Independent or Informed? How Combining the Roles of Corporate Secretary and Chief Legal Officer Impacts Legal Risk

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Abstract

Corporate secretaries ("CS") that also serve as Chief Legal Officers ("CLOs") are well informed about firms' legal risks, but their independence may be impaired as they are ultimately responsible for mitigating these risks. Accordingly, we examine the relation between firms with a CS that also serves as the CLO ("CLO duality") and future legal issues. In various tests and settings, we find that CLO duality is associated with fewer incidents of shareholder litigation, regulatory violations, and regulatory penalties. These results are concentrated among firms with a high proportion of independent directors, suggesting a complementarity between CLO duality and board independence. We also find that firms with a combined CFO and CS issue fewer restatements. Results are broadly consistent with CS who are executive officers serving as an important information channel to the board, but only when the board is independent, and are inconsistent with recent calls to eliminate CLO duality.

Keywords: BOARD OF DIRECTORS, GOVERNANCE, INDEPENDENCE, CORPORATE SECRETARY, CHIEF LEGAL OFFICER, GENERAL COUNSEL

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I. INTRODUCTION

An enduring conundrum in corporate governance is ensuring that the board is properly informed to oversee and evaluate the management team when the same managers are responsible for sharing relevant, timely, and unbiased information with the board. This challenge is particularly acute in modern corporations because the corporate secretary (CS), who is typically responsible for gathering and sharing information with the board, usually also serves as the Chief Legal Officer (CLO). As the CLO, she is responsible for identifying potential legal risks and developing strategies to mitigate such risks. However, as the corporate secretary, she informs the board about the effectiveness of these activities. Thus, firms with a combined duty for the CLO ("CLO duality") have a corporate secretary uniquely positioned to work with the board to mitigate legal risks facing the firm, but also one that is incentivized to color management's legal activities in a positive light, which may work against the firm from developing effective legal strategies. This study empirically examines whether firms with CLO duality are more or less likely to experience future legal troubles.

On one hand, CLO duality has the advantage of a well-informed legal mind serving the board. The CLO is responsible for ensuring that the firm complies with extant laws and regulations and managing legal risks and challenges facing the firm as it executes the operating strategy (New York City Bar, 2006; NYSE Governance Services & BarkerGilmore, 2016). Such individuals are well positioned to provide the board with timely information regarding the legal risks it faces, helping the board to oversee and mitigate such risks. Prior research argues that lawyers in corporate boardrooms significantly reduce undue firm risk-taking and increase firm value because they possess litigation and regulatory expertise (Litov et al., 2014). As such, one might expect CLO

duality to be associated with fewer future legal issues, given the added legal expertise in the boardroom. We refer to this argument as the "information" hypothesis.

On the other hand, while CS are well informed about legal risks, they may color their communications with the board more positively or, to the extreme, intentionally mislead the board. As an illustration, consider the case of Apple's former CS and CLO, Nancy Heinen, who falsified documents and misled the board to cover up the backdating of stock options granted to herself and other executives. Heinen settled with the Securities and Exchange Commission (SEC), agreeing to a civil fine of $2.2 million and temporary disbarment from serving as a director or officer of a public corporation.[1] Accordingly, to minimize the risks induced by conflicts of interest in the dual roles, a growing sentiment within the corporate governance community recommends separating the CS and CLO roles (Egon Zehnder International, 2011; Henley Business School & The Institute of Chartered Secretaries Administrators, 2014; Katz, 2015). Given the possibility for abuse of a conflicted CS, it could be the case that CLO duality could be associated with more future legal issues. We refer to this argument as the "impaired independence" hypothesis.

Whether the "information" or "impaired independence" hypothesis more accurately explains the legal issues facing firms is ultimately an empirical question. We begin by gathering a sample of nearly 20,000 firm-year observations in Boardex where we can identify both the CLO and CS. Consistent with prior surveys (NYSE Governance Services & BarkerGilmore, 2016), we find that 80 percent of firm-year observations in our sample have CLO duality. The remaining

[1] Complaint, SEC v. Heinen, No. 07-2214 (N.D. Cal. April 24, 2007).

firms typically combine some other role (most typically CFO) with the CS. Only 3 percent of firms have a stand-alone CS.

While we do not note any trend in the proportion of firms with CLO duality over time, we find that public administration (93%) and wholesale trade (87%) industries have the highest proportion of CLO duality, while mining (74%), transportation/communications (75%), and construction (76%) industries have the lowest proportion. We also notice a monotonic decline in CLO duality as firms age, from 84 percent in our youngest group (0-9 years) to only 67 percent for firm-year observations in our oldest group (60-69 years). This is consistent with firms separating the CLO and CS functions as they grow, and these roles become more complex. Private discussions with practitioners confirm this observation.

To ensure that our analyses are driven by the CLO's combined role and responsibilities and not compensation, we next examine the relation between highly compensated CLOs and CLO duality. Prior literature suggests that the CLO's independence can be impaired through high compensation (Al Mamun et al., 2021; Ham & Koharki, 2016; Hopkins et al., 2015; Jagolinzer et al., 2011; Kwak et al., 2012; Morse et al., 2016). We note a positive correlation between CLO duality and highly paid CLOs, which is not surprising given that CLOs who are CS are trusted to serve the board and receive higher compensation with this added responsibility. However, we find that only roughly half of the firms with CLO duality (52%) have a high-paid CLO, relative to 38 percent for firms without CLO duality. Nonetheless, to ensure that the effects we document are orthogonal to high CLO pay, we control for highly compensated CLOs in all tests.

Given that CLO duality is an endogenous choice reflecting the costs and benefits of such arrangements, we first examine its determinants. In univariate tests of differences in means, we

find that firms with CLO duality are more likely to operate in a high litigation risk industry (36% v. 27%) and have a higher standard deviation of returns (.11 v. .10) suggesting that they are more susceptible to litigation than non-CLO duality firms. However, firms with CLO duality are also smaller ($3.9b in assets v. $11.5b) and have higher board independence than firms without CLO duality (75% v. 71%), suggesting that they are *less* susceptible to litigation than non-CLO duality firms. This last result is consistent with firms perceiving that outside directors counterbalance the independence impairment of the CS. Overall, these differences are generally consistent in multivariate tests. However, we do not find that prior litigation, prior violations, or past violation penalties are related to the decision to adopt CLO duality, which is inconsistent with firms choosing CLO duality based on prior legal issues.

Testing the information and impaired independence hypotheses, we examine the relation between CLO duality and the likelihood of shareholder litigation, regulatory violations and penalties levied for regulatory violations. We examine these outcomes because the CLO is informed but impaired with respect to legal issues, and legal risks can impose significant financial and reputational costs. In univariate tests, we find that firms with CLO duality are 11 percent less likely to face regulatory violations (a 39 percent reduction relative to the sample mean), pay 50 percent fewer penalties when those violations occur (a 103 percent reduction relative to the sample mean), and 4 percent less likely to experience shareholder litigation (a 37 percent reduction relative to the sample mean). We also find that these results (except for the likelihood of a violation) hold in multivariate tests controlling for whether the CLO is highly compensated, size, high-risk industry, sales growth, returns, skewness, and standard deviation, as well as turnover, age, and industry- and year-fixed effects. Overall, these results are consistent with the "information" hypothesis as CLO duality is associated with fewer legal issues in the future.

Since firms endogenously choose the duties of the corporate secretary, we seek to ensure that our treatment and control sample are as similar as possible along observable dimensions to create a matched sample using coarsened exact matching (CEM) techniques (Blackwell et al., 2009; Gallo et al., 2023). CEM is considered superior to propensity score matching for causal inference (King & Nielsen, 2019). We match CLO duality observations to observations without CLO duality along characteristics that are statistically significant determinants of treatment status (Highly paid CLO, Assets, Returns, Board independence, CEO Chairman and Firm age). Using this sample, we re-estimate our main analyses and find directionally consistent results, although we no longer find that CLO duality is significantly associated with regulatory penalties.

Consistent with firms choosing the responsibilities of the CLO (balancing the costs with benefits), it could be the case that young, risky firms bear more legal risk and are more likely to have CLO duality but separate the function as they age, grow more sophisticated, and risk declines.[2] Thus, our results may be driven by firms switching from CLO duality to non-CLO duality. Nonetheless, we conduct two tests to rule out this explanation. First, we examine whether firms separate the function more often than combine the CLO and CS functions. However, we find that 105 firms in our sample combine the CLO/CS roles, while only 57 separate the roles. Second, we conduct difference-in-differences tests to analyze switching firms in the three years after the switch. If the results are driven by the natural tendency of firms to separate the roles as they age and increase in complexity, we should find results that follow switches *from* CLO duality to non-CLO duality. However, we find that the results are generally concentrated among firms that *combine* the CS/CLO roles. We note no consistent or statistically significant change in legal issues

[2] This hypothesis is inconsistent with the determinants model and prior literature which finds the shareholder litigation is increasing in size (Kim & Skinner, 2012).

for firms that separate the CS/CLO roles. Broadly, these results are not consistent with the endogenous change from CLO duality as firms age and grow in complexity. Instead, our results show that firms switching to combined CS/CLO roles are less likely to experience regulatory violations and have lower penalties.

Next, our univariate tests demonstrate that firms with CLO duality have a higher proportion of independent directors. As this is consistent with such firms recognizing the impaired independence of the CLO, we next examine whether the negative relation between CLO duality and the likelihood of future legal issues is driven by firms with a high level of board independence. This is consistent with board independence complementing CLO duality as highly independent boards leverage the legal expertise of the CS. The latter explanation is similar to Defond et al., (2005) who find that financial accounting expertise complements board independence. To examine the effect of board independence, we split the sample by the level of board independence and replicate the OLS tests. Among the high board independence firms, we note a strong and statistically significant result between CLO duality and the likelihood of litigation (coefficient = -3.39, t-stat = 2.05), the likelihood of regulatory violations (coefficient = -3.35, t-stat = 1.50), and regulatory violation penalties (coefficient = -0.57, t-stat = 2.00). Among firms with independence below the median, we find no statistically significant relations. This suggests that firms with an "informed but impaired" CS (with regard to legal issues) are less likely to experience future legal issues, but only if the board includes a high proportion of outside directors.

Up to this point, our examination focused on firms with a Corporate Secretary also serving as the Chief Legal Officer because the CLO is the most frequent title paired with the Corporate Secretary (it occurs in 81 percent of our sample). We examine legal outcomes because these issues

fall within the purview of the CLO. However, we note that the second most frequent title paired with CS is the CFO (which occurs in 5 percent of our sample). To determine whether the information hypothesis generalizes to joint CFO/CS roles ("CFO duality"), we examine the relation between CFO duality and the likelihood of a financial restatement because CFOs have oversight of the financial reporting process. We find that firms with a CFO duality issue 1.5 percent fewer restatements. Further, we find that this result is driven by revision ("Little r") restatements, indicating that firms with informed but impaired CS with respect to financial reporting experience fewer minor misreporting events.

Broadly, these results suggest that having an informed CS can reduce firm risk as it relates to the specific expertise of the CS. Univariate, multivariate, matched-sample, and difference-in-differences tests examining short windows are consistent with the information hypothesis. Firms in which a single individual is tasked with both CLO and CS roles typically experience fewer legal issues than those without CLO duality. However, we find this negative relation only among firms with a high proportion of independent directors, indicating that board independence may mitigate the possible negative effects of impaired independence with the combined CS and CLO roles.

While these results are consistent with a CS serving an important information role to the board, we also note that our ability to draw causal conclusions is limited (given the archival nature of our data). Ideally, we could randomly assign various executives to serve as the CS and observe whether firms avoid issues associated with the expertise of the executive. Clearly, this research design is not feasible. Thus, we conduct several tests to minimize the likelihood that our results are driven by other underlying factors. For example, we find that our results are driven more by

firms that combine the CS and CLO roles than those that naturally separate them as the firm ages, and these roles become more complex.

As we focus on the role that CLOs can play in mitigating legal risks among US corporations, our study is most closely related to those that examine the effects of highly compensated CLOs in the US institutional environment. This literature typically finds that high-paid CLOs exert a cautious influence on firms (Al Mamun et al., 2021; Ham & Koharki, 2016; Hopkins et al., 2015; Jagolinzer et al., 2011; Kwak et al., 2012; Morse et al., 2016). Our study differs from these as we focus on the duties and responsibilities of the CLO and not on the level of compensation. We extend these findings by examining the relation between CLO duality and future legal issues that are closely related to the role and expertise of CLOs. Therefore, our study draws attention to this understudied dimension of the board of directors in US accounting and financing literature.

Further, our study contributes to the limited research exploring the role of the Corporate Secretary in corporate governance in other institutional settings. Nowland et al. (2021) find that the most common role for a CS in their sample of Australian firms is stand-alone, followed by a joint appointment with the CFO. Only 18 percent of their sample have a joint CLO duality, demonstrating the difference in institutional environments between Australia and the US. They find that CFO duality is associated with lower discretionary accruals, audit fees, and a higher likelihood of clean opinions, and CLO duality is associated with more timely reporting, and both are associated with more audit committee meetings. Xing et al. (2019) examine boards listed in the People's Republic of China and find that CS with legal, accounting, and foreign expertise (not necessarily dual appointments) are associated with higher quality management forecasts.

Finally, the tradeoff between informed and impaired independence that we examine in the board context is related to other settings with similar conflicting traits and incentives. For example, an audit partner with a long client tenure is well informed about client operations and audit risk; however, his/her independence is possibly impaired through familiarity with the client and personnel. The PCAOB justified mandatory audit partner rotations on the premise that tenure impairs the independence of audit partners. DeFond & Zhang, (2014) review the literature on audit rotation and conclude that most studies indicate that a long tenure improves audit quality (Carey & Simnett, 2006; Chen et al., 2008; Manry et al., 2008). We also find that having an informed actor whose independence may be impaired leads to beneficial outcomes for the firm. While we focus on one actor (the Corporate Secretary) and one specific context (combining the CS role with other executive roles), our study draws attention to these conflicts in a corporate setting.

II. BACKGROUND AND HYPOTHESIS DEVELOPMENT

The passage of the Sarbanes-Oxley Act in 2002 brought sweeping changes to the US corporate governance landscape and increased the magnitude and complexity of corporate reporting and compliance requirements. The heightened regulatory impetus to enhance overall accountability and expand corporate transparency has significantly transformed the roles and responsibilities of a firm's Corporate Secretary and Chief Legal Officer.[3]

[3] After the enactment of the Sarbanes-Oxley Act (SOX) of 2002, the U.S. Securities and Exchange Commission (SEC) commissioner emphasized corporate secretaries' role in "ensuring high standards of good governance", as they guide the board of directors and management in implementing and overseeing corporate governance reforms. See Speech by SEC Commissioner: Sarbanes-Oxley and the Idea of Good Governance, https://www.sec.gov/news/speech/spch586.htm (accessed 11/2023).

2.1 Corporate Secretary

Corporate secretaries serve as lynchpins for proper corporate governance within firms. States typically require corporations to designate corporate secretaries.[4] They are usually elected officers by the board of directors to oversee governance and administrative matters. While the powers and duties of corporate secretaries are specified by state laws and corporate bylaws, their primary functions of a corporate secretary include setting the board's agenda, developing a firm's governance framework, providing best practices for incorporation, and assisting the board in fulfilling its fiduciary duties to shareholders.[5] Corporate secretaries are expected to ensure that firms are compliant with laws and regulations, keep abreast of activities in the securities markets and provide early warnings to management and the board of critical corporate matters (Society of Corporate Secretaries and Governance Professionals, 2013). To aid the board in performing its responsibilities better, corporate secretaries perform periodic assessments of board structure and governance practices.

The corporate secretary also serves as an information clearinghouse for the board, which could either advantage or disadvantage the firm. The CS typically provides information in advance of meetings, drafts the board's agenda, and serves as a point person between the board and other firm personnel. These responsibilities put them in a position to steer board discussions and color the board's views. Clearly, this provides the CS with the opportunity to paint management's performance in a positive light. However, the CS could also alert the board to issues on the horizon

[4] For example, Section 142(a) of the Delaware General Corporation Law requires an officer "to record the proceedings of the meetings of the stockholders and directors in a book".

[5] We did not find any variation in state laws restricting or requiring the use of CLO duality over our sample period. Delaware, California, New York and Nevada corporate laws explicitly state that the same person may hold the office of corporate secretary as well as another office.

and help develop effective strategies to address impending issues. As the CLO is the executive most often paired with the CS role, this tension is most acute with respect to legal issues.

2.2 Chief Legal Officer

Chief Legal Officers (also known as "General Counsel") advise companies on legal matters and safeguard shareholder interests. The Chief Legal Officer (CLO) has fiduciary duties to the company as well as professional responsibilities. While it is not mandatory for firms to maintain an in-house CLO, CEOs have increasingly relied on internal legal advisors to support decisions related to risk and reputation management, cyber and data security challenges, and litigation issues. CLOs typically have direct reporting lines to both the board of directors and the CEO, although on a day-to-day basis, they work most closely with the rest of the senior management team. [6]

From a corporate governance perspective, having a CLO with direct access to the board could reduce company risk. This was the impetus behind the Sarbanes-Oxley requirement to provide CLOs with board access. This is also consistent with the empirical evidence on the effect of lawyers on corporate boardrooms. Lawyer-directors are shown to reduce corporate risk-taking when the CEO is also the chairman of the board (Litov et al., 2014). Furthermore, two recent surveys suggest that establishing a formal reporting relationship between the CLO and board of directors is increasingly important for effective governance (Association of Corporate Counsel, 2022; Corporate Counsel, 2021).

[6] Section 307 of the Sarbanes-Oxley Act which mandated a reporting obligation to the audit committee if a CEO fails to take appropriate remedial measures when presented with evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by the company. Thus, many corporate managers have a reporting line to the board of directors.

Recent empirical studies have examined the impact of highly compensated CLOs and found disparate effects. On the one hand, highly paid CLOs tend to utilize more aggressive accounting practices, although they do not cross the line to misreporting (Hopkins et al., 2015). Similarly, Ham & Koharki (2016) suggests that the promotion of CLOs to top management is associated with increased credit risk, consistent with debt investors perceiving these companies to be riskier. On the contrary, greater gatekeeping efforts are associated with lower insider trading profits for companies where trades require CLO approval (Jagolinzer et al. 2011). Additionally, firms with a CLO in top management have a greater likelihood of issuing forecasts (especially bad news forecasts), mitigating the risks related to information asymmetry (Kwak et al., 2012). Lower compliance and monitoring breaches have also been shown to result from having a CLO in top management (Morse et al., 2016). In short, the compensation of CLOs is associated with a wide variety of effects, some that appear consistent with "best practices", and some contrary.

2.3 Hypothesis development

Given the above discussion, it is not clear whether combining the roles of the corporate secretary and the CLO will affect future legal issues and in which direction. The CLO is privy to internal assessments of the legal risks and issues facing the firm. Thus, firms with combined roles have the advantage of a well-informed legal mind advising and informing the board. A corporate secretary who is also the CLO "can provide substantial support to the board, and the corporation generally, in minimizing litigation problems" (Veasey & Di Guglielmo, 2012). The board can draw on the CLO's legal skills when legal opinions or advice are required. Thus, combining the CLO and the CS roles may lead to fewer future legal issues. We refer to this as the "information" explanation.

On the other hand, serving in a dual capacity as a corporate secretary and CLO may exacerbate conflicts of interest. This conflict arises because the board is responsible for overseeing the CLO (and the rest of the executive team) but does so based on the information and advice received by the CLO. This provides the opportunity for the CLO to "gloss over" legal issues (for which she is responsible) and avoid accountability for failing to minimize legal risks.[7] Furthermore, both roles are demanding. One person who fulfills both capacities will necessarily have less time and attention to devote to any singular role, leading to less effective management of legal risks. We refer to this as the "impaired independence" explanation.

In summary, it is not clear whether the "information" or "impaired independence" explanation dominates, on average. Therefore, we state our hypothesis in the null form.

H1: Firms that have combined corporate secretary and CLO roles experience no difference in the likelihood and severity of future legal issues than firms that do not combine the corporate secretary and CLO roles.

III. SAMPLE AND RESEARCH DESIGN

3.1 Sample Selection

The initial sample is the universe of publicly traded U.S. firms covered by BoardEx, where the CS and CLO names (and unique ID numbers) are available.[8] To ensure that our sample properly

[7] Warren J. Casey and Michael T. Rave, partners of law firm Day Pitney LLP, in an interview with Metropolitan Corporate Counsel. http://www.metrocorpcounsel.com/articles/9775/role-corporate-secretary-new-post-sarbanesoxley-arena

[8] Boardex obtains information on directors, senior managers, disclosed earners (highest paid executives) from multiple data sources including SEC filings, company press releases, corporate websites and US stock exchanges among other sources.

identifies CLO duality, both treated and control firms have a CLO identified in all analyses.[9] Therefore, firm-years with only a CS (and no CLO) identified are excluded from our study. Treatment firm years are years in which the identities of the CS and CLO are the same. Control firm years are the years in which the CS and CLO are not the same. Consistent with prior research, the data is parsed to identify variations in CS and CLO titles (Ham & Koharki, 2016; Hopkins et al., 2015).[10] This process resulted in an initial sample of 25,661 firm-year observations (3,741 firms).

Our sample period is 2003 – 2019 and excludes financial and utilities firms. We limit the sample to post-Sarbanes Oxley to ensure that all firms operate in similar regulatory environments. Further, to allow time for legal resolutions captured as our outcome variables of interest, we end the sample in 2019.

This study examines securities class action lawsuits from the ISS securities class action services research database and regulatory actions and penalties from the Corporate Research Project of Good Jobs First's Violation Tracker ("Violation Tracker").[11] Recent studies use Violations Tracker to examine co-opted boards and corporate misconduct (Zaman et al., 2021), financial reporting incentives and wage theft, visits from headquarters and local newspapers, and misconduct (Heese et al., 2022; Heese & Pérez-Cavazos, 2019). Financial statements and stock return variables were obtained from Compustat and CRSP, respectively. CLO compensation data

[9] Without this restriction we cannot be certain whether the firm has CLO duality or not. While we know the identity of the corporate secretary, he or she could be a CLO (but not a top officer named in the proxy statement), some other officer (who is not a top officer) or someone external to the firm.

[10] These earlier studies focused on the General Counsel (GC) as a highly paid corporate executive and used Standard and Poor's Executive Compensation database (ExecuComp) to identify the variations of the GC title. While ExecuComp covers 3500+ companies, BoardEx covers 20,000+ public and private companies (covering 900,000+ directors, senior management, and disclosed earners).

[11] We are grateful to Philip Mattera of Good Jobs First for providing us with the Violations Tracker data as of June 2021.

were obtained from ExecuComp. Sample sizes differ across analyses because of merging across datasets.

3.2 Research Design

We use the following multivariate regression model to empirically examine the association between CLO duality and legal actions:

$$\begin{aligned} LegalAction_{it} &= \beta_0 + \beta_1 CLO\ Duality_{it-1} + \beta_2 HighRiskIndustry_{it-1} + \beta_3 Assets_{it-1} \\ &+\beta_4 SalesGrowth_{it-1} + \beta_5 Return_{it-1} + \beta_6 ReturnSkewness_{it-1} \\ &+\beta_7 ReturnStandardDeviation_{it-1} + \beta_9 Turnover_{it-1} + \beta_{10} FirmAge_{it-1} + \varepsilon_{it} \end{aligned} \quad (1)$$

$LegalAction$ captures the likelihood of being the subject of a securities class action lawsuit or a regulatory enforcement action brought by a federal, state, or local government agency, or the penalty associated with the regulatory violation. Specifically, in securities class action lawsuit models, $Lawsuits$ is an indicator variable equal to one if the firm is named in a securities class action lawsuit for a class period that includes the firm year and zero otherwise.[12] In regulatory action models, $Regulatory\ Violation$ is an indicator variable equal to one if the firm is the subject of regulatory enforcement in that firm year and zero otherwise.[13] $Violation\ Penalty$ is the log of one plus the dollar value of the associated penalties assessed in a given firm year.[14] The

[12] Coding the litigation variable in this manner captures the period over which the firm allegedly engaged in misleading behavior and not the period during which the case was (somewhat arbitrarily) filed.

[13] The Violations Tracker dataset does not include details on the period of the offense, so we are limited to using the date the regulatory violation is filed.

[14] Only regulatory enforcements with penalties of $5k or more are included in the Violations Tracker dataset.

variable of interest, $CLO\ Duality$ is an indicator variable equal to one if the same person fills the CS and CLO roles for firm year *t-1*, and zero otherwise.

Following Kim & Skinner, (2012), our control variables include those that predict legal actions. $HighRiskIndustry$ captures firms that operate in industries facing high levels of securities litigation (Francis et al., 1994).[15] Kim & Skinner, (2012) show that larger ($Size$) and more profitable ($SalesGrowth$) firms are more likely to be sued. Greater levels of stock volatility ($ReturnStandardDeviation$), declining stock prices ($Return$), and higher stock turnover ($Turnover$) are also predictive of litigation risk. In addition, we also control for $FirmAge$ as firms may separate the CS and CLO functions as they age, and these roles become more demanding. All independent variables are lagged, as we are interested in the $ex\ ante$ risk of legal action. In addition, all continuous variables were winsorized at the top and bottom 1 percent to limit the influence of outliers.

Our models also include industry- and year-fixed effects to capture within-industry variation and control for time-invariant omitted characteristics.[16] Since residuals could be correlated across years or firms, we corrected standard errors and related t-statistics by clustering by firm and year dimensions to obtain less biased standard errors (Petersen, 2009).

[15] These industries include biotech, computer, electronics and retail.

[16] Since our variable of interest ($CLO\ Duality$) is relatively stable over time within firm we include industry-fixed effects (rather than firm-fixed effects). We do, however, implement difference-in-difference tests over a sample of firms that experience a change to or from CLO duality during the sample period.

IV. EMPIRICAL RESULTS

4.1 Descriptive statistics

We begin our empirical analyses by providing a detailed characterization of CLO duality (i.e., combined CS and CLO roles) between 2003 and 2019. Panel A of Table 1 demonstrates that the most common title jointly associated with the CS role is the CLO role (81%), followed by the CFO function (5%), and the accounting function (3%). Interestingly, although the CS role is increasing in prominence and duties, only a small proportion of firm-years have a standalone CS (3%). In Panel B of Table 1, we classify our sample by whether the CS and CLO roles are combined (identified as $CLO\ Duality$ firms) by year. An average of 81 percent of the 25,661 firm-years have CLO duality. We do not note any trend in CLO duality over time, as the proportion of firm years with CLO duality ranges from 79 percent to 83 percent in the sample period. Thus, any variation we observe is primarily cross-sectional. Panel C of Table 1 demonstrates that large proportions of firms with CLO duality operate in each of the designated industry codes, indicating that industry membership is not an important determinant of CLO duality.[17] Panel D demonstrates a monotonic decline in the proportion of firms with CLO duality as firms age. The proportion of firm-year observations in our youngest group (0-9 years) is 84 percent, but only 67 percent for firm-year observations in our oldest group (60-69 years). Finally, in Panel E of Table 1, we partition our sample based on the CLO's pay status ($Highly\ Paid\ CLO$), because this characteristic has been the focus of several prior studies. We find that a large portion of our sample is in every cell.

[17] We define a firm's industry by the two-digit primary SIC code.

Specifically, among firms with CLO duality, 52 percent have a high-paid CLO, relative to 38 percent for firms without CLO duality.

Table 2 presents descriptive statistics. Across the sample, 82 percent of the firm-year observations report CLO duality. Further, 27 percent of firm-years have a regulatory enforcement action brought by a federal, state, or local government agency, and 10 percent face shareholder litigation.[18] For these firms with a regulatory violation, the average penalty assessed is $2.3M. Firms in industries with a high risk of litigation account for 34 percent of the sample. We observe that the sample firms have high independence, with the proportion of independent directors exceeding the industry average for 68 percent of firm years. In fact, board independence averages 75 percent for the sample firms. Lastly, we find that the CLO is one of the highest-paid corporate executives at 49 percent of the sample firms with compensation data.

Table 3 reports that, relative to firms without CLO duality, firms with CLO duality have a lower incidence of regulatory violations (0.25 versus 0.36), litigation (0.09 versus 0.13), and lower regulatory penalties ($1.7M versus $5.0M). In terms of firm characteristics, firms with CLO duality are more likely to have a CLO who is also a highly paid executive (0.53 versus 0.39), be smaller (a mean total asset value of $3.9 billion relative to $11.4 billion for non-CLO duality observations), younger (25 years old versus 30), have higher stock trading volume (turnover ratio of 2.7 versus 2.5) and have more volatile stock returns (standard deviation of 0.11 versus 0.10). Though firms with CLO duality are more likely to operate in high litigation risk industries, univariate analyses provide evidence that CLO duality is associated with a lower likelihood of lawsuit incidence. Table 4 documents correlations, which are similar to the univariate results in

[18] The proportion of firms with regulatory violations in our sample is similar to other studies using the Violations Tracker data that also find high proportions of firms with violations (for example, Heese et al., (2020)).

Table 3. Most importantly, CLO duality is negatively correlated with litigation, regulatory violations, and regulatory penalties.

4.2 Determinants of the CLO Duality structure

Given that we are the first to analyze CLO duality among US firms, we seek to develop an understanding of the determinants of CLO duality structure within public firms. Our choice of independent variables is based on recent practitioner articles. The size ($Assets$), maturity ($Firm\ Age$) and complexity of the business ($Number\ of\ Business\ Segments$) as well as the sector in which the firm operates, are likely to guide decisions to combine the CS and CLO roles (Egon Zehnder International, 2011; Harvard Law School Center on the Legal Profession, 2016). Increasing and tougher regulations have pushed companies to prioritize risk management. Therefore, the regulatory environment ($High\ Risk\ Industry$) and past litigation ($Past\ Lawsuit, Past\ Regulatory\ Violations\ and\ Past\ Cumulative\ Violation\ Penalty$) influence CLO duality (Egon Zehnder International, 2011; Harvard Law School Center on the Legal Profession, 2016).

We also include an indicator variable for whether the CLO is one of the top highest-paid corporate executives ($Highly\ Paid\ CLO$) to ensure that we capture a unique firm characteristic. Prior research has found that firms with highly paid CLOs utilize more aggressive accounting practices (Hopkins et al., 2015) and have increased credit risk (Ham & Koharki, 2016) although these firms have lower insider trading profits (Jagolinzer et al., 2011), more voluntary disclosures, (Kwak et al., 2012) and lower compliance and monitoring breaches (Morse et al., 2016).

Lastly, our determinants model captures the governance environment, CEO characteristics, and economic determinants. The percentage of independent directors on the board ($Board\ Independence$ %) controls for the effect of the governance environment on CLO duality. Following Linck et al. (2008), we include an indicator for whether the CEO is also the chairman of the board ($CEO - Chairman$) and CEO age ($CEO\ Age$) as determinants of the firm's choice to equip the board with a CS that is versed in legal affairs (i.e., informed) or a CS that is independent of legal affairs. We also incorporate a measure of growth opportunities ($Sales\ Growth$) and firm performance ($Returns$).

Table 5 presents the results of our determinants analysis. We find that firms with highly compensated CLOs are more likely to have CLO duality. Similarly, firms with a higher proportion of independent board members are more likely to have a corporate secretary who has the legal acumen to keep the board apprised of legal risk. This is consistent with independent boards prioritizing legal risk management. However, larger and older firms and firms with strong stock market performance are less likely to adopt CLO duality. This indicates that as firms increase in age, size, and stock returns, they exhibit a preference for a more independent CS (i.e., a CS that advises the board independent of the legal function). In addition, when the CEO also serves as the chairman of the board, firms are less likely to adopt CLO duality, consistent with firms preferring a CS that is free from legal responsibilities.

Columns (1) to (3) of Table 5 include varying controls for whether past legal actions influence a firm's decision to adopt CLO duality. Interestingly, we do not find evidence to support the view that firms respond to different legal actions by combining the CS and CLO roles. However, the financial costs of regulatory penalties over time are associated with CLO duality. Specifically,

firms with higher cumulative regulatory penalties are less likely to have CS duties filled by the CLO.

4.3 The association between CLO duality and legal outcomes

Table 6 reports the results of the multivariate regressions of CLO duality on legal actions. Column (1) demonstrates that firms with CLO duality are 3.2 percent less likely to face shareholder litigation (a decline of roughly 30 percent on the mean rate). We also find that firms with CLO duality are 2 percent less likely to be subject to regulatory violations, but this result is not statistically significant. Finally, we find that firms with CLO duality are assessed 39 percent lower penalties for regulatory violations. In untabulated tests, we also control for CEO characteristics, CEO age and an indicator variable for whether the CEO is also the Board Chair and find similar results to those presented in the Table 6.[19] The coefficients on the control variables results are broadly consistent with prior literature. We find that both the likelihood of being subject to a regulatory violation enforcement and the likelihood of being subject to a shareholder class action lawsuit are significantly greater for larger firms and for firms with higher sales growth. Operating in a high litigation risk industry is positively related to the likelihood of litigation, but negatively related to regulatory violations and penalties. Overall, these results are broadly consistent with univariate results and indicate a lower likelihood of future legal issues for firms with CLO duality.

As discussed above, one concern with the research design in the prior table is that underlying firm characteristics could drive both the role of the CS and future legal outcomes. Next,

[19] In additional untabulated tests, we control for whether the CLO is a member of the board and find similar results.

we complement our main tests using OLS with two other methods, designed to mitigate this potential endogeneity issue.

First, to ensure that our treatment and control samples are as similar as possible along observable dimensions, we created a matched sample using coarsened exact matching (CEM) techniques (Blackwell et al., 2009; Gallo et al., 2023). CEM is considered superior to propensity score matching for causal inference (King & Nielsen, 2019). To do so, we match firm-year observations with CLO duality to firm-year observations without CLO duality along with firm characteristics that are statistically significant determinants of the treatment status ($Highly\ paid\ CLO$, $Assets$, $Returns$, $Board\ independence$, $CEO - Chairman$ and $Firm\ Age$). Using this sample in Panel B of Table 6, we re-estimate our main analyses and find that the results are directionally consistent with the OLS model, but we no longer find that firms with CLO duality pay a statistically lower level of regulatory penalties.

Second, we implement short-window difference-in-differences tests around switches to and from CLO duality. While these tests are not randomly assigned experiments, they limit the effect of possible confounding characteristics or events, as they would have to change with the switch to (or away from) CLO duality during the same period.

Table 7 Panel A tabulates the number of firms that switch to (or away from) CLO duality. We find that a larger number of firms combine rather than separate the roles (105 firms vs 57 firms) indicating that variation in our sample is not driven by firms that endogenously separate the roles as they age and become more complex. It also stands in contrast to calls for companies to separate the CS and CLO roles (Egon Zehnder International, 2011; Henley Business School & The

Institute of Chartered Secretaries Administrators, 2014; Katz, 2015) as many firms choose not to do so.

Considering the results of our multivariate regressions in Table 6, we should observe that a switch to CLO duality (i.e., combining roles) is associated with a lower risk of future legal actions following the change, and a switch away from CLO duality (i.e., separating the roles) is associated with an increased risk of future legal actions following the change. We limit our sample to firms that made a permanent switch, that is, once a switch was made, that structure remained in place for the duration of the years in the sample to exclude firms that made multiple short-term changes in CLO duality during the sample period, as these switches are likely provisional assignments.[20] To examine switches to CLO duality, we include switching firms as well as firms that reported no CLO duality throughout the entire sample (these are firms that had the option to combine the roles but never did) as control firms. Similarly, to examine switches away from CLO duality, our sample includes firms that separated the CS and CLO roles from firms that reported CLO duality throughout the sample period and never separated (these are firms that had the option to separate) as control firms.

Using these samples, we conduct difference-in-difference analyses to examine the three years following the change.[21] The results indicate that the relation between CLO duality and lower future legal issues is driven by firms that combine the roles shown in Panel B of Table 7. Such firms have a lower likelihood of regulatory enforcement violations and lower penalties associated with violations three years following the change. We find no statistically significant effect on legal

[20] This is similar to Dey et al. (2011) in their examination of firms' decisions to combine or separate the CEO and Board chairman roles. They also exclude firms with multiple switches during their sample period.

[21] We also examine one and five years before and after the switch and find similar results.

issues following firms that separate the CS and CLO roles. In Panel B of Table 7, we find no evidence that firms that separate the CS and CLO roles experience legal issues at a different rate following the change.

Overall, these results indicate that the negative relation between firms with CLO duality and future legal issues is driven by changes to rather than away from CLO duality. This undercuts the explanation that the relation between CLO duality and legal outcomes is driven by the endogenous separation of the CLO and CS roles as firms age and become more complex.

4.4 The mediating effect of board independence on the relation between firms with CLO duality and legal outcomes

Prior tests demonstrate that firms with CLO duality experience fewer legal issues in the future. This relation may be more pronounced for firms with a high level of board independence. This is because the independence of the board could remediate the impairment of the CS and because legal expertise in the board room complements board independence (Defond et al., 2005).[22] Therefore, in Table 8, we split the sample by the level of board independence and re-estimate equation 1.[23] We find that the benefit of lower likelihood of legal actions for firms with CLO duality is contained exclusively among firms with high board independence. Specifically, CLO duality firms with high board independence have a statistically significantly lower likelihood of shareholder lawsuits, regulatory enforcement violations, and lower regulatory penalties. We find no statistically significant results for the sample of firms with low board independence.

[22] This is similar to Defond et al., (2005) who find that financial accounting expertise complements board independence.

[23] High board independence is computed using the sample industry medians for fiscal year *t-1*. We obtain similar results using industry means.

Collectively, we believe that our results show that CLO duality complements high-independence boards.

4.5 The effect of CLO/CFO duality on the likelihood of a restatement

Up to this point, our examination focused on firms with a Corporate Secretary also serving as the Chief Legal Officer because the CLO is the most frequent title paired with the Corporate Secretary (it occurs in 82 percent of our sample). We examine legal outcomes because these issues fall within the purview of the CLO. However, we note that the second most frequent title paired with CS is CFO (which occurs in 5 percent of our sample). To determine whether the information hypothesis generalizes to combined CFO and CS roles, we examine the relation between combined CS/CFO roles ($CFO\ Duality$) and the likelihood of financial restatements since CFOs have oversight of the financial reporting process.

Specifically, to test whether restatements are more (less) likely when the corporate secretary and CFO roles are combined, we estimate the following regression:

$$\begin{aligned} Prob(Restatement_{it} = 1) = {} & \beta_0 + \beta_1 CFO\ Duality_{it-1} + \beta_2 WeakIC_{it} + \beta_3 Size_{it-1} \\ & + \beta_4 BigNauditor_{it} + \beta_5 ExternalFinancing_{it+1} \\ & + \beta_6 EPSGrowth_{it-1} + \beta_7 Leverage_{it-1} + \upsilon_{it} \end{aligned} \quad (2)$$

$Restatement$ is an indicator variable with a value of one if the company restated its financial statements for the observed fiscal year and zero otherwise. We further classify restatements as due to (1) fraud, irregularities, investigations, (2) Little r revisions, and (3) Big R restatements. $Restatements\ (Fraud, irregularities, investigations)$ are an indicator variable equal to one

if the firm's financial statements for year t are restated due to fraud, irregularities, misrepresentations, or SEC involvement and zero otherwise. $Restatements\ (Little\ r)$ is an indicator variable equal to one if the firms' financial statements for year t are restated due to a "Little r" revision (does not require an 8-K filing) and zero otherwise. $Restatements\ (Big\ R)$ is an indicator variable equal to one if the firms' financial statements for year t are restated due to a "Big R" restatement that requires an SEC 8-K filing and zero otherwise. Restatement data is obtained from the Audit Analytics Non-Reliance Restatements database.

In equation 2, $CFO\ Duality$ is the independent variable of interest and is an indicator variable equal to one if the Corporate Secretary and CFO roles are filled by the same person for the firm-year and zero otherwise. The set of control variables is guided by prior research and theories. Material weaknesses in internal controls ($WeakIC$) have a greater likelihood of errors in financial statements, leading to restatements (Bens et al., 2012; Blankley et al., 2012; Kinney & McDaniel, 1989). Restatements tend to vary among companies of different sizes ($Size$). Firms audited by larger audit firms ($Big5\ auditor$) are less likely to issue restatements (Kinney & McDaniel, 1989). Firms that are more likely to access capital markets ($ExternalFinancing$) and firms with declining EPS ($EPSGrowth$) are more likely to have their earnings restated (Richardson et al., 2003). Finally, $Leverage$ is often associated with restatements (Aier et al., 2005; Dechow et al., 1996; Defond & Jiambalvo, 1991). We estimate equation 2 and find that firms that combine the CS and CFO roles issue 1.5 percent fewer restatements. When we categorize restatements, we find that this result is driven by "Little r" revisions. This suggests that firms with a CS informed about

financial reporting matters but lack independence from management have a lower likelihood of minor misreporting events.[24]

V. CONCLUSION

In this study, we examine the conflict between an informed but impaired secretary serving the board of directors. We focus on whether the CLO also serves as the corporate secretary and future legal issues. On the one hand, such firms have the advantage of a well-informed legal mind that helps the board evaluate legal risks. Thus, one might expect firms with CLO duality to face fewer future legal issues. We refer to this as the "information" hypothesis. On the other hand, while such corporate secretaries are well-informed, they may color their communications with the board, intentionally misleading the board when it advantages management. Given the possibility of abuse of a conflicted CS, firms with CLO duality could face more future legal issues. We refer to this as the "impaired independence" hypothesis.

To examine whether the "information" or "impaired independence" hypothesis more accurately explains the legal issues facing firms, we examine the relation between firms with CLO duality and the likelihood of shareholder litigation, regulatory violations, and levied regulatory penalties. In univariate, multivariate, matched-sample, and short-window difference-in-differences tests, we find that firms with CLO duality are less likely to face litigation and pay lower regulatory penalties. Cross-sectional tests reveal that the negative relation between firms with CLO duality and legal issues is driven by firms with high board independence, suggesting a

[24] In untabulated tests, we find no statistical relation between CFO duality and the presence of either SEC Accounting and Auditing Enforcement Releases or internal control weaknesses. This could be attributable to the small sample of firms with CFO duality affecting the power of these tests, CFO duality affecting more minor outcomes (such restatements due to revisions), or CFO duality not affecting SEC enforcement decisions.

complementarity between CLO duality and board independence. Examining changes in CLO duality, we find that the relation between CLO duality firms and future legal issues is driven by firms that combine the roles and not by firms that naturally separate the roles as the firm ages and the roles become more complex. Finally, broadening our tests to financial reporting risks and CFO duties, we find that the financial statements of firms with CFO duality are less likely to be restated.

Broadly, our results are consistent with a CS serving an important information role to the board despite the potential for independence impairment. We also note that, given the archival nature of our data, our ability to draw causal conclusions is limited. Nonetheless, our results should give pause to regulators and commentators who recommend separating the CLO and CS roles, as this structure may not be suitable for all firms and could lead to costly unintended consequences.

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Appendix: Variable Descriptions

CLO Duality models

Variable	Description
Assets	The natural logarithm of one plus the firm's total assets as of the end of fiscal year *t-1*. *[Source: Compustat]*
CEO Age	CEO age calculated as the difference between fiscal year *t-1* and the CEO's date of birth. *[Source: BoardEx]*
CEO-Chairman	An indicator variable equal to one if the CEO is also the Chairman of the Board and is zero otherwise. *[Source: BoardEx]*
CLO/CS_Firm	An indicator variable equal to one if the firm combines corporate secretary and chief legal officer roles in the current year and is zero otherwise. *[Source: BoardEx]*
CLO Duality	An indicator variable equal to one if the corporate secretary and chief legal officer roles are filled by the same person as of the end of fiscal year *t-1* and is zero otherwise. *[Source: BoardEx]*
Firm Age	Number of years since the firm was first listed on Compustat. *[Source: Compustat]*
High Board Independence	An indicator variable equal to one if the proportion of independent directors on the board exceeds the sample industry median for fiscal year *t-1* and is zero otherwise. *[Source: BoardEx]*
High Risk Industry	An indicator variable that equals one if the firm operates in a high-litigation industry, and zero otherwise. High litigation industries are biotechnology (SIC codes 2833–2836 and 8731–8734), computers (SIC codes 3570–3577 and 7370–7374), electronics (SIC codes 3600–3674), and retail (SIC codes 5200–5961). *[Source: Compustat]*
Highly paid CLO	Indicator variable that takes a value of 1 if the chief legal officer is reported as one of the top five compensated officers of the firm and 0 otherwise. *[Source: ExecuComp]*
Lawsuits	An indicator variable equal to one if the firm was named in a SEC shareholder class action lawsuit for a class period that includes the current firm year and is zero otherwise. *[Source: ISS]*
Number of Business Segments	The natural logarithm of one plus the number of business segments as of the end of the fiscal year *t-1*. *[Source: Compustat]*

Appendix: Variable Descriptions (continued)

Variable	Description
Past Cumulative Violation Penalty	The natural logarithm of one plus the cumulative penalties assessed with regulatory enforcement actions for all previous years with available regulatory violations data and is zero otherwise. *[Source: Violations Tracker]*
Past Lawsuit	An indicator variable equal to one if the firm was named in a SEC shareholder class action lawsuit for a class period that includes any of the previous years with available lawsuit data and is zero otherwise. *[Source: ISS]*
Past Regulatory Violations	An indicator variable that equals 1 if the firm faced a regulatory enforcement action for any of the previous years with available regulatory violations data and is zero otherwise. *[Source: Violations Tracker]*
Post_change	An indicator variable equal to 1 starting in the year the firm switches to or from the CLO Duality structure and zero otherwise. *[Source: BoardEx]*
Regulatory Violations	An indicator variable that equals 1 if the firm faced a regulatory enforcement action for fiscal year t and is zero otherwise. *[Source: Violations Tracker]*
Return Skewness	Skewness of the firm's 12-month return for fiscal year *t-1. [Source: CRSP]*
Return Standard Deviation	Standard deviation of the firm's 12-month returns for year *t -1. [Source: CRSP]*
Returns	Market-adjusted 12-month stock return for fiscal year *t-1. [Source: CRSP]*
Sales Growth	Year *t-1* sales less year *t-2* sales scaled by beginning of year *t-1* total assets. *[Source: Compustat]*
Non-CLO/CS_Firm	An indicator variable equal to one if a firm separates the corporate secretary and chief legal officer roles in the current year and is zero otherwise. *[Source: BoardEx]*
Turnover	Trading volume accumulated over the firm's 12-month period for fiscal year t -1. *[Source: CRSP]*
Violation Penalty	The natural logarithm of one plus the penalties assessed due to regulatory enforcement actions as of the end of the fiscal year *t* and zero if no penalties assessed. *[Source: Violations Tracker]*

Appendix: Variable Descriptions (continued)

CFO Duality models

Big5_auditor	An indicator variable that equals one if the firm is audited by Arthur Andersen, Deloitte & Touche, Ernst & Young, KPMG, or PricewaterhouseCoopers, and zero otherwise. *[Source: AuditAnalytics]*
CFO Duality	An indicator variable equal to one if the corporate secretary and chief financial officer roles are filled by the same person as of the end of fiscal year *t-1* and is zero otherwise. *[Source: BoardEx]*
External Financing	An indicator variable that equals one if the firm issues equity or debt in the subsequent year, and zero otherwise. *[Compustat]*
EPS Growth	A dummy variable that has a value of 1 if a firm has 4 consecutive quarters of growth during the previous fiscal year. *[Compustat]*
ICW	An indicator variable equal to one if the firm's internal controls are considered weak for year t, or zero otherwise. *[Source: AuditAnalytics]*
Leverage	The ratio of total liabilities to total assets at the beginning of the current fiscal year. *[Compustat]*
Restatements	An indicator variable equal to one if the firm's financial statements for year t are restated, or zero otherwise. *[Source: AuditAnalytics]*
Restatements (Frauds, irregularities, investigations)	An indicator variable equal to one if the firm's financial statements for year t are restated due to fraud, irregularities, misrepresentations, or SEC involvement, or zero otherwise. *[Source: AuditAnalytics]*
Restatements (Little r)	An indicator variable equal to one if the firms' financial statements for year t are restated due to a "Little r" restatement (does not require an 8-K filing), or zero otherwise. *[Source: AuditAnalytics]*
Restatements (Big R)	An indicator variable equal to one if the firms' financial statements for year t are restated due to a "Big R" restatement that require an SEC 8-K filing, or zero otherwise. *[Source: AuditAnalytics]*
Size	The natural logarithm of the firm's total assets as of the end of the fiscal year *t-1*. *[Compustat]*

Table 1: Description of CLO Duality Firms

Panel A: Summary of Corporate Secretary roles

Roles	# observations	% of total
Chief Legal Officer/General Counsel/VP - Legal	20,745	80.84%
Chief Financial Officer (CFO)	1,275	4.97%
Treasurer/Chief Accounting Officer/Corporate Controller	826	3.22%
Temporary/Subordinate General counsel	983	3.83%
Corporate Secretary only	849	3.31%
CEO/President	190	0.74%
Chairman/Chairwoman	112	0.44%
Chief Administrative(ion) Officer/Chief Business Officer	118	0.46%
Chief Governance Officer	70	0.27%
Chief Compliance Officer	65	0.25%
Independent Director	40	0.16%
Chief Human Resources Officer	38	0.15%
Chief Ethics Officer	16	0.06%
Investor Relations Officer	3	0.01%
Other titles	331	1.29%
Total observations	**25,661**	**100.00%**

Panel B: CLO Duality firms by year

Year	CLO Duality		Non-CLO Duality		Total
2003	1,022	79%	270	21%	1,292
2004	1,122	79%	297	21%	1,419
2005	1,208	80%	306	20%	1,514
2006	1,243	80%	303	20%	1,546
2007	1,239	81%	289	19%	1,528
2008	1,203	79%	318	21%	1,521
2009	1,186	80%	303	20%	1,489
2010	1,176	80%	288	20%	1,464
2011	1,175	80%	290	20%	1,465
2012	1,205	81%	279	19%	1,484
2013	1,249	82%	270	18%	1,519
2014	1,296	82%	277	18%	1,573
2015	1,289	82%	276	18%	1,565
2016	1,266	81%	293	19%	1,559
2017	1,254	81%	292	19%	1,546
2018	1,297	82%	291	18%	1,588
2019	1,315	83%	274	17%	1,589
Total	**20,745**	**81%**	**4,916**	**19%**	**25,661**

Table 1: Description of CLO Duality Firms (continued)

Panel C: CLO Duality firms by industry

Industry Title	CLO Duality		Non-CLO Duality		Total
Construction	309	76%	100	24%	409
Manufacturing	9,452	82%	2,092	18%	11,544
Mining	1,123	74%	386	26%	1,509
Public Administration	41	93%	3	7%	44
Retail Trade	1,760	83%	363	17%	2,123
Services	4,667	83%	942	17%	5,609
Transportation, Communications	1,092	75%	369	25%	1,461
Wholesale Trade	821	87%	125	13%	946
Total	**19,265**	**81%**	**4,380**	**19%**	**23,645**

Panel D: CLO Duality firms by age

Firm Age Groups	CLO Duality		Non-CLO Duality		Total
0-9 years	6,209	84%	1,187	16%	7,396
10-19 years	5,932	82%	1,294	18%	7,226
20-29 years	3,193	81%	772	19%	3,965
30-39 years	1,438	81%	342	19%	1,780
40-49 years	1,378	80%	350	20%	1,728
50-59 years	1,046	70%	452	30%	1,498
60-69 years	516	67%	252	33%	768
Total	19,712	81%	4,649	19%	24,361

Panel E: Summary of CLO Duality and Highly paid CLO

	Highly paid CLO		
CLO Duality	**No**	**Yes**	**Total**
No	1,700	1,037	2,737
Yes	5,612	5,964	11,576
Total	7,312	7,001	14,313

Table 2: Descriptive statistics for sample firms

Variables	N	Mean	Standard Deviation	25th percentile	Median	75th percentile
CLO Duality	12,179	0.82	0.39	1.00	1.00	1.00
Lawsuits	12,179	0.10	0.30	0.00	0.00	0.00
Regulatory Violations	12,179	0.27	0.44	0.00	0.00	1.00
Violation Penalty (logged)	12,179	3.12	5.31	0.00	0.00	8.75
Highly Paid CLO	12,179	0.50	0.50	0.00	1.00	1.00
$Assets_{t-1}$ (logged)	12,179	7.36	1.41	6.38	7.30	8.27
Sales $Growth_{t-1}$	12,179	0.09	0.22	-0.01	0.06	0.16
High Risk Industry	12,179	0.34	0.48	0.00	0.00	1.00
$Returns_{t-1}$	12,179	0.07	0.43	-0.19	0.01	0.23
Return $Skewness_{t-1}$	12,179	0.12	0.75	-0.37	0.10	0.58
Return Standard $Deviation_{t-1}$	12,179	0.11	0.06	0.07	0.09	0.13
$Turnover_{t-1}$	12,179	2.69	1.88	1.42	2.16	3.36
Firm Age_{t-1}	12,179	26.26	17.37	12.00	21.00	40.00
Board Independence %	12,167	0.75	0.44	0.00	1.00	1.00
CEO-$Chairman_{t-1}$	11,915	0.48	0.50	0.00	0.00	1.00
CEO Age_{t-1}	11,891	55.68	7.15	51.00	56.00	60.00

This table provides descriptive statistics for the main sample and key determinants used in this study. All continuous variables used in the regressions are winsorized at the top and bottom one percent. Refer to the Appendix for variable definitions.

Table 3: Mean differences across CLO Duality and non-CLO Duality firm years

	CLO Duality		Non-CLO Duality			
Variables	**N**	**Mean**	**N**	**Mean**	**Mean difference**	**T-statistic**
Lawsuits	9,982	0.09	2,197	0.13	-0.04***	(-4.70)
Regulatory Violations	9,982	0.25	2,197	0.36	-0.10***	(-9.35)
Violation Penalty (logged)	9,982	2.86	2,197	4.32	-1.46***	(-10.48)
Highly Paid CLO	9,982	0.53	2197	0.39	0.14***	(12.17)
$Assets_{t-1}$ (logged)	9,982	7.26	2,197	7.82	-0.55***	(-14.79)
Sales $Growth_{t-1}$	9,982	0.09	2197	0.09	0.00	(0.61)
High Risk Industry	9,982	0.36	2197	0.27	0.09***	(8.49)
$Returns_{t-1}$	9,982	0.07	2,197	0.08	-0.01	(-0.99)
Return $Skewness_{t-1}$	9,982	0.12	2,197	0.09	0.03	(1.93)
Return Standard $Deviation_{t-1}$	9,982	0.11	2197	0.10	0.01***	(5.34)
$Turnover_{t-1}$	9,982	2.72	2197	2.52	0.20***	(4.92)
Firm Age_{t-1}	9,982	25.46	2,197	29.89	-4.43***	(-10.10)
Board Independence %	9,978	0.75	2,189	0.71	0.04***	(4.117)
CEO-$Chairman_{t-1}$	9,759	0.47	2,156	0.56	- 0.09***	(-7.446)
CEO Age_{t-1}	9,750	55.40	2,141	56.98	-1.59***	(-9.42)

Table 3 presents the mean differences between firms with combined corporate secretary and chief legal officer roles (CLO Duality firm years) and firms with separated corporate secretary and chief legal officer roles (Non-CLO Duality firm-years) for the variables used in our main sample and key determinants used in the study. The symbols ***, **, and * denote significance at the 0.01, 0.05, and 0.10 levels, respectively. Refer to the Appendix for variable definitions.

Table 4: Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. CLO Duality	1.00	0.11***	-0.08***	-0.09***	-0.05***	-0.12***	-0.00
2. Highly Paid CLO	0.11***	1.00	-0.01	-0.01	0.01	-0.02	-0.08***
3. Regulatory Violations	-0.08***	-0.01	1.00	0.98***	-0.02*	0.39***	0.01
4. Violation Penalty	-0.10***	-0.01	0.97***	1.00	-0.02	0.41***	0.01
5. Lawsuits	-0.05***	0.01	-0.02*	-0.01	1.00	0.04***	0.04***
6. Assets	-0.16***	-0.03**	0.23***	0.29***	0.06***	1.00	-0.09***
7. High Risk Industry	-0.00	-0.07***	0.01	0.01	0.05***	-0.03***	1.00
8. Sales Growth	0.07***	-0.10***	-0.19***	-0.17***	0.03***	-0.04***	0.01
9. Returns	-0.01	-0.03**	-0.02	-0.02	0.02	-0.02*	0.16***
10. Return Skewness	0.02	0.000	-0.04***	-0.04***	0.00	-0.03**	-0.02
11. Return Standard Deviation	0.05**	0.03***	-0.16***	-0.16***	0.01***	-0.14***	-0.07***
12. Turnover	0.04***	-0.02	-0.04***	-0.04***	0.10***	-0.05***	0.04***
13. Firm Age	-0.10***	0.03***	0.28***	0.28***	-0.04***	0.22***	-0.14***

Table 4: Correlations (continued)

Variables	(8)	(9)	(10)	(11)	(12)	(13)
1. CLO Duality	0.07***	-0.02*	0.01	0.06***	0.04***	-0.09***
2. Highly Paid CLO	-0.10***	-0.03***	-0.00	0.03***	-0.02*	0.03**
3. Regulatory Violations	-0.19***	0.01	-0.04***	-0.19***	-0.04***	0.25***
4. Violation Penalty	-0.17***	0.01	-0.04***	-0.19***	-0.03***	0.25***
5. Lawsuits	0.03***	0.01	0.00	0.04***	0.10***	-0.04***
6. Assets	-0.16***	-0.01	-0.08***	-0.38***	0.13***	0.35***
7. High Risk Industry	0.03**	0.20***	-0.02	-0.05***	0.03***	-0.16***
8. Sales Growth	1.00	-0.01	0.03***	0.11***	0.16***	-0.19***
9. Returns	0.01	1.00	0.14***	-0.05***	-0.08***	-0.02
10. Return Skewness	0.03***	0.18***	1.00	0.15***	0.00	-0.02*
11. Return Standard Deviation	0.09***	0.14***	0.23***	1.00	0.37***	-0.26***
12. Turnover	0.15***	0.00	0.03**	0.36***	1.00	-0.15***
13. Firm Age	-0.21***	-0.06***	-0.03**	-0.22***	-0.15***	1.00

Table 4 reports correlations for the main sample. Pearson correlations are above the diagonal and Spearman correlations are below the diagonal. All variables are defined in the appendix.

Table 5: Determinants of the CLO Duality structure

Variables	(1)	(2)	(3)
Highly paid CLO_t	9.35***	9.42***	6.93***
	(6.53)	(6.55)	(3.23)
$Assets_{t-1}$	-3.15***	-3.25***	-4.40***
	(-3.90)	(-3.94)	(-3.27)
Sales $Growth_{t-1}$	-2.27	-2.44	-4.62
	(-0.92)	(-0.99)	(-1.27)
$Returns_{t-1}$	-1.36***	-1.37***	-0.93
	(-3.15)	(-3.31)	(-0.59)
High Risk Industry	0.72	1.45	0.04
	(0.23)	(0.48)	(0.01)
Board Independence %	35.18***	35.42***	26.25
	(2.84)	(2.87)	(1.31)
$CEO\text{-}Chairman_{t-1}$	-3.18**	-3.21**	-1.84
	(-1.96)	(-1.98)	(-0.71)
CEO Age_{t-1}	-0.18	-0.19	-0.19
	(-1.48)	(-1.55)	(-0.97)
Number of Business $Segments_{t-1}$	-0.74	-0.81	0.50
	(-0.45)	(-0.49)	(0.20)
Firm Age_{t-1}	-0.13**	-0.13**	-0.12
	(-2.04)	(-2.15)	(-1.38)
Past Lawsuit	1.22		
	(0.71)		
Past Regulatory Violations		1.77	
		(0.91)	
Past Cumulative Violation Penalty			-1.28**
			(-2.10)
Observations	11,515	11,515	5,352
R-squared	0.10	0.10	0.16
Industry Fixed Effects	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes

This table presents the results of a regression of the likelihood of adopting the CLO Duality structure on its potential determinants. Columns (1) to (3) incorporate different measures of the regulatory environment, using measures of past legal actions. The T-statistics are shown in parentheses. The symbols ***, **, and * denote significance at the 0.01, 0.05, and 0.10 levels, respectively. In each column, standard errors are clustered by firm and year. All continuous variables used in the regressions are winsorized at the top and bottom one percent. Refer to the appendix for variable definitions.

Table 6: Regression of CLO Duality and legal actions

Panel A: Full Sample			
	(1)	**(2)**	**(3)**
Variables	**Lawsuits**	**Regulatory Violations**	**Violation Penalty**
CLO Duality$_{t-1}$	**-3.24****	-1.97	**-0.39***
	(-2.45)	(-1.21)	**(-1.88)**
Highly paid CLO$_t$	1.34*	-1.51	-0.17
	(1.65)	(-1.23)	(-1.11)
Assets$_{t-1}$	1.67***	9.72***	1.31***
	(3.00)	(14.40)	(14.65)
High Risk Industry	6.12***	-17.10***	-1.74***
	(3.15)	(-5.87)	(-5.12)
Sales Growth$_{t-1}$	7.55***	6.64***	0.80***
	(4.02)	(3.46)	(3.89)
Returns$_{t-1}$	0.39	0.53	0.06
	(0.49)	(0.72)	(0.61)
Return Skewness$_{t-1}$	-0.26	-0.07	0.00
	(-0.73)	(-0.19)	(0.06)
Return Standard Deviation$_{t-1}$	15.62*	10.99	2.17*
	(1.76)	(1.16)	(1.94)
Turnover$_{t-1}$	1.56***	-1.24***	-0.16***
	(5.00)	(-3.15)	(-3.40)
Firm Age$_{t-1}$	-0.01	0.26***	0.03***
	(-0.14)	(4.30)	(4.31)
Observations	12,179	12,179	12,179
R-squared	0.07	0.27	0.28
Industry Fixed Effects	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes

Panel A of Table 6 reports the results of regressions estimating the relation between CLO Duality and legal actions over the period 2003–2019 using the full sample. The dependent variables are listed as column headings and include *Lawsuits*, *Regulatory Violations* and *Violation Penalty*. Variables are defined in the appendix. The symbols ***, **, and * denote significance at the 0.01, 0.05, and 0.10 levels, respectively. In each column, standard errors are clustered by firm and year. All continuous variables used in the regressions are winsorized at the top and bottom one percent.

Table 6: Regression of CLO Duality and legal actions (continued)

Panel B: Matched Sample (Coarsened exact matching)			
	(1)	**(2)**	**(3)**
Variables	**Lawsuits**	**Regulatory Violations**	**Violation Penalty**
CLO Duality$_{t-1}$	**-4.97*****	-0.75	-0.24
	(-2.64)	(-0.36)	(-0.96)
Highly paid CLO$_t$	1.18	-1.01	-0.15
	(0.87)	(-0.64)	(-0.76)
Assets$_{t-1}$	2.36***	10.61***	1.46***
	(2.67)	(12.04)	(13.19)
High Risk Industry	8.38***	-18.65***	-1.93***
	(3.81)	(-4.96)	(-4.27)
Sales Growth$_{t-1}$	5.20**	5.41*	0.93**
	(2.39)	(1.72)	(2.43)
Returns$_{t-1}$	0.34	-1.15	-0.14
	(0.16)	(-0.51)	(-0.48)
Return Skewness$_{t-1}$	-0.98	0.45	0.06
	(-1.44)	(0.68)	(0.69)
Return Standard Deviation$_{t-1}$	28.27**	9.46	1.65
	(2.41)	(0.48)	(0.77)
Turnover$_{t-1}$	1.53***	-1.49***	-0.19***
	(3.64)	(-3.14)	(-3.53)
Firm Age$_{t-1}$	-0.01	0.23***	0.03***
	(-0.09)	(3.18)	(3.23)
Observations	4,757	4,757	4,757
R-squared	0.08	0.29	0.31
Industry Fixed Effects	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes

Panel B of Table 6 reports the results of regressions estimating the relation between CLO Duality and legal actions over the period 2003–2019 using a matched sample of firms based on coarsened exact matching. The dependent variables are listed as column headings and include $Lawsuits$, $Regulatory\ Violations$ and $Violation\ Penalty$. Variables are defined in the appendix. The symbols ***, **, and * denote significance at the 0.01, 0.05, and 0.10 levels, respectively. In each column, standard errors are clustered by firm and year. All continuous variables used in the regressions are winsorized at the top and bottom one percent.

Table 7: Changes in CLO Duality structures

Panel A: Summary of firms that changed CLO Duality structures each year

Year	Changes *to* CLO Duality	Changes *from* CLO Duality
2003	4	1
2004	5	5
2005	6	1
2006	4	5
2007	8	4
2008	6	3
2009	4	2
2010	4	2
2011	5	2
2012	5	4
2013	4	4
2014	7	3
2015	15	5
2016	7	3
2017	4	5
2018	10	4
2019	7	4
Total	**105**	**57**

Panel A of Table 7 provides a summary of firms that changed to and from the CLO Duality structure during our sample period 2003 – 2019.

Table 7: Difference-in-Difference Regression of changes in CLO Duality structures

Panel B	**Changes *to* CLO Duality**			**Changes *from* CLO Duality**		
	(1)	**(2)**	**(3)**	**(1)**	**(2)**	**(3)**
Variables	**Lawsuits**	**Regulatory Violations**	**Violation Penalty**	**Lawsuits**	**Regulatory Violations**	**Violation Penalty**
CLO/CS_Firm or Non-CLO/CS_Firm	-0.54	4.22	0.57	-6.81***	11.79*	1.50*
	(-0.20)	(1.27)	(1.31)	(-3.13)	(1.86)	(1.91)
Post_change	-2.46	9.87*	1.29**	2.66	-1.17	-0.23
	(-0.65)	(1.88)	(1.98)	(0.92)	(-0.29)	(-0.49)
CLO/CS_Firm*Post_change	5.71	**-15.10****	**-2.06****	1.44	-0.44	0.05
	(1.20)	**(-2.10)**	**(-2.35)**	(0.31)	(-0.06)	(0.05)
Highly paid CLO_t	1.02	-1.83	-0.23	1.04	-1.97	-0.24*
	(1.09)	(-1.47)	(-1.51)	(1.12)	(-1.59)	(-1.65)
$Assets_{t-1}$	2.37***	9.23***	1.25***	2.39***	9.19***	1.24***
	(3.64)	(12.92)	(12.92)	(3.68)	(12.89)	(12.89)
High Risk Industry	6.55***	-17.07***	-1.69***	6.39***	-16.83***	-1.66***
	(3.00)	(-5.90)	(-5.03)	(2.93)	(-5.71)	(-4.85)
Sales $Growth_{t-1}$	7.33***	6.68***	0.80***	7.30***	6.75***	0.81***
	(3.87)	(3.10)	(3.42)	(3.85)	(3.14)	(3.46)
$Returns_{t-1}$	0.88	0.97	0.11	0.90	0.95	0.10
	(0.96)	(1.37)	(1.16)	(1.00)	(1.33)	(1.13)
Return $Skewness_{t-1}$	-0.28	-0.46	-0.04	-0.28	-0.47	-0.04
	(-0.61)	(-0.98)	(-0.62)	(-0.61)	(-1.00)	(-0.64)
Return Standard $Deviation_{t-1}$	20.37**	5.71	1.50	19.90**	6.50	1.60
	(2.18)	(0.54)	(1.19)	(2.14)	(0.60)	(1.25)
$Turnover_{t-1}$	1.62***	-0.82*	-0.11**	1.64***	-0.85*	-0.12**
	(4.57)	(-1.90)	(-2.10)	(4.61)	(-1.96)	(-2.16)
Firm Age_{t-1}	-0.02	0.23***	0.03***	-0.02	0.22***	0.03***
	(-0.44)	(3.51)	(3.72)	(-0.41)	(3.50)	(3.70)
Observations	10,789	10,789	10,789	10,789	10,789	10,789
R-squared	0.07	0.26	0.27	0.07	0.26	0.28
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

Panel B of Table 7 reports the results of regressions estimating the relation between changes *to* CLO Duality (CLO/CS_Firm) and *from* CLO Duality (Non- CLO/CS_Firm) and legal actions over the period 2003–2019. The dependent variables are listed as column headings and include $Lawsuits$, $Regulatory\ Violations$ and $Violation\ Penalty$. Variables are defined in the appendix. The symbols ***, **, and * denote significance at the 0.01, 0.05, and 0.10 levels, respectively. Standard errors are clustered by firm. All continuous variables used in the regressions are winsorized at the top and bottom one percent.

Table 8: The effect of board independence

	High Independence			Low Independence		
Variables	**Lawsuits**	**Regulatory Violations**	**Violation Penalty**	**Lawsuits**	**Regulatory Violations**	**Violation Penalty**
CLO Duality$_{t-1}$	**-3.39****	-3.35	**-0.57****	-2.60	-0.33	-0.19
	(-2.05)	(-1.50)	**(-2.00)**	(-1.42)	(-0.15)	(-0.74)
Highly paid CLO$_t$	1.31	-2.82**	-0.35**	0.87	1.36	0.21
	(1.22)	(-1.99)	(-1.99)	(0.73)	(0.93)	(1.24)
Assets$_{t-1}$	1.90***	9.80***	1.34***	0.98	9.11***	1.19***
	(3.05)	(12.11)	(12.45)	(1.35)	(10.92)	(11.05)
High Risk Industry$_t$	8.59***	-18.80***	-2.00***	1.24	-13.21***	-1.21***
	(3.62)	(-5.51)	(-4.88)	(0.43)	(-3.00)	(-2.59)
Sales Growth$_{t-1}$	7.42***	7.82***	0.99***	8.38***	5.53**	0.57**
	(3.03)	(2.84)	(3.27)	(3.79)	(2.31)	(2.19)
Returns$_{t-1}$	0.20	0.16	0.02	0.71	1.04	0.11
	(0.24)	(0.15)	(0.15)	(0.59)	(1.28)	(1.24)
Return Skewness$_{t-1}$	-0.21	0.03	-0.00	-0.13	-0.23	0.01
	(-0.42)	(0.05)	(-0.06)	(-0.21)	(-0.35)	(0.16)
Return Standard Deviation$_{t-1}$	22.69**	9.38	2.47*	3.56	17.86	2.36*
	(2.02)	(0.78)	(1.68)	(0.28)	(1.49)	(1.76)
Turnover$_{t-1}$	1.45***	-1.52***	-0.20***	1.62***	-0.77	-0.10*
	(3.49)	(-3.25)	(-3.49)	(2.88)	(-1.62)	(-1.86)
Firm Age$_{t-1}$	0.00	0.21***	0.03***	-0.01	0.40***	0.05***
	(0.00)	(3.04)	(3.10)	(-0.15)	(4.74)	(4.51)
Observations	7,677	7,677	7,677	4,502	4,502	4,502
R-squared	0.08	0.28	0.30	0.07	0.27	0.28
Industry Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

This table reports regressions of whether the relation between $CLO\ Duality$ and legal actions differs across corporate governance environments. The sample is partitioned based on high versus low board independence ($High\ Board\ Independence$ = 1 or 0). The dependent variables are listed as column headings and include $Lawsuits$, $Regulatory\ Violations$ and $Violation\ Penalty$. Variables are defined in the appendix. The symbols ***, **, and * denote significance at the 0.01, 0.05, and 0.10 levels, respectively. In each column, standard errors are clustered by firm and year. All continuous variables used in the regressions are winsorized at the top and bottom one percent.

Table 9: Regression of CFO Duality and financial restatements

Variables	(1) Restatements	(2) Restatements (Fraud, irregularities, investigations)	(3) Restatements (Little r)	(4) Restatements (Big R)
CFO Duality$_{t-1}$	**-1.50****	0.26	**-2.07*****	0.47
	(-2.50)	(0.93)	**(-4.16)**	(0.91)
ICW$_t$	35.04***	5.31***	10.53***	29.25***
	(16.18)	(7.68)	(6.99)	(9.35)
Size$_{t-1}$	-0.10	0.11*	0.01	-0.07
	(-0.60)	(1.78)	(0.04)	(-0.82)
Big5_auditor$_t$	2.53***	-0.05	3.05***	-0.39
	(2.73)	(-0.22)	(3.64)	(-0.75)
External Financing$_{t+1}$	2.90***	0.23	2.08***	0.95***
	(6.63)	(1.50)	(6.07)	(2.94)
EPS Growth$_{t-1}$	-1.31***	-0.39*	-0.78*	-0.61*
	(-2.64)	(-1.91)	(-1.96)	(-1.91)
Leverage$_{t-1}$	3.17***	0.70*	1.98**	1.40*
	(2.98)	(1.74)	(2.35)	(1.86)
Observations	41,486	41,486	41,486	41,486
R-squared	0.09	0.02	0.04	0.14
Industry Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes

This table reports the results of regressions estimating the relation between CFO Duality (an indicator variable equal to one if the corporate secretary and chief financial officer roles are filled by the same person) and the likelihood of financial restatements over the period 2003–2019. The dependent variables are listed as column headings. Column 1 captures all *Restatements* regardless of type. Column 2 captures restatements due to fraud, irregularities, misrepresentations, or SEC involvement. Column 3 captures "Little r" restatements that do not require an 8-K filing and Column 4 captures "Big R" restatements that require an SEC 8-K filing.
The symbols ***, **, and * denote significance at the 0.01, 0.05, and 0.10 levels, respectively. In each column, standard errors are clustered by firm and year. All continuous variables used in the regressions are winsorized at the top and bottom one percent. Refer to the Appendix for variable definitions.