

## Boeing chief paid \$14.4 million

*McNerney rewarded as sales, shares soar  
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Boeing Co. Chief Executive James McNerney Jr. received \$14.4 million in pay and perks in 2006, a year in which the Chicago aerospace giant tallied record airplane orders.

According to a filing Friday with the Securities and Exchange Commission, McNerney received a base salary of \$1.7 million, a cash bonus of \$4 million and restricted stock worth \$6.6 million. He also received other perquisites worth \$2.1 million, including \$1.1 million in relocation expenses.

But McNerney could wind up pocketing far more from long-term incentives that Boeing also gave him last year, provided the defense contractor and airplane manufacturer continues to perform in high gear over the next few years.

McNerney received 56,875 performance incentives, to be paid out in 2009, that could be worth as much as \$11.4 million or as little as \$1.4 million, depending on whether Boeing hits financial targets over the three-year period. He also received 261,000 stock options worth about \$6 million.

"That's a big number," said Charles Elson, of McNerney's compensation package. Elson is director of the Weinberg Center for Corporate Governance at the University of Delaware.

McNerney's generous compensation terms aren't likely to upset shareholders, however, analysts say.

In his first full year after replacing Harry Stonecipher as CEO in 2005, Boeing racked up a record 1,044 airplane orders and saw sales surge 15 percent, to \$61.53 billion. Its stock soared more than 30 percent for the year, hitting a high of \$91.10 in late November.

"Like it or not, that's what the market is paying for that size of a company," said Don Delves, president of the Delves Group, Chicago-based compensation experts. "I can only imagine the shareholders are more than happy to pay [that amount], given what's happened before."

McNerney is among a growing number of executives to benefit as a greater percentage of their pay is "at risk" -- tied to long-term performance measures or placed in equities such as restricted stock or options whose value rise and fall along with their company's fortunes.

Most large companies weight pay so salaries account for about 20 percent to 25 percent of compensation, while the rest is tied to performance, said Delves.

"The growth in pay that produces the big numbers is almost all in equity pay," he added.

Boeing is no different: About 80 percent of its executives' average pay is "at risk."

"There's nothing wrong with rewarding someone handsomely if the company performs," said Elson. "The issue is, has it really performed in the manner you anticipate? And issue two: How much is enough?"

McNerney received salary and stock worth \$28.8 million in 2005, after being hired as Boeing CEO in mid-year. However, it is difficult to compare his total pay year over year, as \$25.3 million of the 2005 total came from restricted stock that Boeing gave McNerney when he joined the company to compensate for benefits he gave up after leaving as CEO of 3M Co.

Additionally, SEC-mandated changes in the way companies report compensation don't permit exact comparisons to the year-prior period.

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