To Hide or Highlight?
How Borrowing Firms Summarize Their Loan Contracts

Xiangyu Li
Xiangyu.Li@marshall.usc.edu
University of Southern California
This version: May 23rd, 2026

Abstract

This study examines how firms summarize loan contracts. Loan announcements in Form 8-Ks typically include the full contract as an exhibit along with a summary in the main file. I find that firms omit covenant details from summaries when the likelihood of covenant violation is high, consistent with incentives to downplay credit risks and operational restrictions. This tendency is stronger when investors face higher costs of processing the full contracts. While some investors mitigate potential information loss by consulting the contracts, many remain unaware of the omitted details. Less detailed summaries predict a higher likelihood of future covenant violations and lower borrower profitability, suggesting that summarization choices themselves convey information. Overall, the evidence highlights the strategic use of summaries and underscores the significance of information processing costs, as disclosures that contain no incremental information nonetheless reflect deliberate reporting choices and shape investor behavior.

I am deeply grateful for the invaluable guidance and support from my dissertation committee: Clive Lennox (co-chair), Regina Wittenberg-Moerman (co-chair), Maria Ogneva, Lorien Stice-Lawrence, and Odilon Câmara. I also thank Stephanie Cheng, Jonathan Craske, Patricia Dechow, Mark DeFond, Jason Donaldson, Shane Heitzman, Allen Huang, Chao Jin, James Leonetti, Shelley Li, Xinlei Li, Tracie Majors, Cory Nelson, Richard Sloan, K.R. Subramanyam, Jackie Wegner, Mark Young, Qinyi Zhang, and workshop participants at the University of Southern California for helpful feedback. The interviews conducted as part of this study received the Not Human Subjects Research (NHSR) determination from the University of Southern California Institutional Review Board. I gratefully acknowledge the financial support from the University of Southern California. All errors are my own.

1. Introduction

This study examines how firms summarize complex disclosures in the setting of loan announcements. Firms that enter into material loan contracts are required by the U.S. Securities and Exchange Commission (SEC) to file a Form 8-K within four business days. These filings typically include both the full contract as an exhibit ("loan contract") and a summary in the main file ("loan summary"; see Appendix A). Loan summaries are substantially shorter than the full contracts, granting firms substantial discretion to hide or highlight material information. This study examines the determinants and implications of firms' summarization choices. Specifically, it addresses three questions: (1) Do firms use summaries to hide or highlight material information? (2) Do summaries influence investors' information processing? and (3) Do summarization choices convey useful information about firm or loan quality?

Interestingly, the full contract and the summary are released simultaneously, which offers a unique setting to understand disclosure behavior more broadly. First, because summaries contain no incremental information beyond the contracts, they should be irrelevant unless investors face meaningful costs in processing the contracts. Accordingly, any systematic pattern in how summaries are constructed would highlight the significance of information processing costs (Sims 2003; Blankespoor et al. 2020). Second, the underlying information set from which the management can select – loan contracts – is fully observable, allowing for a one-to-one comparison between contracts and summaries and thus a clean identification of what information is selected into summaries. As such, the study speaks to both loan announcements and corporate disclosures more generally.

Ex ante, two opposing forces could shape the summarization decision. On the one hand, firms may hide unfavorable information – such as high loan spreads or restrictive covenants –

from summaries ("Strategic Withholding Hypothesis"). This prediction aligns with evidence that managers withhold bad news to avoid negative capital market reactions (e.g., Kothari et al. 2009). Given the differences in processing costs, investors may read only the summary or decide whether and where to acquire additional information based on the summary. By omitting restrictive loan terms from the summary, managers could reduce the risks perceived by investors who do not consult the full contracts.

On the other hand, firms may truthfully highlight material restrictions in summaries ("Informative Disclosure Hypothesis"). This prediction aligns with the SEC's guidance to disclose material information (Heitzman et al. 2010). Through timely risk disclosures, managers could reduce information asymmetry and set the appropriate market expectations (Ajinkya and Gift 1984; Skinner 1994; Kasznik and Lev 1995). They could also build reputations for transparency that benefit repeated interactions (Stocken 2000). It is therefore an empirical question to what extent summaries are created to mitigate or exploit investors' limited processing capacity.[1]

Empirically, I focus on the summary of financial covenants to compare disclosure choices across firms and over time. Financial covenants require borrowers to maintain accounting-based measures of credit quality, such as minimum interest coverage ratios (Shaiman and Marsh 2022; see Appendix A). I focus on financial covenants because they are a key component of loan contracts with clear implications for borrowers' operations: Covenant violations can trigger renegotiations or accelerate repayments, resulting in severe restrictions on corporate decisions (Chava and Roberts 2008; Nini et al. 2012) and negative market reactions (Beneish and Press 1995; Stice 2018). As a result, covenants with tight thresholds relative to borrower performance convey

[1] Alternatively, summarization choices may not be explained by meaningful economic factors if they are unimportant in the presence of full contracts or constrained by standardized templates for legal compliance.

negative information and how they are summarized provides a useful setting to test the two competing hypotheses. I also focus on financial covenants because their strictness is readily quantifiable using numerical thresholds. Finally, unlike loan amounts or spreads, financial covenants are not present in every contract. Thus, omitting a covenant from the summary may leave investors unaware of its existence.

I analyze 1,988 loan announcements in Form 8-Ks by 1,155 unique borrowers from 2005 to 2025. Over time, contract (summary) length increases by 56.84% (21.17%) while the relative length of summaries decreases from 1.18% to 0.94%. I develop a novel measure to quantify variations in the detail of covenant disclosure in summaries, assigning each summary a score from one to five. Among contracts with financial covenants, 8.30% of summaries omit covenants entirely (*FinCov Score* = 1), 7.29% mention affirmative or negative covenants (*FinCov Score* = 2), 7.55% mention financial covenants (*FinCov Score* = 3), 28.47% specify the relevant financial ratios (*FinCov Score* = 4), and 48.89% report the required threshold values (*FinCov Score* = 5; see Appendix C).

First, I examine what incentives shape the summarization decision. I find that firms tend to hide, rather than highlight, unfavorable loan terms in summaries. Specifically, firms are less likely to disclose covenant details (i.e., lower *FinCov Score*) when covenants are stricter, measured following Demerjian and Owens (2016), especially for earnings-based performance covenants that more closely reflect financial and operational constraints (Christensen and Nikolaev 2012). The effects are economically meaningful: As the probability of covenant violation increases from 0 to 1, the probability of omitting covenants from summaries (*FinCov Score* = 1) increases from 0.08 to 0.11, while the probability of specifying threshold values (*FinCov Score* = 5) decreases from 0.51 to 0.42. Importantly, these patterns are not explained by the length or complexity of covenant

information or managerial characteristics. This evidence suggests that firms downplay covenant strictness to soften the perceived risk of potential violations, consistent with the Strategic Withholding Hypothesis.

Both the incentive to inform and the incentive to mislead arise from the costs of processing contracts. If contracts were costless to process, summaries would serve little purpose. Consistent with this notion, I find that withholding is more pronounced when investors face higher processing costs, such as when the investor base consists of more retail investors, when financial covenants are more complex, and before the adoption of eXtensible Business Reporting Language (XBRL) on the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. These cross-sectional variations reinforce the interpretation that managers exploit investors' capacity constraints to withhold unfavorable information.

Second, I examine how loan summaries shape investors' information processing. Using access records in SEC log files, I find that access to contracts is only 70.22% of access to summaries within 90 days of loan announcements, indicating that some investors rely exclusively on summaries to understand loan terms. Relative to summaries with full covenant details (*FinCov Score* = 5), investors increase their access to contracts by approximately 10% when summaries mention financial covenants but omit full details (*FinCov Score* = 3 or 4), suggesting partial detection and compensation for omissions. However, investors do not increase contract access when financial covenants are omitted entirely (*FinCov Score* = 1 or 2), indicating a failure to detect and compensate for the missing information. Given such limited detection, withholding can be an effective strategy for hiding covenant information.

Third, I examine whether the summarization decision itself carries incremental information. I find that less detailed summaries predict a higher likelihood of subsequent

covenant violations and lower future borrower profitability. This predictive relationship persists after controlling for covenant strictness and other observable firm and loan characteristics, suggesting that summaries reflect managers' private information about future prospects. These results corroborate the interpretation that managers withhold covenant details to downplay credit risks. The finding also suggests that one can infer firm or loan quality by observing the summarization choice, underscoring the informational value of summaries.

In additional analyses, I find that the market responds less strongly to covenant strictness when summaries are less detailed, consistent with summaries shaping how investors process loan information. For the 192 loans with contractual restrictions on capital expenditures (CAPEX), borrowers with high CAPEX demand provide less detailed CAPEX summaries when the restrictions are more binding. The withholding behavior thus extends beyond financial covenants. In addition, I document that loan disclosures through press releases are substantially less prevalent, less detailed, and less timely, and thus are unlikely to confound the effects of 8-K loan summaries. I also find that the introduction of ChatGPT has not significantly altered strategic disclosure practices. Finally, semi-structured interviews with practitioners provide qualitative insights into who makes the summaries and the considerations guiding these decisions.

This study makes several contributions. First, it contributes to the debt contracting literature by examining a previously overlooked dimension of loan announcements: how firms *summarize* loan contracts. I provide the first evidence on the heterogeneity, determinants, and consequences of loan summaries. Prior research shows that firms manage loan announcements by withholding unfavorable loans or their contracts (Caskey et al. 2023; Li et al. 2024), or redacting unfavorable information from contracts (Verrecchia and Weber 2006; Bao et al. 2022). I show that even when firms provide complete contracts and appear fully transparent, they can still manage

disclosures through biased summaries. This subtler strategy shifts the margin from whether information is disclosed to how it is presented.

Second, this study enhances our understanding of the "main file + exhibits" structure commonly used in SEC filings. Prior research primarily examines information in main files or exhibits in isolation. More recent studies consider them jointly as a filing bundle and examine how investors allocate attention across different components (Cheng et al. 2025). I add to this discussion by studying how firms disclose information within this structure. Specifically, I show that summaries remain strategic even when all underlying information is simultaneously available, highlighting the significance of investors' capacity constraints and firms' ability to exploit them (Sims 2003; Blankespoor et al. 2020). These findings suggest that main-file summaries should be interpreted with caution alongside the corresponding exhibits.

Third, this study advances research on how managers disclose bad news. Prior work provides mixed evidence: While managers may withhold bad news to present a more favorable view of the firm (Kothari et al. 2009), they are also incentivized to warn investors about potential risks for legal or reputational concerns (Ajinkya and Gift 1984; Skinner 1994). A key challenge in this literature is that managers' full information sets are typically unobservable. For example, researchers cannot observe the complete set of information from which managers select when preparing annual reports or earnings announcements. My setting addresses this challenge as managers' full information set (i.e., loan contract) is observable, allowing for direct identification of omissions. The availability of the full information also shifts the costs and benefits of bad news disclosure and introduces new dynamics into the decision.

Relatedly, this study contributes to the nascent literature on firms' summarization choices. Prior research examines summaries of documents that already reflect managerial discretion (e.g.,

earnings releases or bond prospectuses; Cardinaels et al. 2019; Blaseg and Bannier 2019; Darendeli 2024) and may themselves be reversely affected by the requirement to provide summaries (Donelson et al. 2025). In contrast, loan contracts are not prepared by management for disclosure purposes and thus serve as a more exogenous source document. The study also shows content management in summaries and complements prior evidence on tone management. Moreover, it suggests that summarization choices predict firm or loan quality. Given the widespread use of summaries and growing interest among academics and practitioners, the findings have implications for a broad set of users (Barth 2015; SEC 2016).

2. Institutional Background

2.1. Loan announcements in SEC EDGAR

Effective August 23rd, 2004, the SEC requires firms to file a Form 8-K within four business days of entering into a material contract that is not made in the ordinary course of business.[2] This disclosure typically contains two components. First, firms are *required* to summarize the contract in the 8-K main file under Item 1.01 ("Entry into a Material Definitive Agreement"), disclosing the dates, the parties involved in the agreement, and "a brief description of the terms and conditions of the agreement or amendment that are *material* to the company." While the SEC emphasizes the materiality consideration, it does not specify what contractual terms should be disclosed, granting firms the discretion to tailor the form and substance of the information they intend to communicate.

[2] Prior to 2004, the contracts did not need to be disclosed until the company's next periodic report. See Release No. 33-8400, "Additional Form 8-K Disclosure Requirements and Acceleration of Filing Date": https://www.federalregister.gov/documents/2004/03/25/04-6332/additional-form-8-k-disclosure-requirements-and-acceleration-of-filing-date.

Second, firms are *encouraged* to file the full contract as an exhibit to the same 8-K. Any agreement not filed as an 8-K exhibit must be filed as an exhibit to the firm's next periodic report or registration statement. Although filing the agreement as an 8-K exhibit is not mandatory, it is widely considered best practice to avoid potential omissions. As suggested by WilmerHale, a large international law firm, "Filing the actual agreement or amendment with the Form 8-K may reduce the risk of the company being second-guessed regarding the adequacy of its brief description."[3]

This study focuses on loan announcements where the summary and the contract are disclosed simultaneously in the same 8-K filing bundle. Even when the contract is available, the summary remains important for several reasons. First, given the substantial difference in processing costs (57,542 words versus 573 words), users prioritize reading summaries over contracts (Cheng et al. 2025), and for some users, summaries could be the only information they choose to collect. Even for those who do access contracts, what is presented in the summary is likely to influence how they subsequently acquire and interpret information due to primacy effects (Pennington and Hastie 1986). Second, how managers choose to summarize a contract may convey their private information about the firms, making the summarization decision itself an informative signal.[4]

[3] In my sample, 70.67% of loan summaries contain a disclaimer sentence that acknowledges the incompleteness of the summary and refers users to the contract. For example, "The foregoing summary of the material terms of the Agreement is qualified in its entirety by reference to the Agreement which is filed as Exhibit 10(a) to this current report on Form 8-K."

[4] Senior management is involved in the summarization process through their responsibility over disclosure controls and procedures (Exchange Act Rules 13a-15), which include ensuring that material terms of the contract are identified, elevated to management, and appropriately disclosed. In addition, each Form 8-K is required to be signed by a duly authorized officer. In my sample, 46.48% of these 8-K signatories are CFOs, 5.48% are CEOs, and 27.72% are general counsels, who take legal responsibility for the accuracy of the filings. The summarization choice therefore reflects the incentives of senior management. I provide more qualitative evidence on the internal decision-making process in Section 6.4.5.

2.2. Financial covenants and the negative implications of covenant strictness

Both loan contracts and their summaries typically include basic loan terms (e.g., amount, type, maturity), purpose, spread, security, covenants, and events of default, but the proportion devoted to each component varies substantially across filings (see Internet Appendix Table IA1). To better compare the summarization decisions across loan announcements, I restrict the analysis to loans with financial covenants and examine how these covenants are summarized.

Financial covenants specify the accounting-based measures of credit quality that the borrower must maintain over the life of the loan (Shaiman and Marsh 2022). For example, a borrower may be required to maintain an interest coverage ratio of not less than 3.5. I focus on financial covenants for several reasons. First, unlike loan amounts or spreads, financial covenants are not present in every loan contract, so summaries play a particularly crucial role in raising investors' awareness of these covenants. Second, since financial covenants are defined by numerical thresholds, their strictness is readily quantifiable. Finally, financial covenants are material to borrowers' operations. Covenant violations can trigger renegotiations or accelerate repayments, and even the threat of violations can significantly limit the borrower's ability to conduct business.[5]

I argue that strict covenants (i.e., covenants with a smaller cushion between realized financial metrics and required thresholds) convey negative information about the borrower.

[5] See a discussion of covenants as risk factors in the annual report:
https://www.sec.gov/Archives/edgar/data/1318605/000162828024002390/tsla-20231231.htm#i605b1b87e9dd4fc1a8af0ddafef749a2_85.
"As a result of these covenants, our ability to respond to changes in business and economic conditions and engage in beneficial transactions, including to obtain additional financing as needed, may be restricted. Furthermore, our failure to comply with our debt covenants could result in a default under our debt agreements, which could permit the holders to accelerate our obligation to repay the debt. If any of our debt is accelerated, we may not have sufficient funds available to repay it."

Theoretically, stricter covenants prompt more intense lender monitoring and signal concerns over the borrower's creditworthiness. By accepting stricter covenants, the borrower also reveals a lack of more attractive outside options, both of which are perceived unfavorably by the market. Empirically, stricter covenants correspond to higher risks of covenant violations, which carry significant costs, including restrictions on corporate decisions (Chava and Roberts 2008; Nini et al. 2012), increased cost of debt (Beneish and Press 1993), negative stock market reactions (Beneish and Press 1995; Stice 2018), and deterioration in accounting quality (DeFond and Jiambalvo 1994).[6] Consistent with these findings, Internet Appendix Table IA2 shows that covenant strictness (*PVIOL*) is positively associated with subsequent covenant violations and negatively associated with future profitability. Taken together, strict covenants represent unfavorable information and thereby provide a useful lens to understand incentives.

3. Related Literature

3.1. Loan announcements

Lenders privately acquire information about borrowers. Loan terms thus reflect such private information and trigger stock market reactions (Plumlee et al. 2015; James 1987; Billett et al. 1995; Ho et al. 2024). Given these implications, firms strategically manage their loan announcements. Prior research shows that firms are less likely to file Form 8-Ks for loans with high spreads and tight financial covenants (Caskey et al. 2023), withhold loan contracts when disclosure could generate adverse outsider reactions (Li et al. 2024), and redact unfavorable information from

[6] One notable exception to these negative outcomes is Nini et al. (2012), who document that firms' long-term operating and stock price performance improves following covenant violations, presumably because actions taken by lenders increase the value of the average violating firm. But the short-window market perception of covenant violations remains negative in their study.

contracts (Verrecchia and Weber 2006; Bao et al. 2022; Saavedra 2023). A subtler strategy, however, is to properly disclose the contract but provide a biased summary, a practice less understood in the literature. Accordingly, this study examines the summarization decision for loan announcements that appear complete, without contract nondisclosure or redaction.

3.2. Information processing costs and the use of exhibits

Individuals face information processing constraints and must allocate limited cognitive resources across disclosures (Sims 2003; Blankespoor et al. 2020). SEC filings often bundle summaries in main files and full information in exhibits, which facilitates such allocation. Existing literature primarily examines summarized information in main files, such as financial statements and notes, management discussion and analysis, and risk-factor disclosure (e.g., Brown and Tucker 2011; De Franco et al. 2011; Hope et al. 2016). Recent studies recognize the role of exhibits and explore how investors allocate attention across the entire filing package. Specifically, Cheng et al. (2025) show that users prioritize processing the main file and are more likely to consult exhibits when the main file is shorter, less readable, or less assured in tone. However, little is known about *firms'* disclosure choices within this structure. This study therefore explores whether firms construct summaries to inform or mislead investors.

3.3. Bad news disclosure

Existing evidence is mixed about whether managers disclose or withhold bad news. On the one hand, managers may withhold bad news to avoid negative capital market consequences. For example, Kothari et al. (2009) find larger stock price reactions to bad news than good news, consistent with managers hoarding bad news until it crosses a certain threshold. On the other

hand, managers may promptly release bad news to manage market expectations, often motivated by litigation risks or reputational concerns (Ajinkya and Gift 1984; Skinner 1994). For example, Kasznik and Lev (1995) show that firms facing earnings disappointments are more likely to issue warnings, with larger disappointments preceded by more quantitative information.

Loan announcements create a unique context that reshapes these incentives. On the one hand, the availability of the full loan contract reduces the litigation risk and could encourage managers to conceal bad news. On the other hand, since users can verify the summary against the contract, managers may be motivated to truthfully disclose bad news in the summary. It is therefore unclear how prior findings would apply to this setting.

Loan announcements also provide a rare opportunity to directly observe withholding behavior. A key challenge in existing literature is that researchers typically do not observe the underlying bad news managers possess and instead infer it indirectly from ex-post measures such as stock price reactions (Kothari et al. 2009).[7] In this setting, the loan contract serves as an objective benchmark for the summary, allowing me to identify which contractual terms are disclosed or omitted and to directly assess how managers handle bad news.

3.4. The summarization decision

Much accounting information, such as earnings announcements, is in effect summaries of firms' broader information sets. Summarization reduces processing costs but inevitably omits some information (Lev 1968). A recent stream of literature examines firms' summarization choices.

[7] To tackle this challenge, Dedman and Lennox (2009) examine private firms' withholding of sales and costs of sales information (which every firm should have), Bao et al. (2019) use the level of short interest as a proxy for bad news, and Dyreng et al. (2020) use private data from the Internal Revenue Service (IRS) to evaluate the accuracy of public subsidiary disclosures.

Cardinaels et al. (2019) show that manager-generated summaries of earnings releases are similar to algorithmic summaries in content but are more positively biased. Their experimental evidence further shows that such biases affect individual investors' judgements. Blaseg and Bannier (2019) find that underperforming firms manipulate the textual features of their mandatory risk factor summaries in bond prospectuses. Darendeli (2024) shows that retail investors react more strongly to performance metrics highlighted in mutual fund factsheets.

This paper differs from prior work in several aspects. First, while the source information in prior work (e.g., earnings releases) is itself a summary, the source information in this setting (i.e., loan contracts) is not prepared by management and thus more closely approximates the *full* information set.[8] Second, rather than focusing on general textual features, this study provides direct evidence on content management, and importantly, *what* exact content is omitted or emphasized in summaries. Finally, this study speaks to the "main file + exhibits" structure, a format common across SEC filings and therefore relevant to a wide range of corporate disclosures.

4. Hypotheses Development

Summaries condense the source text and inevitably exclude some information. Ex ante, it is unclear what firms would choose to leave out. On the one hand, managers may omit unfavorable loan terms, such as high spreads or investments restrictions ("Strategic Withholding Hypothesis"), consistent with incentives to withhold bad news (e.g., Kothari et al. 2009; Segal and Segal 2016). Although the full contracts are publicly available, they are lengthy, complex, and

[8] Relatedly, the setting mitigates concerns about reverse causality, whereby the need to provide summaries influences how the source information is constructed (Donelson et al. 2025).

costly to process. By omitting unfavorable terms from summaries, managers may reduce the salience of negative information for investors who lack the capacity to analyze the full contracts.

On the other hand, firms may truthfully disclose unfavorable terms in the summary ("Informative Disclosure Hypothesis"). Because such terms are legally binding and can materially affect future operations, disclosing them aligns with obligations to report material information under Generally Accepted Accounting Principles (GAAP), SEC rules, and exchange reporting requirements (Heitzman et al. 2010). Although these disclosures appear negative in the short run, they can reduce information asymmetry, preempt earnings surprises, and generate long-term benefits by fostering a reputation for transparency (Ajinkya and Gift, 1984; Skinner 1994; Kasznik and Lev 1995; Stocken 2000). Managers may therefore have incentives to inform investors of restrictive loan terms.

I focus on financial covenants to quantify and compare summarization choices. Given these competing incentives, it remains an empirical question whether firms are more or less likely to discuss financial covenants in summaries when covenant violations are more likely. Accordingly, I state the first hypothesis in null form:

> *H1: Firms are equally likely to discuss their financial covenants in summaries regardless of the probability of covenant violation.*

A null finding may suggest that the competing incentives offset each other. Alternatively, it may suggest that loan summaries are not a meaningful disclosure channel and thus receive limited managerial attention, especially given the availability of full contracts. Finally, if summaries are primarily compliance-driven and follow standardized templates, they may not vary systematically with covenant characteristics.

Both the withholding and the information provision hypotheses hinge on the costs of processing loan contracts. If contracts were costless to process, investors would immediately integrate all available information and these incentives would collapse. Conversely, higher processing costs should amplify disclosure incentives in both directions. I therefore expect the main effect to be stronger when processing costs are higher.

H2: The main effect is stronger when the cost of processing the contracts is higher.

Next, I examine how the summarization decision influences investors' information acquisition. Under the Strategic Withholding Hypothesis, if users detect the omission of important information from summaries, they may increase their access to the corresponding contracts to obtain missing details. However, this prediction may not hold if users fail to detect such omissions, or if the omitted information is immaterial under the Informative Disclosure Hypothesis.

H3: Access to the contract is higher (does not change) when the summary is less detailed under the withholding (information provision) incentive.

Finally, to substantiate the importance of summaries, I examine whether the summarization decision itself conveys useful information. Managers' actions can reveal their private information (e.g., Kimbrough et al. 2021). Under the Strategic Withholding Hypothesis (Informative Disclosure Hypothesis), managers provide more detailed summaries when they expect covenant violations to be less (more) likely, so more detailed summaries should predict a lower (higher) likelihood of covenant violations. Summaries may likewise signal managers' private expectations about future firm performance. However, if the summarization decision merely reflects public information, it would offer no incremental predictive power beyond current financial metrics.

H4: More detailed summaries predict a lower (higher) likelihood of subsequent covenant violations and better (worse) future firm performance under the withholding (information provision) incentive.

5. Sample, Variables, and Descriptive Statistics

5.1. Sample construction procedure

I construct the sample from all 8-K filings with Item 1.01 and loan-related keywords from 2005 to 2025.[9] The sample begins in 2005 as prompt disclosures of material contracts are only required after August 2004. Although loans can be announced in 8-Ks, 10-Qs, or 10-Ks, I focus on 8-Ks because it is the most common and timely channel (Caskey et al. 2023; Ho et al. 2024).

I require the contract to be filed as an exhibit in the same 8-K as the summary, ensuring that all relevant information is publicly available. Although this restriction reduces the sample size, the resulting sample remains appropriate for the purpose of this study, as it focuses on filers that prior studies typically presume to be relatively transparent and therefore do not examine closely. I further require the contract to contain at least one financial covenant, which enhances the comparability of underlying transactions and facilitates the measurement of summarization choices. I exclude firms in the finance industry (SIC 6000 - 6999) and firms not covered by Compustat, I/B/E/S, or CRSP.

[9] I require the 8-K main file to contain the keywords "credit agreement" or "loan", and to exclude "amend" and its variants to remove renegotiations. Loan summaries may appear under both Item 1.01 and Item 2.03 ("Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant") but are always referenced in Item 1.01. When Item 2.03 complements Item 1.01, I treat it as part of the loan summary.

Table 1, Panel A reports the sample construction procedure. Among the 4,365 loan announcements initially identified, I exclude 644 observations (14.75%) where the contract is not attached in the same 8-K, 266 (6.09%) with multiple loans, 602 (13.79%) without financial covenants, and 137 (3.14%) with only incurrence covenants (i.e., covenants triggered by certain borrower actions) but not maintenance covenants. The final sample consists of 1,988 loans issued to 1,155 unique borrowers.[10] Most loan announcements occur in 2005 – 2006 and 2010 – 2012 (Table 1, Panel B). Borrowers are primarily in the manufacturing industry (45.02%), followed by transportation and public utilities (18.61%) and services (17.56%; Table 1, Panel C).

Table 2, Panel A reports summary statistics. On average, a borrower has total assets of USD 10.82 billion, return on assets of 1.06%, leverage of 55.92%, and tangibility of 31.56%.[11] The average loan is USD 770.87 million (20.77% of borrower assets), has a maturity of 3.99 years and a spread of 192.42 basis points over LIBOR, and 16.40% of loans are issued to a subsidiary of the registrant. Loans include 1.90 financial covenants on average, and 26.76% feature dynamic covenant thresholds that adjust over the life of the loan (Li et al. 2016). Loan announcements occur 2.24 (3.25) business (calendar) days after initiation. Each 8-K contains an average of 1.81 items (excluding Items 2.03 and 9.01) and 1.86 non-graph exhibits, and the borrower files 1.06 8-Ks on the loan announcement date.[12]

---

[10] The sample size is smaller than those in Caskey et al. (2023) and Li et al. (2024) because I (1) focus on Form 8-Ks, (2) require loan contracts to be disclosed as 8-K exhibits, (3) require the availability of financial covenants and covenant strictness measures, and (4) exclude loan renegotiations. For comparison, applying similar criteria in DealScan – without imposing restrictions (1) and (2) – yields a sample of 4,395 loans, with an average size of USD 868.72 million and an average maturity of 4.33 years.

[11] Compared to the 1,988 observations in the final sample, the 2,377 loan announcements excluded due to incomplete contract disclosures or insufficient data involve borrowers that are smaller (*Size* = USD 6.48 billion), less profitable (*ROA* = –2.48%), less heavily leveraged (*Leverage* = 54.89%), and with lower tangibility (*Tangibility* = 26.39%).

[12] Item 2.03 typically extends Item 1.01 when filed in the same 8-K. Item 9.01 lists exhibits without providing additional information. Exhibits other than the loan contract could be loan-related (e.g., security agreement) or unrelated (e.g., compensation contracts).

5.2. Features of loan summaries

While an average contract has 57,542 words, the corresponding summary averages only 573 words (1.2% of contract length), which supports the view that summaries are substantially shorter and likely easier to process. From 2005 to 2025, contract and summary lengths follow similar time-series patterns, increasing overall but declining sharply in 2020 (Figure 1).[13]

Table 3 reports the determinants of contract and summary lengths. Column (1) shows that loan contracts are longer for larger borrowers (*Size*), borrowers with lower tangibility (*Tangibility*), and loans with larger amounts (*Loan Size*), longer maturities (*Maturity*), or higher spreads (*Spread*). Column (2) shows that contract length strongly predicts summary length. Summaries are also longer for borrowers with less tangible assets and larger loans, and the length increases in the number of items (# *of Item*) and exhibits (# *of Exhibit*) in the same 8-K filing bundle.

To quantify summarization choices, I manually assign each summary a score from one to five based on the level of detail provided about financial covenants, with higher scores indicating greater detail. Among loans that contain financial covenants, 8.30% of summaries do not mention any covenants (*FinCov Score* = 1), 7.29% only mention affirmative or negative covenants (*FinCov Score* = 2), 7.55% refer to financial covenants generally (*FinCov Score* = 3), 28.47% identify specific financial ratios (e.g., interest coverage ratio; *FinCov Score* = 4), and 48.89% disclose the required threshold values (e.g., a minimum interest coverage ratio of 3.5; *FinCov Score* = 5; see Appendix

[13] The upward trend in contract length is due to a combination of increased customization, regulatory changes, and the development of the secondary loan market. The large drop in contract length in 2020 is likely explained by the significantly smaller loan amounts (8.4% vs. 21.4% of borrower sizes) and shorter maturities (2.38 years vs. 4.07 years) for loans initiated in 2020 compared to loans initiated in other years.

C for coding criteria and examples). Summaries become more detailed over time and exhibit substantial variations within each year and industry (Figure 2).

Summary details are meaningful for at least two reasons. First, they reflect lenders' monitoring priorities. For example, while an interest coverage ratio highlights short-term debt-serving capacity, a debt-to-equity ratio puts more weight on the capital structure. Greater details thus facilitate valuation. Second, even if a summary alone is insufficient for decision-making, it may serve as a screening device and a guide to the full document. For example, a summary with *FinCov Score* = 1 may leave investors unaware of the covenants, while a summary with *FinCov Score* = 5 makes both their presence and materiality salient.[14]

5.3. Strictness of financial covenants

To quantify the strictness of financial covenants, I manually collect covenant threshold values from loan contracts and follow Demerjian and Owens (2016) to construct the probability of covenant violation (*PVIOL*). I standardize 15 common financial covenants and forecast one-quarter-ahead compliance status based on (1) the borrower's current-quarter financial metrics and (2) simulated growth rates drawn from firms with similar size and profitability. *PVIOL* is defined as the percentage of forecasted covenant violations out of 1,000 independent simulations. It captures the probability of violating at least one financial covenant in the first quarter after loan

[14] Though targeting the MD&A section of Form 10-Ks, the following quotes from SEC comment letters corroborate the importance of disclosing covenant details:
https://www.sec.gov/Archives/edgar/data/773910/000077391007000002/filename1.htm
"We note that you did not disclose any restrictive covenants related to your $22.5 billion 364-day acquisition facility. Please disclose any restrictive covenants related to your acquisition facility, or any other facility, to the extent material."
https://www.sec.gov/Archives/edgar/data/1040599/000095013707007519/filename1.htm
"If you believe a covenant is a material term of the credit agreement and information about the covenant is material to an investor's understanding of the company's liquidity, you should provide an appropriate discussion of the actual ratio or other measure constituting the covenant."

initiation, with higher values indicating stricter covenants. In my sample, *PVIOL* ranges from zero to one, with a mean of 0.225 and a standard deviation of 0.361.[15, 16]

6. Empirical Results

6.1. Do firms hide or highlight restrictive loan terms?

6.1.1. Main results

I first examine whether firms make summaries to hide or highlight unfavorable information (H1). A negative (positive) association between summary details (*FinCov Score*) and covenant strictness (*PVIOL*) would support the Strategic Withholding Hypothesis (Informative Disclosure Hypothesis). Univariate analyses in Table 2, Panel B show that *FinCov Score* is negatively correlated with *PVIOL* (Cor. = –0.079, p-value < 0.01), which suggests that firms provide fewer covenant details when covenants are stricter. To control for the influence of covariates, I estimate the following ordered logit regression model:

$$FinCov\ Score = \beta_0 + \beta_1 PVIOL + CONTROLS + Industry\ FE + Year\ FE + u \quad (1)$$

The outcome variable (*FinCov Score*) ranges from one to five and captures the level of covenant detail in the summary. Under the Strategic Withholding Hypothesis (Informative Disclosure Hypothesis), β_1 is expected to be negative (positive). I control for several borrower, loan, covenant, and filing characteristics that could affect the summary (see Appendix B for

[15] The *PVIOL* in my sample exhibits a correlation of 0.923 with the *PVIOL* in the sample published by Demerjian and Owens (2016) (based on 788 overlapping observations). See the code and data shared by Demerjian and Owens (2016): https://sites.google.com/site/edowensphd/researchdata?authuser=0.

[16] *PVIOL* is subject to measurement errors since (1) contract-specific definitions of financial ratios often deviate from standard definitions, and (2) contract-specific input variables often deviate from Compustat variables. However, such errors are unlikely to pose a material concern in this setting, as the analyses that involve *PVIOL* rely on the relative magnitude of covenant strictness rather than the precise identification of covenant violations (Dyreng et al. 2025). To gauge the robustness of the findings, I employ several alternative definitions of covenant strictness in Section 6.1.2.

variable definitions). I use industry and year fixed effects to control for industry- or year-specific disclosure conventions, and cluster standard errors at the borrower level.[17]

Table 4 shows a consistently negative association between *FinCov Score* and *PVIOL* across all specifications, which supports the Strategic Withholding Hypothesis. In Column (6), as *PVIOL* increases from 0 to 1, the probability of omitting covenant information (*FinCov Score* = 1) increases from 0.08 to 0.11, while the probability of disclosing threshold values (*FinCov Score* = 5) decreases from 0.51 to 0.42. Importantly, the association persists after controlling for the length of the source information *(# of FinCov*, *Contract Length (Total)*). These findings suggest that firms tend to withhold covenant details in summaries when covenant violations are more likely, which constitutes a more subtle disclosure strategy than contract-withholding or redaction documented in prior research. I address several alternative explanations in Section 6.1.2.

Several other factors also affect summarization choices. First, summaries are less detailed when the source information is less relevant, such as when the loan is made to a subsidiary (*Subsidiary*). Second, summaries are less detailed when the source information is more complex, such as when the financial covenants have dynamic thresholds (*Dynamic*). Finally, summaries are less detailed when space constraints arise from other exhibits in the same 8-K *(# of Exhibit*). These patterns suggest that summarization reflects both strategic and non-strategic considerations.[18]

---

[17] I maintain the same fixed effects and clustering structure throughout the paper. I do not include borrower fixed effects because each borrower has, on average, only 1.72 loan announcements. Although 40.8% of borrowers with multiple loan announcements exhibit within-firm variation in summarization choices, the overall variation remains limited. Restricting the sample to the 500 observations with within-firm variation and including borrower fixed effects result in low statistical power: The coefficient on *PVIOL* is similar in magnitude (–0.34) but imprecisely estimated (SE = 0.71), implying a minimum detectable effect at conventional significance and power levels that exceed the observed estimate.

[18] The non-strategic considerations imply that summaries are imperfect signals of covenant strictness and thus the withholding strategy does not unravel in equilibrium. The associations also validate the assumption that summaries are deliberately, rather than randomly, constructed.

6.1.2. Alternative explanations and robustness tests

One alternative explanation is that stricter covenants correspond to more complex contracts, which mechanically limits summary detail. To address this concern, Equation (1) controls for the number of financial covenants *(# of FinCov*), contract length (*Contract Length (Total)*), loan type (*Term Loan*, *Revolver*), and the presence of dynamic covenant thresholds (*Dynamic*). Tests tabulated in Internet Appendix Table IA3 further control for the lengths of covenant and non-covenant sections in contracts (*Contract Length (FinCov)*, *Contract Length (Other)*), covenant type fixed effects, the number of tranches *(# of Tranche*), the number of lenders (*# of Lender*), and lead arranger fixed effects.[19] *PVIOL* remains negatively associated with *FinCov Score*.

Another alternative explanation is that managerial characteristics explain both covenant design and disclosure. For example, optimistic managers may negotiate tighter covenants (Infuehr and Laux 2022) and provide less detailed summaries, while capable managers may secure more favorable terms and disclose more details. To address this possibility, tests in Internet Appendix Table IA4 control for managerial ability (*MA Score*; Demerjian et al. 2012), managerial optimism (*Optimism*; Hribar and Yang 2016), 8-K signatories (*CFO Signed, CEO Signed, Counsel Signed*), the presence of a powerful general counsel (*Powerful Counsel*; Kwak et al. 2012; Hopkins et al. 2015; Donelson et al. 2025), and law firm fixed effects.[20, 21] The main results persist.

[19] Among the 251 unique lead arrangers, 97 (38.7%) appear more than once; of these, 83 (85.6%) exhibit within-lead-arranger variation in summarization choices. Fixed effects are included only for lead arrangers with at least five observations.

[20] See the data shared by Demerjian et al. (2012): https://peterdemerjian.weebly.com/managerialability.html

[21] Among the 352 unique law firms, 197 (56.0%) appear more than once; of these, 150 (76.1 %) exhibit within-law-firm variation in summarization choices. Fixed effects are included only for law firms with at least five observations.

To assess whether the findings are incremental to other forms of textual manipulation (Cardinaels et al. 2019; Blaseg and Bannier 2019), tests in Internet Appendix Table IA5 control for positive (*Summary Positive*), negative (*Summary Negative*), and overall sentiments (*Summary Sentiment*) of summaries, measured with Henry's (2008) context-specific dictionary; and content dissimilarity between summaries and contracts measured by Jensen–Shannon divergence (*JS Divergence*). The coefficient on *PVIOL* remains negative and statistically significant.

The findings are robust to alternative measures of covenant strictness. In Internet Appendix Table IA6, *FinCov Score* is negatively associated with the maximum violation probability across covenants (*Max PVIOL*), the inverse of minimum covenant slack (*Inverse Slack*), and the unexpected component of *PVIOL* derived from the residuals of a determinant model in Internet Appendix Table IA7 (*Abnormal PVIOL*).

6.1.3. Heterogeneities across covenant types

Prior research shows that performance covenants (i.e., those based on current-period profitability such as the interest coverage ratio) more closely reflect financial and operational constraints than capital covenants (i.e. those based on sources and uses of capital such as the debt-to-equity ratio) (Christensen and Nikolaev 2012). I re-estimate Equation (1) by replacing *PVIOL* with the probability of violating performance covenants (*PVIOL PCOV*) or capital covenants (*PVIOL CCOV*). Table 5 shows that the negative association is driven by the strictness of performance covenants; the difference in coefficients is statistically significant (p-value = 0.098). This pattern is consistent with firms downplaying the constraints tied to performance covenants.

6.1.4. Moderating role of information processing costs

Incentives to inform or mislead investors arise from the costs of processing contracts. To attribute the differences in summaries to these incentives, I explore variations in information processing costs (H2). I construct three measures that are plausibly independent of the borrower's own disclosure choice. First, processing costs are likely to be higher when the borrower has below-median institutional ownership, since institutional investors have greater capacity and expertise to process information (Blankespoor et al. 2020). Second, financial covenants are deemed more complex and therefore more costly to process when the number of financial covenants exceeds the sample median. Finally, I consider the adoption of XBRL as a relatively exogenous shock that reduces overall processing costs on SEC EDGAR (Bhattacharya et al. 2018).[22] I re-estimate Equation (1) within subsamples partitioned by these cost measures.

Table 6 reports the results. Consistent with H2, the negative association between *FinCov Score* and covenant strictness is statistically and economically stronger for firms with low institutional ownership (Column (1)) compared to those with high institutional ownership (Column (2)), and the coefficients are statistically different (p-value = 0.047). In Columns (3) – (6), the withholding effect is similarly stronger when financial covenants are complex or before XBRL adoption. Collectively, the evidence suggests that the decision to withhold covenant details hinges crucially on the costs of processing contracts, consistent with firms exploiting investors' capacity constraints.

6.2. Do summaries shape information processing?

[22] The SEC mandated the adoption of XBRL through a three-year phase-in period from 2009 to 2011. I use the date for the final phase-in period (June 15, 2011) to allow sufficient time for implementation and to balance the pre- and post-adoption periods.

After documenting the incentives underlying summarization choices, I examine whether these choices affect investors' information acquisition and ultimate information sets (H3). Using SEC log files, I measure access to both the contract and its summary and classify each access as either a human or machine download, assuming that humans do not download more than 25 items in a single minute, more than three different firms' items in a single minute, or more than 500 items in a single day (Ryans 2017).[23] I use human downloads for main analyses and machine downloads for falsification tests.

Figure 3 shows that both human and machine downloads increase over time, while machine downloads grow more rapidly. Internet Appendix Table IA8 shows that access to both main files and contracts increase in the materiality of the loan (e.g., larger loans) and decreases when concurrent information is present (e.g., when more 8-Ks are filed on the same day). Notably, access to contracts (dashed lines in Figure 3) is consistently lower than access to main files (solid lines). On average, contract access is only 70.22% of main file access within 90 days of loan announcements, suggesting that a meaningful fraction of investors read only the summary.[24]

[23] See the log file datasets at:
https://www.sec.gov/data-research/sec-markets-data/edgar-log-file-data-sets.
For this analysis, I restrict the sample period to 2005 – 2016, as the log file data is not available from April 2017 to April 2020 and lacks sufficient information to distinguish human from machine downloads from May 2020 onwards. The log file data details the extensions of the files accessed by each request, which allows me to identify whether a request is made towards the 8-K main file (loan summary) or the exhibit containing the loan contract. I acknowledge that investors can acquire information from other channels and interpret the EDGAR access volume as a lower bound of users' information acquisition (Drake et al. 2016).

[24] I also use access volume to validate measures of information processing costs used in Section 6.1.4. As shown in Internet Appendix Table IA9, page views to both loan summaries and loan contracts are lower when institutional ownership is low and before XBRL adoption. These associations validate the cost measures. Interestingly, the contract-summary access ratio also decreases in processing costs, which suggests that processing costs affect the access to contracts more strongly than it affects the access to summaries. This result is consistent with users prioritizing main files over exhibits when they must allocate their limited capacity among the two (Cheng et al. 2025).

I estimate the following OLS regression model to examine whether investors adjust their information acquisition in response to firms' summarization choices:

$$Relative\ Access = \beta_0 + \beta_1 FinCov\ Score + CONTROLS + Industry\ FE + Year\ FE + u \quad (2)$$

The outcome variable (*Relative Access*) is the ratio of contract access to summary access within 90 days of loan announcement. It captures the share of summary readers who also access the contract. The key explanatory variable is *FinCov Score*, the measure of summary detail. If investors compensate for the information loss, I expect them to increase their access to the contract when the summary is less detailed ($\beta_1 < 0$). I control for the number of items (# *of Item*) and exhibits (# *of Exhibit*) in the same 8-K to account for attention unrelated to loan information.

Table 7 tabulates the results. In Columns (1) and (3), *Relative Access* is negatively associated with *FinCov Score*, consistent with investors consulting the contract when the summary is less detailed. To assess the heterogeneity across summarization choices, I replace *FinCov Score* in Equation (2) with four indicator variables, *Score1* to *Score4*, which equal one when *FinCov Score* is one to four, respectively. The most detailed summaries (*FinCov Score* = 5) serve as the benchmark. Columns (2) and (4) show that only *Score3* and *Score4* are statistically significant: When summaries discuss financial covenants without providing sufficient details, investors increase contract access by 11.3% and 6.1%, respectively. In contrast, investors who do not see financial covenants in summaries (*Score1* and *Score2*) are unaware of their existence and fail to make up for the information loss.

Taken together, investors can detect and compensate for some, but not all, omissions.[25] First, detection depends on the forms of omission: When financial covenants are not mentioned

[25] This finding corroborates the conclusions in Cheng et al. (2025) that investors compensate for information losses in general, and adds more nuance in the sense that investors cannot compensate for all forms of information loss.

(*FinCov Score* = 1 or 2), investors fail to identify the missing details. Second, detection is incomplete: Even for *FinCov Score* = 3 or 4, the average *Relative Access* is 0.728, meaning roughly 30% of investors do not obtain full covenant information. These limitations help explain the effectiveness of withholding: By omitting covenant details, managers obscure the negative implications of covenant strictness from a sizable portion of investors.

As a falsification test, I repeat the analyses using machine downloads. Columns (5) and (6) show that relative machine access is unaffected by the summarization choice, consistent with algorithms processing filings mechanically without responding to variations in summary details.

6.3. Do summarization choices convey useful information?

To substantiate the importance of loan summaries, I examine if the summarization decision itself conveys incremental information about future performance, beyond what can be predicted by current borrower or loan characteristics (H4). I estimate the following regression model:

$$Performance = \beta_0 + \beta_1 FinCov\ Score + CONTROLS + Industry\ FE + Year\ FE + u \quad (3)$$

The outcome variable is an indicator variable that equals one if the borrower discloses at least one covenant violation within the two years following loan initiation (*Violation*), or the average value of annual *ROA* over the three years following loan initiation (*Future ROA*). I control for a comprehensive set of borrower and loan characteristics to isolate the associations between future performance and the summarization choice, *FinCov Score*.

Table 8 tabulates the results. The lack of covenant details in the summary is associated with a higher likelihood of subsequent covenant violations, beyond what can be explained by current borrower riskiness or covenant strictness. This finding is consistent with firms

withholding covenant details when they expect higher risks of covenant violations and more severe constraints on future operations. More detailed summaries also predict a higher future profitability, consistent with these summaries reflecting confidence in future prospects. These findings suggest that the summarization decision itself carries value by revealing managers' private expectations. Although this interpretation is not causal, it is nevertheless meaningful because it suggests that investors can infer firm conditions by observing summarization choices.

6.4. Additional analyses

6.4.1. Market reaction

Section 6.2 shows that withholding details limits investors' understanding of financial covenants. I further examine how it affects firm valuation. If less detailed summaries leave investors less informed, they should weaken market reactions to covenant strictness. Conversely, reactions should not differ across summary types if investors consult the full contracts when needed or if the covenant information is immaterial to their decisions. Table 9 shows that the market responds more strongly to covenant strictness when summaries are more detailed (*PVIOL* × *FinCov Score*), as reflected in the magnitude of three-day cumulative abnormal returns (*Absolute Announce CAR[-1,1]*), return volatility (*Return Volatility[-1,12]*), and abnormal trading volume (*Abnormal Volume [-1,1]*) around loan announcements. These findings reinforce the conclusion that summaries shape how investors process loan information.[26, 27]

[26] The conclusions are caveated by the existence of concurrent events and the endogeneity issue that managers could select the disclosure format based on the market reactions they expect to receive.

[27] In Internet Appendix Table IA10, I further examine market reactions to subsequent disclosures of covenant violations. This analysis focuses on the 89 observations where a covenant violation is publicly announced within one year of loan initiation. I only report univariate statistics given the small sample size. On average, the three-day cumulative abnormal returns surrounding the first disclosure of covenant violations (*Violation CAR*[-1,+1]) are more negative when initial summaries are less detailed (Cor. = 0.084).

6.4.2. Summaries of CAPEX covenants

To assess whether the withholding behavior extends beyond financial covenants, I examine the summaries of CAPEX covenants. These covenants restrict firms' capital expenditures and reduce investments (Nini et al. 2009). To the extent that these restrictions are unfavorable, firms may be incentivized to withhold their details. Out of the 192 contracts with CAPEX covenants, 49.48% of summaries do not mention these covenants (*CAPEX Score* = 1), 42.71% mention the existence of restrictions (*CAPEX Score* = 2), and 7.81% specify the numerical limits (*CAPEX Score* = 3; see Appendix C for coding criteria and examples). Under the withholding hypothesis, *CAPEX Score* should be positively associated with the slack in CAPEX, proxied by contractual CAPEX limits scaled by actual CAPEX incurred during the year prior to loan initiation (*CAPEX Limits*).

Table 10 tabulates the results. In Columns (1) and (2), *CAPEX Score* is not significantly associated with *CAPEX Limits*, suggesting no evidence of obfuscation in the full sample. However, Columns (3) and (4) reveal positive associations for borrowers with high CAPEX growth (*CAPEX Limits* × *High CAPEX Growth*). These patterns suggest that the withholding behavior is similarly present in the summary of CAPEX covenants, though only for borrowers with more urgent CAPEX needs. The strategic use of summaries therefore extends to other loan terms. As a falsification test, Column (5) shows that the decision to summarize financial covenants is not significantly associated with the strictness of CAPEX covenants.

6.4.3. Alternative disclosure channels

One alternative channel for firms to disclose loan information is to issue press releases summarizing loan terms. To assess whether such press releases crowd out the information in

This pattern suggests that limited summaries impair investors' ability to form appropriate expectations at loan announcements and delay the incorporation of negative information into prices.

Form 8-Ks, I manually collect press releases related to loan announcements from Factiva.[28] I find that disclosures in press releases are substantially less prevalent, less detailed, and less timely than those in Form 8-Ks. Only 30.73% of sample loan announcements are covered by press releases. Among those covered, most press releases (83.63%) do not mention any covenant information, and only 3.27% specify covenant threshold values. Moreover, press releases are issued, on average, 6.08 calendar days after the loan initiation date, approximately three days later than the corresponding Form 8-Ks. Taken together, these results suggest that press releases are unlikely to confound the effects of 8-K loan summaries.

6.4.4. The post-ChatGPT period

The introduction of ChatGPT has transformed how investors process corporate disclosures. To examine whether firms adjust their disclosure behaviors accordingly, I compare the relation between summarization choice and covenant strictness across periods. The correlations are similar in magnitude before (Cor. = –0.081) and after (Cor. = –0.083) ChatGPT. I further re-estimate Equation (1) with interaction terms between a post-ChatGPT indicator (*Post GPT*) and covenant strictness as well as other control variables. Internet Appendix Table IA11 provides no evidence that the introduction of ChatGPT has changed firms' summarization strategies.

6.4.5. Qualitative evidence

I supplement the empirical analyses with semi-structured interviews with eight practitioners familiar with the SEC reporting process, including CFOs, CAOs, directors of SEC reporting, and former audit partners.

[28] In Factiva, I search for press releases issued within two months following loan initiation, with keywords "loan", "credit facility", "revolving credit", "credit agreement", "term loan", "syndicated loan", or "financing agreement" in PR Newswire – All sources, Business Wire – All sources, and Nasdaq/Globenewswire – All sources.

First, I asked who typically makes the summarization decision. Interviewees indicated that loan summaries are usually drafted collaboratively by finance, SEC reporting, and legal teams. CFOs typically review these disclosures as they serve as the primary interface with investors and analysts on financing matters. This evidence reinforces the view that summarization decisions carry financial substance beyond mere legal compliance.

Next, I asked about the key considerations in determining what to summarize. Interviewees confirmed that there are no formal rules on language specificity. The primary objectives are to fulfill SEC requirements and provide decision-relevant information. Two interviewees further noted that firms concerned about the underlying event may limit disclosure to the minimum required level, consistent with the Strategic Withholding Hypothesis. Additional considerations include lenders' preferences and industry-level disclosure norms.

Several interviewees emphasized the need to balance informativeness with conciseness. Providing excessive detail may overwhelm readers and ultimately reduce decision usefulness. They also acknowledged that summaries could meaningfully influence investor perceptions since relatively few people read the full contracts. Overall, the interview evidence corroborates the empirical findings, highlighting the discretionary nature of summaries and the role of information processing costs.

7. Conclusion

This paper provides the first systematic evidence on loan summaries. I find that firms with stricter financial covenants are less likely to discuss covenant details in their summaries, especially for performance covenants that more closely reflect financial and operational constraints. This pattern suggests that firms tend to downplay restrictions and risks rather than highlight them.

Consistent with firms exploiting investors' capacity constraints, such withholding is more pronounced when contracts are more costly to process.

Turning to investors' responses, although investors can partially compensate for omitted information by accessing the underlying contracts, their ability to do so is limited by the nature and extent of omissions. Thus, summaries can successfully shape investors' information sets. Beyond influencing information processing, summarization choices also serve as useful signals for future loan and firm performance, beyond what can be learned from other observable characteristics.

The study introduces a new dimension of loan announcements, where prior research largely overlooks the summary section and likely underestimates the extent of strategic disclosure. The prevalence of withholding in summaries – despite the availability of the complete contracts – highlights the role of information processing costs in shaping disclosure behaviors. In light of the widespread use of the "main file + exhibits" structure in SEC filings, the findings underscore the need to interpret main-file summaries with caution and in reference to the corresponding exhibits, as well as the potential to learn about firm or loan quality from summarization choices.

References

Ajinkya, B.B. and Gift, M.J., 1984. Corporate managers' earnings forecasts and symmetrical adjustments of market expectations. *Journal of Accounting Research*, pp.425-444.

Bao, D., Kim, Y., Mian, G.M. and Su, L., 2019. Do managers disclose or withhold bad news? Evidence from short interest. *The Accounting Review*, 94(3), pp.1-26.

Bao, D., Kim, Y. and Su, L., 2022. Do firms redact information from material contracts to conceal bad news?. *The Accounting Review*, 97(5), pp.29-57.

Barth, M.E., 2015. Financial accounting research, practice, and financial accountability. *Abacus*, 51(4), pp.499-510.

Beneish, M.D. and Press, E., 1993. Costs of technical violation of accounting-based debt covenants. *Accounting Review*, pp.233-257.

Beneish, M.D. and Press, E., 1995. The resolution of technical default. *Accounting Review*, pp.337-353.

Bhattacharya, N., Cho, Y.J. and Kim, J.B., 2018. Leveling the playing field between large and small institutions: Evidence from the SEC's XBRL mandate. *The Accounting Review*, 93(5), pp.51-71.

Billett, M.T., Flannery, M.J. and Garfinkel, J.A., 1995. The effect of lender identity on a borrowing firm's equity return. *The Journal of Finance*, 50(2), pp.699-718.

Blankespoor, E., deHaan, E. and Marinovic, I., 2020. Disclosure processing costs, investors' information choice, and equity market outcomes: A review. *Journal of Accounting and Economics*, 70(2-3), p.101344.

Blaseg, D. and Bannier, C.E., Summarized Disclosure of Risk Factors.

Brown, S.V. and Tucker, J.W., 2011. Large-sample evidence on firms' year-over-year MD&A modifications. *Journal of Accounting Research*, 49(2), pp.309-346.

Cardinaels, E., Hollander, S. and White, B.J., 2019. Automatic summarization of earnings releases: attributes and effects on investors' judgments. *Review of Accounting Studies*, 24, pp.860-890.

Caskey, J., Huang, K. and Saavedra, D., 2023. Noncompliance with SEC regulations: evidence from timely loan disclosures. *Review of Accounting Studies*, pp.1-38.

Chava, S. and Roberts, M.R., 2008. How does financing impact investment? The role of debt covenants. *The journal of finance*, 63(5), pp.2085-2121.

Cheng, S.F., Li, Y. and Lin, P., 2025. Attention to Detail: How Do Information Users Process Exhibits in Form 10-K?. Available at SSRN 4333161.

Christensen, H.B. and Nikolaev, V.V., 2012. Capital versus performance covenants in debt contracts. *Journal of Accounting Research*, 50(1), pp.75-116.

Darendeli, A., 2024. How do retail investors respond to summary disclosure? Evidence from mutual fund factsheets. *Review of Accounting Studies*, pp.1-45.

De Franco, G., Wong, M.F. and Zhou, Y., 2011. Accounting adjustments and the valuation of financial statement note information in 10-K filings. *The Accounting Review*, 86(5), pp.1577-1604.

Dedman, E. and Lennox, C., 2009. Perceived competition, profitability and the withholding of information about sales and the cost of sales. *Journal of Accounting and Economics*, 48(2-3), pp.210-230.

DeFond, M.L. and Jiambalvo, J., 1994. Debt covenant violation and manipulation of accruals. *Journal of accounting and economics*, 17(1-2), pp.145-176.

Demerjian, P., Lev, B. and McVay, S., 2012. Quantifying managerial ability: A new measure and validity tests. *Management science*, 58(7), pp.1229-1248.

Demerjian, P.R. and Owens, E.L., 2016. Measuring the probability of financial covenant violation in private debt contracts. *Journal of Accounting and Economics*, 61(2-3), pp.433-447.

Donelson, D.C., Hutzler, C.M., Monsen, B. and Yust, C.G., 2025. Disclosure Management: Evidence from Regulatory Threshold Avoidance. Available at SSRN 5360049.

Drake, M.S., Roulstone, D.T. and Thornock, J.R., 2016. The usefulness of historical accounting reports. *Journal of Accounting and Economics*, 61(2-3), pp.448-464.

Dyreng, S., Ferracuti, E., Hills, R. and Kubic, M., 2022. Measurement error when estimating covenant violations. Available at SSRN 3931427.

Dyreng, S.D., Hoopes, J.L., Langetieg, P. and Wilde, J.H., 2020. Strategic subsidiary disclosure. *Journal of Accounting Research*, 58(3), pp.643-692.

Heitzman, S., Wasley, C. and Zimmerman, J., 2010. The joint effects of materiality thresholds and voluntary disclosure incentives on firms' disclosure decisions. *Journal of accounting and economics*, 49(1-2), pp.109-132.

Henry, E., 2008. Are investors influenced by how earnings press releases are written?. *The Journal of Business Communication* (1973), 45(4), pp.363-407.

Ho, S.W., Liu, C. and Wang, S., 2021. Bank Loan Announcement Effects—Evidence from a Comprehensive 8-K Sample. PBCSF-NIFR Research Paper, Allied Social Sciences Association ASSA/AEA.

Hope, O.K., Hu, D. and Lu, H., 2016. The benefits of specific risk-factor disclosures. *Review of Accounting Studies*, 21, pp.1005-1045.

Hopkins, J.J., Maydew, E.L. and Venkatachalam, M., 2015. Corporate general counsel and financial reporting quality. *Management science*, 61(1), pp.129-145.

Hribar, P. and Yang, H., 2016. CEO overconfidence and management forecasting. *Contemporary accounting research*, 33(1), pp.204-227.

Infuehr, J. and Laux, V., 2022. Managerial optimism and debt covenants. *Journal of Accounting Research*, 60(1), pp.353-371.

James, C., 1987. Some evidence on the uniqueness of bank loans. *Journal of financial economics*, 19(2), pp.217-235.

Kasznik, R. and Lev, B., 1995. To warn or not to warn: Management disclosures in the face of an earnings surprise. *Accounting review*, pp.113-134.

Kim, I. and Skinner, D.J., 2012. Measuring securities litigation risk. *Journal of Accounting and Economics*, 53(1-2), pp.290-310.

Kimbrough, M.D., Lee, H. and Zheng, Y., 2021. Can managers be wrong and still be right? An examination of the future realization of current management forecast errors. *The Accounting Review*, 96(1), pp.349-376.

Kothari, S.P., Shu, S. and Wysocki, P.D., 2009. Do managers withhold bad news?. *Journal of Accounting research*, 47(1), pp.241-276.

Kwak, B., Ro, B.T. and Suk, I., 2012. The composition of top management with general counsel and voluntary information disclosure. *Journal of Accounting and Economics*, 54(1), pp.19-41.

Lev, B., 1968. The aggregation problem in financial statements: An informational approach. *Journal of Accounting Research*, pp.247-261.

Li, E.X., Neamtiu, M. and Tu, Z., 2024. Do Firms Withhold Loan Covenant Details?. *The Accounting Review*, pp.1-29.

Li, N., Vasvari, F.P. and Wittenberg-Moerman, R., 2016. Dynamic threshold values in earnings-based covenants. *Journal of Accounting and Economics*, 61(2-3), pp.605-629.

Nini, G., Smith, D.C. and Sufi, A., 2009. Creditor control rights and firm investment policy. *Journal of Financial Economics*, 92(3), pp.400-420.

Nini, G., Smith, D.C. and Sufi, A., 2012. Creditor control rights, corporate governance, and firm value. *The Review of Financial Studies*, 25(6), pp.1713-1761.

Pennington, N. and Hastie, R., 1986. Evidence evaluation in complex decision making. *Journal of personality and social psychology*, 51(2), p.242.

Plumlee, M., Xie, Y., Yan, M. and Yu, J.J., 2015. Bank loan spread and private information: pending approval patents. *Review of Accounting Studies*, 20, pp.593-638.

Roberts, M.R. and Sufi, A., 2009. Control rights and capital structure: An empirical investigation. *The Journal of Finance*, 64(4), pp.1657-1695.

Ryans, J., 2017. Using the EDGAR log file data set. Available at SSRN 2913612.

Saavedra, D., 2023. Do firms follow the SEC's confidential treatment protocols? Evidence from credit agreements. *Review of Accounting Studies*, 28(3), pp.1388-1412.

SEC. 2016. Release no. 34–77969: Form 10-K summary. Retrieved from https://www.sec.gov/rules/interim/2016/34-77969.pdf.

Segal, B. and Segal, D., 2016. Are managers strategic in reporting non-earnings news? Evidence on timing and news bundling. *Review of Accounting Studies*, 21, pp.1203-1244.

Shaiman, L.M. and Marsh, B.K. eds., 2022. The handbook of loan syndications and trading. McGraw Hill Professional.

Sims, C.A., 2003. Implications of rational inattention. *Journal of monetary Economics*, 50(3), pp.665-690.

Skinner, D.J., 1994. Why firms voluntarily disclose bad news. *Journal of accounting research*, 32(1), pp.38-60.

Stice, D., 2018. The market response to implied debt covenant violations. *Journal of Business Finance & Accounting*, 45(9-10), pp.1195-1223.

Stocken, P.C., 2000. Credibility of voluntary disclosure. *The RAND Journal of Economics*, pp.359-374.

Verrecchia, R.E. and Weber, J., 2006. Redacted disclosure. *Journal of Accounting Research*, 44(4), pp.791-814.

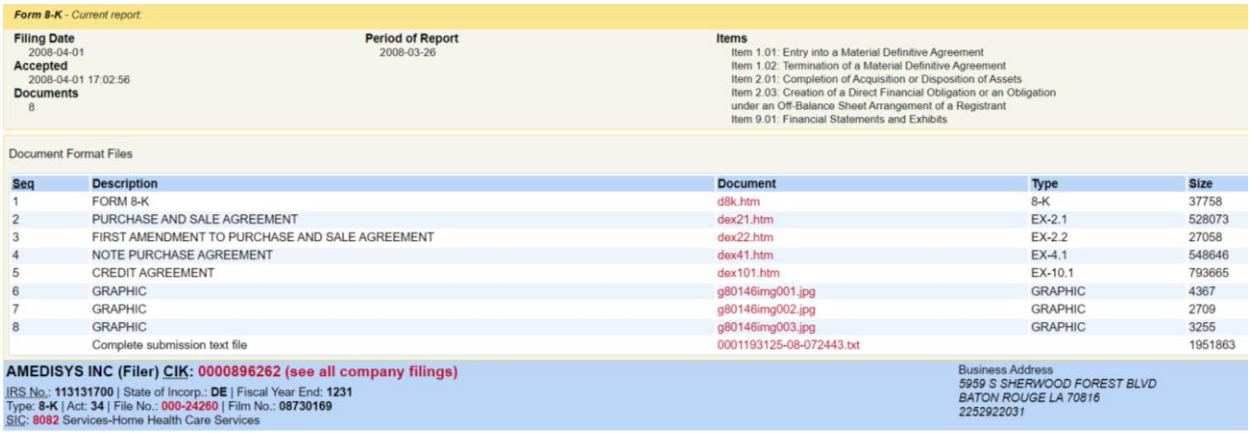
Appendix A
The 8-K Filing Bundle

Example: Form 8-K filed by AMEDISYS INC (CIK = 896262) on April 1st, 2008

1. The 8-K filing bundle (index page)

Source: https://www.sec.gov/Archives/edgar/data/896262/000119312508072443/0001193125-08-072443-index.htm

Each Form 8-K consists of a main file and related exhibits listed on the index page. In the following example, the first document is the main file and the remaining documents are exhibits, e.g., purchase and sale agreement, note purchase agreement, and credit agreement.



Form 8-K - Current report

Filing Date 2008-04-01
Accepted 2008-04-01 17:02:56
Documents 8

Period of Report 2008-03-26

Items
Item 1.01: Entry into a Material Definitive Agreement
Item 1.02: Termination of a Material Definitive Agreement
Item 2.01: Completion of Acquisition or Disposition of Assets
Item 2.03: Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant
Item 9.01: Financial Statements and Exhibits

Document Format Files

Seq	Description	Document	Type	Size
1	FORM 8-K	d8k.htm	8-K	37758
2	PURCHASE AND SALE AGREEMENT	dex21.htm	EX-2.1	528073
3	FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT	dex22.htm	EX-2.2	27058
4	NOTE PURCHASE AGREEMENT	dex41.htm	EX-4.1	548646
5	CREDIT AGREEMENT	dex101.htm	EX-10.1	793665
6	GRAPHIC	g80146img001.jpg	GRAPHIC	4367
7	GRAPHIC	g80146img002.jpg	GRAPHIC	2709
8	GRAPHIC	g80146img003.jpg	GRAPHIC	3255
	Complete submission text file	0001193125-08-072443.txt		1951863

AMEDISYS INC (Filer) CIK: 0000896262 (see all company filings)
IRS No.: **113131700** | State of Incorp.: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-24260** | Film No.: **08730169**
SIC: **8082** Services-Home Health Care Services

Business Address
5959 S SHERWOOD FOREST BLVD
BATON ROUGE LA 70816
2252922031

2. The loan summary (8-K main file)

Source: https://www.sec.gov/Archives/edgar/data/896262/000119312508072443/d8k.htm

The 8-K main file reports the loan summary under "Item 1.01. Entry into a Material Definitive Agreement." The summary is substantially shorter than the loan contract and includes only a subset of information. In the example, financial covenants are summarized as follows:

> In addition, the Credit Agreement requires maintenance of two financial covenants. One is a leverage ratio of the Company's debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"), both as defined in the Credit Agreement. The second is a fixed charge coverage ratio of adjusted EBITDA plus rent expense ("EBITDAR") as defined in the Credit Agreement (less capital expenditures) to scheduled debt repayments plus cash interest expense plus rent plus restricted payments, all as defined in the Credit Agreement.

3. The loan contract (8-K exhibit)

Source: https://www.sec.gov/Archives/edgar/data/896262/000119312508072443/dex101.htm

The loan contract is filed as an exhibit to the Form 8-K. In the example, financial covenants in the contract are as follows:

> 7.1 Financial Condition Covenants.
>
> (a) Total Leverage Ratio. The Borrowers and their Subsidiaries will not permit the ratio of Consolidated Total Debt to Consolidated Adjusted EBITDA, based upon a rolling four quarters basis, as of the last day of any Fiscal Quarter ending on the date set forth below under the heading "Testing Period" to be greater than the ratio set forth below under the heading "Ratio":

Testing Period	Ratio
Closing Date through September 30, 2008	3.50 to 1
December 31, 2008 through September 30, 2009	3.00 to 1
December 31, 2009 through the maturity date of the Facilities	2.50 to 1

With respect to any rolling four quarter period during which a Material Asset Sale, a Material Acquisition or, in the Lead Borrower's discretion, any other Permitted Acquisition has occurred (each, a "Subject Transaction"), for purposes of determining compliance with Total Leverage Ratio, Consolidated Adjusted EBITDA shall be calculated pro forma (without duplication) on the basis of (x) the historical financial statements of any business so acquired or to be acquired or sold or to be sold and (y) reformulating the consolidated financial statements of the Lead Borrower and its Subsidiaries as if such Subject Transaction, and any Indebtedness incurred or repaid in connection therewith, had been consummated or incurred or repaid at the beginning of the relevant four quarter period (and assuming that such Indebtedness bears interest during any portion of the applicable measurement period prior to the relevant acquisition at the weighted average of the interest rates applicable to such Indebtedness outstanding during such period). The determination of such pro forma Consolidated Adjusted EBITDA shall be further modified pursuant to Section 7.1(c)(i).

(b) Fixed Charge Coverage Ratio. The Borrowers and their Subsidiaries will not permit the Fixed Charge Coverage Ratio as of the last day of any Fiscal Quarter, based upon a rolling four quarters basis, beginning with the Fiscal Quarter ending March 31, 2008 to be less than 1.25 to 1.00 for any Fiscal Quarter.

(c)(i) For purposes of determining compliance with the financial covenants set forth in this Section 7.1, in the determination of Consolidated Adjusted EBITDA, the following items shall be added back to Consolidated Net Income for such four quarter period, to the extent deducted from revenues in the determination thereof and to the extent such items arise out of events which are directly attributable to a Subject Transaction, are factually supportable and are expected to have an immediate and a continuing impact: severance costs, retention costs, consultant expenses, closure of facilities, Legacy Costs and other similar restructuring and non-recurring charges incurred in connection with the Subject Transaction (such other restructuring and non-recurring charges not specifically listed in the preceding phrase to be subject to the approval of the Administrative Agent); provided however, that Legacy Costs shall not exceed $5,000,000 during the term of the Loans.

(ii) With respect to any rolling four quarter period during which a Subject Transaction has occurred, for purposes of calculating the Fixed Charge Coverage Ratio, Consolidated Adjusted EBITDAR for such four quarter period shall be calculated, to the extent comprised of Consolidated Adjusted EBITDA, by computing Consolidated Adjusted EBITDA for such four quarter period in the manner set forth in Section 7.1(c)(i).

(iii) The failure of the Lead Borrower to include a Permitted Acquisition in the pro forma calculations permitted to this Section 7.1 for any four quarter period shall not preclude the Lead Borrower from including such Permitted Acquisition in the calculation for any other four quarter period including the quarter in which such Permitted Acquisition occurred.

(iv) The pro forma adjustments calculated pursuant to Section 7.1 shall be set forth and certified by the Responsible Officer of the Lead Borrower.

Appendix B
Variable Definitions

Summary Characteristics	
FinCov Score	= a score ranging from 1 to 5 indicating the level of detail covered by the summary of financial covenants (See Appendix C for the criteria and examples).
Score1, Score2, Score3, Score4, Score5	*ScoreX* = 1 if *FinCov Score* = *X*; = 0 otherwise.
Summary Length (Total)	= the natural logarithm of the number of words in the loan summary.
Summary Length (Other)	= the natural logarithm of the number of words about everything other than financial covenants in the loan summary.
CAPEX Score	= a score ranging from 1 to 3 indicating the level of detail covered by the summary of CAPEX covenants (See Appendix C for the criteria and examples).
Covenant Strictness	
PVIOL	= the probability of violating at least one of the financial covenants in the loan contract, where the actual value of the financial ratio is forecasted to be the initial value upon loan initiation multiplied by a growth rate randomly drawn from a pool of growth rates based on firms with similar size and ROA, following Demerjian and Owens (2016).
PVIOL PCOV	= the probability of violating at least one of the performance financial covenants in the loan contract, where performance financial covenants include covenants on interest coverage ratio, cash interest coverage ratio, fixed charge coverage ratio, debt service coverage ratio, debt to EBITDA ratio, senior debt to EBITDA ratio, and EBITDA.
PVIOL CCOV	= the probability of violating at least one of the capital financial covenants in the loan contract, where capital financial covenants include covenants on leverage ratio, senior leverage ratio, debt to tangible net worth ratio, debt to equity ratio, current ratio, quick ratio, net worth, and tangible net worth.
CAPEX Limits	= the maximum value of annual CAPEX the borrower is allowed to incur under the contract, scaled by the actual CAPEX of the borrower during the year prior to loan initiation.
Borrower Characteristics	
Size	= the natural logarithm of the borrower's total assets in the most recent quarter before loan announcement; ln(atq* 1,000,000).

ROA	= the ratio of income before extraordinary items over total assets in the most recent quarter before loan announcement; ibq/atq.
Leverage	= the ratio of the sum of long-term and short-term debt over total assets in the most recent quarter before loan announcement; (dlttq+dlcq)/atq.
Tangibility	= the ratio of property, plant and equipment over total assets in the most recent quarter before loan announcement; ppentq/atq.
Loan Characteristics	
Loan Size	= the ratio of loan amount over total assets of the borrower.
Maturity	= the number of years between the loan initiation date and the loan maturity date.
Spread	= interest rate, expressed as the number of percentage points over the London Inter-Bank Offered Rate (LIBOR); for loans with performance pricing provisions, the average of the highest and the lowest spreads.
Subsidiary	= 1 if the loan is issued to only the subsidiary of the registrant but not the registrant; = 0 otherwise.
Term Loan	= 1 if the loan contains term loan tranches; = 0 otherwise.
Revolver	= 1 if the loan contains revolving tranches; = 0 otherwise.
Secured	= 1 if the loan is secured; = 0 otherwise.
Financial Covenant Characteristics	
# *of FinCov*	= the number of financial covenants in the contract.
Dynamic	= 1 if at least one of the financial covenants has a threshold that changes over the life of the loan; = 0 otherwise.
Contract Characteristics	
Contract Length (Total)	= the natural logarithm of the number of words in the contract.
Contract Length (CAPEX)	= the natural logarithm of the number of words about CAPEX covenants in the contract.
Filing Characteristics	
# *of Item*	= the number of items in the same 8-K main file as the loan summary, excluding Item 2.03 and Item 9.01.
# *of Exhibit*	= the number of non-graph exhibits in the same 8-K filing bundle as the loan contract.
# *of 8K*	= the number of 8-K filings the borrower files on the focal 8-K filing date.
Distance	= the number of business days between the loan initiation date and the 8-K filing date.

Outcome Variables	
Human Access Main (#)	= the number of page views made by human viewers to the 8-K main file that contains the loan summary within # days following the loan announcement.
Human Access Contract (#)	= the number of page views made by human viewers to the 8-K exhibit that contains the loan contract within # days following the loan announcement.
Relative Human Access (#)	= the ratio of *Human Access Contract (#)* over *Human Access Main (#)*.
Machine Access Main (#)	= the number of page views made by machine viewers to the 8-K main file that contains the loan summary within # days following the loan announcement.
Machine Access Contract (#)	= the number of page views made by machine viewers to the exhibit that contains the loan contract within # days following the loan announcement.
Relative Machine Access (#)	= the ratio of *Machine Access Contract (#)* over *Machine Access Main (#)*.
Violation	= 1 if the borrower discloses actual covenant violations in SEC filings within the two years following loan initiation, identified based on the procedures in Roberts and Sufi (2009) and Nini, Smith, and Sufi (2012); = 0 otherwise.
Future ROA	= the average value of annual *ROA* over the next three years following loan initiation.
Absolute Announce CAR[-1,1]	= the absolute value of the three-day cumulative abnormal returns surrounding the loan announcement date.
Return Volatility[-1,12]	= the return volatility during the two-week period following loan announcement.
Abnormal Volume[-1,1]	= the abnormal trading volume during the three-day period surrounding the loan announcement date.
Other Variables	
High CAPEX Growth	= 1 if the borrower's annual CAPEX growth rate is above the sample median at the year-industry level; = 0 otherwise.

Appendix C
Variations in the Summarization Choice

Panel A. Summary of Financial Covenants (For Loans with Financial Covenants)

Category	Example	N	*FinCov Score*
Not mention any covenant		165	1
Mention covenants	The Credit Agreement contains customary representations and warranties, affirmative and negative covenants, and events of default.	145	2
Mention financial covenants	The agreement for this facility contains affirmative, negative and financial covenants and events of default customary for financings of this type...	150	3
Mention ratios	The Credit Agreement requires the Company to comply with various affirmative and negative covenants, including without limitation (i) covenants to maintain a minimum specified interest coverage ratio and maximum specified leverage ratio,…	566	4
Mention threshold values	In addition, the Credit Agreement requires that the Company maintain a ratio of adjusted consolidated debt to consolidated EBITDA of not greater than **3.25 to 1.00**, and a ratio of consolidated EBITDA to consolidated interest expense of not less than **3.00 to 1.00**.	972	5

Panel B. Summary of CAPEX Covenants (For Loans with CAPEX Covenants)

Category	Example	N	*CAPEX Score*
Not mention any covenant		95	1
Mention CAPEX covenants	The credit agreement contains financial and other covenants, including, but not limited to, …, and limitations on capital expenditures.	82	2
Mention numerical CAPEX limits	The Company is also limited to spending not more than **$6 million** of capital expenditures per year with any unspent funds carried over to the next twelve months.	15	3

Figure 1

Contract Length and Summary Length by Year

Figure 1 plots the time trends of the average number of words in contracts and the average number of words in summaries, respectively.

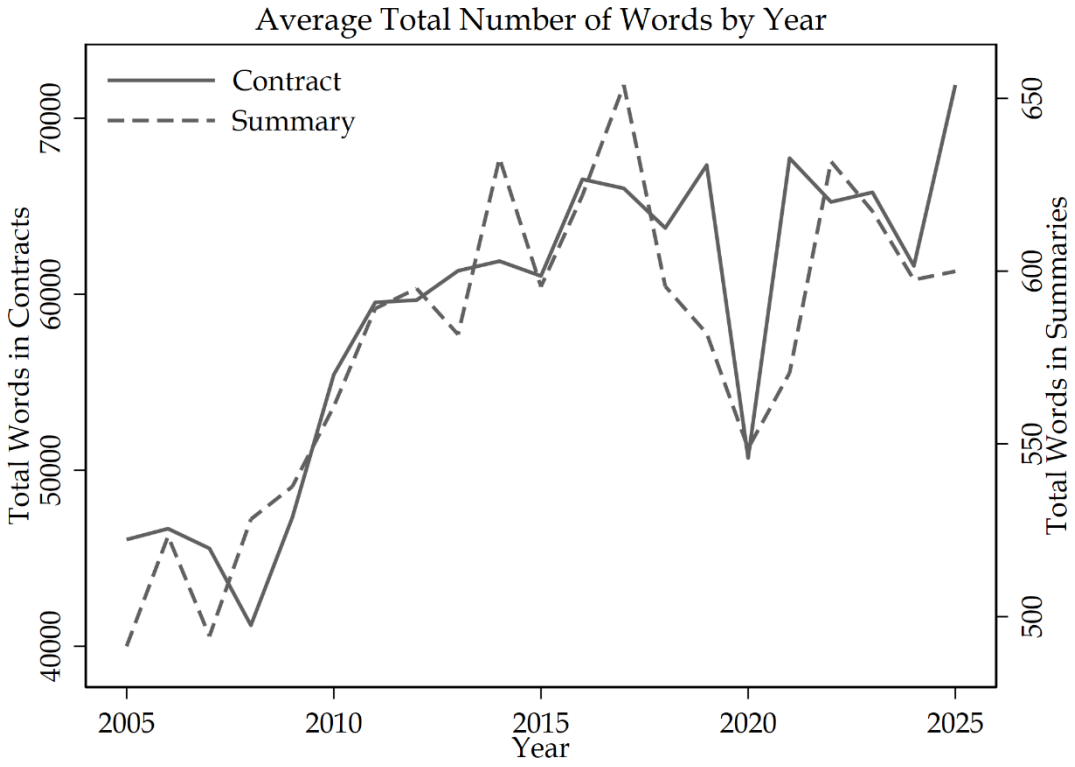
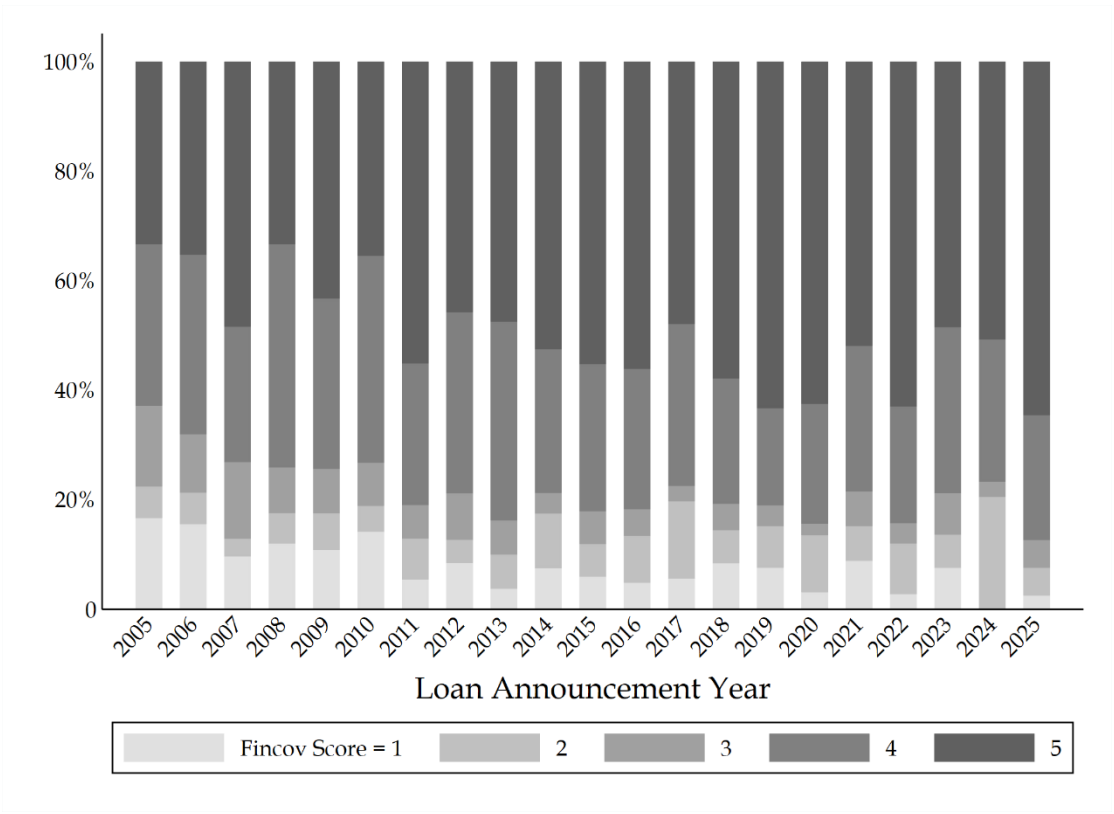


Figure 2

Distribution of the Summarization Choice by Year and Borrower Industry

Figure 2 (a) and Figure 2 (b) plot the distribution of the summarization choice by the loan announcement year and the borrowers' industry, respectively.



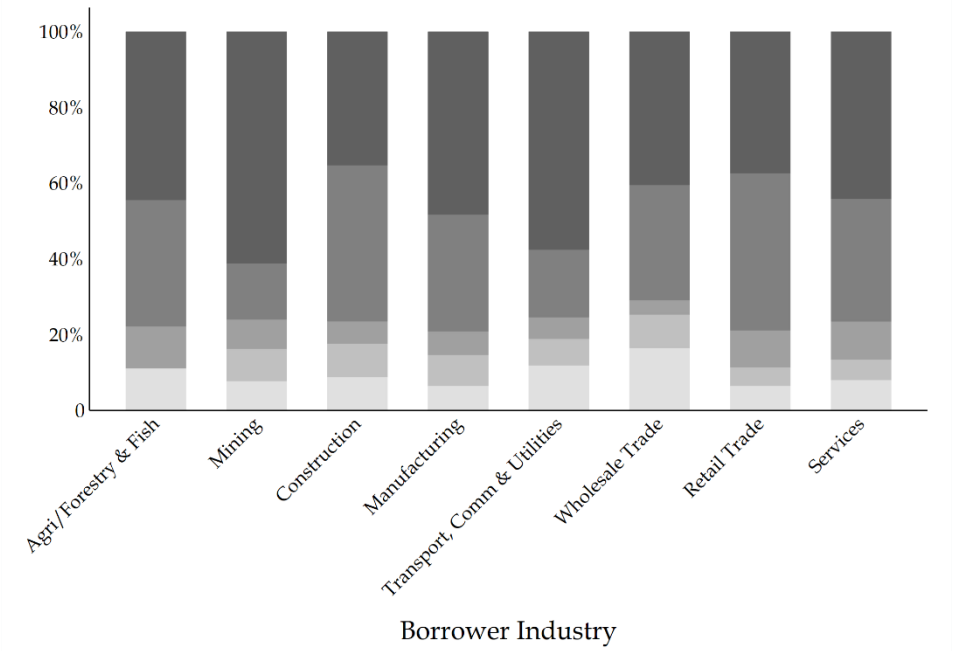


Figure 3

Access Volume by Year

Figure 3 plots the time trends of the access volumes to loan summaries (in 8-K main files) and loan contracts (in 8-K exhibits) by human viewers and machines within 90 days of loan announcements.

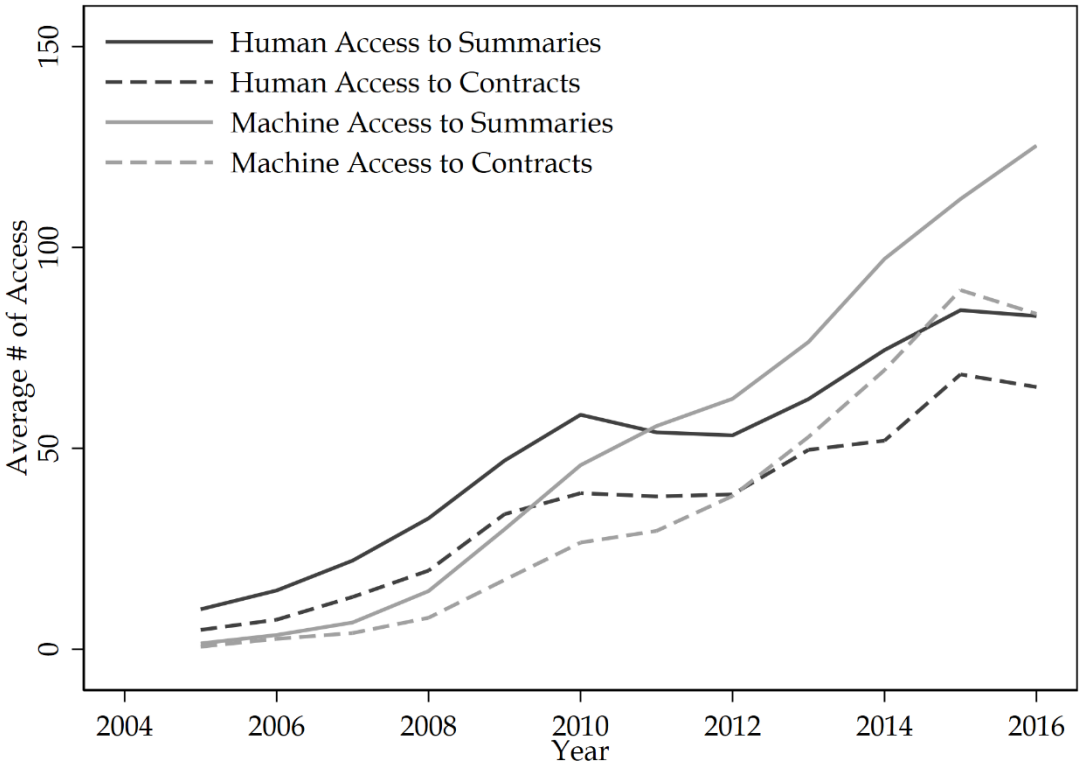


Table 1
Sample Construction and Distribution

Table 1 reports the sample construction procedure and the sample distribution. Panel A details the sample construction procedure, and Panel B and Panel C report the distribution of 8-K loan announcements by filing year and the filer's industry. All variables are defined in Appendix B.

Panel A. Sample Construction Procedure

Criteria	N(8-K)	N(firm)
All 8-K filing bundles filed from 2005 to 2025, with Item 1.01 and loan-related keywords in the 8-K main file	**20,853**	**8,679**
Exclude: Missing data on industry or Finance industry (SIC code 6000-6999)	(6,207)	(2,348)
Missing data in Compustat, I/B/E/S, or CRSP	(7,173)	(3,154)
8-K filing bundles with basic firm information	**7,473**	**3,177**
Exclude: No exhibit in the 8-K filing bundle	(1,011)	(263)
Not loan announcements based on manual check	(2,097)	(577)
8-K filing bundles with loan announcements	**4,365**	**2,337**
Exclude: No original loan contract in the 8-K filing bundle	(644)	(312)
Multiple loan contracts in the 8-K filing bundle	(266)	(86)
No financial covenants in the loan contract	(602)	(269)
No maintenance financial covenants or financial covenants among the 15 ones standardized by Demerjian and Owens (2016)	(383)	(241)
Insufficient data to construct *PVIOL*	(482)	(274)
Final sample	**1,988**	**1,155**

Table 1 (cont.)
Sample Construction and Distribution

Panel B. Sample Distribution by 8-K Disclosure Year

Year	N(8-K)	Year	N(8-K)
2005	156	2016	82
2006	122	2017	71
2007	93	2018	83
2008	108	2019	79
2009	74	2020	96
2010	127	2021	79
2011	147	2022	108
2012	118	2023	66
2013	80	2024	73
2014	80	2025	79
2015	67		
Total		1,988	

Panel C. Sample Distribution by Borrower Industry[29]

Industry	N(8-K)
Agriculture, Forestry and Fishing (SIC 01 – 09)	9
Mining (SIC 10 - 14)	129
Construction (SIC 15 – 17)	34
Manufacturing (SIC 20 - 39)	895
Transportation, Communications, Electric, Gas and Sanitary service (SIC 40 – 49)	370
Wholesale Trade (SIC 50 - 51)	79
Retail Trade (SIC 52 – 59)	123
Services (SIC 70 - 89)	349
Total	1,988

[29] Industry classification is based on the first two digits of the four-digit SIC code. See the classification at: https://en.wikipedia.org/wiki/Standard_Industrial_Classification.

Table 2
Descriptive Statistics

Table 2 reports the descriptive statistics. Panel A reports the mean, standard deviation, and other statistics, Panel B reports pair-wise correlations between the summarization choice (*FinCov Score*) and other variables, and Panel C reports pair-wise correlations among other variables. All variables are defined in Appendix B. All continuous variables are winsorized at the 1% and 99% levels to reduce the influence of outliers. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

Panel A. Summary Statistics

Variable	Obs	Mean	S.D.	P25	P50	P75	Min	Max
Fincov Score	1,988	4.024	1.264	4.000	4.000	5.000	1.000	5.000
Covenant strictness								
PVIOL	1,988	0.225	0.361	0.000	0.019	0.246	0.000	1.000
PVIOL PCOV	1,988	0.206	0.352	0.000	0.010	0.172	0.000	1.000
PVIOL CCOV	1,988	0.029	0.136	0.000	0.000	0.000	0.000	1.000
Firm characteristics								
Size (in bil)	1,988	10.820	20.821	0.684	2.649	10.777	0.035	131.506
Size (logged)	1,988	21.689	1.855	20.344	21.697	23.101	17.362	25.602
ROA	1,988	0.011	0.029	0.002	0.012	0.023	–0.143	0.094
Leverage	1,988	0.559	0.212	0.418	0.552	0.688	0.128	1.318
Tangibility	1,988	0.316	0.263	0.099	0.210	0.530	0.006	0.895
Loan characteristics								
Loan Size	1,988	0.208	0.242	0.055	0.121	0.270	0.006	1.431
Maturity	1,988	3.988	1.887	3.000	5.000	5.000	0.417	10.000
Spread	1,988	1.924	1.329	1.125	1.500	2.250	0.407	8.090
Subsidiary	1,988	0.164	0.370	0.000	0.000	0.000	0.000	1.000
Term Loan	1,988	0.428	0.495	0.000	0.000	1.000	0.000	1.000
Revolver	1,988	0.770	0.421	1.000	1.000	1.000	0.000	1.000
Secured	1,988	0.438	0.496	0.000	0.000	1.000	0.000	1.000
# of FinCov	1,988	1.904	0.891	1.000	2.000	2.000	1.000	5.000
Dynamic	1,988	0.268	0.443	0.000	0.000	1.000	0.000	1.000
Filing characteristics								
# of Item	1,988	1.811	0.935	1.000	2.000	2.000	1.000	5.000
# of Exhibit	1,988	1.865	1.465	1.000	1.000	2.000	1.000	9.000
# of 8K	1,988	1.059	0.235	1.000	1.000	1.000	1.000	2.000
Distance	1,988	2.242	1.474	1.000	2.000	4.000	0.000	5.000
Contract Length (Total)	1,988	10.848	0.508	10.603	10.892	11.167	8.984	11.879
Summary Length (Total)	1,988	6.219	0.538	5.922	6.279	6.583	4.682	7.356
Summary Length (Other)	1,988	6.131	0.540	5.823	6.193	6.494	4.635	7.245

Outcome variables								
Violation	1,836	0.083	0.276	0.000	0.000	0.000	0.000	1.000
Future ROA	1,579	0.026	0.093	0.006	0.037	0.070	–0.419	0.213
CAPEX covenants								
CAPEX Score	192	1.583	0.634	1.000	2.000	2.000	1.000	3.000
CAPEX Limits	192	1.922	1.632	1.071	1.586	2.309	0.004	10.179
High CAPEX Growth	192	0.516	0.501	0.000	1.000	1.000	0.000	1.000

Table 2 (cont.)
Descriptive statistics

Panel B. Correlations between the Summarization Choice (FinCov Score) and Other Variables

Variable	Correlations with *FinCov Score*	p-value
Covenant strictness		
PVIOL	–0.079***	0.000
PVIOL PCOV	–0.082***	0.000
PVIOL CCOV	–0.016	0.472
Firm characteristics		
Size	0.040*	0.075
ROA	0.003	0.907
Leverage	0.021	0.345
Tangibility	–0.022	0.322
Loan characteristics		
Loan Size	0.044**	0.048
Maturity	–0.055**	0.014
Spread	–0.046**	0.041
Subsidiary	–0.056**	0.013
Term Loan	–0.042*	0.062
Revolver	0.035	0.121
Secured	–0.028	0.216
# of FinCov	–0.099***	0.000
Dynamic	–0.086***	0.000
Filing characteristics		
# of Item	0.070***	0.002
# of Exhibit	–0.020	0.386
# of 8K	0.041*	0.068
Distance	–0.048**	0.032
Contract Length (Total)	0.093***	0.000
Summary Length (Other)	0.403***	0.000
Outcome variables		
Violation	–0.097***	0.000
Future ROA	0.066***	0.009

Table 2 (cont.)
Descriptive statistics

Panel C. Correlation Matrix

Variable	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
1. *PVIOL*	1.00	–0.43	–0.41	0.07	0.00	0.20	0.10	0.46	0.09	0.42	0.33	0.06	0.24	0.00	0.07	0.12	0.08
2. *Size*	–0.31	1.00	0.10	0.36	0.14	–0.60	–0.18	–0.41	0.02	–0.53	–0.30	–0.14	–0.37	0.01	–0.20	–0.04	–0.10
3. *ROA*	–0.35	0.16	1.00	–0.14	–0.12	0.10	0.08	–0.33	–0.10	–0.08	–0.17	0.00	–0.12	–0.05	–0.03	0.00	–0.05
4. *Leverage*	0.11	0.32	–0.08	1.00	0.18	–0.24	–0.07	–0.06	0.13	–0.25	–0.05	–0.06	–0.11	0.03	–0.09	0.00	–0.01
5. *Tangibility*	0.04	0.14	–0.10	0.14	1.00	–0.21	–0.05	–0.04	0.15	–0.09	–0.09	–0.10	–0.04	0.00	0.04	–0.13	–0.10
6. *Loan Size*	0.07	–0.43	0.03	–0.06	–0.10	1.00	0.46	0.25	–0.13	0.34	0.33	0.39	0.32	0.00	0.02	0.42	0.30
7. *Maturity*	0.07	–0.18	0.09	–0.05	–0.04	0.35	1.00	0.11	0.03	0.19	0.19	0.28	0.13	0.01	0.02	0.46	0.22
8. *Spread*	0.35	–0.37	–0.31	0.03	0.05	0.20	0.13	1.00	0.12	0.32	0.31	0.15	0.33	0.01	0.06	0.28	0.23
9. *Subsidiary*	0.10	0.02	–0.06	0.12	0.17	–0.05	0.06	0.16	1.00	–0.02	0.02	–0.04	0.09	0.07	0.03	0.02	0.04
10. # *of FinCov*	0.30	–0.47	–0.10	–0.20	–0.05	0.19	0.19	0.23	0.00	1.00	0.40	0.05	0.23	0.00	0.18	0.10	0.03
11. *Dynamic*	0.25	–0.29	–0.13	–0.03	–0.07	0.35	0.20	0.29	0.02	0.40	1.00	0.15	0.22	0.00	0.06	0.19	0.14
12. # *of Item*	0.04	–0.15	–0.02	–0.04	–0.07	0.42	0.25	0.16	–0.03	0.04	0.19	1.00	0.43	–0.01	–0.07	0.32	0.25
13. # *of Exhibit*	0.17	–0.30	–0.10	–0.06	0.01	0.27	0.12	0.25	0.08	0.16	0.19	0.44	1.00	–0.04	0.00	0.12	0.17
14. # *of 8K*	0.00	0.01	–0.06	0.03	0.01	–0.01	0.00	0.03	0.07	0.00	0.00	–0.01	–0.05	1.00	–0.06	0.03	0.05
15. *Distance*	0.06	–0.20	–0.04	–0.10	0.03	–0.02	0.04	0.08	0.03	0.18	0.07	–0.06	0.03	–0.07	1.00	–0.11	–0.02
16. *Contract Length(T)*	0.07	0.13	0.04	0.10	–0.09	0.32	0.36	0.10	0.00	0.00	0.18	0.29	–0.02	0.04	–0.12	1.00	0.41
17. *Summary Length (O)*	0.07	–0.08	–0.04	0.03	–0.12	0.27	0.18	0.18	0.06	0.01	0.13	0.24	0.16	0.05	–0.03	0.37	1.00

Table 3

Determinants of Contract Length and Summary Length

Table 3 reports the determinants of the lengths of contracts and summaries. All models are OLS regressions. The dependent variables denote the natural logarithm of the number of words in the contract (*Contract Length (Total)*), and the natural logarithm of the number of words in the summary (*Summary Length (Total)*), respectively. All other variables are defined in Appendix B. I include year and industry fixed effects. *t*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)
Dep. var.	*Contract Length (Total)*	*Summary Length (Total)*
Size	0.121***	0.005
	(9.798)	(0.376)
ROA	0.183	–0.483
	(0.468)	(–1.126)
Leverage	0.011	0.055
	(0.169)	(0.773)
Tangibility	–0.158**	–0.182**
	(–2.262)	(–2.247)
Loan Size	0.560***	0.188***
	(9.153)	(2.760)
Maturity	0.060***	–0.007
	(6.184)	(–0.697)
Spread	0.025**	0.022*
	(1.992)	(1.878)
Subsidiary	–0.040	0.051
	(–1.307)	(1.294)
Term Loan	0.143***	0.113***
	(5.094)	(3.189)
Revolver	0.353***	0.142***
	(8.079)	(2.965)
Secured	0.158***	0.085**
	(5.022)	(2.068)
PVIOL	0.082**	–0.037
	(2.439)	(–0.871)
# *of Item*		0.027*
		(1.777)
# *of Exhibit*		0.025***
		(2.727)
# *of 8K*		0.083*
		(1.862)
Distance		0.010
		(1.205)
Contract Length (Total)		0.263***

		(7.788)
Year FE	Yes	Yes
Industry FE	Yes	Yes
Observations	1,988	1,988
Adjusted-R^2	0.405	0.213
Within-R^2	0.347	0.181

Table 4

Determinants of the Summary of Financial Covenants

Table 4 reports the determinants of the summary of financial covenants. All models are ordered logit regressions. The dependent variable, *FinCov Score*, is a score ranging from 1 to 5 indicating the level of detail covered by the summary of financial covenants. All other variables are defined in Appendix B. I include year and industry fixed effects. *z*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep. var.			*FinCov Score*			
PVIOL	–0.552***	–0.641***	–0.543***	–0.453***	–0.437***	–0.455***
	(–4.099)	(–4.151)	(–3.387)	(–2.964)	(–2.853)	(–3.018)
Size		–0.012	–0.001	–0.008	–0.029	–0.044
		(–0.276)	(–0.030)	(–0.160)	(–0.510)	(–0.753)
ROA		–2.339	–3.089*	–3.203*	–2.828*	–2.749
		(–1.435)	(–1.815)	(–1.889)	(–1.656)	(–1.461)
Leverage		0.190	0.260	0.222	0.226	0.169
		(0.685)	(0.912)	(0.795)	(0.807)	(0.581)
Tangibility		–0.225	–0.049	–0.076	–0.061	0.203
		(–0.644)	(–0.147)	(–0.226)	(–0.182)	(0.606)
Loan Size			0.611***	0.710***	0.577**	0.297
			(2.601)	(2.899)	(2.211)	(1.094)
Maturity			–0.076	–0.071	–0.084*	–0.087**
			(–1.469)	(–1.493)	(–1.701)	(–1.990)
Spread			–0.092**	–0.078	–0.089*	–0.122**
			(–2.010)	(–1.640)	(–1.869)	(–2.505)
Subsidiary			–0.191	–0.211	–0.217	–0.307*
			(–1.034)	(–1.132)	(–1.160)	(–1.702)
Term Loan			–0.177	–0.135	–0.163	–0.363**
			(–1.292)	(–0.967)	(–1.166)	(–2.516)
Revolver			0.135	0.155	0.068	–0.137
			(0.672)	(0.777)	(0.339)	(–0.681)
Secured			0.039	0.105	0.095	–0.063
			(0.260)	(0.668)	(0.594)	(–0.388)
# *of FinCov*				–0.081	–0.087	–0.051
				(–1.100)	(–1.182)	(-0.727)
Dynamic				–0.297**	–0.312**	–0.336***
				(–2.201)	(–2.293)	(–2.645)
# *of Item*					0.085	0.081
					(1.493)	(1.350)
# *of Exhibit*					–0.029	–0.092**
					(–0.822)	(–2.348)
# *of 8K*					0.379**	0.242
					(2.042)	(1.226)

Distance					0.033	0.021
					(0.991)	(0.594)
Contract Length (Total)					0.140	–0.344**
					(0.924)	(–2.075)
Summary Length (Other)						1.767***
						(11.327)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,988	1,988	1,988	1,988	1,988	1,988
Pseudo-R^2	0.025	0.025	0.032	0.034	0.036	0.098

Table 5

Strictness of Performance Covenants and Capital Covenants

Table 5 reports the associations between the summarization decision and the strictness of performance and capital covenants. All models are ordered logit regressions. The dependent variable, *FinCov Score*, is a score ranging from 1 to 5 indicating the level of detail covered by the summary of financial covenants. *PVIOL PCOV* and *PVIOL CCOV* denote the probabilities of violating performance covenants and capital covenants, respectively. All other variables are defined in Appendix B. I include year and industry fixed effects. *z*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)
Dep. var.	*FinCov Score*	
PVIOL PCOV	–0.582***	–0.501***
	(–4.272)	(–3.397)
PVIOL CCOV	–0.064	0.129
	(–0.211)	(0.359)
Test of diff between *PVIOL PCOV* and *PVIOL CCOV*	p-value = 0.129	p-value = 0.098
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured, # of FinCov, Dynamic, # of Item, # of Exhibit, # of 8K, Distance, Contract Length (Total), Summary Length (Other)*	
Include controls	No	Yes
Year FE	Yes	Yes
Industry FE	Yes	Yes
Observations	1,988	1,988
Pseudo-R^2	0.025	0.099

Table 6

Cross-sectional Differences in the Summary of Financial Covenants

Table 6 reports how the summarization decision varies in information processing costs. All models are ordered logit regressions. The dependent variable, *FinCov Score*, is a score ranging from 1 to 5 indicating the level of detail covered by the summary of financial covenants. The sample is partitioned into subsamples based on whether institutional ownership is below the sample median at the year-industry level (Columns (1) and (2)), whether the number of financial covenants is below the sample median (Columns (3) and (4)), and whether the loan announcement date is before the final phase-in period (June 15, 2011) of XBRL adoption (Columns (5) and (6)). All other variables are defined in Appendix B. I include year and industry fixed effects. t-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep. var.	*FinCov Score*					
Subsample	Low *IOR*	High *IOR*	Above median #*FinCov*	Below median #*FinCov*	Before XBRL	After XBRL
PVIOL PCOV	–0.784***	–0.138	–1.159***	–0.251	–0.794***	–0.280
	(–3.499)	(–0.572)	(–4.054)	(–1.336)	(–3.586)	(–1.393)
PVIOL CCOV	0.263	–0.014	0.292	0.198	–0.172	0.235
	(0.572)	(–0.019)	(0.515)	(0.409)	(–0.365)	(0.332)
Test of diff in *PVIOL PCOV*	p-value = 0.047		p-value = 0.008		p-value = 0.082	
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured, # of FinCov, Dynamic, # of Item, # of Exhibit, # of 8K, Distance, Contract Length (Total), Summary Length (Other)*					
Include controls	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	905	900	426	1,562	733	1,255
Pseudo-R^2	0.125	0.103	0.190	0.079	0.138	0.071

Table 7

Summarization Decision and Relative Access Volume

Table 7 reports the associations between the summarization decision and the relative access volume. All models are OLS regressions. The dependent variables are the ratios of the number of page views to the loan contract over the number of page views to the loan summary, within 90 days following the 8-K disclosure, by human viewers (*Relative Human Access (90)*) or machines (*Relative Machine Access (90)*). All other variables are defined in Appendix B. I include year and industry fixed effects. *t*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep. var.	*Relative Human Access (90)*				*Falsification – Relative Machine Access (90)*	
FinCov Score	–0.011*		–0.014*		–0.001	
	(–1.659)		(–1.842)		(–0.107)	
Score1		0.027		0.033		0.013
		(0.921)		(0.985)		(0.341)
Score2		0.051		0.055		–0.003
		(1.471)		(1.497)		(–0.084)
Score3		0.083**		0.113***		–0.010
		(2.272)		(3.232)		(–0.345)
Score4		0.064***		0.061***		0.025
		(2.899)		(2.976)		(0.968)
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured, PVIOL, # of FinCov, Dynamic, # of Item, # of Exhibit, # of 8K, Distance, Summary Length (Total)*					
Include controls	No	No	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,194	1,194	1,194	1,194	1,144	1,144
Adjusted-R^2	0.086	0.091	0.177	0.184	0.135	0.134
Within-R^2	0.002	0.010	0.117	0.126	0.048	0.050

Table 8

Summarization Decision and Subsequent Performance

Table 8 reports the associations between the summarization decision and subsequent loan or firm performance. For Columns (1) and (2), the models are logit regressions, the dependent variable (*Violation*) is an indicator variable that equals one if the borrower discloses actual covenant violations in SEC filings within two years following loan initiation, and the sample ends in 2023 due to the availability of disclosures. For Columns (3) and (4), the models are OLS regressions, the dependent variable (*Future ROA*) denotes the average value of annual *ROA* over the next three years following loan initiation, and the sample ends in 2022 due to the availability of the future *ROA* data. All other variables are defined in Appendix B. I include year and industry fixed effects. *z*-statistics or *t*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)
Dep. var.	*Violation*		*Future ROA*	
FinCov Score	–0.235***	–0.209***	0.005**	0.003*
	(–3.612)	(–2.963)	(2.157)	(1.691)
PVIOL		1.039***		–0.016**
		(3.842)		(–1.997)
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured*			
Include controls	No	Yes	No	Yes
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	1,836	1,836	1,579	1,579
Pseudo-R^2	0.067	0.256	/	/
Adjusted-R^2	/	/	0.036	0.330
Within-R^2	/	/	0.004	0.313

Table 9

Summarization Decision and Market Reactions

Table 9 reports the associations between the summarization decision and stock market reactions to loan announcements. All models are OLS regressions. The dependent variables are the absolute value of the three-day cumulative abnormal returns surrounding the loan announcement date (*Absolute Announce CAR[-1,1]*), return volatility during the two-week period following loan announcement (*Return Volatility[-1,12]*), and abnormal trading volume during the three-day period surrounding the loan announcement date (*Abnormal Volume[-1, 1]*), respectively. All other variables are defined in Appendix B. I include year and industry fixed effects. *t*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Dep. var.	*Absolute Announce CAR[-1,1]*		*Return Volatility [-1,12]*		*Abnormal Volume [-1, 1]*	
PVIOL × FinCov Score	0.005**	0.005***	0.002**	0.001**	0.099*	0.089*
	(2.565)	(2.673)	(2.289)	(2.260)	(1.929)	(1.688)
PVIOL	–0.004	–0.015**	0.003	–0.004	–0.174	–0.143
	(–0.501)	(–2.149)	(1.107)	(–1.336)	(–0.955)	(–0.772)
FinCov Score	–0.001	–0.001	–0.001*	–0.000*	0.043**	0.046**
	(–1.519)	(–1.507)	(–1.741)	(–1.736)	(2.094)	(2.155)
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured*					
Include controls	No	Yes	No	Yes	No	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,858	1,858	1,858	1,858	1,858	1,858
Adjusted-R^2	0.090	0.149	0.239	0.336	0.004	0.008
Within-R^2	0.031	0.099	0.063	0.187	0.009	0.019

Table 10

Determinants of the Summary of CAPEX Covenants

Table 10 reports the determinants of the summary of CAPEX covenants. All models are ordered logit regressions. The dependent variable, *CAPEX Score*, is a score ranging from 1 to 3 indicating the level of detail covered by the summary of CAPEX covenants. *CAPEX Limits* denotes the maximum value of annual CAPEX the borrower is allowed to incur under the contract, scaled by the actual CAPEX of the borrower during the year prior to loan initiation. *High CAPEX Growth* is an indicator variable that equals one if the borrower's annual CAPEX growth rate is above the sample median at the year-industry level. All other variables are defined in Appendix B. I include year and industry fixed effects. *z*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)	(5)
Dep. var.	*CAPEX Score*				*Falsification – FinCov Score*
CAPEX Limits × *High CAPEX Growth*			0.640***	0.547**	0.146
			(3.125)	(2.019)	(0.608)
CAPEX Limits	–0.010	0.006	–0.428**	–0.346	0.060
	(–0.096)	(0.050)	(–2.293)	(–1.516)	(0.309)
High CAPEX Growth			–1.599***	–3.468	–7.226
			(–2.983)	(–0.493)	(–1.138)
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured, PVIOL, # of FinCov, Dynamic, # of Item, # of Exhibit, # of 8K, Distance, Contract Length (CAPEX),* and interactions between these variables and *High CAPEX Growth*				
Include controls	No	Yes	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Observations	192	192	192	192	192
Pseudo-R^2	0.047	0.113	0.081	0.152	0.165

Internet Appendix

Appendix IA
Additional Variable Definitions

ROA_{t+n}	= the ratio of income before extraordinary items over total assets (ibq/atq) for quarter (t+n), where t denotes the most recent quarter before loan announcement.
Contract Length (FinCov)	= the natural logarithm of the number of words about financial covenants in the contract.
Contract Length (Other)	= the natural logarithm of the number of words about everything other than financial covenants in the contract.
# *of Tranche*	= the number of tranches in the loan deal.
# *of Lender*	= the number of lenders in the loan deal.
CFO Signed	= 1 if the Form 8-K is signed by the CFO of the firm; = 0 otherwise.
CEO Signed	= 1 if the Form 8-K is signed by the CEO of the firm; = 0 otherwise.
Counsel Signed	= 1 if the Form 8-K is signed by the general counsel of the firm; = 0 otherwise.
MA Score	= a score of managerial ability from Demerjian, Lev, and McVay (2012), which captures the portion of firm efficiency that is not explained by firm characteristics, industry, or time.
Optimism	= managerial optimism, measured by the distance between management earnings forecast and actual earnings, scaled by the absolute value of actual earnings.
Powerful Counsel	= 1 if the firm has a powerful general counsel, proxied by Execucomp listing among the top five highest paid executives a title containing the term "counsel", "law", or "legal"; = 0 otherwise.
Summary Positive	= the number of positive words in the summary using Henry's (2008) context-specific word list scaled by total words in the summary.
Summary Negative	= the number of negative words in the summary using Henry's (2008) context-specific word list scaled by total words in the summary.
Summary Sentiment	= the difference between *Summary Positive* and *Summary Negative*.
JS Divergence	= the content dissimilarity between the summary and the corresponding contract measured by Jensen–Shannon divergence.
Max PVIOL	= the maximum value of the probabilities of violating individual financial covenants in the loan contract.
Inverse Slack	= the inverse of the minimum value of initial covenant slacks among all financial covenants in the loan contract, where the covenant slack is measured as a ratio between the actual financial ratio upon loan initiation and the threshold value; a higher value corresponds to

	more restrictive covenants since the inverse is taken to reduce the variance.
Abnormal PVIOL	= the unexpected portion of *PVIOL*, derived from the residuals of a determinant model that explains *PVIOL* with borrower and loan characteristics.
Violation CAR[-1,1]	= the three-day cumulative abnormal returns surrounding the date when covenant violation is publicly disclosed for the first time.
Post GPT	= 1 if the loan is initiated after November 30th, 2022; = 0 otherwise.

Table IA1

Typical Composition of Loan Summaries

Source: https://www.sec.gov/Archives/edgar/data/313616/000119312507248059/d8k.htm

Topic	Example
Basic information	On November 13, 2007, Danaher Corporation ("Danaher") and certain of its subsidiaries entered into a $1.9 billion revolving bridge loan facility (the "Credit Agreement") with Morgan Stanley Senior Funding, Inc., as Administrative Agent, Sole Lead Arranger and Book Manager, and a syndicate of lenders from time to time party thereto, including UBS Loan Finance LLC….
Purpose	Danaher intends to use the Credit Agreement as credit support for Danaher's Global Commercial Paper Program and for working capital and other general corporate purposes.
Payment	Borrowings under the revolving bridge loan facility bear interest as follows: (1) Eurodollar Rate Loans (as defined in the Credit Agreement) bear interest at a variable rate equal to London inter-bank offered rate plus a margin of between 13.5 and 32 basis points, depending on Danaher's credit rating from time to time, plus a specified, per annum mandatory cost intended to compensate the lenders for the cost of complying with certain regulatory requirements; and (2) Base Rate Loans (as defined in the Credit Agreement) bear interest at a variable rate equal to the higher of (a) the Federal funds rate (as published by the Federal Reserve Bank of New York from time to time) plus 1/2 of 1%, and (b) the Prime Lending Rate as published in The Wall Street Journal from time to time.
Security	Danaher's obligations under the Credit Agreement are unsecured. Danaher has unconditionally and irrevocably guaranteed the obligations of each of its subsidiaries in the event a subsidiary is named a borrower under the Credit Agreement.
Covenant	The Credit Agreement requires Danaher to maintain a consolidated leverage ratio (as defined in the Credit Agreement) of 0.65 to 1.00 or less. The Credit Agreement contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants, including covenants that, among other things, restrict the ability of Danaher and certain of its subsidiaries to: enter into agreements restricting such subsidiaries from making payments to or guaranteeing the obligations of Danaher; incur liens; sell or otherwise dispose of assets, including capital stock of subsidiaries; enter into mergers or consolidations; enter into transactions with affiliates; and use proceeds of borrowings under the Credit Agreement for other than permitted uses. These covenants are subject to a number of important exceptions and qualifications.
Default	Certain changes of control would constitute an event of default under the Credit Agreement.
Relationship	Certain of the lenders party to the Credit Agreement, and their respective affiliates, have performed, and may in the future perform, various commercial

	banking, investment banking and other financial advisory services for Danaher and its subsidiaries for which they have received, and will receive, customary fees and expenses.
Disclaimer	The description of the Credit Agreement set forth herein is qualified in its entirety by reference to the full text of the Credit Agreement, a copy of which is referenced as Exhibit 10.1 hereto and is incorporated by reference herein.

Table IA2
Implications of *PVIOL*

Table IA2 reports the implications of *PVIOL*. For Columns (1) – (2), the models are logit regressions, and the dependent variable (*Violation*) is an indicator variable that equals one if the borrower discloses actual covenant violations in SEC filings within two years following loan initiation. For Columns (3) – (7), the models are OLS regressions, and the dependent variable (ROA_{t+n}) denotes profitability measured in the n^{th} quarter following loan initiation. All other variables are defined in Appendix B and Appendix IA. I include year and industry fixed effects. *z*-statistics or *t*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dep. var.	*Violation*		*ROA_{t+1}*		*ROA_{t+2}*	*ROA_{t+3}*	*ROA_{t+4}*
PVIOL	2.091***	1.112***	–0.023***	–0.009***	–0.010***	–0.010***	–0.004
	(9.354)	(4.120)	(–10.566)	(–3.796)	(–4.712)	(–3.939)	(–1.619)
ROA		–6.533***		0.424***	0.406***	0.414***	0.456***
		(–2.584)		(9.150)	(9.953)	(8.851)	(10.129)
Size		–0.401***		–0.001***	–0.000	0.001	0.000
		(–4.544)		(–2.592)	(–0.337)	(0.912)	(0.388)
Leverage		–0.021		0.009**	0.011***	0.000	0.009***
		(–0.045)		(2.512)	(2.628)	(0.058)	(2.685)
Tangibility		0.722		–0.002	–0.001	0.002	–0.007*
		(1.459)		(–0.601)	(–0.158)	(0.605)	(–1.927)
Loan Size		0.127		–0.008**	–0.003	–0.002	–0.003
		(0.263)		(–2.256)	(–1.016)	(–0.403)	(–0.866)
Maturity		–0.026		0.001**	0.000	0.000	0.001*
		(–0.391)		(1.978)	(1.409)	(0.550)	(1.875)
Spread		0.157**		–0.002***	–0.002***	–0.002**	–0.002**
		(2.182)		(–3.494)	(–2.926)	(–2.242)	(–2.151)
Subsidiary		0.176		0.001	–0.000	0.001	0.000
		(0.661)		(0.699)	(–0.126)	(0.540)	(0.206)
Term Loan		0.004		0.001	0.000	0.001	–0.000
		(0.015)		(0.410)	(0.030)	(0.247)	(–0.136)
Revolver		0.092		0.002	0.002	0.001	0.000
		(0.229)		(1.079)	(1.186)	(0.448)	(0.178)
Secured		0.446		–0.004**	–0.002	–0.003*	–0.004**
		(1.491)		(–2.558)	(–1.169)	(–1.831)	(–2.559)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1,836	1,836	1,987	1,987	1,982	1,978	1,960
Pseudo-R^2	0.146	0.248	/	/	/	/	/
Adjusted-R^2	/	/	0.103	0.298	0.324	0.263	0.307
Within-R^2	/	/	0.086	0.288	0.306	0.246	0.297

Table IA3

Alternative Explanation: Complexity of Source Information

Table IA3 controls the complexity of source information. All models are ordered logit regressions. The dependent variable, *FinCov Score*, is a score ranging from 1 to 5 indicating the level of detail covered by the summary of financial covenants. *Contract Length (FinCov)* and *Contract Length (Other)* denote the natural logarithm of the word count in the financial covenant section and in all other sections of the contract, respectively. # *of Tranche* denotes the number of tranches in the loan deal. # *of Lender* denotes the number of lenders in the loan deal. All other variables are defined in Appendix B and Appendix IA. I include year and industry fixed effects. *z*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)	(5)
Dep. var.	*FinCov Score*				
PVIOL	–0.437***	–0.420***	–0.456***	–0.469***	–0.428***
	(–2.882)	(–2.744)	(–3.024)	(–3.104)	(–2.786)
Contract Length (FinCov)	–0.150				
	(–1.610)				
Contract Length (Other)	–0.339**				
	(–2.061)				
# *of Tranche*			–0.183		
			(–1.232)		
# *of Lender*				–0.014	
				(–1.358)	
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured, # of FinCov, Dynamic, # of Item, # of Exhibit, # of 8K, Distance, Contract Length (Total), Summary Length (Other)*				
Include controls	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Covenant type FE	No	Yes	No	No	No
Lead arranger FE	No	No	No	No	Yes
Observations	1,988	1,988	1,988	1,988	1,988
Pseudo-R^2	0.099	0.101	0.098	0.099	0.116

Table IA4

Alternative Explanation: Managerial Characteristics

Table IA4 controls for managerial characteristics. All models are ordered logit regressions. The dependent variable, *FinCov Score*, is a score ranging from 1 to 5 indicating the level of detail covered by the summary of financial covenants. *CFO Signed*, *CEO Signed*, and *Counsel Signed* are indicator variables that equal one if the Form 8-K is signed and certified by the CFO, the CEO, or the general counsel, respectively. *MA Score* denotes a measure of managerial ability from Demerjian, Lev, and McVay (2012). *Optimism* denotes the distance between management earnings forecast and actual earnings, scaled by the absolute value of actual earnings. *Powerful Counsel* is an indicator variable that equals one if the firm has a powerful general counsel, proxied by Execucomp listing among the top five highest paid executives a title containing the term "counsel", "law", or "legal". All other variables are defined in Appendix B and Appendix IA. I include year and industry fixed effects. *z*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)	(5)
Dep. var.			*FinCov Score*		
PVIOL	–0.454***	–0.369**	–0.472**	–0.450***	–0.457***
	(–2.995)	(–2.289)	(–2.375)	(–2.988)	(–2.827)
CFO Signed	–0.022				
	(–0.138)				
CEO Signed	–0.492*				
	(–1.891)				
Counsel Signed	0.044				
	(0.271)				
MA Score		0.014			
		(0.032)			
Optimism			0.018		
			(0.230)		
Powerful Counsel				0.097	
				(0.738)	
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured, # of FinCov, Dynamic, # of Item, # of Exhibit, # of 8K, Distance, Contract Length (Total), Summary Length (Other)*				
Include controls	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Law firm FE	No	No	No	No	Yes
Observations	1,988	1,730	1,298	1,988	1,988
Pseudo-R^2	0.099	0.094	0.117	0.098	0.144

Table IA5

Other Textual Features of Summaries

Table IA5 controls for other textual features of summaries. All models are ordered logit regressions. *Summary Positive*, *Summary Negative*, and *Summary Sentiment* denote the proportion of positive and negative words, and their difference, in the summary, respectively. *JS Divergence* denotes the content dissimilarity between the summary and the corresponding contract measured by Jensen–Shannon divergence. All other variables are defined in Appendix B and Appendix IA. *z*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)	(4)
Dep. var.	*FinCov Score*			
PVIOL	–0.500***	–0.438***	–0.474***	–0.446***
	(–3.252)	(–2.934)	(–3.127)	(–2.932)
Summary Positive	57.229***			
	(5.645)			
Summary Negative		40.979***		
		(3.430)		
Summary Sentiment			15.938**	
			(2.099)	
JS Divergence				–22.827***
				(–6.679)
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured, # of FinCov, Dynamic, # of Item, # of Exhibit, # of 8K, Distance, Contract Length (Total), Summary Length (Other)*			
Include controls	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Observations	1,988	1,988	1,988	1,988
Pseudo-R^2	0.109	0.102	0.100	0.115

Table IA6

Alternative Measures of Covenant Strictness

Table IA6 reports alternative measures of covenant strictness. All models are ordered logit regressions. The dependent variable, *FinCov Score*, is a score ranging from 1 to 5 indicating the level of detail covered by the summary of financial covenants. All other variables are defined in Appendix B. *z*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)
Dep. var.		*FinCov Score*	
Max PVIOL	–0.463***		
	(–3.081)		
Inverse Slack		–0.137***	
		(–3.580)	
Abnormal PVIOL			–0.452***
			(–2.952)
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured, # of FinCov, Dynamic, # of Item, # of Exhibit, # of 8K, Distance, Contract Length (Total), Summary Length (Other)*		
Include controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
Observations	1,988	1,988	1,988
Pseudo-R^2	0.098	0.098	0.098

Table IA7
Determinants of Covenant Strictness

Table IA7 reports the determinants of covenant strictness. All models are OLS regressions. The dependent variables, *PVIOL, PVIOL PCOV,* and *PVIOL CCOV*, are the probabilities of violating financial covenants, performance financial covenants, and capital financial covenants, in a loan contract, respectively. All other variables are defined in Appendix B. I include year and industry fixed effects. *t*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)
Dep. var.	*PVIOL*	*PVIOL PCOV*	*PVIOL CCOV*
Size	–0.024***	–0.019***	–0.009**
	(–3.495)	(–2.791)	(–2.317)
ROA	–2.614***	–2.350***	–0.581***
	(–8.582)	(–7.356)	(–2.931)
Leverage	0.281***	0.256***	0.071**
	(7.145)	(6.456)	(2.459)
Tangibility	0.039	0.007	0.063***
	(0.822)	(0.154)	(2.713)
Loan Size	–0.187***	–0.186***	0.001
	(–4.110)	(–4.184)	(0.031)
Maturity	0.002	0.007	–0.006**
	(0.355)	(1.188)	(–2.416)
Spread	0.031***	0.036***	–0.002
	(3.478)	(3.988)	(–0.339)
Subsidiary	0.015	0.013	0.001
	(0.669)	(0.589)	(0.093)
Term Loan	–0.030	–0.013	–0.027**
	(–1.205)	(–0.509)	(–2.568)
Revolver	0.015	0.018	–0.013
	(0.502)	(0.589)	(–1.094)
Secured	0.133***	0.120***	0.015
	(5.462)	(5.033)	(1.563)
# *of FinCov*	0.063***	0.051***	0.024***
	(4.890)	(3.849)	(3.878)
Dynamic	0.080***	0.076***	–0.004
	(3.211)	(3.040)	(–0.314)
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
Observations	1,988	1,988	1,988
Adjusted-R^2	0.320	0.286	0.114
Within-R^2	0.300	0.264	0.102

Table IA8
Determinants of Access Volume

Table IA8 reports the determinants of access volumes to loan summaries and loan contracts. All models are OLS regressions. The dependent variables are the number of page views by human viewers to the loan summary (*Human Access Main (90)*) or the loan contract (*Human Access Contract (90)*), within 90 days following the 8-K disclosure. All other variables are defined in Appendix B. I include year and industry fixed effects. *t*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)
Dep. var.	*Human Access Main (90)*	*Human Access Contract (90)*
PVIOL	6.469**	1.958
	(2.352)	(1.004)
Size	11.754***	7.641***
	(12.715)	(12.268)
ROA	–44.552	–27.984
	(–1.281)	(–1.101)
Leverage	–7.018	2.317
	(–1.543)	(0.726)
Tangibility	–12.582***	–8.045**
	(–3.253)	(–2.507)
Loan Size	20.497***	17.161***
	(4.482)	(4.846)
Maturity	0.089	0.749*
	(0.148)	(1.783)
Spread	3.090***	2.019***
	(4.347)	(3.669)
Subsidiary	–4.906**	–5.385***
	(–2.160)	(–3.159)
Term Loan	–1.746	1.279
	(–0.840)	(0.806)
Revolver	–2.255	2.033
	(–0.761)	(0.923)
Secured	1.308	0.020
	(0.565)	(0.012)
# *of FinCov*	0.201	0.938
	(0.213)	(1.194)
Dynamic	4.002*	2.209
	(1.867)	(1.419)
# *of Item*	3.311***	0.579
	(3.214)	(0.783)
# *of Exhibit*	1.892***	–0.585
	(3.410)	(–1.581)
# *of 8K*	–7.085*	–5.541*

	(–1.732)	(–1.892)
Distance	–0.062	–0.302
	(–0.113)	(–0.724)
Contract Length (Total)	–6.252***	0.737
	(–2.819)	(0.557)
Summary Length (Total)	4.420***	2.235*
	(2.761)	(1.929)
Year FE	Yes	Yes
Industry FE	Yes	Yes
Observations	1,254	1,254
Adjusted-R^2	0.566	0.605
Within-R^2	0.293	0.293

Table IA9

Validation of Measures of Information Processing Costs

Table IA9 reports the correlations between access volumes and measures of information processing costs as a validation of the measures. *IOR* is the proportion of the borrower's ownership held by institutional investors. *Before XBRL* is an indicator variable that equals one if the loan announcement date is before the final phase-in period (June 15, 2011) of XBRL adoption. All other variables are defined in Appendix B. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

Variable	Correlation with *IOR*	p-value	Correlation with *Before XBRL*	p-value
Human Access Main (90)	0.048	0.105	–0.476***	0.000
Human Access Contract (90)	0.110***	0.000	–0.527***	0.000
Relative Human Access (90)	0.158***	0.000	–0.232***	0.000

Table IA10

Market Reactions to Covenant Violations

Table IA10 reports the summary statistics of the market reactions to subsequent announcements of covenant violations, grouped by *FinCov Score*. *Violation CAR[-1,1]* denotes the three-day cumulative abnormal returns surrounding the violation disclosure date. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

Violation CAR[-1,+1]	Obs	Mean	S.D.	P25	P50	P75	Min	Max
Fincov Score = 1	17	–0.040	0.117	–0.033	–0.020	0.012	–0.375	0.104
Fincov Score = 2	4	–0.017	0.035	–0.041	–0.030	0.006	–0.044	0.034
Fincov Score = 3	8	–0.004	0.113	–0.051	–0.016	–0.004	–0.139	0.252
Fincov Score = 4	30	–0.043	0.093	–0.063	–0.017	0.009	–0.335	0.085
Fincov Score = 5	30	–0.008	0.067	–0.039	0.001	0.032	–0.223	0.124

Table IA11
The Post-ChatGPT Period

Table IA11 reports whether the associations between the summarization decision and covenant strictness change with the introduction of ChatGPT. All models are ordered logit regressions. *Post GPT* is an indicator variable that equals one if the loan is initiated after November 30th, 2022, and zero otherwise. All other variables are defined in Appendix B and Appendix IA. *z*-statistics in parentheses are based on standard errors clustered at the borrower level. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels (two-tailed), respectively.

	(1)	(2)	(3)
Dep. var.		*FinCov Score*	
PVIOL × *Post GPT*	–0.038	–0.228	
	(–0.120)	(–0.474)	
PVIOL	–0.548***	–0.415***	
	(–3.810)	(–2.603)	
PVIOL PCOV × *Post GPT*			0.137
			(0.276)
PVIOL PCOV			–0.493***
			(–3.181)
PVIOL CCOV × *Post GPT*			–1.984
			(–1.190)
PVIOL CCOV			0.174
			(0.470)
Post GPT	–0.234	2.391	3.746
	(–0.408)	(0.386)	(0.594)
Control variables	*Size, ROA, Leverage, Tangibility, Loan Size, Maturity, Spread, Subsidiary, Term Loan, Revolver, Secured, # of FinCov, Dynamic, # of Item, # of Exhibit, # of 8K, Distance, Contract Length (Total), Summary Length (Other)*, and interactions between these variables and *Post GPT*		
Include controls	No	Yes	Yes
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
Observations	1,988	1,988	1,988
Pseudo-R^2	0.025	0.104	0.105