

# Stock Options Backdating Article by Jerry Silk and Noam Mandel Published in Lawdragon Magazine

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In its Fall 2006 issue, *Lawdragon*, a national legal periodical, published an intriguing article on the recent wave of stock options backdating, authored by BLB&G Partner Jerry Silk and BLB&G associate Noam Mandel.

The article, entitled “The Compensation Game,” reviews the mechanics of stock options and how they can be used properly as a component of executive compensation in the context of a publicly filed, shareholder approved stock option plan. However, a recent review of stock option grants to executives at public companies reveals a disturbing trend – an alarming number of stock option grant dates occurred when the price of the stock was unusually low, resulting in excessive compensation for executives once they cash in their options at a later date when the stock price is higher.

The article highlights several egregious examples including *UnitedHealth* and *Affiliated Computer Services*, just two among the 100 stock options cases currently under investigation by the SEC, FBI and the Department of Justice.

While these cases are discouraging enough on their own, Mr. Silk and Mr. Mandel emphasize that they underscore the utter lack of effective governance over executive compensation practices that exist in the United States today.

BLB&G is currently prosecuting several stock options backdating cases on behalf of shareholders in derivative lawsuits.