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## Hurd's welcome package smaller than Fiorina's

### REDUCTION AT HP REFLECTS SHARPLY LOWER STOCK PRICE

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Mercury News

For Hewlett-Packard, signing on Mark Hurd as chief executive in late March was a bargain compared with Carly Fiorina -- at least on paper.

Hurd, who was previously chief executive of NCR, a maker of ATMs and retailing computer systems in Dayton, Ohio, got a "welcome" package from HP worth an estimated \$29.8 million. Fiorina joined HP in July 1999 with a package worth \$98 million. Palo Alto-based HP fired her in early February.

Hurd's much smaller package reflects HP's stock price today, which has fallen dramatically since the tech-industry boom of the late 1990s.

Hurd also took a much smaller gamble than Fiorina did: His package is less dependent on equity, with fewer option grants and restricted shares but bigger cash bonuses.

"Ms. Fiorina was hired at a time when there was a belief that all trees would grow to the moon. And guess what? They didn't," said Steve Patchel, a senior consultant in the Santa Clara office of Watson Wyatt, an executive compensation consulting firm. "But I think the other piece is that had things gone better at HP under her stewardship, no one would say, 'Wow, was it all worth it?'"

Hurd's base salary matched Fiorina's, which was \$1.4 million in fiscal 2004. When Fiorina was hired, her base salary was \$1 million a year.

Hurd received a \$2 million cash signing bonus vs. \$3 million for Fiorina.

Of Fiorina's \$98 million coming-in package, a whopping \$66 million came from 580,000 shares of restricted stock and restricted stock units, then valued at about \$113 a share. Hurd, on the other hand, received 400,000 shares of restricted stock, valued at about \$8 million, based on HP's stock price of about \$20 a share today.

Part of the reason Fiorina got so much restricted stock, HP said at the time, was to compensate her for stock and options that she forfeited upon leaving Lucent Technologies.

When she signed up, Fiorina also received 600,000 stock options, with an exercise price of \$113.03 a share -- worth \$24.4 million at the time, based on a common method for valuing options that HP disclosed in its proxy statement. At HP's current stock price, those options are far underwater.

Hurd got an initial 450,000 options, valued at \$2.7 million, plus an additional 700,000 longer-term options, worth about \$4.2 million, according to HP's proxy.

Fiorina was granted more than 6 million options during her tenure at HP, and 4.2 million of those were fully vested at the end of 2004. But they were worth only \$510,125, according to HP's February proxy statement, because most of the options were underwater at the end of 2004.

Fiorina's HP stock holdings as of the end of 2004 are now worth about \$17.7 million, based on HP's current stock price.

"They have taken considerable risk out of the pay package. . . . Mr. Hurd's pay package is less equity-laden," said Brandon Cherry, co-founder of Presidio Pay Advisors in San Francisco. "She was heavily weighted toward equity. A lot of people didn't realize how risky that was."

Hurd also received a price-protection promise, for anticipated price declines in NCR's stock following his departure. Hurd had 850,184 options of NCR which were vested before March 24, 2005. He will be reimbursed for up to 20 percent for

declines in the per-share fair market value.

Cherry pointed out, however, that Hurd stands to make more money from cash bonuses. Hurd will get a guaranteed first-year bonus of \$2.8 million, with an opportunity to get as much as a total bonus of \$8.4 million, if performance goals are achieved in subsequent years.

Fiorina's guaranteed first-year bonus was \$1.25 million a year, with the opportunity to earn an additional \$2.5 million in annual bonuses if she achieved goals.

``I think what we are seeing is a return to reality," said Patchel. ``If you were to look at the packages given out to people in the pre-dot-com times, they would look a little more like what they look like today."

In one other area -- relocation allowance -- Hurd's goodies exceeded Fiorina's. The new HP chief got a \$2.75 million allowance that covers his move from Ohio, a mortgage-interest subsidy for four years and temporary housing for up to one year. Six years ago, Fiorina got a relocation allowance totaling \$1.3 million. That may be another sign of the times: HP's stock price may be down, but California real estate prices keep going up.

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