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Rewarding Failure

10 Wall Street Firms that Failed or Took Bailout Money Paid their CEOs An Average of $28.9 Million a Year This Decade

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For decades, defenders of enormous CEO compensation packages have argued that CEO pay is intrinsically connected to the value created for shareholders. But the argument that executive pay is tied to performance flatly contradicts recent experiences on Wall Street, in which CEOs received mind boggling sums while guiding their companies on courses that resulted in disaster. As many observers have noted, these well-positioned executives reaped staggering rewards while their high-risk strategies appeared successful. When the calamitous effects of the gambles became apparent, these CEOs were allowed to walk away with their millions. Never has the case for linking pay to long-term performance been more clear.

Public Citizen examined the compensation received in this decade by the leaders of 10 financial services institutions that either took bailouts from the taxpayers, were sold at fire sale prices to avoid bankruptcy, or declared bankruptcy.

The results? Between 2000 and 2007 the leaders of these companies received an average of $28.9 million a year. That's 575 times the median family income in the United States for 2007. In 2007, the year before Wall Street's failed bets in subprime loans resulted in a $700 billion taxpayer bailout, the CEOs of these companies received an average of $34 million each. That's 678 times the average American's family's pay for that year.

Company	**Average CEO Compensation Per Year, 2000-2007 (in millions)**[1]
AIG	$20.0
Bank of America	$20.7
Bear Stearns Cos.*	$29.0
Citigroup	$42.3
Countrywide Financial	$51.4
Fannie Mae	$9.4
Freddie Mac	$6.2
Lehman Brothers Holdings	$69.2
Merrill Lynch	$29.5
Washington Mutual	$11.3
Total (average)	$28.9

[1] Most compensation figures were taken from *Forbes'* annual evaluations. Calculations for Fannie Mae, 2000-2004, is from "Report of the Special Examination of Fannie Mae," Office of Federal Housing Enterprise Oversight, May 2006. Citigroup's 2007 compensation was derived from its proxy statement.
* Figures include data from 2000-2006 only

By the end of 2008, nearly all of the companies that these CEOs led were deeply troubled, if they even remained in existence. In many cases, shareholders had lost all, or nearly all, of their investments and taxpayers were called upon to pony up hundreds of billions to avoid even more dire repercussions. But the CEOs faced few if any adverse consequences. For example:

- Lehman Brothers CEO Richard Fuld cleared $246.3 million between 2005 and 2007. In 2008, Lehman Brothers went bankrupt.

- Merrill Lynch CEO Stanley O'Neal was forced out in 2007, when the effects of his bets on subprime mortgages were revealed. Far from paying a price, O'Neil was rewarded with a $161.5 million golden parachute. The average American family in 2007 would have had to work 3,205 years to make as much as O'Neil received for getting fired.

- Martin Sullivan was pushed out as CEO of AIG in the summer of 2008, just months before the government saved the company to avoid a chain reaction that officials feared would destroy the economy. Taxpayers have since paid at least $134 billion to keep AIG afloat. But Sullivan received a severance of $47 million – equal to 934 years income for the median American family's 2008 pay.

The Road Forward

1. The CEOs who led the companies outlined in this report should cede any profits they earned above the salary of the president of the United States for the five years preceding their companies' collapse or acceptance of taxpayer bailout money.

2. Congress should stipulate that any compensation received by employees of publicly traded companies above $2 million annually (about 40 times the average family's annual income) must be set aside for at least seven years before the employees may take possession of it. This should apply to all compensation, regardless of how it is styled or defined. This waiting period will give executives the incentive to create long-term value through sound practices, not short-term profit through reckless practices.

3. Congress should require that long-term shareholders approve compensation contracts for top executives by a binding vote.

American International Group

CEO Compensation 2000-2007: $159.7 million

Government Assistance: The federal government rescued the firm on September 16, 2008, and has since contributed $134 billion to keep it afloat.

AIG CEO Compensation 2000-2007

Year	Company	Executive	CEO Compensation (in millions)
2000	AIG	Maurice R. Greenberg	$59.2
2001	AIG	Maurice R. Greenberg	$14.8
2002	AIG	Maurice R. Greenberg	$29.4
2003	AIG	Maurice R. Greenberg	$14.6
2004	AIG	Martin J. Sullivan	$2.1
2005	AIG	Martin J. Sullivan	$11.0
2006	AIG	Martin J. Sullivan	$17.7
2007	AIG	Martin J. Sullivan	$10.9

Source: *Forbes* CEO Compensation, 2000-2007

After paying its executives tens of millions of dollars a year for profits earned by taking reckless risks, American International Group suffered arguably the most dramatic collapse in the history of American business. It was rescued with infusions of more than $134 billion[1] in taxpayer funds, starting in September 2008, and is now about 80 percent government-owned.

AIG's CEOs were paid more than $160 million in the eight years leading up to AIG's collapse. Martin Sullivan, AIG's CEO from 2005 to 2008, received $41.7 million during his tenure[2] Other AIG employees received enormous sums as well. Joseph Cassano, who headed the firm's Financial Products division, was paid $280 million over eight years before being fired months before AIG's collapse.[3] Others within Cassano's division also reportedly received tens of millions of dollars a year.[4]

It was the Financial Products division, which insured securitized mortgages, that ended up wrecking the company. The decline of the housing market required Financial Products to begin making payouts. That caused a reduction in AIG's credit rating which, in turn, obligated AIG to post billions of dollars in additional collateral. By September 2008, the company was swamped with requirements it could not meet. The federal government pumped $85 billion of emergency funding into the company in exchange for a 79.9 percent equity stake.[5]

[1] Sharona Coutts and Paul Kiel, "How Big is AIG's Bailout ... Really?" Propublica, July 7, 2009.
[2] Public Citizen analysis of *Forbes* data.
[3] Derek Kravitz, "The Downfall of AIG's Beautiful Machine," *Washington Post*, Dec. 31, 2008.
[4] Robert O'Harrow Jr. and Brady Dennis, "Downgrades and Downfall," *Washington Post*, Dec. 31, 2008.
[5] Matthew Karnitschnig, Deborah Solomon, Liam Pleven, and Jon E. Hilsenrath, "U.S. to Take Over AIG in $85 Billion Bailout; Central Banks Inject Cash as Credit Dries Up," *Wall Street Journal*, Sept. 17, 2008.

A few days later, AIG executives embarked on a week-long retreat at a California beach resort that cost $477,000. Meanwhile, Cassano, the Financial Products chief who resigned months before AIG's demise, was retained as a consultant for $1 million a month.[6] Sullivan, the CEO who guided the company to the brink of collapse, received a severance package worth $47 million.[7]

[6] Elizabeth Palmer, "AIG Credit Swapper Under Investigation," CBS News, March 19, 2009.
[7] "AIG Pays Former CEO a $47 Million Severance Package," Reuters, July 1, 2008.

Bank of America

CEO Compensation 2000-2007: $165.4 million

Government Assistance: The federal government began providing bailout money to Bank of America on Oct. 28, 2008. The government eventually provided the firm with $45 billion.

Bank of America CEO Compensation 2000-2007

Year	Company	Executive	CEO Compensation (millions)
2000	Bank of America	Kenneth D. Lewis	$2.6
2001	Bank of America	Kenneth D. Lewis	$8.9
2002	Bank of America	Kenneth D. Lewis	$9.6
2003	Bank of America	Kenneth D. Lewis	$9.6
2004	Bank of America	Kenneth D. Lewis	$7.4
2005	Bank of America	Kenneth D. Lewis	$7.4
2006	Bank of America	Kenneth D. Lewis	$99.8
2007	Bank of America	Kenneth D. Lewis	$20.1

Source: *Forbes* CEO Compensation, 2000-2007

Bank of America received $45 billion in bailout money directly from the federal government, including $20 billion to help offset losses suffered by Merrill Lynch,[8] which it agreed to acquire in September 2008. The company also received $12 billion in payments from AIG that were enabled by the federal bailout of that company.[9] The FDIC and Treasury also agreed to help protect $118 billion in Bank of America loans.[10]

On September 30, 2009, Bank of America CEO Ken Lewis announced his retirement, effective December 31.[11] Lewis made about $165.4 million between 2000 and 2007, including $99.8 million in 2006.[12] He will retire with about $53 million in pension benefits.[13]

Testifying before Congress, Lewis said that he was pressured into completing the acquisition of Merrill Lynch.[14] According to the *Wall Street Journal*, a Federal Reserve official told Lewis that if he backed away from the Merrill Lynch deal and then needed bailout money further down the road, the Fed would consider ousting executives and directors.[15]

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[8] Daniel Gross, "Why Ken Lewis Gave Up," Slate, Oct. 1, 2009.
[9] Mary Williams Marsh, "A.I.G. Lists Banks It Paid With U.S. Bailout Funds," *New York Times*, March 15, 2009.
[10] Daniel Gross, "Why Ken Lewis Gave Up," Slate, Oct. 1, 2009.
[11] "Ken Lewis Announces His Retirement," Bank of America press release, Sept. 30, 2009.
[12] Public Citizen analysis of *Forbes* data.
[13] Colin Barr, "BofA CEO: $53 Million Retirement Score," *Fortune*, Oct. 2, 2009.
[14] Liz Rappaport, "Lewis Testifies U.S. Urged Silence on Deal," *Wall Street Journal,* April 23, 2009.
[15] Dan Fitzpatrick, Susanne Craig and Deborah Solomon, "In Merrill Deal, U.S. Played Hardball," *Wall Street Journal*, Feb. 5. 2009.

On the eve Bank of America's acquisition of Merrill, Merrill Lynch CEO John A. Thain pushed through $3.6 billion in bonuses for Merrill employees.[16] The SEC brought suit against Bank of America over the bonuses, accusing the bank of misleading its shareholders. A proposed settlement of $33 million was rejected by a judge, who said that Bank of America and Merrill Lynch "effectively lied to their shareholders."[17]

[16] Louise Story, "Cuomo Has More Questions on Merrill Bonuses," *New York Times*, Feb. 23, 2009.
[17] Louise Story, "Judge Attacks Merrill Pre-Merger Bonuses," *New York Times*, Aug. 11, 2009.

Bear Stearns

CEO Compensation 2000-2006: $202.7 million

Government Assistance: The federal government brokered Bear Stearns' March 16, 2008, sale to J.P. Morgan Chase. The government assisted by agreeing to back $30 billion of Bear Stearns' toxic assets.

Bear Stearns CEO Compensation 2000-2006

Year	Company	Executive	CEO Compensation (millions)
2000	Bear Stearns Cos.	James E. Cayne	$31.5
2001	Bear Stearns Cos.	James E. Cayne	$15.9
2002	Bear Stearns Cos.	James E. Cayne	$28.4
2003	Bear Stearns Cos.	James E. Cayne	$33.9
2004	Bear Stearns Cos.	James E. Cayne	$26.3
2005	Bear Stearns Cos.	James E. Cayne	$28.4
2006	Bear Stearns Cos.	James E. Cayne	$38.3

Source: *Forbes* CEO Compensation, 2000-2006

The demise of Bear Stearns marked the beginning of the financial crisis.

Bear Stearns, one of the biggest issuers of mortgage-backed securities, lost its independence in March 2008, when it was acquired by J.P. Morgan Chase for $10 a share, a steep reduction from Bear Stearns' stock's $33 12-month peak. The deal was facilitated by the federal government's agreement to back $30 billion of Bear Stearns' most toxic assets.[18]

From 2000 to 2006, Bear Stearns' CEO and Chairman James Cayne was paid $202.7 million.[19] He reportedly received $13 million in exit pay.[20]

[18] Robin Sidel, Dennis K. Berman, Kate Kelly, "J.P. Morgan Buys Bear in Fire Sale, As Fed Widens Credit to Avert Crisis," *Wall Street Journal*, March 18, 2008, and "J.P. Morgan Boosts Buyout Price for Bear Stearns to $10/Share," Marketwatch," March 24, 2008.
[19] Public Citizen analysis of *Forbes* data.
[20] Del Jones and Edward Iwata, "CEO Pay Takes a Hit in Bailout Plan," *USA Today*, Oct. 2, 2008

Citigroup

CEO Compensation 2000-2007: $338.6 million

Government Assistance: The federal government has provided $45 billion to Citigroup, beginning on Oct. 28, 2008. The government also has accepted liability for up to $300 billion of Citigroup's toxic assets.

Citigroup CEO Compensation 2000-2007

Year	Company	Executive	CEO Compensation (millions)
2000	Citigroup	Sanford I. Weill	$216.2
2001	Citigroup	Sanford I. Weill	$34.6
2002	Citigroup	Sanford I. Weill	$18.3
2003	Citigroup	Charles Prince	$16.3
2004	Citigroup	Charles Prince	$13.0
2005	Citigroup	Charles Prince	$19.9
2006	Citigroup	Charles Prince	$19.8
2007	Citigroup	Vikram S. Pandit	$0.5

Source: *Forbes* CEO Compensation, 2000-2006 and Citgroup proxy statement

Taxpayers have pumped $45 billion into Citigroup to keep it alive and are on the hook for up to $300 billion in liabilities stemming from the firm's toxic assets.[21] The U.S. government owns about a third of the firm.[22]

Between 2000 and 2007, Citigroup's CEOs were collectively paid $338.6 million.[23] When former CEO Charles Prince was forced out in 2007, he was lavished with a $105 million severance.[24]

Others also received enormous compensation. Former Treasury Secretary Robert Rubin, for instance, was paid $126 million for eight years as a member of the firm's board of directors and chairman of its executive committee.[25]

Citigroup CEO Vikram Pandit vowed in February 2009 to work for $1 and not to accept a bonus until the firm returns to profitability.[26] But in 2008, the year the company accepted $45 billion from the federal government, Pandit was paid $10.8 million.[27]

[21] Andrew Martin And Gretchen Morgenson, "Can Citigroup Carry Its Own Weight?" *New York Times*, Nov. 1, 2009.
[22] Chris Isidore, "Feds step deeper into Citi bailout," *CNN*, Feb. 27, 2009.
[23] Public Citizen analysis of *Forbes* data.
[24] "CEO Pay Takes a Hit in Bailout Plan," *USA Today*, Oct. 2, 2008
[25] Heather Landy, "Executives Took, but the Directors Gave," *New York Times*, April 5, 2009.
[26] Elizabeth Hester, "Citigroup's Vikram Pandit to Take $1 Salary, No Bonus," Bloomberg, Feb. 11, 2009.
[27] Greg Farrell, "Citigroup Chief Awarded $10.82m," *Financial Times*, March 17, 2009.

Countrywide Financial Corp.

CEO Compensation 2000-2007: $410.8 million

Countrywide CEO Compensation 2000-2007

Year	Company	Executive	CEO Compensation (millions)
2000	Countrywide Financial	Angelo R. Mozilo	$6.1
2001	Countrywide Financial	Angelo R. Mozilo	$6.4
2002	Countrywide Financial	Angelo R. Mozilo	$6.7
2003	Countrywide Financial	Angelo R. Mozilo	$20.8
2004	Countrywide Financial	Angelo R. Mozilo	$57.0
2005	Countrywide Financial	Angelo R. Mozilo	$69.0
2006	Countrywide Financial	Angelo R. Mozilo	$142.0
2007	Countrywide Financial	Angelo R. Mozilo	$102.8

Source: *Forbes* CEO Compensation, 2000-2007

Countrywide Financial Corp. CEO Angelo Mozilo received $410.8 million from 2000 to 2007, when he was forced to sell Countrywide to Bank of America because it was hemorrhaging money due to defaults on subprime loans.[28] Countrywide was sold for about $5 a share, less than a year after its stock had peaked at $45 a share.[29]

Also in 2008, it was revealed that Countrywide has a policy of arranging sweetheart loans for influential people, including prominent politicians. U.S. Sens. Kent Conrad (D-N.D.) and Chris Dodd (D-Conn.) received loans at below market interest rates.[30]

In June 2009, the SEC sued Mozilo, alleging that he hid concerns about the Countrywide's risky portfolio from investors while selling off nearly $140 million in stock.[31] In November 2009, a U.S. District Court judge ruled that the case could proceed.[32]

[28] Gretchen Morgenson and Eric Dash, "Bank of America to Buy Countrywide," *New York Times*, Jan. 11, 2008, and Public Citizen analysis of *Forbes* data.
[29] "Bank of America Cuddles up to Countrywide," Fool.com, Jan. 11, 2008.
[30] Editorial, "Sleaze-O-Rama," *St. Louis Post-Dispatch*, June 27, 2008.
[31] David Scheer, Karen Gullo and Ari Levy, "Mozilo Saw Countrywide 'Flying Blind,' Dumped Stock, SEC Claims," Bloomberg, June 5, 2009.
[32] "Lender's Ex-CEO Must Face Fraud Case," Bloomberg, Nov. 5, 2009.

Fannie Mae

CEO Compensation 2000-2007: $74.9 million

Government Assistance: The federal government has provided $59.9 billion to Fannie Mae, beginning on Sept. 7, 2008.

Fannie Mae CEO Compensation 2000-2007

Year	Company	Executive	CEO Compensation (millions)
2000	Fannie Mae	Franklin D. Raines	$12.9
2001	Fannie Mae	Franklin D. Raines	$12.9
2002	Fannie Mae	Franklin D. Raines	$12.9
2003	Fannie Mae	Franklin D. Raines	$12.9
2004	Fannie Mae	Daniel H. Mudd	$7.1
2005	Fannie Mae	Daniel H. Mudd	$3.5
2006	Fannie Mae	Daniel H. Mudd	$3.9
2007	Fannie Mae	Daniel H. Mudd	$8.8

Source: *Forbes* CEO Compensation, 2000-2007 and "Report of the Special Examination of Fannie Mae," Office of Federal Housing Enterprise Oversight

From 1998 to 2007, government-sponsored mortgage purchasing firm Fannie Mae paid CEOs Franklin D. Raines and Daniel H. Mudd more than $113 million.[33] In exchange for their extraordinary compensation, Raines and Mudd guided the company on a course that eventually wiped out shareholders almost completely and ended up forcing taxpayers to pony up tens of billions of dollars that likely will never be returned.

In 1999, Raines announced a goal of doubling the firm's earnings per share over five years. His campaign permeated the entire company, including the firm's auditing division. "By now every one of you must have $6.46 [earnings per share] branded in your brains," the head of Fannie's office of auditing said in prepared remarks to his staff in 2000. "You must be able to say it in your sleep, you must be able to recite it forwards and backwards. You must have a raging fire in the belly that burns away all doubts, you must live, breathe and dream $6.46. You must be obsessed on $6.46. After all, thanks to Frank [Raines], we all have a lot of money riding on it."[34]

Raines wasn't the only person who would receive lavish paychecks from Fannie Mae. At least four employees besides Raines received at least $26 million between 1998 and 2003. For example, Mudd received $26.3 million for four years of service as chief operating officer before he became CEO.[35]

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[33] Public Citizen analysis of *Forbes* data and "Report of the Special Examination of Fannie Mae," Office of Federal Housing Enterprise Oversight, May 2006.
[34] "Report of the Special Examination of Fannie Mae," Office of Federal Housing Enterprise Oversight, May 2006, p. 4.
[35] "Report of the Special Examination of Fannie Mae," Office of Federal Housing Enterprise Oversight, May 2006, p. 58.

In 2006, Fannie Mae posted one of the largest earnings restatements in American history ($6.3 billion)[36] and paid a $400 million fine to settle SEC charges that it had cooked its books.[37] "By deliberately and intentionally manipulating accounting to hit earnings targets, senior management maximized the bonuses and other executive compensation they received, at the expense of shareholders," the Office of Federal Housing Enterprise Oversight (OFHEO) said in a 2006 report. That report concluded that $52 million of the more than $90 million that Raines received from 1998 to 2003 was awarded for falsely claimed earnings.[38]

In 2006, OFHEO sued Raines and other executives, seeking to recoup more than $115 million in compensation, and to assess penalties potentially exceeding $100 million. But in 2008, OFHEO settled for much less. The agency put a $24.7 million price tag on its settlement with Raines, and even that calculation was greatly exaggerated. The figure included a purported $15.6 million in stock options that Raines agreed to forego. But $15.6 million was their value when issued. By the time Raines agreed to cede them, they were virtually worthless. Raines agreed to pay the government just $2 million – and that sum was covered by Fannie Mae's insurance policy.[39]

One of Raines's strategies to double Fannie's share price was penetrating the subprime market.[40] When he succeeded Raines, Mudd embarked on an even more aggressive subprime loan purchasing program. Between 2005 and 2007 the number of loans the firm bought with down payments of less than 10 percent nearly tripled.[41]

When the housing market turned downward, the effect on Fannie Mae was swift. By September 2008, Fannie Mae was in such peril due to its portfolio of high-risk mortgages that the government took it into receivership to keep it from collapsing.[42] Taxpayers have since paid $59.9 billion (through November 2009) to keep the company afloat, and likely will pay billions more.[43] The company has warned that prospects for repaying the government are dim.

Fannie Mae also has paid for the legal bills of Raines and other former employees. As of July 2009, Fannie Mae had paid $6.3 million in legal defense costs over just the preceding 10 months for Raines and a handful of other former employees.[44]

In its third quarter 2009 report to the SEC, Fannie Mae cast doubt on whether it would ever be able to repay taxpayers for its bailout. The firm noted that the $6.1 billion annual interest payments it is obligated to make "exceeds our reported annual net income for five of the past seven years."[45]

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[36] Eric Dash, "Fannie Mae to Restate Results by $6.3 Billion Because of Accounting," *New York Times*, Dec. 7, 2006.
[37] Eric Dash and Stephen Labaton, "Fannie Mae settlement reported," *New York Times*, May 23, 2006.
[38] *Ibid*, summary.
[39] David S. Hilzenrath, "Raines, Federal Regulators Reach Settlement, *Washington Post*," April 1, 2008.
[40] "Report of the Special Examination of Fannie Mae," Office of Federal Housing Enterprise Oversight, May 2006, p. 45.
[41] Charles Duhigg, "Pressured to Take More Risk, Fannie Reached Tipping Point," *New York Times*, Oct. 5, 2008.
[42] *Id.*
[43] Paul Kiel, "Bailout: $15 Billion More to Fannie Mae (and More to Come), Propublica," Nov. 6, 2009.
[44] Gretchen Morgenson, "They Left Fannie Mae, but We Got the Legal Bills," *New York Times*, Sept. 5, 2009.
[45] Paul Kiel, "Bailout: $15 Billion More to Fannie Mae (and More to Come)," Propublica, Nov. 6, 2009.

Freddie Mac

CEO Compensation 2000-2007: $49.7 million

Government Assistance: The federal government has provided $50.7 billion to Freddie Mac, beginning on Sept. 7, 2008.

Freddie Mac CEO Compensation 2000-2007

Year	Company	Executive	CEO Compensation (millions)
2000	Freddie Mac	Leland C. Brendsel	$17.2
2001	Freddie Mac	Leland C. Brendsel	$4.1
2002	Freddie Mac	Leland C. Brendsel	$4.1
2003	Freddie Mac	Richard F. Syron	$2.5
2004	Freddie Mac	Richard F. Syron	$2.5
2005	Freddie Mac	Richard F. Syron	$7.8
2006	Freddie Mac	Richard F. Syron	$8.1
2007	Freddie Mac	Richard F. Syron	$3.4

Source: *Forbes* CEO Compensation, 2000-2007

Freddie Mac was a government-chartered but privately held organization charged with creating a secondary market for home mortgages. As with Fannie Mae, the firm had long been accused of abusing an implicit understanding that it was backed by the U.S. Treasury by engaging in overly risky behavior. Eventually, that implicit understanding was made explicit – at a cost of more than $50 billion (and counting) for taxpayers.

Freddie Mac's CEOs benefited handsomely from the risky behavior that eventually drove the company into the ground. From 2000 to 2007, Freddie Mac's CEOs were paid about $50 million.[46] During this time, Freddie Mac made an enormous earnings restatement and paid a record-setting fine for illegal influence peddling.

In 2003, Freddie Mac restated its earnings upward by more than $5 billion over the past three previous years.[47] Regulators accused the company manipulating its results to make them look more consistent to conform with Wall Street's expectations.[48] Freddie Mac also paid a $125 million fine[49] and agreed to a $410 million settlement over its accounting practices.[50] In 2006, Freddie Mac paid $3.8 million to settle allegations that it made illegal campaign contributions. That was the largest civil fine ever assessed by the Federal Election Commission.[51]

[46] Public Citizen's analysis of *Forbes* data.
[47] "Shaking Steady Freddie," *Forbes*, Dec. 11, 2003.
[48] Jonathan D. Glater, "Freddie Mac Gets Penalty And Rebuke Over Scandal," *New York Times*, Dec. 11, 2003.
[49] *Ibid*.
[50] "Freddie Mac Announces Agreement to Settle Securities Class Action and Shareholder Litigation," Freddie Mac press release, April 20, 2006..
[51] "Freddie Mac Pays Record $3.8 Million Fine: Settles Allegations it Made Illegal Contributions Between 2000 and 2003,"Associated Press, April 18, 2006.

In 2004, Freddie Mac's chief risk officer warned CEO Richard F. Syron that the firm was buying high-risk mortgages that did not meet its standards. According to the risk officer, Syron refused to heed those warnings, and the firm continued to purchase risky mortgages.[52]

[52] Charles Duhigg, "At Freddie Mac, Chief Discarded Warning Signs," *New York Times*, Aug. 5, 2008.

Lehman Brothers

CEO Compensation 2000-2007: $553.5 million

Lehman Brothers CEO Compensation 2000-2007

Year	Company	Executive	CEO Compensation (millions)
2000	Lehman Brothers Holdings	Richard S. Fuld Jr.	$54.0
2001	Lehman Brothers Holdings	Richard S. Fuld Jr.	$115.6
2002	Lehman Brothers Holdings	Richard S. Fuld Jr.	$29.8
2003	Lehman Brothers Holdings	Richard S. Fuld Jr.	$67.7
2004	Lehman Brothers Holdings	Richard S. Fuld Jr.	$40.1
2005	Lehman Brothers Holdings	Richard S. Fuld Jr.	$122.7
2006	Lehman Brothers Holdings	Richard S. Fuld Jr.	$51.7
2007	Lehman Brothers Holdings	Richard S. Fuld Jr.	$71.9

Source: *Forbes* CEO Compensation, 2000-2007

On September 15, 2008, Lehman Brothers declared the largest bankruptcy in U.S. history, with a record $613 billion in debt.[53] Richard S. Fuld Jr., the CEO of Lehman Brothers from 1994 until its demise, was paid $553.5 million from 2000 to 2007. He took home $71.9 million in 2007, the year before Lehman Brothers crashed.[54]

[53] "Lehman folds with record $613 billion debt," *Wall Street Journal*, Sept. 15, 2008.
[54] Public Citizen analysis of *Forbes* data.

Merrill Lynch

CEO Compensation 2000-2007: $235.8 million

Government Assistance: The federal government initially intended to provide $10 billion to Merrill Lynch. The money instead went to Bank of America, which acquired Merrill.

Merrill Lynch CEO Compensation 2000-2007

Year	Company	Executive	CEO Compensation (millions)
2000	Merrill Lynch	David H. Komansky	$34.2
2001	Merrill Lynch	David H. Komansky	$31.8
2002	Merrill Lynch	E. Stanley O'Neal	$8.8
2003	Merrill Lynch	E. Stanley O'Neal	$15.8
2004	Merrill Lynch	E. Stanley O'Neal	$3.6
2005	Merrill Lynch	E. Stanley O'Neal	$22.4
2006	Merrill Lynch	E. Stanley O'Neal	$36.2
2007	Merrill Lynch	John A. Thain	$83.0

Source: *Forbes* CEO Compensation, 2000-2007 and Associated Press

Merrill Lynch CEO E. Stanley O'Neal was ousted in 2007, after receiving $86.8 million during his five years at the helm, including $36.2 million in his final year.[55] In addition, he was awarded a $161.5 million golden parachute.[56]

John Thain took the helm in November 2007.[57] Thain received an $83 million signing bonus to lead Merrill Lynch.[58] Thain's chief accomplishment during his tenure as CEO was selling the beleaguered firm to Bank of America.[59]

Before that deal was finalized, Thain pushed through $3.6 billion in bonuses to Merrill Lynch employees.[60] Merrill Lynch ended up losing $15 billion during the fourth quarter of 2008, which partially necessitated an additional $20 billion in federal bailout money for Bank of America.[61] Thain has been subpoenaed by New York Attorney General Andrew Cuomo regarding the bonuses.[62]

55 Public Citizen analysis of *Forbes* data.
56 "Stanley O'Neal; Payback is a Bitch," *Fortune*, Jan. 16, 2008.
57 "Merrill Lynch & Co. Inc.," *New York Times*, Sept. 15, 2009.
58 Stephen Bernard, "Former Merrill Chief Thain Out at Bank of America," Associated Press, Jan. 22, 2009.
59 Public Citizen analysis of *Forbes* data.
60 Letter from New York Attorney General Andrew Cuomo to Rep. Barney Frank (D-Mass.), Feb. 10, 2009.
61 "Former Merrill Chief Thain Out at Bank of America," ABC News, Jan. 22, 2009.
62 "Thain subpoenaed as probe into Merrill widens," Reuters, Jan. 27, 2009.

Washington Mutual

CEO Compensation 2000-2007: $90.1 million

Washington Mutual CEO Compensation 2000-2007

Year	Company	Executive	CEO Compensation (millions)
2000	Washington Mutual	Kerry K. Killinger	$8.3
2001	Washington Mutual	Kerry K. Killinger	$7.3
2002	Washington Mutual	Kerry K. Killinger	$9.9
2003	Washington Mutual	Kerry K. Killinger	$7.5
2004	Washington Mutual	Kerry K. Killinger	$15.7
2005	Washington Mutual	Kerry K. Killinger	$13.8
2006	Washington Mutual	Kerry K. Killinger	$22.7
2007	Washington Mutual	Kerry K. Killinger	$4.9

Source: *Forbes* CEO Compensation, 2000-2007

At the culmination of a nine-day bank run in September 2008, in which $16.7 billion in deposits were withdrawn, the FDIC seized Washington Mutual, marking the largest bank failure in history.[63] Washington Mutual's corporate structure enabled the FDIC to seize only the group's banking unit, leaving most of the liabilities in the hands of the holding company. The FDIC in turn immediately sold the banking unit to J.P. Morgan, avoiding making payments from its insurance fund.[64]

Washington Mutual was the country's second-largest provider of adjustable rate mortgages and the 11th-largest subprime lender.[65] Kerry K. Killinger, who was CEO of the company from 1990 until he was removed in September of 2008, made $90.1 million from 2000 to 2007 at the company. Killinger was paid $22.7 million in 2006[66] and $4.9 million in 2007.[67]

[63] "JPMorgan Buys WaMu Deposits; Regulators Seize Thrift," Bloomberg, Sept. 26, 2009.
[64] Linda Shen, "WaMu's Bank Split From Holding Company, Sparing FDIC," Bloomberg, Sept. 26, 2009.
[65] "JPMorgan Buys WaMu Deposits; Regulators Seize Thrift," Bloomberg, Sept. 26, 2009.
[66] Public Citizen analysis of *Forbes* data.
[67] *Ibid.*