



Zander's exit take could top \$56M

Meghan Streit

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Motorola Inc.'s performance last year cost CEO Edward Zander his bonus, but it didn't tarnish his golden parachute.

Zander's exit pay, explicitly disclosed for the first time in a company filing March 2, could range as high as \$56.8 million, depending on the circumstances of his departure. The size of the package, while not out of line with those of other big-company executives, could become another flashpoint for Zander, who is already under pressure to reverse profit declines, and to fend off the unwelcome advances of activist investor Carl Icahn.

Scrutiny of severance pay has heated up since Home Depot Inc. CEO Robert Nardelli's resignation triggered a \$210-million payout in January. Like Nardelli, Zander was hired from outside the company, a factor that often leads to the biggest compensation packages.

"I have an issue when they hire outside people because they give them this huge golden parachute, like you saw with Nardelli," says Ivan Feinseth, whose New-York-based Matrix USA L.L.C. fund owns Motorola shares.

"I think we are going to see a lot more scrutiny on how much and under what circumstances people get this big severance and golden parachutes," says Don Delves, president of Chicago-based compensation consultant Delves Group. "Now the shareholders can see it right there, and ask the question, 'Do we feel right about giving it to them?'"

If Zander leaves Motorola voluntarily, with "good reason," the proxy states, he would receive \$29.8 million, including \$7 million in severance pay, and more than \$20 million in stock options and restricted stock awards. If Zander is terminated without cause, he would walk away with \$35.6 million. His employment contract indicates that poor performance would not be "cause" for his termination, meaning he'd get the severance even if the board fired him because it didn't like the job he'd been doing.

Finally, if he's terminated as the result of a change in control, meaning a sale of the company, Zander would receive \$56.8 million.

Given the lackluster numbers Motorola has been posting lately, those numbers could raise the ire of shareholders. In the last 12 months, the company's shares have fallen 12 percent, mostly due to shrinking profits in the cellphone business, a casualty of the flagging popularity of the Razr handset and of Motorola's failure to roll out hot new phones. Zander has vowed to shore up profit margins, largely by cutting costs.

Corporate governance advocates are already complaining about the pay packages revealed in the filings. Alexandra Higgins, a senior compensation analyst with the Corporate Library, a watchdog group based in Maine, calls Zander's severance package a "huge waste of money."

"He's been there since 2004, and he's going to get \$56 million for walking away after causing shareholders to lose money," Higgins says.

A Motorola spokesman says Zander's compensation and exit pay are in line with other industry executives' and are designed to help the company retain its top talent. He says the new disclosure rules haven't changed the way the company's board sets executive compensation.

"Just because the numbers may be laid out slightly differently doesn't take away anything from what our board does to evaluate his compensation," the spokesman said.

Still, the new disclosures will give activist or disgruntled shareholders another weapon with which to attack CEOs they deem overpaid.

In his first three years at Motorola, Zander has received \$74 million in total compensation, including \$11.9 million last year.

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Motorola's Ed Zander

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