

Long-Serving AT& T Chief To Leave With Huge Payout

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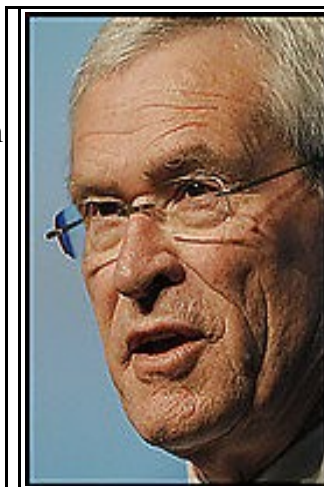
NEW YORK, April 27 -- Edward E. Whitacre Jr. is stepping down as chairman and chief executive of AT&T, the company said Friday, making him eligible for a \$158 million payout when he retires in June.

Whitacre, 65, who led a regional telephone company's transformation into the nation's largest wireless, broadband and phone-service provider, made the announcement at the annual meeting of shareholders in San Antonio. Randall Stephenson, 47, the company's chief operating officer, is to succeed him as chairman and chief executive.

Whitacre's retirement, scheduled for June 3, comes a year before his contract expires. The company declined to give details about the timing of his departure. "It was his decision, and we won't speak to that now," said McCall Butler, a spokesman for AT&T.

Whitacre is one of the longest-serving chief executives in the country. He became chairman and chief executive in 1990, when the company was known as Southwestern Bell Telephone Co. Since then, he has presided over numerous acquisitions, including last year's \$86 billion purchase of BellSouth. "I leave with complete confidence in the future of our great company," Whitacre said.

Whitacre's exit package includes \$74 million in nonqualified deferred compensation, \$61 million from a supplemental retirement income plan and \$22 million from a supplemental executive retirement plan and \$1 million from another pension, according to a company filing with the Securities and Exchange Commission. The \$74 million includes money earned during his 44 years of service that he deferred, as well as contributions made by the company.



Edward Whitacre, who has led AT& T for 17 years, is to retire June 3. (Jae C. Hong - AP)

In addition to the \$158 million payout, Whitacre could receive as much as \$106 million in performance-based shares that have not yet vested, according to the SEC filing. Whitacre is to serve as consultant for three years at \$1 million per year.

The pay package was criticized by some activist shareholder groups, although AT&T's stock performance may have helped mute the complaints. Shareholders on Friday voted down three pay-related proposals, including one calling for an annual advisory vote on executive compensation by stockholders. The proposal was favored by 44 percent of shareholders.

Shareholders also voted down similar proposals at Merrill Lynch and Abbott Laboratories. Merrill did not immediately release vote tallies. Abbott said 40 percent of votes cast were in favor of the measure.

In announcing Whitacre's departure, AT&T said total shareholder return was 53 percent in 2006. For the year, the stock is up 8 percent.

Paul Hodgson, senior research associate at the Corporate Library, said Whitacre had been compensated for his leadership through annual pay packages. "Shareholders . . . already paid him for that," Hodgson said.

"You can't use the same performance to justify even more pay."

Whitacre's compensation for 2006 totaled \$61 million, according to SEC filings. That figure includes stock awards that have not yet vested, along with other pay. His pay was closer to \$32 million, the company said Friday.

Butler, the AT&T spokesman, said Whitacre's pay and retirement benefits were appropriate given his long tenure and competition for executive talent. "He set up the company to deliver shareholder returns for years to come," Butler said.