

HIDING IN PLAIN SIGHT
CAMOUFLAGE IN THE CORPORATE GOVERNANCE OF IPOs

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ABSTRACT

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.