

# Chaoran Yang

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## EDUCATION

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**PhD in Economics and Finance** **2023 - Present**

Cranfield School of Management, Cranfield University, UK

**PhD in Finance** **2020 - 2022**

Birmingham Business School, Birmingham University, UK

**MSc in Investment Analysis** **2017 - 2018**

Aston Business School, Aston University, UK

**BEng in Mechanical Design, Manufacturing and Automation** **2012 - 2016**

School of Mechanical Engineering, Guizhou University, China

## RESEARCH INTERESTS

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Empirical Corporate Finance, Corporate Governance, Shareholder Litigation, Private Benefits of Control, Corporate Default Risk, Venture Capital, IPO, Dual-Class Firms

## WORKING PAPERS

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### **Shareholder Litigation and Private Benefits of Control: Evidence from Derivative Lawsuits**

**Abstract:** We examine the effects of derivative litigation risks on the value of private benefits of control. Quantifying the value of private benefits of control using the voting premiums from option prices, we find that the value of the voting premium significantly decreases after firms experience derivative lawsuits. To address endogeneity concerns, we exploit the staggered adoption of Universal Demand (UD) laws across 23 U.S. states from 1989 to 2005 to investigate whether and how the reduction in litigation risks affects the level of voting premium. The results show that the adoption of UD laws increases the value of voting premiums. Our DID results are robust to a battery of tests. We also find that the adoption of UD laws leads to a decrease in the value of cash holdings, an increase in CEO cash compensation and a decrease in investment efficiency and these effects are more pronounced for dual-class firms. Overall, our findings suggest that shareholder litigation can effectively curb the managerial extraction of private benefits. It has important implications for

managers, shareholders, and policymakers.

***Presentations:*** 2024 Financial Management Association (FMA) Annual Meeting; 2024 Financial Management & Accounting Research Conference (FMARC)

***SSRN's Top Ten download list for:*** CGN: Class Action in Corporate & Securities Laws (Sub-Topic), CGN: Corporate Law Litigation (Sub-Topic), CGN: Enforcement & Litigation (Topic) and CGN: Securities Litigation (Sub-Topic)

### **Shareholder Litigation and Corporate Default Risk**

**Abstract:** This study examines the effects of shareholder litigation on corporate default risk. Exploiting the staggered adoption of the universal demand (UD) laws by 23 U.S. states between 1989 and 2005 as an exogenous shock to derivative litigation, we find that weakened shareholder litigation rights due to the implementation of UD laws increase corporate default risk measured by expected default frequency (EDF). The positive relation between UD laws and EDF is more pronounced for financially constrained firms. Our results are robust to credit ratings as the alternative measure of default risk and different endogeneity tests including propensity score analysis and entropy balancing. The results also extend to the 1999 ruling of the Ninth Circuit Court of Appeals on securities class action lawsuits. Further channel analyses show that the increase in corporate default risk following the passage of UD laws can be explained by the deterioration in corporate governance, the increase in firm performance volatility, the reduction in corporate strategy conformity, and the increase in the cost of capital. We find no evidence that the UD laws contribute to corporate risk-taking, suggesting that our results are driven by erratic and arbitrary decision-making rather than difficult decision-making such as risky investments. Overall, our study highlights the importance of shareholder litigation rights as an external governance mechanism in mitigating firm-level default risk.

***Presentations:*** 2025 British Accounting & Finance Association (BAFA) Annual Conference; 2025 European Financial Management Association (EFMA) "Merton H. Miller" Doctoral Student Seminar (Scheduled); 2025 Financial Management Association (FMA) European Conference (Scheduled)

***SSRN's Top Ten download list for:*** Bankruptcy, Reorganization & Creditors eJournal

### **Shareholder Litigation and Venture Capital Investments: Evidence from Universal Demand Laws**

**Abstract:** This paper examines the relation between shareholder litigation and venture capital (VC) investments. Using the staggered adoption of universal demand (UD) laws across 23 U.S. states from 1989 to 2005 which constrains shareholders' ability to initiate derivative lawsuits, we find that the adoption of UD laws negatively affects VC investments. Our results are robust to controlling for state antitakeover index and excluding all Delaware incorporations. We find no evidence that the adoption of UD laws contributes to VC staging, suggesting that VC investors do not strengthen monitoring

services to mitigate the deterioration in corporate governance following the passage of UD laws. We also document that the successful probability of the portfolio company (PC) decreases following the adoption of UD laws. Specifically, the adoption of UD laws leads to a higher likelihood of an M&A exit relative to an IPO exit. Furthermore, we find that the adoption of UD laws decreases VC-backed IPO performance but increases VC-backed target firms' takeover premiums. Overall, our findings suggest that VC investors view shareholder litigation as an important legal tool to protect the interests of outside shareholders and mitigate agency conflicts between investors and entrepreneurs.

**SSRN's Top Ten download list for:** *ERP*N: Corporate Governance & Fiduciary Duties (Sub-Topic), *ERP*N: Corporate Law & Organization Law (Topic), *ERP*N: Exits (Topic), *ERP*N: Governance & Organization (Sub-Topic), *ERP*N: Initial Public Offerings (IPOs) (Sub-Topic), *ERP*N: Investors (Topic), *ERP*N: Securities Law & Public Offerings (Sub-Topic), *ERP*N: Shareholder Conflicts (Sub-Topic) and *ERP*N: Venture Capital (Sub-Topic)

## CONFERENCES AND SEMINARS

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**2024:** Financial Management Association (FMA) Annual Meeting, Grapevine, TX; Financial Management & Accounting Research Conference (FMARC), Ayia Napa, Cyprus

**2025:** British Accounting & Finance Association (BAFA) Annual Conference, Belfast, UK; European Financial Management Association (EFMA) "Merton H. Miller" Doctoral Student Seminar, Athens, Greece (Scheduled); Financial Management Association (FMA) European Conference, Limassol, Cyprus (Scheduled)

## ADDITIONAL INFORMATION

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**Programming Skills:** SAS, Stata, Python

**Databases:** WRDS (Compustat, CRSP, I/B/E/S, IvyDB OptionMetrics, Execucomp), CSMAR, SDC Platinum Private Equity, SDC Platinum Global New Issues, SDC Platinum M&A, Bloomberg

**Professional Qualifications:** CFA Level I (Passed)

**Languages:** Chinese (Native), English (Fluent)