

Biogen Details Executive Stock Awards in Wake of Layoff Plans

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Biogen Idec Inc. of Cambridge will award 200 top executives nearly 1.2 million shares of stock under a compensation package disclosed in a filing with federal regulators.

The restricted-stock plan was disclosed to the executives this week, just days after Biogen Idec said it would lay off 650 employees, or about 17 percent of its workforce.

Under the plan, executives who meet specific performance goals will be awarded stock in September 2006 and March 2007. The restricted-stock plan is in addition to any existing option or bonus plans.

"These are performance-based incentives to further align management with our ambitious long-term plans announced last week," said Jose Juves, a Biogen Idec spokesman. "The performance goals are tied to pipeline development and achieving some financial objectives."

Biogen Idec's two highest officials, chairman William H. Rastetter and chief executive James C. Mullen, will not participate in the new stock awards. Based on yesterday's closing stock price, \$41.24, the total award is worth about \$48 million, or an average of about \$241,000 for each of the 200 participants, if they meet the goals.

The timing of the new compensation package raised questions among academics who study corporate compensation.

"You need to ask why these people need something extra at this time," said Lucian Bebchuk, director of the Program on Corporate Governance at Harvard Law School. "Why was what they were getting before not sufficient?"

W. Michael Hoffman, executive director of the Center for Business Ethics at Bentley College in Waltham, said, "The timing is insensitive when you're laying off 650 people, and you initiate a new compensation package at the same time. These kind of insensitive moves on the part of corporations can have reputational repercussions in terms of shareholder perception."

In February, Biogen Idec voluntarily suspended sales of Tysabri, a new multiple sclerosis treatment, after it was tied to a rare brain disease. Since then, the company has conducted a study of the unexpected side effects in an effort to bring the drug back to the market. But it is no longer expected to be a blockbuster product with sales of more than \$1 billion.

The company's share price fell by nearly 45 percent after the problems with Tysabri were disclosed, and has not recovered significantly since. That may have rendered valueless many of the company's stock option programs for executives.

Last week, Biogen Idec said it would lay off employees, sell real estate, and divest a slow-selling drug, moves expected to cut costs by up to \$300 million a year. The company also said it would increase spending on business deals in an effort to fill its meager pipeline of new drugs.