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Ex-Signature Bank execs lose small fortune in collapse

3 founders could still get severance, but $285M in stock is gone

Over the past three years, Signature Bank executives' compensation and net worth ballooned as the regional lender grew at a breakneck pace.

Known for its New York City **real estate loans**, the bank turned to speculative areas like **crypto** and private equity lending, swelling its assets by 140 percent to $121.9 billion between December 2019 and March 2022.

The top brass reaped the rewards, ranking near the top among regional banks for executive compensation and seeing the value of their stock holdings skyrocket.

But the stock deflated over 14 months and became worthless when the bank suddenly collapsed on March 12, as state regulators seized the institution and forced out its senior executives. Over that time, three co-founders' Signature stock lost all of its value — about $285 million.

New York's banking regulator stepped in to interrupt a run on the bank, saying Signature "failed to provide reliable and consistent data, creating a significant crisis of confidence in the bank's leadership." This week, **New York Community Bank** agreed to acquire most of Signature's deposits.

Scrutiny of the executives and their compensation is likely to intensify as regulators do a post-mortem and try to sell the bank's remaining assets. The Biden administration is already discussing ways to claw back stock compensation from its executives, as well as those from **Silicon Valley Bank**, which collapsed at the same time.

Here's a look at the former leaders of Signature Bank and the wealth they reaped during its spectacular rise and fall.

Joseph DePaolo, former CEO

DePaolo graduated in 1981 from Iona College, where he studied accounting. A former point guard for his high school basketball team, he turned down a possible career in coaching to earn a C.P.A. After seven years at KPMG, he joined Republic National Bank of New York in 1988, rising to managing director. He left when Republic was acquired by HSBC, then co-founded Signature in 2001.

The bank began a remarkable ascent, becoming one of the nation's 25 largest without making a single acquisition. DePaolo said he focused on building the bank, lending to entrepreneurs and private companies. The bank was famous for not advertising or marketing.

In 2020, DePaolo's compensation totaled $6.7 million. It increased to $9 million in 2021, including $4.2 million in stock awards, before falling to $8.7 million in 2022.

His stock holdings, however, were worth far more. Signature's share price peaked at $372.50 in January 2022. Two months later, the bank disclosed that DePaolo held 186,022 shares, which at their apex would have been worth $69.3 million.

DePaolo announced in February that he would transition into an advisory role this year and that COO Eric Howell would take over as president. But

DePaolo was still CEO and on the board of directors when mass withdrawals by nervous depositors prompted the government takeover.

Scott Shay, former chairman

Shay was raised in Chicago and earned an MBA from Northwestern University. After graduation, he joined the investment banking powerhouse Salomon Brothers Group where he worked closely with Lewis Ranieri, the godfather of mortgage backed securities — the product at the heart of the 2008 financial crisis.

Shay stayed with his mentor, becoming managing director of Ranieri Strategies, an asset manager. He also served as a director of Bank Hapoalim, one of Israel’s largest banks, from 1997 to 2005, and helped start Signature in 2001.

Shay earned $4.4 million in 2020, $5.1 million in 2021 and $6.1 million in 2022. More significantly, he held the biggest insider position in the bank a year ago: 490,945 shares, worth $182.9 million at the stock’s peak.

Shay has supported a number of Jewish nonprofits, including the Chai Mitzvah movement, his Modern Orthodox synagogue Kehilath Jeshurun, and Birthright Israel. He describes himself as a theologian on his website and has written a few books, including *In Good Faith: Questioning Religion and Atheism.*

John Tamberlane, former vice chairman

Tamberlane, a third co-founder of the bank, was also a former executive at Republic National Bank. He had joined in 1980 from Bankers Trust and led its consumer financial services division.

He spearheaded Republic’s growth to having the third largest branch network. He was also president of Republic subsidiaries Manhattan Savings Bank and its predecessor, Williamsburgh Savings Bank.

Tamberlane’s pay at Signature was $2.5 million in 2020, $3.4 million in 2021 and $2.9 million last year. The 87,907 shares he held in March 2022 were worth $32.7 million at their January high point.

Overall, the three co-founders received $15.2 million in stock awards over the past three years, according to securities filings. The value of their 793,496 shares was $55.5 million when the bank was taken over by regulators, as the stock had closed that Friday at $70.

At that point Shay was the ninth-largest shareholder with 514,288 shares, valued at $36 million. (This included 154,600 shares held in a margin account). DePaolo held 194,376 shares, worth $13.6 million at the end, and Tamberlane owned 84,832, worth $5.9 million.

The value of their Signature holdings had dropped by around 80 percent within the span of a year. But after the regulators seized the bank on March 13, even that vanished — just like the bank.

“It is very likely that their equity interests will be completely wiped out,” said Joseph Lynyak, a partner at Dorsey and Whitney who specializes in restructurings.

Unlike the company’s common stockholders, who are left with nothing but a tax writeoff, Signature’s executives could still see some money. DePaolo and Shay may be entitled to millions of dollars in severance payments, the company’s filings show.

DePaolo was due to receive $5.4 million in cash severance and $70,889 in welfare benefits if terminated without cause or good reason, according to filings. Shay could get $3.7 million in severance. Signature’s conditions for termination “with cause” included a felony or misdemeanor conviction and a breach of fiduciary duty.

It is not a foregone conclusion that the bank executives were axed with cause, said Jerrold Bregman, a bankruptcy and real estate attorney at the Los Angeles-based law firm BG Law.

“That is a question that is yet to be decided,” said Bregman. “I don’t know for sure how a court would rule on that question.”