

Executives' pay dips slightly, maybe

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Paychecks for the top executives of 26 publicly traded companies based in Palm Beach and Martin counties fell slightly in 2006, according to The Palm Beach Post's annual look at corporate pay.

In spite of the small pay cut, area executives are still doing quite well. The 127 executives made an average of \$1.17 million in 2006, down 3.6 percent from \$1.21 million in 2005.

But year-over-year comparisons are complicated this year by new rules that require companies to disclose more details about executive paychecks. When the value of stock options given to execs in 2006 is included, average pay rose to \$1.35 million, or about 12 percent. Our 2005 numbers didn't include the cash value of option grants.

The biggest compensation package in 2006 belonged to Amin Khoury, 68, chairman and chief executive of Wellington-based BE Aerospace. He made \$15.2 million, thanks in large part to \$9.6 million in gains on stock options.

Khoury also collected a salary of \$904,000 and nearly \$2.2 million in retirement contributions. In its proxy, BE Aerospace credited Khoury for leading the company through "an outstanding year."

BE Aerospace paid Khoury's younger brother, Robert Khoury, \$1.2 million in 2006, including severance and consulting fees. Robert Khoury retired from his position as the company's president and CEO in 2005 but remains on the board of directors.

Shares in BE (NYSE: BEAV) have soared from \$1.25 in 2003 to \$38 last week, although the price remains below its 1997 peak of \$41. One analyst who follows the company said the Khoury brothers deserve to cash in after leading BE, which makes aircraft interiors, out of near-failure after the Sept. 11 terror attacks.

"They pay themselves well, but if you look at what's gone on with the company in the past three years, it's been a fantastic turnaround," said J.B. Groh, an aerospace analyst at D.A. Davidson in Lake Oswego, Ore. "Should they get a piece of that? Absolutely."

Of course, Amin and Robert Khoury also were in charge of the company as it fell into what Groh called "near-bankruptcy."

Greg Powell, BE's director of investor relations, said Amin and Robert Khoury are being rewarded for long tenures, a rising stock price and record profits in 2006.

"Obviously, the company's performing well," Powell said.

Amin Khoury enjoyed a gold-plated package of perks, including \$284,376 for personal use of the company plane and \$126,185 for estate planning. Robert Khoury reported personal use of the company plane totaling \$51,273.

Those are the sort of extras that elicit a "visceral reaction" from shareholders and activists, said Charles Elson, a corporate governance expert at the University of Delaware.

"Companies are paying these people an awful lot of money," Elson said. "It seems a little odd that when they're paying them millions of dollars, they have to give them money for financial planning, or health care for life."

But Groh, the analyst, shrugged off BE's disclosure of the Khoury brothers' personal use of the company plane.

"It is an aerospace company, so you'd expect them to have a few planes lying around," he said.

Following Amin Khoury on the compensation list came Steve Odland, chairman and CEO of Office Depot, the Delray Beach-based retailer that ranks No. 156 on the Fortune 500 list. His pay totaled \$11.7 million, including option grants of \$6.2 million.

Third on the list was Brandon Burgess, 39, CEO of Ion Media Networks, the money-losing television company that's being sold to a Chicago-based hedge fund. He made \$10.5 million.

As a national debate over executive compensation rages, the SEC this year began requiring companies to disclose more information about pay. The SEC is making the bean counters calculate the cash value of stock options as pay in the year they're granted. Options give the right to buy shares in the future at a set price, and they've become an increasingly important - and valuable - part of CEO pay.

Companies have reported the value of options in the past, but at their discretion and using whatever methods they deemed appropriate. The figures have been clouded by jargon about the Black-Scholes Option Pricing Model and tables that offer more than one estimate based on how much the shares might appreciate in the future.

The latest filings report the value of options grants for 2006 as a single number.

Options matter to shareholders. For instance, Stuart-based NuCO2 (Nasdaq: NUCO) last year said its profits took a hit from exercised options. The top four execs cashed in for gains topping \$3 million.

Because the SEC didn't compel companies to recalculate their 2005 compensation packages, there already is disagreement over how to compare 2006 pay to 2005 compensation.

The Corporate Library, a research organization based in Portland, Maine, counts the value of options when they're exercised. According to its survey of 1,048 firms, compensation for the typical CEO rose by 9.3 percent from 2005 to 2006.

By contrast, a *New York Times* report on CEO pay at 200 large companies valued options when they were given to executives, not when they were exercised. Its story, based on a study by California-based Equilar Inc., found CEO pay rose 9.8 percent from 2005 to 2006 at companies that reported under the new SEC disclosure rules.

In the charts that accompany this story, *ThePost* lists both the value of options granted and gains from options that were cashed in. While some say this amounts to double counting the value of options, executive compensation experts say it's unlikely that an executive could have received and exercised options in the same year; options typically can't be cashed in until a few years after they're granted.

In addition to the clearer information about options, the SEC is demanding more details on perks such as personal flights in the company plane. In one example, FPL Group's proxy said company executives' personal use of corporate aircraft totaled 82 hours out of 5,000 hours of flight time, a bit of information the Juno Beach-based utility hadn't shared in years past.

While most laud the stricter disclosure, it's unclear whether the new rules will rein in pay, said Paul Hodgson of the Corporate Library.

"Pay has gone up by nearly 10 percent," he said, "which is not an insignificant amount."