Burdening the Young:
Life Cycle Effects of Mandatory Disclosure on Investment*

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Abstract

Mandatory disclosure burdens initially suppress the R&D investment and investment efficiency of newly public firms, but this relation attenuates as firms become more seasoned. Consistent with the mandatory disclosure-investment relation being rooted in information frictions leading firms to focus on short-term metrics at the expense of long-term investments, this effect is strongest for young IPO firms and firms that continue expanding their public float most after they go public. Our results suggest a life cycle effect whereby disclosure burdens impact corporate investment policy via interactions with newly public firms' elevated information asymmetry and incentives to maximize current share price.

Keywords: Corporate Investment, Mandatory Disclosure, Life Cycle Effects, JOBS Act, Initial Public Offering (IPO), Smaller Reporting Company (SRC)

JEL classification: G31, G38, M48, M41

1. Introduction

Mandatory disclosure can increase investment via a reduced cost of capital (Myers and Majluf, 1984; Diamond and Verrecchia, 1991) or it can decrease investment because it raises the incentive to forgo long-term projects to enhance current tangible performance metrics (Hermalin and Weisbach, 2012; Edmans, Heinle, and Huang, 2016). Consistent with this theoretical ambiguity, empirical evidence regarding the relation between mandatory disclosure and corporate investment is mixed.[1]

We posit that a key reason for this ambiguity is that the literature has yet to account for intuitive life cycle effects in the mandatory disclosure-investment relation, despite ample evidence on the evolution of investment over the corporate life cycle (see e.g., Grullon, Michaely, and Swaminathan, 2002; DeAngelo, DeAngelo, Stulz, 2006; Hoberg and Maxsimovich, 2022). In particular, we expect mandatory disclosure burdens to become a less significant predictor of investment policy as public firms become more seasoned. The basis for this prediction is that the disclosure-investment relation is predicated on information frictions being added to the Modigliani and Miller (1958) benchmark and these frictions are likely to become less economically relevant as firms age. For instance, as firms become more seasoned investor-manager information asymmetry is likely to decline since investors will learn about the firm, and the firm will begin the process of converting uncertain investment opportunities into income-generating assets in place (see e.g., DeAngelo, DeAngelo, Stulz, 2006). The incentive to enhance current tangible performance metrics is also likely to decline as firms become more seasoned since newly public firms are particularly engaged with external markets for insider sales and follow-on equity offerings (see e.g., Field and Hanka, 2001; Krigman, Shaw, Womack, 2001).

We conduct two policy experiments surrounding recent adjustments in mandatory disclosure

[1]For instance, the shift from annual to quarterly reporting reduced investment in the U.S. 50 years ago, reduced disclosure burdens stimulated investment for newly public firms following the 2012 Jumpstart Our Business Start-ups (JOBS) Act, but a recent U.K. change had little investment impact (Kraft, Vashishtha, and Venkatachalam, 2018; Dambra and Gustafson, 2021; Nallareddy, Pozen, and Rajgopal, 2021), and mixed evidence on the investment effects of the Sarbanes-Oxley Act (SOX) is notoriously difficult to interpret (Bradshaw, 2009; Leuz and Wysocki, 2016; Bargeron, Lehn, and Zutter, 2010; Kang, Liu, and Qi, 2010; Coates and Srinivasan, 2014; Gao and Zhang, 2019; Albuquerque and Zhu, 2019).

burdens faced by small U.S. public firms to study the effect of mandatory disclosure on the investment of small public firms. Our first policy experiment surrounds the 2012 JOBS Act. Our empirical methods augment those that Chaplinsky, Hanley, and Moon (2017) and Dambra and Gustafson (2021) use to identify the effects of the JOBS Act's de-burdening provisions, which essentially are a relaxation of the disclosure burdens added by SOX. Our identification strategy exploits the fact that smaller reporting companies (SRCs, defined as firms with below $75 million in public float) already had reduced disclosure burdens before the JOBS Act, meaning that newly public firms above and below the $75 million public threshold were differentially de-burdened by the JOBS Act. The longer-run nature of our study allows us to compare the effect of de-burdening provisions on investment during the first few years a firm is public and study whether the effect attenuates over time.

We find that the JOBS Act's de-burdening provisions lead to elevated corporate investment in the years immediately following the IPO, but this relation attenuates within three years after a firm goes public (and one to two years before the JOBS Act provisions expire). Consistent with the information frictions of newly public firms interacting with mandatory disclosure policy to distort investment away from its long-run optimum, we find (1) a corresponding effect whereby disclosure burdens decrease investment efficiency only in the first three years a firm is public, (2) the investment and investment efficiency impacts concentrate in R&D investment, which is both more informationally opaque than capital expenditure investment and the first lever that many companies pull when trying to enhance current performance metrics (see, e.g., Terry, 2023), and (3) that these distortions are magnified for firms that are young when they go public.

Our findings, suggesting that mandatory disclosure burdens adversely investment only in the first few years a firm is public, are important from a policy perspective since the Securities and Exchange Commission (SEC) has changed the mandatory reporting requirements for different sets of small public firms at least three times since 2012. They are also consistent with theories such as Hermalin and Weisbach (2012) and Edmans, Heinle, and Huang (2016).

These theories, which are predicted on information asymmetry and the associated managerial signaling incentives, argue that increasing financial efficiency through the disclosure of hard information, such as earnings, can lead to underinvestment in intangible assets as managers prioritize current tangible performance metrics over long-term value.

We next conduct several sets of analyses to provide circumstantial support for two unique aspects of newly public firms that contribute to the temporary mandatory disclosure-investment relation. First, as mentioned above, newly public firms have an added incentive to focus on current stock price during the first few years they are public because they are significantly expanding their public float base.[2] For example, newly public firms expand their public float by 53.04% per year in the first two years but only 5.25% in the fourth and fifth years. Consistent with this added short-term focus contributing to the disclosure-investment relation, we show that the disclosure-investment relation that we observe in the first three years a firm is public concentrates in firms that expand their public float base the most during the second and third years they are public.

Next, we study whether reduced long-term investment has a more positive impact on current stock price in the first few years a firm is public for firms with elevated disclosure burdens. We test this in the context of the market reactions to earnings announcements, regressing the five-day earnings announcement returns on R&D expenditures and year-over-year R&D growth and their interactions with de-burdening treatment. We find that the de-burdening provisions make R&D spending and its growth a significantly more positive predictor of earnings announcement returns in the initial years a firm is public. Thus, managers of newly public firms appear to benefit from scaled-back R&D spending more when disclosure burdens are high, as the market receives low-R&D earnings announcements more favorably.

Our findings suggest that the JOBS Act's de-burdening provisions have a diminishing effect on corporate investment as firms become more seasoned. We next test this idea using a policy experiment around the SEC's 2018 decision to reduce the mandatory disclosure burdens for

[2]Whether firms are expanding their public float via insider sales or follow-on offerings, they have an increased incentive to maximize current share price.

firms with between $75 and $250 million in public float. This adjustment was made via raising the public float threshold below which firms qualify as smaller reporting companies (SRCs). After restricting the sample to firms that have been public for over five years, we identify the effect of this policy change using a difference-in-differences approach in which firms with between $75 and $250 million in public float are treated firms, while other firms with less than $500 million in public float act as the control group. We find no evidence that gaining SRC status affects investment on average as treated and control firms exhibit no relative changes in investment levels in the two years after the rule change compared to the two years prior. Given that our sample drops firms that have gone public in the five years before the SRC rule change, this is consistent with the life cycle effect we posit whereby the mandatory disclosure-investment relation attenuates as a firm becomes more seasoned.

Our study offers policy-relevant evidence on the extent to which disclosure burdens affect corporate investment and provides evidence of an intuitive new corporate life cycle effect in which mandatory disclosure becomes a decreasingly important determinant of corporate investment policy as a firm becomes more seasoned. Thus, our study contributes to the extensive literature on the life cycle effects of corporate policies. Much of this work, such as Diamond (1991), Berger and Udell (1998), and Beck and Demirguc-Kunt (2006), relates to the evolution of access to capital among small businesses. A large strand of evidence more directly explores the life cycle of corporate investment. Hoberg and Maxsimovich (2022) show how firms transition from high R&D to Tobin's Q relations toward high acquisition to Tobin's Q relation over their life cycle, while Arikan and Stulz (2016) discuss the life cycle of corporate acquisition behavior. Maug (2001) shows how these life cycle effects extend to the IPO decision, arguing that the IPO timing itself is driven by a life cycle effect whereby it becomes optimal for managers to begin delegating information-gathering responsibilities to outside investors. DeAngelo, DeAngelo, and Stulz (2006, 2010) show how these life cycle effects even extend to seasoned public firms, helping determine their payout and issuance policies.

By documenting this new life cycle effect, we make an important contribution to the mixed

empirical evidence on the mandatory disclosure-investment relation. Across a large body of literature, the estimated importance of mandatory disclosure as a determinant policy varies substantially. Kraft, Vashishtha, and Venkatachalam (2018) find that the shift from annual to quarterly reporting reduced investment in the U.S. 50 years ago, while Nallareddy, Pozen, and Rajgopal (2021) find little impact of a recent U.K change. More closely related to our study is the large, mixed, and difficult to interpret literature exploring the investment impact of a very similar policy shock to our de-burdening provisions that occurred with the introduction of SOX (Bradshaw, 2009; Leuz and Wysocki, 2016; Bargeron, Lehn, and Zutter, 2010; Kang, Liu, and Qi, 2010; Coates and Srinivasan, 2014; Gao and Zhang, 2019; Albuquerque and Zhu, 2019). Dambra and Gustafson (2021) add to this mixed literature showing that the JOBS Act's de-burdening provisions lead to a rise in investment in the first two years a firm is public, however with such a short sample their study does not offer evidence on either the longevity of this effect or the life cycle rationale to bridge the gap between the short-run investment impact of the de-burdening provisions and the larger mixed literature on the mandatory disclosure-investment relation.

Although our setting most directly applies to the changing effect of mandatory disclosure on investment over a firm's life cycle, our findings raise interesting questions regarding the more general question of how being a public firm affects investment over the firm's life cycle. In particular, it begs the question of how long-lived the well-established effects of going (or being) public on innovation or investment are (see, e.g., Asker, Farre-Mensa, and Ljungqvist, 2015; Bernstein, 2015). Our evidence highlights the unique frictions that impact the investment of newly public firms, motivating future research on the longevity of the effect of going public on investment behavior.

In addition to contributing to the academic literature, our findings are highly policy-relevant. The SEC has updated its mandatory disclosure requirements several times in the past decade, almost all of which target the small public firms that we study. Our study suggests that policies targeting reduced disclosure requirements for young firms, such as the JOBS Act, have the most

impact on corporate investment policy.

2. The Burdens to Being Public and Corporate Investment

Economic theory provides several plausible channels through which mandatory disclosure may affect corporate investment. Classic theories such as Myers and Majluf (1984) and Diamond and Verrecchia (1991) support the possibility that increased mandatory disclosure may lead to increased investment if it mitigates information asymmetries that would otherwise raise the firm's cost of capital. Alternatively, Hermalin and Weisbach (2012) and Edmans, Heinle, and Huang (2016) build on the ideas in Narayanan (1985), Stein (1989), and Holmström (1999) to show how increased mandatory disclosure burdens can reduce investment and investment efficiency by increasing incentives to forgo long-term investments in favor of tangible metrics.

This theoretical ambiguity portends a highly mixed empirical literature on the mandatory disclosure-investment relation. Early studies on the topic often centered around the Sarbanes-Oxley Act (SOX). Initial evidence, such as that in Bargeron, Lehn, and Zutter (2010) and Kang, Liu, and Qi (2010), indicated that adding disclosure burdens leads to less investment. Bradshaw (2009) and Leuz and Wysocki (2016) point out the difficulty in interpreting results such as these due to the large number of contemporaneous regulations in the early 2000s. Albuquerque and Zhu (2019) build on this criticism and find that a cleaner natural experiment produces no significant effect of SOX on corporate investment policy. More generally, the disclosure-investment relation varies across time, place, and firm type. Kraft, Vashishtha, and Venkatachalam (2018) find that the shift to quarterly reporting reduced investment in the U.S. 50 years ago, Dambra and Gustafson (2021) find that mandatory disclosure reduces innovative investment in the two years following a firm's IPO, while Nallareddy, Pozen, and Rajgopal (2021) find no significant effect in response to a recent U.K change.

The lack of conclusive evidence on how mandatory disclosure affects U.S. public firms today is important because the SEC is actively adjusting the mandatory disclosure burdens of U.S. public firms. These adjustments are occurring quickly by regulatory standards. Since the 2012

JOBS Act, which granted reduced disclosure burdens to qualifying newly public firms, the SEC has passed multiple separate rules to reduce the mandatory disclosure requirements of small public firms. Most notably, the SEC made firms with between $75 million and $250 million in public float eligible for Smaller Reporting Company (SRC) status, a move that meaningfully reduces mandatory disclosure burdens.[3]

2.1. Motivation and Empirical Predictions

We posit that one reason for the mixed evidence regarding the mandatory disclosure-investment relation in U.S. markets is that disclosure affects a very specific set of firms—namely, newly public firms—which, as we argue below, are especially exposed to information frictions and disproportionately incentivized to forgo long-term projects to enhance current tangible performance metrics. Put differently, the mixed empirical evidence on the mandatory disclosure-investment relation is due in part to a failure to account for a life cycle effect whereby the effect of mandatory disclosure on investment is concentrated in the first few years a firm is public.

The idea that newly public firms will exhibit a more significant mandatory disclosure-investment relation has strong theoretical underpinnings. The most fundamental reason for this is the elevated information asymmetry of newly public firms, since most theoretical links between mandatory disclosure and investment are rooted in frictions that are added to the frictionless Modigliani and Miller (1958) benchmark (see e.g., Roychowdhury, Shroff, and Verdi, 2019). Not only are newly public firms transitioning to a new, less familiar investor base, but, as studies such as DeAngelo, DeAngelo, and Stulz (2006) suggest, they also tend to be at the earlier stages of a shift whereby their value transitions from primarily hard-to-value investment opportunities (i.e., growth options) toward cash flow-generating assets in place. Moreover, newly public firms have added incentive to maximize current value since they are actively involved in insider sales (see e.g., Field and Hanka, 2001) and often working with underwriters to raise additional capital via follow-on offerings (see e.g., Krigman, Shaw, Womack, 2001).

[3]In 2020, the SEC further amended the definition of accelerated and large filers to further expand the set of firms eligible for reduced disclosure burdens.

Our empirical predictions are designed to examine our proposition that there is a life cycle effect whereby the investment of newly public firms is uniquely sensitive to mandatory disclosure burdens. Our first key prediction is that the negative relation between disclosure burdens and both investment and investment efficiency during the first two years a firm is public documented by Dambra and Gustafson (2021) will attenuate as firms become more seasoned.

Our second set of predictions is based on the idea that the mandatory disclosure-investment relation and its attenuation will be concentrated in settings where managers have the most incentive to enhance current tangible metrics. This will be true when firm- or investment-level information asymmetry is high or when shareholders are most likely to influence managers toward short-term metrics. Specifically, we predict the mandatory disclosure-investment relation to concentrate in (1) research and development (R&D) expenditures rather than capital expenditures, given that R&D is more informationally opaque and is often the first area firms adjust in response to short-term earnings pressures (e.g., Terry, 2023), and (2) among firms that are young when they go public.

In addition, we highlight unique features of newly public firms that we expect to be related to the extent of the mandatory disclosure-investment relation. Newly public firms have strong incentives to focus on current stock prices because they are significantly expanding their public float in the initial years after going public—by over 50% per year in the first two years compared to just about 5% in the fourth and fifth years. We predict that the negative effect of disclosure burdens on investment is more pronounced in firms that significantly expand their public float in the early years.

3. The JOBS Act: A Regulatory Shock to the Burdens of Being Public

We first conduct a policy experiment around the 2012 Jumpstart Our Business Startups (JOBS) Act, which established Emerging Growth Companies (EGCs) as a class of firms with reduced disclosure burdens. As we define in Appendix A, firms that go public under the JOBS Act are eligible for EGC status for up to five years as long as they meet certain criteria

based on their revenues, public float, or debt issuance. EGC IPO firms are granted reduced disclosure burdens along several dimensions, but many of these provisions relate to undoing the increased disclosure requirements of SOX. For instance, EGCs can disclose one less year of audited financial statements, are not required to obtain auditor attestation of the financial statements, and can reduce executive compensation disclosure.[4]

3.1. Identification Strategy

The intuition underlying our identification strategy is similar to that in Chaplinsky, Hanley, and Moon (2017) and Dambra and Gustafson (2021). We isolate the effect of the burdens to being public by splitting EGCs into treated and control groups based on their SRC status. SRCs, which over most of our sample period are firms with less than $75 million in public float, already benefitted from the reduced disclosure burdens that the JOBS Act granted to EGCs. Specifically, as we discuss in Appendices A and B, SRCs already benefit from the reduced financial statement disclosures, the optional auditor attestation opt-out, and the reduced executive compensation disclosure.[5]

Figure A1 shows the definition of EGCs and SRCs according to their public floats. Since firms with a public float below $75 million are classified as SRCs, and firms above $700 million are large accelerated filers (and thus lose EGC status), treated firms are those with a public float between $75 million and $700 million. Figure A2 illustrates our identification strategy, after restricting the sample to firms with below $700 million in public floats. The left column shows that following the JOBS Act all firms, regardless of their SRC status, are exempt from the added disclosure burdens we study. The right column shows that prior to JOBS non-SRCs (i.e., firms with above $75 million in public float) were not exempt from these burdens, while firms

[4]Reduced compensation disclosure occurs in a few ways. Firms can focus on only the most recent two years and on the top three highest-paid executives instead of the usual five. Additionally, firms have the option to exclude the standard Compensation Discussion and Analysis (CD&A) section, which typically covers executive incentives, compensation metrics, benchmarks, and peer firm performance in both the prospectus and subsequent proxy statements.

[5]These statements are derived from Goodwin Procter LLP publication: "JOBS ACT: A New IPO Playing Field for Emerging Growth Companies", Dambra, Field, and Gustafson (2015), Dambra, Field, Gustafson, and Pisciotta (2018), and Dambra and Gustafson (2021). See these references for more details on the specific similarities and differences between SRC and EGC disclosure requirements.

with smaller public floats were. By comparing non-SRCs' and SRCs' outcomes surrounding the JOBS Act, we therefore isolate the impact of the burdens to being public while plausibly controlling for other effects of the JOBS Act, which impact both SRCs and non-SRCs.

The regression specification is as follows:

$$\begin{aligned} Y_{i,q,t} =& \beta_0 + \sum_{t=1}^{6} \beta_{1t} \textit{JOBS IPO}_i \times \textit{Non-SRC}_{i,q} \times \textit{Year}_t^{\textit{Post}} + \sum_{t=1}^{8} \beta_{2t}\, \textit{Year}_{i,t}^{\textit{Post}} \times \textit{Non-SRC}_{i,q} \\ &+ \sum_{t=1}^{8} \beta_{3t}\, \textit{Year}_{i,t}^{\textit{Post}} \times \textit{JOBS IPO}_i + \sum_{t=1}^{8} \beta_{4t}\, \textit{Year}_{i,t}^{\textit{Post}} + \beta_5 \textit{Non-SRC}_{i,q} \\ &+ \beta_6 \textit{JOBS IPO}_i + \beta_7 \textit{JOBS IPO}_i \times \textit{Non-SRC}_{i,q} + X_{i,q} + \text{FE}, \end{aligned} \tag{1}$$

where $Y_{i,q,t}$ represents the quarterly investment of firm i in quarter q, and t measures the years since the IPO. For instance, $t = 1$ for the first four quarters a firm is public, and $t = 2$ for the next four quarters, etc. In our main specification we define investment as capital expenditures plus research and development (R&D) expenses divided by beginning of period total assets, although we also run tests that separate investment into its R&D and capital expenditure components.

To test the long-term effects of the JOBS Act, we compare the investment outcome variable for the treated and control firms annually during the sample period. *JOBS IPO* is an indicator variable equal to 1 if an issuer's IPO date occurs after December 8, 2011, and 0 otherwise.[6] *Non-SRC* is an indicator variable equal to 1 if a firm has greater than or equal to $75 million in public float, and 0 otherwise. In our preferred specification, we use a firm's non-SRC status as of the first year after the IPO, allowing our firm fixed effects to absorb the baseline non-SRC effect and shifting the interpretation toward an intent-to-treat framework. This mitigates the potential impact of firms managing their non-SRC status over time, as Ewens, Xiao, and Xu (2024) show can be relevant around such regulatory thresholds.

[6]While the JOBS Act was officially signed into law on April 5, 2012, the de-burdening provisions we study were retroactively implemented as of December 8, 2011.

The coefficient of interest is the triple interaction between *Non-SRC*, *JOBS IPO*, and $Year^{Post}$, which illustrates how the effect of the JOBS Act's de-burdening provisions on investment evolves in the years after a firm goes public. An important difference between our study and previous work using this policy experiment is that we can include firm fixed effects. As we explain below, we employ two test samples, both containing up to eight years of post-IPO data. One sample restricts the analysis to observations that have at least seven years' worth of data and includes firm fixed effects, thus comparing investment in the first few years after a firm goes public relative to the seventh and / or eighth year after a firm has gone public. Notably, these control periods are at least a couple of years after the JOBS Act's de-burdening provisions expire and therefore offer a similar baseline comparison across our treated and control groups. Our other sample expands the analysis to include firms that do not have seven years of post-IPO data and excludes firm fixed effects since we cannot reliably compare investment before and after the JOBS Act provisions expire within this extended sample.

We include a range of other control variables, such as *Ln(Assets)*, *Op. Cash Flow*, and *MTB*. We also use non-linear controls for a firm's public float, *Ln(Float)*, $Ln(Float)^2$, and $Ln(Float)^3$. Along with our difference-in-differences framework, these controls, which we interact with *JOBS IPO* and *Non-SRC* in some specifications, help isolate the effect of non-SRC status (i.e., treatment) from a more general size effect. We include fixed effects for the year-quarter at which investment is measured and industry-year fixed effects using the year of the IPO issue. We double cluster standard errors at the industry and year-quarter levels. Detailed variable definitions are presented in Appendix C.

In our specifications that include firm fixed effects in Equation (1) above, we effectively estimate the following regression equation, as certain time-invariant variables are omitted.

$$
\begin{aligned}
Y_{i,q,t} =& \beta_0 + \sum_{t=1}^{6} \beta_{1t} EGC\ Treated_{i,q} \times Year_t^{Post} + \sum_{t=1}^{8} \beta_{2t}\, Year_{i,t}^{Post} \times Non\text{-}SRC_{i,q} \\
&+ \sum_{t=1}^{8} \beta_{3t}\, Year_{i,t}^{Post} \times JOBS\ IPO_i + \sum_{t=1}^{8} \beta_{4t}\, Year_{i,t}^{Post} + \beta_5 Non\text{-}SRC_{i,q} \\
&+ \beta_6 JOBS\ IPO_i + \beta_7 EGC\ Treated_{i,q} + X_{i,q} + \text{FE},
\end{aligned} \tag{2}
$$

We denote *EGC Treated* as the interactions between two dummy variables, *JOBS IPO* and *Non-SRC*. Thus, β_1 captures the difference in investment behavior between treated (Non-SRCs) and untreated (SRCs) IPO firms in the years following their IPO, compared to the same firms in later years after the expiration of the JOBS Act provisions.

We next conduct two tests to more precisely understand the life cycle of the disclosure-investment relaiton in the first few years firm is public. First, we compare the disclosure-investment relation in the first two years after a firm goes public, to the same relation in the fourth and fifth years the firm is public (excluding the third year).[7]

Specifically, we estimate

$$
\begin{aligned}
Y_{i,q,t} =& \beta_0 + \beta_1 EGC\ Treated_{i,q} \times First\ 2\ Years + \beta_2 Non\text{-}SRC_{i,q} \times First\ 2\ Years \\
&+ \beta_3 JOBS\ IPO_i \times First\ 2\ Years + \beta_4 First\ 2\ Years + \sum_{t=1}^{5} \beta_{5t}\, Year_{i,t}^{Post} \times Non\text{-}SRC_{i,q} \\
&+ \sum_{t=1}^{5} \beta_{6t}\, Year_{i,t}^{Post} \times JOBS\ IPO_i + \sum_{t=1}^{5} \beta_{7t}\, Year_{i,t}^{Post} + X_{i,q} + \text{FE},
\end{aligned} \tag{3}
$$

where *First 2 Years* is an indicator variable equal to one if the company is two years old or younger since its IPO. In this model, β_1 captures the effect of the de-burdening provisions on investment during the first two years after their IPO, compared to the fourth and fifth years.

[7] By excluding the third year, we can more clearly observe the life cycle of sensitivity to the de-burdening provisions, as the effects are attenuating during that period.

Second, we further explore the temporal dynamics of the de-burdening provisions' impact on corporate investment by incorporating a time trend into our analysis. Focusing on the time trend, we examine whether any initial effect of reduced mandatory disclosure on investment diminishes over time, which would indicate a life cycle pattern in the sensitivity to the de-burdening provisions. To test this, we estimate

$$\begin{aligned} Y_{i,q,t} =& \beta_0 + \beta_1 EGC\ Treated_{i,q} \times Time\ Trend_{i,q} + \beta_2 Non\text{-}SRC_{i,q} \times Time\ Trend_{i,q} \\ &+ \beta_3 JOBS\ IPO_i \times Time\ Trend_{i,q} + \sum_{t=1}^{20} \beta_{4t} I(Time\ Trend_{i,q}) \times Non\text{-}SRC_{i,q} \\ &+ \sum_{t=1}^{20} \beta_{5t} I(Time\ Trend_{i,q}) \times JOBS\ IPO_i + \sum_{t=1}^{20} \beta_{6t} I(Time\ Trend_{i,q}) + X_{i,q} + \text{FE}, \end{aligned} \tag{4}$$

where $Time\ Trend_{i,q}$ is a continuous variable indicating the number of quarters since the IPO and $I(Time\ Trend_{i,q})$ is an indicator variable for each quarter since the IPO. In this model, we expect a negative coefficient on β_1, implying that while reduced mandatory disclosure initially stimulates investment for newly public firms, the effect wanes over time as firms adjust to the public reporting environment.

3.2. Data

Our sample contains all IPOs with issuance dates between February 2, 2008, and December 31, 2014, sourced from Refinitiv Eikon's Deal Screener database. Following existing literature, we exclude IPOs from the financial and real estate industries, those with prices below $1 or proceeds under $1 million, non-original IPOs, limited partnerships, closed-end funds, rights offering IPOs, firms not listed on major U.S. stock exchanges (AMEX, NYSE, and NASDAQ), and those lacking Compustat financial statements and public float data. As we show in Table A1, many of these restrictions are redundant once we restrict the sample to exchange-listed firms (i.e., those we can match in the CRSP database). The sample begins with 478 IPOs and then is reduced by 144 after the exclusion of financial and limited partnership firms and

closed-end funds.

We make two important refinements to our sample to enhance the interpretation of our results. Neither of these adjustments materially affects our main findings, but they do substantially reduce the sample in a way that refines our identifying variation. First, we restrict the sample to firms with less than $1 billion in pre-IPO annual revenues and less than $700 million in public float as of their first report date. The first of these restrictions is common in the literature as $1 billion in revenues automatically makes a firm ineligible for the JOBS Act provisions. The $700 million public float cutoff accounts for the fact that one way that firms can outgrow EGC status is by becoming a large accelerated filer, defined as companies with over $700 million in public float. Table A1 shows that together these restrictions drop another 55 IPOs. This leaves us with 279 IPOs in our full sample, however we replicate many of our tests on a balanced sample that allows us to compare the de-burdening-investment relation in the first few years after a firm's IPO to that same relation several years later (after the JOBS Act's provisions have expired). For this analysis, which includes firm fixed effects, we further restrict the sample to firms for which we have at least 7 years of post-IPO investment data. This reduces our sample by an additional 123 IPOs. Our balanced sample includes 156 IPO firms with 4,248 firm-quarter observations.

The variables used throughout the analysis come from a variety of sources. We collect accounting data from the Compustat database, stock market data from the CRSP database, and public float data from the SEC's EDGAR database.[8,9] We follow Chaplinsky, Hanley, and Moon (2017) in using IPO proceeds to approximate public float for the period prior to the end of the firm's first fiscal year in which they were public during the middle of the prior fiscal

[8]https://www.sec.gov/about/divisions-offices/division-economic-risk-analysis/data/financial-statement-and-notes-data-set

[9]We manually correct cases in which companies inaccurately denote the units of public float in the SEC's dataset. Specifically, we observe situations where companies mistakenly present public floats in thousands instead of millions or vice versa. For example, Straight Path Communications (CIK: 0001574300) reported a public float of $135.132,000 on 2016-01-29, suspected to be a typo for the correct value of $135,132,000 in public float. To address such instances, we identify companies exhibiting their public float increase of more than 1,000 times compared to the previous year. Subsequently, we directly scrutinize the 10-K filings of these companies, correcting cases where the unit of public float is inaccurately recorded in the SEC's dataset.

year. We hand-collect the EGC status and provisions directly from 10-K/Q and S-1 (S-1/A). To measure a firm's founding age, we retrieve founding dates from Jay Ritter's website.[10] We winsorize all variables used in the analysis at the 1% and 99% levels based on the final regression sample.

Given that our treatment is derived from firms eligible for EGC status under the JOBS Act, it is crucial to delve into the factors leading to the loss of EGC status among our sample firms. Figure A3 shows why the IPO firms in the sample, originally treated as EGCs under the JOBS Act's de-burdening provisions, eventually lose their EGC status. We focus this discussion on the 70 companies initially classified as EGC-treated for which we observe seven years of post-IPO data.[11] There are two key reasons why firms in our balanced panel sample lose their EGC status. First, if a firm attains a public float of $700 million or more, it transitions into a large accelerated filer, resulting in the loss of EGC status. The instances of companies losing their EGC status for this reason are as follows: 1 in the first year, 16 in the second year, 9 in the third year, and 7 in the fourth year post-IPO. Second, firms lose their EGC status five years after their IPO. Consequently, the number of companies losing EGC status is 2 in the fifth year after IPO, 34 in the sixth year, and 1 in the seventh year, with the majority experiencing this transition in the sixth year.

We report summary statistics for sample firms in Table 1. Panel A indicates that about 31% of our sample goes public post-JOBS and 68% are treated firms as per their non-SRC status. The average firm invests at a rate of approximately 5.9% of total assets per quarter, with 75% (25%) of this in the form of R&D (capital expenditure) investment. The typical firm has approximately zero operating cash flow, and a market-to-book ratio of 3.2.

TABLE 1 ABOUT HERE

[10] See https://site.warrington.ufl.edu/ritter/ipo-data/. We treat firms listed on Jay Ritter's website but with missing founding dates as older companies by replacing the missing values with the maximum of the winsorized founding ages.

[11] In some analyses, we incorporate firms with less than 7 years of data into our sample. Here, firms may also lose EGC status if they delist. Fifty-four EGC firms delist within five years of their IPO.

Panel B of Table 1 shows post-IPO characteristics, categorized by SRC status and the timing of the IPO relative to the passage of the JOBS Act, for the first three years after the IPO. In columns (1) and (2), we present the averages of firm characteristics before and after the JOBS Act for non-SRC firms, and in columns (3) and (4), we present the averages of firm characteristics before and after the JOBS Act for SRC firms. In column (5), we report the significance of the coefficients based on a regression analysis between these firm characteristics and *EGC Treated* after controlling for industry fixed effects. Comparing Columns (1) and (2), non-SRCs going public after the JOBS Act exhibit greater size, investment, and R&D expenses, aligning with the findings in Dambra and Gustafson (2021). Following the enactment of the JOBS Act, non-SRC IPO companies have demonstrated a general uptick in investment, particularly in R&D. Notably, both SRC and non-SRC post-JOBS IPO issuers tend to be smaller and less profitable, aligning with findings in existing literature, such as Dambra and Gustafson (2021) and Dambra, Field, and Gustafson (2015).

Figure A4 illustrates the industry distributions of our final SRC and Non-SRC firms before and after the JOBS Act, categorized by Thomson Reuters Business Classification, which represents the industry at the time of the IPO. On the left side, SRC and Non-SRC firms exhibit similarities in terms of the frequency distribution of IPOs by industry. In particular, both types of companies were prominently listed in high-tech industries, such as Software & IT service and Pharmaceuticals & Medical Research fields, characterized by substantial research and development (R&D) expenses. On the right side, Pharmaceuticals & Medical Research companies constitute a significant proportion of IPO companies listed after the JOBS Act. This aligns with the findings of Dambra, Field, and Gustafson (2015) and Lewis and White (2023), who reported a substantial increase in biotech IPO firms during the six years following the JOBS Act. Throughout our analyses, we include industry-year fixed effects to control for differences in the types of firms in each industry that elect to go public each year. We also demonstrate robustness to the exclusion of any single industry.

4. The Short-lived Effect of Disclosure Burdens on Post-IPO Investment

We posit a new life cycle effect whereby the mandatory-disclosure investment relation attenuates as public firms become more seasoned. The key empirical prediction therefore is that mandatory disclosure burdens will initially affect the investment of newly public firms, but this will attenuate over time.

Panel A of Table 2 presents estimates of equation 2 that test the evolution of the mandatory disclosure-investment relation over the first eight years a firm is public. Across all specifications, we find that there is an initial positive relation between the JOBS Act's de-burdening provisions and corporate investment, but that it attenuates after approximately 3 years.

TABLE 2 ABOUT HERE

Our initial analyses in columns (1) and (2) do not include firm fixed effects, allowing us to employ a larger sample that does not require seven years of post-IPO data in column (1). The two columns are very similar, indicating a positive and significant relation between the JOBS Act's de-burdening provisions and investment only in the first three years following a firm's IPO. Moving to column (3), we again find similar estimates after the inclusion of firm fixed effects. The stability of our estimates suggests that our findings are not primarily driven by our sample requirements or the requirement to identify off of within firm variation.

The estimates in columns (1) through (3) are based on a non-SRC indicator that equals 1 during any fiscal year in which the public float was over $75 million in the middle of the previous fiscal year.[12] In column (4), we fix non-SRC status at the time of the IPO based on the IPO proceeds raised, essentially creating an intent to treat framework. The magnitudes in column (4) are approximately 60% of the magnitude of the column (1) and (2) estimates as would be expected to the extent that non-SRC status changes in the years after the IPO.

To illustrate the results in column (4), we plot the coefficients on the dummy interaction

[12] In Table 2, we do not report coefficient estimates for stand-alone terms or double interactions between indicator variables for brevity. These omitted estimates are provided in Figure A5.

term, *EGC Treated* $\times$ $Year^{Post}$ in Figure 1. The figure shows a gradual decrease in the long-term effect of the JOBS Act on total investment over time. The result is highly positively significant in the first three years, after which the coefficient stabilizes around zero. All of these estimates are relative to the investment seven and eight years after the IPO suggesting that treated and untreated firms both reach a similar long-run equilibrium level of investment within four years of their IPO.

FIGURE 1 ABOUT HERE

Panel B of Table 2 conducts two sets of tests to more formally show that the disclosure burden-investment relation significantly attenuates over the first five years a firm is public. In columns (1) and (2) we define an interaction term, *EGC Treated* $\times$ *First 2 Years*, where *First 2 Years* is an indicator equal to 1 for the first two years following a firm's IPO and 0 otherwise. We then retain only the first, second, fourth, and fifth years after the IPO. Thus, the interaction reflects the differential effect of disclosure burdens on investment in the first two years a firm is public compared to that same effect in the fourth and fifth years the firm is public. In column (1), the magnitude of the investment increase is virtually identical to the 5.3% of assets increase documented in Dambra and Gustafson (2021), corresponding to approximately $5 million for the typical firm in our sample. Furthermore, given the highly right-skewed distribution of investment, we replicate this result using a Poisson maximum-likelihood regression in column (2) (Cohn, Liu, and Wardlaw, 2022). A key advantage of Poisson models is that they account for zero outcomes and provide more efficient estimates in skewed distributions. The coefficient of *EGC Treated* $\times$ *First 2 Years* is positive and significant, which corroborates the OLS result in column (1).

In columns (3) and (4), we examine how the impact of the de-burdening provisions evolves over time by defining an interaction term, *EGC Treated* $\times$ *Time Trend*, where *Time Trend* is the number of quarters since the IPO. The negative and significant coefficient of *EGC Treated* $\times$ *Time Trend* in column (4) indicates that the positive effect of the JOBS Act on investment

diminishes over time, though the coefficient in column (3) is marginally insignificant before the inclusion of firm fixed effects. Column (4) indicates that the effect of disclosure burdens on investment decreases by 0.5% of assets each quarter post-IPO, suggesting that the de-burdening impact is strongest shortly after the IPO and wanes as firms adapt to the public market environment.

To further assess the robustness of our findings, we present the results in Panel A of Table A2 of the Internet Appendix. Specifically, we exclude observations with public floats between $70 million and $80 million, which is around the public float cutoff of $75 million. We replicate the initial test by narrowing the sample to firms with initial public floats below $700 million in column (1), $500 million in column (2), and $300 million in column (3). The coefficients for $EGC\ Treated \times Year^{Post}$ remain similarly significant from 1 to 3 years post-IPO, though the coefficient for the third year is marginally insignificant in column (3). Therefore, our findings remain robust across various specifications, including narrower bandwidths, exclusion of observations around the cutoff, and removal of firms transitioning to non-SRC status.

Overall, this evidence suggests that the JOBS Act's de-burdening provisions initially stimulate corporate investment post-IPO, but the impact diminishes, becoming insignificant within three to four years. This implies that the JOBS Act's de-burdening provisions cease to impact investment one to two years prior to their expiration, suggesting tat mandatory disclosure burdens have limited influence on the investment policies of small U.S. public firms beyond their initial years of going public.

4.1. Evidence on Underlying Mechanism

Theories such as Hermalin and Weisbach (2012) and Edmans, Heinle, and Huang (2016) show how mandatory disclosure burdens can interact with information frictions between managers and investors to increase the incentive for managers to forgo profitable long-term projects in order to enhance current tangible metrics. This motivates our second set of empirical predictions, which are that the mandatory disclosure-investment relation and its attenuation will be concentrated in settings where managers have the most incentive to enhance current tangi-

ble metrics. Specifically, we predict that the observed relation between mandatory disclosure requirements and investment will manifest (1) when investment is informationally sensitive or more likely to harm short-term tangible performance, and (2) along with a corresponding investment efficiency decline.

4.1.1. Decomposing Investment

Our total investment measure is comprised of capital expenditures and R&D expenses. We expect the mandatory disclosure-investment relation and its attenuation to concentrate in R&D investment for at least two reasons. First, R&D investments tend to be less transparent (see e.g., Hall and Lerner, 2010; Ge, Cahan, and Chen, 2024). Second, R&D expenses more directly affect current earnings. This prediction is consistent with studies such as Terry (2023) who shows that short-term focused managers cut R&D expenses as well as studies showing that mandatory disclosure burdens suppress long-term innovative investment activities (Dambra and Gustafson, 2021; Lewis and White, 2023).

We decompose our investment measure into research and development (R&D) and capital expenditures, each scaled by lagged total assets, to separately analyze the long-term effect of the de-burdening provisions on corporate investment. Table 3 replicates the key findings of Table 2 while categorizing the dependent variable based on investment type.

TABLE 3 ABOUT HERE

In columns (1) and (2) of Panel A, we examine the long-term effect of the de-burdening provisions on capital expenditures. We find no significant relation between de-burdening provisions in any of the first six years after a firm goes public and capital expenditures. The magnitudes are also economically small, on average approximately 10% the size of the corresponding estimated effect on R&D. In contrast, columns (3) and (4) indicate a significant relation between de-burdening provisions and R&D expenditures. We find that EGC-treated firms significantly increase their post-IPO R&D expenditure for the first three or four years they are public relative

to SRCs following the passage of JOBS. Figure 2 illustrates the estimates in column (4). The estimate of around 3.3% of total assets in the first year a firm is public is large, representing over half of the typical quarterly R&D investment in our sample. However, the effect attenuates quickly, becoming insignificant in the fourth year a firm is public. The estimates in years 4 through 6 are relatively stable and insignificantly different from the reference period, which is the seventh and eighth year the firm is public. Panels B and C of Table A2 of the Internet Appendix show that these findings are robust to the same specifications as our main results, whereby we exclude observations with public floats between $70 million and $80 million, near the $75 million cutoff, and replicate the test for firms with initial public floats below $700 million in column (1), $500 million in column (2), and $300 million in column (3).

FIGURE 2 ABOUT HERE

In Panel B of Table 3, we compare the effect of the de-burdening provisions on R&D expenditure in the first two years a firm is public to that in the fourth and fifth years, once the firm is more seasoned but still benefits from the reduced burdens afforded by the JOBS Act. In column (1), the positive coefficient on the *EGC Treated* $\times$ *First 2 Years* interaction indicates that mandatory disclosure burdens suppress R&D investment significantly more during the first two years a firm is public, relative to several years later. This result is robust when we perform a Poisson maximum-likelihood regression in column (2), given the highly right-skewed distribution of R&D expenditure. In columns (3) and (4), the negative and significant coefficients on the *EGC Treated* $\times$ *Time Trend* interactions, again corroborate the significant decline in the disclosure burden-investment relation over the first five years a firm is public.

An important motivation for splitting total investment into its capital expenditure and R&D components was that R&D spending tends to be more informationally opaque. To further study whether the disclosure burden-investment relation concentrates where informational frictions are most significant, we next study whether the observed effect of disclosure burdens on investment concentrates among firms that are young when they go public. The idea behind this test

is that the short business track record of newly public firms (and changing ownership) leads to increased investor-manager information asymmetry. This asymmetry is a critical element to our proposed life cycle hypothesis, which predicts that the de-burdening-investment relation will be strongest when investors know less about the firm's investment. We use the age of a firm at the time of the IPO, which we obtain from the founding dates on Jay Ritter's website, as a proxy for the extent to which this attenuates post-IPO investor-manager information asymmetry. The underlying assumption behind this proxy is that investors will know less about (and therefore learn more about over time) the investment policies of younger firms, all else equal.

We report the results in Table 4. Whether we measure the firm's age the natural logarithm of a firm's founding year immediately after listing or an indicator variable that takes one if a firm's founding year immediately after listing is less than or equal to 5 years, we find that the de-burdening-investment relation and its attenuation are significantly larger for younger firms. Again, this result only applies to R&D investment, though the coefficient on *EGC Treated* × *Time Trend* × *Log(Age^{First})* is marginally insignificant in column (1). These findings suggest that young firms' investments are most affected by the de-burdening provisions of the JOBS Act, again supporting the possibility that the disclosure-investment relation evolves over the corporate life cycle.

Table 4 About Here

4.1.2. Investment Efficiency

If mandatory disclosure burdens are leading managers to sacrifice long-run investment to improve apparent short-term performance then we expect investment efficiency to decline, especially for the R&D that managers are most actively forgoing. Following previous literature (e.g. Hubbard, 1998; Badertscher, Shroff, and White, 2013), we use the sensitivity of investment to investment opportunities, measured by the market-to-book ratio, as a proxy for investment efficiency. Table 5 presents the findings, with odd-numbered columns using a larger sample that classifies EGC-treated companies by initial public float, and even-numbered columns using a

sample with seven years of post-IPO data and the public float for each period. In columns (1) and (2), the coefficients on *EGC Treated* × *First 2 Years* × *MTB* are positive and significant. Focusing specifically on R&D investment, however, yields significant interactions across both specifications. In contrast, columns (5) and (6) indicate no significant change in the efficiency of capital expenditure investment.

TABLE 5 ABOUT HERE

5. Newly Public Firms Uniquely Trigger the Disclosure-investment Relation

The evidence presented thus far suggests that there is a short-lived disclosure burden-investment relation for newly public firms. In addition, this relation appears related to a combination of information asymmetry and managers' incentive to enhance short-term tangible metrics, at the expense of long-term optimal ivestment policy. In this section, we posit two key factors that are unique to newly public firms and may change after three years, leading to the observed attenuation in the disclosure burden-investment relation. First, we discuss how newly public firms have a unique incentive to cater toward current share price and show that the firms most exposed to this incentive drive the disclosure burden-investment relation. Second, we test whether the attenuation in the disclosure burden-investment relation can be explained by how the market reacts to increased investment as firms become more seasoned.

5.1. The Exaggerated Short-term Pressures of Newly Public Firms

Newly public firms have elevated incentives to maximize current stock price since they are disproportionately reliant on their market price to sell shares. For example, Field and Hanka (2001) discuss a potential tripling of public float around the IPO lock-up expiration, while Krigman, Shaw, and Womack (2001) describe the large fraction of IPO firms conducting a follow-on offering in the three years after they go public. Descriptive evidence in our sample suggests that the timing of the de-burdening-investment relation's attenuation and the stability of newly public firms' shareholders are coincident. Figure 3 depicts the ratio between public

float and total market capitalization for the average IPO in our sample in the years following the IPO. The ratio increases from approximately 0.30 in the first year after the IPO to 0.75 by the third year. After this period, the ratio largely stabilizes, rising to just over 0.8 over the next five years.

FIGURE 3 ABOUT HERE

We next study whether this public float stabilization is linked to the existence of the disclosure burden-investment relation. We restrict this analysis to the first three years a firm is public and identify firms that continue increasing their public float through their third year they are public by creating a variable equal to the difference between public float in the fourth year, after growth has typically stabilized, and the second year. This difference is represented by $FloatExpansion$, the quantile of the ratio of the float market value at 16 months to the float market value at 8 months. We obtain quantitatively similar and significant results when using the decile or median of this ratio in our untabulated results.

Table 6 presents the results where the coefficient of interest is $EGC\ Treated \times FloatExpansion$. The coefficient is positive and statistically significant in columns (1)–(4), suggesting that the de-burdening-investment relation is driven by firms that continue to expand their float several years after going public. As in our previous analyses, the effects concentrate in R&D investment as we see no significant relation between disclosure burdens and capital expenditures. Given the stabilization of public float after a firm has been public for three years, this offers one driver of the attenuation in the disclosure-investment relation as firms become more seasoned.

TABLE 6 ABOUT HERE

5.2. Event Study: The JOBS Act

As a final test to understand why the disclosure burden-investment relation attenuates after three years, we test whether the market views increased investment, especially R&D investment,

differently in high disclosure regimes as a firm becomes more seasoned. Specifically, we examine how increased R&D investment relates to the market's response to earnings announcements during the first three years a firm is public. This test is motivated by the intuition that the argument in Edmans, Heinle, and Huang (2016), predicting that disclosure burdens will make investors fixate more on tangible short-term earnings.

We report the results in Table 7. The dependent variable is the cumulative abnormal daily returns in even columns over a five-day window around the earnings announcement date (CAR_{Report}). We obtain earnings announcement dates from Compustat, and calculate abnormal returns using the Market-Adjusted model via the U.S. Daily Event Study software of Wharton Research Data Services (WRDS).[13] Additionally, we remove CAR_{Report} for the two quarters because the data from the first two quarters after a firm goes public may not be sufficient to estimate the firm's beta accurately. We also measure abnormal investment using the level of investment combined with firm fixed effects. Specifically, $\Delta Investment$, $\Delta R\&D$, and $\Delta Capex$ are the standardized differences between *Investment*, *R&D*, and *Capex*, respectively, and their four-quarter averages.[14]

The coefficients for *EGC Treated* × *Investment* and *EGC Treated* × Δ*Investment* are positive but insignificant in columns (1)–(2). However, in columns (3) and (4), the coefficients on the interaction term *EGC Treated* × *R&D* and *EGC Treated* × Δ *R&D* are positive and significant. This suggests that relaxing burdens helps EGCs increase long-term investment, particularly in R&D, to achieve better earnings responses. In columns (5) and (6), the coefficients on the interaction term *EGC Treated* × *Capex* and *EGC Treated* × Δ*Capex* are positive but not statistically significant, indicating that changes in capital expenditures do not have a significant impact on the earnings response. These findings support the idea that reducing regulatory burdens allows newly public firms to pursue long-term investments, particularly in

[13]In particular, we calculate the cumulative abnormal return for the window CAR(-2, 2) using an estimation window of 60 days for betas, a minimum of 5 valid observations, a gap of 5 days between the estimation and event windows, and an event window from 2 days before to 2 days after the earnings announcement date.

[14]In an untabulated result, we obtained quantitatively similar findings when using the difference between investment, R&D, and capital expenditure and their respective levels from four quarters earlier.

R&D, without suffering immediate negative consequences on earnings.

Table 7 About Here

6. SRC Reform: A Shock to Seasoned Firms' Mandatory Disclosure

Our findings thus far indicate that the JOBS Act's de-burdening provisions predict increased corporate investment, but only for very new public firms. In particular, our findings suggest that the investment of seasoned firms, measured either relative to their founding date or IPO date, exhibits little sensitivity to recent shifts in the burdens to being public. Here, we conduct a second policy experiment to see if our findings thus far, which are derived exclusively from newly public firms, extend to the universe of small U.S. public firms currently being targeted by the SEC's recent adjustments in mandatory disclosure requirements.

Our second policy experiment surrounds the SEC's decision to increase the public float thresholds for firms qualifying as SRCs to $250 million from $ 75 million in 2018. Notably, this policy shift does not affect our previous results with respect to the JOBS Act for two reasons. First, this revision occurred near the end of our JOBS Act sample period, whereas the findings of interest are during the first five years after the IPO. Virtually all firms in the JOBS Act sample had already past the point at which their EGC provisions expired before the passage of this new rule. Second, this was a shift toward granting the de-burdening to firms with over $75 million in public float. The main effect of this would be to extend the de-burdening provisions for some issuers beyond the fifth year, but this would be unlikely to impact the findings we garner from studying the first five years after the IPO.

6.1. Identification Strategy

An "SRC" (Smaller Reporting Company) is the smallest group of businesses required to submit annual reports to the U.S. Securities and Exchange Commission (SEC). Unlike larger companies, SRCs have less stringent requirements for financial data disclosure. Originally defined with a public float up to $75 million or zero public float and annual revenues under

$50 million, the SEC revised the criteria on June 28, 2018. Under the updated definition, a company qualifies as an SRC with a public float of less than $250 million or annual revenues of less than $100 million. These changes aim to increase the pool of companies eligible for relaxed disclosure requirements, reducing financial and administrative burdens for smaller qualifying companies. The revised criteria became effective on September 10, 2018. Figure A6 illustrates the former and updated definitions, highlighting the SEC's goal to expand the pool of companies qualifying for reduced disclosure requirements.

To identify the effect of the SRC reform's de-burdening provisions on corporate investment, we conduct difference-in-differences regressions of firms' investment activities around the SRC reform. Treatment is based on whether a firm's public float is between $75 million and $250 million in the pre-reform year. The use of the pre-reform period in defining treatment makes this akin to an intent to treat framework. The group between $75 and $250 in public float is "intended to be treated" by the SRC policy shift. The other difference resides within the time dimension—before and after the implementation of the SRC reform. We use two sets of control groups, both of which are not intended to be treated by the rule change. The first control group comprises firms with floats below $75 million in the pre-reform year and the second control group consists of firms with floats exceeding $250 million in the pre-reform year. Thus, our treated group in our quasi-difference-in-differences specification is the set of firms after the SRC reform with floats between $75 million and $250 million (New SRC). Figure A7 illustrates our identification strategy.

The regression specification is as follows:

$$Y_{i,t} = \beta_0 + \beta_1 SRC\ Treated_i + \beta_2 After_t + \beta_3 SRC\ Treated_i \times After_t + X_{i,t} + FE \quad (5)$$

where $Y_{i,t}$ represents firm characteristics. *SRC Treated* is an indicator variable that equals 1 if a firm's public float is between $75 million and $250 million in the pre-reform year and 0 otherwise. *After* is also an indicator variable that equals 1 for the post-reform period after the effective date of the SRC reform, September 10, 2018, and 0 otherwise. X_i indicates firm-

level characteristics that we control for in the regressions. Control variables are *Ln(Assets)*, *Op. Cash Flow*, *MTB*, *Ln(Float)*, $Ln(Float)^2$, $Ln(Float)^3$ and their interaction terms with *After*. FE indicates firm, year-quarter, and year-quarter-industry fixed effects. We double cluster standard errors at the industry and year-quarter levels. Appendix C provides detailed definitions for all variables employed in this paper.

6.2. Data and Summary Statistics

We confine the sample to the period between 2016 and 2019 to compare firms uniformly before and after the 2018 reform. We require at least one year of observation on either side of treatment. Similar to our JOBS Act analysis, to maintain a balanced comparison, we eliminate large companies by excluding those with a public float surpassing $700 million. We also restrict our sample to companies that were listed before 2011 since our focus here is on more seasoned firms. Additionally, we exclude financial firms and limit the sample to companies with non-missing data for the required variables in the analyses. Our final sample includes 695 firms with 10,821 firm-quarter observations, and further detailed sample composition is presented in Table A1.

We report summary statistics for sample firms in Table 8. Panel A shows that the firms in our sample invest at a rate of 3.6% of lagged total assets each quarter, with approximately one-third (two-thirds) of this coming in the form of capital expenditures (R&D expenses). Panel B of Table 8 presents summary statistics for both treated and control firms during two pre-event years and two post-event years. There are no significant differences in investment activities, including R&D and capital expenditure, between treated and control firms both before and after the reform. This implies that the reduction in disclosure burden resulting from the SRC reform itself may not directly influence investment activities. We do see increases in the average public float in both samples, which is a mechanical result of the positive market returns between 2016 and 2019. The increased age is also somewhat mechanical given that we require pre- and post-event observations for every firm, effectively not allowing the stock of young firms to replenish in our post-period.

TABLE 8 ABOUT HERE

For a comprehensive comparison, Figure A8 displays the industry distributions of our finalized treated and control firms, classified according to one-digit SIC codes. The two samples exhibit a high degree of similarity to each other. Notably, the companies in our sample are mainly concentrated in the manufacturing, mining and construction, and services industries.

6.3. Empirical Results

The purpose of this analysis is to understand the extent to which the relations we observe among newly public firms extend to more seasoned firms. Thus, the sample excludes young firms defined as those with IPO dates less than 5 years before the SRC reform, so all of these tests are within a subsample of relatively seasoned U.S. public firms.

We report the results in Table 9. The dependent variables are *Investment* for columns (1) and (2), *R&D* for columns (3) and (4), and *Capex* for columns (5) and (6). Across all columns we find no significant differential shifts in investment levels for treated firms during the two years following the rule change when compared to the two preceding years. This is true whether we include year-quarter-industry fixed effects or simply year-quarter fixed effects. These findings corroborate our findings surrounding the JOBS Act. The mandatory disclosure burdens depress corporate R&D spending only in the first few years a firm is public.

TABLE 9 ABOUT HERE

7. Conclusion

This paper documents a new corporate life cycle effect whereby mandatory disclosure burdens depress the investment of newly public firms, but only for approximately three years after they go public. This effect is concentrated in R&D investment and accompanied by a temporary reduction in R&D efficiency.

Two key characteristics of newly public firms predict the extent of the temporary disclosure-investment sensitivity. First, newly public firms are motivated to focus on short-term stock prices due to significant public float expansions in their early years, which diminishes as the firm matures. This shift contributes to the attenuation of the relationship between disclosure requirements and investment. Second, manager-shareholder information asymmetry, proxied by the length of the business track record at the time of the IPO, amplifies the impact of de-burdening on R&D investment, particularly for younger firms.

Our findings help rationalize existing mixed empirical evidence on the disclosure-investment relation. Moreover, our findings are important from a policy perspective since the SEC continues to adjust mandatory disclosure requirements for small public firms. Our findings suggest that it is unlikely additional changes along the margins the SEC has been adjusting will significantly impact corporate investment.

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Appendix A: JOBS Act provisions under the "IPO on-ramp" for Emerging Growth Companies

Derived from Goodwin Procter LLP publication: "JOBS ACT: A New IPO Playing Field for Emerging Growth Companies", Dambra, Field, and Gustafson (2015), Dambra, Field, Gustafson, and Pisciotta (2018), and Dambra and Gustafson (2021).

	Pre-JOBS Act	*Post-JOBS Act available to EGCs*	*Post-JOBS Act available to SRCs*
PRE-IPO PROVISIONS:			
Confidential filing	No confidential filing for U.S. issuers.	Emerging growth companies (EGCs) may submit draft IPO registration statements to the SEC for confidential review (to go public, registration statements and any amendments must be publicly filed with SEC no later than 21 days before the road show).	New provision under the JOBS Act.
Testing-the-waters	Written and oral communications regarding the offering prior to filing the registration statement is generally prohibited. During offering, written communications other than prospectus generally prohibited.	EGCs, either before or after filing a registration statement, may test-the-waters by engaging in oral or written communications with Qualified Institutional Buyers and individual accredited investors to determine interest in an offering.	New provision under the JOBS Act.

Analyst IPO Involvement	• Research reports by offering participants in connection with the offering may be considered prospectuses and offers for purposes of Section 12 liability and Section 5 "gun jumping" restrictions of the Securities Act of 1933.	• Research reports by offering participants in connection with offerings for common equity securities are not considered prospectuses or offers for purposes of Section 12 liability and Section 5 "gun jumping" restrictions of the Securities Act of 1933.	New provision under the JOBS Act.
	• Research reports and public appearances by managers and co-managers are prohibited by FINRA rules for up to 40 days after the date of the offering and within 15 days before or after the expiration of lock-up provisions, subject to certain exceptions.	• FINRA rules prohibiting publication of research reports and public appearances do not apply to those by offering participants following the IPO or prior to the expiration of lock-up provisions.	
	• FINRA rules include extensive restrictions on the ability of research analysts and investment bankers to interact.	• SEC and FINRA rules may not restrict investment bankers from arranging for communications between research analysts and potential investors or research analysts from participating in communications with management in the presence of investment bankers; rules are otherwise unaffected.	

DE-BURDENING PROVISIONS (providing scaled disclosure and opt-outs of previous or future regulations):			
Reduced financial statement disclosure	• Three years of audited financial statements in IPO registration statement. • Five years of selected financial data in IPO registration statement, subsequent registration statements and periodic reports.	• Two years of audited financial statements in IPO registration statement. • Two years of selected financial data in IPO registration statement. Selected financial data in subsequent registration statements limited to earlier audited period presented in IPO registration statement.	Available to SRCs under Regulation S-K.
Reduced compensation disclosure	Compensation, discussion and analysis section and compensation disclosure for five named executive officers in IPO registration statement and subsequent annual reports.	No compensation, discussion and analysis section. Compensation disclosure for three named executive officers in IPO registration statement and subsequent annual reports.	Available to SRCs under Regulation S-K.
Auditor attestation opt-out	Management assessment and auditor attestation of internal control over financial reporting beginning with second 10-K following IPO.	Only management assessment of internal control over financial reporting beginning with second 10-K following IPO.	Available to SRCs under Regulation S-K.
Future GAAP accounting or PCAOB auditing standards opt-out	Must comply with applicable new or revised financial accounting standards.	Not required to comply with any new or revised financial accounting or auditing standards (cannot selectively comply).	New provision under the JOBS Act.

Executive compensation vote opt-outs	Must hold non-binding advisory shareholder votes on executive compensation (specifically, Say-on-Pay, Say-on-Frequency, or Say-on-Golden Parachute vote required by the Dodd-Frank Act and SEC rules).	Exempt from holding non-binding advisory shareholder votes on executive compensation (specifically, Say-on-Pay, Say-on-Frequency, or Say-on-Golden Parachute vote).	SRCs were exempted from Say-on-Pay through January 21, 2013.

Appendix B: Scaled Disclosure Accommodations for Smaller Reporting Companies

Rule	Item	Scaled disclosure
Regulation S-K		
Description of Business	Item 101	Less detailed than the disclosure required for larger reporting companies and only requires disclosure of business development activities for three years rather than five years. Segment reporting is not required.
Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters	Item 201	Stock performance graph not required.
Selected Financial Data	Item 301	Not required.
Supplementary Financial Information	Item 302	Not required.
Management's Discussion & Analysis of Financial Condition and Results of Operations	Item 303	Less detailed than the disclosure required for larger reporting companies. Only requires MD&A for two years rather than three years and no tabular disclosure of contractual obligations.
Quantitative and Qualitative Disclosures about Market Risk	Item 305	Not required.
Executive Compensation	Item 402	Three named executive officers rather than five. Two years of summary compensation table information rather than three. Not required: • Compensation discussion and analysis. • Grants of plan-based awards table. • Option exercises and stock vested table. • Pension benefits table. • Nonqualified deferred compensation table. • Disclosure of compensation policies and practices related to risk management. • Pay ratio disclosure

Rule	Item	Scaled disclosure
Transactions with Related Persons, Promoters and Certain Control Persons	Item 404	This is the one item where the requirements for smaller reporting companies are more stringent than those for larger reporting companies. While larger reporting companies have to disclose related person transactions in excess of $120,000, smaller reporting companies must disclose transactions that exceed the lesser of $120,000 or 1% of average total assets at year-end for the two most recently completed fiscal years. In addition, smaller reporting companies: • Must provide additional disclosure about underwriting discounts and commissions and corporate parents; and • Must provide disclosure regarding promoters and certain control persons. Not required to disclose policies and procedures for approving related person transactions.
Corporate Governance	Item 407	Not required to provide disclosure on compensation committee interlocks and insider participation or a compensation committee report. Not required to provide audit committee financial expert disclosure until the first annual report after initial registration statement is filed with the SEC.
Prospectus Summary, Risk Factors and Ratio of Earnings to Fixed Charges	Item 503	No ratio of earnings to fixed charges disclosure required. No risk factors required in Exchange Act filings.
Exhibits	Item 601	Statements regarding computation of ratios not required.
Regulation S-X		
Audited Statements of Income, Cash Flows and Changes in Stockholder's Equity	Article 8	Required for two years rather than three years.

Rule	Item	Scaled disclosure
Audited Balance Sheets	Article 8	As with larger reporting companies, required for two years (an increase from the one year required by former Regulation S-B).

Source: https://www.pillsburylaw.com/images/content/1/1/v2/118108/ALERT-July-2018-Small-Reporting-Cov2.pdf

Appendix C: Variable Definitions

Variable	Definition
Investment	The sum of quarterly capital expenditures and research development scaled by lagged quarterly assets.
Capex	Quarterly capital expenditures scaled by lagged quarterly assets.
R&D	Quarterly research and development expenditures scaled by lagged quarterly assets.
JOBS IPO	An indicator variable equal to 1 if an issuer's IPO date occurs after December 8, 2011, and 0 otherwise.
Non-SRC	An indicator variable equal to 1 if the issuer is eligible for small reporting company (SRC) status under SEC regulations and 0 otherwise. The regulations required that an SRC have a public float of less than $75 million. Following Chaplinsky, Hanley, and Moon (2017), we use the company's IPO proceeds to calculate an issuer's public float for the firm-quarters immediately following an IPO. We use IPO proceeds until the issuer publicly issues a 10-Q for their second fiscal quarter, which determines EGC for the following year, consistent with SEC regulation.
EGC Treated	An indicator variable equal to 1 if (i) an issuer's IPO date occurs after December 8, 2011, and (ii) a firm with greater than or equal to $75 million in public float, and 0 otherwise.
$Year^{Post}$	An indicator variable that equals 1 for the post-IPO years and 0 otherwise.
SRC Treated	An indicator variable equal to 1 if a firm's public float is between $75 million and $250 million in the pre-reform year and 0 otherwise.
After	An indicator variable equal to 1 for the post-SRC reform years and 0 otherwise.
Ln(Assets)	The natural log of the firm's lagged quarterly assets.
Op. Cash Flow	Quarterly cash flows from operations scaled by lagged quarterly assets.

Variable	Definition
MTB	The market value of equity + book assets – stockholders' equity scaled by book assets.
Float	A firm's public float.
Ln(Float)	The natural log of a firm's public float.
$Ln(Float)^2$	The square of the natural log of a firm's public float.
$Ln(Float)^3$	The cube of the natural log of a firm's public float.
First 2 Years	An indicator variable equal to 1 if a firm is less than or equal to two years old since its IPO and 0 otherwise.
Time Trend	The number of quarters since the IPO.
$FloatExpansion$	The quantile of the ratio of the float market value at 16 months to the float market value at 8 months.
$LowAge^{JOBS}$	An indicator variable equal to 1 if a firm's founding year immediately after listing is less than or equal 5 years and 0 otherwise.
CAR_{Report}	The cumulative abnormal daily returns over a five-day window around the earnings announcement date.
$\Delta Investment$	Standardized difference in quarterly total investment and its four-quarter average.
$\Delta R\&D$	Standardized difference in quarterly R&D expenditures and its four-quarter average.
$\Delta Capex$	Standardized difference in quarterly capital expenditures and its four-quarter average.

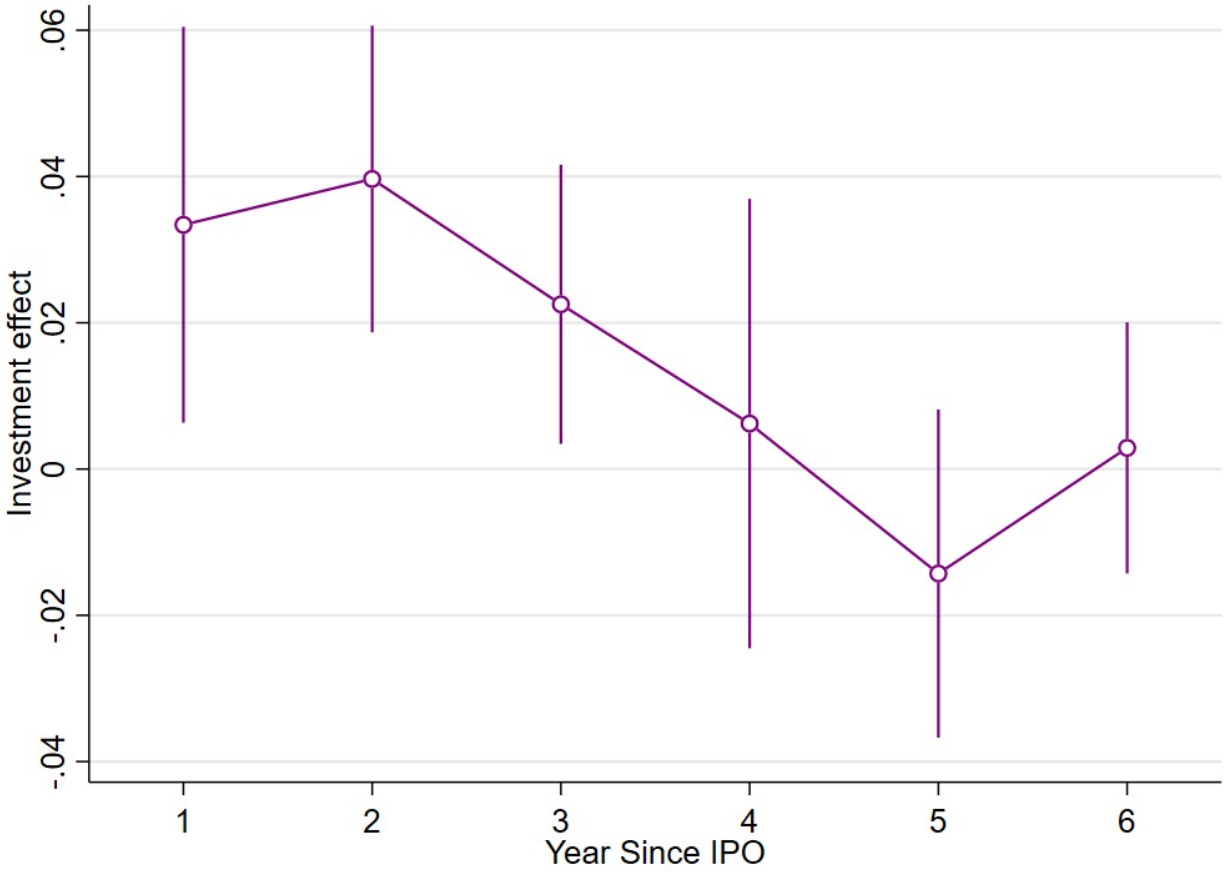

Figure 1 **JOBS Act Impact on Total Investment**

This figure plots the estimated coefficients from a regression of IPO firms' quarterly investment and EGC-treated status. Specifically, we plot the series of estimated coefficients β_1 and associated 90% confidence intervals estimated from OLS regressions of the following empirical specification: $Investment_{i,q,t} = \beta_0 + \sum_{t=1}^{6} \beta_{1t} EGC\ Treated_{i,q} \times Year_t^{Post} + \sum_{t=1}^{8} \beta_{2t} Year_{i,t}^{Post} \times Non\text{-}SRC_{i,q} + \sum_{t=1}^{8} \beta_{3t} Year_{i,t}^{Post} \times JOBS\ IPO_i + \sum_{t=1}^{8} \beta_{4t} Year_{i,t}^{Post} + \beta_5 Non\text{-}SRC_{i,q} + \beta_6 JOBS\ IPO_i + \beta_7 EGC\ Treated_{i,q} + X_{i,q} + \text{FE}$.

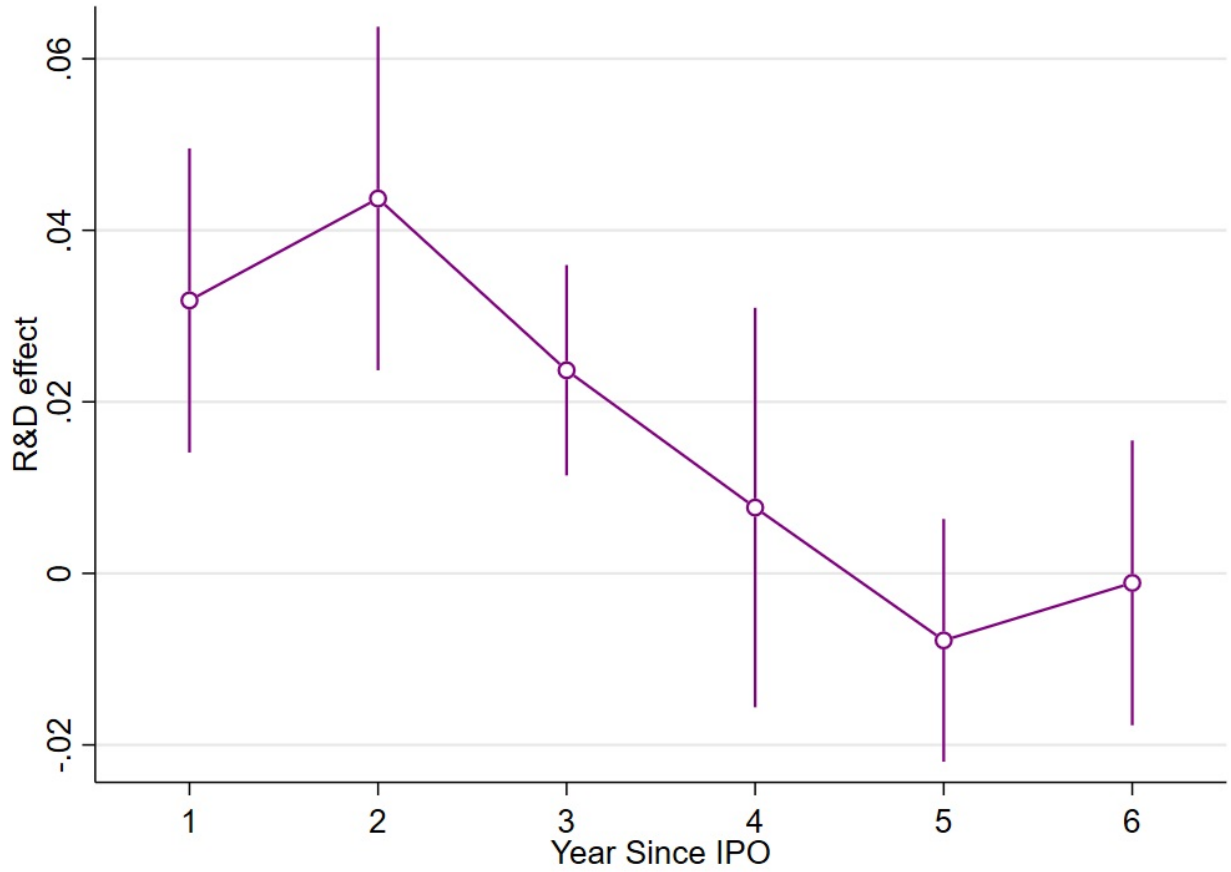

Figure 2 **JOBS Act Impact on R&D Expenditure**

This figure plots the estimated coefficients from a regression of IPO firms' quarterly R&D expenditure and EGC-treated status. Specifically, we plot the series of estimated coefficients β_1 and associated 90% confidence intervals estimated from OLS regressions of the following empirical specification: $R\&D_{i,q,t} = \beta_0 + \sum_{t=1}^{6} \beta_{1t} EGC\ Treated_{i,q} \times Year_t^{Post} + \sum_{t=1}^{8} \beta_{2t} Year_{i,t}^{Post} \times Non\text{-}SRC_{i,q} + \sum_{t=1}^{8} \beta_{3t} Year_{i,t}^{Post} \times JOBS\ IPO_i + \sum_{t=1}^{8} \beta_{4t} Year_{i,t}^{Post} + \beta_5 Non\text{-}SRC_{i,q} + \beta_6 JOBS\ IPO_i + \beta_7 EGC\ Treated_{i,q} + X_{i,q} + \text{FE}$.

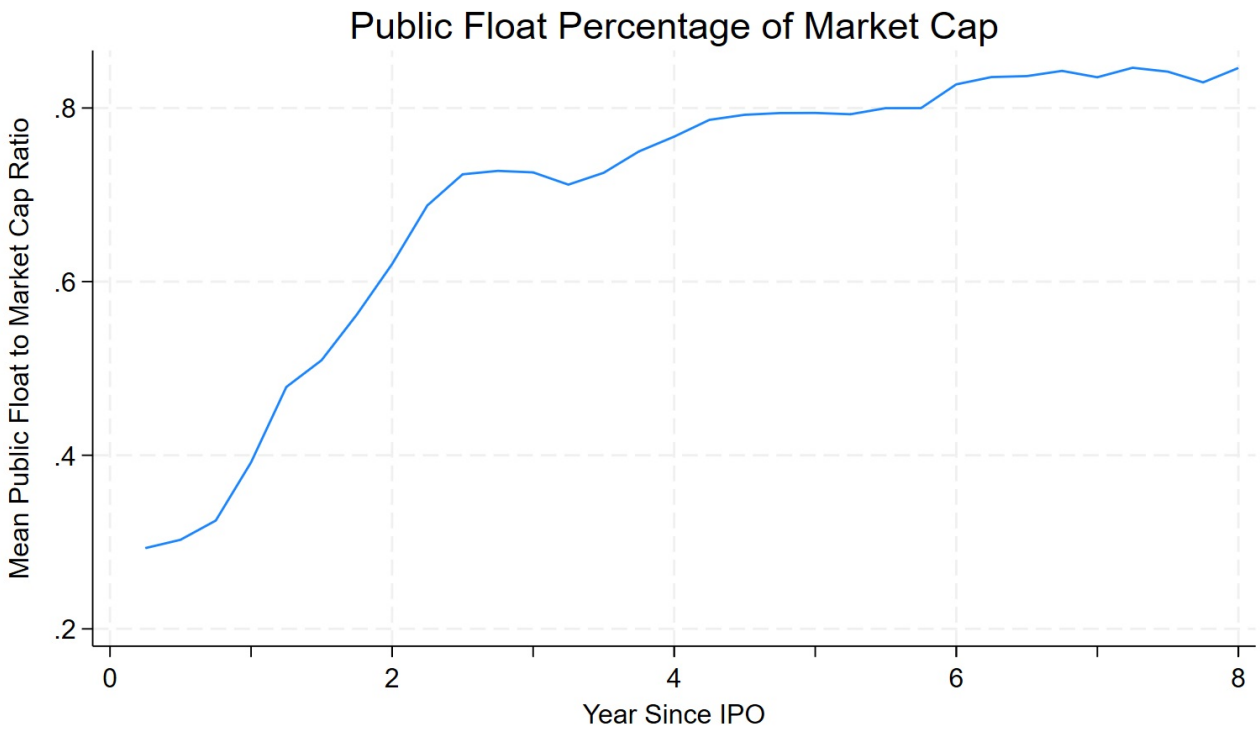

Figure 3 **Public Float Percentage of Market Capitalization**

This figure depicts the mean percentage of the public float in relation to the total market capitalization for EGC-treated firms in the sample during the post-IPO period. Before a firm publicly issues its public float, market capitalization is computed by multiplying the firm's offer price by its first-quarter share outstanding value (or the second quarter's if the first quarter's value is missing). Following the public issuance of the float, market capitalization is measured by multiplying the firm's stock price by its share outstanding on the date the public float is announced in SEC EDGAR. If the public float-to-market capitalization ratio exceeds 1, it is adjusted to 1.

Table 1 **Summary Statistics (JOBS Act)**

This table presents summary statistics for 4,248 sample firm-quarter observations. *JOBS IPO* is an indicator variable equal to 1 if an issuer's IPO date occurs after December 8, 2011, and 0 otherwise. *Non-SRC* is an indicator variable equal to 1 if the issuer is eligible for small reporting company (SRC) status under SEC regulations and 0 otherwise. *Investment* is the sum of quarterly capital expenditures and research development scaled by lagged quarterly assets. *R&D* is quarterly capital expenditures scaled by lagged quarterly assets. *Capex* is quarterly capital expenditures scaled by lagged quarterly assets. *Ln(Assets)* is the natural log of the firm's lagged quarterly assets. *Op. Cash Flow* is quarterly cash flows from operations scaled by lagged quarterly assets. *MTB* is the market value of equity + book assets – stockholders' equity scaled by book assets. Float is a firm's public float. All variables are winsorized at 1% to control for outliers and are defined in Appendix C.

Panel A: Full Sample Descriptive Statistics

	Mean	SD	p25	p50	p75	p99
JOBS IPO	0.315	0.465	0.000	0.000	1.000	1.000
Non-SRC	0.685	0.465	0.000	1.000	1.000	1.000
Investment	0.059	0.071	0.015	0.040	0.074	0.457
R&D	0.044	0.067	0.000	0.023	0.058	0.410
Capex	0.014	0.022	0.001	0.006	0.015	0.130
Ln(Assets)	5.488	1.446	4.728	5.463	6.372	8.894
Op. Cash Flow	-0.024	0.118	-0.055	0.009	0.037	0.187
MTB	3.185	2.882	1.433	2.314	3.850	19.160
Float	779.3	1717.6	87.4	220.0	631.2	12600.0

Panel B: Diff-in-diff, Post-IPO Quarterly Characteristics (First 3 Years)

	Non-SRCs (Treated)		SRCs (Control)		
	(1)	(2)	(3)	(4)	(5)
Variable	Pre-JOBS	Post-JOBS	Pre-JOBS	Post-JOBS	Diff-in-Diff
Investment	0.050	0.068	0.086	0.069	***
R&D	0.027	0.048	0.073	0.064	***
Capex	0.020	0.018	0.012	0.005	
Ln(Assets)	5.776	5.417	4.219	4.012	***
Op. Cash Flow	0.017	-0.021	-0.064	-0.092	
MTB	3.334	4.197	3.340	3.354	
Float	395.156	294.385	96.087	102.325	

Table 2 **Post-IPO Investment and the Burdens to Being Public**

This table presents the long-term effect of the JOBS Act on Post-IPO investment. For all columns, the dependent variable is *Investment*, defined as quarterly capital plus research and development expenditures scaled by the beginning of quarter assets. *EGC Treated* is an indicator variable equal to 1 if (i) an issuer's IPO date occurs after December 8, 2011, and (ii) a firm with greater than or equal to $75 million in public float, and 0 otherwise. Control variables are *Ln(Assets)*, *Op. Cash Flow*, *MTB*, *Ln(Float)*, $Ln(Float)^2$, and $Ln(Float)^3$. All variables are winsorized at 1% to control for outliers and are defined in Appendix C. Numbers in parentheses are standard errors clustered at the industry and year-quarter levels. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. For the sake of brevity, we do not report coefficient estimates for stand-alone terms or double interactions between indicator variables.

Panel A: Attenuation of Investment Effects Over Time				
Dep: *Investment*	(1)	(2)	(3)	(4)
EGC Treated × $Year_1^{Post}$	0.063**	0.072***	0.054**	0.033**
	(0.024)	(0.023)	(0.019)	(0.015)
EGC Treated × $Year_2^{Post}$	0.050**	0.072**	0.059**	0.040***
	(0.023)	(0.030)	(0.028)	(0.012)
EGC Treated × $Year_3^{Post}$	0.052**	0.054***	0.044***	0.023*
	(0.022)	(0.018)	(0.014)	(0.011)
EGC Treated × $Year_4^{Post}$	0.028	0.024	0.027	0.006
	(0.022)	(0.023)	(0.017)	(0.017)
EGC Treated × $Year_5^{Post}$	0.011	0.002	-0.000	-0.014
	(0.012)	(0.018)	(0.012)	(0.013)
EGC Treated × $Year_6^{Post}$	0.034	0.035	0.037	0.003
	(0.025)	(0.030)	(0.030)	(0.010)
Ln(Assets)	-0.020***	-0.023***	-0.029***	-0.031***
	(0.004)	(0.006)	(0.004)	(0.006)
Op. Cash Flow	-0.253***	-0.277***	-0.195***	-0.188***
	(0.073)	(0.068)	(0.049)	(0.046)
MTB	0.003***	0.003**	0.003***	0.002***
	(0.001)	(0.001)	(0.001)	(0.001)
Float Control	Y	Y	Y	Y
Float Control × *EGC Treated*	Y	Y	Y	N
Float Control × $EGC\ Treated^{First}$	N	N	N	Y
Issue Year × Industry FE	Y	Y	Y	Y
Firm FE	N	N	Y	Y
Fiscal Quarter FE	Y	Y	Y	Y
Firms without 7 years of post-IPO data	Y	N	N	N
N	5943	4248	4248	4248
R^2	0.578	0.610	0.722	0.723

Panel B: Early Investment Increases and Time-Dependent Decline				
Dep: *Investment*	(1)	(2)	(3)	(4)
EGC Treated × *First 2 Years*	0.053**	0.690***		
	(0.022)	(0.181)		
EGC Treated × *Time Trend*			-0.002	-0.005***
			(0.001)	(0.001)
Control	Y	Y	Y	Y
Float Control	Y	Y	Y	Y
Float Control × $EGC\ Treated^{First}$	Y	Y	Y	Y
Issue Year × Industry FE	Y	Y	Y	Y
Firm FE	Y	Y	N	Y
Fiscal Quarter FE	Y	Y	Y	Y
Restricting to 1–2 and 4–5 years post-IPO	Y	Y	N	N
Restricting to 1–5 years post-IPO	N	N	Y	Y
Poission MLE Regression	N	Y	N	N
N	2192	2129	2728	2728
R^2	0.772	0.128	0.635	0.779

Table 3 **Decomposing Post-IPO Investment into CAPEX and R&D**

This table presents the long-term effect of the JOBS Act on Post-IPO capital expenditure and R&D. For columns (1) and (2), the dependent variable is *Capex*, defined as quarterly capital expenditure scaled by the beginning of quarter assets. For columns (3) and (4), the dependent variable is *R&D*, defined as quarterly research and development expenditure scaled by the beginning of quarter assets. *EGC Treated* is an indicator variable equal to 1 if (i) an issuer's IPO date occurs after December 8, 2011, and (ii) a firm with greater than or equal to $75 million in public float, and 0 otherwise. *First 2 Years* is an indicator variable that takes one if this company is less than or equal to two years old since its IPO. Control variables are *Ln(Assets)*, *Op. Cash Flow*, *MTB*, *Ln(Float)*, $Ln(Float)^2$, and $Ln(Float)^3$. All variables are winsorized at 1% to control for outliers and are defined in Appendix C. Numbers in parentheses are standard errors clustered at the industry and year-quarter levels. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. For the sake of brevity, we do not report coefficient estimates for stand-alone terms or double interactions between indicator variables.

Panel A: Attenuation of Investment Effects Over Time				
Dep:	*Capex*		*R&D*	
	(1)	(2)	(3)	(4)
$EGC\ Treated \times Year_1^{Post}$	0.003	0.002	0.057**	0.032***
	(0.005)	(0.007)	(0.026)	(0.010)
$EGC\ Treated \times Year_2^{Post}$	-0.004	-0.001	0.055**	0.044***
	(0.005)	(0.006)	(0.025)	(0.012)
$EGC\ Treated \times Year_3^{Post}$	0.006	0.003	0.044*	0.024***
	(0.004)	(0.005)	(0.023)	(0.007)
$EGC\ Treated \times Year_4^{Post}$	0.007	0.005	0.022	0.008
	(0.006)	(0.005)	(0.029)	(0.013)
$EGC\ Treated \times Year_5^{Post}$	-0.001	-0.004	0.014	-0.008
	(0.003)	(0.004)	(0.012)	(0.008)
$EGC\ Treated \times Year_6^{Post}$	0.002	0.004	0.029	-0.001
	(0.003)	(0.002)	(0.028)	(0.010)
Control	Y	Y	Y	Y
Float Control	Y	Y	Y	Y
Float Control × *EGC Treated*	Y	N	Y	N
Float Control × $EGC\ Treated^{First}$	N	Y	N	Y
Issue Year × Industry FE	Y	Y	Y	Y
Firm FE	N	Y	N	Y
Fiscal Quarter FE	Y	Y	Y	Y
Firms without 7 years of post-IPO data	Y	N	Y	N
N	5943	4248	5943	4248
R^2	0.452	0.697	0.690	0.802

Panel B: Early Investment Increases and Time-Dependent Decline				
Dep: *R&D*	(1)	(2)	(3)	(4)
EGC Treated × *First 2 Years*	0.046**	0.615***		
	(0.017)	(0.169)		
EGC Treated × *Time Trend*			-0.002**	-0.004***
			(0.001)	(0.001)
Control	Y	Y	Y	Y
Float Control	Y	Y	Y	Y
Float Control × $EGC\ Treated^{First}$	Y	Y	Y	Y
Issue Year × Industry FE	Y	Y	Y	Y
Firm FE	Y	Y	N	Y
Fiscal Quarter FE	Y	Y	Y	Y
Restricting to 1–2 and 4–5 years post-IPO	Y	Y	N	N
Restricting to 1–5 years post-IPO	N	N	Y	Y
Poission MLE Regression	N	Y	N	N
N	2192	1652	2728	2728
R^2	0.845	0.149	0.739	0.853

Table 4 **Firm Age and Post-IPO Investment**

This table presents the long-term effect of the JOBS Act on Post-IPO investment depending on a firm's age. For columns (1)–(4), the dependent variable is *R&D*, defined as quarterly research and development expenditure scaled by the beginning of quarter assets. For columns (5)–(8), the dependent variable is *Capex*, defined as quarterly capital expenditure scaled by the beginning of quarter assets. *EGC Treated* is an indicator variable equal to 1 if (i) an issuer's IPO date occurs after December 8, 2011, and (ii) a firm with greater than or equal to $75 million in public float, and 0 otherwise. $Log(Age^{First})$ is the natural logarithm of a firm's founding year immediately after listing. $LowAge^{JOBS}$ is an indicator variable that takes one if a firm's founding year immediately after listing is less than or equal 5 years. Control variables are *Ln(Assets)*, *Op. Cash Flow*, *MTB*, *Ln(Float)*, $Ln(Float)^2$, and $Ln(Float)^3$. All variables are winsorized at 1% to control for outliers and are defined in Appendix C. Numbers in parentheses are standard errors clustered at the industry and year-quarter levels. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. For the sake of brevity, we do not report coefficient estimates for stand-alone terms or double interactions between indicator variables.

Dep:	*R&D*				*Capex*			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
EGC Treated × *Time Trend* × $Log(Age^{First})$	0.003	0.004**			-0.000	-0.000		
	(0.002)	(0.002)			(0.000)	(0.000)		
EGC Treated × *Time Trend* × $LowAge^{JOBS}$			-0.007***	-0.007***			0.001	0.001
			(0.002)	(0.002)			(0.001)	(0.001)
EGC Treated × *Time Trend*	-0.010**	-0.013***	-0.001	-0.002**	0.001	0.000	-0.000	-0.001
	(0.004)	(0.004)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)
Control	Y	Y	Y	Y	Y	Y	Y	Y
Float Control × $EGC\ Treated^{First}$	Y	Y	Y	Y	Y	Y	Y	Y
Issue Year × Industry FE	Y	Y	Y	Y	Y	Y	Y	Y
Firm FE	N	Y	N	Y	N	Y	N	Y
Fiscal Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y
Restricting to 1–5 years post-IPO	Y	Y	Y	Y	Y	Y	Y	Y
N	2728	2728	2728	2728	2728	2728	2728	2728
R^2	0.746	0.857	0.747	0.857	0.553	0.759	0.552	0.759

Table 5 **Investment Efficiency and Post-IPO Investment**

This table presents the long-term effect of the JOBS Act on Post-IPO investment efficiency. For columns (1) and (2), the dependent variable is *Investment*, defined as quarterly capital plus research and development expenditures scaled by the beginning of quarter assets. For columns (3) and (4), the dependent variable is *R&D*, defined as quarterly research and development expenditure scaled by the beginning of quarter assets. For columns (5) and (6), the dependent variable is *Capex*, defined as quarterly capital expenditure scaled by the beginning of quarter assets. *EGC Treated* is an indicator variable equal to 1 if (i) an issuer's IPO date occurs after December 8, 2011, and (ii) a firm with greater than or equal to $75 million in public float, and 0 otherwise. *First 2 Years* is an indicator variable that takes one if this company is less than or equal to two years old since its IPO. *MTB* is the market value of equity + book assets – stockholders' equity scaled by book assets. Control variables are *Ln(Assets)*, *Op. Cash Flow*, *Ln(Float)*, $Ln(Float)^2$, and $Ln(Float)^3$. All variables are winsorized at 1% to control for outliers and are defined in Appendix C. Numbers in parentheses are standard errors clustered at the industry and year-quarter levels. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. For the sake of brevity, we do not report coefficient estimates for stand-alone terms or double interactions between indicator variables.

Dep:	*Investment*		*R&D*		*Capex*	
	(1)	(2)	(3)	(4)	(5)	(6)
EGC Treated × *First 2 Years* × *MTB*	0.009**	0.007**	0.007*	0.008**	-0.000	-0.001
	(0.004)	(0.003)	(0.003)	(0.004)	(0.002)	(0.001)
EGC Treated × *First 2 Years*	-0.001	0.032	0.005	0.025	-0.005	0.002
	(0.026)	(0.031)	(0.021)	(0.024)	(0.010)	(0.008)
Control	Y	Y	Y	Y	Y	Y
Float Control	Y	Y	Y	Y	Y	Y
Float Control × $EGC\ Treated^{First}$	Y	Y	Y	Y	Y	Y
Issue Year × Industry FE	Y	Y	Y	Y	Y	Y
Firm FE	N	Y	N	Y	N	Y
Fiscal Quarter FE	Y	Y	Y	Y	Y	Y
Restricting to 1–2 and 4–5 years post-IPO	Y	Y	Y	Y	Y	Y
N	2192	2192	2192	2192	2192	2192
R^2	0.651	0.778	0.742	0.852	0.548	0.744

Table 6 **Float Expansion and Disclosure Burdens**

This table presents the relationship between public float expansion and the disclosure burden-investment effect from the JOBS Act. For columns (1) and (2), the dependent variable is *Investment*, defined as quarterly capital plus research and development expenditures scaled by the beginning of quarter assets. For columns (3) and (4), the dependent variable is *R&D*, defined as quarterly research and development expenditure scaled by the beginning of quarter assets. For columns (5) and (6), the dependent variable is *Capex*, defined as quarterly capital expenditure scaled by the beginning of quarter assets. *EGC Treated* is an indicator variable equal to 1 if (i) an issuer's IPO date occurs after December 8, 2011, and (ii) a firm with greater than or equal to $75 million in public float, and 0 otherwise. *FloatExpansion* is the quantile of the ratio of the float market value at 16 months to the float market value at 8 months. Control variables are *Ln(Assets)*, *Op. Cash Flow*, *MTB*, *Ln(Float)*, $Ln(Float)^2$, and $Ln(Float)^3$. All variables are winsorized at 1% to control for outliers and are defined in Appendix C. Numbers in parentheses are standard errors clustered at the industry and year-quarter levels. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. For the sake of brevity, we do not report coefficient estimates for stand-alone terms or double interactions between indicator variables.

Dep:	*Investment*		*R&D*		*Capex*	
	(1)	(2)	(3)	(4)	(5)	(6)
EGC Treated × *FloatExpansion*	0.027**	0.023**	0.023**	0.020**	0.005	0.004
	(0.011)	(0.009)	(0.010)	(0.009)	(0.006)	(0.006)
EGC Treated	-0.054	0.855*	-0.045	0.682*	-0.012	0.087
	(0.048)	(0.461)	(0.044)	(0.324)	(0.023)	(0.243)
Control	Y	Y	Y	Y	Y	Y
Float Control × $EGC\ Treated^{First}$	N	Y	N	Y	N	Y
Issue Year × Industry FE	Y	Y	Y	Y	Y	Y
Firm FE	N	N	N	N	N	N
Fiscal Quarter FE	Y	Y	Y	Y	Y	Y
Restricting to 1–3 years post-IPO	Y	Y	Y	Y	Y	Y
N	1741	1741	1741	1741	1741	1741
R^2	0.592	0.596	0.697	0.699	0.587	0.593

Table 7 **Event Study (JOBS Act)**

This table presents the results of the analysis of stock price responses and mandatory disclosure related to the JOBS Act. For all columns, the dependent variable is CAR_{Report}, the cumulative abnormal daily returns over a five-day window around the earnings announcement date. *EGC Treated* is an indicator variable equal to 1 if (i) an issuer's IPO date occurs after December 8, 2011, and (ii) a firm with greater than or equal to $75 million in public float, and 0 otherwise. Δ*Investment*, Δ*R&D*, and Δ*Capex* are the standardized differences between *Investment*, *R&D*, and *Capex*, respectively, and their four-quarter averages. Control variables are *Ln(Assets)*, *Op. Cash Flow*, *MTB*, *Ln(Float)*, $Ln(Float)^2$, and $Ln(Float)^3$. All variables are winsorized at 1% to control for outliers and are defined in Appendix C. Numbers in parentheses are standard errors clustered at the industry and year-quarter levels. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. For the sake of brevity, we do not report coefficient estimates for stand-alone terms or double interactions between indicator variables.

Dep: CAR_{Report}	(1)	(2)	(3)	(4)	(5)	(6)
EGC Treated × *Investment*	0.772					
	(0.697)					
EGC Treated × Δ*Investment*		0.014				
		(0.023)				
EGC Treated × *R&D*			1.104*			
			(0.553)			
EGC Treated × Δ*R&D*				0.033**		
				(0.015)		
EGC Treated × *Capex*					-0.429	
					(2.358)	
EGC Treated × Δ*Capex*						-0.018
						(0.035)
Control	Y	Y	Y	Y	Y	Y
Float Control × $EGC\ Treated^{First}$	Y	Y	Y	Y	Y	Y
Issue Year × Industry FE	Y	Y	Y	Y	Y	Y
Firm FE	Y	N	Y	N	Y	N
Fiscal Quarter FE	Y	Y	Y	Y	Y	Y
Restricting to 1–3 years post-IPO	Y	Y	Y	Y	Y	Y
N	1413	1098	1413	1098	1413	1098
R^2	0.207	0.123	0.209	0.126	0.205	0.118

Table 8 **Summary Statistics (SRC Reform)**

This table presents summary statistics for 10,821 sample firm-quarter observations. *SRC Treated* is an indicator variable that equals one if a firm's public float is between $75 million and $250 million in the pre-reform year and zero otherwise. *After* is an indicator variable that equals one for the post-reform years and zero otherwise. *Investment* is the sum of quarterly capital expenditures and research development scaled by lagged quarterly assets. *R&D* is quarterly capital expenditures scaled by lagged quarterly assets. *Capex* is quarterly capital expenditures scaled by lagged quarterly assets. *Ln(Assets)* is the natural log of the firm's lagged quarterly assets. *Op. Cash Flow* is quarterly cash flows from operations scaled by lagged quarterly assets. *MTB* is the market value of equity + book assets – stockholders' equity scaled by book assets. Float is a firm's public float. All variables are winsorized at 1% to control for outliers and are defined in Appendix C.

Panel A: Full Sample Descriptive Statistics						
	Mean	SD	p25	p50	p75	p99
SRC Treated	0.278	0.448	0.000	0.000	1.000	1.000
After	0.357	0.479	0.000	0.000	1.000	1.000
Investment	0.036	0.055	0.006	0.016	0.043	0.341
R&D	0.027	0.055	0.000	0.000	0.030	0.334
Capex	0.009	0.013	0.001	0.005	0.011	0.077
Ln(Assets)	5.100	1.649	3.918	5.287	6.328	8.503
Op. Cash Flow	-0.018	0.097	-0.037	0.005	0.030	0.174
MTB	2.308	2.566	1.073	1.453	2.429	17.952
Float	274.8	356.9	37.8	139.0	396.8	2077.2

Panel B: Diff-in-diff, Firm Characteristics							
	Treated			Control			
Variable	Pre-Reform	Post-Reform	Diff	Pre-Reform	Post-Reform	Diff	Diff-in-Diff
Investment	0.035	0.035		0.038	0.035	**	
R&D	0.026	0.025		0.029	0.026	**	
Capex	0.009	0.01		0.009	0.009		
Ln(Assets)	5.448	5.538		4.899	5.053	***	
Op. Cash Flow	-0.009	-0.011		-0.023	-0.02		
MTB	2.254	2.217		2.338	2.327		
Float	197.226	287.466	***	259.279	351.845	***	

Table 9 **SRC Rule Reform: Reduced Disclosure Burden and Investment**

This table presents the treatment effects of the SRC reform on investment, research and development, and capital expenditures. For columns (1) and (2), the dependent variable is *Investment*, defined as quarterly capital plus research and development expenditures scaled by the beginning of quarter assets. For columns (3) and (4), the dependent variable is *R&D*, defined as quarterly research and development expenditure scaled by the beginning of quarter assets. For columns (5) and (6), the dependent variable is *Capex*, defined as quarterly capital expenditure scaled by the beginning of quarter assets. *SRC Treated* is an indicator variable that equals 1 if a firm's public float is between $75 million and $250 million in the pre-reform year and 0 otherwise. *After* is an indicator variable that equals 1 for the post-reform years and 0 otherwise. Control variables are *Ln(Assets)*, *Op. Cash Flow*, *MTB*, *Ln(Float)*, $Ln(Float)^2$, $Ln(Float)^3$, and their interaction terms with *After*. All variables are winsorized at 1% to control for outliers and are defined in Appendix C. Numbers in parentheses are standard errors clustered at the industry and year-quarter levels. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Dep:	*Investment*		*R&D*		*Capex*	
	(1)	(2)	(3)	(4)	(5)	(6)
SRC Treated × *After*	0.001	0.001	0.000	0.000	0.001	0.001
	(0.002)	(0.002)	(0.001)	(0.002)	(0.001)	(0.001)
After	-0.011	-0.012	-0.014	-0.016	0.002	0.003
	(0.011)	(0.014)	(0.011)	(0.013)	(0.002)	(0.003)
Ln(Assets)	-0.028***	-0.032***	-0.024***	-0.029***	-0.003***	-0.002***
	(0.006)	(0.006)	(0.006)	(0.006)	(0.001)	(0.001)
Op. Cash Flow	-0.110***	-0.126***	-0.115***	-0.129***	0.003	0.001
	(0.025)	(0.022)	(0.024)	(0.021)	(0.003)	(0.003)
MTB	0.002***	0.002***	0.002***	0.002***	0.000**	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(Float)	-0.010	-0.016***	-0.008	-0.016***	-0.002	-0.000
	(0.006)	(0.005)	(0.006)	(0.005)	(0.002)	(0.002)
After × *Ln(Float)*	0.005	0.004	0.007	0.008	-0.001	-0.002
	(0.007)	(0.008)	(0.006)	(0.008)	(0.002)	(0.002)
$Ln(Float)^2$	0.004**	0.006***	0.004*	0.006***	0.001	0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.000)	(0.000)
After × $Ln(Float)^2$	-0.001	-0.001	-0.001	-0.002	0.000	0.001
	(0.002)	(0.002)	(0.001)	(0.002)	(0.001)	(0.001)
$Ln(Float)^3$	-0.000**	-0.001***	-0.000**	-0.001***	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
After × $Ln(Float)^3$	0.000	0.000	0.000	0.000	0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Firm FE	Y	Y	Y	Y	Y	Y
Year × Quarter FE	Y	Y	Y	Y	Y	Y
Year × Quarter × Industry FE	N	Y	N	Y	N	Y
N	10821	10821	10821	10821	10821	10821
R^2	0.805	0.836	0.845	0.866	0.593	0.718

Internet Appendix

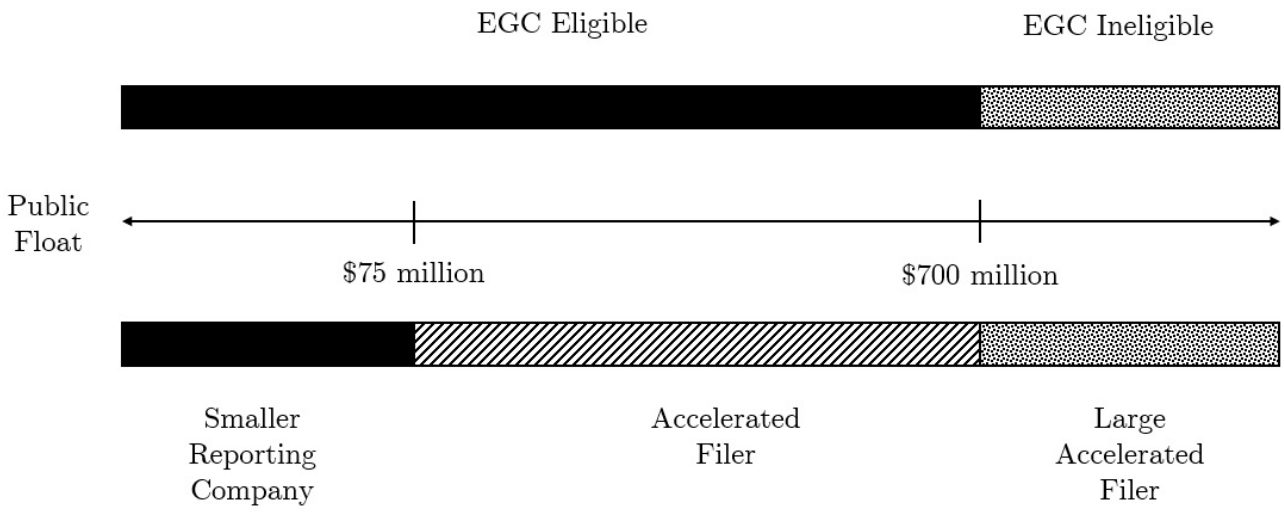

Figure A1 **Definitions of Smaller Reporting Companies**

This figure depicts the classifications of SRCs (Smaller Reporting Companies), Accelerated, and Large Accelerated Filers based on public floats. Small reporting companies have a public float up to $75 million, accelerated filers fall within the $75 million to $700 million range, and large accelerated filers have a public float surpassing $700 million. Firms with a public float below $700 million are eligible for EGC (Emerging Growth Company) status within these defined categories.

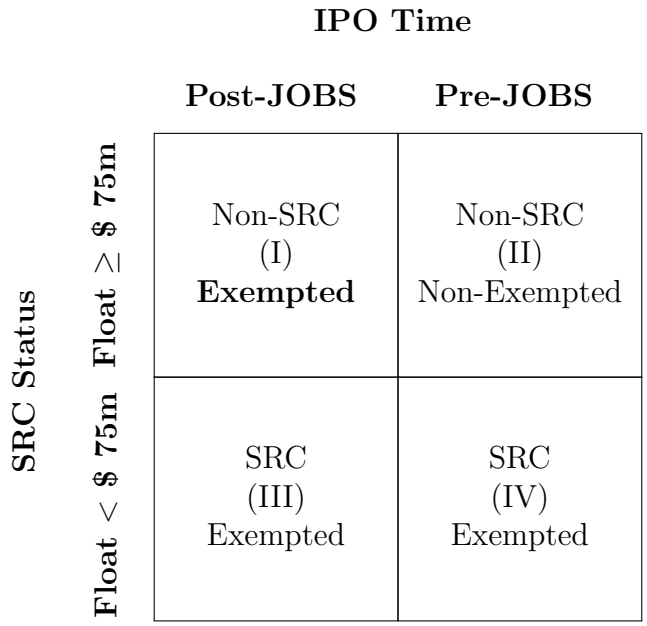

Figure A2 **JOBS ACT Identification Strategy**

This figure provides an illustration of our identification strategy for JOBS ACT. Firm quarters are classified based on both their public float and IPO date. If a firm's public float is below $75 million, it qualifies for smaller reporting company (SRC) status. Throughout our sample, encompassing both pre- and post-JOBS Act periods, SRCs benefit from exemptions to the de-burdening provisions of the JOBS Act. Conversely, firms with a public float $\geq$ $75 million receive these exemptions solely post-JOBS Act. As a result, our treated group in the quasi-difference-in-difference specification comprises IPOs that occurred after the JOBS Act with floats $\geq$ $75 million.

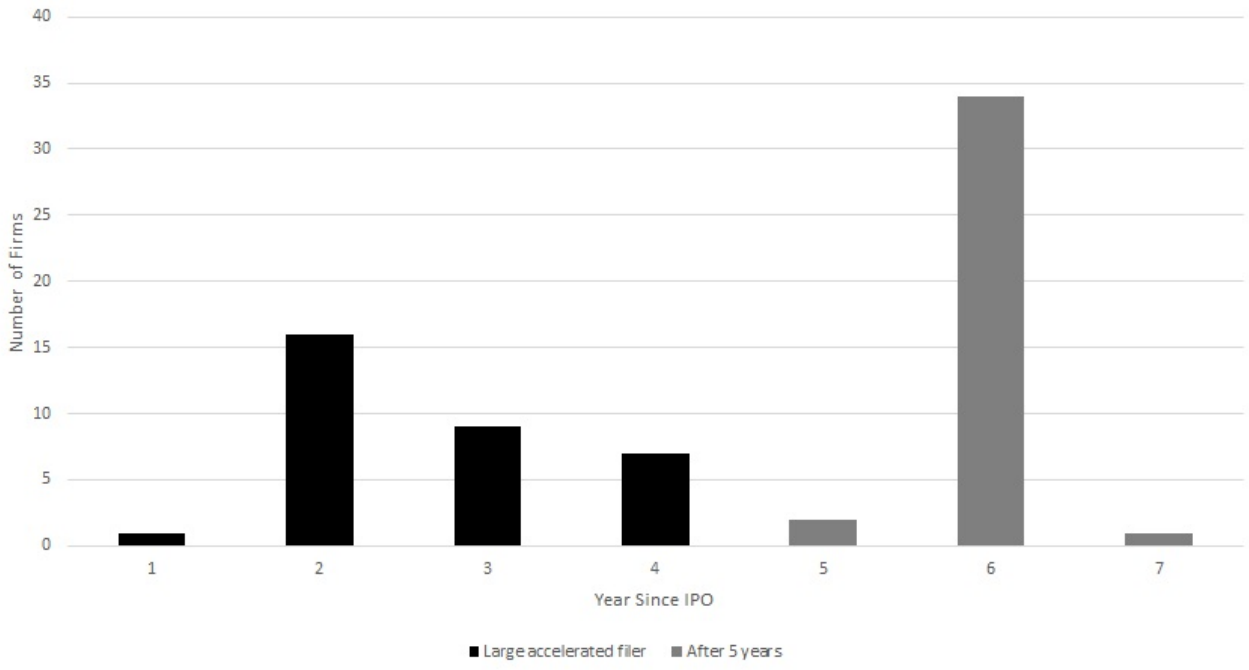

Figure A3 **Reasons for EGC-Treated IPO Firms' EGC Status Loss**

This figure illustrates the reasons why the IPO firms in the sample, originally treated as EGCs under the JOBS Act's de-burdening provisions, eventually lose their EGC status. The x-axis of this figure denotes the year in which the company loses EGC status after its IPO, and the y-axis represents the number of companies that lost EGC status for those reasons.

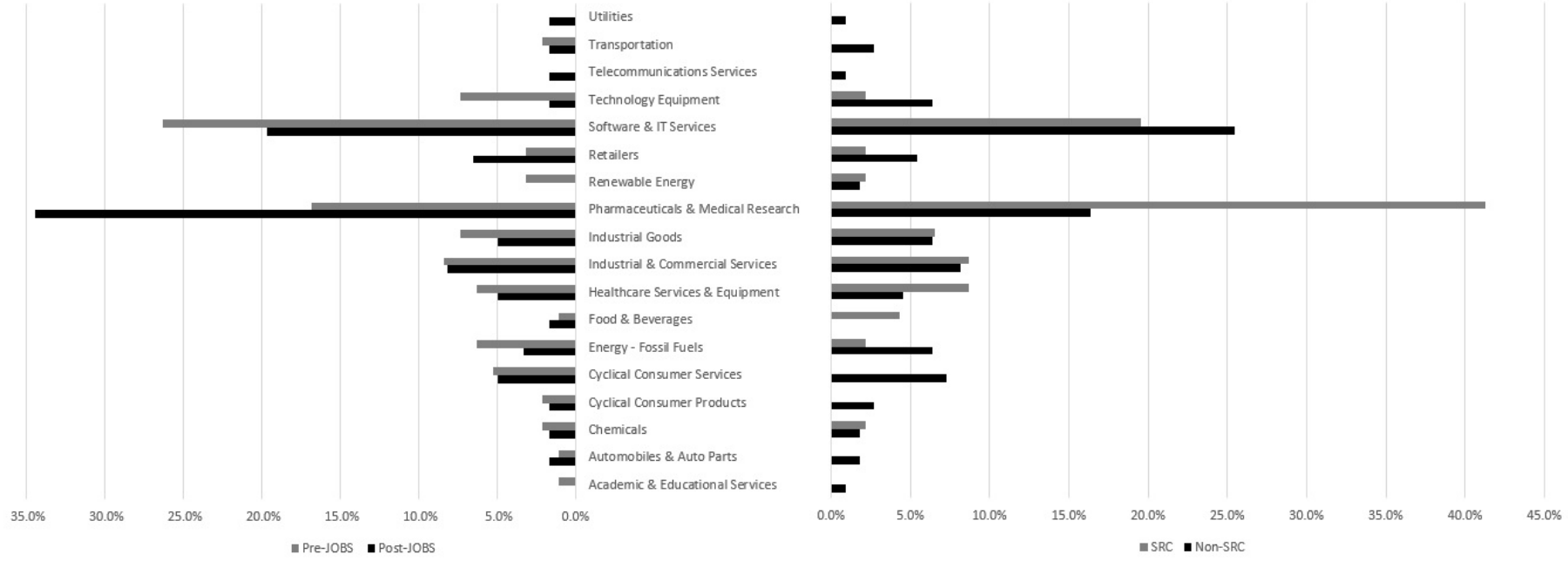

Figure A4 **Distribution of U.S. IPO Firms by Industry (JOBS Act)**

The bar chart displays the distribution by industry for our final sample of U.S. IPO firms. Industry classification is based on the Thomson Reuters Business Classification, which represents the industry at the time of the IPO. On the left side, the gray bars represent our final sample of SRC firms (N=46), and the black bars represent the final sample of Non-SRC firms (N=110). On the right side, the gray bars represent our final sample of firms issued in the pre-JOBS Act period (N=95), and the black bars represent the final sample of firms issued in the post-JOBS Act period (N=61).

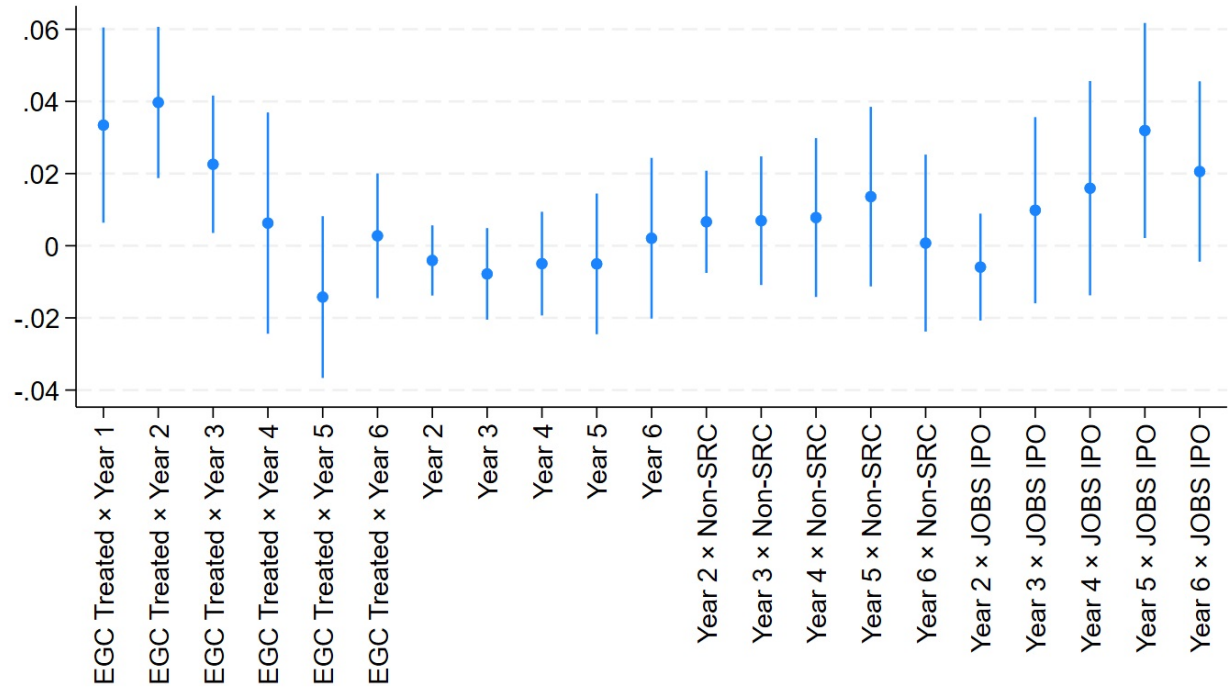

Figure A5 **JOBS Act Impact on Total Investment**

This figure plots the estimated coefficients from a regression of IPO firms' quarterly investment and EGC-treated status. Specifically, we plot the series of estimated coefficients β_1 and associated 90% confidence intervals estimated from OLS regressions of the following empirical specification: $Investment_{i,q,t} = \beta_0 + \sum_{t=1}^{6} \beta_{1t} EGC\ Treated_{i,q} \times Year_t^{Post} + \sum_{t=1}^{8} \beta_{2t} Year_{i,t}^{Post} \times Non\text{-}SRC_{i,q} + \sum_{t=1}^{8} \beta_{3t} Year_{i,t}^{Post} \times JOBS\ IPO_i + \sum_{t=1}^{8} \beta_{4t} Year_{i,t}^{Post} + \beta_5 Non\text{-}SRC_{i,q} + \beta_6 JOBS\ IPO_i + \beta_7 EGC\ Treated_{i,q} + X_{i,q} + \text{FE}$.

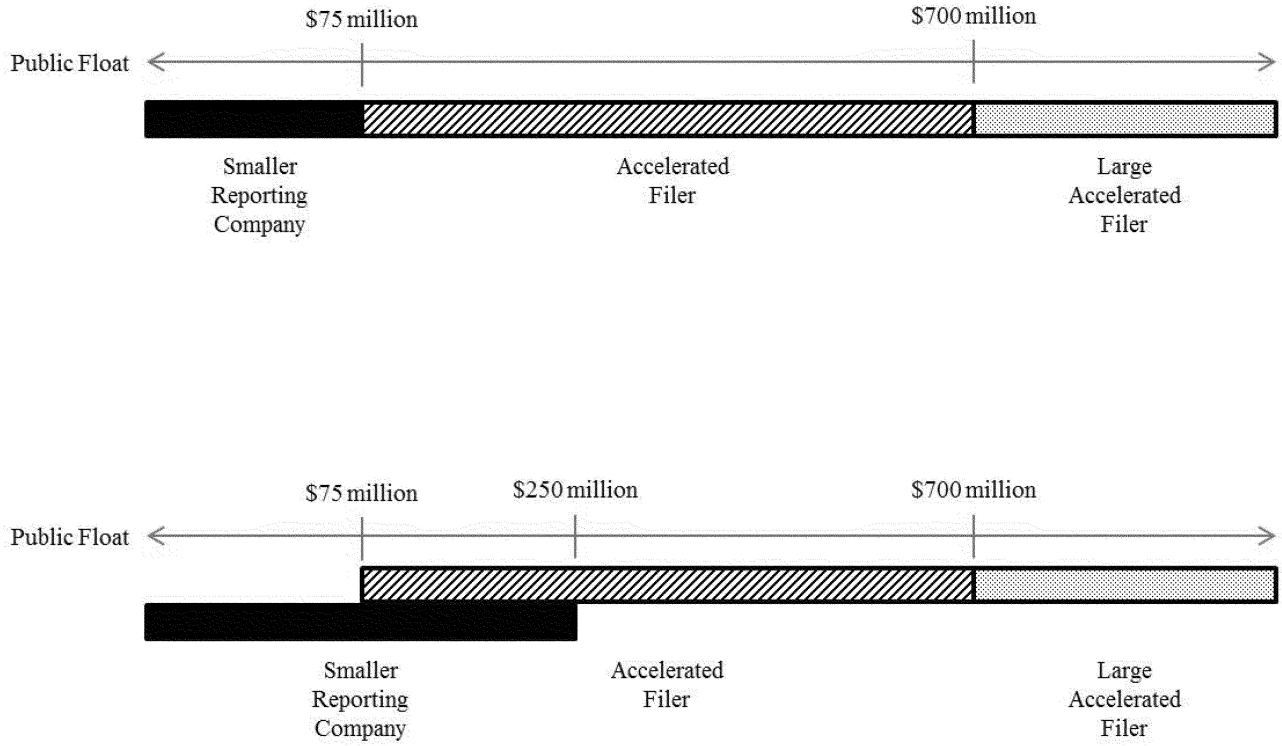

Figure A6 **Changed Definitions of Smaller Reporting Companies**

This figure depicts the contrasting definitions of smaller reporting companies, comparing the former and the updated criteria. The above figure shows that the earlier criterion identified small reporting companies based on a public float of up to $75 million. The below figure demonstrates that, under the amended rule, a company is classified as a smaller reporting company if its public float is less than $250 million. (Source: https://www.federalregister.gov/documents/2018/07/10/2018-14306/smaller-reporting-company-definition)

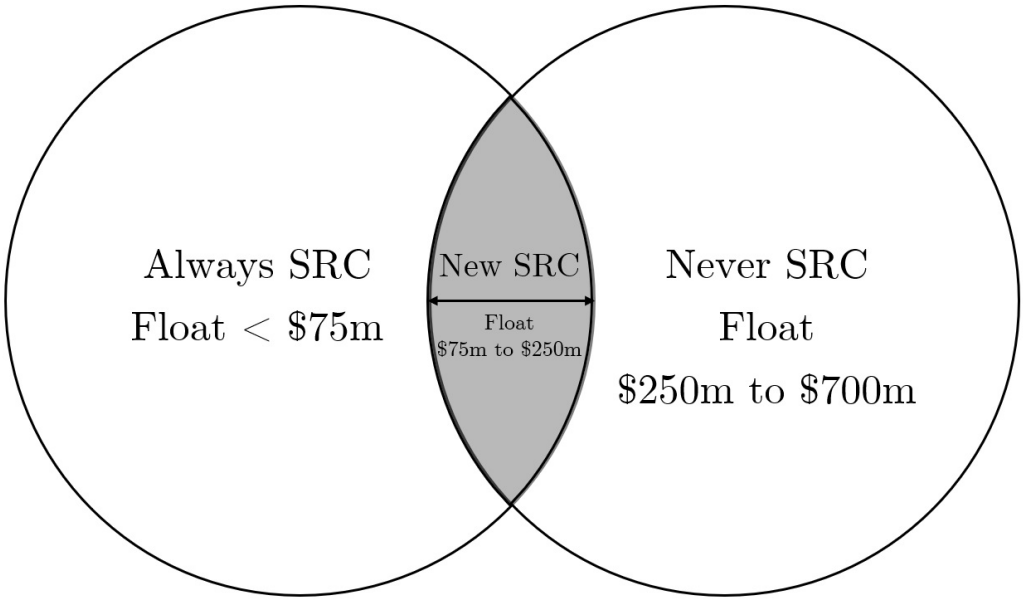

Figure A7 **SRC Reform Identification Strategy**

This figure provides an illustration of our identification strategy for SRC reform. In our paper, we establish two control groups that remain unaffected by changes in regulatory disclosure. The first control group comprises firms with floats below $75 million, consistently maintaining the SRC status (Always SRC). The second control group consists of firms with floats exceeding $250 million, consistently without the SRC status (Never SRC). Thus, our treated group in our quasi-difference-in-difference specification is the set of firms after the SRC reform with floats between $75 million and $250 million (New SRC).

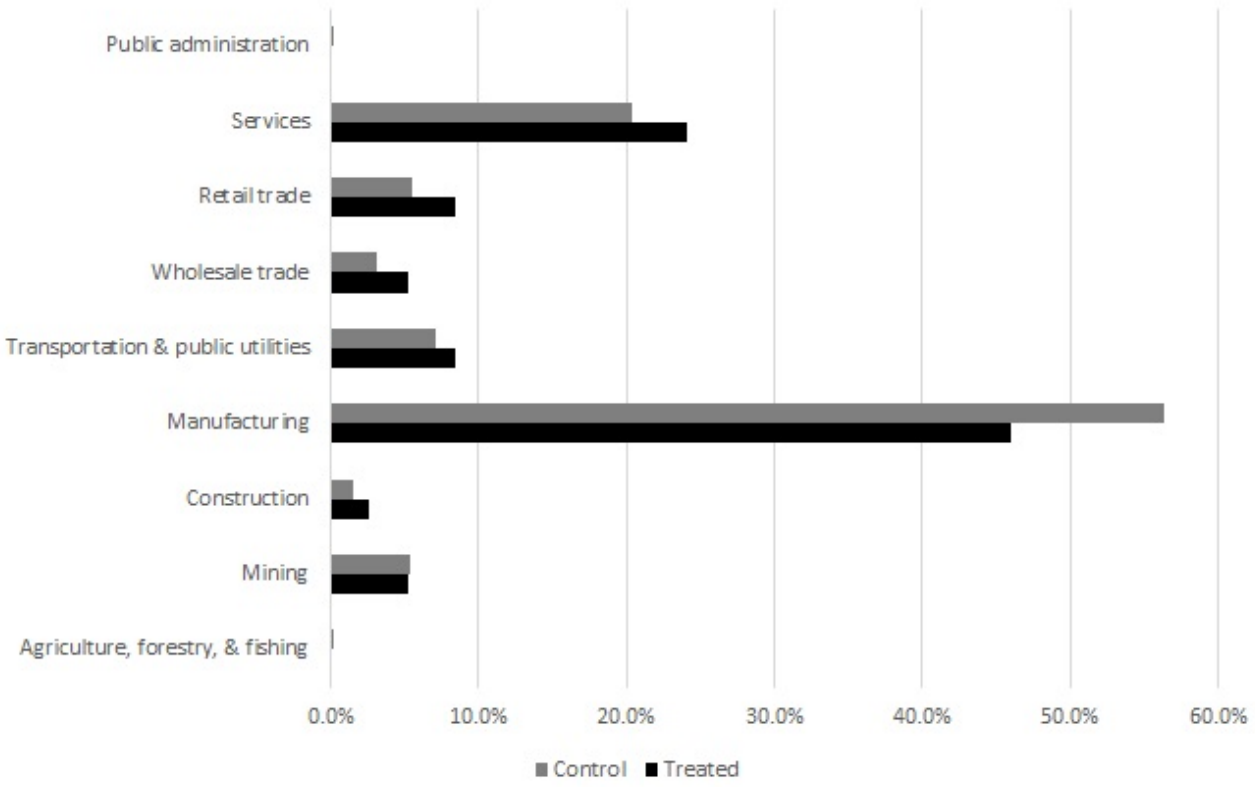

Figure A8 **Distribution of U.S. Firms by Industry (SRC Reform)**

The bar chart displays the distribution by industry for our final sample of U.S. firms. Industry classification is based on one-digit SIC codes. The gray bars represent our final sample of control firms that are not influenced by the reform (N=504), and the black bars represent the final sample of treated firms newly classified as SRC firms after the reform (N=191).

Table A1 **Sample Attrition**

This table shows the methodology employed in constructing the final sample. In Panel A, the sample begins with all IPOs with issuance dates between February 2, 2008, and December 31, 2014 from Refinitiv. We delete all IPOs from the financial industry, limited partnerships, closed-end funds, firms with missing values, firms with a public float exceeding $700 million, firms that are ineligible for EGC status, firms with a calendar year beyond 2020, and firms lacking 7 years of post-IPO investment data. We also exclude IPOs with prices less than $1 or proceeds $1 million, non-original IPOs, rights offering IPOs, firms not listing on the major U.S. stock exchanges (AMEX, NYSE, and NASDAQ), but this does not significantly impact the observations in our sample. This results in 156 firms for our main analyses. In Panel B, we confine the sample to the period between 2016 and 2019. We exclude firms from the financial industry, those with a public float exceeding $700 million, and firms that went public after the year 2011. This results in 695 firms for our main analyses.

Panel A: JOBS Act

Sample	Total Firms	SRC	Non-SRC	Pre-JOBS	Post-JOBS
Compustat and CRSP-matched U.S. IPO Firms between February 2, 2008, and December 31, 2014	478	121	357	260	218
(-) Financial industries	(97)	(24)	(73)	(55)	(42)
(-) IPO with prices less than $1	(0)	(0)	(0)	(0)	(0)
(-) IPO with proceeds less than $1 million	(0)	(0)	(0)	(0)	(0)
(-) Limited partnerships	(45)	(1)	(44)	(19)	(26)
(-) Non-original IPOs	(0)	(0)	(0)	(0)	(0)
(-) Closed-end funds	(2)	(0)	(2)	(1)	(1)
(-) Rights offering IPOs	(0)	(0)	(0)	(0)	(0)
(-) Firms not listing on the major U.S. stock exchanges (AMEX, NYSE, and NASDAQ)	(0)	(0)	(0)	(0)	(0)
(-) Firms with a public float exceeding $700 million	(20)	(0)	(20)	(11)	(9)
(-) Firms that are ineligible for EGC status	(35)	(2)	(33)	(21)	(14)
(-) Firms with a calendar year beyond 2020	(0)	(0)	(0)	(0)	(0)
(-) Firms with missing values	(0)	(0)	(0)	(0)	(0)
= Full Sample	279	94	185	153	126
(-) Firms lacking 7 years of post-IPO investment data	(123)	(48)	(75)	(58)	(65)
= Balanced Sample	156	46	110	95	61

Panel B: SRC Reform			
Sample	Total Firms	Control	Treated
Compustat and CRSP-matched U.S. Firms between 2016 and 2019	7,143	6,501	642
(-) Financial industries	(1,205)	(1,066)	(139)
(-) Firms not listing on the major U.S. stock exchanges (AMEX, NYSE, and NASDAQ)	(0)	(0)	(0)
(-) Firms that go public after 2011	(3,722)	(3,451)	(271)
(-) Firms with missing public float	(486)	(486)	(0)
(-) Firms with a public float exceeding $700 million	(888)	(888)	(0)
(-) Firms with missing values	(147)	(106)	(41)
= Final Sample	695	504	191

Table A2 **JOBS Act: Different Bandwidth Tests**

This table presents the long-term effect of the JOBS Act on Post-IPO investment depending on different bandwidths. In Panel A, B, and C, the dependent variables are *Investment*, *R&D*, and *Capex*, respectively. *EGC Treated* is an indicator variable equal to 1 if (i) an issuer's IPO date occurs after December 8, 2011, and (ii) a firm with greater than or equal to $75 million in public float, and 0 otherwise. Control variables are *Ln(Assets)*, *Op. Cash Flow*, *MTB*, *Ln(Float)*, $Ln(Float)^2$, and $Ln(Float)^3$. All variables are winsorized at 1% to control for outliers and are defined in Appendix C. Numbers in parentheses are standard errors clustered at the industry and year-quarter levels. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. For the sake of brevity, we do not report coefficient estimates for stand-alone terms or double interactions between indicator variables.

Panel A: Total Investment			
Dep: *Investment*			
Sample:	Float $\leq$ 700	Float $\leq$ 500	Float $\leq$ 300
	(1)	(2)	(3)
$EGC\ Treated \times Year_1^{Post}$	0.034**	0.036*	0.024*
	(0.016)	(0.017)	(0.013)
$EGC\ Treated \times Year_2^{Post}$	0.039***	0.040***	0.031**
	(0.014)	(0.014)	(0.014)
$EGC\ Treated \times Year_3^{Post}$	0.021*	0.022*	0.018
	(0.012)	(0.011)	(0.012)
$EGC\ Treated \times Year_4^{Post}$	0.007	0.009	0.006
	(0.018)	(0.018)	(0.019)
$EGC\ Treated \times Year_5^{Post}$	-0.012	-0.010	-0.011
	(0.013)	(0.013)	(0.013)
$EGC\ Treated \times Year_6^{Post}$	0.005	0.004	0.003
	(0.011)	(0.011)	(0.011)
Control	Y	Y	Y
Float Control $\times$ $EGC\ Treated^{First}$	Y	Y	Y
Issue Year $\times$ Industry FE	Y	Y	Y
Firm FE	Y	Y	Y
Fiscal Quarter FE	Y	Y	Y
Firms without 7 years of post-IPO data	N	N	N
Drop out firms whose float is (70, 80)	Y	Y	Y
N	3966	3902	3698
R^2	0.724	0.729	0.734

Panel B: R&D Expenditure			
Dep: *R&D*			
Sample:	Float $\leq$ 700	Float $\leq$ 500	Float $\leq$ 300
	(1)	(2)	(3)
$EGC\ Treated \times Year_1^{Post}$	0.032***	0.031***	0.029**
	(0.010)	(0.011)	(0.011)
$EGC\ Treated \times Year_2^{Post}$	0.044***	0.043***	0.041***
	(0.012)	(0.011)	(0.010)
$EGC\ Treated \times Year_3^{Post}$	0.023***	0.023***	0.021**
	(0.008)	(0.008)	(0.007)
$EGC\ Treated \times Year_4^{Post}$	0.008	0.008	0.006
	(0.014)	(0.014)	(0.015)
$EGC\ Treated \times Year_5^{Post}$	-0.007	-0.007	-0.007
	(0.009)	(0.009)	(0.010)
$EGC\ Treated \times Year_6^{Post}$	0.000	0.001	0.001
	(0.010)	(0.010)	(0.009)
Control	Y	Y	Y
Float Control $\times$ $EGC\ Treated^{First}$	Y	Y	Y
Issue Year $\times$ Industry FE	Y	Y	Y
Firm FE	Y	Y	Y
Fiscal Quarter FE	Y	Y	Y
Firms without 7 years of post-IPO data	N	N	N
Drop out firms whose float is (70, 80)	Y	Y	Y
N	3966	3902	3698
R^2	0.802	0.801	0.798

Panel C: Capital Expenditure			
Dep: *Capex*			
Sample:	Float $\leq$ 700	Float $\leq$ 500	Float $\leq$ 300
	(1)	(2)	(3)
$EGC\ Treated \times Year_1^{Post}$	0.002	0.004	0.000
	(0.008)	(0.008)	(0.008)
$EGC\ Treated \times Year_2^{Post}$	-0.001	0.000	-0.002
	(0.006)	(0.006)	(0.006)
$EGC\ Treated \times Year_3^{Post}$	0.003	0.004	0.003
	(0.005)	(0.005)	(0.005)
$EGC\ Treated \times Year_4^{Post}$	0.006	0.007	0.006
	(0.006)	(0.006)	(0.006)
$EGC\ Treated \times Year_5^{Post}$	-0.003	-0.001	-0.002
	(0.004)	(0.004)	(0.004)
$EGC\ Treated \times Year_6^{Post}$	0.003	0.003	0.002
	(0.002)	(0.002)	(0.002)
Control	Y	Y	Y
Float Control $\times$ $EGC\ Treated^{First}$	Y	Y	Y
Issue Year $\times$ Industry FE	Y	Y	Y
Firm FE	Y	Y	Y
Fiscal Quarter FE	Y	Y	Y
Firms without 7 years of post-IPO data	N	N	N
Drop out firms whose float is (70, 80)	Y	Y	Y
N	3966	3902	3698
R^2	0.706	0.700	0.697