

BOARD DECLASSIFICATION ACTIVISM: THE FINANCIAL VALUE OF THE SHAREHOLDER RIGHTS PROJECT

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Abstract

For three academic years (2011-2014), the Harvard Law School's Shareholder Rights Project (SRP) operated a clinical program assisting institutional investors on board declassification proposals. This paper analyzes the SRP as a quasi-natural experiment to examine the value implications of classified boards. Consistent with the SRP causing exogenous declassifications, the companies targeted by the SRP had greater size, value and profitability than non-targeted companies declassifying in the same period. Declassifying SRP targets declined in firm value after declassification, especially if more engaged in research and innovation. In contrast to the entrenchment view, our results support the view that classified boards help commit boards to the creation of long-term firm value.

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1. Introduction

Over the past fifteen years, empirical studies have documented a negative cross-sectional association between having a staggered (or classified) board and firm value (Gompers, Ishi and Metrick, 2003; Bebchuk and Cohen, 2005; Masulis, Wang, and Xie, 2007; Faleye, 2007; Bebchuk, Cohen and Ferrell, 2009). These studies have generally interpreted this evidence as supporting the view that classified boards, which require challengers to win at least two election cycles to gain a board majority, entrench directors and managers to the detriment of shareholders. Although a negative cross-sectional association does not imply causation, due to endogeneity concerns, this literature significantly impacted corporate practices, proxy advisors' recommendations and investor preferences regarding classified boards.

The creation of the Harvard Law School's Shareholder Rights Project (henceforth 'SRP') in 2011 provides perhaps the most tangible sign of this literature's impact. For three academic years, from 2011-2012 to 2013-2014, the SRP operated a clinical and pro-bono program to help institutional investors through the drafting and submission of declassification proposals. In practice, the SRP's work resulted in board declassification at "about 100 S&P 500 and Fortune 500 companies," (SRP's 2012-2013 Report, page 3).

Recently, several studies have challenged the robustness of earlier cross-sectional research on classified boards as well as the conclusion that classified boards are categorically harmful to shareholders (Larcker, Ormazabal, and Taylor, 2011; Ann and Shrestha, 2013; Duru, Wang, and Zhao, 2013; Baranchuk, Kieschnick, and Moussawi, 2014; Johnson, Karpoff and Yi, 2015; Cen, Dasgupta and Sen, 2015; Cremers and Sepe, 2016; Cremers, Masconale, Sepe 2016; Cremers, Litov, and Sepe, 2017).¹ In particular, Cremers, Litov, and Sepe (2017) examined over thirty-five years of staggering and destaggering decisions (from 1978 to 2015) and found no evidence that the adoption of a classified board has a negative relation with long-term firm value. Conversely, they documented that firm value increases (decreases) after firms adopt (remove) a classified board, and especially so in firms that are more engaged in research and innovation or where stakeholder relationships matter more. Consistent with the view espoused by leading practitioners

¹ On the other hand, Cohen and Wang (2013) have recently asserted evidence that staggered boards cause lower firm value, exploiting exogenous variation around two Delaware judicial decisions. Amihud and Stoyanov (2016) recently questioned the robustness of this conclusion. Cohen and Wang's (2016) response counters that their results are robust to the variations in sample and methodology considered by Amihud and Stoyanov (2016).

(Lipton and Rowe, 2002) and theoretical research (Laffont and Tirole, 1988; Stein, 1988, 1989; Shleifer and Summers, 1988), the results in this more recent literature seem to indicate that classified boards might provide a commitment device to bond shareholders to long-term value creation and more stable stakeholder relationships.

Motivated by this novel empirical evidence on the value implications of classified boards, this paper employs the SRP's activity during the 2012-2014 proxy seasons as a quasi-natural experiment to empirically test these opposing views on classified boards. Indeed, the SRP claims to have directly "contributed to bringing about a major reduction in the number of board classification among S&P 500 companies" (SRP's 2012-2013 Report, page 1). Accordingly, our major identification assumption is that some substantial proportion of the firms targeted by the SRP would not have declassified in this time period if they had not been targeted by the SRP, so that the SRP plausibly had a direct, causal impact on board declassifications at many large companies. Our additional identification assumption is that the market could not have fully anticipated the substantial impact the SRP would have on board declassifications before the SRP made its declassification activity publicly known, i.e., before 2012.²

Under these assumptions, the SRP's declassification advocacy provides a plausible source of exogenous variation in the board structure of a significant proportion of the largest U.S. publicly traded corporations with a classified board in 2011, which we exploit to study how board declassification affects firm value. A finding that board declassification at SRP-targeted companies is associated with increased firm value (in isolation and when compared to board declassification at non-targeted companies) would support the "entrenchment view" of classified boards defended by the SRP and earlier classified board studies. Conversely, a finding that board declassification at the SRP targets is associated with decreased firm value would challenge this view and possibly support alternative views, such as, for example, the view that classified boards help commit boards to the creation of long-term firm value.

We start our analysis by comparing the characteristics of the SRP targets that declassified their boards during 2012-2014 to those of the firms that declassified their boards in the same period of time without being targeted by the SRP. Using Logit model regressions to investigate the likelihood that an S&P 1500 company with a classified board in 2011 might subsequently become

² E.g., the first media mentions on the SRP is for 3/20/2012 (see SRP, 2016, *Media*).

an SRP target, we find that companies with higher values, higher profitability and larger size were more likely to be targeted by the SRP. If we consider declassifications themselves rather than just the likelihood of being targeted by the SRP, we find that SRP targets that eventually declassified had one significant difference with non-SRP declassifying companies, namely that the declassifying SRP targets had higher ex-ante firm value (i.e., higher Tobin's Q in 2011).

Such difference between SRP targets that declassified and non-SRP declassifying companies is consistent with the SRP causing board declassifications that otherwise would have likely not occurred. At the same time, this difference seems surprising under the entrenchment view of classified boards, under which one would have expected the SRP to be more likely to target firms with lower value, as entrenchment is understood in the literature as a cause of deteriorating firm performance (Manne, 1965; Jensen, 1988, 1993; Easterbrook and Fischel, 1991; Bebchuk and Fried, 2004). Nevertheless, given the sophistication of the parties involved in the SRP, it could also be that the SRP held private information about the benefits that board declassification could bring about in the targeted companies. Alternatively, it is possible that the SRP preferred to apply its constrained resources to the more prominent classified firms in order to increase the visibility of any declassifications.

Next, we exploit the exogenous variation generated by the SRP and examine the value implications of classified boards, considering both changes in Q (our proxy for firm value) and stock returns. Regarding Q , we use pooled panel Q regressions with year and firm fixed effects plus standard controls, where we consider the full sample of Compustat firms and several matched samples in which we aim to choose controls with similar ex-ante characteristics as the SRP targets.

Our Q results are as follows. First, we find that after declassifying their boards, SRP targets experienced a decline in value relative to other firms in our full sample. For example, using the full sample, we find that the Q of the SRP targets declines on average by 11% (t-statistic of 1.85) after declassification, which corresponds to 5.9% of the average ex-ante Q (of 1.87) in the sample of firms targeted by the SRP. This result generally becomes considerably stronger, both economically and statistically, once we refine the control group using matching criteria based on Q , industry and the adoption of a classified board. Second, we focus on the companies that declassified their boards during the SRP's years of activity, i.e., 2012–2014. For this sample of firms, we find that firm value generally declined after board declassification, but only board

declassification in SRP targets is associated with a statistically significant reduction in firm value. Declassifications at firms not targeted by the SRP have a statistically and economically insignificant association with firm value. Third, we document that the reduction in value in declassifying SRP targets is greater in firms with more R&D investments, consistent with the hypothesis that classified boards matter more in the presence of more long-term investments in innovation.

Lastly, for robustness, we also examine whether the stock portfolio consisting of the SRP targets that declassified their boards during the period 2012-2014 had abnormal returns according to the standard Fama-French-Cahart four-factor model. Assuming perfect foresight, we create portfolios at the beginning of 2011 containing the stocks of the companies that declassified in 2012-2014 and evaluate the performance of these portfolios over 2011-2015. We find that the equal-weighted long-short portfolio that buys stocks of firms that declassify after being targeted by the SRP and sells stocks of firms that declassify without being targeted by the SRP has a negative and significant alpha of -5.53% per year (t-statistic of 2.04).

Overall, these results contradict the entrenchment view of classified boards defended by the SRP as well as the hypothesis that the SRP might have acted based on private information about the benefits of board declassification at particular companies. On the other hand, our results – and especially the evidence that the SRP declassification activism was especially detrimental to firm value in more R&D-intense targets – support the alternative view that, at least in some firms, classified boards serve a positive governance function by committing boards and shareholders to long-term value creation.

2. The Shareholder Rights Project

The Shareholder Rights Project ('SRP') was established as a clinical and pro-bono academic program at Harvard Law School during the academic year 2011-2012. The clinic's stated purpose was to work "on behalf of public pension funds and charitable organizations seeking to improve corporate governance at publicly traded companies in which they are shareowners, as well as on research and policy projects related to corporate governance" (see SRP, 2016, *About*). In practice, this goal translated into the assistance by the SRP to eight institutional investors – holding assets of over \$400 billion and serving over three million members – in connection to the

drafting and submission of board declassification proposals over the 2012-2014 proxy seasons (see SRP, 2016, *About*).

SEC's Rule 14a-8 provided the mechanism for the SRP's activity on behalf of the institutional investors the clinic represented. Rule 14a-8 allows investors to submit a shareholder proposal, together with a supporting statement, for inclusion in the company's proxy materials. Acting under Rule 14a-8, the SRP-represented investors granted full authority to "the SRP to act on behalf of [the investor] in relation to the Proposal,"³ while the collaboration with such investors was generally initiated at the SRP's request (Karp and Niles, 2013).

Most importantly, the proposals advanced by the SRP on behalf of the represented investors shared a common format (Gallagher and Grundfest, 2014). First, the proposal urged the board of the targeted company to move to the annual election of directors, describing declassification as a change that "makes directors more accountable to shareholders, and could thereby contribute to improving performance and increasing firm value" (Gallagher and Grundfest, 2014). Second, the proposal asserted evidence of shareholder support for board declassification in recent years. Third, it noted that such evidence was consistent with empirical studies documenting that classified boards are associated with lower firm value and other effects detrimental to shareholders, including the studies of Bebchuk and Cohen (2005), Faleye (2007), Frakes (2007), Bebchuk, Coates, and Subramanian (2002), and Masulis, Wang, and Xie (2007).

According to the SRP's website (SRP, 2016), the SRP submitted 196 declassification proposals to 129 companies during the 2012-2014 proxy seasons, while reporting two distinct outcomes for such proposals: *either* a "negotiated agreement" *or* a precatory proposal. For 121 out of the 129 targeted companies, the SRP reports a negotiated agreement, under which the firm "agreed to move toward annual elections following the submission of board declassification proposals for meetings during the 2012, 2013 and/or 2014 proxy seasons" (SRP, 2016, see *Negotiated Agreements*). This means that the board of the targeted company agreed to bring "management declassification proposals to a shareholder vote or, where declassification was

³ Among others, the standard delegation of authority from the SRP-represented investors to the SRP included the SRP's power of "without limitation, forwarding the Proposal to the Company, corresponding with the Company and the Securities and Exchange Commission with respect to the Proposal, engaging with the Company to reach a negotiated outcome, withdrawing the Proposal, presenting the Proposal, or arranging for its presentation by a designee of the SRP, at [the company's] Annual Meeting." (Gallagher and Grundfest, 2014, pages 21-22).

established in bylaws that the board may amend, by declassifying” (SRP, 2016, see *Negotiated Agreements*). “[I]n *other* companies that received proposals, however, the SRP clinic and the institutional investors that worked with the SRP clinic were not able to obtain such negotiated outcomes and proposals therefore went to a [shareholder] vote” (SRP, 2016, see *Successful Proposals*). For this other set of companies, the SRP reports that 68 SRP-sponsored proposals went to a vote over the 2012-2014 proxy seasons, with 65 of these proposals being approved by the targets’ shareholders (SRP, 2016, see *Successful Proposals*).

Thus, according to the SRP’s website (SRP, 2016, see *Negotiated Agreements* and *Successful Proposals*), the SRP submitted 196 proposals to 129 companies and these proposals resulted in 121 negotiated agreements and 68 precatory proposals. With these numbers, however, the SRP’s precatory proposals must necessarily have been submitted to some of the very same companies for which the SRP reports a negotiated agreement, rather than just to the companies where the SRP was unable to obtain a negotiated agreement (as the SRP’s website indicates). Indeed, in hand-checking data for the SRP’s negotiated agreements and precatory proposals, we found that in 49 out of the 121 companies for which the SRP reports a negotiated agreement, such agreements were *preceded* by a precatory proposal (which was voted upon either during the same proxy season when the agreement was reached or in the preceding proxy season). Further, in 2 other companies, the negotiated agreement was *followed* by a precatory proposal.

Overall, the SRP’s declassification advocacy (as resulting from the combination of negotiated agreements and precatory proposals) promoted board declassification at 102 S&P 500 and Fortune 500 companies during the 2012-2015 proxy seasons (SRP, 2016, see section on declassifications). However, we note that only 95 out of these 102 declassifications can be fully attributed to the SRP’s advocacy, as the SRP reports that 7 companies that declassified in 2012 did so following the submission of proposals that were filed by some of the investors that the SRP only came to represent afterwards (SRP, 2016, see section on declassifications).

3. Data Description

Our main source for board structure is SharkRepellent, which comprehensively tracks changes in anti-takeover measures for all U.S. listed corporations. We merge the sample of firms for which SharkRepellent provides information on whether the firm has a classified board with Compustat, from which we retrieve data on Tobin’s Q and our controls. We further merge our

sample with the ISS/RiskMetrics data available from WRDS, which provides classified board data for S&P 1500 corporations, and finally with the MSCI (formerly GMI) database on corporate governance that includes classified board information for approximately 3,000 U.S. firms. After consolidating these various data sources, we find a total of 407 declassifications over 2007 – 2015, with close to 50 declassifications each year from 2008 – 2014, and fewer in 2007 and 2015. Our analysis below primarily focuses on the period 2012 – 2014 during which the SRP was most active. For this period, we find a total of 197 firms that removed a classified board.

Table 1, Panel A presents the descriptive statistics for the set of 518 S&P 1500 companies that had a classified board in 2011. We choose the sample of S&P 1500 companies as a well-defined universe of firms that almost all SRP-targeted companies were included in and that, thereby, provides a useful sample of companies for the purpose of comparing firm declassifications that were and were not related to the SRP. Out of these 518 S&P 1500 companies with a classified board in 2011, 160 or 31% declassified over 2012-2014. This indicates that only 37 companies (i.e., the difference between 197 and 160) that removed their classified board in this time period were not included in the S&P 1500.

We obtain data on SRP targets through the material posted on the SRP's website and the reports that the SRP published in 2012 and 2013 in order to document its declassification activity. Although the SRP did not publish a report for its declassification activity in 2014 (after the program's closure in the summer of the same year), we used the Georgeson report⁴ and the SECV-Edgar website to hand-collect missing data for all the companies the SRP indicates as targets on its website. In particular, for each SRP target, we hand checked whether the SRP proposal (1) was submitted in a single proxy season or over several proxy seasons, (2) resulted in a negotiated agreement, a precatory proposal or a combination of the two (verifying the year in which each of these outcomes occurred), and (3) whether it led to declassification, verifying the reasons why a proposal failed if so (and, in particular, whether failure was due to the adoption of a supermajority voting requirement, see Appendix table A.2).

We coded a declassifying company as being targeted by the SRP if the firm is mentioned as a target in any of the SRP materials provided on the SRP's website or the SRP reports. We exclude from this sample the 7 companies that declassified their board in 2012 following the

⁴ See https://www.kattenlaw.com/Files/50191_2013ACGR_101713.pdf.

submission of declassification proposals by investors that only later came to be represented by the SRP. Further, 5 other SRP-related declassifications occurred later in 2015 or 2016. We opted to remove these declassifications from our sample as well, for two reasons. First, for each of these proposals, there is a period of more than a year between the SRP proposal and board declassification. Second, we currently lack sufficient data to analyze the longer-term changes in Q of these firms subsequent to declassification. Seven more declassifications are not considered in our empirical results, because we drop utilities firms (SIC codes between 4900 and 4943), financial firms (SIC codes between 6000 and 6200) and REITs from our sample, as is standard in the literature studying performance of industrial firms, resulting in 83 SRP declassifications in our final sample of firms included in the S&P 1500 in 2011 (and a total of 93 SRP declassification in our final sample where do not require inclusion in the S&P 1500 in 2011).

Our main proxy for firm value, *Tobin's Q*, is calculated as the ratio of the market value of equities plus the book value of debt over the book value of total assets (both using Compustat data). We generally use information at the end of each firm's fiscal year-end, except for the final fiscal year before a firm delists, in which case we use the market value of equities at the time of delisting from CRSP. This incorporates any takeover premium paid to shareholders, as the most common reason explaining why firms drop out of the sample is the firm being acquired. We also use the *Industry-adjusted Tobin's Q*, where we subtract the median Q in the firm's four-digit SIC code group that year in the sample of all Compustat firms. The average *Tobin's Q* in the sample of S&P 1500 firms that had a classified board in 2011 is 1.82 with a standard deviation of 0.94, and the average *Industry-Adjusted Q* equals 0.30 with a standard deviation of 0.83.

We also use a number of standard controls. Our profitability measure is *ROA*, the return on assets, calculated as the ratio of net income over the total book value of assets from Compustat. *Delaware Incorporation* is an indicator variable that equals one if the firm is incorporated in Delaware, which is the case for 66% of the firms in our sample according to the historical CRSP files. The book value of total assets (*Log/Assets*) and the market capitalization of equity (*Equity Market Cap*) are both in billions of dollars and adopted from Compustat, except in the final fiscal year before delisting. The next five controls are all from Compustat. *Book leverage* is the ratio of the book value of total debt over the book value of total assets. *Capex/Assets* is the ratio of capital expenditures over the book value of total assets. *R&D/Assets* is the ratio of R&D expenses over the book value of total assets. *R&D Missing* is an indicator variable that equals one if R&D

expenses equal zero or are missing in Compustat. *PPE/Assets* is a proxy for the importance of tangible assets, and is calculated as the ratio of the book value of plant, property and equipment over total assets.

4. SRP and Non-SRP Declassifications

The first and central identification assumption of our quasi-experimental setting is that the SRP targets that declassified their boards would not (all) have done so had the SRP not engaged such companies. Under this assumption, we expect to find that the SRP declassifying companies had different characteristics than other companies that declassified their boards in the same period of time, while those characteristics should not generally be associated with a greater likelihood of declassification for firms that were not subject to the SRP activism. We expect the selection criteria the SRP used to decide which firms to target for declassification to be different from the criteria employed at non-SRP declassifying companies or, put differently, that the SRP's activism focused on firms that would have been unlikely to declassify in the absence of such activism.

To test this assumption, we begin our analysis by documenting the declassifications that occurred during the period 2012-2014, comparing declassifying companies that were targeted by the SRP with declassifying companies that were not targeted by the SRP in the sample of firms in the S&P 1500 in 2011. In the final sample of S&P 1500 firms, 83 declassifications can be related to the SRP, while 84 declassifications took place at companies that were not engaged by the SRP.

We then explore the selection of firms with a classified board that was targeted by the SRP. The only characteristic directly mentioned by the SRP is that its declassification activity focused on S&P 500 companies, which suggests the SRP focused on large and prominent firms. We confirm this, documenting that 84% of the declassifications that can be related to the SRP occurred at S&P 500 companies (specifically, 93% of declassifications in 2012, 88% in 2013 and 50% in 2014). In comparison, among the declassifications that were not related to the SRP, 52% were at S&P 500 companies in 2012, 38% in 2013 and 7% in 2014.

Next, we focus on the sample of 160 companies included in the S&P 1500 with a classified board in 2011 and which declassified over 2012-2014, comparing the characteristics of the group of 77 of these companies that were targeted by the SRP to the 83 companies that were not targeted

by the SRP.⁵ As show in Table 1, Panel B, companies that declassified after being targeted by the SRP had three characteristics that were different from non-SRP declassifying companies. First, SRP-targets had higher valuations in 2011, with an average Q of 1.90 versus an average Q of 1.59 for the sample of non-SRP declassifying companies. The difference of 0.31 is statistically strongly significant with a t-statistic of 2.12. Second, the SRP-targets were larger, as indicated by an average book value of their total assets of \$13.8 billion in 2011 versus an average book value of total assets of \$9.3 billion for non-SRP-targets. This difference also is statistically significant after taking logs to reduce the importance of outliers. Third, SRP-targets had a larger market capitalization of equity, with an average of \$10.2 billion versus an average of \$6.3 billion for non-SRP declassifying companies, which difference is, again, statistically significant.

We more formally investigate the above differences using Logit regressions to predict both SRP targeting and board declassification. Table 2 presents results for logit regression predicting the likelihood that companies in the S&P 1500 with a classified board in 2011 will be targeted by the SRP in the period 2012-2014, conditional on information available before the SRP started its activities. For this sample, the unconditional probability to be targeted by the SRP equals 11%. As dependent variable, we use an indicator variable that equals one if the company was targeted by the SRP in 2012-2014, irrespective of whether the company actually declassified in that time period. The independent variables are all based on 2011 information.

We consider four different measures of performance, namely *Tobin's Q*, *Industry-Adjusted Tobin's Q*, *ROA* and *Industry-Adjusted ROA*, in the respective four columns in Table 2.⁶ In column (1), we find that the level of *Tobin's Q* in 2011 is strongly positively related to becoming an SRP target in 2012-2014, as indicated by the marginal likelihood of 0.061 with a t-statistic of 4.33. Economically, a standard deviation increase in Q (equal to 0.94) is associated with an increase in the probability of becoming a SRP target of 5.7% ($=0.94*0.061$), i.e., an increase of about 50% over the unconditional likelihood. The results using *Industry-adjusted Tobin's Q* in column (2) are

⁵ The difference between the numbers of, respectively, declassifying SRP and non-SRP companies in this sample and our full sample (i.e., 77 v. 83 declassifying SRP targets and 83 v. 84 declassifying non-SRP targets) is explained by the fact that 7 firms in our full sample are not included in the S&P 1500 (i.e., six SRP targets and 1 non-SRP company).

⁶ These four measures are not all highly correlated, so that it is meaningful to look at each. The correlation between *Tobin's Q* and *Industry-adjusted Tobin's Q* equals 88%, and between *ROA* and *Industry-adjusted ROA* equals 58%. Further, the correlation between *Tobin's Q* and *ROA* equals 48% and between *Industry-adjusted Tobin's Q* and *Industry-adjusted ROA* equals 23%.

quite similar. This suggests that companies with higher values were considerably more likely to become an SRP target compared to firms with lower values.

Similarly, in column (3), we find that having a higher *ROA* also strongly predicts that the firm will be targeted by the SRP, as evidenced by the marginal likelihood of 0.703 with a t-statistic of 2.41. The economic magnitude suggests that a standard deviation increase in *ROA* (equal to 0.06) is associated with an increase in the probability of becoming a SRP target of 4.2% ($=0.06*0.703$), i.e., an increase of about 40% over the unconditional probability. Finally, the marginal likelihood for *Industry-adjusted ROA* in column (4) is positive but statistically insignificant (t-statistic of 0.54). Accordingly, a firm's absolute profitability seems a more relevant characteristic for becoming an SRP target than the firm's relative profitability compared to other firms in its industry.

As an aside, the specific characteristics exhibited by SRP targets – larger size, higher values, and/or higher profitability – seem inconsistent with the entrenchment view of classified boards on which the SRP's advocacy activity was explicitly based. Under this view, a board's protection from shareholder and market pressure is conceived as a causal antecedent to value-decreasing entrenchment. Therefore, one would have expected the SRP to be more likely to target, for example, firms with lower value and profitability, rather than high-performing firms.

The logit regressions further include a number of other firm characteristics, namely *Delaware Incorporation*, *Log/Assets*, *Book Leverage*, *CAPEX/Assets*, *R&D/Assets*, *R&D Missing* and *PPE/Assets*. The main result for these additional characteristics is that SRP targets tend to have larger size (as proxied by *Log/Assets*). Economically, the magnitude of the marginal likelihood for firm size is the strongest, as the coefficient of 0.116 (t-statistic of 8.32) in column (1) in Table 2 suggests that a one standard deviation increase in firm size (equal to 1.41) is associated with an increase in the likelihood of becoming a SRP target of 16% ($=0.116*1.41$).

After this, in Table 3, columns (1) and (2), we present Logit regression results predicting board declassification after being targeted by the SRP over the period 2012-2014 for the sample of S&P 1500 companies using firm information for 2011, where the unconditional probability equals 8.0%. Next, Columns (3) and (4) contain the results from Logit regressions predicting board declassification without being targeted by the SRP, in the sample of firms with a classified in 2011 that were not targeted by the SRP. We find that companies that declassified their boards after being

targeted by the SRP had higher value and profitability before they did so (i.e., in 2011), as indicated by the large positive marginal likelihood of Q in column (1) and ROA in column (2). For example, a standard deviation increase in Q (equal to 1.06, see Panel B of Table 1) is associated with an increase of 5.6% ($=1.06*0.053$) in the probability of being targeted by the SRP and then declassifying, which corresponds to a 70% increase relative to the unconditional probability.

Conversely, declassifications at companies that were not subject to the activism of the SRP had similar firm value (Q) as companies that did not declassify and that were not targeted by the SRP (see columns (3) and (4)).⁷ However, we also find that declassifications at non-SRP targets tended to happen at more profitable firms as well as larger firms. This means that the main distinction for declassifying firms targeted by the SRP versus declassifying firms not targeted by the SRP is that the former tended to have higher ex-ante Q .

Therefore, the results in Table 2 and 3 combined indicate that both the firms that were targeted for declassification by the SRP and the subset of those targets that subsequently declassified had higher ex-ante firm value than the firms that declassified during the same period of time without becoming a target of the SRP's activism. This difference is consistent with the SRP causing declassifications that otherwise would not have happened (namely at relatively highly valued firms), which is the central assumption needed for identification.⁸

5. SRP Declassification and Firm Value

In this part, we examine the value impact of classified boards by exploiting the plausibly exogenous variation generated by the SRP's activism. Under the entrenchment view defended by the SRP, one should find that the SRP targets increased in value after board declassification relative to firms that declassified in the same period but were not targeted by the SRP. If this was the case, one could also infer that the SRP had private information about which companies stood to profit

⁷ Results are similar using industry-adjusted *Tobin's Q*, and are insignificant using *ROA* or *Industry-adjusted ROA*.

⁹ We also considered matching on two other dimensions that the logit regressions in Tables 2 suggest matter for being targeted by the SRP, namely the size of the assets and having no R&D expenditures. As to matching on firm size, the results in Table 3 suggest, however, that this dimension matters for declassification in both SRP-targets relative to non-SRP targets. Further, in untabulated results, we find that the association between (SRP- or non-SRP-) declassifications and firm value does not depend on asset size, as adding the triple interaction between *Declassified* * *SRP-Proposal* and *Log(Assets)* or between *Declassified* and *Log(Assets)* gives a statistically insignificant coefficient. Further, as to having no R&D expenditures (as captured by the variable *R&D Missing*, these differences are generally incorporated once we match by 4-digit SIC industry groups, and *R&D Missing* is insignificant in Table 3.

the most from declassification, which would explain why the SRP targets had different characteristics than non-SRP declassifying companies. Conversely, a finding that the value of the SRP targets did not increase – or even decrease – after declassifying their boards would challenge the entrenchment view and point to alternative explanations for the governance function served by staggered boards.

We test these conjectures in several steps. First, in Table 4, we use pooled panel Q regression with year and firm fixed effects to test the long-term value impact of SRP-related board declassifications alone in the full sample, as well as in various matched samples where the included firms have similar characteristics to the firms targeted by the SRP. Second, in Table 5, we compare the changes in Q after SRP declassifications relative to non-SRP declassifications. Third, on the theoretical assumption that classified boards might serve as a bonding mechanism towards long-term investments and more stable stakeholder relationships (Johnson, Karpoff and Yi, 2015; Cremers, Litov, Sepe, 2017), in Table 6 we investigate the possible existence of a heterogeneous relationship between board structure and performance conditional on investments in research and development. Fourth and finally, in Table 7, we examine the stock returns of firms that declassified their board during the period 2012-2015 relative to the four-factor Fama-French-Carhart model. In order to have better statistical power in our fairly short time period, all of these tests use our full sample of firms.

5.1. *Declassification and Firm Value*

Tables 4 and 5 report the results for pooled panel *Tobin's Q* regressions that include firm fixed effects as well as year fixed effects. The time period used is 2011 – 2015, where the reported t-statistics are based on robust standard errors that are clustered by firm. In Table 4, column (1), we first consider the full sample, for which we find that declassification due to the SRP has a coefficient of -0.110 (t-statistic of 1.85), which implies that such declassifications are on average associated with a decrease in firm value of 5.9% ($=0.110/1.87$). To mitigate possible selection effects, columns 2 through 10 each consider different matching samples where different sets of control firms are added to the sample of firms that were SRP targets. In general, we attempt to add control firms that have similar characteristics to the firms targeted by the SRP, particularly in the following three dimensions: firm value in 2011, industry and board structure.

The first characteristic is the firm's Tobin's Q in 2011 (i.e., the ex-ante Q in the year before the SRP started its activity), where we only add control firms (without replacement) that had a maximum Q difference of 10% with one of the SRP targets. We focus on matching by the ex-ante Tobin's Q because the results in Table 3 suggest that the SRP selected firms primarily based on their Tobin's Q , and that a higher Q is the main difference between declassifying firms targeted versus non-targeted by the SRP. Second, we add the requirement that the control firms are in the same 2, 3 or 4-digit SIC industry group as one of the firms targeted by the SRP. This should mitigate any industry-wide shocks that affect firm value. Third, we consider various samples where we only consider control firms that also have a classified board, which would control for any spillover effects that the SRP's declassification activism may have produced on other non-targeted firms (i.e., assuming that some form of shareholder activism by the SRP or other activists may perhaps have been anticipated at classified firms that were not targeted by the SRP).

A significant restriction is that we have a limited number of firms targeted by the SRP. As discussed, our full sample consists of 93 SRP targets that declassify. Requiring at least one control firm with a similar Q or in the same industry group results in fewer firms targeted by the SRP. As reported in column 10 of Table 4, the number of SRP targets in the various matched samples is reduced to no more than 40 in the case where we incorporate all three characteristics and the 4-digit SIC industry level.⁹

As shown by Table 4, the decline in firm value subsequent to SRP-targeting and declassification is generally stronger in both economic magnitude and statistical significance using the matched samples than for our full sample. For example, once we match on Q and 2-digit SIC industry code, the coefficient estimate of SRP-related declassification becomes -0.242 with a t-statistic of 3.56 (see column 3). Similarly, if we only consider firms with a classified board in 2011, the coefficient estimate on *Declassified * SRP-Proposal* is -0.159 with a t-statistic of 2.57.

⁹ We also considered matching on two other dimensions that the logit regressions in Tables 2 suggest matter for being targeted by the SRP, namely the size of the assets and having no R&D expenditures. As to matching on firm size, the results in Table 3 suggest, however, that this dimension matters for declassification in both SRP-targets relative to non-SRP targets. Further, in untabulated results, we find that the association between (SRP- or non-SRP-) declassifications and firm value does not depend on asset size, as adding the triple interaction between *Declassified * SRP-Proposal* and *Log(Assets)* or between *Declassified* and *Log(Assets)* gives a statistically insignificant coefficient. Further, as to having no R&D expenditures (as captured by the variable *R&D Missing*, these differences are generally incorporated once we match by 4-digit SIC industry groups, and *R&D Missing* is insignificant in Table 3.

In Table 5, we compare the change in firm value after declassification for firms targeted by the SRP versus firms that were not targeted by the SRP. Column 1 of Table 5, Panel A shows that declassification in our full sample are, on average, not associated with changes in firm value (as *Declassified* has a coefficient of -0.012 with a t-statistic of 0.24). However, once we disentangle board declassifications at SRP targets versus non-SRP targets, we find that firm value significantly declines following declassification in SRP targets but not following declassification in non-SRP targets. In column 2, the coefficient on *SRP Proposal* interacted with an indicator variable that firms are declassified (*Declassified*) is -0.176 (t-statistic of 2.05), which is statistically significant at the 5% level, while the coefficient on *Declassified* by itself equals 0.0701 and is insignificant (t-statistic of 1.01). The overall change in firm value of SRP targets after declassification equals $0.0701 - 0.176 = -0.106$, which is statistically significant at the 10% level as well.

Similar to Table 4, subsequent columns refine the control group by imposing that the control firms have a maximum Q difference of 10 % in 2011 (columns 3 – 10) as well as are in the same industry group as the firm targeted by the SRP (columns 5 – 10). Our results are similar across these samples. For example, in column 5, once we match on Q and 2-SIC industry code, the impact of *Declassified* is negative and statistically significant at 0.113 (t-statistic of 1.70). This result is consistent with Cremers, Litov, and Sepe (2017), who document that declassifications are associated with decreases in firm value in a much longer time series. In our sample, however, as shown by column 6, the negative coefficient of *Declassified* is due to declassifications of firms that were targeted by the SRP, as *Declassified* * *SRP-Proposal* has a negative coefficient -0.240 with a t-statistic 1.87, while the coefficient on *Declassified* by itself is positive but insignificant (equal to 0.089 with a t-statistic of 0.74). In Panel B of Table 5, we further restrict the control group by only considering firms with a classified board, and otherwise following the same sample criteria as in Panel A of Table 5. The results are again robust across all of the various samples.

Overall, the results documented in Table 4 and 5 are inconsistent with the entrenchment view of classified board defended by the SRP and earlier empirical studies, as well as with the conjecture that the SRP might have chosen targets based on private information about which companies stood to benefit the most from board declassification. In contrast, these results indicate that the firms targeted by the SRP that declassified suffered a considerable decline in firm value, both compared to other firms that declassified and compared to other firms that did not declassify but had similar ex-ante firm value and were in the same industry group.

5.2. *R&D, Declassification and Firm Value*

In this section we explore an alternative view about the governance function served by classified boards. In particular, Cremers, Litov, and Sepe (2017) document that firms with high investments in research and development have a more positive (negative) association with adopting (removing) a classified board. Similarly, Cen, Dasgupta, and Sen (2015) and Johnson, Karpoff, and Yi (2015, 2016) document that firms benefit more from a classified board if they have strong stakeholder relationships. These results point to a heterogeneous relationship of board structure with firm performance, indicating that for different subsets of firms, classified boards could positively contribute to firm value by helping to bond the firm's commitment to long-term firm-specific investments and more stable stakeholder relationships (Laffont and Tirole, 1988; Knoeber, 1986; Shleifer and Summers, 1988; Johnson, Karpoff and Yi, 2015, 2016).

To test this alternative view of classified boards, in Table 6 we interact *Declassified * SRP Proposal* with the level of R&D scaled by the assets as of 2011 (i.e., *R&D/Assets*). As shown in column (1) of Table 6, Panel A, the coefficient of *Declassified * SRP-Proposal * R&D/Assets* is -2.454 (t-statistic of 1.64). This result becomes stronger when we refine the control group by only including firms with a similar *Q* in 2011 (see column 2) and that also have a classified board (see column 4). For example, as shown in column (4), the interaction coefficient on *Declassified * SRP-Proposal * R&D/Assets* increases to -2.977 (t-statistic of 1.98). This indicates that, among firms targeted by the SRP, the decline in firm value after declassification is 4.9% larger for firms with a standard deviation higher level of *R&D/Assets*.¹⁰

Next, in Panel B of Table 6, we compare the relevance of R&D for declassifications at firms targeted by the SRP versus firms not targeted by the SRP. As shown in column (2), larger investments in R&D are only associated with larger declines in firm value after declassification for firms targeted by the SRP, but not for declassifying firms not targeted by the SRP. This result is robust to the various matched samples considered in columns 3 – 8.

Overall, these results support the bonding view of classified boards, namely that the adoption of a classified board can help commit the board to long-term projects and the firm-

¹⁰ This is calculated as the product of the coefficient (-2.977), the standard deviation of *R&D/Assets* (0.031), divided by the standard deviation of *Q* in the sample of firms targeted by the SRP (1.87).

specific investments made by stakeholders, such as R&D expenditures (see, e.g., Johnson, Karpoff and Yi, 2015; and Cremers, Litov, and Sepe, 2017).

Consistent with this interpretation, in Appendix Table A.2 we document that the decline in value suffered by declassifying SRP companies with more *R&D/Assets* is more pronounced when the SRP proposal was submitted as a precatory shareholder proposal as compared to cases where declassification was the result of a negotiated agreement between the SRP and the firm.¹¹ This suggests that the more adversarial the SRP strategy, the greater the decline in value suffered by targeted companies with more R&D investments. A possible explanation for this is that these companies had more to lose from removing a classified board, which would account for both the board's greater resistance to the SRP's activism and the greater decline in value these companies suffered once the classified board was removed. Confirming this conjecture, we also document that companies with more R&D investments that declassified after being repeatedly attacked by the SRP declined even more in value relative to other companies.¹² Conversely, we found no statistically significant changes in firm value associated to SRP-declassification proposals that failed to pass because of the adoption of a supermajority requirement for dismantling the classified board,¹³ which suggests that the adoption of a supermajority requirement might provide a desirable means to protect a firm's commitment to long-term value creation.

5.3. Shareholder Returns

As a robustness check to our *Q* analysis, we conduct a long-term stock return event study by forming stock portfolios that buy the stocks of firms that declassified their boards. We construct these portfolios in three different ways, with the results presented in Table 7. First, we use all of these stocks at the beginning of 2011 and hold them until the end of 2015, for the full 60-month period (columns 1 – 3). This assumes perfect foresight about which companies would subsequently

¹¹ As shown in column (1) of the Appendix Table A. 2, the triple interaction coefficient of *Declassified * SRP Precatory Proposal * R&D/Assets* is -4.903 (t-statistic of 1.69). This indicates that for companies that declassified after an SRP proposal was submitted as a precatory proposal (rather than a negotiated agreement), a standard deviation increase in *R&D/Assets* (equal to 0.03) is associated with a 7.7% ($=-4.903*0.03/1.9$) greater decrease in firm value.

¹² As shown in column (2) of the Appendix Table A. 2, the triple interaction of *Declassified * Multiple SRP Proposal * R&D/Assets* has a large negative coefficient of -4.767 (t-statistic of 1.62).

¹³ In column (3) of Appendix Table A.2 we consider a counter-factual using the 27 companies that we know were targeted by the SRP but which failed to declassify due to a supermajority requirement for dismantling the staggered board. If declassification had benefitted these firms, we would expect a decline in firm value in the period after they were targeted by the SRP. We consider this hypothesis by adding an indicator variable *No Declassification SM*, for which we find a coefficient close to zero and with a t-statistic of 0.05.

declassify. Second, starting at the end of 2011, we add stocks to the portfolio one month after the shareholder vote to declassify (columns 4 – 6). These portfolios mimic a trading strategy based only on publicly available data. Third, starting at the beginning of 2011, we invest in the stocks of all of these firms until they are declassified (columns 7 – 9). This stock portfolio can be interpreted as capturing the market reaction over the period in which they learn about the declassification.

We construct these portfolios separately using only firms that declassify after being targeted by the SRP (results in columns 1, 4 and 7) and only firms that declassify without being targeted by the SRP (columns 2, 5, and 8), plus construct a long-short portfolio that buys the former and sells the latter portfolio. For each of these portfolios, we calculate the monthly equal-weighted portfolio returns in excess of the risk-free rate, and calculate the abnormal returns using the four-factor Fama-French-Carhart model that includes the market factor, a size factor, a value/growth factor and a momentum factor.

We find that the portfolio of firms that declassify after being targeted by the SRP has a negative abnormal return that is statistically insignificant, while the portfolio of firms that declassify without being targeted by the SRP has a positive abnormal return over the full period or over the period over which shareholder presumably learn that the firm will declassify. This return, as well as the return on the long-short portfolio, is statistically significant. For example, over the full time period, the long-short portfolio that buys declassifying firms that were targeted by the SRP and sells declassifying firms not targeted has an annualized four-factor alpha of -5.53%, with a t-statistic of 2.04. Therefore, these portfolio results confirm the results of the Q regressions that firms that declassified after being targeted by the SRP underperform firms that declassified without being targeted by the SRP.

6. Conclusion

This paper contributes to the long-standing debate about the value implications of classified board. Our identification comes from a quasi-natural experiment consisting of the Shareholder Right Project (SRP), whose declassification advocacy during the period 2012-2014 could not have been anticipated by market participants before the project's implementation, and whose activism likely means that many of the declassifications at the firms that the SRP targeted would have otherwise not occurred. The SRP's activism thus provides a plausible source of exogenous

variation in the board structure of the largest U.S. publicly traded corporations, which we exploit to study how board declassification affects firm value.

We find evidence that the companies that declassified after being targeted by the SRP had on average, ex-ante, larger size, higher values and greater profitability than other firms declassifying over the same period of time without being targeted by the SRP, while these firm characteristics were not generally associated to a greater likelihood of board declassification for firms that were not targeted by the SRP. This finding corroborates our hypothesis that the SRP provides a source of exogenous variation for board declassification. At the same time, the higher financial value and profitability of the targeted firms is difficult to reconcile with the classic entrenchment view of classified boards, under which firms with entrenched boards would be more likely to underperform.

After this, our central result is that the SRP targets that declassified during the period 2012-2014 declined in value, and declined more in value than other firms that declassified during the same period but were not targeted by the SRP. Our results are especially strong for firms that had more investments in innovation. Consistent with more recent studies examining the association between classified boards and firm value, this evidence indicates that classified boards may serve a positive governance function in some companies, thus challenging the “one-size-fits-all” approach to board declassification exemplified by the SRP and, more generally, most activist investors and proxy advisory firms.

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TABLE 1, PANEL A: DESCRIPTIVE STATISTICS FOR S&P 1500 FIRMS IN 2011 WITH A CLASSIFIED BOARD

Panel A presents descriptive statistics for sample of firms included in the S&P 1500 in 2011 that have a classified board. All continuous variables are winsorized at 2.5% in both tails. *Declassification in 2012-2014* is an indicator variable equal to one if the firm declassified over 2012-2014. *SRP-Targeted* is an indicator variable equal to one if the firm is targeted by the Shareholder Rights Project (SRP) during 2012 – 2014. *Declassification in 2012-2014 * SRP-Targeted* is an indicator variable equal to one if the firm declassifies over 2012-2014 and is targeted by the SRP. *Declassification in 2012-2014 * Non-SRP-Targeted* is an indicator variable equal to one if the firm declassifies over 2012-2014 without being targeted by the SRP. *Q* is the firm's Tobin's Q, which is equal to the market value of equity plus the book value of debt, divided by the book value of total assets. *Industry-Adjusted Q* is the firm's *Q* minus the median *Q* of all firms in the same four-digit SIC industry group in Compustat that year. *ROA* is the return on assets, calculated as the ratio of net income over the book value of total assets. *Industry-Adjusted ROA* is the firm's *ROA* minus the median *ROA* of all firms in the same four-digit SIC industry group in Compustat that year. *Non-Effective SB* is an indicator variable if the firm has a non-effective classified board, which shareholders can more easily remove (see Section 4.3 for more explanation). *Delaware Incorporated* is an indicator variable equal to one if the firm is incorporated in the state of Delaware. *Log(Assets)* is the log of the book value of total assets in billions. *Equity Market Cap* is calculated as the stock price times the number of outstanding shares in billions. *Book Leverage* is the value of total debt over the book value of total assets. *CAPX/Assets* is the ratio of capital expenditures over the book value of total assets. *R&D/Assets* is the ratio of research and development expenditures over the book value of total assets. *R&D Missing* is an indicator variable equal to one if research and development expenditures are missing or equal to zero. *PPE/Assets* is the ratio of the book value of plant, property and equipment over the book value of total assets.

	Mean	St. Dev.	Min	Max	Obs.
<i>Declassification in 2012-2014</i>	0.310	0.463	0.000	1.000	526
<i>SRP-Targeted</i>	0.200	0.400	0.000	1.000	526
<i>Declassification in 2012-2014 * SRP-Targeted</i>	0.150	0.358	0.000	1.000	526
<i>Declassification in 2012-2014 * Non-SRP-Targeted</i>	0.160	0.367	0.000	1.000	526
<i>Q</i>	1.822	0.938	0.763	4.682	526
<i>Industry-Adjusted Q</i>	0.301	0.824	-3.177	3.277	526
<i>ROA</i>	0.060	0.063	-0.316	0.174	526
<i>Industry-Adjusted ROA</i>	0.027	0.076	-0.281	0.546	526
<i>Non-Effective SB</i>	0.682	0.466	0.000	1.000	507
<i>Delaware Incorporated</i>	0.660	0.474	0.000	1.000	526
<i>Log(Assets)</i>	7.484	1.414	4.326	11.563	526
<i>Equity Market Cap</i>	4,152	6,903	89	60,617	526
<i>Book Leverage</i>	0.170	0.159	0.000	0.781	526
<i>CAPX/Assets</i>	0.047	0.053	0.000	0.342	526
<i>R&D/Assets</i>	0.030	0.053	0.000	0.400	526
<i>R&D Missing</i>	0.369	0.483	0.000	1.000	526
<i>PPE/Assets</i>	0.228	0.213	0.000	0.896	526

TABLE 1, PANEL B: DESCRIPTIVE STATISTICS FOR DECLASSIFYING FIRMS TARGETED AND NOT-TARGETED BY THE SRP

Panel B presents sample descriptive statistics for 2011 and their differences for firms included in the S&P 1500 in 2011 that declassified without being targeted by the SRP and after being targeted by the SRP, respectively. Statistical significance of the difference across these two samples is indicated at the 1%, 5%, and 10% levels by ***, **, and *, respectively. See Panel A for a descriptive of the variables.

Variables	Declassifying Firms Not Targeted by the SRP			Declassifying Firms Targeted by the SRP			Difference in Means Across Samples	
	Mean	St. Dev.	Obs.	Mean	St. Dev.	Obs.	Difference	T-stat.
<i>Q</i>	1.587	0.765	84	1.870	1.057	79	-0.292**	2.03
<i>Industry-Adjusted Q</i>	0.128	0.618	84	0.377	0.895	79	-0.249**	2.08
<i>ROA</i>	0.059	0.060	84	0.070	0.053	79	-0.010	1.18
<i>Industry-Adjusted ROA</i>	0.019	0.079	84	0.029	0.048	79	-0.010	0.97
<i>Non-Effective SB</i>	0.802	0.401	81	0.722	0.451	79	0.081	1.20
<i>Delaware Incorporated</i>	0.655	0.478	84	0.696	0.463	79	-0.041	0.56
<i>Log(Assets)</i>	8.00	1.529	84	8.954	1.032	79	-0.953***	4.63
<i>Equity Market Cap</i>	6,272	8,637	84	9,984	9,754	79	-3,712***	2.58
<i>Book Leverage</i>	0.209	0.164	84	0.188	0.142	79	0.021	0.87
<i>CAPX/Assets</i>	0.049	0.065	84	0.044	0.048	79	0.005	0.51
<i>R&D/Assets</i>	0.019	0.043	84	0.018	0.031	79	0.001	0.09
<i>R&D Missing</i>	0.476	0.502	84	0.418	0.496	79	0.058	0.755
<i>PPE/Assets</i>	0.259	0.238	84	0.209	0.224	79	0.050	1.38

TABLE 2: LOGITS PREDICTING AN SRP TARGET

This table presents the marginal likelihoods of logit regressions that predict being targeted by the SRP in 2012 – 2014, based on information in 2011, for the sample of firms included in the S&P 1500 that had a classified board in that year. All variables are defined in Table 1. Statistical significance of the coefficients is indicated at the 1%, 5%, and 10% levels by ***, **, and *, respectively. T-statistics (in absolute value) are based on robust standard errors clustered by firm and shown in parentheses below the coefficient estimates.

Dependent variable: <i>SRP-Targeted</i>						
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Q</i>	0.061*** (4.33)				0.064*** (4.55)	
<i>Industry-Adjusted Q</i>		0.063*** (4.15)				
<i>ROA</i>			0.703** (2.41)			0.750** (2.47)
<i>Industry-Adjusted ROA</i>				0.121 (0.54)		
<i>Non-Effective SB</i>					-0.036 (1.04)	-0.042 (1.12)
<i>Delaware Incorporated</i>	-0.007 (0.28)	-0.005 (0.20)	-0.006 (0.20)	-0.001 (0.05)	-0.009 (0.32)	-0.009 (0.30)
<i>Log(Assets)</i>	0.116*** (8.32)	0.116*** (8.42)	0.113*** (8.01)	0.116*** (8.03)	0.122*** (8.32)	0.119*** (8.04)
<i>Book Leverage</i>	-0.018 (0.20)	-0.017 (0.19)	-0.006 (0.06)	-0.075 (0.73)	-0.012 (0.13)	-0.001 (0.10)
<i>CAPX/Assets</i>	0.092 (0.19)	0.099 (0.21)	0.223 (0.43)	0.262 (0.48)	0.056 (0.12)	0.200 (0.37)
<i>R&D/Assets</i>	-0.135 (0.43)	-0.019 (0.07)	0.257 (0.73)	0.150 (0.51)	-0.075 (0.23)	0.322 (0.89)
<i>R&D Missing</i>	-0.048* (1.87)	-0.057** (2.21)	-0.048* (1.74)	-0.069*** (2.53)	-0.044* (1.64)	-0.044 (1.53)
<i>PPE/Assets</i>	0.035 (0.29)	0.036 (0.29)	-0.006 (0.05)	0.020 (0.16)	0.051 (0.41)	0.023 (0.17)
<i>N</i>	526	526	526	526	507	507
<i>Adjusted R-Squared</i>	0.313	0.310	0.295	0.283	0.317	0.299

TABLE 3: LOGITS PREDICTING DECLASSIFICATION WITH/WITHOUT SRP PROPOSALS

In columns 1 and 2, the table presents the marginal likelihoods of logit regressions that predict declassification in 2012 – 2014 after being targeted by the SRP, based on information in 2011, for the sample of firms included in the S&P 1500 that had a classified board in that year. In columns 3 and 4, the table presents the marginal likelihoods of logit regressions that predict declassification in 2012 – 2014 for the sample of firms included in the S&P 1500 that had a classified board in 2011 and that were not targeted by the SRP in 2012 – 2014. All variables are defined in Table 1. Statistical significance of the coefficients is indicated at the 1%, 5%, and 10% levels by ***, **, and *, respectively. T-statistics (in absolute value) are based on robust standard errors clustered by firm and shown in parentheses below the coefficient estimates.

Dependent variable: <i>Declassification in 2012 - 2014</i>					
	Sample:	Only Firms		Only Firms Not	
		Targeted by the SRP	Targeted by the SRP	Targeted by the SRP	Targeted by the SRP
		(1)	(2)	(3)	(4)
<i>Q</i>		0.053*** (5.06)		-0.014 (0.50)	
<i>ROA</i>			0.755*** (3.43)		0.659* (1.80)
<i>Non-Effective SB</i>		0.005 (0.20)	-0.001 (0.04)	0.066 (1.52)	0.068 (1.59)
<i>Delaware Incorporated</i>		0.0003 (0.01)	0.003 (0.11)	-0.011 (0.29)	-0.013 (0.34)
<i>Log(Assets)</i>		0.076*** (7.27)	0.071*** (6.39)	0.105*** (5.95)	0.107*** (6.52)
<i>Book Leverage</i>		-0.001 (0.01)	0.011 (0.13)	0.052 (0.41)	0.128 (0.99)
<i>CAPX/Assets</i>		0.240 (0.68)	0.341 (0.89)	-0.029 (0.06)	-0.120 (0.23)
<i>R&D/Assets</i>		-0.478 (1.59)	-0.323 (0.86)	0.065 (0.13)	0.148 (0.31)
<i>R&D Missing</i>		-0.021 (0.93)	-0.020 (0.83)	0.021 (0.43)	0.043 (0.93)
<i>PPE/Assets</i>		-0.063 (0.65)	-0.095 (0.96)	0.109 (0.69)	0.11 (0.69)
<i>N</i>		507	507	409	409
Adjusted R-Squared		0.244	0.227	0.162	0.170

TABLE 4: DECLASSIFICATION AND FIRM VALUE AFTER SRP TARGETING

The table presents the results from pooled panel regressions of annual Q for our full sample of firms, with firm and year fixed effects included in all of the specifications. The time period used is 2011 – 2015. *Declassified * SRP-Proposal* is an indicator variable equal to 1 if the firm declassified following the successful submission of a SRP proposal. Control variables are *Delaware Incorporation*, *Book Leverage*, *CAPX/Assets*, *R&D Missing*, and *PPE/Assets*. Columns 2-9 use matching criteria for controls firms (see text for more explanation), where ‘10%-Q’ means a maximum difference of 10% in Q , ‘CB’ means only firms with a classified board are used, and ‘2/3/4-SIC’ means that the control firm is in the same 2/3/4-digit SIC industry group. Statistical significance is indicated at the 1%, 5%, and 10% levels by ***, **, and *, respectively. T-statistics are based on robust standard errors clustered by firm and shown in parentheses.

Dependent variable: Q										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<i>Declassified * SRP-Proposal</i>	-0.110* (1.85)	-0.136** (2.13)	-0.242*** (3.56)	-0.179** (2.36)	-0.185** (2.09)	-0.159** (2.57)	-0.201*** (2.86)	-0.203*** (2.92)	-0.183* (1.79)	-0.265* (1.94)
<i>Delaware Incorporated</i>	-0.231 (1.31)	-0.211 (1.56)	-0.203 (0.70)	-0.463 (0.93)	-0.973 (1.58)	-0.470* (1.89)	-0.325 (1.18)	-0.412 (0.71)	-0.415 (0.38)	-1.218 (1.52)
<i>Log(Assets)</i>	-0.432*** (6.37)	-0.364*** (4.71)	-0.300*** (2.65)	-0.278*** (2.63)	-0.296** (2.26)	-0.389*** (4.33)	-0.294** (2.36)	-0.317** (2.48)	-0.252** (2.14)	-0.417*** (2.89)
<i>Book Leverage</i>	-0.323 (1.36)	-0.550** (2.18)	-0.271 (1.05)	-0.536* (1.70)	-0.612 (1.57)	-0.456* (1.70)	-0.488 (1.36)	-0.237 (0.80)	-0.877** (2.44)	-1.027** (2.31)
<i>CAPX/Assets</i>	1.530*** (4.12)	1.499*** (3.49)	2.191*** (3.43)	2.070*** (2.88)	1.660** (2.20)	2.107*** (3.87)	2.177*** (3.19)	1.960** (2.27)	1.796* (1.76)	1.216 (1.27)
<i>R&D/Assets</i>	1.897*** (3.53)	1.119* (1.93)	-0.391 (0.56)	0.284 (0.22)	1.918 (1.11)	1.596** (1.99)	1.200 (1.33)	-0.942 (0.95)	2.233 (1.48)	2.812 (1.46)
<i>R&D Missing</i>	0.0344 (0.40)	-0.0372 (0.37)	-0.114 (0.59)	-0.430** (2.49)	-0.474* (1.72)	-0.0337 (0.25)	-0.0605 (0.38)	-0.224 (0.71)	-0.587** (2.02)	-0.553 (1.16)
<i>PPE/Assets</i>	-1.228*** (3.87)	-1.100*** (3.05)	-1.676*** (3.23)	-0.533 (0.97)	-0.0527 (0.10)	-1.345*** (2.77)	-1.201** (2.18)	-1.674*** (3.02)	-1.257** (2.11)	-0.716 (1.21)
Firm + Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Matching criterion	Full sample	10%-Q	10%-Q, 2-SIC	10%-Q, 3-SIC	10%-Q, 4-SIC	CB	CB, 10%-Q	CB, 10%-Q, 2-SIC	CB, 10%-Q, 3-SIC	CB, 10%-Q, 4-SIC
# SRP-declassifications	93	80	72	64	58	93	80	66	52	40
N	14,106	10,052	4,051	1,864	1,097	6,856	4,620	2,043	985	569
Adjusted R-Squared	0.831	0.804	0.751	0.837	0.874	0.825	0.803	0.783	0.846	0.883

TABLE 5: DECLASSIFICATION AND FIRM VALUE WITH & WITHOUT SRP TARGETING

The table presents the results from pooled panel regressions of annual Q for our full sample of firms, with firm and year fixed effects included in all of the specifications. The time period used is 2011 – 2015. *Declassified* is an indicator variable equal to 1 if the firm declassified. *Declassified * SRP-Proposal* is an indicator variable equal to 1 if the firm declassified following the successful submission of a SRP proposal. Control variables are *Delaware Incorporation*, *Book Leverage*, *CAPX/Assets*, *R&D Missing*, and *PPE/Assets*, most of which are omitted to save space. Columns 2-9 use matching criteria for controls firms (see text for more explanation), where ‘10%-Q’ means a maximum difference of 10% in Q , ‘CB’ means only firms with a classified board are used as controls (see Panel B), and ‘2-SIC’ means that the control firm is in the same 2-digit SIC industry group. ‘P-value[Decl+Decl*SRP] = 0’ indicates the p-value of the test whether the sum of the coefficients on *Declassified* and *Declassified * SRP-Proposal* is equal to zero. Statistical significance is indicated at the 1%, 5%, and 10% levels by ***, **, and *, respectively. T-statistics (in absolute value) are based on robust standard errors clustered by firm and shown in parentheses.

Panel A. Full Sample and Matched Samples

Dependent variable: Q										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<i>Declassified</i>	-0.0122 (0.24)	0.0701 (1.01)	-0.0384 (0.77)	0.0522 (0.74)	-0.113* (1.70)	0.0888 (0.74)	-0.107 (1.53)	0.168 (1.22)	-0.112 (1.37)	0.204 (1.27)
<i>Declassified * SRP-Proposal</i>		-0.176** (2.05)		-0.182** (2.12)		-0.240* (1.87)		-0.278* (1.91)		-0.297* (1.73)
<i>Log(Assets)</i>	-0.432*** (6.37)	-0.432*** (6.37)	-0.365*** (5.33)	-0.365*** (5.33)	-0.294*** (2.87)	-0.282*** (3.66)	-0.259*** (2.65)	-0.263*** (2.87)	-0.261** (2.07)	-0.278** (2.27)
<i>R&D/Assets</i>	1.897*** (3.53)	1.897*** (3.53)	1.151** (2.05)	1.151** (2.05)	-0.298 (0.44)	-0.552 (1.07)	0.266 (0.22)	-0.550 (0.51)	1.788 (1.03)	0.504 (0.32)
Other controls included	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm + Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Matching criterion	Full sample	Full sample	10%-Q	10%-Q	10%-Q, 2-SIC	10%-Q, 2-SIC	10%-Q, 3-SIC	10%-Q, 3-SIC	10%-Q, 4-SIC	10%-Q, 4-SIC
P-value[Decl+Decl*SRP] = 0	N/A	7.9%	N/A	2.7%	N/A	0.8%	N/A	7.4%	N/A	16.5%
# SRP-declassifications	93	93	93	93	81	81	69	69	62	62
N	14,106	14,106	11,420	11,420	4,613	4,613	2,063	2,063	1,233	1,233
Adjusted R-Squared	0.831	0.856	0.806	0.806	0.754	0.795	0.841	0.859	0.877	0.894

Panel B. Full Sample and Matched Samples: Firms with Classified Boards in 2011 only

Dependent variable: Q										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<i>Declassified</i>	-0.0559 (1.06)	0.0322 (0.46)	-0.0821 (1.54)	0.0146 (0.20)	-0.162** (2.11)	0.00693 (0.06)	-0.109 (1.25)	0.112 (0.75)	-0.159 (1.40)	0.0879 (0.48)
<i>Declassified * SRP-Proposal</i>		-0.189** (2.24)		-0.195** (2.28)		-0.278** (2.13)		-0.293* (1.94)		-0.328* (1.81)
<i>Log(Assets)</i>	-0.389*** (4.32)	-0.388*** (4.32)	-0.315*** (3.28)	-0.315*** (3.28)	-0.273* (1.91)	-0.270* (1.89)	-0.225** (2.16)	-0.217** (2.07)	-0.293** (2.11)	-0.270* (1.92)
<i>R&D/Assets</i>	1.596** (1.99)	1.597** (1.99)	1.227 (1.45)	1.228 (1.45)	-0.157 (0.12)	-0.150 (0.11)	2.059 (1.43)	2.062 (1.43)	2.809 (1.51)	2.886 (1.55)
Other controls included	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm + Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Matching criterion	CB	CB	CB, 10%-Q	CB, 10%-Q	CB, 10%-Q, 2-SIC	CB, 10%-Q, 2-SIC	CB, 10%-Q, 3-SIC	CB, 10%-Q, 3-SIC	CB, 10%-Q, 4-SIC	CB, 10%-Q, 4-SIC
P-value[Decl+Decl*SRP] = 0	N/A	1.3%	N/A	0.4%	N/A	0.4%	N/A	4.6%	N/A	4.1%
# SRP-declassifications	93	93	93	93	76	76	61	61	48	48
N	6,856	6,856	5,988	5,988	2,610	2,610	1,202	1,202	723	723
Adjusted R-Squared	0.825	0.825	0.807	0.807	0.746	0.790	0.852	0.869	0.886	0.906

TABLE 6: R&D INTENSITY, DECLASSIFICATION AND FIRM VALUE AFTER SRP TARGETING

The table presents the results from pooled panel regressions of annual Q for our full sample of firms, with firm and year fixed effects included in all of the specifications. The time period used is 2011 – 2015. *Declassified * SRP-Proposal* is an indicator variable equal to 1 if the firm declassified following the successful submission of a SRP proposal. ‘** R&D/Assets*’ indicates the interaction with *R&D/Assets*. Control variables included, but not shown to save space, are *Delaware Incorporation*, *Book Leverage*, *CAPX/Assets*, *R&D Missing*, and *PPE/Assets*. Different samples include the full sample or matched samples using matching criteria for controls firms (see text for more explanation), where ‘10%-Q’ means a maximum difference of 10% in Q , and ‘CB’ means only firms with a classified board are used as controls. Panel A only considers SRP-declassifications and their interactions with *R&D/Assets*, while Panel B considers all declassifications. Statistical significance is indicated at the 1%, 5%, and 10% levels by ***, **, and *, respectively. T-statistics (in absolute value) are based on robust standard errors clustered by firm and shown in parentheses.

Panel A: Only SRP-Declassifications

Dependent variable: Q				
	(1)	(2)	(3)	(4)
<i>Declassified * SRP-Proposal</i>	-0.0613 (0.90)	-0.0713 (1.05)	-0.112 (1.61)	-0.141* (1.86)
<i>Declassified * SRP-Proposal</i> <i>* R&D/Assets</i>	-2.454* (1.64)	-3.184*** (2.62)	-2.391 (1.61)	-2.977** (1.98)
<i>Log(Assets)</i>	-0.432*** (6.37)	-0.363*** (4.70)	-0.388*** (4.32)	-0.293** (2.36)
<i>R&D/Assets</i>	1.899*** (3.53)	1.129* (1.95)	1.600** (1.99)	1.207 (1.34)
Other controls included	Yes	Yes	Yes	Yes
Firm + Year Fixed Effects	Yes	Yes	Yes	Yes
Matching criterion	Full sample	10%-Q	CB	CB, 10%-Q
# SRP-declassifications	93	93	93	93
N	14,106	10,052	6,856	5,988
Adjusted R-Squared	0.831	0.804	0.825	0.803

Panel B: All Declassifications

Dependent variable: <i>Q</i>								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Declassified</i>	-0.0337 (0.66)	0.0242 (0.35)	-0.0484 (0.95)	0.0170 (0.24)	-0.0927 (1.53)	-0.0143 (0.19)	-0.0719 (1.35)	-0.00428 (0.06)
<i>Declassified</i> * <i>R&D/Assets</i>	0.859 (0.69)	1.154 (0.87)	1.296 (1.01)	1.662 (1.18)	1.567 (1.00)	1.923 (1.10)	1.536 (1.18)	1.940 (1.33)
<i>Declassified</i> * <i>SRP-Proposal</i>		-0.0630 (0.72)		-0.0644 (0.73)		-0.0961 (1.03)		-0.0653 (0.74)
<i>Declassified</i> * <i>SRP-Proposal</i> * <i>R&D/Assets</i>		-3.621* (1.84)		-4.033** (2.00)		-4.299* (1.90)		-4.296** (2.11)
<i>Log(Assets)</i>	-0.202 (1.57)	-0.204 (1.58)	-0.177 (1.49)	-0.179 (1.51)	-0.389*** (4.33)	-0.388*** (4.33)	-0.273 (1.30)	-0.279 (1.33)
<i>R&D/Assets</i>	0.695** (2.06)	0.691** (2.04)	0.267 (0.70)	0.259 (0.68)	1.518* (1.88)	1.507* (1.86)	-0.0172 (0.03)	-0.0346 (0.06)
Other controls included	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm + Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Matching criterion	Full sample	Full sample	10%-Q	10%-Q	CB	CB	CB, 10%-Q	CB, 10%-Q
# SRP-declassifications	93	93	93	93	93	93	93	93
N	14,106	14,106	11,420	11,420	6,856	6,856	5,988	5,988
Adjusted R-Squared	0.856	0.856	0.832	0.832	0.825	0.825	0.833	0.834

TABLE 7: ABNORMAL RETURNS OF PORTFOLIOS BUYING DECLASSIFYING SRP TARGETS

This table presents the results of regressions of the monthly stock returns of various equal-weighted portfolios that buy stocks of firms that declassify over the period 2011 – 2015. In columns (1), (4) and (7), the portfolio buys stocks of firms that declassify after being targeted by the SRP ('SRP'). In columns (2), (5) and (8), the portfolio buys stocks of firms that declassify without being targeted by the SRP ('Non-SRP'). In columns (3), (6) and (9), we construct a long-short portfolio that buys stocks of firms that declassify after being targeted by the SRP and sells stocks of firms that declassify without being targeted by the SRP. All regressions use the four-factor Fama-French-Carhart model, which includes a constant plus the market factor in excess of the risk-free rate ("Market"), a size factor ("SMB"), a book-to-market factor ("HML") and a momentum factor ("UMD"). The time period for all portfolios is 2011 – 2015, but only months where the portfolio is non-empty are used. We use stock returns in excess of the risk-free rate. "Alpha per year" indicates the annualized abnormal return. Statistical significance of the coefficients is indicated at the 1%, 5%, and 10% levels by ***, **, and *, respectively. T-statistics (in absolute value) are shown in parentheses. We consider three different ways to construct stock portfolios. In columns (1) – (3), 'Hold for full 60-month period,' stocks are added to the portfolio at the beginning of 2011 and held for 60 months until the end of 2015 (or when the stock is delisted). In columns (4) – (6), 'Add firms after declassification announced,' stocks are added to the portfolio after the firm announces declassification and held until the end of 2015 (or when the stock is delisted). In columns (7) – (9), 'Invest until declassification announced,' stocks are added to the portfolio at the beginning of 2011 and held until the firm announces declassification. We use the month of the shareholder vote on declassification as the month that the firm announces declassification.

Sample construction: Declassifying firms:	Hold for full 60-month period			Add firms after declassification announced			Invest until declassification announced		
	SRP (1)	Non-SRP (2)	Long- short (3)	SRP (4)	Non-SRP (5)	Long- short (6)	SRP (7)	Non-SRP (8)	Long- short (9)
<i>Alpha per year</i>	-1.60% (0.74)	3.948%* (1.86)	-5.53%** (2.04)	-1.44% (0.58)	5.304%** (2.40)	-6.744%* (1.99)	-0.33% (0.11)	0.29% (0.07)	-0.62% (0.12)
<i>Market</i>	1.160*** (22.20)	1.009*** (19.60)	0.151** (2.30)	1.009*** (15.56)	0.907*** (15.72)	0.102 (1.15)	1.235*** (15.45)	1.100*** (9.87)	0.136 (1.01)
<i>HML</i>	0.0870 (0.85)	0.254** (2.51)	-0.167 (1.29)	0.0678 (0.56)	0.192* (1.77)	-0.124 (0.75)	0.175 (1.17)	0.354* (1.69)	-0.179 (0.71)
<i>SMB</i>	0.262*** (3.21)	0.575*** (7.17)	-0.313*** (3.05)	0.170* (2.00)	0.558*** (7.40)	-0.388*** (3.35)	0.336** (2.23)	0.356* (1.69)	-0.0200 (0.08)
<i>UMD</i>	-0.151** (2.49)	-0.152** (2.53)	0.001 (0.01)	-0.147* (1.91)	-0.231*** (3.37)	0.0836 (0.79)	-0.230** (2.42)	-0.0368 (0.28)	-0.193 (1.21)
N	60	60	60	45	45	45	42	42	42
R-sq	0.929	0.927	0.193	0.895	0.922	0.256	0.926	0.836	0.092

APPENDIX TABLE A.1: LOGITS PREDICTING DECLASSIFICATION CONDITIONAL ON SRP PROPOSALS

This table presents the marginal likelihoods of logit regressions that predict declassification in 2012 – 2014 after a firm is targeted by the SRP, for the sample of firms included in the S&P 1500 and that had a classified board in 2011. The variable *SRP Precatory Proposal* is an indicator variable equal to one if the SRP filed a successful precatory proposal for declassification during 2012 – 2014. The variable *Negotiated Proposal* is an indicator variable equal to one if the board agreed to bring the SRP proposal to a shareholder vote as a management-sponsored declassification proposal and without any SRP precatory proposal being voted upon first (as well as if the firm agreed to declassify by amending the bylaws, for a small subset of firms). All other variables use 2011 information and are defined in Table 1. Statistical significance of the coefficients is indicated at the 1%, 5%, and 10% levels by ***, **, and *, respectively. T-statistics (in absolute value) are based on robust standard errors clustered by firm and shown in parentheses.

Dependent variable: <i>Declassification in 2012 - 2014</i>				
	(1)	(2)	(3)	(4)
<i>SRP Precatory Proposal</i>	-0.646*** (3.43)	-0.646*** (3.46)		
<i>Negotiated Proposal</i>	0.540*** (3.52)	0.541*** (3.55)		
<i>Q</i>	0.009 (0.14)		0.004 (0.08)	
<i>ROA</i>		0.084 (0.12)		0.211 (0.25)
<i>Non-Effective SB</i>			0.189* (2.07)	0.185** (1.98)
<i>Delaware Incorporated</i>	0.116 (1.18)	0.117 (1.18)	0.116 (1.15)	0.113 (1.11)
<i>Log(Assets)</i>	-0.097* (1.77)	-0.098** (1.98)	-0.041 (0.64)	-0.039 (0.68)
<i>Book Leverage</i>	-0.395 (1.31)	-0.394 (1.30)	-0.367 (1.21)	-0.352 (1.12)
<i>CAPX/Assets</i>	1.685 (1.35)	1.697 (1.32)	1.791* (1.43)	1.778* (1.44)
<i>R&D/Assets</i>	-3.580*** (2.85)	-3.545*** (2.86)	-3.629** (3.05)	-3.608** (3.04)
<i>R&D Missing</i>	0.015 (0.13)	0.016 (0.14)	0.024 (0.22)	0.027 (0.25)
<i>PPE/Assets</i>	-0.608** (2.13)	-0.612** (2.09)	-0.661** (2.39)	-0.663** (2.43)
<i>N</i>	118	118	111	111
Adjusted R-Squared	0.156	0.156	0.128	0.128

APPENDIX TABLE A.2: DECLASSIFICATION AND FIRM VALUE: WITH/WITHOUT SRP TARGETING

The table presents the results from pooled panel regressions of annual Q for our full sample of firms, with firm and year fixed effects included in all specifications. The time period used is 2011 – 2015. *Declassified* is an indicator variable equal to 1 if the firm declassified the board. *Declassified * SRP-Proposal* is an indicator variable equal to 1 if the firm declassified following the successful submission of a SRP proposal. ‘* *R&D/Assets*’ means the interaction with *R&D/Assets*. *Multiple SRP Proposals* is an indicator variable equal to one if the SRP attempted to declassify the firm in more than one year. The variable *No Declassification SM* is an indicator variable equal to one if the firm failed to declassify after a shareholder vote with majority support for declassification but where the required supermajority vote percentage was not achieved. All other variables are defined in Table 1 and 4. Included control variables that are not shown are *Delaware Incorporation*, *Book Leverage*, *CAPX/Assets*, *R&D Missing*, and *PPE/Asset*. Statistical significance of the coefficients is indicated at the 1%, 5%, and 10% levels by ***, **, and *, respectively. T-statistics (in absolute value) are based on robust standard errors clustered by firm and shown in parentheses.

Dependent variable: Q			
	(1)	(1)	(2)
<i>Declassified</i>	0.0213 (0.31)	0.0218 (0.32)	0.0512 (0.77)
<i>Declassified * SRP-Proposal</i>	-0.110 (1.13)	-0.0972 (1.02)	-0.138* (1.70)
<i>Declassified * R&D/Assets</i>	1.167 (0.88)	1.166 (0.88)	
<i>Declassified * SRP-Proposal * R&D/Assets</i>	-1.436 (0.57)	-1.556 (0.62)	
<i>Declassified * SRP Precatory Proposal</i>	0.136 (1.07)		
<i>Declassified * SRP Precatory Proposal * R&D/Assets</i>	-4.903* (1.69)		
<i>Declassified * Multiple SRP Proposals</i>		0.119 (0.89)	
<i>Declassified * Multiple SRP Proposals * R&D/Assets</i>		-4.767* (1.62)	
<i>No Declassification SM</i>			-0.00796 (0.05)
<i>Log(Assets)</i>	-0.302*** (6.58)	-0.302*** (6.58)	-0.302*** (6.59)
<i>R&D/Assets</i>	0.690** (2.04)	0.691** (2.04)	0.715** (2.12)
<i>Firm + Year Fixed Effects</i>	Yes	Yes	Yes
<i>Other Controls Included</i>	Yes	Yes	Yes
<i>N</i>	14,106	14,106	14,106
<i>Adjusted R-Squared</i>	0.856	0.856	0.856