

BUSINESS

MARKETS ♦ HIGH TECH ♦ ECONOMY

AMD chief's pay tops \$21

Total includes \$19.4 million from exercise of stock options

BY RON WOLF
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W. J. Sanders III received at least \$21.8 million last year as chairman of Advanced Micro Devices Inc., giving him one of the biggest annual paychecks ever seen in Silicon Valley. The total includes \$19.4 million from the exercise of stock options.



Sanders

The figure probably will cata-

pult Sanders to very high rankings on lists of top-paid U.S. executives compiled each year by major business publications.

The total also is likely to trigger more charges of excessive compensation at the semiconductor company and rekindle demands for reforms at AMD from its large institutional investors.

AMD has not yet distributed documents to shareholders disclosing Sanders' 1992 compensation. The Sunnyvale company will be mailing its annual proxy statements containing the infor-

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Shareholder scorecard

The United Shareholders Association annually ranks the 1,000 largest public U.S. companies on how well they treat shareholders. Of a possible score of 100, gains in stock price and dividends account for half. Responsiveness to shareholder rights issues and willingness to tie executive pay to company performance each account for 25 percent.

The 10 best

Rank/co.	Score	Rank/co.	Score
1. Dell Computer	74.5	991. Hecla Mining	17.1
2. Int'l Game Tech.	73.2	992. Arkla	16.9
3. Franklin Res.	73.0	993. Halliburton	16.9
4. Microsoft	71.2	994. DeKalb Energy	16.6
5. Conoco	70.3	995. Columbia Gas	16.6
6. Novell	68.4	996. Transco Energy	15.3
7. Clayton Homes	68.0	997. Crystal Brands	14.7
8. Oracle Systems	67.8	998. Smith Intl.	9.7
9. Family Dollar Str.	65.9	999. Wang Labs	9.4
10. Mylan Labs	65.8	1,000. Glenfed	8.9

Source: Associated Press

How Clinton's tax bill slights tech firms

PRESIDENT CLINTON has announced his support for high-technology industries so frequently and forcefully that it's safe to assume he means it. But you certainly wouldn't get that impression from his tax bill



JAMES J. MITCHELL
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AMD chief Sanders collected at least \$21.8 million in 1992

■ SANDERS

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mation on executive pay in a matter of days, said John Greenagel, spokesman for the firm.

However, other documents filed with federal regulators by Sanders and AMD have allowed financial analysts and shareholder groups to calculate nearly all of Sanders' 1992 compensation, providing a preview of the figures soon to reach shareholders.

The estimate that Sanders earned at least \$21.8 million is "in the ballpark," Greenagel said.

actions occurred.

For example, Sanders acquired 363,000 shares of AMD on Jan. 15, 1992, by exercising options that allowed him to buy the stock for \$4.25 a share. Total price: \$1.54 million.

AMD shares traded on the New York Stock Exchange that day for about \$19.50 to \$20. Total value of the shares: \$7.2 million.

The difference between the market value of the shares and the price paid by Sanders to exercise his options — \$1.54 million

— represents income he received from the company. In this case, it was \$5.66 million.

Sanders exercised options five times last year, acquiring 1.26 million shares for \$5.73 million with a market value of \$24.76 million.

AMD investors may be especially upset by the resulting \$19.4 million in profits because of the way the company sweetened the terms of its stock options.

Most of the options originally granted to Sanders and other

AMD executives entitled them to buy stock at prices significantly higher than \$4.25 a share. The company lowered the exercise price six times from 1985 to 1990 as the value of its stock dropped from about \$40 a share to around \$4 a share. Crystal and other critics of pay practices contend that such "swapping" of options rewards managers as the price of the company's stock goes down.

Officials of the huge California Public Employees' Retirement System identified AMD last fall

as one of the worst performers among the 1,300 companies in their portfolio during the previous five years and targeted the firm for reforms in corporate governance. The fund owns more than 1 million shares of AMD stock worth about \$23 million.

Unable to reach agreement with the company, CalPERS said it would vigorously pursue a proposal requiring election of an outsider as chairman. Sanders eventually accepted most of the changes sought by the pension

fund, averting an expensive proxy fight and a potential public relations nightmare.

Richard H. Koppes, general counsel for CalPERS, said fund officials "had no idea" that Sanders had gotten that much money in 1992 when they agreed to withdraw their proposal.

In light of Sanders' 1992 pay, CalPERS should have pressed its demands to replace Sanders with an outside chairman, Crystal said. Sanders "sold them the sleeves out of his vest," he said.

Tops Sculley windfall

Sander's exceptional paycheck in 1992 easily eclipsed John Sculley's best year as chairman and chief executive at Apple Computer Inc. In 1990, Sculley received salary, bonus and benefits totaling \$2.2 million and collected more than \$14 million by exercising stock options.

Sculley's windfall that year helped fuel the national debate over soaring executive pay.

Sanders now seems to be in class by himself. No other Silicon Valley leader appears to have earned nearly as much since the Mercury News began its annual analysis of executive pay in 1985.

All past surveys of executive pay have been handicapped, however, by federal regulations that allowed companies to report compensation in ways that made precise calculation difficult. New rules that went into effect in October require a much more detailed picture of compensation provided to top executives.

Despite difficulties in calculation, Sanders' compensation in 1992 represents an enormous jump from the previous year's pay, which critics considered to be outrageous.

Sanders received more than \$10 million in 1991, according to Graef S. Crystal, a former consultant who designed pay packages for many top executives. Crystal's calculations included the value of stock Sanders is entitled to receive during the next few years under the terms of a new employment contract.

Sanders received \$2.84 million in 1991, according to Mercury News calculations. This figure spreads the value of his stock grants and profits from options over several years.

That \$2.84 million made Sanders the fifth-highest-paid executive in Silicon Valley in 1991, when his company ranked 14th in sales and sixth in profits. Nationally, AMD ranked 296th among the Fortune 500 that year.

How he did it

Here's how Sanders made at least \$21.8 million in 1992.

Sanders' employment contract with AMD ensured him an annual salary of \$800,000. The contract also provided a bonus equal to 0.6 percent of AMD's operating profits, up to a maximum of 200 percent of his salary.

"When you had the kind of year we had, his bonus will max out," Greenagel said. AMD's operating profits totaled \$270 million last year, so Sanders got the maximum bonus — \$1.6 million.

Reports of securities transactions showed that Sanders made \$19.4 million last year by exercising options to purchase AMD stock at prices far below the value of the shares when the trans-