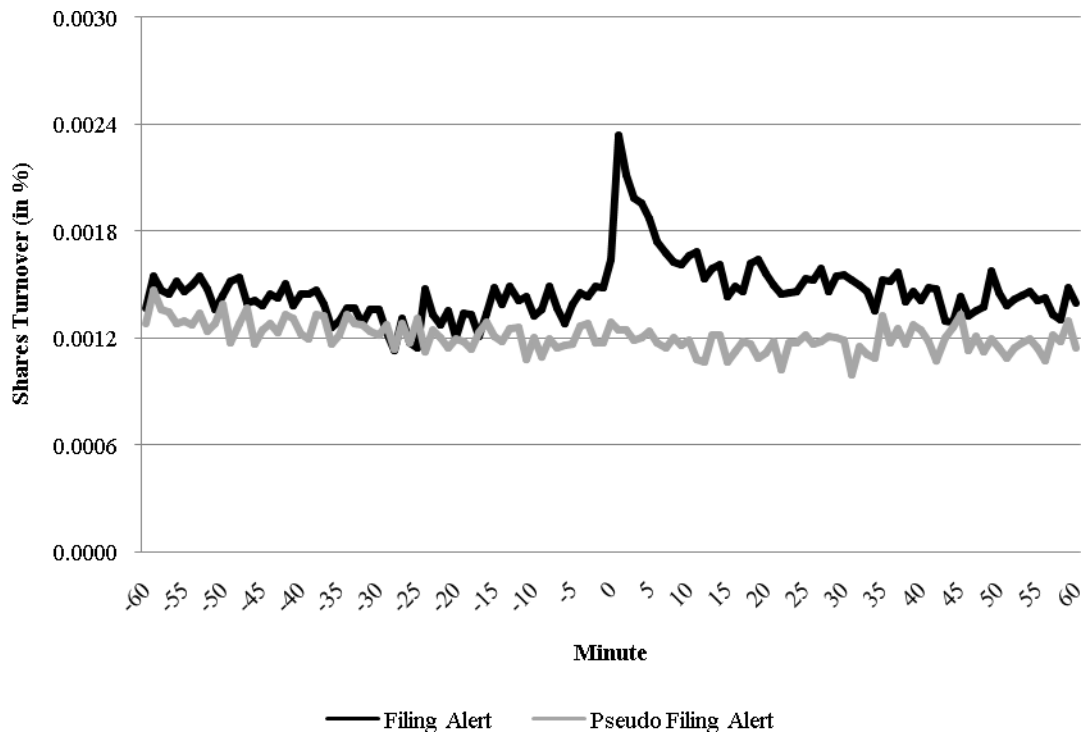
Time Frequency of Alerts by Time Lag between SEC filings and the Corresponding Initial Dow Jones Alerts



This figure presents the time distribution of 20,797 initial alerts in three groups: alerts issued on the same day as the corresponding filings, alerts issued on the next day but within 24 hours after the filing of the periodic SEC report, and alerts more than 24 hours lagged. We exclude the weekends when calculating the filing-alert time lag.

Figure 2
Average Intraday Market Reaction to Dow Jones Filing Alerts, by Minute

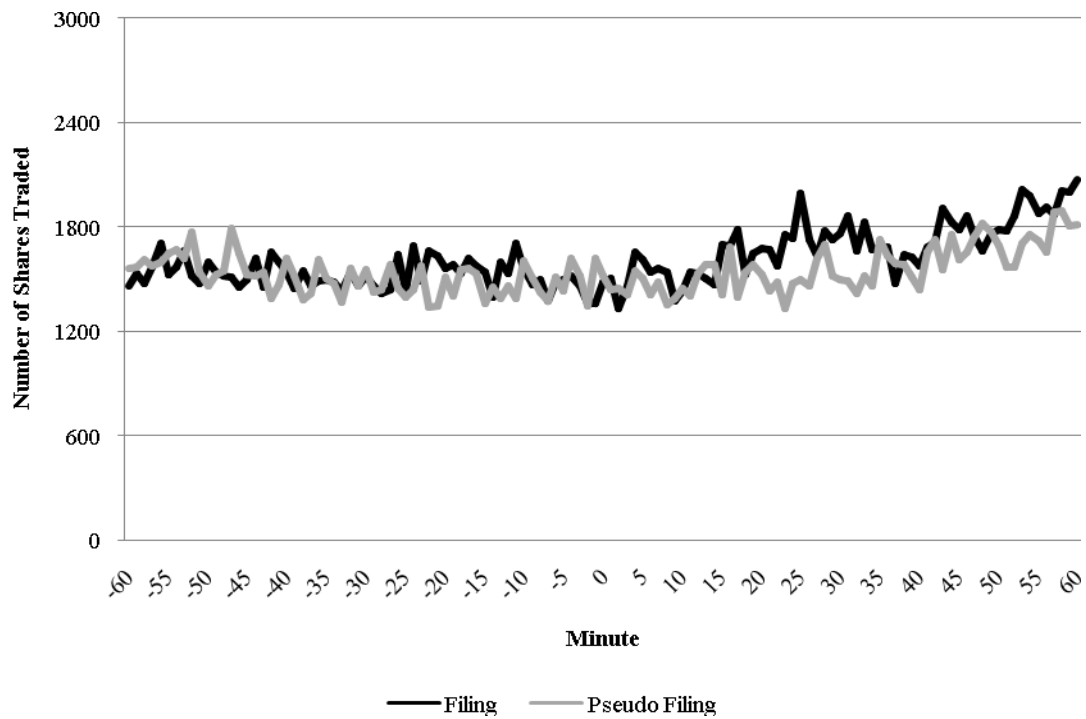
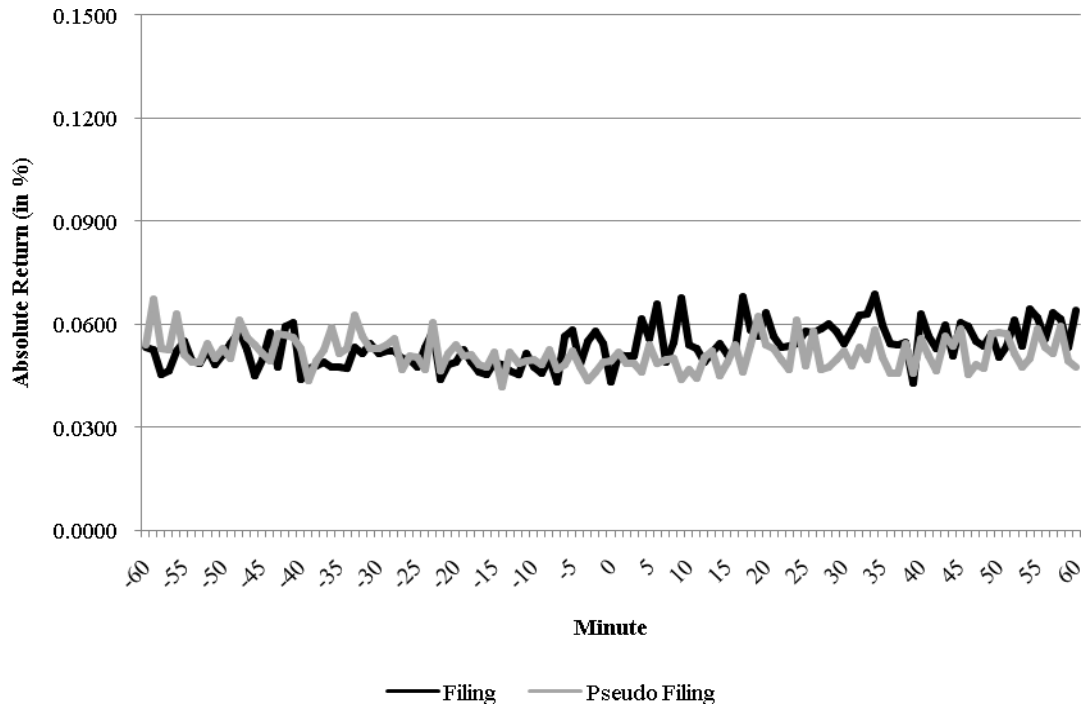


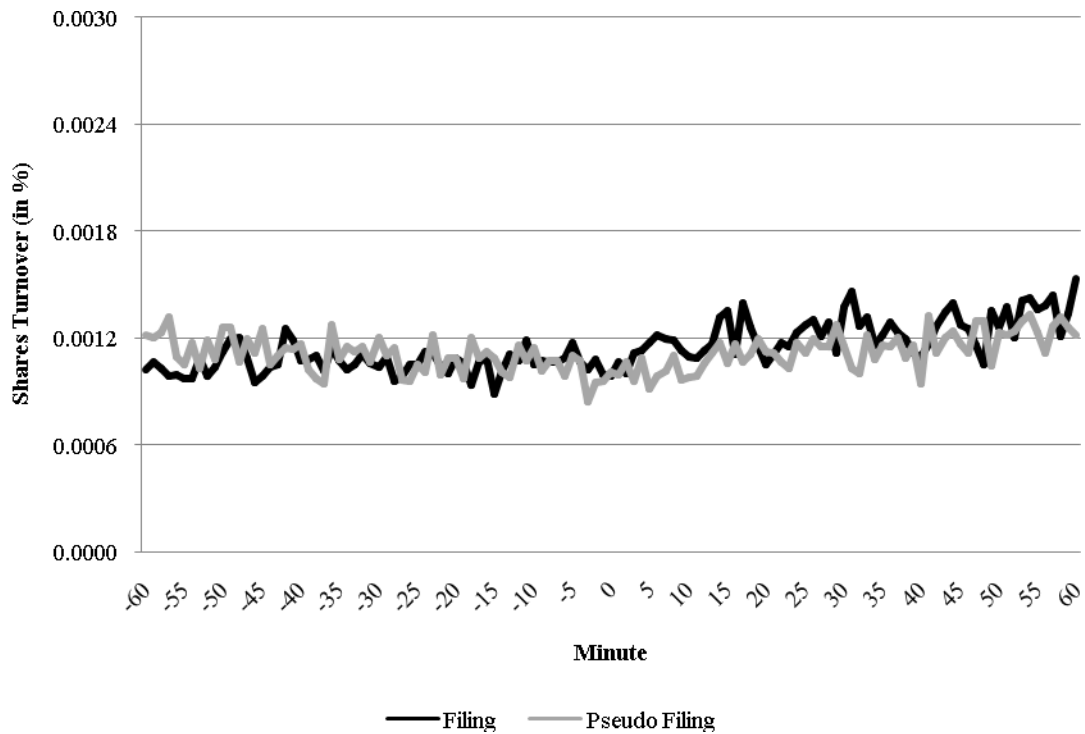


These figures are based on 7,913 Dow Jones filing alerts issued between 10:30am and 3:00pm of trading days over 1997-2004. The corresponding pseudo-event window starts with the same hour and minute as the filing alert and on the same weekday of the week that immediately follows the filing alert. Return is calculated as $\frac{(PRICE_t - PRICE_{t-1})}{PRICE_{t-1}}$,

where $PRICE_t$ is the trading price of the last transaction within minute t and $PRICE_{t-1}$ is the trading price of the immediately previous transaction before minute t . If no transaction occurs within minute t , return is set to be zero. Number of shares traded is the total number of shares traded within the minute. Shares turnover is the number of shares traded deflated by total shares outstanding. All measures have been winsorized at their respective top 0.1%.

Figure 3
Average Intraday Market Reaction to SEC Filings that Subsequently Received One or More Dow Jones Filing Alerts, by Minute





These figures are based on 3,948 SEC filings with subsequent Dow Jones alerts and filed between 10:30am and 3:00pm of trading days between 1997-2004. The corresponding pseudo-event window starts with the same hour and minute as the filing and on the same weekday of the week that immediately follows the filing. Return is calculated as $\frac{PRICE_t - PRICE_{t-1}}{PRICE_{t-1}}$, where $PRICE_t$ is the trading price of the last transaction within minute t and $PRICE_{t-1}$ is the

trading price of the immediately previous transaction before minute t. If no transaction occurs within minute t, return is set to be zero. Number of shares traded is the total number of shares traded within the minute. Shares turnover is the number of shares traded deflated by total shares outstanding. All measures have been winsorized at their respective top 0.1%.

TABLE 1
Sample of Dow Jones Corporate Filing Alerts

<i>Panel A. Sample Screening of Dow Jones Corporate Filing Alerts:</i>			
Dow Jones corporate periodic filings alerts, 1997-2004			36,984
Less: advertisements			(3,220)
news related to a group of firms ^a			(1,996)
rumors ^b			<u>(438)</u>
Initial sample of alerts			31,330
Less: alerts after 8-K filings ^c			(514)
alerts after filing of notice of delay under Rule 12b-25 ^d			(1,881)
alerts after amended filings ^e			(233)
alerts for foreign firms who file only 20-F/6-Ks with SEC			(613)
alerts from SB filings ^f			(1,123)
alerts related to non-filing news ^g			(230)
alerts related to non-periodic filings (S-4, 13D, DEF 14A, etc)			(67)
alerts without filing time ^h			<u>(54)</u>
Final sample of alerts			<u>26,615</u>
<i>Panel B. Frequency of Corporate Filing Alerts of Each Periodic SEC Filing:</i>			
	Frequency	%	Total
1	17,051	81.99	17,051
2	2,529	12.16	5,058
3	750	3.61	2,250
4	269	1.29	1,076
5	126	0.61	630
Above 5	<u>72</u>	<u>0.35</u>	<u>550</u>
	<u>20,797</u>	<u>100.00</u>	<u>26,615</u>

^a We identify this type of news by searching the news title for key words such as “corporate filing alerts: the morning’s top news,” “federal filings business news,” “CFA early summary,” “high yield information,” “daily market wrap-up,” etc.

^b Key words to identify this type of news are “notice of rumor” or “daily rumor.”

^c Alerts are included in this category if (i) the source of a corporate filing alert indicates 8-K filings; (ii) the firm filed a “8-K” or “8-K/A” on or one-day before the date of alert, and no 10-Ks/10-Qs were filed within 20 weekdays prior to the date of alert.

^d Alerts are included in this category if (i) the source of corporate filing alert is “NT 10-K” or “NT 10-Q”; (ii) the news title contains key words such as “delayed,” “not timely,” “extension to file,” “files NT,” etc.; (iii) the firm filed a form NT 10-K or NT 10-Q on or a day before the date of alert, and no 10-Ks/10-Qs were filed within 20 weekdays prior to the date of alert.

^e Alerts are included in this category if (i) the source of corporate filing alert indicates amended filings; (ii) the news title contains key words such as “files amended”; (iii) the firm filed a “10-K/A”, “10-K405/A” or “10-Q/A” on or one-day before the date of alert, and no 10-Ks/10-Qs were filed within 20 weekdays prior to the date of alert.

^f Alerts are included in this category if (i) the source of corporate filing alert is “10KSB” or “10QSB”; (ii) the firm filed a form 10KSB or 10QSB form on or a day before the date of alert.

^g These alerts are related to news for earnings announcement, bankruptcy, Moody’s downgrading, lawsuits, etc.

^h A further investigation identifies 26 alerts with corresponding 10-K/10-Q filings available from EDGAR but not in the SEC filing time database, whereas the rest have no corresponding filings from either EDGAR or the SEC filing time database.

Table 2
Calendar Year and Industry Distribution of Corporate Filing Alerts

Calendar Year	<i>Alert Sample</i>		<i>SEC Filing Sample</i>	
	Frequency	%	Frequency	%
1997	3,943	18.96	39,428	13.86
1998	2,738	13.17	39,724	13.96
1999	2,209	10.62	38,930	13.68
2000	1,725	8.29	38,311	13.46
2001	2,522	12.13	35,451	12.46
2002	2,673	12.85	32,991	11.59
2003	2,816	13.54	30,312	10.65
2004	<u>2,171</u>	<u>10.44</u>	<u>29,422</u>	<u>10.34</u>
Total	<u>20,797</u>	<u>100.00</u>	<u>284,569</u>	<u>100.00</u>

Industry	<i>Alert Sample</i>		<i>Compustat Sample</i>	
	Frequency	%	Frequency	%
Agriculture	39	0.22	314	0.33
Mining & construction	346	1.98	3,496	3.62
Food	435	2.48	1,826	1.89
Textiles & printing/publishing	971	5.55	3,546	3.67
Chemicals	421	2.40	1,753	1.82
Pharmaceuticals	873	4.99	4,618	4.78
Extractive	555	3.17	4,009	4.15
Durable manufacturers	3,067	17.52	16,253	16.84
Computers	1,807	10.32	13,468	13.95
Transportation	1,592	9.09	5,659	5.86
Utilities	615	3.51	3,287	3.41
Retail	2,462	14.06	7,945	8.23
Financial services	2,605	14.88	21,238	22.00
Services	1,661	9.49	8,179	8.47
Other	<u>61</u>	<u>0.35</u>	<u>940</u>	<u>0.97</u>
Total	<u>17,510</u>	<u>100.00</u>	<u>96,531</u>	<u>100.00</u>

This table reports calendar and industry distribution of corporate filing alerts. Industry membership is determined by SIC code as follows: agriculture (100-999), mining & construction (1000- 1999, excluding 1300-1399), food (2000-2111), textiles & printing/publishing (2200-2799), chemicals (2800-2824, 2840- 2899), pharmaceuticals (2830-2836), extractive (2900-2999, 1300-1399), durable manufacturers (3000-3999, excluding 3570-3579 and 3670-3679), computers (7370-7379, 3570-3579, 3670-3679), transportation (4000-4899), utilities (4900-4999), retail (5000-5999), financial services (6000-6999), and services (7000-8999, excluding 7370-7379). Other includes the rest. The historical SIC code is obtained from the Compustat database. SIC code is missing for 3,287 alerts as they are not covered by Compustat.

TABLE 3
Descriptive Statistics of News Categories

Panel A. Frequency distribution of the number of news categories in alerts

Number of News Categories	Frequency	%	Total
1	10,875	41.81	10,875
2	8,880	34.14	17,760
3	4,313	16.58	12,939
4	1,517	5.83	6,068
5	355	1.36	1,775
6	60	0.23	360
7	13	0.05	91
Total	<u>26,013</u>	<u>100.00</u>	<u>49,868</u>

Panel B. Frequency distribution of news categories

Performance (PER)	23,785	47.7%
Credit Related (CRE)	8,422	16.9%
Equity Related (EQU)	4,711	9.4%
Business Structure Change (BSC)	2,993	6.0%
Corporate Legal Issue (LGL)	2,776	5.6%
Employment Related (EMP)	2,635	5.3%
Corporate Business (BUS)	920	1.8%
Forecast (FOR)	753	1.5%
Bankruptcy (BKC)	528	1.1%
Tax Related (TAX)	296	0.6%
Other (OTH)	<u>2,049</u>	<u>4.1%</u>
Total	<u>49,868</u>	<u>100.0%</u>

Panel C. Comparison of news categories between 10-Qs vs. 10-Ks

	<i>(1) 10-Ks</i>		<i>(2) 10-Qs</i>		<i>Diff. (1)-(2)</i>	<i>t stat</i>	
	<i>(N = 8,827)</i>		<i>(N = 17,186)</i>				
	<u>Mean</u>	<u>Std</u>	<u>Mean</u>	<u>Std</u>			
Performance (PER)	0.837	0.370	0.954	0.209	-0.118	-20.76	***
Credit Related (CRE)	0.352	0.478	0.309	0.462	0.043	6.42	***
Equity Related (EQU)	0.188	0.390	0.178	0.382	0.010	1.53	***
Business Structure Change (BSC)	0.100	0.300	0.123	0.329	-0.023	-5.20	***
Corporate Legal Issue (LGL)	0.099	0.299	0.111	0.314	-0.012	-2.14	**
Employment Related (EMP)	0.132	0.338	0.086	0.280	0.046	1.26	***
Corporate Business (BUS)	0.037	0.189	0.035	0.183	0.003	0.96	
Forecast (FOR)	0.032	0.177	0.027	0.163	0.005	1.24	
Bankruptcy (BKC)	0.023	0.151	0.019	0.136	0.005	2.28	**
Tax Related (TAX)	0.011	0.104	0.012	0.107	-0.001	-0.55	
Other (OTH)	0.087	0.281	0.075	0.263	0.012	3.05	***

(Continued on the next page)

(Table 3 Continued)

Panel D. Comparison of news categories between initial alerts vs. follow-up alerts

	<i>(1) Initials</i> <i>(N = 20,314)</i>		<i>(2) Follow-ups</i> <i>(N = 5,699)</i>		<i>Diff.</i> <i>(1)-(2)</i>	<i>t stat</i>	
	<u>Mean</u>	<u>Std</u>	<u>Mean</u>	<u>Std</u>			
Performance (PER)	0.905	0.293	0.947	0.225	-0.041	-6.13	***
Credit Related (CRE)	0.328	0.470	0.308	0.462	0.020	2.06	**
Equity Related (EQU)	0.184	0.388	0.171	0.376	0.013	1.45	
Business Structure Change (BSC)	0.119	0.324	0.101	0.301	0.018	3.52	***
Corporate Legal Issue (LGL)	0.114	0.317	0.083	0.275	0.031	4.40	***
Employment Related (EMP)	0.110	0.313	0.071	0.257	0.039	9.18	***
Corporate Business (BUS)	0.032	0.177	0.047	0.211	-0.014	-3.83	***
Forecast (FOR)	0.032	0.176	0.018	0.131	0.015	2.51	**
Bankruptcy (BKC)	0.024	0.154	0.006	0.078	0.018	11.91	***
Tax Related (TAX)	0.013	0.114	0.005	0.071	0.008	6.38	***
Other (OTH)	0.091	0.287	0.036	0.186	0.055	12.51	***

Panel E. Comparison of news categories between alerts pertaining to filings made within trading hours vs. alerts pertaining to filings made after trading hours

	<i>(1) Within</i> <i>Trading Hours</i> <i>(N = 12,097)</i>		<i>(2) After</i> <i>Trading Hours</i> <i>(N = 13,916)</i>		<i>Diff.</i> <i>(1)-(2)</i>	<i>t stat</i>	
	<u>Mean</u>	<u>Std</u>	<u>Mean</u>	<u>Std</u>			
Performance (PER)	0.921	0.270	0.909	0.288	0.013	2.71	***
Credit Related (CRE)	0.302	0.459	0.343	0.475	-0.042	-5.33	***
Equity Related (EQU)	0.179	0.384	0.183	0.386	-0.003	-0.51	
Business Structure Change (BSC)	0.113	0.317	0.117	0.321	-0.004	-0.88	
Corporate Legal Issue (LGL)	0.099	0.298	0.114	0.318	-0.015	-3.02	***
Employment Related (EMP)	0.094	0.292	0.107	0.310	-0.013	-3.00	***
Corporate Business (BUS)	0.029	0.167	0.041	0.198	-0.012	-4.05	***
Forecast (FOR)	0.029	0.168	0.029	0.168	0.000	-0.01	
Bankruptcy (BKC)	0.018	0.135	0.022	0.146	-0.004	-1.90	*
Tax Related (TAX)	0.011	0.103	0.012	0.109	-0.001	-0.92	
Other (OTH)	0.074	0.262	0.083	0.276	-0.009	-2.29	**

*, **, *** Represent statistical significance at two-tailed 0.1, 0.05, 0.01 levels, respectively.

(Continued on the next page)

(Table 3 Continued)

We group more than 200 news subject codes provided by Dow Jones into ten broad news categories and present the distribution of news category for 26,013 corporate filing alerts in Panel A and B. We exclude 326 alerts with missing subject code and 276 alerts whose subject codes are too broad to be meaningful (e.g., “Corporate/Industrial News,” “Commodity/Financial Market News”, etc.). News categories are determined by the news subjects coded by Dow Jones Newswire: Performance (earnings, dividends, sales figures, earnings surprises, and annual meetings), Credit Related (corporate debt instruments, financing agreements, corporate credit ratings, debt/bond markets, and corporate debt/bond markets), Equity Related (share equity, share buybacks, stock splits, initial public offerings, stock listings, shareholder-rights plans, and equity markets), Business Structure Change (ownership changes, acquisitions/mergers/takeovers, joint ventures, divestures/asset sales, spin-offs, corporate changes, and plans/strategy), Corporate Legal Issue (corporate crime/legal/judicial, regulation/government policy, domestic politics, government bodies, politics/international relations, executive branch, independent agencies/regulatory bodies, Securities and Exchange Commission (USA), environmental news, patents, regulatory bodies, crime/courts, treasury department, justice department, trademarks/copyrights, monopolies/antitrust, environment department, commerce department, crime/national security, health/human services department, defense department, transportation department, legislative branch, labor department, energy department, housing/urban development department, standards/standardization, military action, Federal Communications Commission (USA), judicial branch, veterans affairs department, deregulation, agriculture department, education department, and food/drug administration), Employment Related (management issues, management moves, labor issues, labor/personnel issues, executive pay, lay-offs/redundancies, workers pay, insider dealing, directors dealings, labor disputes, work safety/health issues, recruitment, and workplace discrimination), Corporate Business (markets/marketing, contracts/orders, branding, contracts non-government, intellectual property, capacity/facilities, licensing agreements, research/development, information technology, domestic markets, corporate process redesign, market research, product safety, supply chain management, pricing, new products/services, government contracts, new product approvals, defense contracts, franchises, outsourcing, trademarks, usage statistics, output/production, sales promotions, conferences/exhibitions, advertising, external markets, customer relationship management, knowledge management, and official trials/tests), Forecast (earnings projections, analyst comment/recommendation, and share price movement/disruptions), Bankruptcy (bankruptcy), Tax Related (government taxation/revenue, direct taxation, indirect taxation, Internal Revenue Service (USA), sub-national/local taxes, corporate taxation, and government finance, government borrowing). Other news subjects are included in Other. Panel C compares the news categories between 10-K versus 10-Q filings, Panel D compares the initial alert of a periodic filing against the follow-up alerts. The t-statistics are based on firm-clustered standard errors, and Panel E compares the alerts pertaining to filings made within trading hours against filings made after trading hours. The t tests on difference are based on regressions with the mean difference as dependent variable regressed on the intercept, after controlling for heteroskedasticity and firm-specific clustering.

TABLE 4
Time Lag between Periodic SEC Filings and the Initial Corporate Filing Alerts

<i>Panel A. Descriptive statistics on time lag of 10-Ks vs. 10-Qs</i>						
	<i>RL_WEEKDAY</i>			<i>RL_MINUTE</i>		
	<i>Total</i>	<i>10-K</i>	<i>10-Q</i>	<i>Total</i>	<i>10-K</i>	<i>10-Q</i>
N	20,797	6,929	13,868	14,069	4,632	9,437
Mean	2.325	2.325	2.324	453.187	513.396	423.634
Std	3.269	3.350	3.227	516.042	520.629	511.215
Min	1	1	1	0	0	0
P5	1	1	1	8	12	7
Q1	1	1	1	40	61	34
Median	1	1	1	137	197	113
Q3	2	2	2	1,064	1,091	1,045
P95	8	7	8	1,337	1,344	1,331
Max	42	42	33	1,440	1,439	1,440

Panel B. Descriptive statistics on collection speed by the number of news categories

Number of News Categories	Obs	Mean of <i>RL_WEEKDAY</i>	Standard deviation of <i>RL_WEEKDAY</i>	Proportion of one-weekday release
Missing	245	3.294	3.678	0.501
1	8,163	2.338	3.572	0.718
2	6,991	2.463	3.270	0.631
3	3,511	2.245	2.979	0.662
4	1,256	1.823	2.157	0.722
5	302	1.798	2.316	0.722
6	54	1.222	0.945	0.926
7	13	1.154	0.376	0.846

Panel A presents descriptive statistics on the release lag between the periodic SEC report filing time and the release time of the initial alert. *RL_WEEKDAY* is the release lag measured in days, which is calculated as the number of hours elapsed from the time when a filing appears on EDGAR to the time when the first alert is released by DJCFA, divided by 24. Given that 68% of alerts are released with 24 hours after the corresponding periodic SEC reports are filed, we also calculate release lag in minutes, denoted *RL_MINUTE*, for these alerts. For both *RL_WEEKDAY* and *RL_MINUTE* we exclude weekends in the calculation. For 74 observations their filing time stamp is post alert, which is likely to be caused by data error. We replace the negative time lag with zero for this analysis. Panel B reports the statistics of *RL_WEEKDAY* by the number of news categories in each alert.

TABLE 5
Descriptive Statistics on Selected Financial Variables

	Sample (N = 210,620)			Non-alert firm/quarters (N = 192,021)			Alert firm/quarters (N = 18,599)			Alert - Non-alert firm/quarters			
	Mean	Median	Std	Mean	Median	Std	Mean	Median	Std	Mean diff.	Median diff.		
<i>SP1500</i>	0.215		0.411	0.199		0.399	0.376		0.484	0.177	***		
<i>Analysts</i>	3.461	1.000	5.445	3.197	1.000	5.105	6.188	3.000	7.645	2.991	***	2.000	***
<i>Instown</i>	27.611	17.773	28.875	26.744	16.749	28.445	36.564	35.838	31.630	9.820	***	19.089	***
<i>Rating</i>	0.254		0.435	0.230		0.421	0.508		0.500	0.279	***		
<i>Loss</i>	0.344		0.475	0.341		0.474	0.375		0.484	0.034	***		
<i>NoPrelim</i>	0.288		0.453	0.288		0.453	0.292		0.455	0.005			
<i>Litigation</i>	0.253		0.435	0.252		0.434	0.265		0.441	0.013	***		
<i>Stockissue</i>	0.147		0.427	0.144		0.418	0.181		0.507	0.037	***		
<i>Debtissue</i>	0.103		0.527	0.094		0.507	0.199		0.699	0.106	***		
<i>Takeover</i>	0.067		0.250	0.068		0.251	0.063		0.243	-0.005	**		
<i>Ch11</i>	0.012		0.107	0.010		0.097	0.034		0.180	0.024	***		
<i>Delisting</i>	0.047		0.212	0.046		0.209	0.062		0.241	0.016	***		
<i>EA_mktr</i>	0.026	0.011	0.041	0.027	0.011	0.041	0.026	0.011	0.040	-0.001	***	0.000	**
<i>JMOB</i>	0.312		0.463	0.311		0.463	0.317		0.465	0.006			
<i>Extraordinary</i>	0.037		0.190	0.034		0.181	0.073		0.260	0.039	***		
<i>Special</i>	0.257		0.437	0.245		0.430	0.378		0.485	0.134	***		
<i>Nonstandard</i>	0.070		0.255	0.063		0.243	0.131		0.337	0.067	***		
<i>ROA</i>	-0.018	0.004	0.098	-0.018	0.004	0.099	-0.017	0.004	0.089	0.002	**	0.000	**
<i>Leverage</i>	0.209	0.124	0.256	0.201	0.112	0.252	0.298	0.249	0.280	0.097	***	0.137	***
<i>Liquidity</i>	0.374	0.313	0.264	0.384	0.326	0.265	0.276	0.211	0.224	-0.108	***	-0.115	***
<i>Arbrisk</i>	3.848	3.115	2.701	3.880	3.159	2.702	3.531	2.722	2.666	-0.349	***	-0.437	***
<i>Volume</i>	10.813	0.681	37.631	9.000	0.597	32.811	28.414	2.867	66.112	19.414	***	2.270	***
<i>nEA100</i>	2.417	1.740	2.306	2.475	1.790	2.335	1.821	1.370	1.871	-0.654	***	-0.420	***
<i>nFL100</i>	8.438	5.070	8.664	8.661	5.420	8.725	6.139	1.860	7.632	-2.522	***	-3.560	***

*, **, *** Represent statistical significance at two-tailed 0.1, 0.05, 0.01 levels, respectively.

(Continued on the next page)

(TABLE 5 continued)

This table presents descriptive statistics based on a sample of 210,620 firm/quarters from the intersection of the Compustat database and the SEC filing time database. We compare 18,599 firm/quarters followed by at least one corporate filing alert with 192,021 firm/quarters without any corporate filing alerts. The number of observations of each variable varies with data availability. We suppress the medians and their test results for indicator variables as they are not incrementally informative but consistent with the mean results.

The variables are defined as follows:

<i>SP1500</i>	=	1 if the firm is in the S&P 1500 index at the end of current fiscal quarter, and 0 otherwise.
<i>Analysts</i>	=	Number of analyst following over the current fiscal quarter. We obtain analyst followings from the I/B/E/S database.
<i>Instown</i>	=	Percentage of institutional stock ownership (winsorized at 100) at the end of the calendar quarter at or immediately preceding the current fiscal quarter. We obtain institutional ownership from Thomson Financial <i>Spectrum</i> .
<i>Rating</i>	=	1 if S&P credit rating is available for the firm in the current fiscal quarter, and 0 otherwise.
<i>Loss</i>	=	1 if net income before extraordinary items is negative for the current fiscal quarter, and 0 otherwise.
<i>NoPrelim</i>	=	1 if the earnings information is first released through periodic SEC reports for the current fiscal quarter, and 0 otherwise. This includes cases where there is no preliminary earnings announcement, earnings announcement date concurs with the periodic SEC filing date, or the earnings announcement is made after the periodic SEC report is filed.
<i>Litigation</i>	=	1 for indicator for industries found to be exposed to high litigation risk: biotech (SIC 2833-2936), computer hardware (SIC 3570-3577), electronics (SIC 3600-3674), retail (SIC 5200-5961), and computer software (SIC 7371-7379), and 0 otherwise.
<i>Stockissue</i>	=	1 for any of the six quarters leading to the firm's stock issuance (including the quarter of stock issuance) and 0 otherwise. We obtain the stock issue information from <i>SDC</i> .
<i>Debtissue</i>	=	1 for any of the six quarters leading to the firm's public debt issuance (including the fiscal quarter of debt issuance), and 0 otherwise. We obtain the public debt issue information from <i>SDC</i> .
<i>Takeover</i>	=	1 for any of the six quarters leading to the firm's delisting from a stock exchange because of mergers and acquisitions (including the quarter of takeover), and 0 otherwise.
<i>Ch11</i>	=	1 for quarters [-5, 5] centered on the fiscal quarter when the firm files Chapter 11 petition, and 0 otherwise. We obtain the Chapter 11 bankruptcy information from Professor Lynn M. LoPucki's Bankruptcy Research Database.
<i>Delisting</i>	=	1 for any of the six quarters leading to the firm's delisting from a stock exchange because of financial distress (including the quarter of delisting), and 0 otherwise.
<i>EA_mktr</i>	=	Market reaction at the earnings announcement day, measured as absolute value of daily return minus value weighted market return and winsorized at its top and bottom 0.5 percentile values. This variable is set to 0 if <i>NoPrelim</i> equals to 1.
<i>JMOB</i>	=	1 if the earnings surprise is between \$0.00 and \$0.03 per share, and 0 otherwise. Earnings surprise is measured as actual earnings per share (EPS) minus median of the latest five individual EPS forecasts made over a period from the previous quarter's earnings announcement to the current quarter's earnings announcement. Both actual value and forecasts of EPS are obtained from unadjusted I/B/E/S database. If I/B/E/S data is not available for a firm-quarter, we define earnings surprise as seasonally adjusted EPS (i.e., EPS in the current quarter minus EPS in the same quarter of prior year).
<i>Extraordinary</i>	=	1 if an extraordinary item is reported in the Compustat database for the current fiscal quarter q, and 0 otherwise.
<i>Special</i>	=	1 if a special item is reported in the Compustat database for the current fiscal quarter q, and 0 otherwise.

(Continued on the next page)

(TABLE 5 continued)

<i>Nonstandard</i>	=	1 if the auditor's opinion on the firm's financial statements for the current fiscal year is not "unqualified," and 0 otherwise. We obtain auditor's opinion from the Compustat database (item #149) and this variable is set to zero for interim quarters.
<i>ROA</i>	=	Net income before extraordinary items divided by total assets at the beginning of the current fiscal quarter, winsorized at its top and bottom 0.5 percentile values.
<i>Leverage</i>	=	Long-term debt divided by total assets at the end of the current fiscal quarter, winsorized at its top and bottom 0.5 percentile values.
<i>Liquidity</i>	=	Sum of cash and cash equivalents and receivables divided by total assets at the end of the current fiscal quarter, winsorized at its top and bottom 0.5 percentile values.
<i>Arbrisk</i>	=	Standard deviation of residuals from a regression of firm-specific daily returns on the returns of the CRSP equally-weighted market index over the current fiscal quarter (a minimum of five observations is required). We multiply the standard deviation of residuals by 100 and winsorize it at its top and bottom 0.5 percentile values.
<i>Volume</i>	=	Daily trading volume (in millions of dollars) averaged over the current fiscal quarter, winsorized at its top and bottom 0.5 percentile values.
<i>nEA100</i>	=	Number of all earnings announcements (in 100s) made on the day of the firm's periodic SEC filing of the current fiscal quarter.
<i>nFL100</i>	=	Number of periodic SEC filings (in 100s) released on the day of the firm's periodic SEC filing of the current fiscal quarter.

TABLE 6
Determinants of Corporate Filing Alerts

	Pred. Sign	Pooled Probit			CRE Probit		
		Marginal Effect	p value	Economic Sig.	Marginal Effect	p value	Economic Sig.
<i>SP1500</i>	+	0.0119	0.000	0.0119	0.0116	0.019	0.0116
<i>Analysts</i>	+	0.0021	0.000	0.0104	0.0006	0.065	0.0031
<i>Instown</i>	+	0.0001	0.058	0.0045	-0.0004	0.000	-0.0195
<i>Rating</i>	+	0.0725	0.000	0.0725	0.0299	0.000	0.0299
<i>Loss</i>	+	0.0111	0.000	0.0111	0.0054	0.017	0.0054
<i>NoPrelim</i>	+	0.0582	0.000	0.0582	0.0370	0.000	0.0370
<i>Litigation</i>	+	0.0099	0.000	0.0099	0.0107	0.000	0.0107
<i>Stockissue</i>	+	0.0099	0.000	0.0099	0.0053	0.020	0.0053
<i>Debtissue</i>	+	-0.0041	0.029	-0.0041	-0.0013	0.601	-0.0013
<i>Takeover</i>	+	0.0139	0.002	0.0139	0.0082	0.105	0.0082
<i>Ch11</i>	+	0.0618	0.000	0.0618	-0.0141	0.097	-0.0141
<i>Delisting</i>	+	0.0101	0.038	0.0101	0.0192	0.001	0.0192
<i>EA_mktr</i>	+	0.0752	0.000	0.0026	0.0578	0.002	0.0020
<i>JMOB</i>	+	-0.0032	0.069	-0.0032	-0.0005	0.774	-0.0005
<i>Extraordinary</i>	+	0.0282	0.000	0.0282	0.0067	0.061	0.0067
<i>Special</i>	+	0.0148	0.000	0.0148	0.0071	0.000	0.0071
<i>Nonstandard</i>	+	0.0490	0.000	0.0490	0.0512	0.000	0.0512
<i>ROA</i>		-0.0635	0.000	-0.0018	-0.0582	0.000	-0.0017
<i>Leverage</i>		0.0767	0.000	0.0245	0.0127	0.078	0.0040
<i>Liquidity</i>		-0.0502	0.000	-0.0215	-0.0181	0.051	-0.0078
<i>Arbrisk</i>		-0.0013	0.005	-0.0038	0.0012	0.008	0.0035
<i>Volume</i>		0.0003	0.000	0.0015	0.0002	0.000	0.0008
<i>nEA100</i>		-0.0090	0.000	-0.0199	-0.0078	0.000	-0.0171
<i>nFL100</i>		-0.0007	0.001	-0.0089	-0.0007	0.000	-0.0092
<i>Year dummies?</i>			Yes			Yes	
<i>Pseudo R²</i>			0.122			0.135	
<i>Wald chi-squared</i>			5,570.66			5,806.67	

This table reports the pooled probit and Chamberlain's Random Effects (CRE) probit regression results of factors that trigger the issuance of Dow Jones corporate filing alerts. 147,119 observations are used in both regressions, and all variables are as defined in Table 5. Given the estimated coefficients are not directly interpretable, we report the marginal effects (calculated as the partial average effect) and their p-values, both dimmed if a marginal effect is statistically insignificant at the two-tailed 10% level. The economic significance is the same as the marginal effect for indicators and calculated as the marginal effect multiplied by the inter-quartile range for continuous variables.

TABLE 7
Regression Results of Market Reaction Surrounding Corporate Filing Alerts

	Earnings Announcements		SEC Filings				Alerts			
	Annual (N=43,194)	Interim quarters (N=131,185)	10-Ks without alerts (N=37,706)	10-Ks with alerts (N=5,600)	10-Qs without alerts (N=120,678)	10-Qs with alerts (N=10,639)	All alerts (N=17,561)	Initial single alert (N=14,453)	Initial - multiple alerts (N=1,782)	Follow-up alerts (N=1,326)
Panel A. Standardized absolute excess return (<i>MKTR_RET</i>)										
-2	0.027 ***	0.043 ***	-0.013 **	-0.027 *	-0.063 ***	-0.060 ***	0.009	0.011	0.012	-0.005
-1	0.076 ***	0.109 ***	0.005	0.012	-0.073 ***	-0.064 ***	-0.023 **	-0.029 ***	0.040	-0.024
0	0.433 ***	0.473 ***	0.054 ***	0.098 ***	-0.057 ***	-0.017	0.033 ***	0.033 ***	0.055 **	0.016
1	0.506 ***	0.518 ***	0.046 ***	0.055 ***	-0.080 ***	-0.071 ***	-0.011	-0.016	0.025	0.003
2	0.125 ***	0.127 ***	0.070 ***	0.040 ***	-0.054 ***	-0.056 ***	-0.003	-0.004	0.005	-0.002
Panel B. Standardized shares turnover (<i>MKTR_VOL</i>)										
-2	-0.020 ***	-0.031 ***	0.004	-0.004	-0.051 ***	-0.035 ***	-0.006	0.006	-0.037	-0.024
-1	0.081 ***	0.064 ***	0.011 **	-0.005	-0.066 ***	-0.035 ***	-0.032 ***	-0.021 **	-0.009	-0.070 ***
0	0.503 ***	0.457 ***	0.049 ***	0.037 **	-0.063 ***	-0.010	0.029 ***	0.045 ***	0.062 **	-0.047
1	0.625 ***	0.564 ***	0.023 ***	0.031 **	-0.083 ***	-0.061 ***	-0.014	0.003	0.014	-0.083 ***
2	0.341 ***	0.287 ***	0.034 ***	0.047 ***	-0.058 ***	-0.030 ***	-0.015 *	-0.004	-0.004	-0.047 *
Panel C. Z-transformed absolute excess return (<i>Z_MKTR_RET</i>)										
-2	0.031 ***	0.043 ***	-0.011 **	-0.043 ***	-0.051 ***	-0.052 ***	0.017 *	0.019 **	0.030	0.001
-1	0.075 ***	0.098 ***	0.008	0.008	-0.058 ***	-0.054 ***	-0.014	-0.015	0.021	-0.026
0	0.323 ***	0.350 ***	0.053 ***	0.089 ***	-0.044 ***	-0.006	0.020 **	0.023 **	0.039	-0.001
1	0.376 ***	0.381 ***	0.052 ***	0.059 ***	-0.057 ***	-0.039 ***	-0.011	-0.012	0.019	-0.011
2	0.132 ***	0.127 ***	0.068 ***	0.051 ***	-0.044 ***	-0.048 ***	-0.002	-0.002	0.015	-0.007
Panel D. Z-transformed shares turnover (<i>Z_MKTR_VOL</i>)										
-2	-0.019 ***	-0.031 ***	0.006	-0.002	-0.051 ***	-0.033 ***	-0.008	0.003	-0.038	-0.021
-1	0.084 ***	0.064 ***	0.015 ***	-0.003	-0.066 ***	-0.036 ***	-0.032 ***	-0.020 **	-0.016	-0.078 ***
0	0.501 ***	0.456 ***	0.054 ***	0.039 ***	-0.061 ***	-0.012	0.030 ***	0.046 ***	0.057 **	-0.047
1	0.611 ***	0.552 ***	0.030 ***	0.039 ***	-0.081 ***	-0.058 ***	-0.014	0.002	0.010	-0.078 ***
2	0.345 ***	0.293 ***	0.035 ***	0.052 ***	-0.058 ***	-0.030 ***	-0.013	-0.001	-0.002	-0.047 *

(Continued on the next page)

(TABLE 7 continued)

*, **, *** Represent statistical significance at two-tailed 0.1, 0.05, 0.01 levels, respectively.

This table reports OLS regression results of market reaction based on a sample of 12,201,115 daily observations between 1997 and 2004. Panel A and B report parametric measures of price and volume reactions, respectively. *MKTR_RET* is calculated as absolute value of daily return minus value weighted market return, while *MKTR_VOL* is calculated as $\log(\text{volume}+0.000255)$, where volume equals daily trading volume divided by outstanding shares. Both measures are normalized by subtracting firm/year mean and then divided by the firm/year standard deviation. Panel C and D report nonparametric measures of market reactions.

Z_MKTR_RET and *Z_MKTR_VOL* are a Z-transformation of rank scores (Blom, 1958) of absolute excess return and shares turnover, respectively. In the first model, we include 35 indicators for event days [-2, +2] surrounding the following events: (i) earnings announcements for annual results and interim quarters, (ii) SEC 10-K reports with and without an alert, (iii) SEC 10-Q reports with and without an alert, and (iv) *all* corporate filing alerts. If the alerts or periodic reports are released after the market closes (i.e., post 16:00 Eastern time), we re-center the 5-day event window to the next business day. In the expanded model, we further break down alert event days into three groups: issuance of a single initial alert; issuance of multiple alerts on the same day as the initial alert; and issuance of follow-up alerts subsequent to the initial alert day. The results of the expanded model are reported in the shaded columns. For brevity, we omit the results for all other indicators in the expanded model as the inferences remain the same.

TABLE 8
Regression Results of Market Reaction by News Types

	MKTR_RET	MKTR_VOL	Z_MKTR_RET	Z_MKTR_VOL
<i>Performance (PER)</i>	-0.0405 (0.195)	0.0026 (0.926)	-0.0221 (0.413)	0.0055 (0.841)
<i>Credit Related (CRE)</i>	-0.0449 (0.021)**	-0.0196 (0.277)	-0.0416 (0.015)**	-0.0243 (0.166)
<i>Equity Related (EQU)</i>	-0.0471 (0.028)**	-0.0292 (0.152)	-0.0532 (0.005)***	-0.0316 (0.108)
<i>Business Structure Change (BSC)</i>	-0.0714 (0.004)***	-0.0133 (0.589)	-0.0454 (0.051)*	-0.0134 (0.575)
<i>Corporate Legal Issue (LGL)</i>	0.0558 (0.079)*	0.0849 (0.002)***	0.0471 (0.076)*	0.0779 (0.003)***
<i>Employment Related (EMP)</i>	0.0257 (0.598)	0.1063 (0.022)**	0.0550 (0.192)	0.0974 (0.029)**
<i>Corporate Business (BUS)</i>	0.0143 (0.800)	0.0924 (0.077)*	-0.0262 (0.609)	0.0811 (0.112)
<i>Forecast (FOR)</i>	-0.0531 (0.049)**	-0.0055 (0.830)	-0.0632 (0.010)**	-0.0087 (0.725)
<i>Bankruptcy (BKC)</i>	0.1403 (0.056)*	0.2341 (0.001)***	0.1407 (0.032)**	0.2227 (0.002)***
<i>Tax Related (TAX)</i>	0.0117 (0.883)	0.0361 (0.629)	0.0736 (0.322)	0.0189 (0.796)
<i>Other (OTH)</i>	0.0383 (0.294)	0.0848 (0.004)***	0.0267 (0.391)	0.0844 (0.004)***
<i>Missing</i>	-0.3026 (0.000)***	-0.2693 (0.001)***	-0.3361 (0.000)***	-0.2739 (0.000)***
<i>Unclassified</i>	0.0693 (0.448)	0.0816 (0.265)	0.0420 (0.569)	0.0885 (0.230)
<i>Multiple</i>	0.0576 (0.039)**	0.0386 (0.141)	0.0491 (0.048)**	0.0288 (0.266)
<i>Second Alert-day</i>	-0.0821 (0.012)**	-0.0991 (0.002)***	-0.0729 (0.022)**	-0.1049 (0.001)***
<i>Third and Following Alert days</i>	-0.0861 (0.218)	-0.2143 (0.003)***	-0.1098 (0.090)*	-0.1999 (0.004)***
<i>Constant</i>	0.1641 (0.000)***	0.0883 (0.004)***	0.1265 (0.000)***	0.0913 (0.002)***
<i>R-squared</i>	0.0034	0.0060	0.0039	0.0058

*, **, *** Represent statistical significance at two-tailed 0.1, 0.05, 0.01 levels, respectively. This table reports market reaction results by news categories based on 17,343 alert-days with market reaction data. *MKTR_RET*, *MKTR_VOL*, *Z_MKTR_RET*, and *Z_MKTR_VOL* are as defined in Table 7. We create indicators for each news category as well as controls for alerts with missing news subject code or unclassified codes. *Multiple* equals one if multiple alerts for the same filing are released in one day, and zero otherwise. *Second alert-day* (*Third and following alert-days*) equals one if it is the second alert-day (third and following alert-days) after the initial alert-day, and zero otherwise. Two-tailed p-values are calculated based on firm-clustered standard errors and presented in parentheses.

TABLE 9
Intra-day Absolute Returns and Trading Volume Surrounding Dow Jones Filing Alerts, SEC Filings, and Control (Pseudo-Event) Periods

		Event					Pseudo-Event (One Week after Event)					Event
		Event Window [0,+15]	Pre-Event Window [-16,-1]	Post-Event Window [+16,+31]	Event minus Pre-Event	Event minus Post-Event	Event Window [0,+15]	Pre-Event Window [-16,-1]	Post-Event Window [+16,+31]	Event minus Pre-Event	Event minus Post-Event	Event minus Pseudo-Event
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Panel A: Dow Jones Filing Alerts												
All	Return	0.485	0.409	0.440	0.075 ***	0.044 ***	0.357	0.380	0.369	-0.023 *	-0.012	0.128 ***
(7,615)	Turnover	0.029	0.024	0.025	0.005 ***	0.004 ***	0.020	0.020	0.019	0.000	0.001	0.009 ***
Alerts on 10-K	Return	0.532	0.397	0.491	0.134 ***	0.040	0.385	0.402	0.397	-0.017	-0.012	0.147 ***
(2,704)	Turnover	0.027	0.021	0.024	0.006 ***	0.003 **	0.022	0.021	0.020	0.000	0.001	0.005 **
Alerts on 10-Q	Return	0.459	0.416	0.412	0.043 **	0.047 ***	0.342	0.368	0.354	-0.026 *	-0.012	0.117 ***
(4,911)	Turnover	0.030	0.025	0.026	0.005 ***	0.004 ***	0.019	0.019	0.018	-0.001	0.000	0.011 ***
Panel B: SEC Filings Tagged by Alerts												
All	Return	0.332	0.333	0.358	0.000	-0.026	0.333	0.326	0.353	0.007	-0.020	-0.001
(3,669)	Turnover	0.019	0.018	0.020	0.000	-0.002 **	0.018	0.018	0.019	0.000	-0.002 ***	0.001
10-K Filings	Return	0.318	0.337	0.346	-0.019	-0.028	0.358	0.334	0.378	0.024	-0.020	-0.040
(1,088)	Turnover	0.019	0.018	0.020	0.001	-0.001	0.017	0.016	0.019	0.001	-0.001	0.002
10-Q Filings	Return	0.339	0.331	0.363	0.008	-0.025	0.323	0.323	0.343	0.000	-0.020	0.015
(2,581)	Turnover	0.018	0.018	0.020	0.000	-0.002 **	0.018	0.018	0.020	-0.001	-0.002 **	0.001

*, **, *** Represent statistical significance at two-tailed 0.1, 0.05, 0.01 levels, respectively.

This table is based on a sample period from 1997-2004. Panel A presents the absolute returns and shares turnover during the 16-minute alert window and the corresponding pseudo-event window. All alerts and the two subsamples--10-K-based alerts and 10-Q-based alerts --are shown separately with the respective numbers of observations in parentheses. Only Dow Jones filing alerts issued (1) between 10:30am and 3:00pm of trading days and (2) beyond 15 minutes after the corresponding SEC filings are included in this analysis. The corresponding pseudo-event window starts with the same hour and minute as the filing alert on the same weekday of the week that immediately follows the filing alert. |Return| is the absolute value of return. Shares Turnover is number of shares traded divided by total shares outstanding. Both metrics have been winsorized at top 0.1% and are shown in percentage (%). Event Window refers to the 16 minutes [0, +15] relative to the filing alert. Pre-Event (Post-Event) Window refers to the 16-minutes period immediately before (after) Event Window. The significance tests on difference are based on regressions with the difference as dependent variable regressed on the intercept, after controlling for heteroskedasticity and firm-specific clustering. Panel B presents similar metrics for SEC filings tagged by alerts. Only SEC filings that (1) are filed between 10:30am and 3:00pm of trading days and (2) are tagged by at least one alert with the first alert issued beyond 15 minutes after the SEC filing are included.

Appendix Example Alerts by News Categories

Performance (PER)

WASHINGTON (Dow Jones)--This table provides selected financial results of MFRI Inc. (MFRI) for the third quarter ended Oct. 31, according to a Securities and Exchange Commission filing Monday.

	3Q Ended Oct. 31:	
	2003	2002
Net sales	\$32,635,000	\$33,230,000
Net income	(\$126,000)	\$251,000
Earnings per share	(\$0.03)	\$0.05

Figures in parentheses are losses.

MFRI, based in Niles, Ill., makes piping systems, air filter elements and industrial process coolant systems.

Credit Related (CRE)

WASHINGTON (Dow Jones)--Hasbro Inc. (HAS) is finalizing a \$350 million unsecured revolving credit line to replace its \$380 million line, according to a quarterly report filed with the Securities and Exchange Commission.

The company said in the filing from Friday that the \$350 million credit line with its bank group will be reduced by \$50 million March 31, 2005, and by another \$50 million Nov. 30, 2005.

The filing said the \$350 million credit line is scheduled to expire March 2007. The company's \$380 million credit line was scheduled to expire March 2005.

Hasbro said if it fails to maintain some financial ratios or if its credit rating drops below "BB" or "Ba3," borrowings under the agreement would be secured by substantially all domestic inventory as well as certain intangible assets.

The company said its amended credit agreement is expected to contain some restrictive covenants and other limitations similar to those contained in existing one. It said, in addition to this available committed line, it also has available uncommitted lines of \$38.1 million.

At Sept. 28, the company said \$143.9 million of its committed and uncommitted lines was in use.

Hasbro, based in Pawtucket, R.I., makes and markets toys, games, interactive software, puzzles and infant products.

Equity Related (EQU)

WASHINGTON (Dow Jones)--Clorox Co. (CLX) said it repurchased 3.3 million common shares for \$147 million in its first quarter ended Sept. 30, according to its quarterly report filed Friday with the Securities and Exchange Commission.

The company said the repurchases were related to a \$1.7 billion board-authorized repurchase program.

Under the program, the company has repurchased 22 million common shares at a total cost of \$920 million.

Clorox shares closed Friday at \$46.52, down 42 cents, or 0.89%.

Business Structure Change (BSC)

WASHINGTON (Dow Jones)--Harman International Industries Inc. (HAR) purchased engineering contracting company Margi Systems Inc. for \$17.5 million in September, according to a quarterly report filed with the Securities and Exchange Commission.

The company said in the filing from last Friday that it also purchased Wavemakers Inc. in July for \$10.1 million.

Although the company announced the acquisitions in press releases earlier, it didn't provide financial terms of the deals.

At Sept. 30, goodwill related to the Margi Systems transaction was \$11.2 million and for Wavemakers, \$3 million, the filing said.

Harman International Industries said the acquisitions of Margi Systems and Wavemakers aren't material to its consolidated financial statements.

Harman International Industries, Washington, D.C., makes high-end stereo and audio equipment.

Wavemakers, based in Vancouver, develops voice-optimization software, including noise and echo cancellation, which focuses on enhancing and reconstructing speech to improve the accuracy of voice communication in automobiles, personal digital assistants, and consumer electronics.

Corporate Legal Issue (LGL)

WASHINGTON (Dow Jones)--California regulators alleged this month that three Mercury General Corp. (MCY) units "willfully misrepresented" their insurance prices, according to a filing late Tuesday with the Securities and Exchange Commission.

Mercury General said that in February, the California Department of Insurance accused its Mercury Casualty, Mercury Insurance and Cal Auto units of deliberately underestimating the actual prices consumers could expect to pay, by excluding a one-time fee charged by consumers' insurance brokers.

The notice of non-compliance carries potential penalties, including fines for each policy with premiums that exceeded those approved by state insurance regulators. Fines also could be assessed for each comparative advertisement that ran in print media and didn't disclose that consumers would have to pay broker fees.

The department's allegations are similar to those in a previously disclosed lawsuit, which was filed in 2000 against the three Mercury General units.

Los Angeles-based Mercury General said in its annual report that its units are preparing to defend themselves on the same grounds as they are in the pending lawsuit. Until February, the filing said, the California insurance commissioner had "never found broker fees were either being improperly charged or attributable to Mercury."

Employment Related (EMP)

WASHINGTON (Dow Jones)--Paxson Communications Corp. (PAX) granted some employees and directors 3.6 million stock options in October that were immediately exercised at their exercise price of 1 cent per share, according to the company's quarterly filing with the Securities and Exchange Commission Friday.

The holders received a share of Class A common stock for each option exercised.

The new options included retention grants totalling 2.3 million shares which will vest at the end of a five year period. Of the remaining options, 1 million will vest ratably over a three year period and 320,000 will vest ratably over a five year period, the filing said.

The company plans to recognize a non-cash stock based compensation expense of about \$18.3 million, which will be recognized on a straight-line basis over the vesting period.

About \$1.5 million will be recognized in the fourth quarter of 2003, about \$5.7 million will be recognized in 2004 and the remaining \$11.1 million will be recognized between 2005 and 2008, the filing said.

West Palm Beach, Fla.-based Paxson Communications owns and operates PAX TV, a family entertainment network which features family-oriented programs.

Corporate Business Related (BUS)

WASHINGTON (Dow Jones)--Progressive Corp. (PGR) said that online advertisements generated a greater proportion of its new business in 2003, according to a filing late Thursday with the Securities and Exchange Commission.

Progressive, the Mayfield Village, Ohio-based insurance company, said in its annual report that it increased its advertising budget in 2003, but was outspent by rivals that boosted their ad spending faster.

As a result of being outspent on ads last year, Progressive said its quote volume fell in 2003. But that drop was offset by a rising rate of conversions.

The company didn't quantify the amount of business it has gained from Internet advertising.

Progressive said it airs national ad campaigns and supplements them with targeted ads in more than 100 designated market areas.

Forecast (FOR)

WASHINGTON (Dow Jones)--ViaSat Inc. (VSAT) said it expects revenue for the current fiscal year to rise to around \$325 million, compared with \$278.6 million in fiscal 2004.

The company said in its annual report filed Thursday with the Securities and Exchange Commission that the estimate for the year ending April 2, 2005, is based on the growth of contract awards it's receiving and opportunities the company is pursuing.

ViaSat said that its growth in contract awards to a value of \$346.5 million last fiscal year from \$259.2 million in fiscal year 2003 and from \$191.9 million in fiscal year 2002 serves as a leading indicator of revenue growth.

ViaSat develops and manufactures satellite ground systems and other related government and commercial digital communications equipment.

Bankruptcy (BKC)

WASHINGTON (FFBN)--Safety-Kleen Corp. (X.SYK) says that Laidlaw Inc. (LDW) has filed a \$6.5 billion claim in Safety-Kleen's Chapter 11 bankruptcy case.

Safety-Kleen, of Columbia, S.C., made the disclosure in its Form 10-K annual report filed late Wednesday with the Securities and Exchange Commission.

Safety-Kleen, which filed for Chapter 11 protection on June 9 in the U.S. Bankruptcy Court in Wilmington, Del., said it intends to file an objection to the claims asserted by Laidlaw in the bankruptcy proceedings.

Laidlaw, of Burlington, Ontario, owns approximately 44% of Safety-Kleen's outstanding common stock and has various other arrangements and relationships with the hazardous waste disposal company and its affiliates.

According to Safety-Kleen, the claims Laidlaw filed on Nov. 7 fall into several categories: claims for indemnification; reimbursement claims in connection with litigation; claims for fraudulent misrepresentation, fraud, securities law violations, and related issues; insurance claims; guaranty claims; environmental claims; tax reimbursement claims; and additional miscellaneous claims.

Tax (TAX)

WASHINGTON (Dow Jones)--Bank of New York Co. (BK) said Friday that it has begun talks with the U.S. Internal Revenue Service regarding a possible settlement of a tax challenge.

The IRS recently proposed adjustments to the company's tax treatments of structured leasing transactions before the middle of 1999, Bank of New York said in a quarterly filing.

The financial services firm has previously disclosed that the IRS has challenged its tax treatment of the leasing transactions. However, the company hasn't previously indicated that the agency has proposed adjustments to its tax treatment of the transactions, nor has Bank of New York said in the past that it was in settlement discussions regarding the tax issue.

Previous filings from the company have said the IRS indicated that the agency may consider settlements in related cases.

Friday's filing said Bank of New York plans to "defend its position vigorously in accordance with its view of the law controlling these investments." Previous regulatory filings have said the company "should prevail" in the IRS challenge of the tax treatment. Friday's filing didn't include the same language.

The company reiterated in the filing that it believes its tax position related to the transactions was proper at the time at which the transactions were entered. Bank of New York also reiterated that it believes it has adequate tax reserves to cover potential tax exposures.

Bank of New York cautioned in the filing that it may not reach a settlement with the IRS that would be acceptable to the company.

A Bank of New York representative wasn't immediately available to comment on the matter.

Other (OTH)

WASHINGTON (FFBN) -- Idaho Power Co. warned that even if the company becomes fully year-2000 compliant, its ability to deliver power could be compromised if another utility within the western power grid is not year-2000 ready.

Idaho Power said in a Form 10-Q filed with the Security and Exchange Commission today that "interconnectivity [of western electric utilities] compounds the challenge faced by the electric utility industry," while also saying that the "interconnection is essential to the reliability and operational integrity of each connected utility."

Idaho Power said it expects to spend \$5.3 million between 1998 and 2000 to reach compliance but does not expect the expenditures to have a materially adverse affect on the company.

The rollover of the two-digit year value from 99 to 00 creates the potential for computer systems to be unable to properly recognize date-sensitive information when the year changes to 2000.

If left uncorrected, the year 2000 computer problem could result in failures in company computer systems and the computer systems of third parties with whom the company deals on transactions.