

BEYOND THE NUMBERS\$

Employee Ownership After Enron

You have likely heard about the Enron debacle and the ensuing media frenzy calling for a repeal of employee stock in any retirement plan. Much anti-company stock legislation has been introduced requiring diversification of company stock. An early bill called for diversification for participants as early as age 35 and after 5 years of service. Other bills allow participants to diversify up to 50% of their ESOP accounts at age 55 and after 10 years of service.

Over the past few months, the fervor has slowed, and many initial bills proposing changes to tax and ERISA laws have been re-scripted. ESOP advocates have talked to their representatives in Congress and, to date, most legislation appears to exclude stand-alone ESOPs and private company K-SOPs from the diversification rules. Although the jury is still out as to what legislation may pass in the Senate, many ESOP supporters are confident that private company ESOPs will be exempt from such changes.

Using Enron to Your Advantage

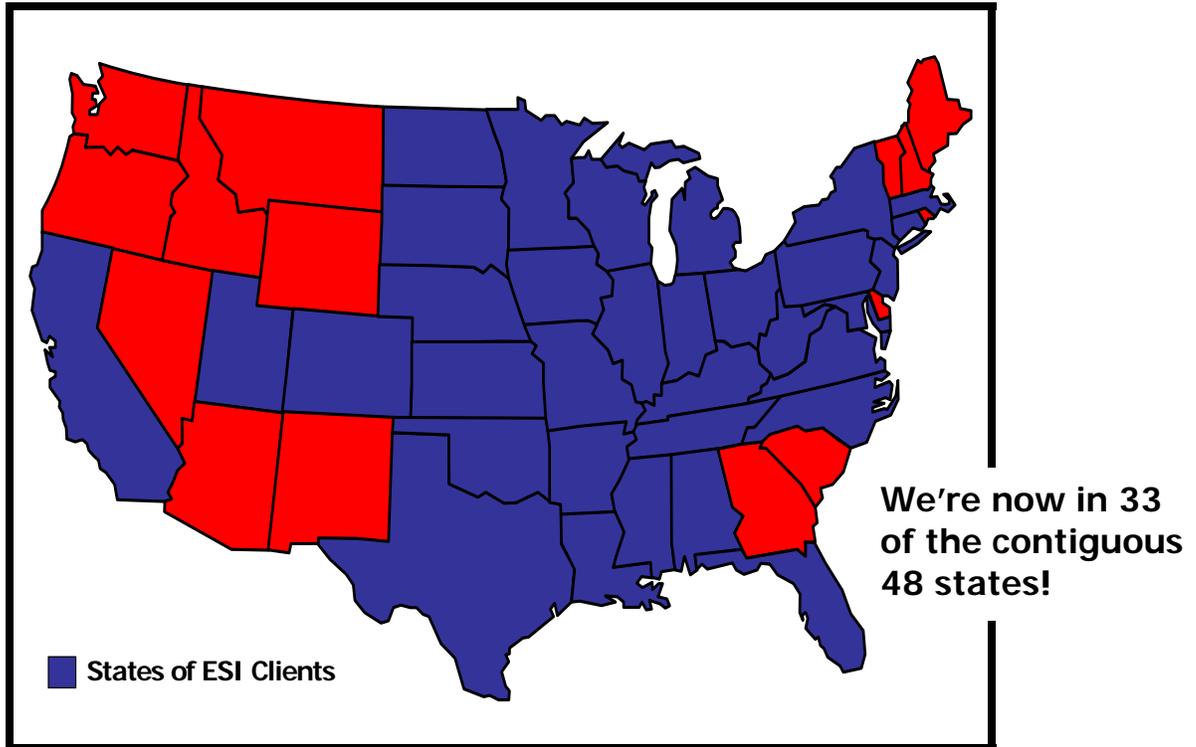
Many companies can use the Enron situation as an opportunity to communicate with employees. One approach, known to people familiar with marketing strategies, is “differentiation.”

Differentiate the Enron situation and your ESOP by clarifying your plan provisions. Many of the losses sustained by Enron employees were from self-directed accounts where employee contributions were invested in company stock. Make clear the distinctions in your plan in order to increase employee understanding.

Differentiate your company values by contrasting honesty and integrity with the deception and concealment apparent at Enron. Open communication about performance issues and how they relate to financial results can strengthen employee commitment.

Differentiate your philosophy on employee ownership by sharing your views on the subject. Do you encourage employee participation, welcome input, and involve employees in meeting company objectives? Discussing your corporate culture can help to ward off unwarranted fears about employee owned stock.

ESI – We Continue to Grow



Many clients have expressed how beneficial they find our national perspective. As we grow, we are committed to providing you prompt, friendly service. If you have any questions, or would like to discuss how to

capitalize on employee ownership, please contact us. We would be happy to meet with you and discuss the benefits of employee ownership and how it fits into your organization's strategy.



The National Center for Employee Ownership (NCEO) is a private, non-profit membership and research organizations serving as a leading source on ESOPs and employee ownership.

We encourage you to visit their web site at www.nceo.org for current news, articles, books, seminars and consulting on a variety of topics.

ESI—Beyond the Numbers
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