

# CEOs pocket big pay while their companies tank

By MIKE HALL

WASHINGTON, D.C. — Three CEOs — Angelo Mozilo of Countrywide Financial Corp., E. Stanley O'Neal of Merrill Lynch and Charles Prince of Citigroup — presided over companies that lost a combined \$20 billion in just the past two quarters of 2007 as a result of investments in subprime and other risky mortgages.

For that kind of performance, the CEO trio pocketed more than \$320 million in compensation, stock bonuses and other rewards last year. That disconnect between performance and pay, says Rep. Henry Waxman (D-Calif.), shows that “there seems to be two different economic realities in this country. Most Americans live in a world where economic security is precarious and there are real economic consequences for failure. But our nation’s top executives seem to live by a different set of rules ... CEOs seem to hit the lottery when companies collapse.”

Waxman made his remarks at his U.S. House Oversight and Government Reform Committee’s hearing March 7 on CEO pay and the mortgage crisis.



Waxman says all three companies “bet heavily on the subprime market” and suffered enormous losses. Countrywide lost \$1.6 billion in 2007 and its stock lost 80 percent of its value. Merrill Lynch lost \$10 billion and its stock lost 45 percent of its value. Citigroup also lost \$10 billion and its stock lost 48 percent of its value.

According to a report released by the committee, the companies’ nose-

dives paid off for the three CEOs. O'Neal and Prince pulled the rip chords on their golden parachutes and resigned. Mozilo appears ready to do the same as soon as Bank of America completes a deal to buy Countrywide.

The report shows that O'Neal left Merrill Lynch with a \$161 million retirement package. Prince was awarded a \$10 million bonus, \$28 million in unvested stock options and \$1.5 million in annual perquisites when he left Citigroup. Mozilo received more than \$120 million in compensation and sales of Countrywide stock. Says Waxman:

Any reasonable relation between their compensation and the interests of their shareholders appears to have broken down. The obvious question is this: How can a few executives do so well when their companies do so poorly?

Nell Minnow, co-founder of the Corporate Library, an independent group that studies corporate governance and executive pay, describes herself as a “passionate capitalist.” But she told the committee that not only is the compensation the three re-

ceived far out of line compared with performance, it also should be returned to shareholders.

“The undue compensation awarded to these failed CEOs should be returned to shareholders,” she testified. “In addition, they should be held liable for providing false and misleading statements to investors and held accountable for the impact of their poor strategic decision-making policies.”

Minnow also called for stronger shareholder rights in determining CEO pay throughout the corporate world.

“Now, shareholders only vote on stock options and have no say over any other aspect of compensation,” she said. “So directors have nothing to lose by approving pay plans that pay off like perpetual pin-ball machines, designed so that everything you hit rings a bell.”

The committee report also found that Countrywide retained three compensation consulting firms to develop Mozilo’s pay package. After the first two firms made recommendations that apparently didn’t suit Mozilo, a third company was retained that, the report says: “...appeared to serve as Mr. Mozilo’s personal adviser” with the goal of achieving “maximum opportunity” for Mr. Mozilo. The final contract was significantly more generous than Exequity [the second compensation firm] originally recommended.

During their testimony, the CEOs claimed reports of their pay were exaggerated by the media. But the committees’ report suggests that Mozilo is trying to deflect blame onto unions — because organized labor has been leading the way in many shareholder actions seeking to hold corporate executives accountable.

The committee came across Mozilo’s accusations while sorting through various financial documents.

In a 2006 e-mail, responding to an executive compensation consultant who was disappointed that Countrywide’s board had made revisions in Mozilo’s compensation package, Mozilo wrote: “boards have been placed under enormous pressure by the left-wing, anti-business press and the envious leaders of unions and other so-called ‘CEO Comp Watchers.’”

He goes on to say that “a decade from now,” the public will realize how wrong it was to attack honest “entrepreneurship.”

*(Editor’s Note: Mike Hall is a writer for the national AFL-CIO Now Blog News.)*

## IBEW launches union campaign at Comcast

The International Brotherhood of Electrical Workers announced March 12 that it will try to unionize Comcast, a telecommunications giant that last year took in \$25 billion in revenue.

Matt Carroll, IBEW Local 89 president and lead Northwest organizer on the Comcast campaign, says less than 2 percent of Comcast’s 90,000 employees are unionized. IBEW represents Comcast workers in Chicago, Philadelphia, New Jersey and Alabama, and Communications Workers of America represents Comcast workers at facilities in California, Michigan, and Pennsylvania. But the company has successfully resisted further unionization.

So IBEW is trying a new approach — a “virtual” campaign. Organizers and volunteers show up outside Comcast workplaces with a banner and fliers that direct workers to a Web site. In mid-March, the union campaign kicked off in the Pacific Northwest, New England, Illinois, New Jersey, Pennsylvania, and Florida.

The Web site for the Northwest, [www.comcastworkers.com](http://www.comcastworkers.com), enables workers to download and mail in union authorization cards. If the union collects enough cards, it can request an election to be overseen by the National Labor Relations Board.

The Northwest campaign is being headed up by IBEW Local 89 — an Everett, Wash., telecommunications local with members in Washington, Oregon, Idaho and Northern California, at Verizon and two rural telecom companies, CenturyTel and Frontier.

Comcast management appears to be reacting swiftly. In Auburn, Wash., managers held an emergency meeting when the union banner appeared, and then came out to watch the entrance while employees drove out in their company vans.

In the first several days of the Northwest campaign, IBEW staff and volunteers hit every Comcast work site from the Canadian border to Corvallis, Carroll said.



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