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Some CEOs Received Big Payouts As Companies They Led Faltered

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But their senior executives often keep raking in healthy amounts

are five examples:

Global Crossing

Talk about a sweet deal.

By October, Global Crossing Ltd. had lost almost 90% of its stock-market value during 2001 and badly needed a full-time turnaround leader.



Instead, when the former fiber-optic darling picked its fourth chief executive in four years it paid him handsomely to simultaneously run two related public companies.

John Legere pocketed a \$3.5 million signing bonus to take Global Crossing's No. 1 spot but remained CEO of affiliate **Asia Global**

Crossing Ltd., 59%-owned by Global Crossing. The companies, then

mullying a merger, gave their shared leader a \$1.1 million salary and a \$1.38 million potential annual bonus. Investor dissent soon squelched the merger talks.

Mr. Legere relinquished command of Asia Global Crossing on Jan. 11, 17 days before Global Crossing filed for bankruptcy. Under his employment agreement, Asia Global Crossing forgave the \$10 million balance of a \$15 million interest-free loan he was awarded to help lure him from a top Dell Computer Corp. post. Asia Global Crossing also agreed to pay at least \$2.75 million in spread-out severance payments through October 2004.

"All the compensation actions of both companies were reviewed and approved by each separate board ... and were seen as appropriate for the positions, situation and responsibilities," says Dan Coulter, a Global Crossing spokesman.

EXECUTIVE AVARICE

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- [After Layoffs, More Workers Band Together](#)⁴

COMPANIES

Dow Jones, Reuters

Lucent Technologies Inc. (LU)	
PRICE	5.27
CHANGE	-0.38
U.S. dollars	9:43 a.m.

WorldCom Inc.-WorldCom Group (WCOM)	
PRICE	7.59
CHANGE	-0.34
U.S. dollars	9:48 a.m.

Kmart Corp. (KM)	
PRICE	1.70
CHANGE	0.11
U.S. dollars	9:43 a.m.

* At Market Close

By contrast, Global Crossing stopped paying severance to already laid-off workers once it declared bankruptcy. (Last Friday, Global Crossing announced voluntary buyout packages for its remaining 5,000 U.S. employees that include a lump-sum severance package.)

Should corporate executives' compensation and perks be more tightly regulated? [Participate in the Question of the Day¹](#).

Many workers' 401(k) retirement savings plans, loaded with company shares, became nearly worthless as the stock price sank. Federal authorities are investigating questionable deals with other fiber-optic networks that potentially inflated the Bermuda-based company's revenue and stock price.

"We were lied to all along," says James Welch, a 55-year-old switching technician for a Global Crossing unit sold last summer. Mr. Welch's 401(k) account then held 6,200 Global Crossing shares valued at about \$190,000. Last week, those shares were valued at \$336. "I was always brought up to look up to upper management. But there's no more trust," he fumes.

Lucent Technologies

Richard McGinn got well rewarded for getting fired. The former CEO of **Lucent Technologies** Inc. was granted severance of \$12.5 million in cash and stock. The big telecom-equipment maker ousted him in October 2000 after it missed numerous revenue and earnings targets. The next month, the Securities and Exchange Commission began looking into possible fraudulent accounting practices at the Murray Hill, N.J., company.

Mr. McGinn's settlement included \$5.5 million in cash, about \$7 million in restricted-stock units and an annual pension of \$870,000. Lucent kept the stock units, however, because it assumed responsibility for his personal loans from the company, totaling over \$11 million. Lucent also struck a separate loan accord under which Mr. McGinn agreed to repay it \$4.3 million over three years.



Richard McGinn

Spokeswoman Mary Lou Ambrus says Lucent directors considered their dismissed leader's 30-year tenure, role in certain strategic decisions and noncompete provisions before deciding "this was the appropriate severance package."

Some former Lucent staffers disagree. "I am furious," declares Maddie Carrier, a veteran hourly worker at its North Andover, Mass., plant until she retired early last fall. "He destroyed the company." Mr. McGinn couldn't be reached to comment.

Ms. Carrier, 60, is especially bitter because management barred her and colleagues from selling company shares in their 401(k) savings plan while the stock plummeted. "It was terrible," she recalls. Rank-and-file people "who built the company to where it was were the ones who lost the most."

The retirement plan was near the end of a 15-day "lockdown" period on Oct. 10, 2000 -- shortly before Mr. McGinn's firing -- when the company said it would miss previously stated fourth-quarter estimates. Lucent's stock nosedived 32% the next day. (The shares slid 19% during the entire lockdown.) Ms. Ambrus says Lucent repeatedly warned employees about the temporary halt in trading of 401(k) assets because the plan administrator needed time to balance assets after Lucent spun off a major division.

Now, Lucent faces a lawsuit alleging that plan trustees kept offering company stock in the plan

even though they knew serious business problems would hurt the share price. Lucent believes the suit is without merit and has said it didn't require employees to invest in its shares. Also, another Lucent official says, the company's pension program cushions older workers against 401(k) declines.

Enron

Former Enron Corp. leader Kenneth Lay urged employees to keep buying its shares last year—even though he was selling many of his. Mr. Lay, who resigned as chairman and CEO of the collapsed Houston energy trader in late January, sold \$70.1 million of stock back to the company between February and October 2001, filings show. In mid-October, Enron reported a big third-quarter loss due in large part to executive-run partnerships that enriched several other officials.

Mr. Lay shed those shares to repay borrowings from Enron through a \$7.5 million revolving credit line. A Lay spokeswoman has said he needed to meet margin calls as investments she declined to identify fell in value last year.

Mr. Lay's stock sales on the open market weren't covered by the filings. Like many top officers, he was given huge grants of stock options and had a selling program that called for exercising his options as they came into the money, though he stopped doing so last July. He received base pay of \$1.3 million and a \$7 million bonus during 2000, the last year for which full figures are available, and got stock awards valued at \$7.5 million.



Kenneth Lay

Marie Thibaut, an Enron administrative coordinator, believed Mr. Lay's exhortations when he reassumed the CEO post in mid-August following the surprise departure of his successor, Jeffrey Skilling. "He said, 'Now is the time to buy Enron shares,'" the 61-year-old Houston resident remembers. "Looking back, it was a foolish thing to do." Although Enron's share price kept falling, she moved all of her 401(k) assets into Enron stock. Her stake, valued at \$480,000 early last year, shrank to about \$23,000 by late November, when she switched to a cash-balance fund.

Enron's bankruptcy filing in early December wiped out most of the retirement savings of most of its workers. Ms. Thibaut and nearly 25% of its work force lost their jobs days later. Each received severance pay of \$4,500 -- one-tenth of the \$45,000 Ms. Thibaut claims Enron owed her under a corporate severance plan. At the same time, Enron paid a total of \$55 million, or an average of \$110,000 apiece, to about 500 employees at all levels who were considered critical to its survival.

Like certain other senior executives, Mr. Lay also has been sheltered from the ravages of the bankruptcy filing. He used a private partnership to protect millions of dollars of executive-pension benefits from creditors, according to filings. But the spokeswoman says Mr. Lay "has lost 80% of his net worth in the last year because most of his money was in Enron stock."

WorldCom

Few ordinary mortals enjoy a lender as generous as Bernard J. Ebbers's. But Mr. Ebbers is no ordinary guy. The brash chief executive of **WorldCom** Inc. transformed an obscure reseller of long-distance calls into a New Economy powerhouse. WorldCom's shares made him a billionaire when they hit a high of \$64.50 in June 1999.



Bernard J. Ebbers

WorldCom about \$341 million to cover loans he took to buy its shares. The Clinton, Miss., concern has stepped in to cover a loan of \$198.7 million that he owed **Bank of America** and the company itself. He also has used \$142.5 million of a \$165 million credit line extended by WorldCom. That loan bears interest of less than 2.2% -- the company's own rate for borrowing.

Mr. Ebbers, who owned about 17 million shares and 8.3 million stock options as of a March 2001 regulatory filing, has offered his stake as collateral. He can't sell the stock without WorldCom's permission. He recently said he had assets "that are more than sufficient to cover the debt and those are for sale now." He declines to identify those assets.

"This is more of a personal piggybank for one man," contends Brian Foley, an executive-pay consultant in White Plains, N.Y. "He's gotten well beyond what they would have done for anybody else."

WorldCom, which has laid off about 9,000 workers since January 2001, began lending Mr. Ebbers money in fall 2000 after he was forced to sell three million shares to cover a margin call on WorldCom stock. Mr. Ebbers didn't want to have to sell more WorldCom shares, which could hurt the stock price. "He takes his loan from the company very seriously," says Brad Burns, a WorldCom spokesman. "Mr. Ebbers, more than anyone, has a huge personal stake in greatly improving WorldCom shareholders' value."

Kmart

In a clear sign of board dissatisfaction, **Kmart** Corp. directors dismissed their leader, Charles C. Conaway, as chairman last month. The demotion occurred five days before the Troy, Mich., discount chain filed for bankruptcy protection.



Charles Conaway

Yet Mr. Conaway still runs Kmart. The company values its CEO so much that it has sought bankruptcy court approval to pay him a bonus of \$6.5 million and forgive a \$5 million loan it gave him as long as he still works for Kmart on July 31, 2003. Mr. Conaway will receive the same deal if the retailer fires him without cause before then.

It's all part of a proposed stay-put package covering 9,700 management employees. The retention program "is typical of what companies do to keep key talent during bankruptcy," says Jack Ferry, a Kmart spokesman. The program could cost up to about \$200 million, a company filing with the bankruptcy court says.

workers, however. "Retention bonuses need to be going to the [rank-and-file] people who are doing the work," insists Dollene Skanes, a warehouse employee at a Kmart distribution center.

Ms. Skanes heads a local for Unite, a union that has filed objections to the retention plan with the bankruptcy court. Kmart seeks to rush its program through, the filing said, even though "thousands of bargaining unit and other employees have been laid off and are sustaining momentous personal or business losses."

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