Internet Appendix for "Lucky CEOs and Lucky Directors"[*]

Tables IA.I-IV show results where events awarded during months with quarterly earnings announcements are removed. The tables correspond to Tables II, IV, V, and IX in the paper.

Table IA.I
Estimating the Incidence of Firms Associated with Opportunistic Timing

The table shows the actual number of firms that had at least one grant event that fell on the lowest day of the month in the director grant sample and the CEO grant sample (lucky grant). It also shows the number of firms expected to have at least one lucky grant event falling on the lowest day of the month if the grant date was randomly selected. We estimate the probability of observing a grant event on the lowest price of the month by counting the number of days in the month where the price is the lowest and dividing it by the total number of trading days of the stock in that month. The table compares the estimate to the actual number of grant events that were the lowest.

#Grants	Firms	Actual # Firms at Lowest	Expected # Firms at Lowest	Actual - Expected	(Actual - Expected) / Actual	(Actual - Expected) / Total
Panel A: CEO Grant Events - Distribution by Firm						
1	2,094	312	152	160	51%	8%
2	1,113	273	143	130	48%	12%
3	657	195	114	81	42%	12%
4	401	143	87	56	39%	14%
5>	602	297	187	110	37%	18%
All	4,867	1220	683	537	44%	11%
Panel B: Director Grant Events - Distribution by Firm						
1	1,067	135	92	43	31.9%	4.0%
2	657	140	95	45	31.9%	6.8%
3	498	133	91	42	31.3%	8.4%
4	256	105	75	30	28.6%	11.7%
5>	1,395	656	547	109	16.6%	7.8%
All	3,973	1,169	900	269	23.0%	6.8%

Table IA.II
CEO Luck and Simultaneous Awards to Directors

The table shows logit regression results for the sample of CEO grant events. Due to data availability, the sample is reduced to 11,520 observations. The dependent variable is a dummy variable for whether the grant was given on the date where the lowest price of the month prevailed and zero otherwise. The independent variables are defined in Table III. The numbers in parentheses are the estimated standard errors of the coefficients, adjusted for clustering at the executive level. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

	Whole Sample		Firm Fixed Effect		CEO Fixed Effect	
Dependent Variable:	Lucky CEO Grant Dummy					
	(1)		(2)		(3)	
Simultaneous grants to directors	0.210	**	0.259	**	0.253	*
	(0.081)		(0.126)		(0.149)	
Relative size	-0.085	***	0.116	*	0.156	**
	(0.015)		(0.061)		(0.072)	
New economy	0.202	***				
	(0.087)					
SOX	-0.580	***	-0.533	***	-0.522	***
	(0.065)		(0.097)		(0.115)	
Days in month lowest	5.502	***	6.704	***	7.024	***
	(0.498)		(1.099)		(1.309)	
Constant	-2.210	***				
	(0.053)					
Observations	11,520		11,520		11,520	

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Table IA.III
Director Luck and Simultaneous Award to the CEO

The table shows logit regression results for the sample of director grant events. Due to data availability the sample is reduced to 21,696 grant events. The dependent variable is a dummy equal to one if a grant event is at the lowest price of the month. CEO but not other execs get grant is a dummy equal to one if the CEO but no other executive also received a grant on the same day. CEO and other execs get grant, and Other execs but not CEO get grant are defined accordingly. * and *** indicate significance at the 10% and 1% levels, respectively. Standard errors are shown in parentheses.

Dependent Variable:	Lucky Director Grant Dummy
CEO but not other execs get grant	0.630***
	(0.163)
CEO and other execs get grant	0.683***
	(0.064)
Other execs but not CEO get grant	0.426***
	(0.063)
Relative size	0.042**
	(0.013)
New economy	0.109
	(0.064)
SOX	-0.278***
	(0.050)
Days in month lowest	6.761***
	(0.356)
Observations	21,696

Table IA.IV
Timing of Opportunistic Timing

The table shows the fixed effect logit regression results where the dependent variable is a dummy variable for whether the grant event was at the lowest price of the month and zero otherwise. The independent variables are described in Table III. Due to data availability, the sample is reduced to 11,520 observations for CEO grant events and 21,696 for director grant events. The numbers in parentheses are the estimated standard errors of the coefficients, adjusted for clustering at the executive level. *, **, *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable: Lucky Grant Dummy	Sample: CEO Grant Events		Sample: Director Grant Events	
	Firm fixed effect	CEO fixed effect	Firm fixed effect	CEO fixed effect
Difference between the median and lowest price	0.483 *		1.678 ***	
	(0.266)		(0.299)	
Market component of the median price – lowest price difference		3.241 *		3.111 ***
		(1.702)		(0.937)
Firm-specific component of the median price – lowest price Difference		0.441 *		1.597 ***
		(0.263)		(0.304)
Relative size	0.152 **	0.147 **	0.086 **	0.084 **
	(0.072)	(0.072)	(0.039)	(0.039)
SOX	-0.491 ***	-0.484 ***	-0.265 ***	-0.263 ***
	(0.115)	(0.115)	(0.065)	(0.065)
Days in month lowest			8.493 ***	8.547 ***
			(0.773)	(0.776)
Observations	11,520	11,520	21,696	21,696

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Tables IA.V and VI show results where the variable Days in month lowest are replaced with dummy variables equal to one when the grant happens to be on the first, second, etc day of the month. The tables supplement Tables IV and V in the paper. Similar results hold if we use the location of the day in the sequence of trading days. These results are referred to in footnote 21 on page 13 of the paper.

Table IA.V
CEO Luck and Simultaneous Awards to Directors

The table shows logit regression results for the sample of CEO grant events. Due to data availability, the sample is reduced to 18,543 observations. The dependent variable is a dummy variable for whether the grant was given on the date where the lowest price of the month prevailed and zero otherwise. The independent variables are defined in Table III. The numbers in parentheses are the estimated standard errors of the coefficients, adjusted for clustering at the executive level. *, **, and *** indicate significance at the 10%, 5%, and 1% level, respectively.

		Whole Sample		Firm Fixed Effect		CEO Fixed Effect	
Dependent Variable:		Lucky CEO Grant Dummy					
		(1)		(2)		(3)	
Simultaneous grants to directors		0.1929	***	0.238	***	0.3073	***
		(0.061)		(0.092)		(0.105)	
Relative size		-0.1062	***	0.1286	***	0.1292	**
		(0.012)		(0.046)		(0.054)	
New economy		0.2129	***				
		(0.062)					
SOX		-0.6705	***	-0.6928	***	-0.6923	***
		(0.051)		(0.071)		(0.084)	
Day number	1	0.683	***	0.7188	***	0.834	***
		(0.157)		(0.207)		(0.243)	
Day number	2	0.5602	***	0.3285		0.4179	*
		(0.165)		(0.212)		(0.248)	
Day number	3	0.53	***	0.5204	**	0.4599	*
		(0.174)		(0.224)		(0.258)	
Day number	4	0.3884	**	0.3661		0.4119	
		(0.181)		(0.232)		(0.274)	
Day number	5	0.1553		0.1159		0.2935	
		(0.187)		(0.241)		(0.280)	
Day number	7	-0.1308		-0.1575		-0.1119	
		(0.195)		(0.250)		(0.288)	
Day number	8	-0.1296		-0.1698		-0.2968	
		(0.197)		(0.253)		(0.297)	
Day number	9	-0.2836		-0.3402		-0.4989	
		(0.201)		(0.260)		(0.308)	
Day number	10	-0.0387		0.0552		0.00167	

		(0.191)		(0.244)		(0.281)	
Day number	11	-0.3039		-0.1715		-0.0926	
		(0.195)		(0.244)		(0.284)	
Day number	12	-0.288		-0.4297	*	-0.4544	
		(0.197)		(0.248)		(0.285)	
Day number	13	-0.4939	**	-0.3257		-0.2176	
		(0.210)		(0.258)		(0.291)	
Day number	14	-0.2675		-0.3		-0.3822	
		(0.193)		(0.247)		(0.285)	
Day number	15	-0.691	***	-0.6687	***	-0.7626	**
		(0.208)		(0.261)		(0.303)	
Day number	16	-0.6719	***	-0.6044	**	-0.6354	**
		(0.208)		(0.265)		(0.304)	
Day number	17	-0.5919	***	-0.8614	***	-0.9039	***
		(0.202)		(0.266)		(0.306)	
Day number	18	-0.3329	*	-0.4547	*	-0.337	
		(0.192)		(0.244)		(0.275)	
Day number	19	-0.5126	**	-0.3284		-0.2965	
		(0.202)		(0.257)		(0.296)	
Day number	20	-0.4149	**	-0.3892		-0.3041	
		(0.198)		(0.254)		(0.289)	
Day number	21	-0.2006		-0.1196		-0.0348	
		(0.191)		(0.245)		(0.285)	
Day number	22	-0.1242		-0.2771		-0.1724	
		(0.189)		(0.247)		(0.284)	
Day number	23	0.0335		0.0373		-0.00867	
		(0.185)		(0.237)		(0.277)	
Day number	24	0.0335		-0.0558		-0.1182	
		(0.187)		(0.241)		(0.276)	
Day number	25	-0.3043		-0.3925		-0.2258	
		(0.197)		(0.246)		(0.284)	
Day number	26	-0.2928		-0.2766		-0.2742	
		(0.198)		(0.256)		(0.294)	
Day number	27	0.0083		-0.0236		-0.0338	
		(0.187)		(0.243)		(0.288)	
Day number	28	-0.0477		0.1061		0.176	
		(0.185)		(0.239)		(0.275)	
Day number	29	0.0922		-0.0829		-0.0141	
		(0.189)		(0.246)		(0.281)	
Day number	30	0.1977		0.4294	*	0.453	*
		(0.184)		(0.235)		(0.271)	
Day number	31	0.3232	*	0.3215		0.3523	
		(0.184)		(0.245)		(0.282)	

Constant	-1.7861 ***		
	(0.139)		
Observations	18,543	18,543	18,543

Table IA.VI
Director Luck and Simultaneous Award to the CEO

The table shows logit regression results for the sample of director grant events. Due to data availability the sample is reduced to 25,888 grant events. The dependent variable is a dummy equal to one if a grant event is at the lowest price of the month. CEO but not other execs get grant is a dummy equal to one if the CEO but no other executive also received a grant on the same day. CEO and other execs get grant, and Other execs but not CEO get grant are defined accordingly. Day number 1 is a dummy equal to one if the grant date was the first day of the month. Other dummy variables are defined accordingly. *, ** and *** indicate significance at the 10%, 5% and 1% levels, respectively. Standard errors are shown in parentheses.

CEO but not other execs get grant	0.763
	(0.216)***
CEO and other execs get grant	0.685
	(0.085)***
Other execs but not CEO get grant	0.333
	(0.079)***
SOX	-0.428
	(0.064)***
Relative size	0.015
	(0.039)
New economy	0.375
	(0.304)
Day number 1	1.423
	(0.209)***
Day number 2	1.177
	(0.214)***
Day number 3	0.746
	(0.230)***
Day number 4	0.573
	(0.238)**
Day number 5	0.536
	(0.246)**
Day number 7	-0.121
	(0.263)
Day number 8	0.419
	(0.247)*
Day number 9	0.192
	(0.257)
Day number 10	0.102
	(0.249)
Day number 11	-0.017
	(0.263)
Day number 12	0.108
	(0.246)
Day number 13	-0.097
	(0.256)
Day number 14	-0.260
	(0.257)
Day number 15	0.020
	(0.243)
Day number 16	0.010
	(0.251)
Day number 17	-0.042
	(0.253)

Day number	18	0.054
		(0.247)
Day number	19	0.035
		(0.252)
Day number	20	0.382
		(0.240)
Day number	21	0.381
		(0.249)
Day number	22	-0.060
		(0.248)
Day number	23	0.083
		(0.258)
Day number	24	0.305
		(0.244)
Day number	25	0.076
		(0.253)
Day number	26	0.532
		(0.246)**
Day number	27	0.659
		(0.243)***
Day number	28	0.561
		(0.233)**
Day number	29	0.568
		(0.233)**
Day number	30	0.600
		(0.224)***
Day number	31	0.545
		(0.230)**

Table IA.VII shows results for two additional variables referred to in footnote 30 in the paper. Reported are OLS (regression 3) and firm fixed effects (regression 4) regressions of Table VIII where the relative gain from luck variable from the original table are replaced with two new variables. Regressions 3a and 4a use method 2, described in the paper (The second comparison benchmark is the expected value of the grant, assuming it was granted not on the reported date but on a randomly selected day during the grant month (that is, assuming it was given on any of these days with the same probability).[2] Columns 3b and 4b use the third comparison benchmark is the value that the CEO's option had at the end of the grant month.[3]

Table IA.VII
Reported Compensation and Lucky Grants

Dependent Variable:	ln(Total Compensation)			
	(3a)	(4a)	(3b)	(4b)
Relative gain from luck method 2	0.007	0.010		
	(0.006)	(0.005)**		
Relative gain from luck method 3			0.488	0.215
			(0.171)***	(0.094)**
Standard deviation of returns	7.724	2.691	7.196	1.896
	(1.623)***	(1.466)*	(1.675)***	(1.479)
Log book value	0.489	0.554	0.487	0.553
	(0.013)***	(0.035)***	(0.013)***	(0.036)***
ROA	0.164	0.195	0.127	0.163
	(0.173)	(0.150)	(0.176)	(0.152)
Industry-adjusted Tobin's Q	0.112	0.061	0.106	0.051
	(0.013)***	(0.010)***	(0.012)***	(0.009)***
Leverage	-0.314	-0.538	-0.323	-0.555
	(0.097)***	(0.115)***	(0.092)***	(0.122)***
Stock return t	0.033	0.032	0.022	0.029
	(0.033)	(0.026)	(0.033)	(0.026)
Stock return $t-1$	0.173	0.135	0.169	0.141
	(0.029)***	(0.023)***	(0.029)***	(0.023)***
New economy	0.235	0.000	0.231	0.000
	(0.064)***	(0.000)	(0.065)***	(0.000)
Tenure	0.012	0.005	0.012	0.004
	(0.005)**	(0.006)	(0.005)**	(0.006)
Tenure^2	0.000	0.000	0.000	0.000
	(0.000)*	(0.000)*	(0.000)*	(0.000)*
CEO age<50	0.004	0.081	0.015	0.065
	(0.039)	(0.045)*	(0.039)	(0.046)
CEO age >65	-0.187	-0.234	-0.180	-0.220
	(0.087)**	(0.091)**	(0.087)**	(0.091)**
Constant	3.566	3.639	3.578	3.686
	(0.139)***	(0.253)***	(0.141)***	(0.259)***
Observations	4193	4193	4058	4058
R^2	0.55	0.21	0.55	0.21
Year dummies	yes	yes	yes	yes
Industry dummies	yes	yes	yes	yes
Firm Fixed Effects	no	yes	no	yes

[2] This value is computed as the average over Black-Scholes option values in the grant month, where the daily option values are based on the strike price of the actual grant but the stock price is the price of the particular day of the month. All other parameters are held constant.

[3] This value is computed using the strike price of the actual grant and the stock price at the last trading day of the month.

Table IA.VIII reproduces regressions 5 and 6 of Table VIII in the paper using the full sample, rather than only the sample where CEO and Directors did not get simultaneously a grant. (see section III in paper)

Table IA.VIII
Reported Compensation and Lucky Grants

Dependent Variable:	ln(Total Compensation)	
	(5)	(6)
Lucky CEO current year	0.072*	0.052*
	(0.041)	(0.027)
Lucky director current year	0.128**	0.091**
	(0.053)	(0.045)
Standard deviation of returns	6.941***	2.043*
	(1.584)	(1.426)
Log book value	0.485***	0.534***
	(0.012)	(0.035)
ROA	0.171	0.231
	(0.174)	(0.149)
Industry-adjusted Tobin's Q	0.099***	0.051***
	(0.012)	(0.008)
Leverage	-0.274**	-0.421**
	(0.095)	(0.113)
Stock return t	0.044	0.030
	(0.033)	(0.025)
Stock return $t-1$	0.172***	0.146***
	(0.029)	(0.022)
New economy	0.226***	
	(0.062)	
Tenure	0.012**	0.004
	(0.005)	(0.006)
Tenure^2	-0.000	-0.000
	(0.000)	(0.000)
CEO age<50	-0.003	0.066
	(0.038)	(0.044)
CEO age >65	-0.241**	-0.275***
	(0.086)	(0.090)
Constant	3.733***	
	(0.249)	
Observations	4,325	4,325
R^2	0.55	0.40
Year dummies	yes	yes
Industry dummies	yes	yes
Firm Fixed Effects	no	yes

Tables IA.IX and X present the full specifications of Tables VI and VII in the paper including all price ranks as referred to in the table descriptions.

Table IA.IX
Director Luck not Simultaneous with Executives

The sample consists of 18,376 grant events where outside directors received option grants and no executive received a grant on the same day. The regressions are logit regressions where the standard errors are clustered by company and reported underneath the coefficients. The dependent variable is a dummy equal to one on the day in the calendar month of the grant event and zero otherwise. The independent variables are dummy variables equal to one if the price on a given day is the lowest (second lowest, third lowest price etc) of the month. The Internet Appendix shows all rank variables. Regression 1 includes all grant events, regression 2 only those pre-SOX, and regression 3 only those post SOX. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Dependent Variable:	Grant Date Dummy		
	(1)	(2)	(3)
	All	Pre-SOX	Post-SOX
Lucky	0.450***	0.513***	0.329***
	(0.027)	(0.033)	(0.044)
2nd lowest	0.201***	0.221***	0.168***
	(0.027)	(0.033)	(0.047)
3rd lowest	0.122***	0.130***	0.115**
	(0.026)	(0.032)	(0.048)
4th lowest	0.061*	0.043	0.101*
	(0.032)	(0.038)	(0.053)
5th lowest	0.048	0.022	0.098*
	(0.031)	(0.038)	(0.053)
5th highest	0.042	0.046	0.033
	(0.031)	(0.037)	(0.053)
4th highest	0.027	0.034	0.049
	(0.031)	(0.037)	(0.054)
3rd highest	-0.045	-0.031	0.000
	(0.034)	(0.039)	(0.057)
2nd highest	0.131***	0.127**	0.213***
	(0.033)	(0.038)	(0.053)
highest	0.177***	0.259***	0.145**
	(0.034)	(0.041)	(0.056)
Constant	-3.034***	-3.045***	-3.019***
	(0.004)	(0.006)	(0.006)
Observations	367,620	212,654	154,966

Table IA.X
Director Luck and CEO Luck

The sample consists of all trading days in months where outside directors had at least one option grant event and no other executives received a grant on the same day (a total of 18,376 grant events). In Panel A, the regressions are logit regressions where the errors are clustered by company and reported underneath the coefficients. The dependent variable is a dummy equal to one if the trading day was a grant event day and zero otherwise. The independent variables are described in Table III. Regression 1 includes all grant events, regression 2 only those pre-SOX, and regression 3 only those post SOX. The Internet Appendix shows all regressions including the additional price ranks from the second lowest to the fifth lowest and the five highest price ranks. *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively.

Panel A Dependent Variable:	Grant Date Dummy		
	(1)	(2)	(3)
	All	Pre-SOX	Post-SOX
Lucky Director	0.365***	0.417***	0.262***
	(0.028)	(0.034)	(0.047)
Lucky Director x	0.525***	0.571***	0.438***
Lucky CEO current or prior year	(0.081)	(0.100)	(0.137)
Lucky CEO current or prior year	-0.057***	-0.071***	-0.036***
	(0.010)	(0.014)	(0.013)
2nd lowest	0.236***	0.257***	0.208***
	(0.027)	(0.033)	(0.048)
3rd lowest	0.154***	0.163***	0.154**
	(0.027)	(0.032)	(0.049)
4th lowest	0.065**	0.056	0.100*
	(0.028)	(0.034)	(0.049)
5th lowest	0.051*	0.043	0.085*
	(0.028)	(0.034)	(0.049)
5th highest	0.023	0.018	0.042
	(0.028)	(0.034)	(0.049)
4th highest	0.033	0.030	0.049
	(0.028)	(0.033)	(0.050)
3rd highest	-0.037	-0.039	-0.020
	(0.029)	(0.035)	(0.053)
2nd highest	0.113***	0.088**	0.176***
	(0.029)	(0.035)	(0.050)
highest	0.191***	0.220***	0.151**
	(0.030)	(0.037)	(0.052)
Constant	-3.003***	-3.006***	-2.998***
	(0.003)	(0.004)	(0.004)
Observations	367,620	212,654	154,966