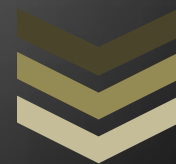


Paper 3: CEO Compensation



99 Cen Only Store

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Intro

We are the C.C. (Compensation Committee): Our goal is to consider the following factors in determining the new compensation package for Mr. Stephan Gonthier.

What is the 99¢ Only Store: We are a home service provider.

99 Cent Store's Mission: A unique deep-discount retailer of primarily name-brand consumable general merchandise. We provide an exciting primary shopping destination for price-sensitive consumers, and fun treasure-hunt shopping experience for other value conscious consumer. We accomplish this by offering excellent values on a wide selection of quality food and basic household items with a focus on name brands and an exciting assortment of "wow" items.

The 99¢ Only Store store is a subsidiary of Number Holdings Inc. Our stock is traded publicly as NDN.

Executive Summary

The following paper looks at the compensations of Eric Schiffer, Greg Steinhafel, and Stephane Gonthier. Eric Schiffer was the previous CEO of 99 Cent Only Store and has been employed since 1991. Greg Steinhafel is the current CEO of Target and in the same business of retail as 99 Cent Only Store. Their prices are different and level of compensation is different than that of 99 Cent Only Store as to provide a ceiling to the amount that's appropriate to compensate Stephane Gonthier.

Stephane is the newest CEO of 99 Cent Only Store and our information provided gives a look at his past work history as well as the roles he played in each company that he was working for. As his previous base pay at The Dollar Store was \$13.5 million, we believe that our choice to compensate Mr. Gonthier is justified by not only his experience, but our company's current situation.

Since our company has been seeing negative cash flows in 2010 through 2012, our compensation package is reasonable as to keep Mr. Gonthier motivated to stay in the company and also perform at a high level for the company.

Eric Schiffer – Previous 99 Cent Store CEO

Mr. Eric J. Schiffer served as Chief Executive Officer at 99¢ Only Stores from January 1, 2005 to January 2013 and as its Assistant Corporate Secretary. Mr. Schiffer served as President at 99¢ Only Stores since March 2000. He joined 99 Cents Only Stores in 1991 and has served in various managerial capacities. From 1987 to 1991, he was employed by Oxford Partners, a venture capital firm. He served as Director at 99¢ Only Stores since 1991. Mr. Schiffer received a BS in engineering from Duke University and an MBA from the Harvard Business School.

Mr. Schiffer completed his engineering degree from Duke University and later on he travelled to Howard Business School for MBA. His interest for retail grew during his years at the Howard as an MBA student. After finishing his study he joined the company as a director, but gradually he got posted at much higher ranks due to his contribution towards the effective performance of the company. He became the CEO of the company and presently is heading the chair as well.

Year	Compensation	Other Benefits
2006	\$ 120,000.00	
2007	\$ 117,692.00	\$ 1,540.00
2008	\$ 120,000.00	\$ 5,140.00
2009	\$ 120,000.00	\$ 5,326.00
2010	\$ 118,802.00	\$ 15,791.00
2011	\$ 122,308.00	\$ 5,302.00



The data provided looks at Mr. Schiffer’s compensation throughout the last six years from 2006 to 2011. This shows that while Mr. Schiffer was acting CEO, his pay fluctuated and had received additional cash benefits that were a small percent of his pay.

Greg Steinhafel – Target Corp.

We also are benchmarking The 99c Only Store with Target’s CEO due to both companies being retailers and their business’s goal of appealing to consumers by offering brand name products at affordable prices.

Gregg W. Steinhafel is chairman of the board, president and Chief Executive Officer of Target Corporation (NYSE: TGT). According to Target.com, Target, a Minneapolis-based discount retailer with more than \$72 billion in annual revenues, serves guests at 1,797 retail stores in the United States and 127 in Canada, and online at Target.com.

Moreover, Target.com also says that Steinhafel has been instrumental in developing and promoting Target’s unique corporate culture, in which more than 360,000 talented and diverse team members collaborate and innovate to make Target a fun and convenient shopping experience, providing access to highly differentiated products at affordable prices and sustaining the company’s legacy of giving and service.

Target was ranked one of the “World’s Most Ethical Companies” by Ethisphere Institute, and Forbes magazine and the Reputation Institute named Target one of the “World’s Most Reputable Companies” in 2012. Steinhafel has been CEO since 2008 so we can say he works very well as CEO.

According to StarTribune, this was Mr. Steinhafel's past compensation:

Type	Total
Salary	\$ 1,500,000.00
Non-Equity Incentive Pay	\$ 2,880,000.00
Other Compensations	\$ 5,068,118.00
Stock Options	\$ 7,706,708.00
Total Comp (Including Other benefits not listed)	\$ 23,472,082.00

Although his work is great, there are opinions which he is overpaid. Minneapolis city page says Steinhafel's \$24 million annual salary is the highest CEO salary in the state, according to new data released by the Business Journal.

Great as that sounds, Steinhafel also made another, more dubious list, which ranked him the No. 4 most overpaid CEO in Minnesota. Minneapolis city page also mentions "In 2008, his first year as CEO, Steinhafel got \$13.3 million; last year that number inched up to \$13.5 million; and in 2010 it nearly doubled to \$24 million." It is said that his salary is overpaid, but it just because of his success.

Stephane Gonthier – New 99 Cent Store CEO

Since October 2013 Stephane Gonthier has been the CEO and president of the 99 Cents Only Stores LLC. Gonthier's experience is based on his previous jobs and education. Gonthier currently has 15 years of experience in value-oriented retail. Gonthier's experience can be summarized as the following:

On completion of his LL.B from the University of Montreal, Stéphane Gonthier was called to the Quebec Bar in 1989. As a solicitor, he has developed a solid legal expertise in commercial law. He has subsequently completed his EMBA at the University of Sherbrooke in 2000.

In 1998, Mr. Gonthier joined Alimentation Couche-Tard Inc., Canada's second largest convenience store chain in North America, as Vice-President for Legal Affaires and Petroleum Operations, and as Corporate Secretary. Within a year, he was appointed Vice-President of Operations for Eastern Canada, where he played a key role in the rapid expansion and growth of the business. In Particular, he was instrumental in forging key business partnerships and alliances.

On April 20, 2004, Mr. Gonthier was appointed Vice-President of Operations for Mac's Convenience Stores Inc., in Central Canada a division of Alimentation Couche-Tard Inc. In this capacity he maintains wide responsibilities for store operations and quick-service restaurants, supply chain, merchandising, marketing, finance and accounting, IT, procurement, real estate development and human resources.

On December 15th, 2004, Mr. Gonthier was appointed Senior Vice-President of Eastern North America. In this capacity, he maintains wide responsibilities supervising the activities of just over 2,600 locations in 4 Business Units both in Canada and in the U.S.

On September 2nd, 2007 Mr. Gonthier was appointed Chief Operating Officer at Dollarama Inc., the leading operator of dollar discount stores in Canada. With over 1.7 billion in revenues, the company currently operates more than 760 stores in 10 Canadian provinces.

On September 3rd, 2013 Mr. Gonthier was appointed President and Chief Executive Officer of 99 Cents Stores Only Stores, an extreme value retailer of consumable and general merchandise and seasonal products, headquartered in California, USA.

Mr. Gonthier has served on numerous Boards of Directors.

Corporate Governance & Human Resources Committee Colabor Group Inc. Thanks to all his experience and knowledge, Gonthier's total calculated compensation for the fiscal year 2014 is 10,335,200. Gonthiers calculated compensation is broken down as the following:

Annual Compensation	
Salary	\$349,615
Bonus	\$900,000
Total Annual Compensation	\$1,249,615
Stock Options	
All Other Compensation	\$101,833
Total Compensation	
Total Annual Cash Compensation	\$1,351,448
Total Short Term Compensation	\$1,249,615
Other Long Term Compensation	\$101,833
Total Calculated Compensation	\$10,335,200

Retrieved from

<http://investing.businessweek.com/research/stocks/people/person.asp?personId=8096239&ticker=DOL:C>

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Our Compensation Plan

- First, Mr. Gonthier will receive a base pay of \$900,000.00 per-year, just as it is listed above. We believe that the amount is warrantable due to not only Mr. Gonthier's work history, but also his potential to perform and high in our organization. We do understand that Mr. Gonthier did receive an estimated \$13.5 million dollar compensation while working at The Dollar Store, so we are grateful that Mr. Gonthier is willing to receive this new wage to come onboard as our new CEO. Mr. Schiffer did receive less when he was acting CEO, but Mr. Gonthier's past performance

in his other roles has proven him to be a valuable asset to the organization that he is associated with.

- Mr. Gonthier will also receive standard medical, dental, vision, and emergency care (self and family). It is befitting to make sure that each employee receives proper insurance-based benefits for the over-all health of our employees.
- Mr. Gonthier will receive benefits and additional stock options based on his performance during the next four quarters. His job will be to create positive cash flows for the continued success of the company, due to our last two years of negative cash flows.
 - If cash flows in August 2014 and 2015 increase by \$20,000.00, then Mr. Gonthier shall receive a bonus of 100% of his base pay. If you look at the chart provided, you can see that our cash flows have increased by \$38,000.00 from 2011 to 2012, and \$21,000.00 from 2012 to 2013. We believe that making this a benchmark for Mr. Gonthier’s potential bonus will keep his performance at a constant level. (graph accessed from: <http://finance.yahoo.com/q/cf?s=FDO+Cash+Flow&annual>)

Period Ending	Aug 31, 2013	Aug 25, 2012	Aug 27, 2011
Net Income	443,575	422,240	388,445
Operating Activities, Cash Flows Provided By or Used In			
Depreciation	224,362	210,748	182,455
Adjustments To Net Income	12,546	(9,335)	66,249
Changes In Accounts Receivables	-	-	-
Changes In Liabilities	(53,288)	(4,111)	30,850
Changes In Inventories	(40,853)	(271,503)	(126,638)
Changes In Other Operating Activities	(114,369)	21,332	(13,297)
Total Cash Flow From Operating Activities	471,973	369,371	528,064
Investing Activities, Cash Flows Provided By or Used In			
Capital Expenditures	(744,428)	(603,313)	(345,268)
Investments	346,699	483,436	63,795
Other Cash flows from Investing Activities	83,138	(78,434)	1,055
Total Cash Flows From Investing Activities	(314,591)	(198,311)	(280,418)
Financing Activities, Cash Flows Provided By or Used In			
Dividends Paid	(108,334)	(91,390)	(83,439)
Sale Purchase of Stock	(54,158)	(166,673)	(653,250)
Net Borrowings	40,545	25,586	250,760
Other Cash Flows from Financing Activities	-	-	-
Total Cash Flows From Financing Activities	(108,716)	(220,132)	(488,995)
Effect Of Exchange Rate Changes	-	-	-
Change In Cash and Cash Equivalents	48,666	(49,072)	(241,349)

- Stock options will also be awarded to Mr. Gonthier for additional positive work feedback as pertaining to his overall effectiveness as a leader. We will give HR the job of creating a proper performance management system for Mr. Gonthier. We are planning to use a subordinate appraisal system to gain insight into Mr. Gonthier's abilities to lead our team. If Mr. Gonthier receives an approval rating of 80% and above, he will be able to receive said options. We believe that even though the late Steve Jobs wasn't used in our analysis above, we're benchmarking him based on his history. While Steve Jobs was a man of high success and ability to drive Apple Co. to success, we want our CEO to instead be to be someone of high integrity and have strong team-work-based mentality.
 - If 80% approval, he shall receive 10,000 shares of stock.
 - If 90% approval 20,000 shares.
 - If 95% approval, 30,000 shares.
- We have also decided to provide Mr. Gonthier with a new Tesla S Series Vehicle as a company car as to show that we believe in Mr. Gonthier's ability to lead the company by providing him with a means of transportation to commute to work not only economically, but also in style.

Conclusion

In conclusion we discussed and compared the salary compensation for Greg Steinhafel (Target CEO) and Eric Schiffer (Last CEO for 99 Cents) in order to make an appropriate compensation package for the 99 Cents Stores Only new CEO Stephan Gonthier. The facts that we felt are relevant our experience in the industry, prior compensation, performance at previous job position, and intangibles. One of the main intangibles is the fact that Mr. Gonthier took a huge pay cut in order to become the CEO of the 99 Cent Stores. Mr. Gonthier could have spent years waiting to be CEO for Dollarama so rather than waiting he left on his own accord because he feels he is the right man for the job. As the

Compensation Committee for the 99 Cent Store we are in agreement that Mr. Gonthier is indeed the right man and that is what we based our compensation package on.

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