Lobbying Activities and Mergers and Acquisitions ☆

Daejin Kim[a], Tim Mooney[b], Hyeongsop Shim[c]

[a] *Ulsan National Institute of Science and Technology (UNIST) School of Management Engineering, UNIST-gil 50, Ulsan 44919, Republic of Korea*
[b] *Pacific Lutheran University (PLU) School of Business, Morken Center Tacoma, WA 98447*
[c] *Ulsan National Institute of Science and Technology (UNIST) School of Business Administration, UNIST-gil 50, Ulsan 44919, Republic of Korea*

Abstract

We examine corporate lobbying activity and mergers & acquisitions. If effective, firm lobbying expenditures could influence legislation and facilitate favorable regulatory treatment, which would be positively reflected in market reactions to merger announcements. However, average announcement returns for lobbying firms are lower than for non-lobbying firms. In addition, lobbying firms tend to have powerful CEOs that receive higher compensation after a merger. These results suggest that corporate lobbying may be indicative of CEO entrenchment rather than a firm's attempt to maximize shareholder wealth.

Keywords: Lobbying, Mergers and Acquisitions, CEO compensation, Corporate Governance
JEL classification: G3, G34

Email addresses: `daejin@unist.ac.kr` (Daejin Kim), `mooneytk@plu.edu` (Tim Mooney), `hshim@unist.ac.kr` (Hyeongsop Shim)

1. Introduction

Corporate takeovers are an important mechanism used by firms to enter a new industry or increase market power. They are also subject to varying degrees of oversight and regulation. Besides the approvals of boards and shareholders, mergers in the U.S. generally require approval of the Department of Justice or Federal Trade Commission. Moreover, certain deals involving heavily regulated industries or national security issues might require approval by government agencies such as the Department of Defense, Federal Communications Commission or Federal Reserve.

In this environment, a firm may have an incentive to spend money on government lobbying in order to receive favorable treatment from regulatory agencies. Corporations might also spend money on lobbying to influence legislation or regulations. Ansolabehere et al. (2003) point out that such political expenditures by corporations are quite small given the potential benefits from policy changes, suggesting that political spending is not a means of buying political benefit for the firm and its shareholders. In contrast, Hill et al. (2013) examine both lobbying and firm contributions to political action committees and find that firms have higher excess returns in the year following lobbying and political contributions. Lux et al. (2011) conduct a meta-analysis and also report a positive association between political activity and accounting measures of firm performance. Sobel and Graefe-Anderson (2014) find a positive relation between lobbying and executive compensation, but they do not find conclusive evidence of an association between lobbying and firm performance. Confounding this issue is evidence from Chaney et al. (2011), who find that politically connected firms tend to have poorer earnings quality.

We examine lobbying and the market for corporate control, which may provide an appealing environment to analyze firm lobbying behavior. If lobbying expenditures represent an investment in potential political benefits for the firm and its shareholders, then announcement returns for lobbying firms should be higher than for non-lobbying firms. In contrast, we find that announcement returns for lobbying firms are lower than those for non-lobbying firms, suggesting that lobbying expenditures are either not an investment in shareholder wealth maximization, or they are just ineffective. Next, we further test the possibility that firms lobby for the benefit of firm managers rather than shareholders. We find a positive relationship between lobbying expenditures and CEO entrenchment, in line with our hypothesis that corporate lobbying is a form of consumption by firm executives, consistent with Ansolabehere et al. (2003).

Our study adds to existing literature on lobbying and firm performance. To our knowledge, ours is the first study that examines lobbying activity in the context of M&A shareholder wealth effects. In addition, we show new evidence on the relation between CEO compensation and firm lobbying intensity. The remainder of this paper is organized as follows. Section 2 describes data and variable construction. Section 3 presents empirical findings. Finally, section 4 concludes.

2. Data description and variables

2.1. Sample and variable construction

Our initial sample consists of mergers and acquisitions from Securities Data Company's (SDC) Mergers and Acquisitions database. The sample period begins in 2000, when the lobbying disclosure database was first publicly available. We select completed and partially completed transactions that are categorized as mergers. We exclude exchange offers, acquisition of assets, acquisition of certain assets, privatization, buybacks, recapitalization, and acquisition (of stock). We obtain daily stock returns from CRSP, and financial statement information from COMPUSTAT. A total of 10,622 acquisitions between January 1, 2000, and December 31, 2014, meet these criteria.

Deal completion date is defined as the earlier of the effective date in SDC and the delisting date in CRSP. We use indicator variables for cash-financed deals, stock-financed deals, and mergers of firms in the same industry where at least one of the four-digit SIC codes of the bidder firm coincides with that of the target firm in any given year. We calculate firm size, Tobin's Q, return on assets, free cash flow, leverage ratio, and the Herfindahl-Hirschman index (HHI) using the COMPUSTAT XpressFeed annual database. Firm size is the log of total assets (AT). Return on assets (ROA) is operating income before depreciation (OIBDP) divided by total assets (AT). Tobin's Q is the ratio of a firm's total market value to its book value (AT). The market value of assets equals total assets (AT) minus common equity (CEQ) plus the firm's market value of equity (stock price (PRCC_F) time shares outstanding(CSHO)). Free cash flow is operating income before depreciation (OIBDP) minus Interest Expense (XINT) minus Income Taxes (TXT) minus Capital Expenditures (CAPX), scaled by book value of total assets (AT). The leverage ratio is the ratio of a firm's book value of debt (DLC +DLTT) to its market value of total assets. The Herfindahl-Hirschman index is constructed based on four-digit SIC codes in the entire COMPUSTAT universe. All firm and industry characteristic variables are calculated in the year prior to the deal announcement date.

2.2. Lobbying database

We obtain lobbying data from the Senate's Office of Public Records from 1999 to 2014[1]. The Lobbying Disclosure Act of 1995 requires that firms disclose lobbying expenditures totaling more than $25,000 with the Senate's Office of Public Records. Registrants must file semi-annual reports describing the issues, lobbying amounts, the government agencies, and other detailed information. We select the lobbying firms which have spent to lobby only government agencies, i.e., we exclude lobbying of Congress and the White House.

For an individual firm's annual lobbying expenditure, we sum each firm's mid-year and year-end lobbying spending. Because the lobbying disclosure act database does not provide any firm identifiers such as CUSIP, PERMNO from CRSP, or GVKEY from COMPUSTAT, we manually match the names of the firms in the lobbying database with the PERMNO in CRSP. As in Yu and Yu (2011), if a public parent firm of a private firm lobbies, we attribute lobbying spending to the parent firm. We identify 2,922 unique firms from our initial sample with lobbying expenditures from 1999 to 2014.

2.3. CEO compensation and firm governance characteristics

We extract CEO compensation data for every bidder CEO from the ExecuComp database. We obtain board information such as board size, the percentage of independent directors, and whether the CEO serves as board chair or is a member/chair of the firm's nominating committee from the Investor Responsibility Research Center (IRRC) database. Because IRRC data is only available biannually before 2006, we use data from the most recent year available prior to the merger announcement date. For CEO characteristics, when multiple observations occurred in the same year for a given firm, we check ExecuComp CEO information or firm proxy statements. To measure corporate governance, we use the entrenchment index (E-index) in Bebchuk et al. (2009) from Lucian Bebchuk's web page.[2] Bebchuk et al. (2009) find that only six of the 24 provisions included in the original G-index of Gompers et al. (2003) are principally correlated with firm value. Higher index values imply poorer governance and greater managerial control rights over the firm. Higher index values imply poorer governance and greater managerial control rights over the firm.

[1] Available at http://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm.

[2] See http://www.law.harvard.edu/faculty/bebchuk/data.shtml.

2.4. Stock Market Analysis of Acquisitions

We measure merging firm announcement returns as the market model adjusted stock returns around each firm's merger announcement date. We retrieve the announcement date for each merger from the SDC database. We use the CRSP value-weighted index as the market return. The estimation period is from 240 days to 61 days prior to the announcement date for each acquisition to avoid the runup period. For the estimation of market model parameters, we require a minimum of 100 daily returns during the estimation period. Following Masulis et al. (2007) and Fuller et al. (2002), we compute 5-day $[-2, 2]$ cumulative abnormal returns (CARs) around the merger announcement date.[3]

3. Empirical Findings

3.1. Sample characteristics and univariate analysis

Table 1 summarizes characteristics of "lobbying firms" versus "non-lobbying firms" for the full sample of acquiring firms (Panel A) and target firms (Panel B). Lobbying firms are defined as those which have spent money lobbying government agencies in the two years prior to the year in which the merger is announced. There are several notable differences between lobbying firms and non-lobbying firms. First, lobbying firms tend to pay for mergers with cash rather than stock. This implies that lobbying firms have either large internal cash flows or high debt capacity compared to non-lobbying firms. Further, lobbying firms' preference for cash deals suggests that managers of acquiring firms may be concerned about potential dilution in stock deals which can weaken managerial control. This is particularly interesting because lobbying firms tend to be involved in larger M&A deals.

Lobbying acquirers also tend to be larger in size, have higher return on assets, higher free cash flow, and operate in more concentrated industries, as measured by the HHI. The higher return on assets and free cash flow of lobbying acquirers accords with the fact that lobbying firms are more likely to engage in cash mergers. Moreover, such firms with more excessive internal cash flows can give managers more discretion, and top managers at those firms tend to spend money on lobbying.

We also observe differences in CEO and governance characteristics between lobbying and non-lobbying firms. CEOs of lobbying acquirers are older, more likely to serve as board chair, and receive higher compensation than CEOs of non-lobbying

[3]We also compute 3-day cumulative abnormal returns to evaluate robustness and obtain very similar results.

firms. These characteristics suggest that CEOs of lobbying firms have more managerial power compared to those of non-lobbying firms. The mean entrenchment index (E-index) of acquirer lobbying firms is lower than that of non-lobbying firms. Lobbying firms also tend to have larger boards. Jensen (1993) suggest that larger boards, having beyond seven or eight people, are less likely to function effectively than smaller boards because of potential free-rider problems. Yermack (1996) and Eisenberg et al. (1998) provide evidence that there is an inverse relation between board size and firm value as measured by Tobin's Q. Yermack also suggests that the ability of the board to incentivize CEOs via compensation and the threat of termination are diminished as board size increases. Thus, univariate results suggest lobbying firms may be less effective at controlling top executives. However, lobbying firms also tend to have a higher proportion of independent directors, which is associated with better governance.

Table 2 and Table 3 provide summary statistics for lobbying expenditures and CEO compensation by year and industry, respectively. Panels A and B of each table represent the summary for bidder and target firms, respectively. Both tables show that acquiring firms tend to lobby more and spend more money on lobbying than target firms. 31.66% (15.00%) of acquirer (target) firms report lobbying expenditures. Moreover, firms spend more money on lobbying than CEO compensation, confirming that lobbying amounts are substantial. Table 3 shows summary statistics of variables of interest by two-digit SIC code. In panels A and B of the table, merging firms in transportation & utilities (two-digit SIC codes $40 - 49$) and manufacturing (two-digit SIC codes $20 - 39$) are more active in lobbying activities, similar to patterns identified in Chen et al. (2009).

3.2. Event study analysis

In this section, we present estimates of abnormal stock returns to bidders and targets around merger announcements. Table 4 presents cumulative abnormal returns for acquiring firms and target firms over the five-day $[-2, +2]$ event window for the entire sample and various subsamples, classified by merger versus tender offer (Panel B), whether the merger is viewed as hostile or friendly (Panel C), the method of payment (Panel D), acquirer and target operating in the same versus different industry (Panel E), and industry concentration measured by the HHI (Panel F).

Table 4 illustrates significant differences in the announcement period abnormal returns for lobbying firms versus non-lobbying firms. Overall, CARs are lower for lobbying firms than non-lobbying firms among both acquiring and target firms. These differences are particularly pronounced in target firms. In Panel A, average announcement period CAR of non-lobbying target firms is 22.01%, while CAR for lobbying target firms is 14.71%. The average target CAR is positive and significant in all subsamples. The largest target CAR occurs in all-cash acquisitions of non-lobbying target firms (Panel D).

The average CAR for non-lobbying acquirers is significantly positive for mergers and tender offers (Panel B), in friendly mergers (Panel C), in all-cash and mixed deals (Panel D), in diversifying and horizontal mergers (Panel E), and when the bidder's industry is concentrated moderately and severely (Panel F). For lobbying bidders, the average announcement CAR is significantly positive in all-cash deals (Panel D) and when the bidder's industry is more concentrated (Panel F).

These univariate results suggest that lobbying activities do not seem to increase shareholder value. Bebchuk and Neeman (2010) argue that managers with a low fraction of cash-flow rights tend to use corporate resources to lobby for lower levels of investor protection. The abnormal return analysis in this section supports this assertion.

3.3. Determinants of Lobbying Expenditure in M&A deals

In this section, we look at which variables are associated with lobbying activities by merging firms. In particular, we study lobbying activities during the deal period and other deal, firm, and industry characteristics. The main dependent variable in this multivariate analysis is an indicator variable that takes a value one if a firm engages in lobbying between the merger announcement date and completion date. We include the following governance and board characteristics: an indicator that equals one if the CEO is also chairman of the board (CEO/chair), an indicator that equals one if the CEO is a member of the nominating committee (CEO/nominating), board size defined as total number of directors, the percentage of independent directors (Independent board), and the entrenchment index (E-index).

We also include the following deal, firm and industry characteristics in the model. The duration of a deal is defined as the period between the announcement date and the deal completion date. We include an indicator that takes a value of one if the firm is an acquirer and zero otherwise (Acquirer dummy), the cumulative abnormal return over the five day window surrounding the acquisition announcement, indicators for mergers financed with 100% stock (Stock deal) and 100% cash (Cash deal), and an indicator that takes a value of one if both bidder and target share at least one common four-digit SIC code (Same industry). Following the definition of market concentration used by the Department of Justice and the calculation of the Herfindahl-Hirschman Index, each firm's primary industry belongs to one of the following categories: no concentration if HHI < 1000, moderately concentrated if $1000 \leq$ HHI ≤ 1800, and highly concentrated if HHI > 1800. We include two indicator variables for moderately and highly concentrated industries. We also include each firm's size, Tobin's Q, return on assets (ROA), free cash flow (FCF), and leverage ratio. Throughout our analysis, regressions include year and industry indicator variables to control for possible unobserved heterogeneity across years and industries. We use the Fama-French 48 industry classifications. Finally, we employ heteroscedasticity- and autocorrelation-robust standard errors.

Table 5 presents the estimated logistic regression models. Consistent with univariate analysis, we find robust evidence that firms with more powerful CEOs tend to lobby more. The coefficients on the indicators for CEO as board chair and as a member of the nominating committee are positive and significant, implying that firms are more likely to lobby when their CEOs have more influence over the firm's board of directors. In addition, the positive and significant coefficients on the entrenchment index (E-index) is consistent with this argument. Board size is also positively related to lobbying activity, in line with the evidence in Yermack (1996) that smaller boards are more effective and thus are associated with less entrenched managers. The evidence on the association between lobbying and firm governance is consistent with the contention that CEOs with more power and less effective board monitoring are more likely to engage in lobbying, which we argue is an investment not in value-maximization but rather benefits the manager personally.

Among firm characteristics, coefficients on the acquirer indicator are positive and significant in two specifications, suggesting a positive relation between acquirer status and lobbying intensity. Coefficients on firm size are positive and significant across all specifications, and coefficients on return on assets are positive and significant in four of five specifications. These results imply that larger, more profitable firms tend to spend money on lobbying. Hermalin and Weisbach (1998) suggest that as performance increases, CEO bargaining power also increases, consistent with the positive relation between the CEO power and lobbying intensity. Tobin's Q is positive and significant in columns (3) through (5), free cash flow is negative and significant in column (1), and leverage is negative and significant in all specifications. Consistent with Jensen (1986), the negative relation between leverage and lobbying intensity suggests that high debt use limits lobbying expenditures. As emphasized in Masulis et al. (2007), financial leverage is an effective governance device to limit managerial discretion because higher leverage can force managers to invest properly. In this spirit, the negative relation between lobbying intensity and firm leverage implies that lobbying activity can be a proxy for one type of managerial entrenchment.

As previously demonstrated, abnormal returns for lobbying firms are lower than those for non-lobbying firms, suggesting that lobbying activities are not likely to be consistent with shareholder interests. Here, results suggest that firms with more entrenched and influential CEOs along with larger, less effective boards are more likely to engage in lobbying activity. Taken together, these results are consistent with our contention that lobbying activity can be interpreted as a type of CEO consumption or the results of managerial entrenchment rather than value-maximizing investment. In the following section, we further investigate whether lobbying activities are related to executive power by looking at CEO compensation.

3.4. CEO turnover and lobbying effects

Lehn and Zhao (2006) study the relation between bidder abnormal returns and the probability of CEO turnover in acquiring firms. They find that 47% of acquiring firm CEOs are replaced within 5 years of a merger or acquisition announcement. Moreover, they find that CEOs who make value-destroying acquisitions are more likely to be replaced than CEOs who pursue value-increasing acquisitions. In addition to the independent variables used in Lehn and Zhao (2006), we also include lobby_{t-2}, $\text{lobby}_{t,T}$, $\text{lobby}_{t-2,T}$, and interaction terms with $\text{CAR}[-2,2]$ to test whether lobbying activities can affect the likelihood of acquirer CEO turnover. lobby_{t-2} is an indicator that equals one if the firm has lobbying expenditures in the two years prior to the merger announcement, $\text{lobby}_{t,T}$ equals one if a firm engages in lobbying at least one time during the deal period, and $\text{lobby}_{t-2,T}$ equals one if a firm has lobbying expenditures from two years before the merger announcement to the merger completion date.

Table 6 shows the estimated logit regression results. As in Lehn and Zhao (2006), the coefficient on $\text{CAR}[-2,2]$ is negative and significant in all specifications, consistent with the argument that value-reducing CEOs are likely to be fired or leave the company within 5 years. As emphasized in Brickley (2003), CEO age is highly significant in explaining CEO turnover, which is not significant in Lehn and Zhao (2006). The coefficient on the percentage of independent board members is positive and significant in all the specifications, suggesting that a more independent board is associated with greater CEO turnover likelihood in takeover markets. Weisbach (1988) finds that the poorly managing CEOs are more easily replaced when the fraction of independent directors is higher.

Significance of coefficients on indicator variables for lobbying activity is mixed. The coefficient for lobbying in the two years prior to merger announcement is insignificant. However, the coefficient for lobbying between merger announcement and completion is positive and significant, as is the indicator for lobbying either prior to or during the deal period. None of the interaction terms for lobbying and announcement period CAR are significant. Overall, we find some evidence that lobbying activity is associated with CEO turnover, which would be consistent with our previous evidence that lobbying may represent behavior of entrenched managers.

3.5. CEO compensations and lobbying effects

Previous studies document the relationship between CEO compensation and merger activities. Datta et al. (2001) find a strong positive relation between stock price reactions and the equity compensation of acquiring firm managers. Hartzell et al. (2004) study target firm CEOs and find that top managers tend to receive large cash compensation such as bonuses. Grinstein and Hribar (2004) find that more powerful CEOs tend to engage in larger deals and receive larger bonuses, concluding that managerial power is the main source of completed M&A bonuses. Along the lines of this previous research, we investigate whether lobbying is associated with higher CEO compensation and thus can be interpreted as another symptom of managerial entrenchment.

We use multiple measures of CEO compensation as dependent variables, including total compensation, bonus, salary, the sum of bonus and salary, and equity compensation. Consistent with existing literature, we take the natural log of all dependent variables in our analysis, and compensation is measured at the end of the year in which the merger is completed. We use the same independent variables in Grinstein and Hribar (2004). We measure lobbying at different intervals before and during merger announcements. $\text{lobby}_{t-2,t}$ is an indicator that equals one if the firm has lobbying expenditures in the two years prior to the merger announcement, and $\text{lobby}_{t,T}$ equals one if a firm engages in lobbying at least one time during the deal period. All other independent variables except $\text{lobby}_{t,T}$ are used for the year preceding the deal announcement date.

Table 7 shows the pooled ordinary least square estimation results. Overall, the results in Table 7 show similar patterns across all specifications. The coefficient on the indicator for lobbying expenditure during the deal period is positive and significant in models where compensation is measured as total compensation and the sum of bonus and salary. Berger et al. (1997) show that higher cash compensation in the form of salary and bonus is preferred by entrenched managers. Our results here are consistent with this contention and our previous evidence that lobbying is a form of consumption by entrenched managers. Furthermore, in the context of mergers and acquisitions, it is possible that stock-financed deals may be viewed negatively by managers because they may dilute manager equity compensation. Coefficients on firm size are positive and significant in four of five specifications, consistent with previous studies (e.g., Gabaix and Landier, 2008).

Also consistent with existing literature, coefficients on indicators for the CEO being board chair are positive and significant in three of five specifications. Interestingly, board size is positively related to CEO salary and bonus plus salary, but negatively related to equity compensation. Ryan and Wiggins (2004) find that firms with entrenched CEOs are less likely to receive equity compensation. The negative relation between board size (effectiveness) and equity compensation is consistent with the idea that equity compensation is one tool that can be used to align CEO and shareholder interests.

The results in this section suggest that lobbying activity is associated with powerful CEO behavior. The increased likelihood of lobbying activity during the duration of a deal implies that a CEO's power may grow during a merger process. Lobbying activity itself may not be a direct factor in increasing CEO bonus and salary, but consistent with our previous analysis it may be representative of CEO entrenchment.

4. Conclusion

In this paper, we examine how lobbying activity is related to shareholder wealth of merging firms. In addition, we investigate which deal, firm and governance characteristics are associated with lobbying activity. Based on our results, lobbying does not increase shareholder wealth in mergers and acquisitions. In addition, lobbying expenditures appear to be used by entrenched CEOs. To support this explanation, we investigate CEO compensation during the merger period. We find further evidence that lobbying firms tend to have powerful CEOs. Overall, our results suggest that lobbying expenditures benefit executives, not shareholders.

Cumulative abnormal returns during merger announcement periods of lobbying firms are lower than those of non-lobbying firms. The difference in abnormal returns between lobbying and non-lobbying firms is more pronounced in target firms. This difference is consistent with the possibility that firms with poor governance (and thus a higher propensity to make lobbying expenditures) are more likely to be targets in the takeover market.

Second, we examine determinants of lobbying activity. We find that characteristics representing greater CEO power such as higher values of the E-index, the CEO being board chair or on the nominating committee are positively associated with lobbying intensity. These results imply more powerful CEOs are more likely to engage in lobbying. Given that powerful CEOs tend to be more entrenched, these results are consistent with our argument that lobbying is representative of managerial entrenchment and may be a form of consumption by entrenched managers.

Finally, we investigate whether lobbying activities are related to firms with more powerful CEOs. We find that lobbying activity is positively associated with CEO compensation. These results further confirm that firms with powerful CEOs tend to spend internal financial resources on lobbying.

The evidence we present leaves open some interesting questions for future research to explore. Perhaps most importantly, why would entrenched managers benefit personally from lobbying expenditures by the firms where they work? Perhaps political connections fostered through lobbying expenditures provide CEOs with social benefits. Dinners, galas, golf outings and other social functions with politicians would likely be attractive to many executives seeking validation through their association with high-profile public figures. Although anecdotal evidence abounds in the popular press, future research clarifying how firm lobbying benefits executives would be illuminating.

Acknowledgements

We appreciate helpful feedback from discussants at the World Finance and Banking Symposium, and Asia-Pacific Association of Derivatives. We are also grateful for financial support from the UNIST 2014 research fund (1.140072.01) and from Moss Adams LLP.

References

Ansolabehere, S., de Figueiredo, J.M., Snyder Jr, J.M.. Why is there so little money in US politics? Journal of Economic Perspectives 2003;17:105–130.

Bebchuk, L., Cohen, A., Ferrell, A.. What matters in corporate governance? Review of Financial Studies 2009;22:783–827.

Bebchuk, L.A., Neeman, Z.. Investor protection and interest group politics. Review of Financial Studies 2010;23:1089–1119.

Berger, P.G., Ofek, E., Yermack, D.L.. Managerial entrenchment and capital structure decisions. Journal of Finance 1997;42:1411–1438.

Brickley, J.A.. Empirical research on CEO turnover and firm-performance: a discussion. Journal of Accounting and Economics 2003;36:227–233.

Chaney, P.K., Faccio, M., Parsley, D.. The quality of accounting information in politically connected firms. Journal of Accounting and Economics 2011;51:58–76.

Chen, H., Parsley, D., Yang, Y.W.. Corporate lobbying and financial performance. Working paper 2009;.

Datta, S., Iskandar-Datta, M., Raman, K.. Executive compensation and corporate acquisition decisions. Journal of Finance 2001;56:2299–2336.

Eisenberg, T., Sundgren, S., Wells, M.T.. Larger board size and decreasing firm value in small firms. Journal of Financial Economics 1998;48:35–54.

Fuller, K., Netter, J., Stegemoller, M.. What do returns to acquiring firms tell us? evidence from firms that make many acquisitions. The Journal of Finance 2002;57:1763–1793.

Gabaix, X., Landier, A.. Why has CEO pay increased so much? Quarterly Journal of Economics 2008;123:49–100.

Gompers, P., Ishii, J., Metrick, A.. Corporate governance and equity prices. Quarterly Journal of Economics 2003;118:107–155.

Grinstein, Y., Hribar, P.. CEO compensation and incentives: Evidence from M&A bonuses. Journal of Financial Economics 2004;73:119–143.

Hartzell, J.C., Ofek, E., Yermack, D.. What's in it for me? CEOs whose firms are acquired. Review of Financial Studies 2004;17:37.

Hermalin, B.E., Weisbach, M.S.. Endogenously chosen boards of directors and their monitoring of the CEO. American Economic Review 1998;88:96–118.

Hill, M.D., Kelly, W., Lockhart, G.B., Van Ness, R.A.. Determinants and effects of corporate lobbying. Financial Management 2013;42:931–957.

Jensen, M.C.. Agency costs of free cash flow, corporate finance, and takeovers. American Economic Review 1986;76:323–329.

Jensen, M.C.. The modern industrial revolution, exit, and the failure of internal control systems. Journal of finance 1993;:831–880.

Lehn, K.M., Zhao, M.. CEO turnover after acquisitions: Are bad bidders fired? Journal of Finance 2006;61:1759–1811.

Lux, S., Crook, T.R., Woehr, D.J.. Mixing business with politics: a meta-analysis of the antecedents and outcomes of corporate political activity. Journal of Management 2011;37:223–247.

Masulis, R.W., Wang, C., Xie, F.. Corporate governance and acquirer returns. Journal of Finance 2007;62:1851–1889.

Ryan, H.E., Wiggins, R.A.. Who is in whose pocket? director compensation, board independence, and barriers to effective monitoring. Journal of Financial Economics 2004;73:497–524.

Sobel, R.S., Graefe-Anderson R., L.. The relationship between political connections and the financial performance of industries and firms. Working paper 2014;.

Weisbach, M.S.. Outside directors and CEO turnover. Journal of Financial Economics 1988;20:431–460.

Yermack, D.. Higher market valuation of companies with a small board of directors. Journal of Financial Economics 1996;40:185–211.

Yu, F., Yu, X.. Corporate lobbying and fraud detection. Journal of Financial and Quantitative Analysis 2011;46:1865–1891.

Figure 1: Average cumulative abnormal returns for merger deals

We plot the average cumulative abnormal return for the merger deals during forty trading dates before and twenty trading dates after merger announcement period. The top graph shows average cumulative abnormal returns of bidder firms while the bottom graph shows those of target firms. We use blue dotted (red connected) line to indicate lobbying (non-lobbying) firms. A vertical line is placed on the announcement date.

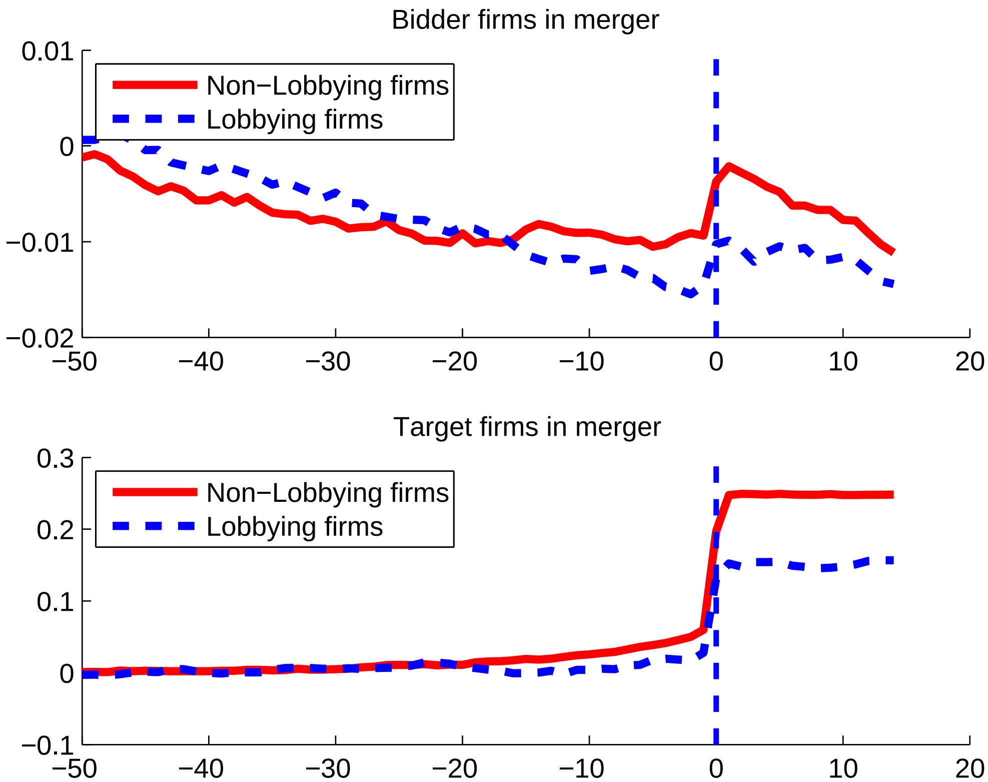

Figure 2: Average cumulative abnormal returns for tender offer deals

We plot the average cumulative abnormal return for the tender offer deals during forty trading dates before and twenty trading dates after tender offer announcement period. The top graph shows average cumulative abnormal returns of bidder firms while the bottom graph shows those of target firms. We use blue dotted (red connected) line to indicate lobbying (non-lobbying) firms. A vertical line is placed on the announcement date.

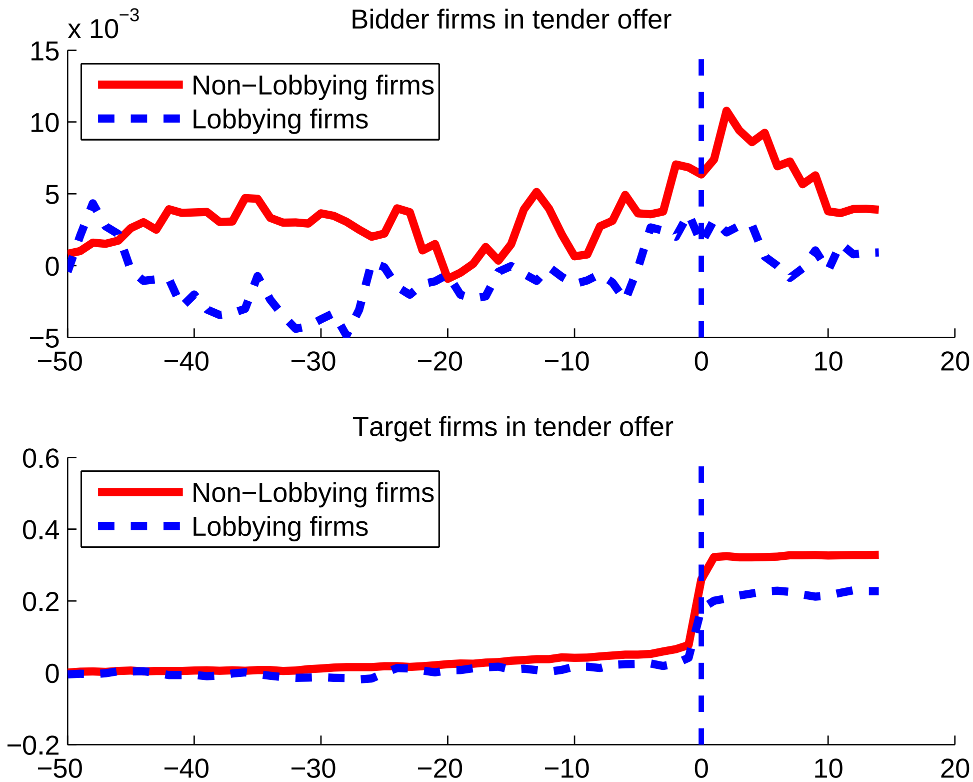

Table 1: Summary Statistics

This table presents summary statistics. Deal value is the total consideration paid for the target. Duration is the number of days between the merger announcement and completion or delisting date. Cash Deal equals one if the merger is paid for in cash. Stock Deal equals one if the merger is paid for in stock. Same Industry Deal equals one if the acquirer and target share at least one digit in their SIC codes. Firm Size is the log of total assets. ROA is operating income before depreciation divided by total assets. Tobin's Q is the ratio of total market value to book value of assets. Free Cash Flow is operating income before depreciation minus Interest Expense minus Income Taxes minus Capital Expenditures, scaled by book value of total assets. Leverage is the ratio of debt to total assets. The Herfindahl-Hirschman index is constructed based on four-digit SIC codes in the entire Compustat universe. CEO/Chairman equals one if the CEO is board chair. CEO/Nominating equals one if the CEO is on the nominating committee. Turnover equals one if the acquiring firm changes its CEO within five years of merger announcement. CEO Compensation (salary, bonus, total) is measured in millions of dollars. The E-Index is calculated as in Bebchuk, Cohen and Ferrell (2008). Board Size is the total number of directors. All firm and industry characteristics are measured in the year prior to the merger announcement date.

	Lobbying Activities						Mean	
	Yes			No			Diff	T-stat
	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.		
Panel A: Summary statistics for bidder firms								
Deal Characteristics								
Deal Value	1,777	5.42	2.15	4,979	4.00	1.90	1.43	24.70***
Duration	2,287	2.92	2.13	6,082	2.89	2.18	0.03	0.60
Cash Deal	2,287	30.39%	0.46	6,082	20.78%	0.41	0.10	8.78***
Stock Deal	2,287	24.05%	0.43	6,082	39.86%	0.49	−0.16	−14.47***
Same Industry Deal	2,287	0.28	0.45	6,082	0.35	0.48	−0.07	−6.39***
Firm/Industry Characteristics								
Firm Size	2,286	22.66	2.18	6,029	20.24	2.04	2.41	45.79***
ROA	2,242	0.12	0.17	5,779	0.03	0.27	0.08	16.88***
Tobin's Q	2,269	2.55	3.49	5,876	2.65	5.23	−0.10	−0.97
Free Cash Flow	2,034	0.04	0.19	4,239	−0.05	0.31	0.08	12.94***
Leverage	2,269	0.16	0.16	5,877	0.15	0.16	0.01	1.85*
Herfindahl Index	2,283	0.23	0.18	5,724	0.21	0.19	0.02	3.53***
CEO Charcteristics								
Age	1,788	55.56	6.69	2,213	54.84	8.31	0.73	3.06***
CEO/Chairman	1,580	0.66	0.47	1,785	0.58	0.49	0.08	4.87***
CEO/Nominating	1,580	0.00	0.07	1,785	0.00	0.07	−0.00	−0.02
Total Compensation	1,851	8.95	1.37	2,703	7.92	1.22	1.03	25.98***
Bonus	983	7.09	1.42	1,524	6.14	1.32	0.95	16.83***
Salary	1,852	6.59	1.73	2,742	6.32	0.79	0.27	6.40***
Governance Characteristics								
E-Index	1,774	2.32	1.25	2,111	2.42	1.34	−0.10	−2.38**
Board Size	1,586	10.81	2.78	1,797	9.59	3.34	1.22	11.57***
% of Ind Directors	1,586	74.87%	14.47	1,797	68.33%	16.65	6.54	12.23***

Table 1 Summary Statistics -Continued

	Lobbying Activities						Mean Diff	T-stat
	Yes			No				
	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.		
Panel B: Summary statistics for target firms								
Deal Characteristics								
Deal Value	511	6.61	2.34	3,472	4.93	2.05	1.68	15.37∗∗∗
Duration	589	3.53	2.15	3,790	3.82	1.83	−0.28	−3.05∗∗∗
Cash Deal	589	35.99%	0.48	3,790	44.80%	0.50	−0.09	−4.02∗∗∗
Stock Deal	589	23.60%	0.42	3,790	27.94%	0.45	−0.04	−2.20∗∗
Same Industry Deal	589	0.21	0.41	3,790	0.26	0.44	−0.05	−2.65∗∗∗
Firm/Industry Characteristics								
Firm Size	588	21.52	2.28	3,748	19.52	1.76	2.00	20.33∗∗∗
ROA	576	0.02	0.68	3,624	−0.00	0.48	0.02	0.79
Tobin's Q	585	2.08	7.23	3,695	1.87	3.19	0.20	0.67
Free Cash Flow	503	−0.07	0.85	2,602	−0.08	0.58	0.01	0.36
Leverage	585	0.23	0.21	3,695	0.18	0.20	0.05	5.95∗∗∗
Herfindahl Index	580	0.21	0.18	3,470	0.20	0.17	0.01	0.98
CEO Charcteristics								
Age	321	55.52	7.25	727	55.00	7.26	0.52	1.06
CEO/Chairman	170	0.63	0.48	341	0.57	0.50	0.05	1.18
CEO/Nominating	170	0.01	0.08	341	–	–	0.01	1.00
Total Compensation	179	8.67	1.32	307	7.83	1.13	0.84	7.12∗∗∗
Bonus	65	6.88	1.20	125	6.04	1.35	0.85	4.25∗∗∗
Salary	179	6.47	1.84	311	6.28	1.18	0.19	1.23
Governance Characteristics								
E-Index	364	2.57	1.34	835	2.43	1.28	0.14	1.73∗
Board Size	175	10.32	2.52	344	9.25	2.76	1.07	4.30∗∗∗
% of Ind Directors	175	74.25%	16.84	344	68.81%	18.34	5.44	3.28∗∗∗

Table 2: Lobbying expenditures and CEO compensation by year

This table presents lobbying information and CEO compensation by year for acquirers and targets by year. Lobbying firms are those that disclose lobbying expenditures in the two years prior to merger announcement. Lobbying amounts and CEO compensation such as salary, bonus, total compensation amount are measured in millions of dollars.

Deal Year	Total firms	Lobbying firms	Percent lobbying	Lobbying Amount	Total Compen	Bonus	Salary
Panel A: Bidder firms							
2000	1240	324	26.13%	46.96	13.34	1.17	0.62
2001	710	212	29.86%	41.28	10.38	1.28	0.72
2002	535	157	29.35%	40.91	10.39	0.97	0.71
2003	595	189	31.76%	18.99	6.47	0.95	0.69
2004	645	171	26.51%	17.79	6.39	1.22	0.72
2005	687	220	32.02%	52.38	8.07	1.56	0.82
2006	617	231	37.44%	57.21	9.29	2.09	0.84
2007	626	216	34.50%	77.59	9.22	1.06	0.84
2008	468	196	41.88%	92.65	8.89	0.98	0.85
2009	335	160	47.76%	188.10	8.24	0.22	0.92
2010	367	136	37.06%	66.24	6.65	0.29	0.86
2011	377	129	34.22%	47.82	6.69	0.35	0.82
2012	385	119	30.91%	47.13	8.56	0.23	0.91
2013	386	106	27.46%	62.31	8.01	0.71	0.85
2014	396	84	21.21%	52.18	6.76	0.17	0.86
Total	8369	2650	31.66%	60.63	8.49	0.88	0.80
Panel B: Target firms							
2000	635	67	10.55%	8.29	6.08	0.88	0.60
2001	433	34	7.85%	5.14	5.37	0.84	0.60
2002	279	37	13.26%	7.21	9.27	0.48	0.58
2003	295	29	9.83%	2.15	7.76	0.60	0.68
2004	253	35	13.83%	9.47	4.46	0.85	0.71
2005	309	50	16.18%	18.86	4.21	0.75	0.72
2006	311	55	17.68%	18.77	4.29	0.72	0.72
2007	345	75	21.74%	5.31	4.86	0.21	0.75
2008	320	65	20.31%	31.57	6.43	0.62	0.73
2009	306	69	22.55%	8.79	6.77	0.62	0.80
2010	236	38	16.10%	2.61	3.52	0.26	0.71
2011	185	36	19.46%	17.46	4.38	0.15	0.72
2012	197	31	15.74%	12.28	4.88	0.48	0.80
2013	173	23	13.29%	5.32	3.71	0.05	0.76
2014	102	13	12.75%	2.97	3.58	0.09	0.67
Total	4379	657	15.00%	10.41	5.30	0.51	0.70

Table 3: Lobbying expenditures and CEO compensation by industry

This table presents lobbying information and CEO compensation by year for acquirers and targets by industry. Lobbying firms are those that disclose lobbying expenditures in the two years prior to merger announcement. Lobbying amounts and CEO compensation (salary, bonus, total) are measured in millions of dollars.

Industry (2-digit SIC)	Total firms	Lobbying firms	Percent lobbying	Lobbying Amount	Total Compen	Bonus	Salary
Panel A: Bidder firms							
Agriculture, Forestry, Fishing	11	0	0.00%	-	1.96	0.50	0.53
Mining	370	86	23.24%	14.10	8.76	1.42	0.73
Construction	77	12	15.58%	2.11	4.49	1.27	0.68
Manufacturing	2551	1111	43.55%	100.20	9.32	0.85	0.85
Transportation & Public Utilities	771	337	43.71%	45.41	10.48	1.29	0.90
Wholesale Trade	209	39	18.66%	14.40	5.54	0.62	0.72
Retail Trade	224	62	27.68%	29.28	6.44	0.59	0.86
Finance, Insurance, Real Estate	2179	443	20.33%	24.02	7.34	1.46	0.73
Services	1853	548	29.57%	31.64	10.62	0.60	0.65
Public Administration	124	12	9.68%	26.86	8.33	0.05	0.70
Total	8369	2650	31.66%	28.80	7.33	0.86	0.74
Panel B: Target firms							
Agriculture, Forestry, Fishing	9	4	44.44%	0.87	2.50	0.66	0.57
Mining	159	36	22.64%	4.33	6.58	1.56	0.75
Construction	34	2	5.88%	0.33	4.59	0.84	0.57
Manufacturing	1249	178	14.25%	16.15	4.46	0.34	0.68
Transportation & Public Utilities	361	155	42.94%	10.63	5.51	0.57	0.72
Wholesale Trade	140	11	7.86%	0.97	7.20	0.33	0.68
Retail Trade	278	28	10.07%	5.55	3.80	0.25	0.79
Finance, Insurance, Real Estate	1124	99	8.81%	21.24	6.38	0.96	0.77
Services	989	140	14.16%	5.27	5.40	0.47	0.67
Public Administration	36	4	11.11%	0.81	21.91	1.17	0.38
Total	4379	657	15.00%	6.62	6.83	0.72	0.66

Table 4: Cumulative abnormal returns by deal and industry characteristics

This table presents cumulative abnormal returns (CAR) for acquirers and targets. CAR is the excess return over the market model for the [-2, 2] day period surrounding the merger announcement. Lobbying firms are those that disclose lobbying expenditures in the two years prior to merger announcement. Low, medium, and high industry concentration are measured by Herfindahl-Hirschman Index values of 0-1000, 1000-1800, and >1800, respectively.

Firms	Category	Lobbying Activities						Percent of Lobbying
		Yes			No			
		Obs	$CAR[-2,2]$	T-stat	Obs	$CAR[-2,2]$	T-stat	
Panel A: Cumulative Abnormal return for Merging firms								
A		2,287	0.34%	1.26	6,082	0.68%	4.22***	27.33%
T		589	14.71%	10.82***	3,790	22.01%	42.47***	13.45%
Panel B: Cumulative Abnormal return for Merging firms by Merger and Tender Offer								
A	Merger	1,840	0.42%	1.30	5,418	0.68%	3.87***	25.35%
	Tender Offer	447	−0.01%	−0.05	664	0.70%	1.90*	40.23%
T	Merger	412	12.96%	8.78***	2,782	20.37%	39.89***	12.90%
	Tender Offer	177	18.82%	6.41***	1,008	26.63%	19.79***	14.94%
Panel C: Cumulative Abnormal return for Merging firms by Bidder Attitude								
A	Friendly	2,194	0.36%	1.29	5,931	0.66%	4.04***	27.00%
	Hostile	7	−0.28%	−0.15	4	0.47%	0.26	63.64%
T	Friendly	537	15.13%	10.54***	3,594	22.63%	42.10***	13.00%
	Hostile	6	10.93%	2.95**	9	23.52%	3.51***	40.00%
Panel D: Cumulative Abnormal return for Merging firms by Payment Methods								
A	Cash	695	0.58%	2.65***	1,264	0.49%	2.06**	35.48%
	Mixed	1,344	0.37%	0.87	3,669	0.93%	4.50***	26.81%
	Stock	248	−0.52%	−0.76	1,149	0.05%	0.11	17.75%
T	Cash	212	23.62%	9.81***	1,698	28.87%	33.44***	11.10%
	Mixed	326	8.37%	5.63***	1,498	15.33%	21.15***	17.87%
	Stock	51	18.00%	2.66**	594	18.77%	18.94***	7.91%
Panel E: Cumulative Abnormal return for Merging firms by Same Industry Deals								
A	Same	642	0.11%	0.36	2,143	0.63%	2.41**	23.05%
	Different	1,645	0.43%	1.21	3,939	0.70%	3.46***	29.46%
T	Same	126	21.67%	7.23***	995	24.50%	25.64***	11.24%
	Different	463	12.79%	8.45***	2,795	21.12%	34.36***	14.21%
Panel F: Cumulative Abnormal return for Merging firms by Herfindahal Index								
A	HHI $<$ 1000	642	0.11%	0.13	2,438	0.37%	1.52	20.84%
	1000 $\leq$HHI $\leq$ 1800	544	0.04%	0.13	1,172	1.06%	2.61***	31.70%
	HHI $>$ 1800	1,101	0.62%	2.67***	2,472	0.80%	3.24***	30.81%
T	HHI $<$ 1000	191	13.54%	5.13***	1,568	19.67%	26.15***	10.86%
	1000 $\leq$ HHI $\leq$ 1800	150	11.63%	5.46***	786	22.87%	19.04***	16.03%
	HHI $>$ 1800	248	17.43%	8.09***	1,436	24.12%	27.68***	14.73%

Table 5: Determinants of lobbying expenditures during merger periods

This table presents determinants of lobbying activity during the merger period. The dependent variable equals one if a firm makes lobbying expenditures between the merger announcement date and its completion or delisting date. Acquirer Dummy equals one if the firm is the acquirer in a merger. Cumulative Abnormal Return (CAR) is the excess return over the market model for the [-2, 2] day period surrounding the merger announcement. Stock Deal equals one if the merger is paid for in stock. Cash Deal equals one if the merger is paid for in cash. Duration is the number of days between the merger announcement and completion or delisting date. Same Industry Deal equals one if the acquirer and target share at least one digit in their SIC codes. Low, medium, and high industry concentration are measured by Herfindahl-Hirschman Index values of 0-1000, 1000-1800, and >1800, respectively. Firm Size is the log of total assets. Tobin's Q is the ratio of total market value to book value of assets. ROA is operating income before depreciation divided by total assets. Free Cash Flow is operating income before depreciation minus Interest Expense minus Income Taxes minus Capital Expenditures, scaled by book value of total assets. Leverage is the ratio of debt to total assets. CEO/Chairman equals one if the CEO is board chair. CEO/Nominating equals one if the CEO is on the nominating committee. Board Size is the total number of directors. The E-Index is calculated as in Bebchuk, Cohen and Ferrell (2008).

	(1)	(2)	(3)	(4)	(5)
CEO/Chairman		0.427∗∗∗			0.367∗∗∗
		(0.099)			(0.106)
CEO/Nominating		1.927∗∗			2.803∗∗∗
		(0.810)			(0.965)
Board Size			0.099∗∗∗		0.100∗∗∗
			(0.023)		(0.025)
% of Ind Directors			0.021∗∗∗		0.020∗∗∗
			(0.003)		(0.004)
E-Index				0.124∗∗∗	−0.010
				(0.034)	(0.045)
Acquirer Dummy	0.386∗∗∗	−0.006	0.049	0.240∗∗	−0.079
	(0.081)	(0.158)	(0.157)	(0.115)	(0.170)
CAR[-2,2]	−0.069	−0.677	−0.710	−0.392	−0.862
	(0.190)	(0.520)	(0.516)	(0.337)	(0.569)
Stock deal	0.009	0.002	0.026	0.041	0.160
	(0.087)	(0.139)	(0.140)	(0.120)	(0.149)
Cash deal	−0.002	0.248∗∗	0.280∗∗	0.166	0.321∗∗∗
	(0.078)	(0.119)	(0.119)	(0.102)	(0.124)
Duration	0.015	−0.011	−0.017	−0.018	−0.025
	(0.017)	(0.025)	(0.025)	(0.022)	(0.027)
Same Industry	−0.276∗∗∗	−0.538∗∗∗	−0.524∗∗∗	−0.401∗∗∗	−0.490∗∗∗
	(0.070)	(0.107)	(0.108)	(0.093)	(0.114)
$1000 \leq$ HHI ≤ 1800	−0.008	−0.017	−0.048	−0.016	−0.001
	(0.048)	(0.077)	(0.077)	(0.065)	(0.081)
HHI $>$ 1800	0.082∗	0.088	0.086	0.001	0.056
	(0.046)	(0.072)	(0.073)	(0.062)	(0.078)
Firm Size	0.771∗∗∗	0.855∗∗∗	0.761∗∗∗	0.812∗∗∗	0.785∗∗∗
	(0.020)	(0.037)	(0.040)	(0.031)	(0.043)
Tobin'Q	0.009	0.017	0.023∗	0.088∗∗∗	0.082∗∗∗
	(0.009)	(0.013)	(0.014)	(0.023)	(0.025)
ROA	1.619∗∗∗	1.911∗∗	1.994∗∗	1.530∗∗	1.459
	(0.446)	(0.869)	(0.867)	(0.733)	(0.954)
Free Cash Flow	−1.578∗∗∗	0.535	0.098	−0.305	0.716
	(0.403)	(0.965)	(0.961)	(0.789)	(1.078)
Leverage	−1.888∗∗∗	−2.137∗∗∗	−1.974∗∗∗	−1.566∗∗∗	−1.880∗∗∗
	(0.215)	(0.408)	(0.409)	(0.327)	(0.442)
Intercept	−17.003	−18.501	−18.767	−18.224	−19.404
	(16.876)	(41.578)	(41.425)	(50.490)	(41.672)
Year Dummy	Y	Y	Y	Y	Y
Industry Dummy	Y	Y	Y	Y	Y
Number of obs.	8947	3099	3120	4068	2896
Pseudo-R^2	32.36%	35.94%	36.57%	34.21%	37.63%

Table 6: Logit Regression of the probability that the acquiring firm's CEO is replaced after merger or acquisition

This table presents determinants of CEO turnover following a merger. The dependent variable equals one if the acquiring firm changes its CEO within five years of merger announcement. Lobby$_{t-2,t}$ equals one if a firm makes lobbying expenditures in the two years prior to the merger announcement. Lobby$_{t,T}$ equals one if the firm makes lobbying expenditures between the merger announcement date and its completion or delisting date. Lobby$_{t-2,T}$ equals one if the firm lobbies during either of these time periods. Cumulative Abnormal Return (CAR) is the excess return over the market model for the [-2, 2] day period surrounding the merger announcement. Stock Deal equals one if the merger is paid for in stock. Relative size is the ratio of acquirer and target market values of equity. CEO age is measured in years. CEO/Chairman equals one if the CEO is board chair. Board Size is the total number of directors. Independent Board is the percentage of independent directors.

	(1)	(2)	(3)	(4)
Intercept	−9.988	−9.952	−10.007	−10.029
	(75.397)	(75.238)	(75.255)	(75.207)
$CAR[-2,2]$	−14.985∗∗	−15.094∗∗	−14.943∗∗	−15.048∗∗
	(7.313)	(7.300)	(7.315)	(7.301)
lobby$_{t-2}$			0.332	
			(0.307)	
lobby$_{t-2} \times CAR[-2,2]$			0.325	
			(4.539)	
lobby$_{t,T}$		0.394∗∗	0.120	
		(0.180)	(0.310)	
lobby$_{t,T} \times CAR[-2,2]$		0.750		
		(2.480)		
lobby$_{t-2,T}$				0.464∗∗
				(0.181)
lobby$_{t-2,T} \times CAR[-2,2]$				−0.195
				(2.486)
Stock deal	−0.047	−0.013	−0.001	−0.002
	(0.179)	(0.180)	(0.181)	(0.181)
Stock deal $\times CAR[-2,2]$	0.424	0.227	0.256	0.166
	(2.582)	(2.600)	(2.601)	(2.610)
Relative size of target	−0.025	−0.028	−0.028	−0.028
	(0.028)	(0.028)	(0.028)	(0.028)
CEO age	0.121∗∗∗	0.121∗∗∗	0.122∗∗∗	0.121∗∗∗
	(0.013)	(0.013)	(0.013)	(0.013)
CEO/Chairman	−0.169	−0.209	−0.212	−0.215
	(0.174)	(0.176)	(0.176)	(0.176)
CEO/Charman $\times CAR[-2,2]$	0.482	0.336	0.253	0.199
	(2.601)	(2.599)	(2.607)	(2.606)
Board Size	0.049∗	0.032	0.032	0.033
	(0.029)	(0.029)	(0.029)	(0.029)
Board Size $\times CAR[-2,2]$	0.422	0.417	0.434	0.490
	(0.445)	(0.454)	(0.455)	(0.456)
Independent Board	0.022∗∗∗	0.021∗∗∗	0.020∗∗∗	0.021∗∗∗
	(0.006)	(0.006)	(0.006)	(0.006)
Independent Board $\times CAR[-2,2]$	0.112	0.113	0.108	0.110
	(0.084)	(0.084)	(0.085)	(0.084)
Year Dummy	Y	Y	Y	Y
Industry Dummy	Y	Y	Y	Y
Number of obs.	951	951	951	951
Pseudo-R^2	21.32%	21.72%	21.82%	21.90%

Table 7: Lobbying expenditures and CEO compensation

This table presents determinants of CEO compensation. Bonus, salary, and equity compensation are measured in millions of dollars. Lobby_{t-2} equals one if a firm makes lobbying expenditures in the two years prior to the merger announcement. $\text{Lobby}_{t,T}$ equals one if the firm makes lobbying expenditures between the merger announcement date and its completion or delisting date. Firm Size is the log of total assets. Deal Value is the total consideration paid for the target. Duration is the number of days between the merger announcement and completion or delisting date. Same Industry Deal equals one if the acquirer and target share at least one digit in their SIC codes. CEO/Chairman equals one if the CEO is board chair. CEO/Nominating equals one if the CEO is on the nominating committee. Board Size is the total number of directors.

Dependent Variable	Total Compen	Bonus	Salary	Bonus+ Salary	Equity Compen
lobby_{t-2}	0.349∗∗∗	0.183	0.208	0.232∗	0.103
	(0.099)	(0.142)	(0.127)	(0.121)	(0.154)
$\text{lobby}_{t,T}$	−0.010	0.117	−0.149	−0.028	0.280∗
	(0.100)	(0.141)	(0.128)	(0.122)	(0.154)
Firm Size	0.281∗∗∗	0.338∗∗∗	−0.040	0.050∗∗	0.442∗∗∗
	(0.020)	(0.029)	(0.026)	(0.025)	(0.035)
Deal Value	0.069∗∗∗	0.034	0.042∗∗	0.029	0.098∗∗∗
	(0.016)	(0.022)	(0.021)	(0.020)	(0.025)
Deal Duration	−0.013	−0.026	−0.047∗∗	−0.039∗∗	−0.014
	(0.016)	(0.022)	(0.020)	(0.019)	(0.025)
Same Industry	0.080	0.027	0.038	0.076	0.041
	(0.053)	(0.072)	(0.068)	(0.065)	(0.081)
CEO/Chairman	0.059	0.256∗∗∗	0.356∗∗∗	0.333∗∗∗	−0.059
	(0.051)	(0.072)	(0.066)	(0.063)	(0.082)
CEO/Nominating	0.357	0.248	0.203	0.168	−0.066
	(0.349)	(0.411)	(0.447)	(0.427)	(0.443)
% of Ind Directors	0.009∗∗∗	−0.001	0.005∗∗	0.003	0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
Board Size	0.004	−0.012	0.036∗∗∗	0.027∗∗	−0.085∗∗∗
	(0.010)	(0.013)	(0.013)	(0.012)	(0.016)
Year Dummy	Y	Y	Y	Y	Y
Industry Dummy	Y	Y	Y	Y	Y
Number of obs.	2710	2710	2712	2712	1161
Adjusted R^2	42.64%	56.61%	23.50%	28.11%	56.43%