Public Abstract

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Title:HIDING IN PLAIN SIGHT: CAMOUFLAGE IN THE CORPORATE GOVERNANCE OF IPOs

I show that quality of corporate governance incrementally explains IPO pricing and performance. I facilitate this by creating a measure of corporate governance, provided by the bylaws and charter of an IPO, called camouflage. Camouflage provides evidence that how the bylaws and charter are written is equally important to what is written in them. Bebchuk and Cohen (2005) show this when they provide evidence that the text of a staggered board provision is less important, and that how the provision is placed in the bylaws/charter is more important. I analyze placement of all governance provisions. I also analyze the informative value of sentence syntax and word choice. Thus, my model analyzes bylaws/charter similarly to how humans read them: it analyzes words (semantics), sentences (syntax), and paragraphs (rhetoric). I show that camouflage is meaning distributed across provision type. I show that firms use less camouflage when under greater scrutiny. I show that founders used camouflage to increase offer proceeds and to decrease underpricing. I show that camouflage explains third party trading behavior.