

# WAL MART STORES INC

## FORM 10-K (Annual Report)

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CIK	0000104169
Symbol	WMT
SIC Code	5331 - Variety Stores
Industry	Retail (Department & Discount)
Sector	Services
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## 7 Share-Based Compensation Plans

As of January 31, 2009, the Company has awarded share-based compensation to executives and other associates of the Company through various share-based compensation plans. The compensation cost recognized for all plans was \$302 million, \$276 million and \$271 million for fiscal 2009, 2008 and 2007, respectively. The total income tax benefit recognized for all share-based compensation plans was \$112 million, \$102 million and \$101 million for fiscal 2009, 2008 and 2007, respectively.

The Company's Stock Incentive Plan of 2005 (the "Plan"), which is shareholder-approved, was established to grant stock options, restricted (non-vested) stock, performance share and other equity compensation awards to its associates, and 210 million shares of common stock to be issued under the Plan have been registered under the Securities Act of 1933. The Company believes that such awards better align the interests of its associates with those of its shareholders.

Under the Plan and prior plans, substantially all stock option awards have been granted with an exercise price equal to the market price of the Company's stock at the date of grant. Generally, outstanding options granted before fiscal 2001 vest over seven years. Options granted after fiscal 2001 generally vest over five years. Shares issued upon the exercise of options are newly issued. Options granted generally have a contractual term of 10 years.

The Company's United Kingdom subsidiary, ASDA, also offers two other stock option plans to its colleagues. The first plan, The ASDA Colleague Share Ownership Plan 1999 ("CSOP"), grants options to certain colleagues. The initial CSOP grant is a three year and a six year vesting with six year vesting granted thereafter. CSOP shares have an exercise period of two months immediately following the vesting date. The second plan, The ASDA Sharesave Plan 2000 ("Sharesave"), grants options to certain colleagues at 80% of the average market value of the three days preceding date of grant. Sharesave options become exercisable after either a three-year or five-year period and generally expire six months after becoming exercisable. The CSOP and Sharesave Plan were registered to grant stock options to its colleagues for up to a combined 34 million shares of common stock.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton option valuation model that uses various assumptions for inputs, which are noted in the following table. Generally, the Company uses expected volatilities and risk-free interest rates that correlate with the expected term of the option when estimating an option's fair value. To determine the expected life of the option, the Company bases its estimates on historical exercise and expiration activity of grants with similar vesting periods. Expected volatility is based on historical volatility of our stock and the expected risk-free interest rate is based on the U.S. Treasury yield curve at the time of the grant. The expected dividend yield over the vesting period is based on the annual dividend rate at the time of grant. The following table represents a weighted-average of the assumptions used by the Company to estimate the fair values of the Company's stock options at the grant dates:

	Fiscal Year Ended January 31,		
	2009	2008	2007
Dividend yield	1.9%	2.1%	2.3%
Volatility	16.7%	18.6%	19.4%
Risk-free interest rate	2.0%	4.5%	4.8%
Expected life in years	3.4	5.6	5.3

A summary of the stock option award activity for fiscal 2009 is presented below:

<b>Stock Options</b>	<b>Shares</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Life in Years</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at January 31, 2008	68,860,000	\$49.01		
Granted	1,712,000	39.51		
Exercised	(18,043,000)	48.14		
Forfeited or expired	(3,807,000)	48.62		
Outstanding at January 31, 2009	<u>48,722,000</u>	<u>49.11</u>	<u>4.5</u>	<u>\$59,706,000</u>
Exercisable at January 31, 2009	<u>28,539,000</u>	<u>\$51.34</u>	<u>4.4</u>	<u>\$7,321,000</u>

As of January 31, 2009, there was \$148 million of total unrecognized compensation cost related to stock options granted under the Plan, which is expected to be recognized over a weighted-average period of 2.1 years. The total fair value of options vested during the fiscal years ended January 31, 2009, 2008 and 2007, was \$107 million, \$102 million and \$160 million, respectively.

The weighted-average grant-date fair value of options granted during the fiscal years ended January 31, 2009, 2008 and 2007, was \$9.97, \$11.00 and \$9.20, respectively. Stock options granted in fiscal 2009 were primarily issued under the ASDA Sharesave plan. The total intrinsic value of options exercised during the years ended January 31, 2009, 2008 and 2007, was \$173 million, \$60 million and \$103 million, respectively. During fiscal 2009, the Company received \$585 million in cash from the exercise of stock options.

In fiscal 2007, the Company began issuing restricted stock rights to most associates in lieu of stock option awards. Restricted stock rights are associate rights to Company stock after a specified service period. Grants issued before fiscal 2009 typically vest over five years with 40% vesting three years from grant date and the remaining 60% vesting five years from grant date. Beginning in fiscal 2009, the vesting schedule was adjusted for new grants to 50% vesting three years from grant date and the remaining 50% vesting five years from grant date. The fair value of each restricted stock right is determined on the date of grant using the stock price discounted for the expected dividend yield through the vesting period. Expected dividend yield over the vesting period is based on the annual dividend rate at the time of grant. The weighted average discount for dividend yield used to determine the fair value of restricted stock rights granted in fiscal 2009, 2008, and 2007 was 6.8%, 8.4% and 6.9%, respectively.

A summary of the Company's restricted stock rights activity for fiscal 2009 presented below represents the maximum number of shares that could be earned or vested under the Plan:

<b>Restricted Stock Rights</b>	<b>Shares</b>	<b>Weighted-Average Grant-Date Fair Value</b>
Restricted Stock Rights at January 31, 2008	6,641,000	\$43.00
Granted	5,129,000	50.41
Vested	(10,000)	44.78
Forfeited	(606,000)	45.39
Restricted Stock Rights at January 31, 2009	<u>11,154,000</u>	<u>\$46.28</u>

As of January 31, 2009, there was \$278 million of total unrecognized compensation cost related to restricted stock rights granted under the Plan, which is expected to be recognized over a weighted-average period of 2.7 years.

Under the Plan, the Company grants various types of awards of restricted (non-vested) stock to certain associates. These grants include awards for shares that vest based on the passage of time, performance criteria, or both. Vesting periods vary. The restricted stock awards may be settled in stock, or deferred as stock or cash, based upon the associate's election. Consequently, these awards are classified as liabilities in the accompanying Consolidated Balance Sheets unless the associate has elected for the award to be settled or deferred in stock.

During fiscal 2006, the Company began issuing performance share awards under the Plan that vest based on the passage of time and achievement of performance criteria. Based on the extent to which the targets are achieved, vested shares may range from 0% to 150% of the original award amount. Because the performance shares issued before January 1, 2008 may be settled in stock or cash, the performance shares are accounted for as liabilities in the accompanying Consolidated Balance Sheets unless the associate has elected for the award to be settled or deferred in stock. Performance shares issued in fiscal 2009 are settled or deferred in stock; therefore, they are accounted for as equity in the accompanying Consolidated Balance Sheets.

The fair value of the restricted stock and performance share liabilities are re-measured each reporting period. The total liability for restricted stock and performance share awards at January 31, 2009 and January 31, 2008, was \$126 million and \$125 million, respectively.

A summary of the Company's non-vested restricted stock and performance share award activity for fiscal 2009 presented below represents the maximum number of shares that could be earned or vested under the Plan:

<b>Non-Vested Restricted Stock and Performance Share Awards</b>	<b>Shares</b>	<b>Weighted-Average Grant-Date Fair Value</b>
Restricted Stock and Performance Share Awards at January 31, 2008	10,787,000	\$47.00
Granted	6,749,000	52.10
Vested	(1,815,000)	46.41
Forfeited	(2,016,000)	49.11
Restricted Stock and Performance Share Awards at January 31, 2009	<u>13,705,000</u>	<u>\$49.28</u>

As of January 31, 2009, there was \$293 million of total unrecognized compensation cost related to restricted stock and performance share awards granted under the Plan, which is expected to be recognized over a weighted-average period of 3.4 years. The total fair value of shares vested during the fiscal years ended January 31, 2009, 2008 and 2007, was \$55 million, \$24 million and \$38 million, respectively.

**Independent registered public accounting firm:**

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