Internet Appendix for

"Does FOIA Foil the SEC's Intent to Keep Investigations Confidential?"

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This Appendix provides additional material and results not reported in the paper. Section 1 provides a FOIA request example. Section 2 discusses the history of SEC FOIA logs. Section 3 presents the univariate relationship between exemption denials and SEC investigations. Section 4 varies the sample end date. Section 5 varies the fixed effects structures. Section 6 conducts additional analyses based on Probes Reporter.

1. FOIA Request Example

Figure IA.1 provides an example of a FOIA Request in which the requester seeks to obtain investigation-related information on a given firm. Many of the top requester organizations in our sample (by volume) tend to ask for specific investigation-related information. This includes requests for correspondence between the SEC and the firm in question, Wells Notices, subpoenas, administrative proceedings, and orders of formal investigation. This is consistent with the business models of many of these firms as they appear to be involved in due diligence activities with respect to a deal their client is interested in (e.g., Global Securities Information, Inc.; International Business Research; Lerach Coughlin Stoia Geller Rudman & Robbins LLP; Probes Reporter, LLC.).

2. History of SEC FOIA Logs

In Figure IA.2, we illustrate that FOIA denial logs were not available to investors in our sample period. We use the Wayback Machine, an Internet archive tool that allows us to examine how the SEC's FOIA log has evolved over time. We find that the release of FOIA denial logs is a relatively recent phenomenon. We present two images of different dates in Figure IA.2. The first image displays the FOIA log on June 9, 2017, and the second image displays the FOIA log on March 26, 2018. As illustrated in the figures, the SEC does not appear to have begun posting FOIA denials in the logs until sometime after June 9, 2017 (and before March 26, 2018). Thus, for the entirety of our sample period, which extends from 2006 to 2016, information about FOIA denials does not appear to be readily available to investors.

3. Univariate Evidence on the Relationship between Exemption Denials and SEC Investigations

Table 2 of the manuscript presents our results using a multivariate Linear Probability Model (LPM). In Table IA.1, we also present univariate evidence on the relationship between exemption

denials and SEC Investigations. The results indicate that the unconditional probability of investigation is 9.0%. We then show that for a given firm that is the subject of an exemption denial in year *t*, the conditional probability of that firm being subject to an SEC investigation in year *t* is 40.1%. This is over four times the unconditional probability of investigation. Overall, this univariate evidence is in line with our LPM results and suggests that FOIA exemption denials likely are a significant predictor of future SEC investigations.

4. Varying Sample End Date

Our evidence indicating that FOIA exemption denials predict SEC investigations relies on sample data spanning the period between 2006 and 2016. One potential concern with this approach relates to SEC investigations typically lasting approximately three to four years (Bonsall et al., 2019). Because our data only include investigations that are closed it is possible that we misclassify some observations as not having an investigation, which likely biases against our prediction model tests. For example, towards the end of our sample (e.g., years 2015-2016), we expect that there are likely ongoing investigations into firms that would not be included in our sample if the investigations are not closed. If this is the case, we would expect that eliminating later years of our sample where we are unable to observe on-going investigations would strengthen our results (e.g., increase the magnitude of the *FOIADenial* coefficient).

To address this issue, we re-estimate equation (1) (with controls and year and industry fixed effects) across different time periods. Panel A of Table IA.2 provides the results from this set of analyses when predicting current on-going SEC investigations (*SECInvestigation*). In Column (1), we present the baseline Linear Probability Model results (Column (3) from Table 2). In Columns (2), (3), and (4), we restrict the sample to end in 2016, 2015, and 2014, respectively. Across all four specifications, we note that our inferences remain unchanged and the coefficient on

FOIADenial remains positively and significantly associated with an ongoing SEC investigation. Consistent with arguments regarding bias, we also note that our results become stronger as we restrict the sample to end in earlier years. That is, the economic magnitude is monotonically increasing across the columns in Table IA.2, from 0.286 in our baseline specification to 0.326 in our sample ending in 2014. In other words, firms that are the subject of an exemption denial are associated with a 33% greater likelihood of an ongoing SEC investigation than other firms in the sample period ending in 2014. The results in Panel B provide similar inferences when predicting SEC investigations in the subsequent year (*FutureInvestigation*). Overall, this evidence suggests that our baseline results are not contaminated by our choice of sample period and potentially under-estimate the predictive ability of exemption denials.

5. Alternative Fixed Effects

Our main prediction model results include year and industry (Fama-French 48) fixed effects. However, as a robustness analysis, we examine the inclusion of firm fixed effects in the model. Because there is limited *within* firm variation in our sample (e.g., less than 10% of firm-years have an ongoing SEC investigation and less than 5% of firm-years have an exemption denial) we expect the magnitude of the *FOIADenial* coefficient to be somewhat reduced when including firm fixed effects. Moreover, because exemption denials only occur in one year (i.e., *FOIADenial* is coded to equal one in a given year in which there is an exemption denial) and SEC investigations span multiple years (i.e., *SECInvestigation* is coded to equal one for all years in which the firm is subject to an investigation), examining within firm variation mechanically reduces the magnitude of the *FOIADenial* coefficient. Although this issue biases against our findings tabulated in the manuscript, it is particularly problematic when examining *within* firm analyses where there is already limited variation in both exemption denials and SEC investigations.

Table IA.3 presents our main results from Table 2 in the manuscript using firm and year fixed effects. Despite limited within firm variation in our sample, we continue to find that the association between exemption denials and ongoing SEC investigations remains highly significant. Specifically, as shown in Column (1), the coefficient on *FOIADenial* is 0.168 (t-statistic 10.26). This result also remains economically significant as it is nearly twice the unconditional expectation of an ongoing investigation. We obtain similar results in Column (2) for *FutureInvestigation*. This suggests that, even with limited within firm variation, exemption denials continue to be informative in uncovering ongoing SEC investigations.

6. Probes Reporter Analyses

As discussed in the manuscript, 1,596 FOIA exemption denial requests (roughly 77% of our sample) are issued by Probes Reporter, one of the largest independent publishers of investment research based on SEC FOIA requests. We conduct several analyses to assess how this requester influences our results.[1]

In Table IA.4, we first present the percentage of FOIA Denials from Probes Reporter. Not surprisingly, Probes Reporter constitutes a large portion of exemption denials in each year, with its influence increasing in recent years.

In Table IA.5, we re-estimate our baseline prediction model (equation (1)) after partitioning FOIA exemption denials into two groups: those requests from Probes Reporter (*FOIADenial_Probes_Reporter*) and those requests not from Probes Reporter (*FOIADenial_Non_Probes_Reporter*). In Column (1), we present the results for predicting SEC

[1] Probes Reporter appears under the following names in our sample: Probes Reporter, LLC; Disclosure Insight, Inc.; and SECProbes.com. We confirm that these firms are related to Probes Reporter because the FOIA requests issued by these organizations often share a common requester name (J. Patrick Gavin). We further validate this by conducting an Internet search for each of these organizations and we examine relevant news articles and business information describing these firms.

investigations in the current year (dependent variable is *SECInvestigation*) and in Column (2) we present the results for predicting future investigations (dependent variable is *FutureInvestigation).* We find that both non-Probes Reporter and Probes Reporter requests predict SEC Investigations. Moreover, we find no evidence that Probes Reporter requests have more predictive power than other requests.[2]

In Table IA.6, we re-examine our exemption denial return results (Table 3, Panel A) after partitioning on exemption denials received by Probes Reporter and those received by other requesters. Both sets of exemption denials elicit statistically significant long-run negative returns (at the one-year and two-year horizons). In addition, non-Probes Reporter exemption denial returns are statistically and economically larger than Probes Reporter Exemption Denials at the two-year horizon. For example, the two-year return for Non-Probes Reporter exemption denials are -13.2%, while the two-year return for Probes Reporter exemption denials are -3.7%. For the one-year horizons and less (i.e., three-months and six-months) the returns to Probes Reporter versus Non-Probes Reporter exemption denials are not statistically different from each other. Overall, these analyses suggest that our paper has implications that extend beyond one intermediary.

[2] It could be the case that non-Probes Reporter requesters piggy-back on requests made by Probes Reporter. Thus, in an untabulated robustness analysis we drop those cases in which *FOIADenial_Probes_Reporter* and *FOIADenial_Non_Probes_Reporter* are both equal to one for a given firm-year. In this alternative specification, we find that non-Probes Reporter requests are equally predictive of ongoing investigations and are more predictive of future investigations, as compared to Probes Reporter requests. This evidence further supports the notion that exemption denials issued to both Probes Reporter and non-Probes Reporter requesters predict current and future SEC investigations.

Figure IA.1 – FOIA Request Example

This figure presents an example of a FOIA request in which the requester seeks to obtain investigation-related information on a given firm (identifying information is redacted).

[redacted]

FOIA Request

US Securities & Exchange Commission
Office of FOIA and Privacy Act Operations
100 F Street, NE Mail Stop 5100
Washington, DC 20549-5100

Under the Freedom of Information Act (FOIA), 5 U.S.C. § 552 et. seq, please provide me with copies of the following records of any investigation(s) that directly pertain to the conduct, disclosures, and/or transactions of the registrant [redacted] since **14-Sep-2015.**

- Correspondence sent to and/or received by the registrant;
- Correspondence sent to and/or received by third parties on behalf of the registrant;
- Wells Notices;
- Subpoenas;
- Orders of Formal Investigation as well as any supplemental orders; and,
- Opening and Closing Reports, including "Case Closing Recommendation", "Matter Under Inquiry Summary", "Investigation Summary", and/or similar documents and/or reports.

With regard to the Case Closing Recommendations and those other documents requested in my last bullet point, we specifically ask that that your response(s) to this request speak to the existence of these records, whether or not you intend to release them. If none is found for this registrant, please tell us that. If such records are found, please release them to us. If such records exist that you do not wish to release, please be specific as possible in describing those records not being released and why they, or components of them, are not being released.

At present we are not interested in rejected offers of settlement.

If any exemptions are asserted, I prefer the Commission grant a partial fulfillment of my request by providing our office with any documents which are not in dispute at this time.

If possible, for those records where confidential treatment is asserted, we request that the FOIA office provide us with the estimated number of pages & date range of the pages at issue. This will help us assess whether we want the FOIA office to proceed with confidential treatment processing.

[redacted]

Thank you for your continued assistance.

[redacted]

Figure IA.2 – SEC FOIA Logs

This figure presents screen shots of the SEC's FOIA logs website using an Internet archive tool known as the Wayback Machine. The first image is as of June 9, 2017 (FOIA 7(A) logs are not available). The second image is as of March 26, 2018 (FOIA 7(A) logs are available).

Image One: As of June 9, 2017

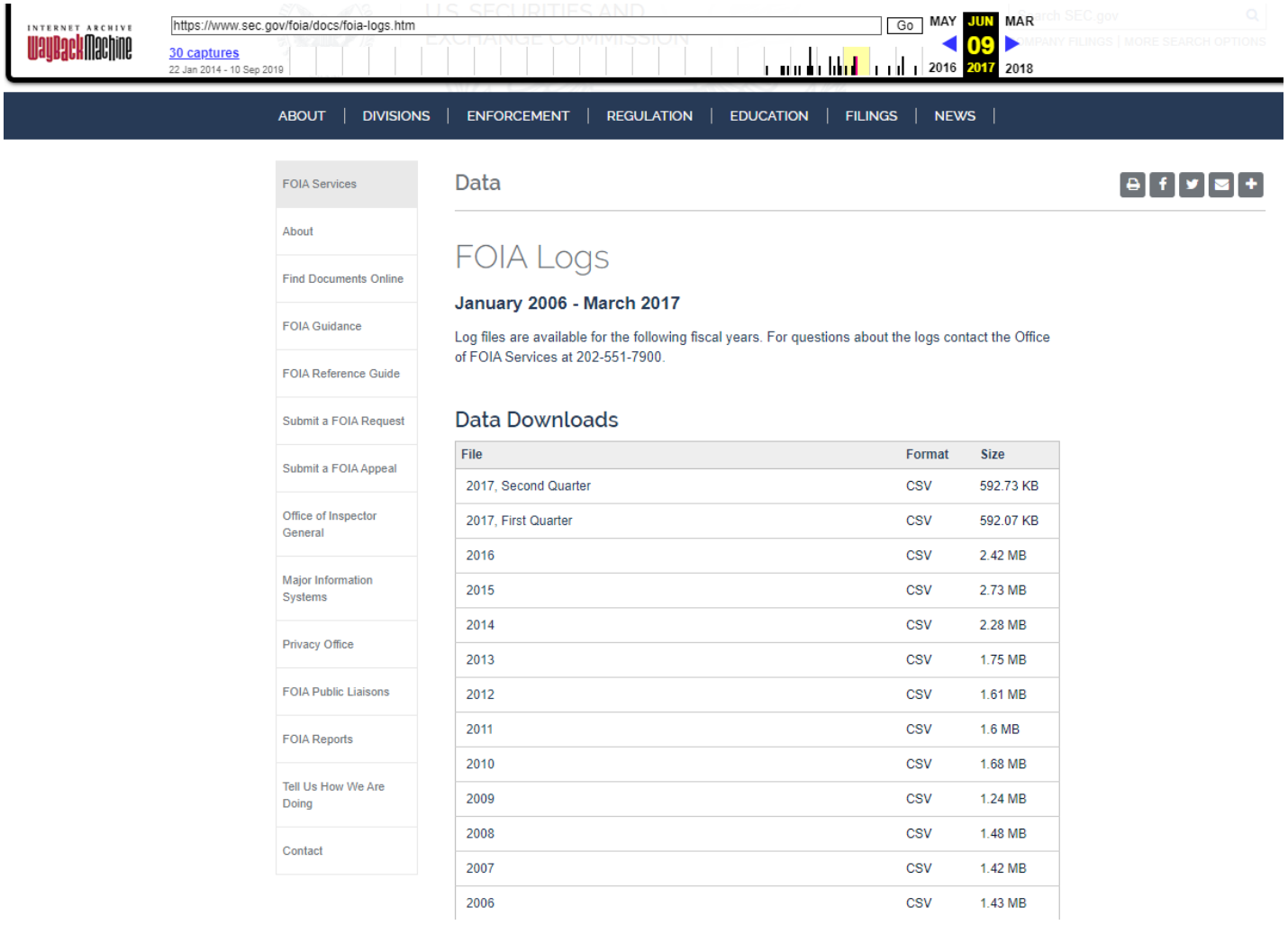

Image Two: As of March 26, 2018

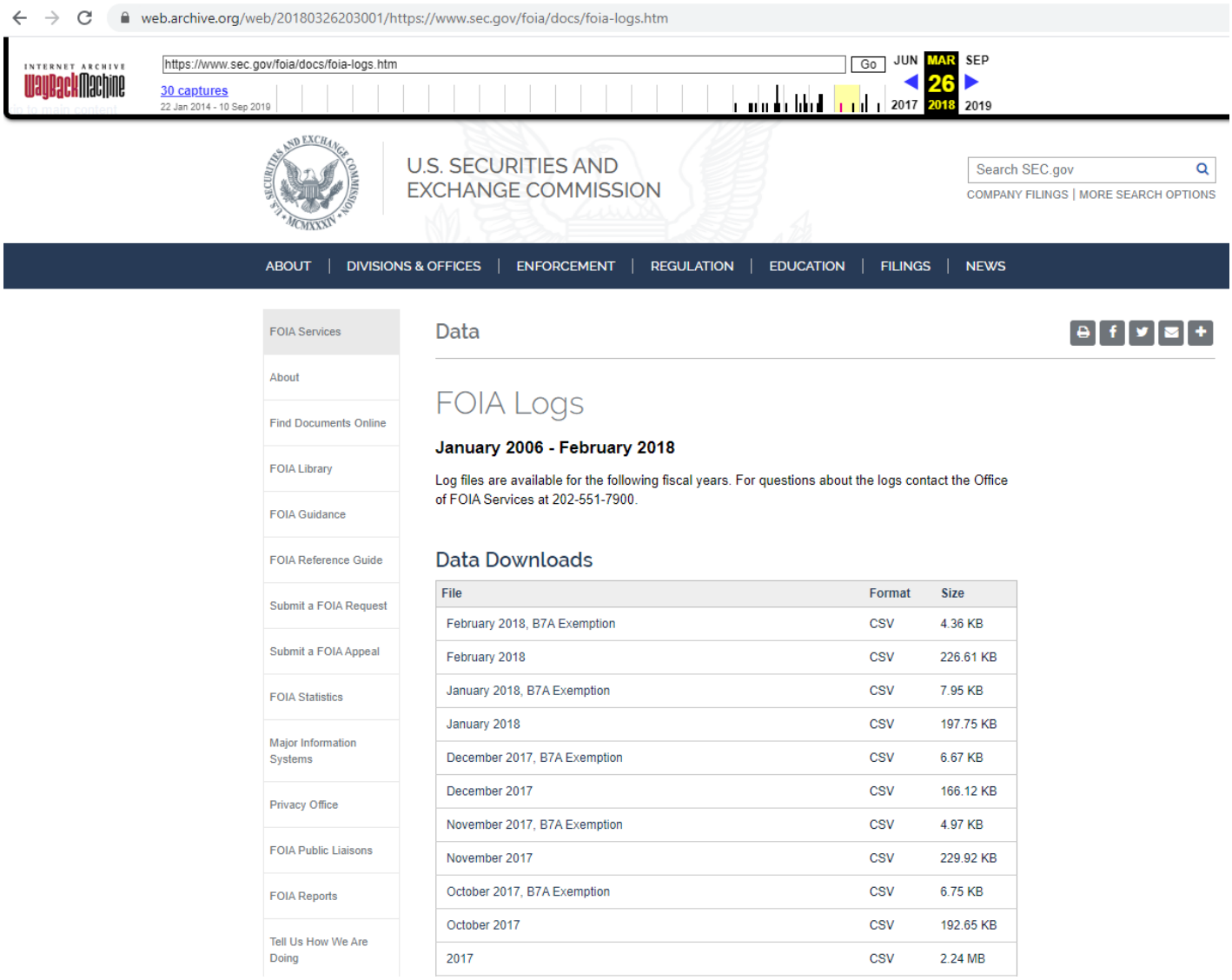

Table IA.1 - Conditional & Unconditional Probabilities of SEC Investigations

The tables below present the probability of an SEC investigation. First, the unconditional probability across all firm-years in the sample is presented (top table). Next, the conditional probability of an investigation given an Exemption Denial in year t is presented (bottom table).

Unconditional Probability of an SEC Investigation:	
Firm Years with an SEC Investigation in Year t:	3,791
Total Number of Firm Years in Sample:	42,249
Unconditional Probability of an SEC Investigation:	**9.0%**

Conditional Probability of an SEC Investigation:	
Firm Years with an Exemption Denial and SEC Investigation in Year t:	615
Total Number of Firm Years in Sample with an Exemption Denial:	1,535
Conditional Probability of an SEC Investigation:	**40.1%**

Table IA.2 - FOIA Exemption Denials & SEC Investigations, Robustness to Sample End Dates

This table presents results from estimating equation (1) with various sample end dates. Panel A reports results for predicting investigations in year t and Panel B reports results for predicting investigations in year t+1. Variable definitions are provided in the appendix. t-statistics are reported in parentheses and standard errors are clustered by firm and year. *, **, *** Indicate two-tailed statistical significance of coefficient estimates at the 10%, 5%, and 1% levels, respectively, when no prediction is given and one-tailed significance when predicted.

Panel A: Predicting Investigations in Year t

Dependent Var.: *SECInvestigation*	Predicted	(1) Through 2016	(2) Through 2015	(3) Through 2014
FOIADenial	+	**0.286*** **	**0.306*** **	**0.326*** **
		(7.77)	**(8.07)**	**(7.81)**
MVE	+	0.022***	0.023***	0.025***
		(6.78)	(6.71)	(7.10)
BTM	?	0.014**	0.014**	0.014**
		(2.55)	(2.47)	(2.40)
ROA	-	-0.022*	-0.021*	-0.020
		(-1.65)	(-1.47)	(-1.25)
Leverage	?	0.018	0.023	0.030*
		(1.15)	(1.42)	(1.78)
FirmAge	?	0.000***	0.000**	0.000**
		(2.62)	(2.34)	(2.14)
SP500	+	0.016*	0.017	0.016
		(1.29)	(1.27)	(1.15)
Small Firm	-	0.002	0.001	0.000
		(0.28)	(0.18)	(0.03)
Restate	+	0.065***	0.070***	0.075***
		(4.48)	(4.78)	(4.93)
PriceDrop	+	0.038***	0.039***	0.044***
		(5.00)	(4.85)	(5.81)
PastReturn	-	-0.009*	-0.009*	-0.009*
		(-1.41)	(-1.32)	(-1.33)
F-Score	+	-0.003	-0.004	-0.004
		(-2.05)	(-2.12)	(-2.40)
SECDistance	-	0.000	0.000	0.000
		(0.11)	(0.13)	(0.13)
Year FE		Yes	Yes	Yes
Industry FE		Yes	Yes	Yes
N		42,249	38,645	34,989
R^2		10.38%	10.46%	10.56%

Panel B: Predicting Investigations in Year t+1

Dependent Var.: *FutureInvestigation*	Predicted	(1) Through 2016	(2) Through 2015	(3) Through 2014
FOIADenial	+	**0.253*****	**0.277*****	**0.296*****
		(6.53)	**(7.26)**	**(7.00)**
MVE	+	0.021***	0.022***	0.023***
		(6.24)	(6.75)	(6.71)
BTM	?	0.012**	0.012**	0.013**
		(2.48)	(2.35)	(2.32)
ROA	-	-0.021**	-0.021*	-0.019*
		(-1.72)	(-1.55)	(-1.30)
Leverage	?	0.016	0.021	0.026
		(1.12)	(1.38)	(1.63)
FirmAge	?	0.000*	0.000*	0.000
		(1.84)	(1.85)	(1.61)
SP500	+	0.013	0.013	0.014
		(1.01)	(0.99)	(1.01)
Small Firm	-	0.001	0.001	-0.000
		(0.12)	(0.15)	(-0.00)
Restate	+	0.049***	0.053***	0.058***
		(3.90)	(4.20)	(4.47)
PriceDrop	+	0.031***	0.034***	0.036***
		(4.10)	(4.37)	(4.50)
PastReturn	-	-0.002	-0.002	-0.002
		(-0.60)	(-0.51)	(-0.59)
F-Score	+	-0.001	-0.001	-0.002
		(-0.61)	(-0.74)	(-0.76)
SECDistance	-	-0.000	0.000	0.000
		(-0.03)	(0.11)	(0.10)
Year FE		Yes	Yes	Yes
Industry FE		Yes	Yes	Yes
N		42,249	38,645	34,989
R^2		9.60%	9.73%	9.76%

Table IA.3 - FOIA Exemption Denials & SEC Investigations, Robustness to Firm Fixed Effects

This table presents results from estimating equation (1) with firm fixed effects. Variable definitions are provided in the appendix. t-statistics are reported in parentheses and standard errors are clustered by firm and year. *, **, *** indicate two-tailed statistical significance of coefficient estimates at the 10%, 5%, and 1% levels, respectively, when no prediction is given and one-tailed significance when predicted.

Dependent Var.:	Predicted	(1) *SECInvestigation*	(2) *FutureInvestigation*
FOIADenial	+	**0.168*** **	**0.134*** **
		(10.26)	**(8.14)**
MVE	+	0.008*	0.012**
		(1.63)	(2.23)
BTM	?	0.009	0.010
		(1.29)	(1.42)
ROA	-	-0.032**	-0.022*
		(-2.06)	(-1.65)
Leverage	?	-0.001	0.022
		(-0.05)	(0.99)
FirmAge	?	-0.000	-0.001
		(-0.67)	(-1.50)
SP500	+	0.018	0.020
		(0.87)	(0.95)
Small Firm	-	-0.000	-0.002
		(-0.08)	(-0.39)
Restate	+	0.033***	0.019**
		(3.64)	(2.07)
PriceDrop	+	0.012***	0.006*
		(2.83)	(1.35)
PastReturn	-	-0.011***	-0.004*
		(-2.60)	(-1.41)
F-Score	+	-0.003	-0.001
		(-2.04)	(-0.47)
SECDistance	-	0.000	-0.000
		(0.03)	(-0.52)
Year FE		Yes	Yes
Firm FE		Yes	Yes
N		42,249	42,249
R^2		54.11%	52.82%

Table IA.4 - Percentage of FOIA Denials from Probes Reporter

This table lists the number of FOIA requests issued each year that are firm-specific and have non-missing firm controls and returns data. The "FOIA Exemption Denials" column indicates the number of FOIA requests that are closed each year and the 7(A) exemption is cited as the reason for the denial. The "Probes Reporter Exemption Denials" columns indicates the number of Exemption Denials that are issued to Probes Reporter each year. The column labeled "Percent Probes Reporter" indicates the percentage of FOIA Exemption Denials that are issued to Probes Reporter in a given year.

Year	FOIA Exemption Denials	Probes Reporter Exemption Denials	Percent Probes Reporter
2006	99	26	26%
2007	47	17	36%
2008	186	151	81%
2009	108	81	75%
2010	112	81	72%
2011	145	132	91%
2012	179	156	87%
2013	325	287	88%
2014	336	235	70%
2015	288	213	74%
2016	251	217	86%
Total:	2,076	1,596	77%

Table IA.5 - FOIA Exemption Denials & SEC Investigations, Probes Reporter vs. Non-Probes

This table presents results from estimating equation (1) using a Linear Probability Model. FOIA exemption denials are partitioned into two groups: those requests from Probes Reporter and those requests not from Probes Reporter. Specifically, *FOIADenial_Non_Probes_Reporter* equals one for firm-years in which there is an exemption denial at any time during the year and the denial is issued to any requester except Probes Reporter, zero otherwise. *FOIADenial_Probes_Reporter* equals one for firm-years in which there is an exemption denial at any time during the year and the denial is issued to Probes Reporter, zero otherwise. t-statistics are reported in parentheses and standard errors are clustered by firm and year. Dependent variable definitions are provided in the appendix. The inclusion of year and/or industry (Fama-French 48) fixed effects is noted at the bottom of the table. *, **, *** indicate two-tailed statistical significance of coefficient estimates at the 10%, 5%, and 1% levels, respectively, when no prediction is given and one-tailed significance when predicted.

Dependent Var.:	Predicted	(1) *SECInvestigation*	(2) *FutureInvestigation*
FOIADenial_Non_Probes_Reporter	+	**0.290***** **(4.78)**	**0.287***** **(4.91)**
FOIADenial_Probes_Reporter	+	**0.247***** **(7.18)**	**0.208***** **(5.47)**
Firm Controls		Yes	Yes
Year FE		Yes	Yes
Industry FE		Yes	Yes
N		42,249	42,249
R^2		10.36%	9.62%
Within Reg F-Tests		*FOIADenial_Non_Probes_Reporter = FOIADenial_Probes_Reporter*	*FOIADenial_Non_Probes_Reporter = FOIADenial_Probes_Reporter*
Diff		0.043	0.079
F-Stat		(0.49)	(1.67)

Table IA.6 – Abnormal Returns Following FOIA Requests, Probes Reporter vs. Non-Probes

This table presents abnormal returns following FOIA requests. The first row presents buy-and-hold returns following FOIA Exemption Denial requests that are issued to requesters other than Probes Reporter. The second row presents buy-and-hold returns following FOIA Exemption Denial requests that are issued to Probes Reporter. The final row compares differences across both groups. Various horizons are presented: three months, six months, one year, or two years. The returns window starts the day the FOIA request is closed. The returns in each row are abnormal returns and are adjusted using the matching size, book-to-market, and momentum quintile return. t-statistics are reported in parentheses below each mean return value. *, **, *** indicate one-tailed statistical significance at the 10%, 5%, and 1% levels, respectively.

Mean Abnormal Returns	Predicted (All Horizons)	N	3-Month	6-Month	1-Year	2-Year
Non-Probes Reporter Exemption Denial Returns	-	480	-0.001	-0.017	-0.045**	-0.132***
(t-statistic)			(-0.06)	(-1.11)	(-2.19)	(-4.44)
Probes Reporter Exemption Denial Returns	-	1,596	-0.012***	-0.011**	-0.029***	-0.037**
(t-statistic)			(-2.54)	(-1.73)	(-3.00)	(-2.33)
Difference:	-		0.011	-0.006	-0.015	-0.095***
(t-statistic)			(1.05)	(-0.39)	(-0.74)	(-2.89)