WAL MART STORES INC
Form DEF 14A
April 15, 2005
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.   )

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Wal-Mart Stores, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

WAL«MART STORES, INC.

702 Southwest 8th Street

Bentonville, Arkansas 72716-0215

(479) 273-4000

Retail Internet Sites:	**www.walmart.com**
	www.samsclub.com
Corporate Internet Site:	**www.walmartstores.com**
Information Internet Site:	**www.walmartfacts.com**

NOTICE OF 2005 ANNUAL SHAREHOLDERS MEETING

To Be Held June 3, 2005

Please join us for the 2005 Annual Shareholders Meeting of Wal-Mart Stores, Inc. The business meeting will be held on Friday, June 3, 2005, at 8:45 a.m. in Bud Walton Arena, University of Arkansas, Fayetteville, Arkansas. Pre-meeting activities begin at 7:00 a.m.

The purposes of the 2005 Annual Shareholders Meeting are:

(1) To elect 14 directors;

(2) To vote on the approval of the Wal-Mart Stores, Inc. Stock Incentive Plan of 2005;

(3) To ratify the appointment of Ernst & Young LLP as the independent accountants of Wal-Mart Stores, Inc.;

(4) To vote on eight shareholder proposals; and

(5) To transact any other business properly introduced at the 2005 Annual Shareholders Meeting.

You must own shares of Wal-Mart Stores, Inc. common stock at the close of business on April 5, 2005, to vote at the 2005 Annual Shareholders Meeting. **If you plan to attend, please bring the Admittance Slip on the back cover and a picture I.D.** Regardless of whether you will attend, please vote as described on pages 3-4 of the proxy statement. Voting in any of these ways will not prevent you from voting in person at the 2005 Annual Shareholders Meeting.

By Order of the Board of Directors

Thomas D. Hyde

Secretary

Bentonville, Arkansas

April 15, 2005

Admittance Requirements on Back Cover

Table of Contents

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PROXY STATEMENT

This proxy statement and accompanying proxy card are being mailed beginning April 15, 2005, in connection with the solicitation of proxies by the Board of Directors of Wal-Mart Stores, Inc., a Delaware corporation, for use at the 2005 Annual Shareholders Meeting. The business meeting will be held in Bud Walton Arena, University of Arkansas, Fayetteville, Arkansas, on Friday, June 3, 2005, at 8:45 a.m. Pre-meeting activities start at 7:00 a.m.

TABLE OF CONTENTS

Table of Contents

TABLE OF ABBREVIATIONS

The following abbreviations will be used for terms that are used in more than one section of this proxy statement:

(1) 1998 Stock Incentive Plan : the Wal-Mart Stores, Inc. Stock Incentive Plan of 1998, as amended January 15, 2004

(2) 2005 Stock Incentive Plan : Wal-Mart Stores, Inc. Stock Incentive Plan of 2005, as it amends and restates the 1998 Stock Incentive Plan to be effective January 1, 2005

(3) Associate : an employee of Wal-Mart or one of its subsidiaries

(4) Board : the Board of Directors of Wal-Mart

(5) Board committees :

a. Audit Committee

b. CNGC : Compensation, Nominating and Governance Committee

c. EC : Executive Committee

d. SOC : Stock Option Committee

e. SPFC : Strategic Planning and Finance Committee:

(6) Bylaws : the amended and restated Bylaws of Wal-Mart, effective as of March 3, 2005

(7) Chairman : the Chairman of the board of directors

(8) CEO : the Chief Executive Officer

(9) CFO : the Chief Financial Officer

(10) Deferred Compensation Plan : the Wal-Mart Stores, Inc. Officer Deferred Compensation Plan, as amended and restated effective March 31, 2003

(11) E&Y : Ernst & Young LLP, Wal-Mart s independent registered public accounting firm

(12) EquiServe : EquiServe Trust Company, N.A., Wal-Mart s transfer agent

(13) Executive Committee of the Company : a Company committee consisting of the Executive Officers and certain other Executive Vice Presidents of the Company

(14) Exchange Act : the Securities Exchange Act of 1934, as amended

(15) Executive Officers : certain Senior Officers designated by the Board under Rule 3b-7 of the Exchange Act that have certain disclosure obligations and who also must report all transactions in equity securities of the Company under Section 16 of the Exchange Act

(16) Fiscal 2003, fiscal 2004, fiscal 2005, and fiscal 2006 : fiscal years ending January 31, 2003, 2004, 2005 and 2006, respectively

(17) Independent Directors : the directors whom the Board has determined have no material relationships with the Company pursuant to the NYSE listing standards

(18) Management Incentive Plan : the Wal-Mart Stores, Inc. Management Incentive Plan, as amended and restated effective February 1, 2003

(19) Named Executive Officers : the Company s CEO and the next four most highly compensated Executive Officers (and up to two additional Executive Officers upon the retirement of the CEO or any of the next four most highly compensated Executive Officers)

Table of Contents

(20) Non-Management Directors : the members of the Board who do not hold another position with Wal-Mart or one of its subsidiaries

(21) NYSE : the New York Stock Exchange

(22) Profit Sharing/401(k) Plan : the Wal-Mart Profit Sharing and 401(k) Plan, effective October 31, 2003

(23) Section 16 : Section 16 of the Securities Exchange Act of 1934, as amended

(24) SEC : the Securities and Exchange Commission

(25) Senior Officers : the President and CEO, Executive Vice Presidents, and Senior Vice Presidents of Wal-Mart

(26) Share or Shares : Wal-Mart common stock, $0.10 par value per share

(27) SOX : the Sarbanes-Oxley Act of 2002

(28) Wal-Mart or the Company : Wal-Mart Stores, Inc.

(29) SERP : the Wal-Mart Stores, Inc. Supplemental Executive Retirement Plan, as amended effective October 31, 2003

Your proxy is solicited by the Board. The Company pays the cost of soliciting your proxy and reimburses brokers and others for forwarding proxy materials to you.

VOTING INFORMATION

Who may vote? You may vote if you owned Shares at the close of business on April 5, 2005. You are entitled to one vote on each matter presented at the 2005 Annual Shareholders Meeting for each Share you owned on that date. As of March 31, 2005, Wal-Mart had 4,224,586,972 Shares outstanding.

What am I voting on? You are voting on:

The election of 14 directors,

The approval of the 2005 Stock Incentive Plan, The ratification of the appointment of E&Y as Wal-Mart s independent accountants,

Eight shareholder proposals, and

Any other matters properly introduced at the 2005 Annual Shareholders Meeting.

Who counts the votes? EquiServe will count the votes. The Board appointed two employees of EquiServe as independent inspectors of the election.

Is my vote confidential? Yes, your proxy card, ballot, and voting records will not be disclosed to Wal-Mart unless the law requires disclosure, you request disclosure, or your vote is cast in a contested election. If you write comments on your proxy card, your comments will be provided to Wal-Mart, but how you voted will remain confidential.

What vote is required to pass an item of business at the 2005 Annual Shareholders Meeting? The holders of a majority of the outstanding Shares must be present in person or represented by proxy for the 2005 Annual Shareholders Meeting to be held. The vote of the holders of a plurality of the Shares present in person or represented by proxy and entitled to vote in the election of directors is required to elect any director. Each Share may be voted for as many nominees as there are seats on the Board, but no Share may be voted more than once for any particular nominee.

Under the NYSE listing standards, the 2005 Stock Incentive Plan will be deemed approved if a majority of the votes cast are voted for approval. In addition, to satisfy the NYSE listing standards, the total vote cast on the 2005 Stock Incentive Plan also must represent over 50 percent of all Shares entitled to vote on the proposal. The vote of the holders of a majority of the Shares present in person or represented by proxy at the meeting and entitled to vote is required for ratification of the appointment of E&Y as Wal-Mart s independent accountants and for approval of the shareholder proposals.

Abstentions and broker non-votes are not relevant to the election of directors. Abstentions will have the effect of a vote against any of the other proposals. For purposes of the NYSE requirement that at least a majority of the Shares outstanding cast votes on the proposal to approve the 2005 Stock Incentive Plan, abstentions will be treated as votes cast, but broker non-votes will not. Broker non-votes will have no effect on the vote for any of the other proposals. A broker non-vote occurs if you do not provide the record holder of your Shares (usually a bank, broker, or other nominee) with voting instructions on a matter and the holder is not permitted to vote on the matter without instructions from you under applicable NYSE rules.

Table of Contents

Unless you indicate otherwise on your proxy card, the persons named as your proxies will vote your Shares: FOR all of the nominees for director named in this proxy statement, FOR approval of the 2005 Stock Incentive Plan, FOR the ratification of E&Y as Wal-Mart s independent accountants, and AGAINST the eight shareholder proposals.

How do I vote? If you plan to attend the 2005 Annual Shareholders Meeting and wish to vote in person, the Company will give you a ballot at the 2005 Annual Shareholders Meeting. However, if your Shares are held in the name of a broker, bank, or other nominee and you want to vote in person, you will need to obtain a legal proxy from the institution that holds your Shares indicating that you were the beneficial owner of Shares on April 5, 2005, which is the record date for voting at the 2005 Annual Shareholders Meeting.

If your Shares are held in your name, there are three ways for you to vote by proxy:

Call 1-877-PRX-VOTE (1-877-779-8683),

Log on to the internet at: www.eproxyvote.com/wmt and follow the instructions at that site, or

Mail the proxy card in the enclosed return envelope.

Telephone and internet voting will close at 11:00 p.m. (CT) on June 2, 2005. If your Shares are held in your name through the Profit Sharing/401(k) Plan or the Wal-Mart Puerto Rico Profit Sharing and 401(k) Plan, and you do not vote your Shares in one of the methods described above, your Shares will be voted by the Retirement Plans Committee of the Company.

If your Shares are held in the name of a broker, bank, or other nominee, you should receive separate instructions from the holder of your Shares describing how to vote your Shares.

Can I revoke my proxy? Yes, you can revoke your proxy if your Shares are held in your name by:

Filing written notice of revocation with Wal-Mart s Secretary before the 2005 Annual Shareholders Meeting,

Signing a proxy bearing a later date, or

Voting in person at the 2005 Annual Shareholders Meeting.

If your Shares are held in the name of a broker, bank, or other nominee, you need to contact the holder of your Shares regarding how to revoke your proxy.

INFORMATION ABOUT THE BOARD

Wal-Mart s directors are elected at each annual shareholders meeting and hold office until the next election. All nominees are presently directors of Wal-Mart, except for Linda S. Wolf. Assuming shareholders elect all the director nominees at the 2005 Annual Shareholders Meeting, Wal-Mart will have 14 directors. The Board has authority under the Bylaws to fill vacancies and to increase or, upon the occurrence of a vacancy, decrease its size between annual shareholders meetings.

Your proxy holder will vote your Shares for the Board s nominees unless you instruct otherwise. If a nominee is unable to serve as a director, your proxy holder may vote for any substitute nominee proposed by the Board.

PROPOSAL NO. 1

NOMINEES FOR ELECTION TO THE BOARD

The following candidates are nominated by the Board based on the recommendation of the CNGC. They have held the positions shown for at least five years unless otherwise noted. They were selected on the basis of outstanding achievement in their careers, broad experience, wisdom, integrity, understanding of the business environment, willingness to devote adequate time to Board duties, and their ability to make independent, analytical inquiries. The Board is committed to diversified membership. In selecting nominees, the Board does not discriminate on the basis of race, color, national origin, gender, religion, disability, or sexual preference.

James W. Breyer, 43

Mr. Breyer is a Managing Partner of Accel Partners, a venture capital firm. He is also a director of RealNetworks, Inc. and several private companies. He has been a member of the Board since 2001.

Table of Contents

M. Michele Burns, 47

Ms. Burns is the CFO and Chief Restructuring Officer of the Mirant Corporation, an energy company, which she joined in April 2004. Ms. Burns served as the Executive Vice President and CFO of Delta Air Lines, Inc., an air carrier, from August 2000 through April 2004, and prior to that appointment, she held various other positions with Delta Air Lines, Inc. including: Senior Vice President Finance and Treasurer, from January 2000 to August 2000; Vice President Corporate Tax and Treasurer, from September 1999 to January 2000; and Vice President Corporate Tax, from January 1999 to September 1999. She is also a director of Cisco Systems, Inc. Ms. Burns has been a member of the Board since 2003.

Douglas N. Daft, 63

Mr. Daft is the retired Chairman and CEO of The Coca-Cola Company, a beverage manufacturer, where he served in that capacity from February 2000 until June 2004 and in various other capacities since 1969. Mr. Daft is also a director of The McGraw Hill Companies, Inc. Mr. Daft has been a member of the Board since January 6, 2005.

David D. Glass, 69

Mr. Glass is the Chairman of the Executive Committee of the Board and has served in this position since February 2000. Mr. Glass served as Wal-Mart s President and CEO from January 1988 to January 2000. Mr. Glass has been a member of the Board since 1977.

Roland A. Hernandez, 47

Mr. Hernandez is the retired Chairman and CEO of Telemundo Group, Inc., a Spanish-language television station company, where he served from August 1998 to December 2000. From March 1995 to August 1998, he served as President and CEO of Telemundo Group, Inc. He is also a director of MGM Mirage, The Ryland Group, Inc., and Vail Resorts, Inc. Mr. Hernandez has been a member of the Board since 1998.

John D. Opie, 67

Mr. Opie is the retired Vice Chairman and Executive Officer of the General Electric Co., a diversified technology, services, and products company, where he served from October 1995 until retiring in May 2000. In his 39 years with the General Electric Co., he held numerous positions including leading the Lexan and Specialty Plastics Divisions, President of the Distribution Equipment Business, and President of the Lighting Business. He serves as the lead director of the board of directors of Delphi Corp. and is a life Trustee of Michigan Tech University. He has been a member of the Board since August 2003.

J. Paul Reason, 64

Mr. Reason has been the President and Chief Operating Officer of Metro Machine Corporation, an employee-owned ship repair company, since July 2000. From December 1999 to June 2000, he served as Vice President-Ship Systems for Syntek Technologies, Inc., a technical and engineering professional services firm. He is a retired four-star Admiral in the U.S. Navy. He served as Commander-in-Chief of the U.S. Atlantic Fleet from December 1996 to September 1999, ending 34 years of Naval service. He is also a director of Amgen Inc. and Norfolk Southern Corporation. He has been a member of the Board since 2001.

H. Lee Scott, Jr., 56

Mr. Scott is the President and CEO of Wal-Mart and has served in that position since January 2000. Prior to this appointment, he held other positions with Wal-Mart since September 1979, including: Vice Chairman and Chief Operating Officer, from January 1999 to January 2000; and Executive Vice President and President and CEO, Wal-Mart Stores Division, from January 1998 to January 1999. Mr. Scott has been a member of the Board since 1999.

Table of Contents

Jack C. Shewmaker, 67

Mr. Shewmaker is the President of J-COM, Inc., a consulting company, and he is a rancher. He is also a former Wal-Mart executive who retired in 1988. Mr. Shewmaker has been a member of the Board since 1977.

José H. Villarreal, 51

Mr. Villarreal is a partner in the law firm of Akin, Gump, Strauss, Hauer & Feld, L.L.P. Mr. Villarreal has served as a member of the Board since 1998.

John T. Walton,* 58

Mr. Walton is the Chairman of True North Partners, L.L.C., which holds investments in technology companies. He has been a member of the Board since 1992.

S. Robson Walton,* 60

Mr. Walton is the Chairman of Wal-Mart. He has been a member of the Board since 1978.

Christopher J. Williams, 47

Mr. Williams is the Chairman and CEO of The Williams Capital Group, L.P., an investment bank. Since 2002, he has also served as the Chairman and CEO of The Williams Capital Management, LLC, an investment management firm. In addition, Mr. Williams serves as a director of Harrah s Entertainment, Inc. He has been a member of the Board since 2004.

Linda S. Wolf, 57

Ms. Wolf is the Chairman and CEO of Leo Burnett Worldwide, Inc., an advertising agency and division of Publicis Groupe S.A. She will retire from the Leo Burnett Worldwide, Inc. on April 29, 2005. Ms. Wolf has served in various positions with Leo Burnett Worldwide, Inc. and its predecessors since 1978.

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* S. Robson Walton and John T. Walton are brothers.

The Board recommends that the shareholders vote FOR all nominees for election to the Board.

Table of Contents

DIRECTOR INDEPENDENCE

Pursuant to the NYSE listing standards, Wal-Mart is required to have a majority of Independent Directors on its Board. In addition, the Audit Committee and the CNGC must be composed solely of Independent Directors. The NYSE listing standards define specific relationships that would disqualify a director from being independent and further require that for a director to qualify as independent, the Board must affirmatively determine that the director has no material relationship with the Company.

As permitted by the NYSE listing standards, the Board determined categorically that one or more of the following relationships (the Categorical Standards) will not be considered to be material relationships that impair a director s independence:

(1) The director, an entity with which a director is affiliated, or one or more members of the director s immediate family, purchased property or services from Wal-Mart in retail transactions on terms generally available to other Wal-Mart Associates during Wal-Mart s last fiscal year;

(2) The director or one or more members of the director s immediate family owns or has owned during the entity s last fiscal year, directly or indirectly, five percent or less of an entity that has a business relationship with Wal-Mart;

(3) The director or one or more members of the director s immediate family owns or has owned during the entity s last fiscal year, directly or indirectly, more than five percent of an entity that has a business relationship with Wal-Mart so long as the amount paid to or received from Wal-Mart during the entity s last fiscal year accounts for less than $1,000,000 or, if greater, one percent of the entity s consolidated gross revenues for that entity s last fiscal year;

(4) The director or one or more members of the director s immediate family is a director or trustee or was a director or trustee of an entity during the entity s last fiscal year that has a business or charitable relationship with Wal-Mart and that made payments to, or received from, Wal-Mart during the entity s last fiscal year an amount representing less than $5,000,000 or, if greater, five percent of the entity s consolidated gross revenues for that entity s last fiscal year;

(5) Wal-Mart paid to, employed, or retained one or more members of the director s immediate family for compensation not exceeding $60,000 during Wal-Mart s last fiscal year;

(6) The director or a member of the director s immediate family is, or has been during the entity s last fiscal year, an executive officer or employee of an entity that made payments to, or received payments from, Wal-Mart during the entity s last fiscal year that account for less than $1,000,000 or, if greater, one percent of the entity s consolidated gross revenues for that entity s last fiscal year; or

(7) The director or one or more members of the director s immediate family received from Wal-Mart, during Wal-Mart s last fiscal year, personal benefits having an aggregate value of less than $5,000.

In developing the Categorical Standards, the Board considered that: (1) directors (or their immediate family members) regularly purchase items at Wal-Mart stores, Neighborhood Markets, and SAM S CLUBS, (2) directors (or their immediate family members) may hold minor investments in companies that do business with Wal-Mart, (3) directors (or their immediate family members) may hold more than a minor investment in companies that do business with Wal-Mart, but the amount of business done with Wal-Mart is immaterial, (4) directors (or their immediate family members) may serve on the board of commercial or charitable entities with immaterial relationships with Wal-Mart, (5) directors may have immediate family members employed by Wal-Mart in positions earning $60,000 per year or less, (6) directors (or their immediate family members) may be officers or employees of companies that receive payments from Wal-Mart or its affiliates that account for less than $1,000,000 or, if greater, one percent of such company s gross revenues, and (7) that former officers who are directors (or their immediate family members) may continue to receive from Wal-Mart certain residual benefits from their service with the Company.

The Board, upon the recommendation of the CNGC, has determined that the following directors are independent under the NYSE listing standards: James W. Breyer, M. Michele Burns, Douglas N. Daft, Roland A. Hernandez, John D. Opie, Jack C. Shewmaker, J. Paul Reason, José H. Villarreal, and Christopher J. Williams. The Board also has determined that director nominee Linda S. Wolf is independent under the NYSE listing standards. In making this determination, the Board found that neither the Independent Directors nor Ms. Wolf have a material or other disqualifying relationship with Wal-Mart.

In connection with its independence determinations, the Board noted that Mr. Breyer serves as a director of, and beneficially owns more than ten percent of, Groove Networks, Inc., a software company. The amounts paid to Groove Networks, Inc. during its last fiscal year for software and services exceeded the threshold set forth in Categorical Standard No. 3. However, because Mr. Breyer indirectly owns a minority interest in Groove Networks, Inc. and he did not participate in the negotiation of the commercial transaction or the execution of the transaction, the Board determined that the commercial relationship between the Company and Groove Networks, Inc. is not material.

Table of Contents

The Board further noted that Mr. Daft was the Chairman and CEO of The Coca-Cola Company (Coca-Cola), a beverage manufacturer, until May 31, 2004 and was a Coca-Cola employee until his retirement on December 31, 2004. The amounts paid to Coca-Cola in 2004 exceeded the threshold set forth in Categorical Standard No. 6. However, because the Company s payments to Coca-Cola were substantially less than two percent of the consolidated gross revenues of the Company and Coca-Cola and because Mr. Daft is no longer affiliated with Coca-Cola, the Board determined that the commercial relationship between the Company and Coca-Cola is not material.

COMPENSATION OF DIRECTORS

Annual Retainer

The annual retainer for the Non-Management Directors upon their election to the Board on June 4, 2004 was $60,000, which was paid quarterly and at the director s election could be taken in cash, Shares, deferred in stock units, or deferred in an interest bearing account. The interest rate on the interest bearing account was approved by the CNGC based on the ten-year treasury rate plus 270 basis points and was 6.95 percent for the calendar year ending December 31, 2004 and was not adjusted for the calendar year ending December 31, 2005. Each Non-Management Director also received 2,032 Shares on June 4, 2004. The Chair of the Audit Committee received an additional retainer of $15,000, the Chair of the CNGC received an additional retainer of $10,000, and the Chair of the SPFC received an additional retainer of $10,000 for the additional responsibilities those directors undertook as Chairs of Board committees.

Meetings

Directors were not paid for meeting attendance but were reimbursed for expenses incurred in attending the meetings. The Company paid the travel expenses for a guest of certain Non-Management Directors for the Board meeting in Shenzhen, People s Republic of China in March 2004 and the 2004 Annual Shareholders Meeting. In addition, the Company paid such Non-Management Directors an amount equal to the income taxes attributed to the travel expenses for the guest.

Director Stock Ownership Guidelines

On June 5, 2003, the Board adopted stock ownership guidelines for the Non-Management Directors and certain Executive Officers. Each Non-Management Director must own, within five years from election or appointment to the Board, an amount of Shares, restricted stock, or stock units equal to five times the cash compensation approved by the Board in the year the director was elected or appointed. Non-Management Directors who began serving prior to June 5, 2003 are required to own, within five years from June 5, 2003, $300,000 worth of Shares, restricted stock, or stock units.

Other Benefits

During fiscal 2005, Jack C. Shewmaker received monitoring of a home security system and long-distance telephone service, pursuant to a contract that was entered into when Mr. Shewmaker retired as a Senior Officer in 1988.

Table of Contents

BOARD MEETINGS

The Board held four regular meetings and two telephonic meetings during fiscal 2005 to review significant developments affecting the Company, engage in strategic planning, and act on matters requiring Board approval. For fiscal 2005, each incumbent director attended at least 75 percent of the Board meetings and the meetings of committees on which he or she served.

BOARD COMMITTEES

Committee	Members	Functions and Additional Information	Number of Meetings in Fiscal 2005
Audit Committee (1)	M. Michele Burns Roland A. Hernandez (2) J. Paul Reason	Reviews financial reporting, policies, procedures, and internal controls of Wal-Mart Appoints independent accountants Pre-approves audit, audit-related, and non-audit services to be performed by the Company s independent accountants Reviews related-party transactions Reviews the Company s policies, processes, and procedures regarding compliance with applicable laws and regulations and the Statement of Ethics The Board has determined that the members are independent as defined by Section 10A(m)(3) of the Exchange Act and the NYSE listing standards	10
Compensation, Nominating and Governance Committee	Douglas N. Daft (3) John D. Opie José H. Villarreal (2)	In consultation with the Company s CEO, approves the total compensation of the non-director Executive Officers Reviews and approves the total compensation of the inside directors Reviews and makes recommendations to the Board regarding the compensation of the Non-Management Directors Sets the interest rates applicable to the Deferred Compensation Plan and the Wal-Mart Stores, Inc. Director Compensation Plan Sets and verifies the attainment of performance goals under performance-based plans Reviews salary and benefits issues for the Company Reviews and provides guidance regarding the Company s reputation Oversees corporate governance issues	9

		Recommends candidates to the Board for nomination for election or appointment to the Board Reviews and makes recommendations to the Board regarding director independence The Board has determined that the members are independent under the NYSE listing standards	
Executive Committee	Thomas M. Coughlin (4) David D. Glass (2) H. Lee Scott, Jr. S. Robson Walton	Implements policy decisions of the Board Acts on the Board s behalf between Board meetings	1(5)
Stock Option Committee	Thomas M. Coughlin (4) David D. Glass H. Lee Scott, Jr. (2) S. Robson Walton	Administers Wal-Mart s equity compensation plans for Associates who are not directors or Executive Officers	2
Strategic Planning and Finance Committee	James W. Breyer (2) Thomas M. Coughlin (4) Jack C. Shewmaker John T. Walton	Reviews and analyzes financial matters Oversees long-range strategic planning Reviews and recommends a dividend policy to the Board Reviews and recommends the annual budget to the Board	4

(1) Christopher J. Williams was appointed by the Board to the Audit Committee on March 4, 2005.
(2) Committee Chair.
(3) Douglas N. Daft was appointed by the Board to the CNGC on January 6, 2005.
(4) Thomas M. Coughlin resigned from the Board on March 25, 2005.
(5) The EC acted by unanimous written consent 27 times during fiscal 2005.

Table of Contents

CORPORATE GOVERNANCE

BOARD AND COMMITTEE GOVERNING DOCUMENTS

The Board has adopted Corporate Governance Guidelines, and the Audit Committee, the CNGC, the EC, the SOC, and the SPFC have adopted charters, which you may review on the corporate website at www.walmartstores.com in the Corporate Governance section of the Investor Relations webpage. In addition, these documents also are available in print to any shareholder who requests a copy from the Wal-Mart Investor Relations Department.

COMMUNICATIONS WITH THE BOARD

The Board welcomes communications from shareholders. Shareholders may write to the Board at Wal-Mart Stores, Inc. Board of Directors, c/o J. Michael Bradshaw, Liaison to the Board of Directors, 702 Southwest 8th Street, Bentonville, Arkansas 72716-0215. Shareholders also may e-mail the Board at directors@wal-mart.com. Any communications to the Independent Directors may be e-mailed to independentdirectors@wal-mart.com. Communications with the Non-Management Directors may be e-mailed to nonmanagementdirectors@wal-mart.com, and communications with individual directors should be addressed to the full name of the director as listed in this proxy statement followed by @wal-mart.com. For example, shareholders may e-mail S. Robson Walton, Chairman, by e-mailing srobsonwalton@wal-mart.com.

A company of Wal-Mart s size receives a large number of inquiries regarding a range of subjects each day. As a result, the Board is not able to respond to all shareholder inquiries directly. Therefore, the Board, in consultation with the Company, has developed a process to assist it with managing inquiries directed to the Board.

Letters and e-mails directed to the Board, Independent Directors, and Non-Management Directors are reviewed by the Company to determine whether a response on behalf of the Board is appropriate. While the Board oversees management, it does not participate in day-to-day management functions or business operations and is not normally in the best position to respond to inquiries with respect to those matters. Thus, the Company will direct those types of inquiries to the appropriate Associate within the Company for a response. Responses to letters and e-mails by the Company on behalf of the Board, Independent Directors, or Non-Management Directors are maintained by the Company and are available for any director s review.

If a response on behalf of the Board, Independent Directors, or Non-Management Directors is appropriate, the Company gathers any information and documentation necessary for answering the inquiry and provides the information and documentation as well as a proposed response to the appropriate director. The Company also may attempt to communicate with the shareholder for any necessary clarification. S. Robson Walton, Wal-Mart s Chairman, reviews and approves responses on behalf of the Board, and José H. Villarreal, Wal-Mart s presiding director, reviews and approves the responses on behalf of the Independent Directors and Non-Management Directors. In certain situations, Mr. Walton or Mr. Villarreal may respond directly to a shareholder s inquiry.

For inquiries forwarded to individual directors, each director has provided instructions for responding to those inquiries. Currently, all directors have requested that the Company review letters and e-mails, gather any information or documentation necessary to respond to the inquiry, and propose a response. The director will review the proposed response and either direct the Company to send such response on behalf of the director, or the director may choose to respond directly to the shareholder.

Certain circumstances may require that the Board depart from the procedures described above, such as the receipt of threatening letters or e-mails or voluminous inquiries with respect to the same subject matter. The Board, nevertheless, does consider shareholder questions and comments important, and endeavors to respond promptly and appropriately.

PRESIDING DIRECTOR

José H. Villarreal currently serves as the presiding director of executive sessions of the Non-Management Directors and Independent Directors.

NOMINATION PROCESS FOR DIRECTOR CANDIDATES

The CNGC is, among other things, responsible for identifying and evaluating potential candidates and recommending candidates to the Board for nomination. The CNGC is governed by a written charter, a copy of which can be found in the Corporate Governance section of the Investor Relations webpage of Wal-Mart s corporate website at www.walmartstores.com.

The CNGC regularly reviews the composition of the Board and whether the addition of directors with particular experiences, skills, or characteristics would make the Board more effective. When a need arises to fill a vacancy, or it is determined that a

Table of Contents

director possessing particular experiences, skills, or characteristics would make the Board more effective, the CNGC initiates a search. As a part of the search process, the CNGC may consult with other directors and Senior Officers, and may hire a search firm to assist in identifying and evaluating potential candidates.

The CNGC has retained SpencerStuart as its director candidate search consultant. In that capacity, SpencerStuart seeks out candidates who have the experiences, skills, and characteristics that the CNGC has determined are necessary to serve as a member of the Board. SpencerStuart researches the background of all candidates, conducts extensive interviews with candidates and their references, and then presents the most qualified candidates to the CNGC and the Company s management.

When considering a candidate, the CNGC reviews the candidate s experiences, skills, and characteristics. The Committee also considers whether a potential candidate will otherwise qualify for membership on the Board, and whether the potential candidate would likely satisfy the independence requirements of the NYSE.

Candidates are selected on the basis of outstanding achievement in their professional careers, broad experience, wisdom, personal and professional integrity, their ability to make independent, analytical inquiries, and their experience with and understanding of the business environment. With respect to the minimum experiences, skills, or characteristics necessary to serve on the Board, the CNGC will only consider candidates who:

(1) have the experiences, skills, and characteristics necessary to gain a basic understanding of:

   a. the principal operational and financial objectives and plans of the Company,

   b. the results of operations and financial condition of the Company and of any significant subsidiaries or business segments, and

   c. the relative standing of the Company and its business segments in relation to its competitors;

(2) have a perspective that will enhance the Board s strategic discussions; and

(3) are capable of and committed to devoting adequate time to Board duties and are available to attend the Company s regularly-scheduled Board and committee meetings.

In addition, at least a majority of the Board must be independent as determined by the Board under the guidelines of the NYSE listing standards, and at least one member of the Board should have the qualifications and skills necessary to be considered an Audit Committee Financial Expert as that term is defined in Item 401(h)(2) of Regulation S-K, promulgated by the SEC.

All potential candidates are interviewed by Wal-Mart s Chairman, Wal-Mart s CEO, and the Chair of the CNGC, and may be interviewed by other directors and Senior Officers as desired and as schedules permit. The CNGC then meets to consider and approve the final candidates, and either makes its recommendation to the Board to fill a vacancy, add an additional member, or recommends a slate of candidates to the Board for nomination for election to the Board. The selection process for candidates is intended to be flexible, and the CNGC, in the exercise of its discretion, may deviate from the selection process when particular circumstances warrant a different approach.

Douglas N. Daft was appointed to the Board on January 6, 2005, and Linda S. Wolf is not currently serving on the Board. Mr. Daft and Ms. Wolf have been nominated for election to the Board at the 2005 Annual Shareholders Meeting and were recommended to the CNGC by Wal-Mart s Chairman, Wal-Mart s CEO, Non-Management Directors, SpencerStuart, and other Executive Officers.

S. Robson Walton and John T. Walton are members of a group that beneficially own more than five percent of the Shares. Any participation by them in the nomination process was considered to be in their capacities as directors of the Company, and not as recommendations from security holders that beneficially own more than five percent of the Shares.

Shareholders may recommend candidates by writing to Wal-Mart Stores, Inc. Board of Directors, c/o J. Michael Bradshaw, Liaison to the Board of Directors, 702 Southwest 8th Street, Bentonville, Arkansas 72716-0215. The recommendation must include the following information:

(1) the candidate s name and business address;

(2) a resume or curriculum vitae describing the candidate s qualifications, and which clearly indicates that he or she has the minimum experiences, skills, and qualifications that the CNGC has determined are necessary to serve as a director;

(3) a statement as to whether or not, during the past ten years, the candidate has been convicted in a criminal proceeding (excluding traffic violations) and, if so, the dates, the nature of the conviction, the name or other disposition of the case, and whether the individual has been involved in any other legal proceeding during the past five years;

(4) a statement from the candidate that he or she consents to serve on the Board if elected; and

Table of Contents

(5) a statement from the person submitting the candidate that he or she is the registered holder of Shares, or if the shareholder is not the registered holder, a written statement from the record holder of the Shares (usually a broker or bank) verifying that at the time the shareholder submitted the candidate that he or she was a beneficial owner of Shares.

All candidates nominated by a shareholder pursuant to the requirements above will be submitted to the CNGC for its review, which may include an analysis of the candidate from the Company s management.

AUDIT COMMITTEE REPORT

During fiscal 2005, Wal-Mart s Audit Committee consisted of three directors, all of whom are independent as defined by the current listing standards of the NYSE and the applicable rules of the SEC. The members of the Audit Committee, during fiscal 2005, were M. Michele Burns, Roland A. Hernandez, the Chair of the Audit Committee, and J. Paul Reason. The Audit Committee is governed by a written charter adopted by the Board. A copy of the current Audit Committee charter is available on Wal-Mart s corporate website at www.walmartstores.com in the Corporate Governance section of the Investor Relations webpage.

Wal-Mart s management is responsible for Wal-Mart s internal controls and financial reporting including the preparation of Wal-Mart s consolidated financial statements. Wal-Mart s independent accountant is responsible for auditing Wal-Mart s annual consolidated financial statements in accordance with generally accepted auditing standards and ensuring that the financial statements fairly present Wal-Mart s results of operations and financial position. The independent accountant is also responsible for issuing a report on those financial statements. The Audit Committee monitors and oversees these processes. The Audit Committee is responsible for selecting and overseeing Wal-Mart s independent accountant, which is E&Y.

As part of the oversight processes, the Audit Committee regularly meets with management of the Company, the Company s independent accountant, and the Company s internal auditors. The Audit Committee often meets with each of these groups in closed sessions. Throughout the year, the Audit Committee had full access to management, and the independent and internal auditors for the Company. To fulfill its responsibilities, the Audit Committee did, among other things, the following:

reviewed and discussed with Wal-Mart s management and the independent accountant Wal-Mart s consolidated financial statements for fiscal 2005;

reviewed management s representations that those consolidated financial statements were prepared in accordance with generally accepted accounting principles and fairly present the results of operations and financial position of the Company;

discussed with the independent accountant the matters required by Statement on Auditing Standards 61 and SEC rules, including matters related to the conduct of the audit of Wal-Mart s consolidated financial statements;

received written disclosures and the letter from the independent accountant required by Independence Standards Board Standard No. 1 relating to E&Y s independence from Wal-Mart and discussed with E&Y its independence from Wal-Mart;

based on the discussions with management and the independent accountant, the independent accountant s disclosures and letter to the Audit Committee, the representations of management and the report of the independent accountant, recommended to the Board that Wal-Mart s audited annual consolidated financial statements for fiscal 2005 be included in Wal-Mart s Annual Report on Form 10-K for fiscal 2005, for filing with the SEC;

reviewed all audit and non-audit services performed for Wal-Mart by E&Y and considered whether E&Y s provision of non-audit services was compatible with maintaining its independence from Wal-Mart;

selected E&Y as Wal-Mart s independent accountant to audit and report on the annual consolidated financial statements of Wal-Mart to be filed with the SEC prior to Wal-Mart s annual shareholders meeting to be held in calendar year 2006;

consulted with counsel regarding SOX, the NYSE s corporate governance listing standards and the corporate governance environment in general and considered any additional requirements placed on the Audit Committee as well as additional procedures or matters the Audit Committee should consider;

monitored the progress and results of the testing of internal controls over financial reporting pursuant to Section 404 of SOX, reviewed a report from management and internal audit regarding the design, operation and effectiveness of internal controls over financial reporting, and reviewed an attestation report from E&Y regarding the effectiveness of internal controls over financial reporting; and

received reports from management regarding the Company s policies, processes, and procedures regarding compliance with applicable laws and regulations and the Statement of Ethics, all in accordance with the Audit Committee s charter.

The Audit Committee submits this report:

M. Michele Burns

Roland A. Hernandez, Chair

J. Paul Reason

Table of Contents

AUDIT COMMITTEE FINANCIAL EXPERT

Wal-Mart s Board has determined that M. Michele Burns is an Audit Committee Financial Expert as that term is defined in Item 401(h)(2) of Regulation S-K, promulgated by the SEC, and is independent under Section 10A(m)(3) of the Exchange Act and the NYSE listing standards.

AUDIT COMMITTEE SERVICE

Roland A. Hernandez, who is the Chair of the Audit Committee, currently serves on the audit committees of three other public companies and serves as the chairman of one such other public company s audit committee. The Board has determined that such service does not impair the ability of Mr. Hernandez to serve effectively on the Audit Committee.

AUDIT COMMITTEE PRE-APPROVAL POLICY

To ensure the independence of the Company s independent accountant and to comply with applicable securities laws, listing standards, and the Audit Committee charter, the Audit Committee is responsible for reviewing, deliberating and, if appropriate, pre-approving all audit, audit-related, and non-audit services to be performed by the Company s independent accountants. For that purpose, the Audit Committee has established a policy and related procedures regarding the pre-approval of all audit, audit-related, and non-audit services to be performed by the Company s independent accountant (the Pre-Approval Policy).

The Pre-Approval Policy provides that the Company s independent accountant may not perform any audit, audit-related, or non-audit service for the Company, subject to those exceptions that may be permitted by applicable law, unless: (1) the service has been pre-approved by the Audit Committee, or (2) the Company engaged the independent accountant to perform the service pursuant to the pre-approval provisions of the Pre-Approval Policy. In addition, the Pre-Approval Policy prohibits the Audit Committee from pre-approving certain non-audit services that are prohibited from being performed by the Company s independent accountant by applicable securities laws. The Pre-Approval Policy also provides that the Corporate Controller will periodically update the Audit Committee as to services provided by the independent accountant. With respect to each such service, the independent accountant provides detailed back-up documentation to the Audit Committee and the Corporate Controller.

Pursuant to its Pre-Approval Policy, the Audit Committee has pre-approved certain categories of services to be performed by the independent accountant and a maximum amount of fees for each category. The Audit Committee annually re-assesses these service categories and the associated fees. Individual projects within the approved service categories have been pre-approved only to the extent that the fees for each individual project do not exceed a specified dollar limit, which amount is re-assessed annually. Projects within a pre-approved service category with fees in excess of the specified fee limit for individual projects may not proceed without the specific prior approval of the Audit Committee (or a member to whom pre-approval authority has been delegated). In addition, no project within a pre-approved service category will be considered to have been pre-approved by the Audit Committee if the project causes the maximum amount of fees for the service category to be exceeded, and the project may only proceed with the prior approval of the Audit Committee (or a member to whom pre-approval authority has been granted) to increase the aggregate amount of fees for the service category.

At least annually, the Audit Committee designates a member of the Audit Committee to whom it delegates its pre-approval responsibilities. That member has the authority to approve interim requests as set forth above within the defined, pre-approved service categories, as well as interim requests to engage the Company s independent accountant for services outside the Audit Committee s pre-approved service categories. The member has the authority to pre-approve any audit, audit-related, or non-audit service that falls outside the pre-approved service categories, provided that the member determines that the service would not compromise the independent accountant s independence and the member informs the Audit Committee of his or her decision at the Audit Committee s next regular meeting.

CODE OF ETHICS FOR THE CEO AND SENIOR FINANCIAL OFFICERS

You may review Wal-Mart s Code of Ethics for the CEO and Senior Financial Officers on Wal-Mart s corporate website at www.walmartstores.com in the Corporate Governance section of the Investor Relations webpage. This Code of Ethics supplements the Company s Statement of Ethics, which is applicable to all Associates and is also available in the same section of the Investor Relations webpage.

Table of Contents

BOARD ATTENDANCE AT ANNUAL SHAREHOLDERS MEETINGS

The Board has adopted a policy stating that all directors are expected to attend annual shareholders meetings. While the Board understands that there may be situations that prevent a director from attending an annual shareholders meeting, the Board strongly encourages all directors to make attendance at all annual shareholders meetings a priority. All directors nominated by the Board for election to the Board in 2004, as well as all directors who did not stand for re-election, attended the 2004 Annual Shareholders Meeting.

SUBMISSION OF SHAREHOLDER PROPOSALS

If you want to present a proposal for possible inclusion in the Company s 2006 proxy statement pursuant to the SEC s rules, send the proposal to Jeffrey J. Gearhart, Vice President and General Counsel, Corporate Division, and Assistant Secretary, 702 S.W. 8th Street, Bentonville, Arkansas 72716-0215, by registered, certified, or express mail. Shareholder proposals must be received on or before Friday, December 16, 2005.

Shareholders who want to bring business before the 2005 Annual Shareholders Meeting other than through a shareholder proposal pursuant to the SEC s rules must notify the Secretary of the Company in writing and provide the information required by the provision of the Bylaws dealing with shareholder proposals. The notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 75 nor more than 100 days prior to the date of the 2005 Annual Shareholders Meeting, unless less than 85 days notice or public disclosure of that date is given or made, in which case the shareholder s notice must be received by the close of business on the tenth day after the notice or public disclosure of the date of the 2005 Annual Shareholders Meeting is made or given. The requirements for such notice are set forth in the Bylaws, a copy of which can be found in the Corporate Governance section of the Investor Relations webpage of our corporate website at www.walmartstores.com. In addition, the Bylaws were filed as an exhibit to the Current Report on Form 8-K of the Company dated March 8, 2005.

OTHER MATTERS

The Company is not aware of any other matters that will be considered at the 2005 Annual Shareholders Meeting. If any other matters are properly raised at the 2005 Annual Shareholders Meeting, the proxy holders will vote the Shares as to which they hold proxies at their discretion.

EXECUTIVE COMPENSATION

COMPENSATION, NOMINATING AND GOVERNANCE COMMITTEE REPORT

ON EXECUTIVE COMPENSATION

The Company s executive compensation program is designed to: (1) provide fair compensation to Executive Officers based on their performance and contributions to the Company, (2) provide incentives to attract and retain key executives, and (3) instill a long-term commitment to the

Company and develop pride and a sense of Company ownership, all in a manner consistent with shareholders interests.

The CNGC reviews and approves the compensation of the Company s President and CEO and the other Executive Officers who serve as members of the Board, and approves the compensation of the other Executive Officers. As a part of its oversight of the Company s compensation programs, the CNGC also reviews the compensation of the members of the Executive Committee of the Company who are not Executive Officers.

The compensation package of all Executive Officers consists of three main parts, which is reviewed and approved by the CNGC at least annually: (1) base salary; (2) annual incentive payments; and (3) equity-based compensation consisting of stock options, performance shares, and restricted stock. Other elements of the Company s executive compensation package include a deferred compensation plan, a profit sharing and 401(k) plan, a supplemental executive retirement plan, a stock purchase plan, a post-termination agreement, and certain other benefits.

Compensation Philosophy

The CNGC s executive compensation philosophy is that a majority of overall compensation should be at-risk to focus management on the long-term interests of shareholders and to align the interests of the Executive Officers with the Company s long-term goals. Accordingly, in determining or approving the compensation of the Company s Executive Officers, the CNGC generally places less emphasis on base salary and employee benefits than on annual incentives and equity-based compensation.

Base salaries of the Company s Executive Officers are set with reference to the Company s performance for the prior fiscal year and upon a subjective evaluation of each Executive Officer s contribution to that performance. In evaluating overall Company performance, the primary focus is on the Company s financial performance for the year as measured by net income, total sales, comparable store sales, return on shareholders equity, and other financial factors. Other criteria, including diversity performance and whether the Company conducted its operations in accordance with the business and social standards expected of its Associates, shareholders, and the communities in which it operates, also are considered.

The purpose of Wal-Mart s equity compensation awards is to focus officers attention on the continued growth of the Company s operations and the shareholders long-term interests and to ensure that the Company is able to attract and retain the talent necessary to achieve its business, diversity, and community objectives. The total value and composition of the equity awarded to each Executive Officer is determined by the CNGC based on a subjective evaluation of the equity compensation provided to comparable positions at a select group of peer retail companies consisting of several retailers in the United States from various retail segments (other than the Company), ranked by total sales (the Peer Group Survey), and the top U.S. 50 companies (other than the Company), ranked by market capitalization (the Top 50); individual performance; and key Company performance metrics. The total equity awarded is delivered in a combination of stock options, restricted stock, and performance shares, which are granted annually.

Moreover, the CNGC believes that the combination of equity awards and incentive payments strategically align the compensation of the Executive Officers with the overall short and long-term performance objectives of the Company, while base salary rewards the Executive Officers personal performance in relation to the Company s performance. Stock option and restricted stock grants reward Executive Officers for the long-term appreciation of the Company s Share price, and performance share grants reward the Company s long-term revenue growth and return on investment, and incentive payments reward the achievement of the Company s annual profit and diversity goals. The CNGC believes that the total compensation package for the Executive Officers is directly related to the Company s current and future success, which ultimately benefits the Company s shareholders.

The Executive Officer compensation package generally is targeted to place Executive Officers total compensation in the top quartile of the Peer Group Survey, assuming maximum performance goals are achieved by the Company. In addition, the Company s executive compensation package is generally targeted to range from the median to the top quartile for the Top 50, again assuming maximum performance goals are achieved by the Company. The Peer Group Survey does not include the same companies that are included in the S&P 500 Retailing Index in the stock performance graph because the CNGC believes that it is more appropriate to compare compensation of Executive Officers of the Company with that of executives in comparable companies based on both size and industry.

For information on compensation paid to executives in comparable positions in the Peer Group Survey and the Top 50, the CNGC reviewed data obtained from outside compensation consultants. In setting or approving compensation of the Executive Officers, the CNGC reviews and considers the allocation of total compensation (among salary, annual incentive payments, and equity compensation components) paid by companies in the Peer Group Survey and the Top 50. However, the CNGC makes a subjective judgment as to the appropriate allocation of total compensation among the various components in implementing its philosophy of providing a substantial portion of executive compensation in at-risk compensation.

Stock Ownership Guidelines

To help ensure that the President and CEO of the Company and certain Executive Officers are focused on the long-term interests of shareholders and the Company s long-term goals, the Board approved stock ownership guidelines on June 5, 2003. By June 1, 2008, Wal-Mart s President and CEO must own Shares, vested restricted stock, or Shares held under any Company benefit plan equal in value to five times his annual base salary in effect on that date. For each year thereafter, Wal-Mart s President and CEO must own Shares, vested restricted stock, or Shares held under any Company benefit plan equal in value to five times his annual base salary in effect during that year. In addition, each member of the Executive Committee of the Company must own within five years of June 1, 2003 or within five years of the date the Board first appoints him or her, Shares, vested restricted stock, or Shares held under any Company benefit plan equal in value to three times his or her annual base salary in effect at the end of the initial five year compliance period. For each year thereafter, each member of the Executive Committee of the Company must own Shares, vested restricted stock, or Shares held under any Company benefit plan equal in value to three times his or her annual base salary in effect during that year. These guidelines are subject to modifications in situations involving dramatic and unexpected changes in the Share price.

Table of Contents

Compensation Plans

Management Incentive Plan: Annual incentive payments are earned under the Management Incentive Plan, upon achievement of pre-established performance goals derived from a variety of performance measures available under the Management Incentive Plan. For fiscal 2005, annual incentive payments were made based on improvements in pre-tax profits and diversity goals.

The CNGC assigned incentive payment levels as a percentage of base salary for achievement of the pre-tax profit performance goals for fiscal 2005. These incentive payment levels were tied respectively to the achievement of threshold and maximum performance objectives. Incentive payment levels ranging from a low of 35.7 percent of base salary at the threshold performance level to a high of 350 percent at the maximum level were payable under the Management Incentive Plan to the Executive Officers. Unless the CNGC otherwise provides when the performance measures and goals are established, if the Company fails to achieve its threshold performance goals, no incentive award will be paid to any Executive Officer.

With respect to the pre-tax profit performance measure, the performance goals were based on overall corporate performance. For divisional executives, performance goals were based on a combination of corporate and divisional performance, with 50 percent of the incentive payment based on Company performance and 50 percent based on performance of the division for which the Executive Officer was responsible.

In addition, the CNGC established objective diversity initiatives as an additional performance measure under the Management Incentive Plan for fiscal 2005. The CNGC set diversity goals to motivate officers to achieve the Company s diversity initiatives while adhering to the Company s commitment to select the most qualified individual for each position. Under the diversity goals, an officer s annual incentive payment could have been reduced by up to 7.5 percent for not achieving the Company s diversity initiatives for fiscal 2005. For fiscal 2005, no Executive Officer s incentive payment was reduced as a result of the diversity goals.

The CNGC increased the potential reduction under the diversity goals to 15 percent for fiscal 2006. Diversity is and has been a responsibility of Wal-Mart s officers, and this potential reduction in the incentive payment under the Management Incentive Plan will ensure that Wal-Mart s officers are held accountable for doing what they are supposed to do.

For fiscal 2005, corporate pre-tax profits did not exceed the maximum pre-tax profit improvement target set by the CNGC, so Associates serving the total Company only received 94.28 percent of the maximum payout. With respect to the divisions, Associates in the Wal-Mart Stores Division received 81.43 percent of the maximum payout. Associates in the Wal-Mart Stores U.S. Division (a combination of certain Associates who serve both the Wal-Mart Stores and SAM S CLUB Divisions) received 81.79 percent of the maximum payout. Associates in the SAM S CLUB Division received 93.27 percent of the maximum payout. The International Division received 97.14 percent of the maximum payout.

1998 Stock Incentive Plan (to be amended, restated, and renamed as the 2005 Stock Incentive Plan upon shareholder approval): The CNGC establishes award levels for stock options for Executive Officers, while the SOC establishes award levels for other Associates eligible to receive stock options. Stock options generally have an exercise price equal to the closing price of a Share on the date of grant and have a ten-year term. Stock options typically vest in five equal annual installments, beginning one year from the date of grant. The total number of stock options awarded to each Executive Officer generally is based on a dollar amount divided by the stock option s exercise price.

The CNGC grants restricted stock under the 1998 Stock Incentive Plan annually to certain Executive Officers who are Executive Vice Presidents and periodically to other Executive Officers. The SOC grants restricted stock periodically to the other members of the Executive Committee of the Company and Senior Vice Presidents. Generally, the number of shares of restricted stock granted to an Executive Officer is based on a dollar amount divided by the fair market value of a Share on the grant date. Restricted stock generally vests in three equal increments. One third of the restricted stock vests three years after grant, one third vests five years after grant, and the last third vests when the grantee retires at age 65 or thereafter. Restricted stock awards may also be made by the CNGC or SOC to incentivize certain Associates in the performance of their jobs or to induce certain Senior Officers to become associated with or to remain with the Company.

In addition to stock options and restricted stock, the CNGC instituted a program of granting performance shares on January 3, 2005 to Executive Officers, and the SOC followed suit with respect to the other officers of the Company on January 21, 2005. The number of performance shares awarded is a function of the factors considered in setting the total amount and composition of equity awards. The number of performance shares that may ultimately vest will depend on the Company s performance against two separate pre-established performance measures: average return on investment and average revenue growth over the relevant performance cycle. Performance shares were granted in 2005 for three performance cycles, ending January 31, 2006, January 31, 2007, and January 31, 2008, respectively. The purpose of the three grants of performance shares in 2005 was to phase-in the

Table of Contents

performance share program so that future performance share awards can be based on three-year cycles, which will result in an award potentially vesting in each year.

If the Company reaches the pre-established threshold performance goals, only 50 percent of the performance shares awarded will vest. If the Company exceeds the threshold performance goals, up to 150 percent of the target performance share awards will vest. If the Company does not meet threshold performance goals, no performance shares will vest. Performance shares may be paid out at the election of the officer in cash, Shares, or a combination of the two.

Deferred Compensation Plan: Under the Deferred Compensation Plan, officers, including Executive Officers, may defer up to 100 percent of their base salary and annual incentive awards under the Management Incentive Plan. Interest accrues on amounts deferred at an interest rate set annually by the CNGC, which is typically based on the ten-year treasury rate plus 270 basis points. The CNGC set the interest rate at 6.73 percent for the 2004 Deferred Compensation Plan year, which began on April 1, 2003, and ended on March 31, 2004, and set the interest rate at 6.95 percent for the 2005 Deferred Compensation Plan year, which began on April 1, 2004, and ended on March 31, 2005.

The Deferred Compensation Plan provides an incentive payment as a reward for participants who have remained with the Company and participated in the Deferred Compensation Plan for ten or more consecutive years. In the tenth year of compensation deferrals, the Company credits the deferral account with an increment equal to 20 percent of the sum of the principal amount deferred (limited to a maximum of 20 percent of base salary) plus accrued interest (20% Increment) in each of the first six years of the executive s deferrals. In the eleventh and subsequent years, the 20% Increment is credited based on the amount deferred five years earlier. In addition, in the fifteenth year of compensation deferrals under the Deferred Compensation Plan, the Company credits the deferral account with ten percent of the principal amount deferred (limited to a maximum of 20 percent of base salary) plus accrued interest (10% Increment) in each of the first six years of the executive s deferrals. In the sixteenth and subsequent years, the 10% Increment is credited based on the amount deferred ten years earlier.

As of March 31, 2005, 266 officers, including nine Executive Officers, were participating in the Deferred Compensation Plan. An aggregate total of $10.2 million in salary and $19.1 million in annual incentive payments under the Management Incentive Plan was deferred under the Deferred Compensation Plan by Executive Officers, as of March 31, 2005. The aggregate total amount of all compensation deferred under the Deferred Compensation Plan by Executive Officers, as of March 31, 2005, including salary, incentive payments under the Management Incentive Plan, and the 20% and 10% Increments (plus interest accrued on these amounts), was $58 million, with the earliest contributions included in that amount beginning in 1978.

SERP and Profit Sharing/401(k) Plan: In addition, all Associates, including Executive Officers, are eligible to participate in the SERP and Profit Sharing/401(k) Plan. With the SERP, amounts that ordinarily would be contributed by the Company under the Profit Sharing/401(k) Plan, but for the limitation on compensation and the maximum limitations on allocations under the Internal Revenue Code or due to the officer s deferral under the Deferred Compensation Plan, are credited to the participant s account in the SERP (the limit on compensation used in calculating contributions to the Profit Sharing/401(k) Plan was $205,000 for fiscal 2005). Each participant in the SERP receives a combined contribution from the Company to his or her SERP, 401(k), and profit sharing accounts of approximately four percent of the total of the participant s base salary plus incentive payment. These amounts are credited with earnings or charged with losses as if they were credited to the participant s profit sharing account under the Profit Sharing/401(k) Plan. The SERP account is payable in a lump sum after termination of employment and is not eligible for the special tax treatment that payments from the Profit Sharing/401(k) Plan receive.

Other Components of Executive Officer Compensation

Non-Competition Agreements: Certain officers are offered non-competition agreements providing that, if the officer s employment is terminated by the Company for any reason other than the officer s violation of Company policy, the Company will continue to pay the officer s base salary generally for two years following termination of employment, less any earnings the officer receives from other employment. The covenants provide that the officer, generally for a period of two years following his or her termination of employment with the Company, will not participate in a business that competes with the Company and will not solicit the Company s Associates for employment. Competing business is defined in the agreements as any retail, wholesale, or merchandising business that sells products of the type sold by the Company at retail, is located in a country in which the Company has a store or in which the executive knows the Company expects to have a store within the next two years, and has annual retail sales revenue of at least $2 billion. In addition, prior to 2003, an equity award was granted to certain Senior Officers for executing non-competition agreement. Currently, all Executive Officers have executed non-competition agreements.

Other Benefits: In addition, certain Executive Officers who are Executive Vice Presidents of the Company are entitled to certain benefits, including a limited number of hours of personal use of a Company aircraft and an annual senior executive

17

Table of Contents

physical. All officers of the Company are entitled to receive security monitoring of their homes (limited to domestic officers unless due to a special situation), an annual physical (also available to certain management Associates), and additional term life and accidental death and dismemberment insurance that is paid for by the officer. All Associates, including officers, receive a MedPass if they travel internationally and a Wal-Mart discount card. Finally, all officers and full-time and part-time Associates (after certain waiting periods in some instances) are eligible for medical benefits.

Compensation of Wal-Mart s President and CEO

The base salary of Mr. Scott was set at $1,250,000, effective March 20, 2004. On January 3, 2005, Mr. Scott was granted an option to purchase 339,001 Shares at an exercise price of $53.35 per Share under the 1998 Stock Incentive Plan relating to the Company s performance during fiscal 2005. On January 3, 2005, Mr. Scott received, subject to shareholder approval of the 2005 Stock Incentive Plan, an award of 118,557 shares of restricted stock under the 1998 Stock Incentive Plan. Under the performance share program, Mr. Scott received three cycles of target performance share awards of 118,650 performance shares each under the 1998 Stock Incentive Plan, which could potentially vest on January 31, 2006, January 31, 2007, and January 31, 2008, respectively.

The CNGC s determination of the compensation package for Mr. Scott is consistent with the overall compensation philosophy for other Executive Officers. Mr. Scott s compensation is weighted heavily towards long-term and at-risk forms of compensation, which provide a greater link between the Company s long-term strategy and Mr. Scott s compensation. Particularly with respect to the long-term incentive component of Mr. Scott s compensation, the CNGC considered objective factors, including the Company s performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies in the Peer Group Survey, as well as competitive levels of compensation for CEOs managing operations of similar size, complexity and performance level, and the awards granted to Mr. Scott in prior years.

In determining the amount of Mr. Scott s base salary, as well as the number of shares of restricted stock, stock options, and performance shares to be granted, the CNGC also considered certain subjective factors, including Mr. Scott s general knowledge of the retail business, his contribution to the Company s past business success, and the CNGC s belief that Mr. Scott has the vision and managerial capability to oversee the Company s continued growth into the foreseeable future.

Mr. Scott also received an incentive payment of $4,124,772, which was based on attaining 94.28 percent of the maximum pre-tax profit performance goals for the total Company under the Management Incentive Plan. The incentive payment was paid in fiscal 2006 but relates to performance during fiscal 2005. Mr. Scott s incentive payment was not affected by the diversity goals performance measure.

Mr. Scott participates in the Deferred Compensation Plan, the SERP, and the Profit Sharing/401(k) Plan. During fiscal 2005, he also received personal use of Company aircraft, a senior executive physical, security monitoring of his home, additional term life and accidental death and dismemberment insurance (paid for by Mr. Scott), certain medical benefits, a MedPass during his international travel, and a Wal-Mart discount card. Finally, Mr. Scott executed a non-competition agreement with the Company in June 1998, and upon his involuntary separation from the Company for reasons other than a violation of Company policy, he will receive his base salary for two years, less any earnings he receives from other employment, so long as he does not violate any of the covenants of the non-competition agreement.

Deductibility of Compensation

Internal Revenue Code Section 162(m) provides that compensation in excess of $1 million paid to certain Executive Officers is not deductible unless it is performance-based. Neither base salary nor restricted stock qualify as performance-based compensation under Section 162(m). It is the policy of the CNGC periodically to review and consider whether particular compensation and incentive payments to the Company s executives will be deductible for federal income tax purposes. A significant portion of the Company s executive compensation satisfies the requirements for deductibility under Internal Revenue Code Section 162(m). However, the CNGC retains the ability to evaluate the performance of the Company s executives, including Wal-Mart s CEO, and to pay appropriate compensation, even if it may result in the non-deductibility of certain compensation under federal tax law.

The CNGC submits this report:

Douglas N. Daft

John D. Opie

José H. Villarreal, Chair

Table of Contents

SUMMARY COMPENSATION

This table shows the compensation paid during each of the Company s last three fiscal years to the Named Executive Officers, based on compensation earned during fiscal 2005.

		Annual compensation			Long-term compensation		
Name and position	Fiscal year ended Jan. 31,	Salary ($)(2)	Incentive payment ($)(3)	Other annual compensation ($)(4)	Restricted stock awards ($)(5)	Number of Shares underlying options granted (6)	All other compensation ($)(7)
H. Lee Scott, Jr. President and CEO	2005	1,242,308	4,124,772	276,847	6,325,016	339,001	624,550
	2004	1,192,308	4,200,000	82,861	6,700,026	630,413	269,595
	2003	1,142,308	3,162,500	85,834	13,134,437	605,327	167,604
John B. Menzer Executive Vice President and President and CEO, International Division	2005	871,538	1,923,377	N/A	2,185,003	117,071	410,468
	2004	816,538	1,856,249	N/A	1,749,981	225,403	267,013
	2003	759,231	1,540,000	N/A	2,605,747	211,865	169,679
Thomas M. Schoewe Executive Vice President and CFO	2005	640,385	972,975	N/A	1,128,993	60,463	163,026
	2004	610,384	984,000	N/A	999,974	119,779	87,324
	2003	579,615	819,000	N/A	1,995,190	114,242	55,385
Michael T. Duke Executive Vice President and President and CEO, Wal-Mart Stores Division	2005	662,308	872,909	N/A	1,381,978	74,013	176,517
	2004	603,029	852,342	N/A	999,974	374,050	114,165
	2003	530,385	749,000	N/A	1,829,341	110,335	77,085
Thomas D. Hyde Executive Vice President and Corporate Secretary	2005	578,481	769,187	N/A	451,021	24,175	59,058
	2004	550,385	777,000	N/A	500,002	30,821	50,525
	2003	521,154	656,250	N/A	1,052,936	29,397	11,530
Thomas M. Coughlin (1) Retired Vice Chairman of the Board	2005	1,033,846	2,885,292	58,991	0	0	148,743
	2004	983,894	2,879,565	54,584	2,000,001	279,355	252,082
	2003	907,308	2,287,500	40,801	4,211,461	261,832	157,010

(1) Thomas M. Coughlin retired from management duties on January 24, 2005 and resigned from the Board on March 25, 2005 under the circumstances described in the Company s Current Report on Form 8-K filed on March 25, 2005. Pending further review of the information developed in the investigation referred to in the Current Report on Form 8-K, the Company has suspended the following benefits, which appear in the tables and footnotes of this Summary Compensation section: restricted stock, stock options, and incentive payments and a portion of the interest earned on certain amounts under the Deferred Compensation Plan.

(2) This column includes compensation earned during fiscal 2005, but some amounts may be deferred.

(3) Incentive payments in this column were made under the Management Incentive Plan in connection with the Company s performance for fiscal 2003, 2004, and 2005, but were paid during fiscal 2004, 2005 and 2006, respectively.

(4) The other annual compensation for H. Lee Scott, Jr. includes $108,094 for personal use of Company aircraft and $168,321 for incentive payments on amounts deferred under the Deferred Compensation Plan. The incremental cost to the Company of personal use of Company aircraft is calculated based on the variable operating costs to the Company per hour of operation, which include fuel costs, maintenance, and associated travel costs for the crew. Fixed costs that do not change based on usage, such as pilot salaries, depreciation, insurance, and rent were not included.

The other annual compensation for Thomas M. Coughlin includes $58,559 for incentive payments on amounts deferred under the Deferred Compensation Plan. For the other Named Executive Officers, the amounts for the value of perquisites and other personal benefits, which include security system monitoring of the Named Executive Officers residences, are not disclosed because they do not exceed the lesser of $50,000 or ten percent of any Named Executive Officer s total annual salary and bonus.

(5) The amounts in this column for fiscal 2005 include restricted stock awards made on January 3, 2005. While the 2005 restricted stock awards occurred during fiscal 2004, they relate to compensation for the Named Executive Officers for fiscal 2005. The amounts in this column for fiscal 2003 include two restricted stock awards that occurred on March 7, 2002 and January 9, 2003. With respect to the award that occurred on January 9, 2003, the Company awarded restricted stock to the Named Executive Officers in the following amounts: H. Lee Scott, Jr. ($6,500,021), Thomas M. Coughlin ($2,000,010), John B. Menzer ($1,500,021), Thomas M. Schoewe ($1,000,031), Michael T. Duke ($1,000,031), and Thomas D. Hyde

Table of Contents

($500,042) (the January Restricted Stock). While the January Restricted Stock award occurred during fiscal 2003, it relates to compensation for the Named Executive Officers for fiscal 2004.

Listed below are the total number of shares of restricted stock owned by each of the following Named Executive Officers as of the end of fiscal 2005, and the total values thereof based on the market value of the Company s Shares on January 31, 2005: H. Lee Scott, Jr., 719,002 shares of restricted stock ($37,675,705); Thomas M. Coughlin, 186,407 shares of restricted stock ($9,767,727); John B. Menzer, 221,328 shares of restricted stock ($11,597,587); Thomas M. Schoewe 148,681 shares of restricted stock ($7,790,884); Michael T. Duke, 134,366 shares of restricted stock ($7,040,778); and Thomas D. Hyde, 80,269 shares of restricted stock ($4,206,096). Holders of shares of restricted stock receive the same cash dividends as other shareholders owning Shares.

(6) The options shown for 2004 were granted on January 3, 2005.

(7) All other compensation for fiscal 2005 includes Company contributions to the Profit Sharing/401(k) Plan, SERP, above-market interest credited on deferred compensation under the Deferred Compensation Plan, term life insurance premiums paid by Wal-Mart for the benefit of each officer, and the Company s cost for a senior executive physical. These amounts are shown in the following table:

Name	Profit Sharing/401(k) Plan	SERP contributions	Above-market interest	Life insurance premiums	Senior Executive Physical
H. Lee Scott, Jr.	$ 8,000	$ 217,419	$ 397,836	$ 120	$ 1,175
John B. Menzer	$ 8,000	$ 107,328	$ 292,973	$ 120	$ 2,047
Thomas M. Schoewe	$ 8,000	$ 56,817	$ 95,852	$ 120	$ 2,237
Michael T. Duke	$ 8,000	$ 53,831	$ 113,001	$ 120	$ 1,565