

Penny Prospector Gets the Scoop on Insider Compensation

On a hot, hot day in July, Penny Prospector was asked to update the profile on Mr. Executive who worked at Peabody Public Company. From her desk she could see the waves of heat around the cars in the street below. “Thank goodness I’m in an office job with air conditioning!” she said to herself. She pulled up the last profile on Mr. Executive and reviewed the compensation chart that had been found in Forbes. “This is going to be cinch,” she thought. “I’ll just paste in a new chart and scan the news and real estate records.” Fifteen minutes later she was done.

But then she did a Google search result that pulled up a stock transaction record with footnotes that piqued her curiosity. She decided to review the company’s latest proxy filing. **That’s where she discovered that not all compensation is created equal. Mr. Executive did receive \$3.1 million in total compensation, but only \$1.6 million was non-equity compensation.** The rest was stock and stock options. After reading a little further, she discovered that of the \$1.6 million, only \$1 million was available to him now. Here is the chart she created:

<i>Compensation</i>	<i>Available Now</i>	<i>Not Available</i>
Salary	\$500,000	
Bonus	\$500,000	
Deferred Bonus		\$500,000
Other Benefits*		\$100,000
<i>Total</i>	<i>\$1,000,000</i>	<i>\$600,000</i>

*Use of company jet and car

More than an hour later, Penny emailed the updated profile to Gabby, the gift officer. Two weeks after that she was sitting in the prospect review meeting when it was Gabby’s turn to report. **“Thanks to Penny’s profile update, instead of asking Mr. Executive for a \$150,000 gift, we decided to ask him for a \$50,000 cash gift to purchase equipment for our program. He said yes immediately!** It is his first larger gift to us and was easy for him to give based on household earnings. He’s excited about seeing the equipment in action and I think that after stewardship of this gift he’ll be ready to support our capital campaign next year. Way to go Penny!”

When Gabby was finished talking Penny was left with her mouth hanging open. What if she had just pasted a new chart from Forbes without reading the proxy statement? Excited by Gabby’s success with Mr. Executive, Penny was determined to learn more about the gift capacity of public company executives. **Read about Penny’s triumph with stock options next!**

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