

APRIL 7, 2005

NEWS ANALYSIS : TECH

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HP's \$58,000-a-Day Interim CEO

In another show of generosity at the tech giant, CFO Robert Wayman is getting a \$3 million bonus for his 52-day post-Fiorina stint

Talk about a good 52 days work. According to an Apr. 5 government filing, Hewlett-Packard's (HPQ) board has agreed to pay Chief Financial Officer Robert Wayman a \$3 million cash bonus for serving as interim CEO from Feb. 8, when it ousted Carly Fiorina, to Apr. 1, when former NCR (NCR) Chief Executive Mark Hurd was hired.

Certainly, Wayman provided a steady hand during a potentially stormy period. "Bob did a great job of making sure that customers stayed comfortable with HP, and that employees remained focused on the task at hand rather than be distracted by the fact that there was a CEO search," says HP spokesperson Michael Moeller. A 36-year HP veteran, Wayman has long been considered a top CFO and is one of few people who managed to stay in good standing with those on both sides of the divisive 2002 proxy fight over the Compaq merger.

Network Appliance (NTAP) CEO Daniel Warmenhoven, an HP alum who knows Wayman, took it in stride when told of the \$3 million bonus. "Bob Wayman has been a long-term, steady leader through a lot of transitions and turmoil over there, so I'm not surprised the board put together an incentive plan for Bob to help him through one more transition," he says about his former colleague. "I've got to believe whatever they paid him, they got their money's worth."

MORE SCRUTINY? That could be a stretch. The \$3 million works out to \$58,000 a day. Such one-time shows of appreciation are not unheard of. In February, for example, software maker Computer Associates gave Kenneth Cron a bonus for serving as interim CEO—but he got just \$500,000, and served in the role for nearly a year. As such, Wayman's \$3 million bonus "is a very big number," says Charles Elson, director of the John L. Weinberg Center for Corporate Governance at the University of Delaware.

And that's on top of what Wayman already earns as CFO. According to proxy statements, he earned \$1.5 million in salary and bonuses in fiscal 2004, along with restricted stock currently worth \$326,000. That's roughly half of what Fiorina earned in 2004. She received \$2.97 million in salary and bonus, and twice as many shares of restricted stock.

Wayman's bonus could mean more scrutiny of HP's compensation policies. In the pre-Fiorina days, the company was criticized for being too egalitarian and not anteing up enough to attract and retain superstars. That changed when Fiorina was hired in 1999. Former CEO Lew Platt has said her initial package, which compensated her for stock she forfeited at then-high-flying Lucent Technologies (LU), was more than he earned in his 30-plus year career. Indeed, HP had to dramatically increase the pay for other top executives to keep their salaries proportional to Fiorina's.

Hurd's package shows that the generosity of HP's board didn't end with Fiorina's ouster. The new CEO will earn \$1.4 million in salary, plus a bonus ranging from \$2.8 million if he hits some undisclosed financial targets to \$8.4 million if he knocks the ball out of the park. Then there's a rich, long-term cash bonus plan, a \$2 million signing bonus, the right to buy 1.15 million stock options, as well as 400,000 shares of restricted stock to help compensate for stock he left on the table at NCR.

TRANSITION TIME. What really caught compensation experts' attention was a clause that compensates Hurd should the value of NCR's stock drop by up to 20%. (Indeed, the shares tumbled 17% on news of his departure.) Usually such clauses protect only against a stock drop at a former employer that exceeds a certain percentage, says Robert Fields, a Manhattan-based compensation attorney. "That [clause] was out of the ordinary," notes Fields. "Normally, the price has to drop a certain amount before those price-protection clauses kick in."

Insiders say Wayman has wanted to retire since late 2003 but has repeatedly been forced to put it off. In 2003, he was set to hand the CFO reins to Jeff Clarke, who suddenly resigned and later became chief operating officer at software-maker Computer Associates. The \$3 million bonus is in part recognition of Wayman's willingness to put off retirement a second time, according to HP's Moeller.

Wayman has promised to help Hurd with his transition into the CEO job over the coming months. That should bring the per-diem value of that \$3 million down a ways -- but still make it well worth Wayman's time and effort.