

Seeking Alpha α

Banker CEOs Lied to Congress

37 comments

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This article is about how the CEOs of the largest Banks in the world lied to the U.S. Congress about the extent of their equity compensation bonuses. Their deliberate lies were pre-meditated and were intended to deceive the Congress and the viewing public.

Specifically at the 1 hour and 24 minutes into the afternoon session of the [Congressional](#) hearing on February 11, 2009, Representative Bill Posey from Florida asked the bankers to declare the value of all the equity compensation that they were granted during 2007. They answered with flat out lies or artificially low values.

The links below illustrate the size of their grants of equity compensation during the years 2006, 2007, 2008. This article will indicate the true value of the compensation grants on the day of grant by analyzing the components of the grants and using standard theoretical pricing models. This underestimating is done by the companies to hide the actual value of the grants in order to have it appear that the accounting costs are far less than their real costs. They minimize the value of the grants by making unrealistic low assumptions about the volatility of the stock and the expected time to expiration. They also make false assumptions about the probability of early terminations.

The pages of the links from SecForm4.com have to be expanded by adjusting the time period to three years instead of two years near the left top. Otherwise you will receive just two years of data.

1. Morgan Stanley's ([MS](#)) John J.Mack ([SecForm4.com](#)).

John Mack is the infamous inside trader who was subpoenaed by Gary Aguirre of the SEC to take a deposition about his alleged inside trading activities in connection with the hedge fund Pequot Capital. Aguirre was fired by the SEC for trying to subpoena a banker too big to be prosecuted. See the link from [Wikipedia](#).

Mack received the following equity compensation:

Date	Type	Amount	Value on the
of Grant			Grant Day
<u>12/12/06</u>	<u>ESOs</u>	<u>178,945</u>	<u>\$6,400,000</u>
<u>12/12/06</u>	<u>Stock</u>	<u>461,821</u>	<u>\$36,000,000</u>
<u>Total Value of grants for 3 years.....</u>			<u>\$42,400,000</u>

2. J. P. Morgan's ([JPM](#)) James Dimon ([SecForm4.com](#)).

Date of Grant	Type	Amount	Value on the Grant day
<u>4/20/06</u>	<u>ESOs</u>	<u>266,307</u>	<u>\$4,793,526</u>
<u>4/20/06</u>	<u>ESOs</u>	<u>266,307</u>	<u>\$4,793,526</u>
<u>4/20/06</u>	<u>ESOs</u>	<u>330,221</u>	<u>\$5,940,000</u>
<u>4/20/06</u>	<u>ESOs</u>	<u>231,725</u>	<u>\$4,158,000</u>
<u>1/18/07</u>	<u>RSUs</u>	<u>269,431</u>	<u>\$12,480,000</u>
<u>1/22/08</u>	<u>SARs</u>	<u>2,000,000</u>	<u>\$40,000,000</u>
<u>1/22/08</u>	<u>RSUs</u>	<u>364,048</u>	<u>\$14,196,000</u>

Total Value of grants on the grant day for 3yrs.= \$86,000,000 Dimon stated he received \$29,000,000 in equity and cash bonuses in 2007 which really equaled \$54,000,000 plus an unknown amount of cash.

3. Goldman Sachs' ([GS](#)) Lloyd C. Blankfein ([SecForm4.com](#)).

Date of Grant	Type	Amount	Value on the Grant Day
<u>12/15/06</u>	<u>RSUs</u>	<u>77,776</u>	<u>\$15,400,000</u>
<u>12/15/06</u>	<u>ESOs</u>	<u>209,220</u>	<u>\$17,500,000</u>
<u>12/15/06</u>	Cash		<u>\$27,267,500</u>
<u>12/19/06</u>	<u>RSUs</u>	<u>112,675</u>	<u>\$22,000,000</u>
<u>12/19/07</u>	<u>ESOs</u>	<u>322,104</u>	<u>\$31,186,000</u>
<u>12/19/07</u>	Cash		<u>\$26,800,000</u>

Total value on the grant day of equity compensation
granted in 2007 equals \$79,186,000
(Blankfein said it was \$67,000,000)

Total value on the grant days for 3 yrs = \$140,100,000

4. Bank of America's ([BAC](#)) Kenneth D. Lewis ([SecForm4.com](#)).

Date of Grant	Type	Amount	Value on the Grant day
<u>2/15/06</u>	<u>ESOs</u>	<u>425,000</u>	<u>\$8,480,000</u>
<u>2/15/06</u>	<u>RSUs</u>	<u>263,697</u>	<u>\$11,666,680</u>
<u>2/15/07</u>	<u>ESOs</u>	<u>400,000</u>	<u>\$11,000,000</u>
<u>2/15/07</u>	<u>RSUs</u>	<u>205,493</u>	<u>\$11,000,000</u>
<u>2/15/08</u>	<u>ESOs</u>	<u>333,333</u>	<u>\$7,000,000</u>
<u>2/15/08</u>	<u>RSUs</u>	<u>99,649</u>	<u>\$4,100,000</u>

Total value of equity grants on day
of grant for 3 yrs.....\$53,246,000

5. Citigroup's (C) Vikram S Pandit (SecForm4.com).

Date of Grant	Type	Amount	Value on the Grant Day
<u>1/22/08</u>	<u>ESOs</u>	<u>1,000,000</u>	<u>\$14,000,000</u>
<u>1/22/08</u>	<u>ESOs</u>	<u>1,000,000</u>	<u>\$12,000,000</u>
<u>1/22/08</u>	<u>ESOs</u>	<u>1,000,000</u>	<u>\$10,000,000</u>
<u>1/22/08</u>	<u>RSUs</u>	<u>1,090,000</u>	<u>\$26,700,000</u>

Total Equity Compensation granted in 2008 as a bonus for 2007.....\$62,700,000.

At the hearing Pandit said he was granted as a bonus for 2007 of just \$2,500,000. But the true figure was \$62,700,000.

6. Wells Fargo's (WFC) John Stumpt (SecForm4.com).

Date of Grant	Type	Amount	Value on the Grant Day
<u>2/28/06</u>	<u>ESOs</u>	<u>388,000</u>	<u>\$9,900,000</u>
<u>4/21/06</u>	<u>ESOs</u>	<u>133,400</u>	<u>\$3,630,000</u>
<u>6/27/06</u>	<u>ESOs</u>	<u>60,000</u>	<u>\$1,560,000</u>
<u>2/27/07</u>	<u>ESOs</u>	<u>800,000</u>	<u>\$11,000,000</u>
<u>4/25/07</u>	<u>ESOs</u>	<u>389,000</u>	<u>\$5,300,000</u>
<u>6/26/07</u>	<u>ESOs</u>	<u>400,000</u>	<u>\$5,600,000</u>
<u>10/26/07</u>	<u>ESOs</u>	<u>27,900</u>	<u>\$400,000</u>
<u>2/26/08</u>	<u>ESOs</u>	<u>2,000,000</u>	<u>\$35,000,000</u>
<u>2/27/08</u>	<u>PSUs</u>	<u>11,973</u>	<u>\$340,000</u>

Mr. Stumpt said he received just \$3.2 million in options in 2007 which he claimed are now worthless. In fact, the options he was granted in 2007 were worth \$22,300,000 at the time of grant and are far from worthless now. The options granted to him in 2007 are presently worth about..... \$8,000,000 to \$9,000,000.

Total Value of the options on the day of the grant for 3 years equal.....67,000,000.