Lillis has an extraordinary ability to play the wingman, think strategically and guide companies through big bold moves.
Charles Lillis arrived on the University of Oregon campus in 1970, a 29-year-old doctoral student with a bushy red beard wearing jeans, hiking boots and a plaid shirt. His resume included being in the Army twice and getting thrown out of the University of Washington once,” reads a fall 1999 article in UO Business, a publication at University of Oregon. “At first glance,” observes Del Hawkins, now the Charles H. Lundquist Professor of Marketing but then a brand new assistant professor, “one did not envision an executive.”

Fast-forward three and one half decades. By 2000 the Wall Street Journal was dubbing Lillis legendary in the telecom world, with a resume that included engineering the spinoff of MediaOne from USWest and its sale to AT&T for a whopping $60 billion.

Since then, Lillis has emmeshed himself in a private investment business, guest business school professorships, and directorships in four completely different industries—banking, energy, healthcare, and grocery/retail. The cumulative effect has been what colleagues say is Lillis’ outstanding ability to play the wingman: think strategically and guide companies through big bold moves. “Chuck is famous for his ‘have you thought about...’” says Jeff Noddel, chairman and CEO of SUPERVALU Inc., the 130-year-old Minnesota-based grocery retailer upon whose board Lillis sits. “He has great strategic skills yet is a practical businessman.”

Perhaps no company has benefited more from this than Williams Companies. “Four years ago we were on the brink of bankruptcy,” says WR. Howell, former CEO of J.C. Penney and lead director at Williams. “Chuck was instrumental in curing our financial ills. If he did not merit an award, no one should.”

The conglomerate had traditionally been in gas and telecoms but had followed Enron and others into the high-risk power trading business during the heady days of the late nineties. By 2001, Williams’ share price had plummeted from around $30 to 80 cents, and survival depended on reducing debt by $6 billion in six months, securing rescue financing, and shifting away from the derivatives marketing business as quickly as possible. A planned CEO retirement had taken place so these Herculean challenges were in the hands of a brand new leader.

“We had nothing but bad news every day for months,” recalls Lillis. “There was constant pressure from investigations, litigation, supervisory bodies, you name it.”

Instead of giving up, the board embarked upon an aggressive sale of assets. Steve Malcolm, Williams’ “new” CEO at the time who is still at the helm today says, “Chuck’s very strong financial background was critical to helping us through the dark days of 2002.” Lillis, as chair of the finance committee, helped guide two and one half years of financial restructuring that included selling nearly $9 billion in assets, restoring Williams’ credit facility via a consortium of banks, and securing a $2 billion loan from Warren Buffet at a whopping 28% interest.

Today Williams has recovered and is starting to reap the benefits of increased focus on the natural gas market. As the company is now generating cash flow to pay for investments and has received credit upgrades, Lillis spends more time on routine matters, reviewing major projects, budgets and contracts and applying strong discipline in spending and investing, employing EVA (economic value added) methodology. Recently, Lillis developed a case study on Williams for a business school course he taught. “I’m amazed to be hearing

Chuck was instrumental in curing our financial ills. If he does not merit an award, no one should.

W.R. HOWELL • FELLOW WILLIAMS COMPANIES DIRECTOR

BY HEATHER WOLF

CEO of Department 56. Engel says Lillis stressed that if they went for a deal the size of Albertson’s, it would be SUPERVALU’s hands for a long time while the corporation worked off the debt. By rigorously exploring the alternatives, he guided directors toward consensus about investing in a business model that Engel calls “the same but bigger.”

“With Albertson’s we knew we weren’t investing in the newest model like, say, buying Whole Foods,” says Engel. “Chuck helped us feel sure we were doing the right thing and weren’t biting off more than we could chew.”

Because profit margins are slim in the grocery business, market share is key. If the integration goes smoothly, the new entity will have unparalleled economies of scale in a fiercely competitive sector. “The Albertson’s acquisition takes SUPERVALU out of a 100-year pattern,” says Lillis explaining that the company’s roots are in wholesale grocery distribution to independent retailers. “I helped Jeff and the board think about
the deal and also post-acquisition when we become the nation’s second largest
grocery chain.”

Acquisitions were also on the agenda when Lillis joined the Medco Health
Solutions board in 2005. Lillis was brought onto the pharmacy benefit
manager’s board to add major corpo-
rate experience to the mix. “We were
heavy on the technical/scientific side
and thought it would be helpful to have
someone who had run a large business,”
says fellow director Michael Goldstein,
chairman Toys “R” Us Childrens Fund,
who chaired the nominating and gover-
nance committee.

As Lillis was joining the board, Medco, which had been spun off from
Merck in 2003, was considering a major
acquisition. With its low-margin busi-
ness model already under pressure, and
with legislators and customers calling
for pharmacy benefit managers to pass
along their cost savings to consumers, it
was important to explore diversification.

The company made a successful
$2 billion bid for Accredo, a lucrative
specialist pharmacy business with
which Medco already had a strategic
alliance. Says Medco CEO David
Snow: “Chuck’s insights on pricing and
positioning were invaluable during the
negotiations to acquire Accredo.” Paying
a more than 40% premium for Accredo,
Goldstein says, “Chuck helped the
board feel comfortable with the stra-
gic fit and financial undertaking.”

There are still challenges and plenty
of hard work for Lillis at Medco in-
cluding board governance and oversight
policy development and a legacy op-
tions problem that he is helping work
through as a member of the compen-
sation committee.

Lillis says the challenges go with the
territory when you love working with
interesting, bold, passionate people.
Despite a virtually full slate of commit-
ments, in 2005 Lillis could not resist
an offer to join the board at banking
mover and shaker, Washington Mutual
(WaMu). “I love this company,”
he enthuses.

On the Washington Mutual board
he was reunited with a former col-
league, Jim Stever, retired executive vice
president for public policy at USWest,
who had actually hired Lillis at USWest
in 1987. Stever says, “I was completely
confident Chuck would make the time
and get deeply into the issues. He has
clearly demonstrated this already.”

The wheels were already in motion
for WaMu’s acquisition of Providian
the country’s 3rd largest credit card
company, when Lillis arrived. Nonethe-
less, Stever says that he was extremely
helpful throughout the acquisition
process, “asking all the right questions
and examining our best use of capital.
Chuck is already a very important part
of our strategy, finance and overall
governance,” he adds.

Lillis is adding value at WaMu not
just through strategy development but
follow-through. “Where I can play
a big role is helping the board know
what it should be doing once we say the
strategy is ‘X,’” says Lillis. He is work-
ing to ensure structure, compensation,
metrics, reports, and benchmarks are all
aligned to their chosen strategy.

Though no longer sporting a bushy
red beard and hiking boots—at least
not in the boardroom—Lillis clearly
still craves adventure. His Denver office
percolates with activity, with his two
personal assistants (of 18 and 21 years)
efficiently fielding a constant stream of
calls, faxes and emails. Whether invest-
ment business, board work, foundation
matters, or a teaching gig, Lillis focuses
straight in on the matter. “I’m a little too
busy right now,” he says with a wink that
belie his love for all that is on his plate.

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CHARCST M. LILLIS

BORN: October 13, 1941, in Kansas
City, Kan.

EDUCATION: BA and MBA in business,
University of Washington; Ph.D. in
marketing, University of Oregon.

CAREER HIGHLIGHTS: Principal and
managing partner, LoneTree Capital Man-
agement; chairman and CEO, MedcoOne
Group, Inc.; Media Group president
USWest; Dean, University of Colorado
College of Business; various positions at
General Electric and Dupont.

HOMETOWN: Denver, Colo.

FAMILY: Wife Gwen, 3 children,
4 grandchildren (plus 1 on the way!).

MOST MEMORABLE SUMMER JOB: Forest fire fighter.

MOST RECENT BOOK READ: The Plot Against America by Philip Roth.

FA VORIT E AR TIS T/CO MPOSER: Paul Simon.

FA VORIT E CHARIT Y: Lillis Foundation, focusing heavily on education.

SOMETHING MOST PEOPLE WOULD BE SURPRISED TO KNOW ABOUT ME: “I do
woodworking and love to fish.”

WO N’T LEAVE HOME WITHOUT: Tie.

FA VORIT E QU OTATION: “Why do it if you’re going to be average?”

CURRENT PUBLIC COMPANY BOARD S: Medco Health Solutions, Supervalu Inc.,
Washington Mutual Inc., Williams Companies.