ANDREW MCKENNA: Now, one of the key topics of today’s discussion is Wal-Mart’s small format store. A concept the company has experimented with for quite some time. Neighborhood Markets have been around for more than ten years, now in some parts of the U.S. including Phoenix, Kansas City, Las Vegas, Oklahoma and Arkansas. And I’m betting one of Jesse’s first questions from Tom will be we’re glad you’re here, what took you so long to get here?

It’s my pleasure to know Tom Mars and I know you will enjoy his comments today. Tom is a smart, hardworking, incredibly kind and thoughtful man and I know has met a great number of you during the reception and luncheon period. And he’s deeply committed to the success of Wal-Mart’s urban strategy especially in Chicago. And Tom is a definite straight shooter. So, MPC promises to give him some tough questions and I’m sure he’s more than ready and willing to answer them. So, Jesse Ruiz and Tom Mars, the floor is yours.

JESSE RUIZ: Thank you.

THOMAS A. MARS: Thank you, thank you very much.

JESSE RUIZ: Well, Tom we’ll echo that thanks and, I’m glad you’re able to be here with us today and ah, Andy either was looking through my briefcase at lunch or he’s very prescient
because that is my first question, that Wal-Mart’s traditionally been known for operating it’s large discount stores, about 108,000 square feet, and then the Supercenters, about a 185,000 square feet; but as Andy mentioned you also have Wal-Mart Markets, which are about 42,000, and now you’re going to pilot a great number of Wal-Mart Express stores, which are about 15,000 square feet, just for folks as reference points. So, Tom, why now and why Chicago?

THOMAS A. MARS: Well, both good questions. And I first want to say I am thrilled to be here, I’ve been looking forward to this for a long, long time. We’ve never done this before but I think it’s great to have the opportunity on behalf of our company to have a venue like this to answer some questions, questions that are on your mind, and I can’t thank the board and the staff enough for the opportunity, I wanted to start by saying that.

Why now? Because it’s been a journey. I’ve been with the company almost ten years. The first seven, seven-and-a-half, I spent as the general counsel, as you know Jesse, and the last two-and-a-half or so as chief administrative officer for the Wal-Mart U.S. business. And I’ve been an eyewitness to this journey that brought us to this decision to move now and to move now in Chicago, and I want to stay with the timing and answer
your question about why Chicago.

It’s a matter of the confluence of a lot of things. In October of 2005 our then-CEO Lee Scott made a sweeping bold pronouncement that we were going to lead in sustainability. I was in the front row when he made that speech and never imagined what would happen in the years to come. That’s part of the timing equation.

Another part of the timing equation is, as you know and you’ve explained to everybody adequately, Supercenters was what Wal-Mart became known for and it was because that Supercenter format -- the big box was the engine for the growth that the company, the amazing growth the company experienced over the last couple of decades. But you know life changes and one of Sam Walton’s famous quotes was always, “Stay out in front of change,” and that’s a part of our culture that our leadership team really believes in.

So, we were always trying to look around corners during the past ten years -- since I’ve been with the company. And as you look around corners over the last ten years, I don’t need to explain to people in this room all the changes that we’ve seen that affect our core customer. And in the meantime we’ve launched this Neighborhood Market format which is the smaller format that Andy referred to in his introduction. And it was
just this quarter, I was here two weeks ago with the William Blair Investor Relations Conference with Bill Simon our CEO, and for the first time ever we announced that our returns on the Neighborhood Market format are now on par with Supercenters, which, having a responsibility to our shareholders, makes it much more attractive to grow this format at a faster rate. And we announced our intention to do that considerable growth plan in that format.

Well, in the meantime our international operations have had lots of experience with small formats, more than I’d have time to describe here. And so, over the last five years as we were starting to lead in sustainability, and as we saw the need to serve underserved customers in urban markets, we reached out to our international colleagues in particular markets where they’d had a lot of success. And we actually put together a team, a huge team of people who have been studying how to bring a smaller format to the United States successfully and specifically in urban markets. But also in small towns on both ends of the density spectrum you might say. And so, we opened two express stores in places with quaint names, Prairie Grove, Arkansas -- how do you like that? -- and Gentry, Arkansas, and then one in North Carolina, and we have the Chatham express scheduled for a grand opening on July 27th, I look forward to
being here for that. And as I think everyone knows, we have additional plans, but it’s all those things that go into the timing question.

Now, I’m glad you asked me why Chicago? We’re familiar with this second city thing, but we didn’t get the memo; we don’t buy that and never have. And during those years where we were learning from people in this room -- and you know what I’m talking about because we’ve been having this conversation about stores in Chicago for a long time -- we learned a lot of things. And they were valuable; but in the process of learning these valuable business lessons we also learned a lot about Chicago.

And the people who make these decisions, the Wal-Mart U.S. leadership team, I’m not sure what your preconceived notions might be, but it is a very diverse team and I mean diverse from every angle, ethnically, from a gender perspective, religious perspective. I was born in White Plains, New York, so I guess I should buy into that second city thing, but I don’t. But it is a very diverse team of people and one of the things we’ve all learned over the years is the importance of listening; and we’ve done a lot of listening up here in the last several years and there is no venue that presents a better opportunity for us than Chicago.

And I should add that we have an established presence, this
is not our first foray into urban markets, we have 15 to 25 stores in both Houston and Dallas and those metro-plex areas. More than 100 -- Phoenix the same, Detroit, Dearborn and so on, this is not the first urban market we’ve entered or attempted to enter. But it is a critically important one to us and we’re absolutely committed to doing it right.

And if it hadn’t been for people in this room, if it hadn’t been for the extraordinary leadership in the mayor’s office, on the city council, in numerous civic and charitable organizations and community groups that have helped us, I wouldn’t be sitting here today and we wouldn’t be opening this express store. So, I want to say to everybody in this room, give yourself all the credit because it’s that environment where success breeds success, where leaders not only embrace but cherish diversity, diversity of thought and diversity from every other perspective. And you’ve made it very welcoming for our company to choose Chicago -- and we’re very happy that we did.

JESSE RUIZ: Great, so what -- as a lifelong Chicagoan I’m happy to join in that applause.

THOMAS A. MARS: Good.

JESSE RUIZ: So, what have you learned in coming here? Are there any lessons that will then translate into other urban markets?
THOMAS A. MARS: Oh, for sure. You know the enduring lessons from our Chicago dialogue and our Chicago experience thus far is really two-fold in my opinion. One is just that it reinforces that we are in a unique position to lower the cost of living for all Americans and in particular really change the lives of the Americans who are challenged the most in today’s economy. And I don’t need to tell people in this room that situation’s not unique to Chicago, but Chicago’s not exempt from that either.

And our tag line from your perspective or marketing line from your perspective is -- you’ve heard us say, “Save money, live better”? That’s our mission statement too, it’s not just a tag line; and I can tell you that there is not any discussion that happens in the executive suite at Wal-Mart that doesn’t stay true to that purpose. In fact everything we’ve done in sustainability which has been great for our business has helped further that mission of saving people money so they can live better because one of the things we learned in -- learned quickly is the best sustainability ideas and the ones you want to move the fastest are the ones that are both good for the environment and good for the business.

But listening is the other enduring lesson and I learned that from Lee Scott early in my career, as you know Jesse. And
just the conversations I’ve had in this room I’ve picked up a few business cards, picked up some good feedback, I’ll take them back and you know we don’t claim to be perfect and don’t think anybody in this room does, but I promise you that we understand the importance of listening and we understand the importance of behaving like not just a good corporate citizen but a great corporate citizen because we feel an extra responsibility to be not just a good corporate citizen but great. And we need the feedback and the help from people in this room and people who couldn’t make it today to continue to do that. I hope we’ll make you proud.

JESSE RUIZ: You mentioned Lee Scott’s initiative on making the company green, and it’s well known in the operation and in frankly the building of Supercenters that they’ve been – that Wal-Mart has employed a lot of green technology and that’s been wonderful in new construction. In Chicago, specifically where you’ll have smaller format stores, some going into existing buildings, what practices can you use to still have some of those gains on the green front?

THOMAS A. MARS: Well, that’s a great question. It’s -- let me just answer this way. What practices can’t we use? One of the great things that we’ve seen about being a global company in the last five years since Lee announced this sustainability
initiative or maybe it’s six now -- time flies -- is how transferrable sustainability is from one country to the next. I think people are probably aware that we just acquired a significant interest in Africa and just finished out that transaction and the practices that we’re applying in China apply equally and transfer just as nicely to Africa as they do to Chicago. But our latest store in China is expected to use 40.1 percent less energy than stores built under previous formats -- pretty significant.

Our transportation logistics people have, listen to this, shipped 300 million more cases in 2010 -- 300 million more cases in 2010 driving 200 million fewer miles than they did in 2007. Now --

JESSE RUIZ: You going to tell us how? How did they do that?

THOMAS A. MARS: -- yeah. They -- that would never have happened but for Lee’s emphasis on sustainability, we would never have been thinking like that, but we went through this paradigm shift in late 2005 and 2006 because I remember Lee saying those of you think this is optional, it’s not. And nobody opted out, nobody even thought about opting out. And it didn’t take long for us to go oh, my gosh, look at this? You know Lee’s putting it in a green package and we’re achieving
savings here that are just incredible. And how do you achieve such a dramatic, almost unbelievable accomplishment in efficiency? You just get out of people’s way. You show them what can be done with green technology, start thinking outside the box and it’s a lot of things, it’s packaging, it’s how you pack a truck, it’s where you drive the truck, it’s -- we’ve partnered with Daimler-Chrysler and developed the first hybrid tractor trailer. It’s amazing, there’s no limit to what you can do.

So come back to your question, what can’t we do with this small format? We’ve got LED lighting, we’ve got this thin film solar roofs, we’ve got white roofs, we’ve got a store in Aurora, Colorado, and another one in Plano, Texas, that we built as the, you know, call them “sustainability deluxe Supercenters.” Everything that could be put into them back then, one of them, I think it’s one of those stores that’s heated with the grease from the chicken that we sell. Seriously. I’m not kidding.

So, I was up at Rocky Mountain Institute -- many of you probably know of Amory Lovins and I know Amory pretty well -- and I was at his house up in Snow Mass in March. He’s got his own residence built like one of those Supercenters with everything you can imagine, and it’s fascinating. And anyway, he and I were talking about this same issue, and I invited him
to come back and take another look at our Supercenters, our markets, and this express format, because it’s been a few years since we built those experimental stores in Aurora and Plano. And to see what newer technology we might incorporate into them and if there’s anybody who knows, believe me, Amory does. I mean this guy is about as cutting edge as it gets, and his reputation precedes him. So, I’m personally really excited about what we can do with this new format and particularly in Chicago, it’s going to be, it’s going to be interesting to see.

JESSE RUIZ: Speaking of the new format and where other stores in Chicago are going to go, as you eluded to earlier: Underserved and low-income areas at times are crying out for new stores and -- does that, how does that factor into where you’re putting stores? And, generally, what’s the approach to locating stores in a community, but in particular in Chicago?

THOMAS A. MARS: Well, it’s a question I guess I’d want to answer by sort of backing up and giving you the broad answer and then we’ll come back and talk about Chicago specifically.

So, we have a real estate committee, I’m a member of it and have been for almost a year now. That meets every month and I suspect we may be maybe the only big company, one of the few where the chairman of the board, the CEO and the senior people meet every month. And we actually meet up all day and go through
all of the perspective sites and the analysis that goes into the quality of perspective sites. Whether it be in Viney Grove, Arkansas, or whether it be in Chicago, it’s pretty extensive. L.B. Brown -- I know L.B.’s in here, he’s our Chicago guy who I have a lot of confidence in and I know many of you know him -- he presents these for Chicago. Some of them are in under served areas, I mean that’s clearly a factor that goes into business decision, but it’s not stopped us from building stores elsewhere and it won’t stop us from building them obviously in Chicago.

I was just talking to the regional vice president -- I’m sorry, the senior vice president who’s got the responsibility for Michigan, and I just came back from Dallas, I was there Saturday, and you know we have stores in Dallas in under served areas. And I was talking to this fellow about this one particular store in Dearborn, which had 10,000 people apply for the jobs there. I think there’s 494 or 495, roughly 500 associates. The stores doing a hundred and five million dollars worth of business a year. It’s got a customized program for WIC and SNAP, it is a busy store, and I guarantee you we are reducing the cost of living for the customers in that store. And you know it is under served or at least was as under served can be and it’s a success and there are other success stories. But it is a factor, but we want to go where the customer’s need
us the most so we’re naturally actually drawn to those places.

Oh, I should mention, I don’t know if anybody’s here from the mayor’s office, but I know there is somebody here. I attended a meeting in the mayor’s office, I think it was two weeks ago with Bill Simon our CEO, Maggie Sands from our corporate affairs office who’s done a lot of great work up here went with me, and both of us were commenting and I was talking to Bill on the way home about just how impressive the mayor was and in the short time he assembled some -- I think this is public, I hope it is.

JESSE RUIZ: Uh-huh, it is now.

THOMAS A. MARS: It is now. I know it must be because I remember there being a reporter there, but the mayor assembled some of our best competitors and the CEOs of these organizations were just sitting around the table and in no short order the mayor sketched out his ambitious expectation that all of us work together as partners to provide a level of service for food deserts and around food deserts that’s unprecedented in Chicago. And I just want to say, I mean there is another real time, recent example of why we made the good choice to come to Chicago. It was just a natural conversation, it was clear that everybody was on the same page with the same objectives. There was an action plan. We like action plans, you know, as Wal-Mart
we like to come out of meetings with action plans. The mayor was decisive, and there’ll be more meetings I’m sure I’ll be participating in, and I just want to commend the mayor and the mayor’s office for putting that classic corporate government partnership together in short order. I predict it’ll be very successful.

JESSE RUIZ: So, as a regional organization that MPC is, how does what’s happening here in Chicago and nationally with Wal-Mart’s urban strategy impact existing stores in the suburbs and outside of the urban areas where there’s a new focus?

THOMAS A. MARS: Well, it varies, you know, that’s the only way I can honestly answer that question. I mean it varies depending on so many things. You know, clearly people are moving from the suburbs back into the cities, and that’s one of the reasons that this need exists in the first place, one reason. But these issues that you sort of allude to, I think I saw something in program terminology, a term I hadn’t seen before, intra-jurisdictional something. Being a lawyer I sort of figured out what that meant, and I know that those are complicated issues, and I would just say that when communities and community leaders and city and township leaders come together, and county leaders, to make good decisions about how to strike a good balance on those issues, we’ll be there at the
table, we’ll participate fully. and we understand the need for there to be balance.

JESSE RUIZ:  Got it, and I think you’re alluding to tax sharing agreements --

THOMAS A. MARS:  Yeah, sure.

JESSE RUIZ:  -- and (inaudible). Great, Tom for those of us who are law firm lawyers in the room, we know that you are legendary in leading the drive to diversify the legal profession and encouraging the law firms that served Wal-Mart to hire, retain, promote more women and lawyers of color. And given your role at Wal-Mart where you now have a -- some responsibility or a lot of responsibility for your supplier base, what lessons learned in diversifying the legal profession can you now adopt in dealing with the broader base of suppliers?

THOMAS A. MARS:  Well, there’s a lot to be said there but I first have to say legendary, I don’t think so. Nice, but --

JESSE RUIZ:  Those of us who are beneficiaries, you were legendary.

THOMAS A. MARS:  -- well, anyway. So, one of the things that I personally learned and it’s been -- I’ve spoken about it all over the country -- the most important personal epiphany I’ve had in my adult life was -- you know Jesse, because we’ve talked about this -- is the realization that when you look at
diversity and the way I look at it now and we look at it now as a, as a way to upgrade talent - it’s almost like having the Coke formula if you ask me. You start to see the whole world in a different way and it was not only a personally important experience for me as I was introduced to diversity by other people and got to know you and others and a lot of that happened here in Chicago. But it became a significant game-changing strategic advantage for our legal department as you know I think.

You know during the time I was the general counsel about seven years, I mean I inherited a legal department with no diversity, fairly small one, grew it to be one of the larger legal departments in America. For at least the last three years - well, the last five years I guess -- at least a third of the lawyers in Bentonville, just the lawyers in Bentonville, were people of color and more than forty percent women, and the whole leadership team was just as diverse as that. And we saw an opportunity -- and Lee encouraged me to look for these opportunities -- to use our commercial influence to make the world a better place, that’s the words he used. And I saw that opportunity in the law firms in major urban areas. And as you know we thought it was not right that 82 of our 100 relationship partners in the top 100 firms were white males and so we did
something about it. And at the end of the day the white males became the minority and $60 million dollars of business was transferred to minority and female partners in those law firms. And we didn’t do it to get a thank you, we didn’t do it to get recognition -- we didn’t expect any and we sure didn’t expect the domino effect it would have, the unintended consequences. But as you know it sort of snowballed, and it was great.

And so one of the after-effects of that, if you fast forward in my career and I’m in this new job, is minority supplier relationships as a function was sort of fractured inside the company. And using Chicago as an example, that structure wasn’t very helpful and I -- I don’t know how much time we have left here, but I could go into that a little bit.

JESSE RUIZ: A little bit -- one more question.

FEMALE SPEAKER: Five minutes.

THOMAS A. MARS: Five minutes. Well, then I will just say that I had the opportunity to talk to Melody Hobson and Robert Blackwell and others, and I personally looked into, you know, what did our minority supplier book of business look like in Chicago before we opened our first store and what did it look like afterwards? And after seeing all that data I could understand why they had the perspective that they shared with me. And I looked into it further, and as I suspected it was a
function of the way we were structured at the time. Long story short, I have continued to stay in touch with those folks, we have another meeting on the schedule I think pretty soon. 

But great news, we learned from that series of lessons over the years -- so minority supplier relations now reports to me, it’s all centralized. Theresa Barrera is vice president and reports to me and is responsible for it, and we’ve got the right people in the right place. More importantly, we have the right plan. And as I shared with somebody in a conversation earlier today, we’re on the brink of rolling out what will be a very ambitious -- just as ambitious as what we did in the legal department -- minority supplier program addressing professional services across the board and a corresponding program for our major food and general merchandise suppliers. The professional services minority supplier program that we’re going to rollout will be significant and it will be national in scope. But we’ve decided to roll it out and launch it in Chicago and I’m excited about that and I know there are people in this room who will benefit from that. And what better place to launch a program like that than Chicago? So, we again have benefited in lots of ways from our Chicago experience, and that’s just another one.

JESSE RUIZ: We’ll close it up with this last overarching question and that is what is Wal-Mart’s commitment to Chicago
beyond just selling goods and services here? In other words, what do you believe is a company like Wal-Mart’s role with regard to Chicago’s budget deficit, education reform, public safety, job skills training, and the promotion of a vibrant business climate in Chicago? In just a couple of minutes --

THOMAS A. MARS: Gosh, Jesse.

JESSE RUIZ: I gave you the overarching closing question.

THOMAS A. MARS: All those things. No, seriously, I mean, we can’t address and solve all those things and everybody here knows that, and there’s not anybody in this room individually who can. But I do think that we can be a part of the solution for all of those things and be at the table if people think that our being at the table is helpful. I’m not saying it’s always helpful but you know we have a -- some areas of the business where we have expertise that you know might be of interest and might be valuable in some of these areas.

I recently became a -- just fairly recently, I’ve only been to one foundation board meeting -- but I became a member of the Wal-Mart foundation board and having just gone through that orientation and one board meeting I can tell you that I’m pretty excited about the opportunities to think about ways that our foundation can do more work with Chicago. It’s done a lot already, but you know we’ve made this $2 billion hunger
commitment. We have the same interest that you do. I mean if you’re going to lower the cost of living for everybody so they can live better lives, then you have to be interested in gang violence, you have to be interested in education.

We have just rolled out in the last year a program that a few of us worked on for about a year before that, that gives all Wal-Mart associates college credit, accredited college credit, for their Wal-Mart training; and will allow lots of associates to pursue and obtain degrees, associate degrees, bachelor’s degrees and master’s degrees at a cost that is significantly less than what they would have had to pay had they not had that opportunity. And that was just an idea that came out of a conversation at a meeting someplace, and so there’ll be other things that’ll come out of our conversations with everyone here in this room and others. I don’t know what they’ll be but we sure have an expectation that you’ll call on us when you think it’s appropriate and we can be helpful.

JESSE RUIZ: Great, well Tom, thank you so much and welcome to Chicago and --

THOMAS A. MARS: Thanks.

JESSE RUIZ: -- know you’re going to be a -- talk about community for years to come.