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Wal-Mart, Alltel officers state's highest-paid execs

By David Smith

Officers at Wal-Mart Stores Inc. and Alltel Corp. led the list of the highest-paid executives in the state last year.

Four Wal-Mart employees were among the 10 highest-paid executives — H. Lee Scott at \$ 23 million, John Menzer at \$ 12.2 million, Michael Duke at \$ 10.8 million and Eduardo Castro-Wright at \$ 6.5 million.

Four Alltel executives — Jeffrey Gardner at \$ 14.7 million, Scott Ford at \$ 13.1 million, Jeffrey Fox at \$ 8.1 million and Kevin Beebe at \$ 7.6 million — also made the top 10.

The \$ 23 million paid to Scott, Wal-Mart's chief executive officer, was more than any other Arkansas public company executive received. It was the third straight year a Wal-Mart executive's income was the highest in the state.

Scott also earned the most money in 2005 at \$ 10.6 million. Tom Coughlin, Wal-Mart's former vice chairman who was fired in 2005 and later convicted in federal court for misspending company money, was the highest-paid executive in 2004 at \$ 19 million.

Companies are required to disclose to the U. S. Securities and Exchange Commission the income for their highest-paid executives who make more than \$ 100, 000, up to a maximum of five people — although some companies filed more. Windstream Corp., a spinoff from Alltel, disclosed income for nine executives, including four who worked for Valor Communications Group in 2006. Alltel acquired Valor last year and merged it into Windstream.

Half of the 113 executives for whom the disclosures were filed last year by 23 of Arkansas' biggest public companies made more than \$ 790, 000.

To put that in perspective, \$ 790, 000 would pay the annual salary of more than 27 workers earning Arkansas' per-capita personal income of \$ 28, 444. It also would buy five houses at the average price of an Arkansas home, \$ 157, 233.

Despite the high incomes, the Arkansans' pay is in line with what top executives across the country make, said Joshua Henke, managing director of Longnecker & Associates of Houston, a consulting firm specializing in executive compensation.

“Compared to pay worldwide, that is not extremely high,” Henke said. He added that he sees incomes in Houston or Dallas in that range or higher.

Mark Reilly, a partner with Chicago-based Compensation Consulting Consortium, agreed.

“Wal-Mart is one of the largest companies in the world,” Reilly said. “If you think about it that way, [Scott] is certainly not one of the highest-paid executives in the world.”

Reilly said the chief executive officer of Countrywide, a mortgage lender caught up in the nation’s subprime mortgage woes, made about \$ 160 million last year.

For 2006, the SEC changed the requirements on how companies must present executives’ income.

The summary compensation tables in proxy statements this year, disclosing income from 2006, include categories for salary, bonus, stock awards, nonequity incentive plan compensation, the change in pension value, and deferred compensation and other compensation. Those columns are added into a total figure, something companies have not done before.

But in addition to that, there are tables for “grants of planbased awards” that include 10 columns of pay, “outstanding equity awards at fiscal yearend” with nine columns of pay and several more.

The idea was to allow shareholders to more easily understand what executives are paid.

Have the new proxies succeeded in doing that?

“The simple answer is no,” Reilly said. “I think the SEC has tried to force companies to disclose more, but the way that is disclosed in the proxy statement is still very hard for most investors to understand. One of the proxy statements I read earlier in the year had 15 tables.”

Steven Hall, managing director of Steven Hall & Partners in New York, said the proxy statements did a better job showing why companies decided to disclose information. But Hall also felt that the multitude of tables in the proxies did not clearly reflect what executives actually earned.

“They were more confusing and not as clear as the old tables used to be,” Hall said. “The summary comp table is difficult because it doesn’t as clearly as it could lay out the different types of compensation and the values that come from it.”

Most proxy statements are compiled by attorneys whose purpose is to meet all the SEC’s requirements, Reilly said.

“It is not written to communicate clearly,” Reilly said. “What people really want is clear communication. I get the sense that most companies and most boards are trying to do the right thing. But I think the good work they are trying to do gets lost in the proxy statement.”

To gauge whether executives are paid fairly, shareholders should examine the return on investment with a company’s stock, how much the firm’s income and revenue are increasing, and how the executives are paid in comparison with executives in their industry, Reilly said.

But other things also can be taken into account, he said.

“Consider how the company is doing from an employee perspective,” Reilly said. “Are the employees satisfied? Are there more opportunities for the employees? Are they cutting back salaries and benefits? Are they treating employees well? If you don’t treat employees well, you could get in a position where you have to sell the company or you have problems with productivity.”

One other area of disclosure provided in proxy statements is how much executives would make if there is a change of control of the company.

Alltel’s proxy shows that Ford could receive as much as \$ 89 million if he were to leave under certain conditions within three years after two private equity firms close their \$ 27.5 billion purchase of Alltel this year.

If the top five executives leave under such conditions, they could reap almost \$ 250 million.