for the selling firm. However, not all initial divestiture announcements result in positive price movements. Dividing the sample into two subsamples based on whether the transaction price is announced shows that the announcement day effect is significantly positive for the price group but not statistically different from zero for the no-price group. In addition, a positive relation is found between the relative size of the divestiture and the announcement day returns, with larger sell-offs producing larger share day price responses.

The timing of the price disclosure appears to be important too. Unlike initial sell-off announcements containing price, subsequent price disclosures produce insignificantly positive abnormal returns. The cumulative effect of the initial divestiture announcement and the second announcement is not statistically different from zero.

The findings of this paper are consistent with those found in other recent empirical sell-off studies. Papers restricting their samples to initial announcements with transaction price information report significant positive announcement day returns. Studies not discriminating among price or relative size find smaller or insignificant announcement day effects.

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DISCUSSION

GAILEN L. HITE*: April Klein has presented a paper that deals with divestiture announcements with the primary focus being on the form and content of the announcement itself and little emphasis on the economics of sell-offs, per se.

The paper raises many interesting issues for researchers who rely on the *Wall Street Journal* for dating corporate activities in event studies. In particular, I find two results to be very interesting: 1) announcements of sell-offs reporting the price received are associated with larger abnormal returns and 2) announcements of preliminary agreements are associated with larger return responses than signed agreements. While the author is at a loss to explain these findings, I will exercise my license as a discussant to present my own conjectural explanations without being required to do any work to test my assertions.

First, I think it is important to recognize that the author is examining what is reported in the financial press, which at best is but a subset of what management reveals. Thus, we need to look behind the reporting policy of the press. If I were a reporter sorting through thousands of corporate press releases each day, the choice to report an event and the amount of space allocated to it would be positively related to the magnitude of the price change associated with the announcement. Consequently, I would report more details (including the price) for divestitures for which prices moved or were expected to move (depending on whether the announcement came before or after the close of trade) significantly. The author's finding may portend no dark mystery or hidden management motives at all. Instead, the press may simply be following a rule that says, "If prices move, report it."

If my interpretation is correct, the one must interpret the results of event studies with caution. Many researchers use the *WSJ* as the definitive source for identifying and dating corporate events. Implicitly, this procedure contains an editorial screen that may impose a selection bias toward identifying "larger" announcements which may limit our ability to generalize. This could be an especially severe bias when a researcher reports, "Firms for which announcement dates could not be verified from the *WSJ* were eliminated from the sample."

My second point deals with why larger abnormal returns are associated with preliminary agreements than with definitive, signed agreements. This point is more subtle than the first because it deals with inferring decisions by management about when to go public with divestiture negotiations, especially in the face of legal liability surrounding material disclosures. Clearly, management knows long before the formal public announcement what they are trying to sell, to whom, and at what price. First, it would seem that a public announcement without a signed agreement is a very strong statement about the probability of success. Second, it would seem that failure to disclose until the last minute that a "major" divestiture negotiation was underway would invite claims of "inadequate disclosure" on the part of investors. This would be especially true of divestiture announcements that were the leading edge of a major corporate restructuring plan, as seems to be my experience from looking at several of these "premature" announcements. Again, it may be the case that management is following a simple disclosure rule, "If it will move prices significantly, report it immediately."

In summary, I find this paper to be very thought provoking. My conjecture is that the two peculiar announcement effects the author documents are the result of editorial and management reporting policies about which financial researchers know little. I often wonder what the editors of the *WSJ* must think when they see our event studies. Is it a quiet chuckle or an uproarious guffaw?