Titans of the Enron Economy

The Ten Habits of Highly Defective Corporations

By Scott Klinger with Holly Sklar

April 10, 2002

UNITED FOR A FAIR ECONOMY

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United for a Fair Economy is a national, independent, non-partisan organization founded in 1995 to focus public attention and action on economic inequality in the United States—and the implications of inequality on American life and labor. United for a Fair Economy provides educational resources, works with grassroots organizations and supports creative and legislative action to reduce inequality.

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The following corrections have been made to this edition of the report, published on July 23, 2002:

Page 10: Lucent CEO Richard McGinn received a golden parachute valued at more than $12 million in cash, plus an $870,000 annual pension, not a "$35 million golden parachute" as reported in the first edition.

Page 27: In 2000, General Electric directors received average pay of $430,300 with 13 percent in cash, not $449,670 with 17 percent in cash.

Introduction

The pivotal lessons from the Enron debacle do not stem from any criminal wrongdoing. Most of the maneuvers leading to Enron's meltdown are not only legal, they are widely practiced. Many of the problems dramatically revealed by the Enron scandal are woven tightly into the fabric of American business.

This part of the story is widely understood: the cold betrayal of employees by rapacious executives amassing personal fortunes as the company's fortunes unraveled. The images of loyal employees suddenly losing their jobs, homes and life savings are etched into our minds.

Reaching far beyond its employees, the long list of Enron casualties includes a wide array of individual and institutional investors and the broader taxpaying public. Shareholders have lost tens of billions of dollars in share value. State and municipal pension funds lost more than $1.5 billion on Enron stock. The State of Florida alone lost $335 million. Georgia lost $127 million, Ohio $115 million and New York City $109 million on Enron investments.[1] This is money that ultimately will have to be made up by increased taxpayer contributions to state pension coffers. Diverting tax money to make up for Enron losses provides less funding for other vital public services.

Before Enron imploded, it was embroiled in another scandal—profiteering from the deregulation of energy markets at great consumer expense and hardship. During the 2000 California electricity crisis, consumers faced blackouts and were overcharged an estimated $40 to $70 billion.[2] As Consumer Federation of America reported, the California Independent System Operator, manager of the state's power grid, has documented energy supplier "price gouging (economic withholding) or hoarding (physical withholding) in virtually every hour of every day for almost a year." California was not alone. New York, Massachusetts, Montana and other states have also suffered huge price increases and service problems.[3]

Enron engaged in legalized piracy in many parts of the world. In India, the company made millions of dollars of "educational payments" to government officials in exchange for a power contract that Enron expected would generate more than $30 billion over the next 20 years. The Indian public, who engaged in massive protests against the plant, ended up paying twice the rate charged by the next most expensive power producer, and more than seven times the cheapest power rate in the region, before the plant was shut down by the Indian government. Enron turned to Vice President Cheney and other officials to try to bully the Indian government into making payments to Enron.[4]

The Stock Option Scam

American taxpayers subsidized Enron's profiteering at home and abroad. When Enron executives received multi-million dollar stock option payoffs, taxpayers were unwitting contributors. This is because corporations maintain two sets of accounting books, one for shareholders, the other for Uncle Sam. In the income statement shown to shareholders, stock options are invisible. Unlike cash salaries and bo-

Stock options give employees the right to buy company stock at a set price in the future. They often have an exercise period of up to ten years. If an employee has an option to buy stock for $10 a share and exercises that option when the stock is trading at $50 a share, the employee will owe the company $10 a share and can sell the stock for a $40 profit. Continuing the example, exercising 100,000 stock options would produce a $4 million gain. Top executives get repeated megagrants of stock options producing megawealth.

nuses, stock options are not counted as an expense. But when executives cash in their stock options, reaping their own fortunes, the set of corporate books shown to Uncle Sam reflect a full deduction of the engorged value of the option, not its much smaller worth at the time it was granted. Thus stock options represent a power tool for keeping corporate earnings artificially high and taxes legally (but artificially) low.

"Although excluded from the profit calculations, corporations are required to report the latest three years' stock option activities in a footnote to their financial statement. Using the option data contained in the footnotes to financial reports, a [March 18] *Tax Notes* article...estimated the impact of options on the corporate tax base. According to those estimates, exercised stock options may have reduced corporate taxes [for all US corporations] by as much as $28 billion in 1998, $42 billion in 1999, and $56 billion in 2000."[5]

According to a study by the Institute on Taxation and Economic Policy of the 1996-98 taxes paid by 250 of the nation's largest and most profitable companies, the top 10 firms saved $10.4 billion on taxes due to stock option deductions. The 250 firms in the study saved a combined $25.8 billion.[6]

Enron's exorbitant option-related pay scheme was a principal factor in the company's ability to not only avoid all federal corporate income taxes, but to actually get the Treasury to rebate $395 million during the three-year period ending in 2000, despite Enron reporting net profits of more than $1.1 billion.[7] Not coincidentally, Enron's 29 top executives reportedly netted $1.1 billion from stock options in the 3 years leading to bankruptcy.[8]

Many companies treat stock options as a license to print money for executives and, increasingly, their directors. As *Business Week* reports, CEOs receive about 60 percent of their total pay from stock options and the 200 biggest companies (by revenue) allocate more than 16 percent of their outstanding shares of stock for options. Not counting options for Time Warner, which AOL acquired in January 2001, AOL Time Warner's earnings would have been reduced by 75 percent during 1996-2000 if options had been expensed. In 2000, AOL Time Warner got a $711 million tax break thanks to exercised options. Cisco earnings would have been reduced by 26 percent; Cisco got an option-related tax break of $1.4 billion.[9]

The Federal Reserve believes that by not expensing options, "corporations were able to add three percentage points to their average annual earnings from 1995 to 2000. Operating earnings would have grown an average of 5% during this period, not the reported 8.3%."[10]

That means more than a third of the miraculous earnings growth of the late 1990s may have stemmed not from wise corporate strategy or increased productivity, but from a common misleading stock option accounting maneuver that legally left tens of billions of dollars of expenses off official income statements.

While a few companies, such as Global Crossing, a telecommunications company that shared Enron's penchant for tax dodging and insider trading, have followed Enron into bankruptcy court, scores of other companies have seen their stock prices shattered as they rush to restate earnings in the face of greater regulatory scrutiny. Credit has become more expensive for companies because of tougher scrutiny and ratings downgrades.[11] Many analysts worry that the lingering accounting controversy is creating a drag on the whole economy. "The accounting problem does seem to have legs and it is spreading," said Craig Thomas, a senior economist with the consulting firm Economy.com.[12]

Still, outside the spotlight on Enron's rise and fall, government policies and accounting practices continue to reward and shelter many firms with harmful practices. This report examines 10 Enron habits, all of which ultimately contributed to the company's demise, and all of them common in corporate America. It explains the negative consequences of each habit and examines other companies with similar behavior. We rank the 100 worst companies for each habit and award leaders in each category with an Enny Award for outstanding Enron-like performance. We give a Lifetime Achievement Enny to the corporation with the highest combined score for Enron-like performance in all 10 categories. The report concludes with a 12-Step Program to break corporate addictions to Enronesque habits and prevent future Enron-like debacles.

The 10 Habits of Highly Defective Corporations

To make your company as Enron-like as possible within the bounds of law, just practice these 10 easy habits:

Risks for Workers, Rewards for Executives

1. Tie employee retirement funds heavily to company stock and let misled employees take the fall when the stock tanks, while executives diversify their holdings and cash out before the bad news goes public.

2. Excessively compensate executives and set incentives that encourage them to cook the books and overstate profits for personal gain.

3. Lay employees off to reduce costs and distract from management mistakes. Increase executive pay for implementing this cost-cutting strategy.

Corrupt the Watchdogs

4. Stack the board with insiders and friends who will support lavish compensation and not ask difficult questions about the business.

5. Pay board members excessively for their part-time service; pay them heavily in stock so they have a disincentive to blow the whistle on business practices that may cause the stock price to decline.

6. Give your independent auditors generous non-audit consultant work, creating conflicts of interest for those charged with assuring that the company follows the rules and protects shareholder interests.

Buy-Partisanship: Profiting from Political Influence

7. Give campaign contributions to gain access to decision makers; diversify your political investments in a portfolio of candidates from both major parties.

8. Lobby lawmakers and regulators to eliminate pesky oversight, safety, environmental and other rules, and pass favorable regulations, subsidies, tax breaks and other items on the company wish list.

9. Get the government to finance and insure dubious overseas investments, especially those opposed by the local citizenry.

10. Avoid taxes: use tax deductions, credits and clever accounting to pay little or no tax, and hopefully even get tax rebates.

Risks for Workers, Rewards for Executives

Habit 1: Tie employee retirement funds heavily to company stock and let misled employees take the fall when the stock tanks—while executives diversify their holdings and cash out before bad news goes public.

In the days following Enron's meltdown, the news was filled with grim stories of employees with wiped-out retirement accounts. Over the last two decades, defined contribution plans like 401(k)s, in which employees reap the rewards—and bear the risk—of stock market performance, have supplanted traditional defined benefit pensions in which employers are responsible for guaranteed monthly pension payments.

A key problem is that while defined benefit plans by law must be diversified, 401(k)s are heavily weighted with company stock. According to a study by the Profit Sharing/401(k) Council of America, stock of the sponsoring company accounted for 39.2 percent of 401(k) plan assets in 2000. This was even truer in large companies. In firms with more than 5,000 401(k) participants, more than 43 percent of assets were in company stock.[13]

Though Enron's 401(k) plan was 58 percent invested in company stock, it was far from the worst among large companies. Ninety-four percent of Procter & Gamble's 401(k) is invested in company stock, and 27 large companies have greater shares of company stock in their employees' 401(k) plans than did Enron.[14] Moreover, 85 percent of all plans impose some restrictions on the sale of company stock held in their 401(k)s.[15] Common restrictions include preventing employees from trading until they reach age 50, requiring employees to hold company stock a set period of time, and blackout periods where trades are not permitted when account administrators are changed. (Enron's last blackout period coincided suspiciously with the stock's final free fall.) Often companies entice employees to not diversify their retirement assets by offering a higher percentage matching contribution if the employees invest their portion of the 401(k) in company stock.

Top 10 Companies by Percent of 401(k) Plan Assets in Company Stock

Company	Percent of 401(k) Plan Assets in Company Stock
Procter & Gamble	94.65%
Sherwin-Williams	91.56%
Abbott Laboratories	90.23%
Pfizer, Inc.	85.50%
BB&T Corp.	81.69%
Anheuser-Busch	81.59%
Coca-Cola	81.47%
General Electric	77.39%
Texas Instruments	77.65%
William Wrigley, Jr. Co.	75.55%

Source: Institute of Management and Administration, "Enron Debacle Will Force Clean Up of Company Stock Use in DC Plans," *DC Plan Investing,* December 11, 2001.

The Fear Factor Enny:
For Piling Retirement Eggs in a Broken Basket

And the Enny goes to...Coca-Cola.

Once upon a time the chart of Coca Cola's stock price was as smooth as cold Coke on a warm afternoon. Over the last couple of years, the venerable soft drink maker's stock fizzled like New Coke. That's bad news for Coca-Cola employees. In 2000, more than 6,000 employees—one-fifth of Coke's total workforce—lost their jobs in the largest downsizing in the company's history. Employees saw their 401(k) retirement assets evaporate, with the stock down more than 31 percent in the three years ending November 2001. Coca-Cola workers' 401(k)s were far more exposed to company stock than Enron's employees, with more than 81 percent of Coke's 401(k) plan invested in company stock.[16]

Coke's decline began under the watch of former CEO M. Douglas Ivester. Ivester left Coke under a cloud of controversy in early 2000, following a botched merger, a delayed European product recall following a health scare involving company products, and a widely publicized race discrimination suit covering 2,000 employees, which the company eventually settled for $192 million.[17] While employees suffered layoffs, racial discrimination and shrinking retirement assets, Ivester received a severance package valued at more than $17 million that included title to his company car and ongoing payment for "maintenance of home security system and club dues for existing clubs."[18]

In 2001, Coca-Cola rewrote its supposedly performance-based pay rules for CEO Douglas N. Daft when it became clear Coke would not meet the benchmarks for earnings growth per share. Coke simply lowered the benchmarks and extended the payout timeframe. It was "perhaps the starkest example of discarding the principle of pay for performance, consultants said."[19] In 2001, Daft made $55 million.[20] Not bad for his second year on the job.

Habit 2: Excessively compensate executives and set incentives that encourage them to cook the books and overstate profits for personal gain.

Between 1998 and 2000, Enron CEO Kenneth Lay received more than $211 million in total compensation, including salary, bonuses, exercised stock options, life insurance and a host of executive perks, including more than $300,000 of personal travel in the company jet in a recent year. During the same period, Enron President Jeffrey Skilling made more than $130 million. Despite Lay's lavish compensation, he ranked only 10th among CEOs at large companies ranked by *Business Week* during the period.

Ken Lay had an incentive to inflate earnings. Corporate executives often have performance benchmarks in their compensation packages that in theory are designed to align the interests of corporate managers and shareholders. Lay's compensation package included restricted stock (direct grants of stock the ownership of which cedes to the executive over time). In Lay's case, the stock was scheduled to become his over four years, but the plan also had an accelerated vesting procedure, under which control of the stock would be granted earlier if the company's stock price outperformed the Standard & Poor's 500 by more than 20 percent.[21] This offered Lay and others a powerful incentive to inflate Enron's stock price. With the stock price up, Lay was granted the stock and then could sell it for personal gain, without waiting the full four years.

In 2000, Kenneth Lay was granted 347,830 stock options.[22] He cashed in millions of dollars worth of Enron stock while pumping the stock to employees and outside shareholders.

Top 10 Companies by CEO Pay, 1998-2001

Company	CEO(s)	Total CEO Compensation 1998-2001
Oracle	L.J. Ellison	$ 796,624,000
Computer Associates	C.B. Wang / S. Kumar	$ 704,708,000
Disney	M.D. Eisner	$ 700,093,000
Citigroup	S.I. Weill	$ 524,799,000
Tyco International	L.D. Kozlowski	$ 396,944,000
AOL Time Warner	S.M. Case / G.M. Levin	$ 350,960,000
IBM	L.V. Gerstner, Jr.	$ 349,558,000
General Electric	J.F. Welch, Jr.	$ 315,630,000
Cisco Systems	J.T Chambers	$ 280,162,000
JDS Uniphase	K.N. Kalkhoven / J. Straus	$ 262,523,000

Source: "Executive Pay," *Business Week,* April 15, 2002 and "Executive Pay," *Business Week,* April 16, 2001.

The Kenny Enny:
For Outstandingly Excessive CEO Pay

The competition in this category was intense, with several deserving nominees, like Charles Wang, chairman of Computer Associates. In 1999, Wang and two other corporate officers shared $1.1 billion of company stock after getting the company's stock price past a threshold price. After making the grant, Computer Associates announced it was reducing its net income by more than $1 billion to cover this expense, and the stock tumbled. A subsequent shareholder lawsuit reduced the size of Wang's personal stock award to a mere $322 million. But Computer Associates' stock price is a shadow of its former self, having declined to $20 a share (as of 4/10/2002) from the $50 level at the time of Wang's 1999 windfall. Adding to Computer Associates' woes is an ongoing investigation of potential overstatement of revenue and other aggressive accounting challenges.

Tyco CEO L. Dennis Kozlowski was another top contender for the Kenny Enny. He received more than $360 million in compensation between 1998 and 2000. He collected another $36 million in 2001. In defending his bloated 1999 pay package of nearly $170 million, which landed him the honor of the second highest paid CEO on *Business Week's* annual list, Kozlowski said, "But the way I calculate it, while I gained $139 million [in options] I created about $37 billion of wealth for shareholders."[23] Tyco's other 180,000 employees apparently created no value. Tyco's stock declined from the low $50s in 1999 to $31 (as of 4/9/2002) amid an ongoing accounting scandal. *Business Week* ranked Kozlowski No. 5 on the list of executives who gave shareholders the least for their pay during 1999-2001.[24]

And the Kenny Enny goes to...Citigroup.

Financial giant Citigroup is a golden goose for CEO Sanford Weill. A perennial fixture on *Business Week's* list of the 20 highest paid CEOs, Weill took home more than $482 million between 1998 and 2000. In 2001, he made another $43 million. Like most highly paid CEOs, the bulk of Weill's pay comes from stock gains. Weill's stock compensation plan was amazingly equipped with a "reload" feature: each time Weill cashed in his stock options, he automatically received new options to replace them. Weill rode the bull market up cashing in options and receiving new ones, on his way to the fourth highest corporate pay package for 1998-2001. Imagine if Citigroup customers had a reload ATM machine that automatically added replacement money to their accounts after withdrawals!

Who gave Weill such a sweet deal? Citigroup's board of directors, one that on the surface appears to be composed of relatively independent outsiders. Only four of Citigroup's sixteen directors are company employees. However, looking deeper, Weill serves on the corporate boards of two Citigroup directors: C. Michael Armstrong, chairman of AT&T, and George David, chairman of United Technologies. A recipe for: "you pad my pay, I'll pad yours."

While throwing money at its executives, Citigroup rips off low-income Americans with its predatory lending. Predatory lending practices include charging excessively high fees, frequent flipping of loans to garner still more fees, poor disclosure of loan terms and providing disadvantageous credit insurance products. As the nation's largest sub-prime lender, Citigroup has become a lightening rod for complaints about predatory lending practices that disproportionately target the elderly and communities of color. In a rare move, the Federal Trade Commission (FTC) has brought suit against Citigroup alleging abusive marketing practices. According to Jodie Bernstein, director of the FTC's Bureau of Consumer Protection, if all charges are proven, Citigroup's liabilities could reach $500 million.[25] United for a Fair Economy has filed a shareholder resolution asking Citigroup to tie a portion of its executive pay to improvements in the area of predatory lending. Citigroup has encouraged shareholders to vote against this proposal.

Citigroup also distinguished itself by flexing its political muscles in support of Enron, where Citigroup had $800 million in loans and insurance policies at stake. Robert Rubin, former Treasury Secretary and current chair of Citigroup's Executive Committee, used his political connections to contact senior Treasury Department officials in the Bush administration and

CEOs Who Gave Shareholders the Least for Their Pay

CEO	Company	Total Pay 1999-2001 in millions	Shareholder Return	Relative Index
L. Ellison	Oracle	$795.1	92%	0.24
J. Chambers	Cisco Systems	279.3	22%	0.28
P. Karmanos Jr.	Compuware	93.9	-70%	0.32
L. Gerstner	IBM	303.2	33%	0.44
D. Kozlowski	Tyco Intl.	331.9	57%	0.47

Source: "Executive Pay," *Business Week,* April 15, 2002, p. 84. Shareholder Return is the stock price on Dec. 31, 2001, plus dividends reinvested for three years, divided by the stock price on Dec. 31, 1998.

plead, unsuccessfully, for government intervention to prevent Enron's collapse.[26] Ironically, Enron was so intimately tied to the Bush administration that Bush couldn't risk a bailout and the surefire administration scandal that would ensue.

Like Enron, Citigroup has a checkered record of international investment that has run afoul of environmental and human rights advocacy groups. And, like Enron, Citigroup's investments are heavily backed by U.S. agencies such as the Export-Import Bank and the Overseas Private Investment Corporation (OPIC). In the late 1990s, Citigroup alone accounted for 14 percent of the overseas insurance granted by OPIC.[27]

Habit 3: Lay employees off to reduce costs and distract from management mistakes. Increase executive pay for implementing this cost-cutting strategy.

Enron laid off 4,250 workers in late December. While laid-off workers received severance pay of $4,500, several executives drew six- and seven-figure bonuses as an incentive to stay.[28] The penchant for rewarding Enron's executives continues; in late March, the company petitioned the Bankruptcy Court to allow it to pay $130 million in retention bonuses to 1,700 employees, an average of $76,000 per employee, or almost 17 times the severance pay provided each sacked worker who paid for the debacle with their job.[29]

"Payoffs for layoffs" was a routine business practice before Enron's collapse, with devastating consequences for workers, and sometimes for companies. The fabled "Chainsaw Al" Dunlap had a reputation for coming into businesses and ruthlessly slashing payrolls in the name of boosting shareholder value. Dunlap destroyed more than 14,000 jobs and decimated the century-old Scott Paper in the mid-1990s, while pocketing $100 million for his efforts. Next he turned his attention to household appliance maker Sunbeam. As Dunlap was working his magic, laying off workers and reporting a rebound in profitability, Sunbeam was discovered to be cooking its books. Arthur Andersen, now playing a central role in the Enron scandal, was Sunbeam's auditor. For Dunlap, crime paid, even though he had to cough up $15 million to settle a shareholder suit over the fraudulent accounting; Arthur Andersen paid $115 million.[30]

Top 10 Companies by Layoffs

(Layoffs announced between Jan.1, 2001 and Feb. 12, 2002)

Company	Announced Layoffs
Lucent Technologies	42,338
Motorola	37,024
Ford Motor	26,330
JDS Uniphase	26,000
Hewlett-Packard	25,700
Solectron	22,099
Boeing	21,285
Dana	21,250
United Airlines	20,000
Delta Air Lines	17,400

Source: Forbes.com Layoff Tracker. See http://www.forbes.com/2001/09/10/bodycountarchive.html

The Chainsaw Al Dunlap Enny:
For Outstanding Use of Employees as Stunt People, Taking the Fall for Management

And the Enny goes to...Lucent Technologies.

A once high-flying offspring of AT&T, Lucent last year exceeded Ma Bell's 1996 spectacular layoff of 40,000 workers. Last year Lucent axed at least 42,000 jobs of its own and by some accounts more than 90,000 jobs in one of the most dramatic corporate downsizings in history.[31] While these layoffs occurred during the tech industry tumble, Wall Street critics lay much of the responsibility for Lucent's misfortune at management's door. Lucent was the only company to end up on the 2001 worst boards of directors lists published by both *Fortune* and *Chief Executive*.[32] Each magazine separately concluded that Lucent's cozy six-person board let impending problems and sharply declining market shares go unaddressed in the late 1990s. Though the board took action and fired CEO Richard McGinn in October 2000, they gave him a golden parachute valued at more than $12 million in cash, plus an $870,000 annual pension. Like Enron and Coca-Cola, Lucent employees saw their retirement assets shredded as Lucent's stock price declined more than 90 percent. Nearly a third of the Lucent 401(k) plan was invested in company stock.[33]

Lucent earnings would have been reduced by 30 percent during 1996-2000 if Lucent had been required to expense stock options. Instead, Lucent got a stock option tax deduction of $1.1 billion.[34]

Corrupting the Watchdogs

Habit 4: Stack the board with insiders and friends who will support lavish compensation and not ask difficult questions about the business.

Who granted Lay his lavish compensation package? The same people who were supposed to be watching over Enron's business practices: the company's board of directors. Sound corporate governance policy holds that corporate boards should be made up of a majority of independent individuals, without direct or indirect ties to the company. Some institutional investors seek an even higher standard. The Council of Institutional Investors, a coalition of corporate, public and labor pension funds with combined assets of more than $2 trillion, believes that corporate boards should be composed of at least two-thirds independent directors.[35]

Because there are no national standards, methods of determining independence vary. While all definitions exclude direct employees and people earning fees from companies (outside legal counsel, consultants, etc.), other definitions of independence are murky. The Investor Responsibility Research Center (IRRC) reported that of the directors elected at Enron's 2001 annual meeting, 64 percent met traditional standards of independence.[36] Yet, among the nine directors categorized as independent are some with close informal ties: director John Mendelson is president of the University of Texas M.A. Anderson Cancer Center, to which Enron and the Lay family contributed more than $1.9 million, and Charles Lemaistre is past president.[37] Wendy Gramm, wife of U.S. Senator Phil Gramm (R-TX), was another supposedly independent director. Though Enron's political investments flowed freely in Washington, no member of Congress benefited more then Senator Gramm, who received $72,000 from Enron between 1995 and 2000.[38] These types of relationships are not required to be disclosed.

Top 11 Insider Boards

(Companies with annual revenues greater than $5 billion and board independence of 50% or less)

Company	**Percentage of Board of Directors Who Are Independent**
EMC	25
Gap	30
Loews	31
Kohl's	33
Costco Wholesale	36
General Electric	37
Fannie Mae	39
General Dynamics	40
Emerson Electric	41
Allied Waste	42
Dillard's	42

Source: Alesandra Monaco & Stacey Burke, *Board Practices / Board Pay 2001*, Investor Responsibility Research Center, September 2001.

The All in the Family Enny:
For Outstanding Board Coziness

And the Enny goes to...EMC Corporation.

Only two years ago, this leading producer of computer storage media could have held Thanksgiving dinner in its boardroom: the Chairman, Richard Egan, his wife and son all sat on EMC's board. As a member of the board, Junior got to help set Dad's allowance (and help determine his own inheritance). How many kids wouldn't love that? Of course, Dad might not have needed much help, since he also sat on EMC's Compensation Committee, which determined his, and other executives' pay.[39] According to IRRC's September 2001 study of corporate board independence, EMC had the least independent board among companies with $5 billion or more in revenue.[40] Though EMC's board has become somewhat less ingrown since the study was completed, it is still just 38 percent independent.

Like several other technology companies, EMC has come under scrutiny by the Securities and Exchange Commission, which is looking to see whether overly aggressive accounting measures caused the company to overstate its earnings.[41] With investor confidence shaken, EMC's stock has tumbled from a high of over $100 in 2000 to under $11 as of April 9, 2002.

While investors suffered and 4,000 employees lost their jobs last year, EMC's insider-dominated board granted Chairman Michael Ruettgers a pay package worth nearly $16 million in 2001 on top of more than $105 million between 1998 and 2000.[42]

When investors confronted EMC in 2001 with a shareholder proposal asking the company to adopt a policy committing to board independence, the company filed a more than 100-page legal brief with the SEC arguing that shareholders should not have the right to vote on such a measure. The SEC ruled against the company, and shareholders will be allowed to vote on this important issue at the company's May annual meeting.

EMC's recalcitrant attitude toward shareholders is not limited to board independence. When another group of shareholders filed a resolution asking the company to diversify its all-white-male board, the company also appealed to the SEC with a similarly sized tome, arguing in part that its board was already diverse because "the directors range in age from 43 to 71 and have previously held or continue to hold positions at various businesses across a number of industries."[43]

Habit 5: Pay board members excessively for their part-time service; pay them heavily in stock so they have a disincentive to blow the whistle on business practices that may cause the stock price to decline.

How would you like a job in which you set your own salary? Join a corporate board. Board members not only do that, but they select one another as well, since the board's slate of nominees face opposition only in rare cases of corporate takeovers.

At typical large companies, boards meet once a month. Even factoring in a few days of preparation time, being a corporate director is a part-time job with pay most full-time workers can only dream of, and plenty of perks.

According to IRRC, Enron's non-employee directors received $353,140 in compensation in the year 2000, ranking Enron fourth among companies with more than $5 billion in annual revenues.[44] Like most firms with director mega-compensation, a large share of Enron directors' pay—about 80 percent—came from stock awards.

Compensating corporate directors with stock is a growing trend. The theory is that directors should share the interests of shareholders and only be well compensated if the company performs well. While that holds true to a point, excessively large awards have the potential to compromise the board's willingness to responsibly hold management accountable for taking excessive risks. In the case of Enron, directors had their own personal fortunes largely tied to the company's soaring stock price. What incentive did any of them have to blow the whistle on increasingly troubling business practices, which masked $1 billion in phantom profits? The board wrote a scathing report about Enron's now-famous duplicitous partnerships, but only after the scandal had brought down the company.[45]

Top 10 Companies by Director Pay

(Companies with annual revenues greater than $5 billion)

Company	**Total Director Pay**
AOL Time Warner	$ 843,200
General Electric	$ 430,300
Johnson & Johnson	$ 380,290
Enron	$ 353,140
UnitedHealth Group	$ 351,187
Morgan Stanley Dean Witter	$ 337,176
Dell	$ 323,495
Applied Materials	$ 299,960
Kohl's	$ 284,000
Pepsico	$ 280,000

Source: Glenn Davis & Annick Siegl, *Board Practices / Board Pay 2001,* Investor Responsibility Research Center, September 2001.

The Moonlighting Enny:
For Best Part-Time Role in America

And the Enny goes to...AOL Time Warner.

AOL Time Warner is one of a growing number of companies to compensate directors solely in stock options. In 2000, according to the IRRC study, the potential value of those stock options (using SEC-specified formulas for computing the present value) was $843,200 per director, not bad for a part-time job. In 2001, AOL Time Warner also shifted its executive compensation systems to pay all officers a greater portion of their pay in stock options.

Most stock options granted to CEOs allow the executive to purchase the stock at the stock's price on the day the option was issued. Even with modest upward moves in the stock market, these types of options allow significant fortunes to be made. AOL Time Warner's options are a little different. Half of the stock options are premium priced, which means in AOL Time Warner's case that they don't allow the executive to begin making money until the stock has risen more than 25 or 50 percent.

In contrast, each member of the board is annually granted 40,000 options a year. Directors make money for each dollar increase in the stock price. If AOL Time Warner's stock price rose $10 a share, a move of approximately 20 percent, the options would have gained $400,000 in value. During the 1990s such stock grants were responsible for significant fortunes being made even in some instances when companies performed poorly relative to their industry peers. AOL Time Warner has not chosen to link the directors' rewards to the company's competitive success in the entertainment industry.[46]

Unlike many companies that concentrate stock in the hands of officers and directors, AOL Time Warner has taken a positive step and placed options in the hands of virtually all employees. The company also dramatically reduced the cash compensation of all its executive officers last year in the face of significant layoffs. However, in place of cash compensation, executive option grants were more than doubled, promising a huge payday for corporate leaders when equity markets rebound.

Habit 6: Give your independent auditor generous non-audit consultant work, creating conflicts of interest for those charged with assuring that the company follows the rules and protects shareholder interests.

Don't judge the books by their cover; the auditor is not as independent as you think. The image of Arthur Andersen employees shredding Enron documents will forever be a piece of the Enron story.

The independent auditor is supposed to objectively review management's presentation of accounting data to shareholders. In the course of conducting a financial audit, accounting firms gain a great understanding of their client's business. About two decades ago, the major auditing firms discovered there was significant money to be made by adding consulting businesses to their auditing work. This consulting work covers such things as tax strategy development, advice on mergers and acquisitions, and suggestions for restructuring and improving management information systems. Not only does non-audit consulting work carry higher profit margins, but most clients have been enticed to spend more on their consulting contracts than on their audits. The objectivity of auditors is compromised when their challenging a problematic accounting method may result in their losing valuable consulting business.

In Enron's case, Arthur Andersen was not willing to jeopardize $27 million in consulting contracts by blowing the whistle on the accounting excesses discovered during the audit process, for which it was paid a $25 million fee in 2000.[47] Complicating matters further at Enron, CEO Ken Lay, Enron board member Herbert Winokur, and David Duncan, Arthur Andersen's lead auditor on the Enron account, all served together as board members of the American Council for Capital Formation, a Washington DC-based group that advocates for corporate tax reductions.[48]

As reported in *Business Week*, a new study of more than 3,000 proxy statements from 2001 by accounting professors Richard Frankel, Marilyn Johnson and Karen Nelson found that "the more consulting services a company bought from one of the Big Five auditors, the more likely its earnings met or beat Wall Street expectations...Companies using their auditors as consultants tend to 'manage earnings'—maneuvers such as moving debt off the books into partnerships and booking gains in pension funds as income." Frankel says, "Investors should be wary of the quality of a company's earnings if it hires its auditor as a consultant." Unfortunately, 95 percent of companies studied paid their auditors for some consulting work.[49]

In February 2002, Walt Disney Company, under pressure from union shareholders, became the first Fortune 500 company to adopt a policy forbidding its independent auditor from engaging in non-audit consulting work. Other large companies are expected to follow this lead.

Top 11 Companies in Paying Audit Firms for Non-Audit Services

(Companies with annual revenues greater than $5 billion)

Company	**Percentage of Total Fees Going to Non-audit Services**
Mariott International	97%
Sprint	96%
Best Buy	94%
Motorola	94%
Raytheon	94%
Apple Computer	93%
Entergy	93%
Gap	93%
Micron Technology	93%
Nike	92%
SBC Communications	92%

Source: Alesandra Monaco, *The Audit / Non-Audit Fee Landscape Analysis and Benchmarks,* Investor Responsibility Research Center, February 2002.

The Iron Chef Cooking the Books Enny:
For Outstanding Performance in Shredding Auditor Integrity

And the Enny goes to...Raytheon.

When it comes to shooting down auditor independence, military giant Raytheon is a proven winner. According to the IRRC study of corporate accounting fees, Raytheon had the third-highest ratio of non-audit consulting fee to audit fees among companies with more than $5 billion of revenue. In 2000, Raytheon paid just $3 million to Price Waterhouse Coopers for audit services and an additional $48 million for consulting services.[50]

That Raytheon's independent auditor receives such large non-audit fees creates a substantial conflict of interest and continues a pattern of the board and management disregard for shareholder and employee interests. The Raytheon board has refused to adopt an annual election of directors despite majority shareholder support for such a policy for the last two years.[51] When an exasperated former employee and shareholder rose at the company's 2001 annual meeting to ask why the company has shareholders vote if their will is not implemented, CEO Daniel Burnham replied, "Because the SEC says we have to."[52] So much for defending democracy.

In 1999, a year when Raytheon laid off workers, disappointed major customers with product delays, and delivered inferior returns to shareholders, CEO Burnham wrote to many professional employees of the company informing them there would be no bonuses as a result of the challenging times. When the proxy statements arrived a few weeks later, angry employees learned that Burnham himself had been granted a $900,000 bonus.

Raytheon enlisted Massachusetts taxpayers in its cause, promising in the mid-1990s to increase employment as it lobbied state legislators for a big corporate tax break. After gaining the tax break, which now costs Massachusetts taxpayers $60 million a year, Raytheon began cutting jobs in the state, and the cutting continues today.[53]

Buy-Partisanship: Profiting from Political Influence

Habit 7: Give campaign contributions to gain access to decision makers; diversify your political investments in a portfolio of candidates from both major parties.

No asset was more valuable at Enron than the company's political capital. Enron was the biggest corporate supporter of George W. Bush's 1994 and 1998 Texas gubernatorial campaigns and a leading backer in Bush's run for the presidency.[54] "Kenny Boy" Lay's close ties with both Presidents Bush are well known. But Enron had a diverse portfolio of political investments, distributing $1.1 million in campaign gifts to 257 different members of Congress from 1989 through 2001.[55] Ninety-eight of these legislators were Democrats, demonstrating the company's buy-partisan spirit. Moreover, since 1992, Enron contributed at least $1 million to Republican Party conventions and an undisclosed amount to hold parties in conjunction with Democratic conventions.[56]

Enron acquired its political capital with campaign gifts, and reinforced it with jobs. Wendy Gramm presided over the Commodity Futures Trading Commission when it made the landmark decision to exempt over-the-counter energy contracts (those not made through a regulated commodity exchange) from certain anti-fraud provisions, perhaps the single greatest boost that changed Enron from a boring pipeline operator to a sexy Wall Street star. Five weeks later, Dr. Gramm was offered a new role as one of Enron's directors.[57]

Gramm had plenty of company in the revolving door. Enron hired former Secretary of State James Baker and former Secretary of Commerce Robert Mosbacher as consultants. While U.S. Ambassador to India, Frank Wisner tried to help Enron salvage its energy boondoggle there. Upon retiring from the diplomatic corps, Wisner was appointed to the board of an Enron-controlled company.[58]

Before becoming Secretary of the Army, with its $91 billion budget, Thomas White was vice chair of Enron Energy Services. At Enron "he'd been the guy charged with making sure the company got its piece of the pie as the Pentagon privatized its own utilities. Once ensconced as Army secretary, White sent a

Top 10 Corporate Political Contributors

(Total of Individual, Soft Money, and Political Action Committee Contributions)

Company	Total Contributions 2000-2002 Election Cycles
AT&T	$ 7,230,476
Microsoft	$ 6,000,383
Philip Morris	$ 5,418,898
SBC Communications	$ 5,096,486
Citigroup	$ 4,973,325
Goldman Sachs	$ 4,849,874
AOL Time Warner*	$ 4,607,253
Verizon Communications	$ 4,443,619
MBNA Corp	$ 4,292,877
United Parcel Service	$ 3,921,076

*Includes 2000 contributions from both America Online and Time Warner.

Source: Center for Responsive Politics Top Overall Donors database at http://www.opensecrets.org/overview/topcontribs.asp?cycle=2002. Data extracted April 9, 2002.

memo down the chain of command last November calling for a bigger, better privatization program." White made millions while at Enron and millions more selling Enron stock before it plummeted, raising allegations of insider trading. The supposedly profitable Enron Energy Services "was a fraud, hemorrhaging money while covering up its losses with accounting maneuvers."[60]

As Al Hunt writes in the *Wall Street Journal,* Enron "played with funny money. But their political investment helped prolong the Ponzi scheme."[61] Most importantly for the future, Enron's influence resulted in a host of regulatory appointees it favored and a long trail of harmful policies, such as the consumer-harming energy deregulation policies.

The Show Me the Money Enny:
For Casting Politicians as Supporting Actors

And the Enny goes to...the Financial Services Industry. Accepting for the financial services industry are Citigroup and MBNA.

After heavy lobbying and campaign contributions from the banking and credit card industry, Congress passed The Bankruptcy Reform Act in 2001 by wide margins, and President Bush has said he will sign it. But at this writing, the bill is still stalled in the House-Senate conference committee. "In congressional circles, a bill like this one is known as a 'money vote,'" observes journalist William Greider, "because it's an opportunity for good fundraising from moneyed interests (or, if you vote wrong, you face the risk of those interests financing your next opponent).[62]

Credit card giants Citigroup and MBNA were among the 10 largest campaign contributors during the 2000-2002 period. On the very day the House voted on the bill, MBNA contributed $200,000 to the National Republican Senatorial Committee, according to an expose written by investigative journalists Donald Barlett and James Steele for *Time* magazine.[63]

Under current law, consumers overwhelmed by debt have the option of filing for Chapter 7 bankruptcy protection, under which the family's assets are sold off to settle debts. Primary homes, retirement assets and a few personal possessions cannot be touched. The bankruptcy reform bill championed by the credit card industry and opposed by consumer groups would not only make filing for bankruptcy considerably more difficult, it would also put credit card companies in a more favorable position, allowing them an equal standing to claims for child support, for example. Other measures of the bill are also troubling. According to Barlett and Steele, "if a mother tapped an ATM to buy necessities such as food or prescription drugs six weeks before filing for bankruptcy, the withdrawal could be considered a fraudulent transaction."[64]

Like Enron, which claimed that energy deregulation would save consumers money, the credit card industry has promised customers that bankruptcy reform will save the average household more than $400 a year. Barlett and Steele observed: "Some people unquestionably use bankruptcy court to escape bills they could afford to pay, but their numbers are insignificant. The vast majority of bankruptcy filers have neither income nor the assets to pay creditors. Most turn to bankruptcy as a last resort."[65]

Ironically, while companies like Enron Corporation easily avail themselves of bankruptcy protection to cover the lies and misdeeds of corporate executives, the innocent Enron employees who suddenly lost their jobs may not be so easily able to protect themselves or their families if the Bankruptcy Reform Act becomes law.

Habit 8: Lobby lawmakers and regulators to eliminate pesky oversight, safety, environmental and other rules, and pass favorable regulations, subsidies, tax breaks and other items on the company wish list.

Corporate lobbying has received a lot of attention lately, with the scandal over Vice President Cheney's energy task force. A House Committee on Government Reform report prepared for Rep. Henry A. Waxman has detailed "How the White House Energy Plan Benefited Enron."[66] The problem, of course, is much larger than Enron's undue influence.

Energy policy making in the Bush administration is a case study in undemocratic corporate influence. Take the case of Energy Secretary Spencer Abraham. The *New York Times* reports, "As he helped the Bush administration write its national energy report last year, [Abraham] heard from more than 100 energy industry executives, trade association leaders and lobbyists, according to documents released by the Energy Department." Despite their efforts to meet with him, "Mr. Abraham did not meet with any representative of environmental organizations or consumer groups." Among those who met with Abraham were 18 energy industry contributors, including Enron, ChevronTexaco, El Paso and ExxonMobil, who have donated a combined $16.6 million to Republican candidates since 1999.[67]

It's difficult to know exactly what kind of resources Enron spent lobbying. Among the company's post-bankruptcy disclosures was that it underreported its lobbying for the first six months of 2000 by a factor of three—instead of $825,000, it was really $2.5 million.[68] As reported by the Center for Responsive Politics, Enron lobbied on a wide range of issues, from energy, broadband and international trade bills and regulations to energy taxes and repeal of the corporate alternative minimum tax.[69]

Top 10 Companies by Lobbying Expenditures

Company	**Total Lobbying Expenditures 1997-1999**
Philip Morris	$ 54,216,000
Verizon*	$ 41,952,840
Exxon Mobil Corp	$ 34,110,460
Ford Motor Co	$ 29,510,000
Boeing Co	$ 26,660,000
General Motors	$ 26,032,774
AT&T	$ 24,620,000
Citigroup Inc	$ 24,100,000
General Electric	$ 23,388,024
Sprint Corp	$ 22,090,376

*Figures are for Bell Atlantic, Verizon's predecessor.

Source: Center for Responsive Politics Lobbyists Database at http://www.opensecrets.org/lobbyists/index.asp.

The Guess Who's Paying For Dinner Enny:
For First-Class Lobbying in Five-Star Restaurants

And the winner is...Boeing.

With over $12 billion in revenues from Defense Department contracts in fiscal year 2000, Boeing was surpassed only by Lockheed Martin as a government contractor. Using its famed stealth technology in Congress, Boeing circumvented military procurement practices when the Secretary of the Air Force directly submitted a controversial contract under which the Air Force would lease 100 large tanker aircraft from Boeing. Senator John McCain (R-AZ) challenged both the process and the terms of the deal, which he said would cause the government to pay much more for the lease than if it purchased the planes outright. "It's a boondoggle, plain and simple, to help Boeing after 9-11. It's a wrong that indicates the power of the military-industrial complex in setting our priorities," fumed McCain. Senator Patty Murray, a Democrat from Boeing's former home state of Washington added, "It's pork, and we shouldn't be going for it."[70]

Boeing has paid for plenty of pork, and prime rib, as the nation's fifth largest lobbyist over the three-year period ending 1999. While Senator McCain alludes to Boeing's problems stemming from canceled aircraft orders following the World Trade Center attack, in reality Boeing's problems started far earlier with delays in getting aircraft to customers and a lengthy employee strike.

Habit 9: Get the government to finance and insure dubious overseas investments, especially those opposed by the local citizenry.

Who is Enron's most significant business partner? Government. "Since 1992, at least 21 agencies, representing the U.S. government, multinational development banks and other national governments, helped leverage Enron's global reach by approving $7.2 billion in public financing toward 38 projects in 29 countries," says *Enron's Pawns*, a revealing new report published by the Institute for Policy Studies.[71] U.S. government agencies, such as the Overseas Private Investment Corporation (OPIC), Export-Import Bank and several others paid more than half that amount—$3.68 billion for 25 projects. The World Bank and Inter-American Development Bank, both heavily influenced by the U.S. government, kicked in another $1.5 billion to support Enron's ventures.[72]

This was another way Enron shifted costs, and risks, to taxpayers. Enron's targets of overseas investment are almost all poor nations, most with a lot of internal dissent about the moves made by government leaders. Often the dissent centers on disputes over environment and development issues, such as the building of Enron power plants or the sale of public water supplies to Enron.

Enron's extremely controversial Dabhol power plant project in India is a case in point. The $30 billion contract to build this plant—the most expensive contract in the history of the country—sparked protest by the Indian people. After providing $30 million of "educational payments" to Indian government officials, the contract was signed. Even though the World Bank refused to fund the project because it was not viable, OPIC and the Import-Export Bank stepped forward with $600 million in cash and loan guarantees.[73]

As political power changed hands in India, the plant was short-circuited. Secretary of State Colin Powell and Vice President Dick Cheney both twisted the arms of Indian officials on behalf of Enron. Powell warned Indian Foreign Minister Jaswant Singh in an April 2001 meeting that "failure to resolve this [Dabhol] matter could have a serious deterrent effect on other investors."[74]

The Bush administration even went so far as to form a "Dabhol Working Group" within the National Security Council to help Enron collect its debts.[75] The combination of Enron's bankruptcy and continued unwillingness of the Indian government to pay bloated power costs may have dealt the plant its final blow. At present, the controversial project has filed for bankruptcy and the plant is in the hands of a court-appointed receiver.[76]

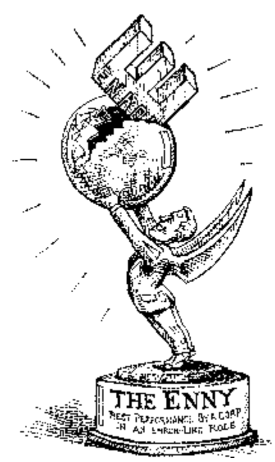
Top 10 Recipients of Export-Import Bank Loans and Loan Guarantees

Company	Total Ex-Im Bank Loans and Loan Guarantees 1998-2001
Boeing	$14,636,316,103
General Electric	806,035,187
Halliburton	764,658,335
Varian Associates Inc.	673,790,166
Fluor	641,057,927
Cooper Cameron	375,379,380
Raytheon	345,938,237
United Technologies	333,939,109
Varian Semiconductor	210,201,600
General Motors	202,991,840

Source: Export-Import Bank of the United States Annual Reports.

The Strongest Link Enny:
For Best Pipeline from the Public Treasury to Corporate Coffers

And the Enny goes to...Halliburton.



Vice President Dick Cheney was the right man for the role of Enron bagman seeking to collect the India debts that left OPIC and the Import-Export Bank on the hook for hundreds of millions of dollars thanks to Enron ripoffs. These same agencies were very good to Cheney when he was CEO of Halliburton, a leading global energy services and engineering/construction company, prior to joining President Bush in his bid for the White House.

When it comes to his own receipt of corporate welfare, Cheney has blinders. During the 2000 Vice Presidential debates in Danville, Kentucky, Democratic candidate Senator Joseph Lieberman invoked the memory of Ronald Reagan when he asked the audience, "Are you better off than you were eight years ago?"

Without pause, Lieberman turned to Cheney and said, "And I'm pleased to see, Dick, from the newspapers, that you're better off than you were eight years ago too."

Cheney retorted with a straight face: "And I can tell you, Joe, that the government had absolutely nothing to do with it."

Well, not exactly. Under the direction of Cheney—a former congressman, White House chief of staff and secretary of Defense—Halliburton received $1.5 billion in government financing and loan guarantees, a 15-fold increase from the pre-Cheney days. The company also garnered $2.3 billion in direct government contracts, more than double the amount received in the five years preceding Cheney's half-decade tenure.[77] Over the 1992-2000 period in which Enron received $7.2 billion in government financing and loan guarantees, Halliburton was close behind at $6 billion.[78]

Halliburton doubled both its campaign finance and lobbying expenditures, to $1.2 million and $600,000 respectively during Cheney's tenure. Among the bills Halliburton lobbied to pass: OPIC Reauthorization; and the Foreign Operation Appropriations Bill to fund OPIC, the Export-Import Bank and the Trade and Development Agency.[79] Think of the return on investment on these lobbying and campaign finance expenditures.

Like Enron, Halliburton wanted protection from overseas risks. Halliburton legally circumvented U.S. sanctions against Iraq, Burma and Libya by using foreign affiliates. The company also conducted business with Iran, Azerbaijan, which was subject to U.S. sanctions for ethnic cleansing (Cheney lobbied for removal of these sanctions while CEO of Halliburton) and Indonesia, where one of the company's contracts was voided in a post-Suharto cleanup of corruptly awarded contracts.[80]

Habit 10: Avoid taxes: use tax deductions, credits and clever accounting to pay little or no tax, and hopefully even get tax rebates.

Tax advice is a key element of those lucrative accountant consulting contracts. Enron is one of Arthur Andersen's star pupils. In the five years ending in 2000, Enron reported $1.8 billion in profits. Instead of paying $625 million in corporate income taxes under the federal corporate tax rate of 35 percent, Enron received $381 million in rebate checks from the U.S. Treasury. Enron's 800 Raptor-ous partnerships in tax havens like the Cayman Islands offer a partial answer to how Enron cuts its corporate taxes. In addition, deducting billions of dollars of stock option gains reduced Enron's tax burden by nearly $600 million over five years.

The Institute on Taxation and Economic Policy (ITEP) studied the 1996-98 taxes paid by 250 of the nation's largest and most profitable companies. Instead of a 35 percent tax rate, the average company studied by ITEP paid just 20.1 percent of its income in federal income taxes in 1998. This was sharply lower than the 26.5 percent rate paid a decade earlier—after the 1986 Tax Reform Act closed many corporate loopholes. ITEP also found that 41 of these companies paid no federal taxes in at least one of the three years of the study, despite earning a collective $25 billion in pre-tax profits during those no-tax years.[81]

Companies use all sorts of devices to avoid taxes, such as stock option deductions, tax shelters, shifting profit offshore, deferred tax, and using past-year losses to offset current income. From 1995 to 2000, reports *Business Week*, "Corporate earnings jumped by more than a third, but taxes rose by only about 17%. As a result, the spread between book income and taxable income is widening. Harvard University economist Mihir A. Desai estimates that just among companies with assets in excess of $250 million, book earnings in 1998 exceeded taxable income by a staggering $287 billion."[82]

Corporations just can't get enough tax breaks, though. As Enron was crumbling in the fall of 2001, the Bush administration proposed an "economic stimulus" bill that included the retroactive repeal (back to 1986) of the corporate alternative minimum tax. The alternative minimum tax was enacted to ensure that highly profitable companies paid at least some federal taxes. According to Citizens for Tax Justice, sixteen large companies including IBM, Ford Motor and ChevronTexaco, would have shared $7.4 billion in refunds if the AMT were repealed retroactively. Enron's share of the loot would have been $254 million.[83]

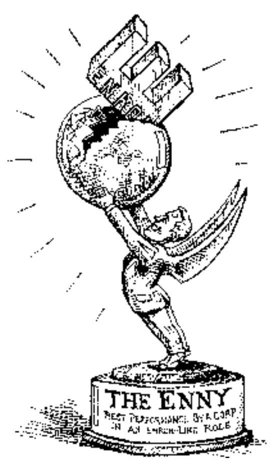
Top 10 Companies by Corporate Tax Avoidance

Company	Effective Tax Rate 1996-1998
Goodyear	-9.9%
Ryder	-6.2%
El Paso Energy	-4.4%
MedPartners	-2.1%
Tenneco	-1.9%
Colgate-Palmolive	-1.7%
Worldcom	-1.7%
Corporate Express	-1.6%
WestPoint Stevens	-0.7%
Kmart	-0.2%

Source: Robert S. McIntyre and T.D. Coo Nguyen, *Corporate Income Taxes in the 1990s,* Institute on Taxation and Economic Policy, October 2000.

The Leona Helmsley "Only The Little People Pay Taxes" Enny:
For Casting Taxpayers in Supporting Roles

And the Enny goes to...WorldCom.



When you send or receive email from an AOL account, fly on a commercial airliner or make long-distance calls on MCI, you are consuming services provided by WorldCom, the nation's largest operator of fiber optics networks. WorldCom has grown over the years through a series of dramatic acquisitions. These acquisitions—and the write-offs associated with them—are a principal force behind WorldCom's tax avoidance Enny. Though the company reported net income of $3.5 billion between 1996 and 1998, it received a tax rebate of $112.6 million, paid for by other taxpayers.[84]

Another piece of the $1.3 billion of tax breaks WorldCom enjoyed over the three-year period came from stock options. Stock option deductions shaved $265 million off WorldCom's tax bill between 1996-98.[85] Many of those options went to CEO Bernard Ebbers, a man who shares Ken Lay's insatiable lust for wealth.

Ebbers leveraged his WorldCom stock as collateral to undergird broker loans that fund his $250 billion personal investment portfolio. With WorldCom's stock price collapsing, Ebbers received a margin call from his brokers. Rather than sell his WorldCom stock (and risk driving down the stock price further), Ebbers arranged for a $341 million loan from the company to cover his losses. Showing compassion for its executive, WorldCom's board loaned Ebbers the full $341 million at a discounted interest rate of about 2.1 percent, less than half the prime rate of 4.75 percent at the time of the 2002 loan.[86]

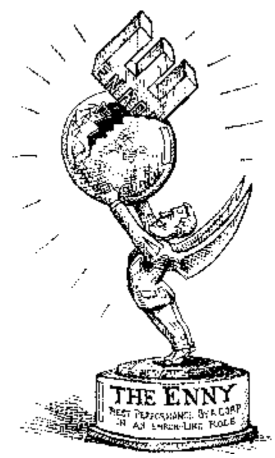
In early March 2002, the SEC began a widespread investigation of WorldCom, including a look at accounting practices similar to those found at Enron, and the terms of Ebbers' personal loan. WorldCom's independent accountant is . . . care to guess? . . . Arthur Andersen.[87] Later in March, 150 WorldCom employees filed racial, sexual and age discrimination complaints with the U.S. Equal Employment Opportunity Commission.[88] In April, WorldCom announced it is laying off 3,700 employees.[89]

The Lifetime Achievement Enny:
For Outstanding Performance in the Spirit of Enron

In an effort to rank companies according to their overall dependence on all Ten Habits of Highly Defective Corporations, we identified the top 100 companies for each habit (where possible). For each habit, we assigned the companies points on a 100-point scale based on ranking. To arrive at a composite score, we added the scores for all ten Habits, making the highest possible score 1,000.

Enron did well in the competition, accumulating a total composite score of 557, good enough for second place overall. But there was one company that bested even Enron.

And the Enny goes to...General Electric.



No company has demonstrated greater leadership in "Bringing the 10 Bad Habits to Life" than General Electric. In the areas we evaluated, it is more like Enron—well, than Enron. In fact, it wasn't even close. General Electric garnered 810 points in our composite ranking, 45 percent more than Enron's 557.

This conclusion is troubling, for even more than Enron was, General Electric is a company consistently held up for admiration. For the fifth year in a row General Electric was named America's Most Admired Company in a *Fortune* magazine survey of 10,000 business leaders.[90]

CEO Pay: General Electric's recently retired CEO Jack Welch was a perennial fixture on *Business Week's* list of highest paid CEOs. Many, including Mr. Welch himself, rationalized the enormity of Welch's compensation by citing GE's outstanding stock price performance during his tenure. *Business Week* did not. In addition to reporting on CEO pay, *Business Week* uses an objective ranking system to compare CEO pay to shareholder returns. Between 1995 and 2000 (the last full year of Mr. Welch's employment at GE), Welch ranked in the lowest 10 percent of CEOs for delivering shareholder returns commensurate with his pay level.[91]

Board Independence: General Electric is the largest U.S. company to lack an independent board. Among GE's 16 board members are 10 (4 company executives, 1 former employee and 5 other directors) with significant financial links to the company beyond their board service. For instance, Roger Penske draws $1 million in consulting fees related to a joint venture between GE Capital and his company, Penske Truck Leasing. Scott McNealy, CEO of Sun Microsystems, counts GE as one of his firm's largest customers, representing $1.6 billion in annual sales, and former U.S. Senator Sam Nunn's law firm lists GE as a client.[92] While GE discloses these conflicts of interest clearly in its proxy statement, disclosure does not eliminate conflict.

A 2001 shareholder resolution calling for an independent board was supported by 31 percent of shareholders, an extremely strong vote in the shareholder resolution arena. When the resolution was reintroduced this year, the company asked the SEC to exclude the resolution. The SEC ruled that the resolution contained a technical flaw and granted GE's request to keep shareholders from voting on it again.

Also troubling is that when using the broader definition of board independence, only half of GE's Audit, Nominating and Compensation Committees are made up of independent members. Strong corporate governance principles hold that all directors on these vital committees should be fully independent.

In its 2000 annual list of best and worst boards, *Chief Executive* magazine named General Electric its #1 best board, giving GE high marks for its board independence. That's not exactly a stellar endorsement. *Chief Executive's* #3 best board for that year was Enron.[93]

Employee Stock Holdings: GE employees with 401(k) plans face even greater exposure to a falling stock price than Enron's employees did: 77.4 percent of GE's 401(k) is in company stock versus 57 percent at Enron before the company collapsed. GE ranked eighth among 219 companies in highest percentage of company stock in its 401(k).[94]

General Electric has been a leader in booking earnings from its pension plan. According to current accounting standards, corporations are allowed to credit excess pension fund earnings to their net income. While this does not put employees' pension funds at risk as occurs when company stock represents an excessive amount of plan assets, this accounting rule serves as a powerful disincentive to share gains from a strong stock market with employees through cost-of-living increases. GE retirees have complained that the company has been stingy with cost-of-living increases and that average pensions are in the $700-800 per month range. When GE's long-time GE Jack Welch retired in 2001, he walked away with $250 million in yet-to-be-exercised stock options and a *monthly* pension of about $750,000.[95]

The company defends its pension practices, pointing to six pension increases over the last two decades.[96] In 2000, GE's pension income credit added $1.5 billion to the company's bottom line—more than 6 percent of total earnings. Although these earnings remain in the pension fund for the benefit of retirees, they inflate company earnings and the executive compensation tied to reported earnings.

Auditor Independence: General Electric paid its independent auditors more than three times as much for non-audit work as it did for audit-oriented fees ($79.7 million vs. $23.9 million).[97] GE is unparalleled among large businesses for its ability to deliver earnings consistency. Though the company operates several highly cyclical businesses, it has managed to report uninterrupted quarterly earnings growth for 105 consecutive quarters. How does GE do it? No one outside the company really knows. But up until recently, few dared to push their questions about the accounting practices behind the numbers. "General Electric ranks low on the list for transparency," Standard & Poor's analyst Robert Friedman told *Money* magazine in a March 2002 story examining GE's accounting practices.[98]

Former *Wall Street Journal* reporter Thomas O'Boyle exposed some of GE's aggressive accounting practices in his book, *At Any Cost*. At one Connecticut plant, GE managers loaded inventory onto a cargo plane and flew the plane to Puerto Rico the night before the annual year-end inventory count. The inventory was flown back the following day. The result: lower reported inventories and higher reported profits.

When GE faced a financial shortfall in 1989, some GE managers wanted to sell the company's highly profitable synthetic diamond business, using the gain on the sale to offset the anticipated shortfall in earnings. When other managers objected to the sale for fear of angering a Japanese business partner, a plan was hatched to sell the unit to a third party, Mitsui, along with an informal agreement to buy the stock back over a three-year period. One GE executive speculated that over 100 people within the company knew about the highly questionable arrangement, which was opposed by GE's accounting department, yet nobody moved to stop it. The deal proceeded, GE booked the gain on the stock sale, and made its earnings forecast. Mitsui received an annual payment of $3 million for holding the stock for GE.[99]

Board Pay: General Electric paid its board members even more generously than Enron. In 2000, GE's non-employee directors received average pay of $430,300—13 percent in cash and the rest in stock-based compensation.[100]

Layoffs: While many companies use layoffs in an attempt to boost profits, no company was more focused on an "everyday layoff" policy than General Electric. When CEO Jack Welch arrived at General Electric in 1981, the company had 402,000 employees worldwide, 285,000 of them in the United States.[101] By the time Welch retired in 2001, GE's worldwide workforce had shrunk to 310,000, with its U.S. employee base slashed to158,000, a cut of more than 45 percent over 20 years.[102] The overall cut in GE's global employment can be explained by GE's shift from reliance on manufacturing-oriented business to financial services, by the company's relentless commitment to diving down costs through outsourcing, and by GE's aggressive shift of manufacturing jobs to the lowest wage nations of the world.

Campaign Finance Contributions and Lobbying: For the two years ending in 1999, GE spent $23.4 million on lobbying activities, ranking 10th among large companies. Between 2000 and 2002, GE has invested $2.4 million in political campaigns, ranking the company No. 31.[103]

General Electric uses other corporate resources to shape public policy, principally its ownership of NBC and its partial stake in the all-news channel CNBC. In addition, GE uses its charitable giving dollars to underwrite influential news shows, including Public Broadcasting's McLaughlin Group and Public Radio International's Marketplace.

Reliance on Government Financing: In their award-winning series on corporate welfare, published by *Time* magazine in 1998, Donald Bartlett and James Steele wrote: "There is no starker example of the phenomena of corporate welfare and vanishing jobs than the General Electric Company. In 1986 General Electric, fresh from acquiring RCA, employed 288,000 in this country. By 1997 the number had fallen to 165,000. During the period that General Electric cut these 123,000 jobs in the US—43 percent of its workforce—the company collected several billion in corporate welfare."[104]

Ironically, most corporate welfare payments are justified in the name of job creation and preservation. One of the largest providers of financial aid to large multinational corporations, the Export-Import Bank, was founded in 1935 in order to stimulate foreign demand for U.S. goods, leading to jobs and a way out of the Great Depression. Sadly, 67 years later, some of the biggest beneficiaries of Export-Import Bank loan guarantees are also the nation's largest job cutters: General Electric, Boeing and AT&T.

General Electric was a frequent global business partner of Enron's, providing turbines for the energy plants Enron sought to develop. Enron owns 65 percent of the controversial Dabhol plant in India, with General Electric owning a minority 10 percent stake.[105]

Corporate Tax Avoidance: No company benefits more from corporate tax credits than General Electric. Between 1996 and 1998, General Electric saved $6.9 billion in taxes—nearly double the tax savings of second-ranked Ford Motor Company at $3.6 billion—according to the Institute for Taxation and Economic Policy. These tax breaks reduced GE's tax burden by a whopping 77 percent.[106]

Unlike Enron, General Electric did pay some taxes during the period studied, though its 8.1 percent effective tax rate was far lower than the 35 percent tax rate that corporations are intended to pay.[107] More than half of GE's total tax savings came from two sources, accelerated depreciation deductions—which saved GE $2.4 billion over three years—and deductions from the exercise of stock options, saving GE $1.2 billion and placing them behind only Microsoft and Cisco Systems in total tax savings from options.[108]

Like Enron, General Electric would have reaped a huge windfall had President Bush succeeded in retroactively repealing the corporate alternative minimum tax under the guise of economic stimulus. GE's share of the pie would have been $671 million.[109]

Composite Scores of the Individual Enny Winners

Company	Habit	Enny Award	Score	Rank
Coca-Cola	Company Stock in 401(k) Plan	Fear Factor	330	23
Citigroup	Excessive CEO Pay	Kenny Enny	460	7
Lucent Technologies	Layoffs	Chainsaw Al Dunlap	219	56
EMC	Insider Boards	All in the Family	302	25
AOL Time Warner	Excessive Board Pay	Moonlighting	456	9
Raytheon	Consulting Work by Audit Firms	Iron Chef	260	41
Citigroup	Campaign Contributions	Show Me the Money	460	7
MBNA	Campaign Contributions	Show Me the Money	165	84
Boeing	Lobbying Expenditures	Guess Who's Paying for Dinner	415	11
Halliburton	Government-backed Overseas Investments	Strongest Link	171	79
WorldCom	Corporate Tax Avoidance	Leona Helmsley	248	44

A 12 Step-Program for Breaking Enronesque Habits

If American corporations are going to recover from their habits of behaving like Enron, the United States must re-regulate corporate practices for the protection of workers, consumers and shareholders. Our policymakers can begin by taking these 12 steps…one day at a time.

Improve Disclosure

1. Improve corporate disclosures so they are clear, transparent and easy to understand by the average citizen.

The SEC, under the leadership of former Chair Arthur Levitt, moved companies toward a "Plain English" disclosure standard for corporate reporting.

The SEC should mandate stricter disclosure in the following areas:

a. Conflicts of interest between management, board and auditors, including charitable relationships (e.g. gifts from CEOs and companies to directors' charities).

b. Taxes — including how much corporate cash actually went to governments in the reporting year, what were the most significant tax credits received by the company, and how much was received from state and local tax expenditure financing.

c. Amount of financing from governmental agencies and multinational agencies.

d. Recipients of corporate campaign contributions and amount of lobbying expenses.

Protect Workers and Shareholders; Limit Executive Rewards

2. Apply ERISA diversification rules covering traditional pensions to defined contribution plans (e.g., 401(k) plans) as well.

A strict law, known as the Employee Retirement Income Security Act (ERISA), currently protects the nation's defined benefit pension plans. This law has many safeguards, including limits on the concentration of stock to no more than 5 percent in any single security. ERISA rules also subject pension plans to periodic oversight by government regulators, something not required of 401(k) plans.

3. End taxpayer subsidies for excessive compensation, whether in cash or stock.

Current law permits tax deductions of "reasonable business expenses." While the number of martinis that are reasonable to consume at a business luncheon is specified, the tax code is conspicuously silent on reasonable levels of executive pay. Rep. Martin Sabo (D-MN) has attempted to close this gaping loophole through his Income Equity Act (HR 2691), which would permit corporations to deduct as a "reasonable business expense" all compensation for a given individual that is less than 25 times the pay of the lowest paid employee in the firm.

4. Ban company loans to executives.

Enron's Ken Lay tapped a $70 million credit line provided by his company to meet margin calls to pay off loans made to leverage his personal stock portfolio. Companies making loans to officers is a growing trend, rising from 21.7 percent of companies in 1996 to 27.1 percent of firms in 2000.[110] These loans are often used to exercise options and they are sometimes forgiven when things go bad. Turning the company into a personal banker for executives creates many conflicts, especially if the executive is poorly performing and faces termination.

Empower the Watchdogs

5. Adopt a regulatory standard of board independence.

The SEC should issue a universal ruling defining what constitutes an independent director. If the SEC is unwilling to require that all corporate boards have a majority of independent directors, then the New York Stock Exchange and NASDAQ should implement rules requiring board independence as a listing requirement in order to create added protections for investors.

6. Require complete auditor independence.

The SEC is pressing accounting firms to separate their accounting and consulting businesses. The Big Five accounting firms are all in the process of making the separation. All independent auditors should be banned from doing non-audit consulting work for the same client.

7. Require auditors to be changed every five years.

In response to Enron, Singapore is requiring all banks to switch auditors every five years and is considering extending the rule to all firms.[111] This would prevent overly cozy relationships and create checks and balances between firms.

8. Require stock options to be expensed on an annual income statement, with the amount of tax deduction limited to value of the stock option at the time of the grant.

Stock options do have value before they are exercised. Thousands of stock option contracts trade publicly every day. Corporations should be made to value stock options at the time of the option grant and count them as expenses on their income statement. For tax purposes, corporations should deduct the value of the option at the time of the grant, as they would with compensation paid in cash. This would eliminate the huge tax cut windfall that presently stems from stock option grants.

In an important change in policy, the Council of Institutional Investors, a coalition of pension funds and other institutional investors with $2 trillion under management, reversed its previous policy on stock option accounting. In March, noting that times have changed, the Council came out in strong support of expensing of stock options.[112]

After years of lobby-fueled resistance, Congressional effort to require the expensing of stock options is finally bipartisan. The chief sponsor of S. 1940, the Ending the Double Standard for Stock Options Act, is Senator Carl Levin (D-MI), along with John McCain (R-AZ), Peter Fitzgerald (R-IL), Dick Durbin (D-IL) and Mark Dayton (D-MN). "The Levin-McCain-Fitzgerald-Durbin-Dayton bill would not legislate accounting standards for stock options or directly require companies to expense stock option pay, but it would require companies to treat stock options on their tax returns the exact same way they treat them on their financial statements. In other words, a company's stock option tax deduction would have to mirror the stock option expense shown on the company's books. If there is no stock option expense on the company books, there can be no expense on the company tax return. If a company declares a stock option expense on its books, then the company can deduct exactly the same amount in the same year on its tax return."[113]

Expensing stock options is an important step in the right direction. At the same time there should also be a limit to tax deductibility of executive compensation, as in Step 3, above.

9. Prohibit inclusion of pension fund gains in the presentation of corporate earnings.

The pension fund accounting fiction allows earnings from company operations to be overstated. Since executive compensation is frequently tied to reported earnings, this accounting trick leads to padded executive pay packages as well. Doing away with this accounting rule would restore some incentive to pass along more market gains to employees in the form of cost-of-living adjustments.

Reduce Political and Economic Dominance by Large Corporations

10. Adopt a progressive corporate income tax

While Big Business can afford to spend millions on accountants to mine the tax codes and millions more on lobbyists to press for specific tax breaks, small businesses are at a disadvantage. Higher tax rates only add to the competitive disadvantage already faced by small businesses in their purchases of raw material, their cost of employee benefits such as health care, and their cost of capital.

Congress should do away with most corporate tax loopholes, reduce the overall corporate tax rate and make corporate taxes progressive. That is, the bigger the business, the higher the tax rate. This would create greater competition in the marketplace, and a healthier, more sustainable climate for small businesses, which continue to be the true engine of job creation in the United States. It would also provide a disincentive for corporations to grow unchecked in ways that lead to concentrations of vast political and economic power and increase the risks for both our economy and our democracy.

11. Change the focus of U.S. and international trade and finance agencies to include sustainable development criteria and democratic input from affected peoples. Require companies to disclose when these agencies turn down the company's financing requests and why.

One of the primary functions of international trade and finance agencies is providing insurance against political risk. Rather than issuing bailouts after controversial projects collapse, political risks could be minimized at the outset by making certain the voices of affected people are heard and incorporated in any decisions to provide funding.

12. Amend corporate laws that mandate shareholder primacy. Current laws maximizing shareholder returns would give way to rules balancing the needs and interests of all stakeholders — i.e., shareholders, customers, employees and communities.

Modern corporations serve a range of constituencies and depend upon these different stakeholders for long-term viability and success. Though more than three dozen states presently have laws that allow directors to evaluate the effects of corporate mergers on stakeholders other than shareholders, these laws are limited in scope. Enron's fanatical focus on inflating earnings to boost the stock price pitted shareholders' short-term interests against the long-term well being of employees, customers and the broader society and ended up hurting the long-term best interest of most shareholders.

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Habit 1: Top 100 Companies by Percent of 401(k) Plan Assets in Company Stock

Company	Percent of 401(k) Plan in Company Stock	Points	Company	Percent of 401(k) Plan in Company Stock	Points
Procter & Gamble	94.65%	100	Pepsico	48.00%	51
Sherwin-Williams	91.56%	99	Gillette Co.	47.56%	49
Abbott Laboratories	90.23%	98	Union Carbide Corp.	46.18%	48
Pfizer, Inc.	85.50%	97	Northwestern Energy	46.00%	47
BB&T Corp.	81.69%	96	Verizon Communications	45.80%	46
Anheuser-Busch	81.59%	95	Medtronic	45.00%	45
Coca-Cola	81.47%	94	Honeywell	45.00%	45
General Electric	77.39%	93	Olin Corp	44.99%	43
Texas Instruments	77.65%	92	Walt Disney	44.88%	42
William Wrigley, Jr. Co.	75.55%	91	Constellation Energy	44.66%	41
Williams Cos.	75.00%	90	Owens-Corning	44.33%	40
McDonald's	74.28%	89	Dominion Resources	44.00%	39
Home Depot	72.04%	88	American Express	43.62%	38
McKesson HBOC	72.00%	87	Northern Trust	43.34%	37
Marsh & McClennan	72.00%	87	Norfolk Southern	42.99%	36
Duke Energy	71.28%	85	Progress Energy	42.61%	35
Textron	70.00%	84	Corning	42.00%	34
Kroger	65.33%	83	General Mills	42.00%	34
Target	64.00%	82	Safeway	41.95%	32
Household International	63.68%	81	B.F. Goodrich	40.98%	31
Sempra Energy	63.03%	80	SBC Communications	40.91%	30
Southern Company	62.00%	79	Air Products and Chem.	40.61%	29
Campbell Soup	61.84%	78	Dover Corp.	40.26%	28
May Dept. Stores	60.00%	77	Unocal Corp.	40.20%	27
Progressive Corp.	59.12%	76	Hershey Foods	40.00%	26
Vulcan Materials	58.99%	75	Jefferson Smurfit	40.00%	26
Phillips Petroleum	58.00%	74	H.J. Heinz	39.99%	24
Enron Corp.	57.73%	73	Omnicom Group	39.90%	23
Kimberly-Clark	57.01%	72	Alcoa	39.00%	22
Ford Motor	57.00%	71	GATX Corp.	38.79%	21
Ralston-Purina	56.26%	70	PACCAR Inc.	37.54%	20
Reliant Energy	55.31%	69	Bank of America	37.00%	19
Dell Computer	53.57%	68	Parker Hannifin	36.63%	18
Qwest Communications	53.00%	67	Ohio Casualty Group	36.01%	17
Merck & Co.	52.73%	66	ConAgra	35.00%	16
PPG Industries	52.27%	65	Edison International	35.00%	16
AOL Time Warner	52.00%	64	Computer Sciences	34.00%	14
Hanson Building Materials	51.58%	63	TRW	33.00%	13
Wachovia	51.06%	62	American Home Products	32.95%	12
Avery Dennison	51.00%	61	JC Penney	32.84%	11
Cooper Tire & Rubber	51.00%	61	Temple - Inland	31.99%	10
FMC Corp	50.42%	59	ISPAT Inland Int'l.	31.54%	9
CenturyTel	50.41%	58	Johnson Controls	31.00%	8
Lincoln National Corp.	50.13%	57	Occidental Petroleum	31.00%	8
Coca-Cola Enterprises	49.00%	56	Lucent Technologies	30.90%	6
Johnson & Johnson	48.83%	55	Automatic Data Processing	30.54%	5
Cinergy	48.72%	54	Minnesota Mining & Mfg.	30.24%	4
TXU Corp.	48.53%	53	Hormel Foods	29.41%	3
Eli Lilly & Co.	48.06%	52	AT&T	28.00%	2
Citigroup	48.00%	51	Entergy	27.45%	1

Source: Institute of Management and Administration, "Enron Debacle Will Force Clean Up of Company Stock Use in DC Plans," *DC Plan Investing,* December 11, 2001.

Habit 2: Top 100 Companies by CEO Pay, 1998-2001

Company	Total CEO Compensation 1998-2001(in thousands)	Points	Company	Total CEO Compensation 1998-2001 (in thousands)	Points
Oracle	$ 796,624	100	Eli Lilly	68,922	50
Computer Associates	704,708	99	Black & Decker	68,210	49
Disney	700,093	98	Applied Materials	68,147	48
Citigroup	524,799	97	Ford Motor	67,949	47
Tyco International	396,944	96	Best Buy	67,332	46
AOL Time Warner	350,960	95	Rational Software	64,984	45
IBM	349,558	94	Clear Channel Communications	64,309	44
General Electric	315,630	93	Applied Micro Circuits	64,039	43
Cisco Systems	280,162	92	BMC Software	63,142	42
JDS Uniphase	262,523	91	Anheuser-Busch	63,075	41
Cendant	248,969	90	Bank of America	62,483	40
Enron*	227,710	89	Bank of New York	62,089	39
Lehman Brothers Holdings	200,253	88	Analog Devices	61,936	38
Forest Laboratories	196,397	87	MBNA	61,330	37
Morgan Stanley Dean Witter	180,348	86	Waters	60,648	36
Carnival	175,892	85	Aflac	59,281	35
Apple Computer	173,996	84	Johnson & Johnson	57,952	34
Maxim Integrated Products	170,979	83	Ambac Financial Group	57,842	33
Capital One Financial	169,438	82	Wells Fargo	57,540	32
Sprint FON Group	168,355	81	J.P. Morgan Chase	56,735	31
Colgate-Palmolive	161,070	80	Bank One	56,705	30
Coca-Cola	159,755	79	Micron Tecnology	55,953	29
Charles Schwab	139,846	78	Danaher	54,857	28
Pfizer	137,578	77	ADC Telecommunications	54,258	27
Unitedhealth Group	136,904	76	Verizon	52,614	26
SBC Communications	121,471	75	Texas Instruments	52,533	25
Scientific-Atlanta	120,875	74	Adobe Systems	52,017	24
Amgen	118,024	73	Alcoa	51,213	23
Compuware	117,984	72	Worldcom	51,128	22
Liberty Media Group	115,853	71	Robert Half International	49,586	21
Broadcom	114,029	70	Anadarko Petroleum	48,866	20
Philip Morris	110,819	69	Electronic Data Systems	48,656	19
Merril Lynch	108,365	68	Sara Lee	47,007	18
Advanced Micro Devices	108,234	67	First Data	46,674	17
EMC	107,205	66	FleetBoston Financial	46,662	16
Chubb	105,119	65	Union Planters	45,854	15
American Express	104,300	64	Corning	45,033	14
Bristol-Meyers Squibb	103,721	63	American Home Products	43,969	13
Qwest Communications	102,337	62	DST Systems	43,930	12
Schering-Plough	95,319	61	Emerson Electric	42,283	11
Genentech	90,103	60	Starbucks	41,919	10
El Paso	89,213	59	Compaq	40,795	9
Applied Biosystems Group	85,178	58	Network Appliance	40,746	8
Honeywell	84,419	57	M&T Bank	40,632	7
Staples	80,940	56	Kimberly-Clark	40,090	6
Sun Microsystems	77,710	55	Mellon Financial	39,903	5
Bear Stearns	77,465	54	PerkinElmer	39,634	4
Medtronic	75,037	53	General Dynamics	39,292	3
Cooper Cameron	70,647	52	IDEC Pharmaceuticals	39,278	2
United Technologies	70,496	51	Quest Diagnostics	38,878	1

***** Enron's 2001 proxy not available by publication date. Includes $16,103,181 in 2001 stock sales by Ken L. Lay, as reported by Nelson Antosh and Tom Fowler, "The Fall of Enron: Execs Earned $600 Million from Stock over Last 4 Years," *Houston Chronicle, Dec. 8, 2001*.

Source: "Executive Pay," *Business Week,* April 15, 2002, "Executive Pay," *Business Week,* April 16, 2001, and company proxy statements filed with the Securities and Exchange Commission.

Habit 3: Top 100 Companies by Layoffs

(Layoffs announced between Jan.1, 2001 and Feb. 12, 2002)

Company	Announced Layoffs	Points
Lucent Technologies	42,338	100
Motorola	37,024	99
Ford Motor	26,330	98
JDS Uniphase	26,000	97
Hewlett-Packard	25,700	96
Solectron	22,099	95
Boeing	21,285	94
Dana	21,250	93
United Airlines	20,000	92
Delta Air Lines	17,400	91
Verizon	17,170	90
Cisco Systems	14,000	89
VF	13,000	88
Continental Airlines	12,000	87
Procter & Gamble	11,800	86
Delphi Automotive	11,638	85
Northwest Airlines	11,500	84
Tyco	11,300	83
Compaq Computer	11,000	82
Qwest Communications	11,000	82
US Airways	11,000	82
Honeywell	10,675	79
Gateway	10,250	78
Starwood Hotels and Resorts	10,000	77
Corning	9,595	76
American Express	9,500	75
Sears Roebuck	8,980	74
Federated Department Stores	8,600	73
Merrill Lynch	8,429	72
General Electric	8,304	71
J.P. Morgan Chase	8,150	70
Eastman Kodak	8,100	69
Agilent	8,000	68
Sara Lee	7,260	67
Alcoa	6,800	66
Lear	6,500	65
SBC Communications	6,500	65
Textron	6,100	63
Sprint	6,000	62
Worldcom	6,000	62
Interpublic	5,804	60
EMC	5,700	59
ADC Telecom	5,500	58
Goodyear	5,500	58
Charles Schwab	5,400	56
J.C. Penney	5,391	55
Intel	5,000	54
Minnesota Mining & Manufacturing	5,000	54
United Technologies	5,000	54
BellSouth	4,900	51
3Com	4,870	50
Applied Materials	4,700	49
Citigroup	4,700	49
Dell Computer	4,700	49
AOL Time Warner	4,580	46
Dow Chemical	4,500	45
Supervalu	4,500	45
Aetna	4,400	43
Walt Disney	4,300	42
Xerox	4,300	42
Enron	4,250	40
Sun Microsystems	4,200	39
International Paper	4,147	38
Coca-Cola	4,000	37
DuPont	4,000	37
Emerson Electric	4,000	37
Exelon	3,692	34
ITT Industries	3,425	33
Kemet	3,405	32
TRW	3,400	31
IBM	3,145	30
Avaya	3,000	29
Newell Rubbermaid	3,000	29
Unisys	3,000	29
Venator	3,000	29
Tellabs	2,950	25
AT&T	2,859	24
Bethlehem Steel	2,740	23
Atmel	2,500	22
Texas Instruments	2,500	22
US Bancorp	2,500	22
Level 3 Communication	2,475	19
BF Goodrich	2,400	18
AMD	2,300	17
ShopKo	2,300	17
Bristol-Meyers Squibb	2,295	15
LSI Logic	2,225	14
McLeod USA	2,200	13
Phelps Dodge	2,065	12
Ames	2,000	11
Cigna	2,000	11
Whirlpool	2,000	11
WinStar Communications	2,000	11
Knight Ridder	1,992	7
Genuity	1,940	6
H.J. Heinz	1,900	5
Toys "R" Us	1,900	5
Deere & Co.	1,871	3
General Motors	1,790	2
Novell	1,660	1

Source: Forbes.com Layoff Tracker. See http://www.forbes.com/2001/09/10/bodycountarchive.html

Habit 4: Top 23 Insider Boards

(Companies with annual revenues greater than $5 billion and board independence of 50% or less)

Company	Percentage of Board of Directors Who Are Independent (2001)	Points
EMC	25%	100
Gap	30%	99
Loews	31%	98
Kohl's	33%	97
Costco Wholesale	36%	96
General Electric	37%	95
Fannie Mae	39%	94
General Dynamics	40%	93
Emerson Electric	41%	92
Allied Waste	42%	91
Dillard's	42%	91
Apple Computer	43%	89
American International Group	44%	88
Norfolk Southern	44%	88
Safeway	44%	88
Wal-Mart	46%	85
Anheuser-Busch	47%	84
Disney	50%	83
Federal Home Loan Mortgage	50%	83
First Data	50%	83
Limited	50%	83
Marsh & McLennan	50%	83
Verizon	50%	83

Source: Alesandra Monaco & Stacey Burke, *Board Practices / Board Pay 2001,* Investor Responsibility Research Center, September 2001.

Habit 5: Top 100 Companies by Director Pay

(Companies with annual revenues greater than $5 billion)

Company	Total 2000 Director Pay	Points
AOL Time Warner	$843,200	100
General Electric	430,300	99
Johnson & Johnson	380,290	98
Enron	353,140	97
UnitedHealth Group	351,187	96
Morgan Stanley Dean Witter	337,176	95
Dell	323,495	94
Applied Materials	299,960	93
Kohl's	284,000	92
Pepsico	280,000	91
Wellpoint Health Network	273,100	90
Pfizer	268,720	89
American General	265,333	88
Colgate-Palmolive	263,093	87
Exxon Mobil	248,800	86
Tyco	248,000	85
Alltel	240,300	84
Gateway	238,000	83
Verizon Communications	237,400	82
First Data	237,378	81
Merck	225,600	80
Hewlett-Packard	224,000	79
Texas Instruments	216,960	78
EMC	216,333	77
Schering-Plough	215,000	76
Intel	214,500	75
Citigroup	210,167	74
Eli Lilly	208,263	73
American Home Products	205,327	72
Solectron	204,100	71
Merrill Lynch	200,000	70
Target	198,333	69
Household International	196,667	68
Bank of New York	194,880	67
Compaq	192,292	66
Bristol-Meyers Squibb	188,483	65
Pharmacacia	184,200	64
IBM	183,333	63
SBC Communications	183,000	62
R.J. Reynolds	182,583	61
Federal Home Loan Mortgage	175,333	60
Motorola	175,000	59
Cigna	174,070	58
Costco	171,600	57
Qwest	166,700	56
St. Paul	163,100	55
Cendant	160,000	54
United Technologies	160,000	54
Fannie Mae	158,733	52
Masco	156,360	51

Company	Total 2000 Director Pay	Points
Chubb	$156,333	50
American Express	151,840	49
Textron	151,500	48
Marsh & McLennan	151,300	47
Boeing	151,000	46
May Department Stores	150,400	45
Hartford Financial Services Group	148,000	44
Baxter International	147,167	43
Comcast	146,713	42
American International Group	145,607	41
Viacom	143,000	40
Toys 'R' Us	140,000	39
BellSouth	138,853	38
Caterpillar	137,542	37
MBNA	137,300	36
International Paper	136,020	35
Philip Morris	133,500	34
Anheuser-Busch	133,433	33
Gannett	132,117	32
Coca-Cola	132,000	31
Deere	132,000	31
Wells Fargo	132,000	31
CVS	131,850	28
Waste Management	131,417	27
Union Pacific	131,120	26
Eaton	130,400	25
Walt Disney	129,600	24
Kellogg	129,543	23
Aflac	128,267	22
Corning	127,200	21
Allstate	126,733	20
Health Net	126,600	19
McKesson HBOC	125,833	18
Chevron	125,260	17
Conoco	125,000	16
Lehman Brothers Holdings	125,000	16
Home Depot	124,317	14
Avon Products	121,867	13
Progressive	120,893	12
Unocal	120,800	11
Washington Mutual	120,800	11
Dow Chemical	120,030	9
Lockheed Martin	120,000	8
General Motors	120,000	7
Allied Waste Industries	120,000	7
Arrow Electronics	118,733	5
Engelhard	117,929	4
Kimberly-Clark	116,117	3
Air Products and Chemicals	115,200	2
Sempra Energy	113,133	1

Source: Glenn Davis & Annick Siegl, *Board Practices / Board Pay 2001,* Investor Responsibility Research Center, September 2001.

Habit 6: Top 103 Companies in Paying Audit Firms for Non-Audit Services

(Companies with annual revenues greater than $5 billion)

Company	Percentage of Total Fees Going to Non-Audit Services	Points
Mariott International	97%	100
Sprint	96%	99
Best Buy	94%	98
Motorola	94%	98
Raytheon	94%	98
Apple Computer	93%	95
Entergy	93%	95
Gap	93%	95
Micron Technology	93%	95
Nike	92%	91
SBC Communications	92%	91
BellSouth	91%	89
Kmart	91%	89
Staples	91%	89
Automatic Data Processing	90%	86
Baxter International	90%	86
Cisco Systems	90%	86
Eli Lilli	90%	86
Oracle	90%	86
Wells Fargo	90%	86
Bristol-Meyers Squibb	89%	80
Delphi Automotive Systems	89%	80
UtiliCorp United	89%	80
Allied Waste Industries	88%	77
Federal Home Mortgage Loan	88%	77
FPL Group	88%	77
International Paper	87%	74
AT&T	86%	73
Bank One	86%	73
FirstEnergy	86%	73
Halliburton	86%	73
Qwest Communications	86%	73
Chevron	85%	68
Fannie Mae	85%	68
H.J. Heinz	85%	68
PNC Financial Services	85%	68
Ultramar Diamond Shamrock	85%	68
Honeywell International	84%	63
Reliant Energy	84%	63
Corning	84%	63
Gateway	84%	63
VF	84%	63
Kellogg	84%	63
Campbell Soup	84%	63
ConAgra Foods	83%	56
Sara Lee	83%	56
Eaton	83%	56
Williams	83%	56
Johnson & Johnson	82%	52
General Motors	82%	52
Cinergy	82%	52
Conectiv	81%	49
Coca-Cola	81%	49
Sun Microsystems	81%	49
HCA-Healthcare	81%	49
Du Pont (E.I.) de Nemours	81%	49
IBM	81%	49
Express Scripts	81%	49
Mellon Financial	80%	42
Cendant	80%	42
Ingersoll-Rand	80%	42
United Technologies	80%	42
Safeway	80%	42
J.P. Morgan Chase	80%	42
Ford Motor	79%	36
FleetBoston Financial	79%	36
Applied Materials	79%	36
Limited, Inc.	79%	36
Viacom	78%	32
Home Depot	78%	32
PG&E	78%	32
Exxon Mobil	78%	32
Duke Energy	78%	32
Visteon	78%	32
Southern	78%	32
Manpower	78%	32
First Union	77%	24
American Express	77%	24
General Electric	77%	24
PacifiCare Health Systems	77%	24
CNF	77%	24
Pharmacia	77%	24
Microsoft	76%	18
Cardinal Health	76%	18
Bank of New York	76%	18
TXU	75%	15
Unisys	75%	15
Lincoln International	75%	15
Cummins Engine	75%	15
Avon Products	75%	15
FedEx	74%	10
Eastman Kodak	74%	10
Nordstrom	74%	10
Bank of America	73%	7
SuperValu	73%	7
Lockheed Martin	73%	7
AMR	73%	7
Humana	73%	7
Circuit City	73%	7
Tricon Global Resources	73%	7
AdvancePCS	73%	7
Amerada Hess	73%	7
Rohm & Haas	73%	7

Source: Alesandra Monaco, *The Audit / Non-Audit Fee Landscape Analysis and Benchmarks,* Investor Responsibility Research Center, February 2002.

Habit 7: Top 74 Corporate Political Contributors

(Total of Individual, Soft Money, and Political Action Committee Contributions)

Company	Total Contributions 2000-2002 Election Cycles	Points	Company	Total Contributions 2000-2002 Election Cycles	Points
AT&T	$7,230,476	100	MGM Mirage	$1,991,308	63
Microsoft	6,000,383	99	Andersen Worldwide	1,976,102	62
Philip Morris	5,418,898	98	American Airlines	1,944,934	61
SBC Communications	5,096,486	97	Qwest Communications	1,932,675	60
Citigroup	4,973,325	96	General Dynamics	1,931,789	59
Goldman Sachs	4,849,874	95	J.P. Morgan Chase[2]	1,907,637	58
AOL Time Warner[1]	4,607,253	94	Pharmacia Corp	1,899,936	57
Verizon	4,443,619	93	KPMG	1,855,551	56
MBNA Corp.	4,292,877	92	Merrill Lynch	1,847,924	55
United Parcel Service	3,921,076	91	Lehman Brothers	1,705,150	54
Lockheed Martin	3,738,808	90	Slim-Fast Foods	1,658,950	53
Global Crossing	3,662,765	89	Prudential Financial	1,636,800	52
Freddie Mac	3,566,997	88	Saban Entertainment	1,569,400	51
BellSouth	3,513,300	87	Paine Webber	1,529,401	50
Fedex Corp.	3,483,678	86	Exxon Mobil	1,388,085	49
Ernst & Young	3,449,259	85	Northwest Airlines	1,367,705	48
Pfizer	3,408,248	84	Limited, Inc.	1,342,469	47
Bristol-Myers Squibb	3,371,317	83	Vyyo Inc.	1,339,000	46
Morgan Stanley	3,105,985	82	Amway / Alticor	1,321,225	45
Enron	2,980,225	81	Bank One	1,298,658	44
Aflac	2,877,770	80	International Paper	1,284,224	43
Boeing	2,646,622	79	International Game Technology	1,266,850	42
Fannie Mae	2,586,027	78	FleetBoston Financial	1,248,546	41
Loral Spacecom	2,569,550	77	Marriott International	797,939	40
Deloitte & Touche	2,552,260	76	Pepsico	651,250	39
American International Group	2,528,013	75	El Paso Corp.	609,082	38
Union Pacific Corp	2,496,199	74	ChevronTexaco	593,655	37
American Financial Group	2,492,955	73	American Home Products	573,380	36
Anheuser-Busch	2,445,704	72	Wal-Mart	547,500	35
General Electric	2,422,181	71	Northrop Grumman	533,660	34
Walt Disney	2,362,564	70	Grand Hyatt Hotel	503,099	33
WorldCom	2,351,563	69	CSX Corp.	478,900	32
Pricewaterhousecoopers	2,238,434	68	Exelon Corp.	476,047	31
Eli Lilly & Co.	2,184,836	67	Schering-Plough Corp.	454,650	30
UST, Inc.	2,144,558	66	Cigna	451,021	29
Southern Co.	2,121,882	65	Archer Daniels Midland	448,710	28
Bank of America	2,044,007	64	Burlington Northern Santa Fe	448,198	27

1. 2000 figure is sum of America Online and Time Warner.
2. 2000 figure is for Chase Manhattan.

Source: Center for Responsive Politics Top Overall Donors database at http://www.opensecrets.org/overview/topcontribs.asp?cycle=2002. Data extracted April 9, 2002.

Habit 8: Top 54 Companies by Lobbying Expenditures

Company	Total Lobbying Expenditures 1997-99	Points	Company	Total Lobbying Expenditures 1997-99	Points
Philip Morris	$54,216,000	100	American Airlines	$12,912,527	73
Verizon[1]	41,952,840	99	Textron	12,870,000	72
Exxon Mobil	34,110,460	98	General Dynamics	12,665,664	71
Ford Motor	29,510,000	97	Monsanto	12,000,000	70
Boeing	26,660,000	96	Loews Corp.	11,700,000	69
General Motors	26,032,774	95	Prudential	11,246,897	68
AT&T	24,620,000	94	Microsoft	10,720,000	67
Citigroup	24,100,000	93	Merrill Lynch	10,260,000	66
General Electric	23,388,024	92	Bristol-Myers Squibb	10,220,579	65
Sprint	22,090,376	91	Qwest Communications[3]	10,140,000	64
Pfizer	21,830,000	90	Union Pacific	10,101,000	63
SBC Communications	21,000,000	89	Honeywell[4]	10,040,000	62
Ameritech	19,314,000	88	FedEx Corp	9,940,000	61
IBM Corp	17,152,000	87	Abbott Laboratories	9,559,447	60
Northrop Grumman	17,026,251	86	Southern Co.	9,500,000	59
Fannie Mae	16,510,000	85	Procter & Gamble	9,090,000	58
Schering-Plough	16,181,508	84	AOL Time Warner[5]	9,000,000	57
Merck	15,460,000	83	Newport News Shipbuilding	8,760,000	56
United Technologies	15,233,867	82	EDS	8,400,080	55
Motorola	15,018,389	81	Pharmacia	8,269,892	54
Lockheed Martin	14,771,320	80	Walt Disney	8,036,800	53
GTE Corp	14,570,000	79	Northwest Airlines	7,900,597	52
American International Group	14,440,000	78	American Home Products	7,575,743	51
USX	14,380,000	77	GAF Corp	7,110,000	50
J.P. Morgan Chase[2]	14,260,000	76	Amgen	7,040,600	49
BellSouth	14,185,700	75	Freddie Mac	6,660,000	48
Eli Lilly	13,126,442	74	Global Crossing	3,190,000	47

1. Figures are for Bell Atlantic.
2. Figures are for Chase Manhattan.
3. Figures are for US West.
4. Figures are for AlliedSignal.
5. Figures are for Time Warner.

Source: Center for Responsive Politics Lobbyists Database at http://www.opensecrets.org/lobbyists/index.asp

Habit 9: 34 Recipients of Export-Import Bank Loans and Loan Guarantees

Company	Total Ex-Im Bank Loans and Loan Guarantees, 1998-2001	Points
Boeing	$14,636,316,103	100
General Electric	806,035,187	99
Halliburton	764,658,335	98
Varian Associates, Inc.	673,790,166	97
Fluor	641,057,927	96
Cooper Cameron	375,379,380	95
Raytheon	345,938,237	94
United Technologies	333,939,109	93
Varian Semiconductor	210,201,600	92
General Motors	202,991,840	91
Willbros Group	200,000,000	90
Lucent Technologies	163,511,321	89
Lockheed Martin	136,567,341	88
Enron	134,885,287	87
Motorola	109,398,508	86
Novellus Systems	86,458,409	85
Deere & Co.	82,373,089	84
M-I LLC	78,000,000	83
ADC Telecommunications	63,744,845	82
Foster Wheeler USA	39,474,663	81
Friede Goldman Halter	35,977,168	80
Caterpillar	34,178,953	79
Stryker Corp	22,060,338	78
Intergrated Defense Technologies	21,892,170	77
IBM	21,860,585	76
Steris Corp.	21,149,937	75
Fedex	20,038,988	74
Milacron, Inc.	19,831,279	73
National-Oilwell, Inc.	14,896,886	72
Kimberly Clark	14,880,509	71
U.S. China Industrial Exchange	11,685,844	70
Stewart & Stevenson Services	11,518,014	69
Pollution Research & Control Corp.	4,348,241	68
Northrop Grumman	2,394,977	67

Source: Export-Import Bank of the United States Annual Reports.

Habit 10: Top 103 Companies by Corporate Tax Avoidance

Company	Effective Tax Rate 1996-98	Points
Goodyear	-9.9%	100
Ryder	-6.2%	99
El Paso Energy	-4.4%	98
MedPartners	-2.1%	97
Tenneco	-1.9%	96
Colgate-Palmolive	-1.7%	95
Worldcom[1]	-1.7%	95
Corporate Express	-1.6%	93
WestPoint Stevens	-0.7%	92
Kmart	-0.2%	91
Enron	0.2%	90
Transamerica	0.2%	90
Suiza Foods	0.8%	88
Navistar	1.8%	87
McKesson	2.1%	86
Chevron Texaco[2]	2.9%	85
Pfizer	3.1%	84
PepsiCo	4.8%	83
Burlington Northern Santa Fe	5.0%	82
Ball	5.2%	81
Northrop Grumman	5.2%	81
Phillips Petroleum	5.6%	79
Avon	5.9%	78
Praxair	5.9%	78
Weyerhaeuser	5.9%	78
Black & Decker	7.6%	75
State Street	7.6%	75
General Electric	8.1%	73
America West	8.2%	72
Johns Manville	8.2%	72
Coastal Corp	8.9%	70
Comdisco	9.1%	69
Raytheon	9.4%	68
Saks	9.9%	67
Conseco	10.3%	66
Tosco	10.4%	65
American Home Products	10.5%	64
IMC Global	10.7%	63
First Union	10.8%	62
Eaton	10.9%	61
Telephone and Data Systems	11.1%	60
IBM	11.4%	59
Owens & Minor	11.4%	59
Union Carbide	11.4%	59
CSX	11.6%	56
Pitney Bowes	12.2%	55
First Data	12.4%	54
Lyondell Chemical	12.4%	54
Centex	12.7%	52
Westvaco	13.1%	51
KN Energy	13.3%	50
US Airways	13.5%	49
Warner-Lambert	13.6%	48
Tenet Healthcare	13.7%	47
American Financial Group	13.9%	46
USX	14.2%	45
General Motors	14.5%	44
Bristol-Myers Squibb	14.6%	43
Amerisource Health	15.2%	42
KeyCorp	15.8%	41
Alcoa	15.9%	40
Coca-Cola	15.9%	40
Rite Aid	16.4%	38
Staples	16.5%	37
Ralston Purina	16.7%	36
Times Mirror	16.7%	36
Honeywell[3]	16.7%	36
Lehman Brothers	16.8%	33
Loews	16.8%	33
AFLAC	17.0%	31
Manpower	17.5%	30
Columbia Energy	17.7%	29
Southwest Airlines	17.8%	28
Texas Utilities Company	18.0%	27
Engelhard	18.2%	26
Cardinal Health	18.4%	25
Smithfield Foods	18.4%	25
Wachovia	18.5%	23
Ford Motor	18.7%	22
UAL	18.8%	21
Corning	19.0%	20
Browning-Ferris	19.2%	19
DuPont	19.2%	19
Temple-Inland	19.2%	19
Exxon Mobil[4]	19.4%	16
Bank of New York	19.4%	16
Utilicorp United	19.4%	16
Xerox	19.4%	16
Avery Denison	19.5%	12
McDonald's	19.6%	11
JP Morgan Chase[5]	19.6%	11
Central and South West	19.7%	9
Microsoft	19.8%	8
Amgen	20.0%	7
Consolidated Natural Gas	20.0%	7
FleetBoston Financial[6]	20.3%	5
Ruddick	20.3%	5
Eli Lilly	20.4%	3
Johnson & Johnson	20.4%	3
Automatic Data Processing	20.5%	1
Walt Disney	20.5%	1
GTE	20.5%	1
Merck	20.5%	1

1. Figures are for MCI Worldcom.
2. Sum of Chevron and Texaco.
3. Sum of AlliedSignal and Honeywell.
4. Sum of Exxon and Mobil.
5. Sum of J.P. Morgan and Chase Manhattan.
6. Sum of Fleet and BankBoston.

Source: Robert S. McIntyre and T.D. Coo Nguyen, *Corporate Income Taxes in the 1990s,* Institute on Taxation and Economic Policy, October 2000.

Lifetime Achievement Award Composite Score

Methodology: We tabulated the top 100 companies for each habit and assigned each company a score based on their ranking. For each habit, the top company received 100 points, the second company received 99 points, third received 98 points, and so on until the number 100 company, which received 1 point. For habits in which there were fewer than 100 companies, the top company received 100 points, with the bottom company receiving points according to its place in the ranking. Companies not on the top 100 list for a given habit received zero points.

Rank	Company	Company Stock in 401(k)	CEO Pay 1998-2001	Layoffs 2001-02	Insider Board	Board Pay	Non-Audit Fees	Campaign Contrib. 2000-02	Lobbying 1997-99	Ex-Im Bank 1998-2001	Corp. Tax Avoidance 1996-98	Total
1	General Electric	93	93	71	95	99	24	71	92	99	73	810
2	Enron	73	89	40		97		81		87	90	557
3	Pfizer	97	77			89		84	90		84	521
4	Verizon	46	26	90	83	82		93	99			519
5	SBC Comm.	30	75	65		62	91	97	89			509
6	Qwest Comm.	67	62	82		56	73	60	64			464
7	Citigroup	51	97	49		74		96	93			460
8	IBM		94	30		63	49		87	76	59	458
9	AOL Time Warner	64	95	46		100		94	57			456
10	Motorola			99		59	98		81	86		423
11	Boeing			94		46		79	96	100		415
12	Bristol-Meyers Squibb		63	15		65	80	83	65		43	414
13	Walt Disney	42	98	42	83	24		70	53		1	413
14	Eli Lilly	52	50			73	86	67	74		3	405
15	Fannie Mae				94	52	68	78	85			377
16	United Technologies		51	54		54	42		82	93		376
17	Ford Motor	71	47	98			36		97		22	371
18	Freddie Mac				83	60	77	88	48			356
19	Honeywell	45	57	79			63		62		36	342
20	BellSouth			51		38	89	87	75			340
21	Sprint		81	62			99		91			333
22	Merrill Lynch		68	72		70		55	66			331
23	Coca-Cola	94	79	37		31	49				40	330
24	Anheuser-Busch	95	41		84	33		72				325
25	EMC		66	59	100	77						302
26	Philip Morris		69			34		98	100			301
27	AT&T	2		24			73	100	94			293
28	General Motors			2		7	52		95	91	44	291
29	J.P. Morgan Chase		31	70			42	58	76		11	288
30	American Intl. Group				88	41		75	78			282
31	Exxon Mobil					86	32	49	98		16	281
32	Lockheed Martin					8	7	90	80	88		273
33	Apple Computer		84		89		95					268
33	Northrop Grumman							34	86	67	81	268
35	Cisco Systems		92	89			86					267
35	Textron	84		63		48			72			267
37	Pepsico	51				91		39			83	264
37	Tyco International		96	83		85						264
39	Morgan Stanley		86			95		82				263
40	Colgate-Palmolive		80			87					95	262
41	Raytheon						98			94	68	260
42	Schering-Plough		61			76		30	84			251
43	American Express	38	64	75		49	24					250
44	American Home Prod.	12	13			72		36	51		64	248
44	Worldcom		22	62				69			95	248
46	Procter & Gamble	100		86					58			244
47	Johnson & Johnson	55	34			98	52				3	242
48	First Data		17		83	81					54	235
48	Southern Co.	79					32	65	59			235
50	Fedex Corp						10	86	61	74		231
51	Merck & Co	66				80			83		1	230
52	Corning	34	14	76		21	63				20	228
53	Applied Materials		48	49		93	36					226
53	General Dynamics		3		93			59	71			226
55	Gateway			78		83	63					224
56	Lucent Technologies	6	24	100						89		219
57	Marsh & McClennan	87			83	47						217

Lifetime Achievement Award Composite Score

Rank	Company	Company Stock in 401(k)	CEO Pay 1998-2001	Layoffs 2001-02	Insider Board	Board Pay	Non-Audit Fees	Campaign Contrib. 2000-02	Lobbying 1997-99	Ex-Im Bank 1998-2001	Corp. Tax Avoidance 1996-98	Total
57	Texas Instruments	92	25	22		78						217
59	Dell Computer	68		49		94						211
60	ChevronTexaco					17	68	37			85	207
61	Loews				98				69		33	200
62	El Paso		59					38			98	195
63	Gap				99		95					194
64	Microsoft						18	99	67		8	192
64	Pharmacia					64	24	50	54			192
66	Lehman Brothers		88			16		54			33	191
66	McKesson HBOC	87				18					86	191
68	International Paper			38		35	74	43				190
69	Kohl's				97	92						189
70	JDS Uniphase		91	97								188
71	Cendant		90			54	42					186
71	Oracle		100				86					186
73	Northwest Airlines			84				48	52			184
74	Staples		56				89				37	182
75	Kmart						89				91	180
76	Allied Waste Industries				91	7	77					175
76	Hewlett-Packard			96		79						175
78	Unitedhealth Group		76			96						172
79	Halliburton						73			98		171
80	Aflac		35			22		80			31	168
81	ADC Telecom		27	58						82		167
82	Limited, Inc.				83		36	47				166
82	Solectron			95		71						166
84	Delphi Automotive			85			80					165
84	MBNA		37			36		92				165
86	Union Pacific Corp.					26		74	63			163
87	Safeway	32			88		42					162
88	Abbott Laboratories	98							60			158
88	Goodyear			58							100	158
90	Compaq Computer		9	82		66						157
91	Costco				96	57						153
91	Phillips Petroleum	74									79	153
93	Kimberly-Clark	72	6			3				71		152
94	Alcoa	22	23	66							40	151
94	Target	82				69						151
94	VF			88			63					151
97	Household Int'l.	81				68						149
97	Wells Fargo		32			31	86					149
99	Bank One		30				73	44				147
99	Cooper Cameron		52							95		147
101	Williams Companies	90					56					146
102	Best Buy		46				98					144
103	Sun Microsystems		55	39			49					143
104	Eaton					25	56				61	142
105	American Airlines						7	61	73			141
105	Campbell Soup	78					63					141
105	Sara Lee		18	67			56					141
108	Bank of New York		39			67	18				16	140
108	Emerson Electric		11	37	92							140
108	Marriott International						100	40				140
111	Global Crossing							89	47			136
112	Charles Schwab		78	56								134
112	Home Depot	88				14	32					134
114	Reliant Energy	69					63					132
115	US Airways			82							49	131
116	Bank of America	19	40				7	64				130
117	Amgen, Inc.		73						49		7	129
117	Baxter International					43	86					129
117	Intel			54		75						129

Lifetime Achievement Award Composite Score

Rank	Company	Company Stock in 401(k)	CEO Pay 1998-2001	Layoffs 2001-02	Insider Board	Board Pay	Non-Audit Fees	Campaign Contrib. 2000-02	Lobbying 1997-99	Ex-Im Bank 1998-2001	Corp. Tax Avoidance 1996-98	Total
120	Black & Decker		49								75	124
120	Micron Technology		29				95					124
120	Norfolk Southern	36			88							124
123	May Dept. Stores	77				45						122
123	USX Corp								77		45	122
125	Prudential Financial							52	68			120
125	Wal-Mart				85			35				120
127	American Financial Group							73			46	119
128	Deere & Co.			3		31				84		118
129	Duke Energy	85					32					117
130	Caterpillar					37				79		116
131	Chubb		65			50						115
132	United Airlines			92							21	113
133	Burlington Northern Santa Fe							27			82	109
134	Union Carbide Corp.	48									59	107
135	Avon					13	15				78	106
135	Cinergy	54					52					106
135	Ralston-Purina	70									36	106
138	DuPont			37			49				19	105
139	McDonald’s	89									11	100
140	Computer Associates		99									99
140	Ryder										99	99
140	Sherwin-Williams	99										99
143	Cigna			11		58		29				98
143	FleetBoston Financial		16				36	41			5	98
143	Medtronic	45	53									98
146	HJ Heinz	24		5			68					97
146	MedPartners										97	97
146	Varian Associates Inc.									97		97
149	BB&T Corp.	96										96
149	Entergy	1					95					96
149	Fluor									96		96
149	Tenneco										96	96
149	Utilicorp United						80				16	96
154	Goldman Sachs							95				95
155	Corporate Express										93	93
155	Dana			93								93
157	Automatic Data Processing	5					86				1	92
157	Varian Semiconductor									92		92
157	WestPoint Stevens										92	92
160	Delta Air Lines			91								91
160	Dillard’s				91							91
160	Nike						91					91
160	United Parcel Service							91				91
160	William Wrigley Jr. Co.	91										91
165	Transamerica										90	90
165	Wellpoint Health Network					90						90
165	Willbros Group									90		90
168	American General					88						88
168	Ameritech Corp								88			88
168	CSX							32			56	88
168	Progressive Corp.	76				12						88
168	Suiza Foods										88	88
173	Continental Airlines			87								87
173	Forest Laboratories		87									87
173	Navistar										87	87
176	First Union						24				62	86
176	Kellogg					23	63					86

Lifetime Achievement Award Composite Score

Rank	Company	Company Stock in 401(k)	CEO Pay 1998-2001	Layoffs 2001-02	Insider Board	Board Pay	Non-Audit Fees	Campaign Contrib. 2000-02	Lobbying 1997-99	Ex-Im Bank 1998-2001	Corp. Tax Avoidance 1996-98	Total
178	Carnival		85									85
178	Ernst & Young							85				85
178	Novellus Systems									85		85
178	Wachovia	62									23	85
182	Advanced Micro Devices		67	17								84
182	Alltel					84						84
184	Kroger	83										83
184	Maxim Integrated Products		83									83
184	M-I LLC									83		83
187	Capital One Financial		82									82
188	Ball										81	81
188	Foster Wheeler USA									81		81
188	Sempra Energy	80				1						81
191	Friede Goldman Halter									80		80
191	GTE Corp								79		1	80
193	Eastman Kodak			69			10					79
194	Praxair										78	78
194	Stryker									78		78
194	Weyerhaeuser										78	78
197	FPL Group						77					77
197	Integrated Defense Technologies									77		77
197	Loral Spacecom							77				77
197	Starwood Hotels			77								77
201	Deloitte & Touche							76				76
202	State Street										75	75
202	Steris Corp.									75		75
202	Vulcan Materials	75										75
205	Scientific-Atlanta		74									74
205	Sears Roebuck			74								74
207	Avery Dennison	61									12	73
207	Federated Dept. Stores			73								73
207	FirstEnergy						73					73
207	Milacron, Inc.									73		73
211	America West										72	72
211	Compuware		72									72
211	ConAgra	16					56					72
211	Johns Manville										72	72
211	Lincoln National Corp.	57					15					72
211	National-Oilwell									72		72
211	Viacom					40	32					72
218	Liberty Media Group		71									71
219	Broadcom		70									70
219	Coastal Corp										70	70
219	Monsanto Co								70			70
219	U.S. China Industrial Exchange									70		70
223	Comdisco										69	69
223	Stewart & Stevenson Services									69		69
225	Agilent			68								68
225	PNC Financial Services						68					68
225	Pollution Rsrch. & Con.									68		68
225	PriceWaterhouse-Coopers						68				68	
225	TXU Corp.	53					15					68
225	Ultramar Diamond Shamrock						68					68
231	Saks										67	67
232	Conseco										66	66

Lifetime Achievement Award Composite Score

Rank	Company	Company Stock in 401(k)	CEO Pay 1998-2001	Layoffs 2001-02	Insider Board	Board Pay	Non-Audit Fees	Campaign Contrib. 2000-02	Lobbying 1997-99	Ex-Im Bank 1998-2001	Corp. Tax Avoidance 1996-98	Total
232	J.C. Penney	11		55								66
232	UST, Inc.							66				66
235	Lear			65								65
235	PPG Industries	65										65
235	Tosco										65	65
238	Exelon			34				30				64
239	Hanson Building Materials	63										63
239	IMC Global										63	63
239	MGM Mirage							63				63
242	Andersen Worldwide							62				62
242	Manpower						32				30	62
244	Cooper Tire & Rubber	61										61
244	RJ Reynolds					61						61
246	Genentech		60									60
246	Interpublic			60								60
246	Telephone and Data Systems										60	60
249	FMC Corp	59										59
249	Owens & Minor										59	59
251	Applied Biosystems Group		58									58
251	CenturyTel	58										58
251	Minnesota Mining & Manufacturing	4		54								58
251	Xerox			42							16	58
255	Coca-Cola Enterprises	56										56
255	KPMG							56				56
255	Newport News Shipbuilding								56			56
258	EDS Corp								55			55
258	Pitney Bowes										55	55
258	St. Paul					55						55
261	Bear Stearns		54									54
261	Dow Chemical			45		9						54
261	Lyondell Chemical										54	54
264	Slim-Fast Foods							53				53
265	Centex										52	52
265	Supervalu			45			7					52
267	Masco					51						51
267	Saban Entertainment							51				51
267	Westvaco										51	51
270	3Com			50								50
270	GAF Corp								50			50
270	KN Energy										50	50
270	Paine Webber							50				50
274	B.F. Goodrich	31		18								49
274	Conectiv						49					49
274	Express Scripts						49					49
274	Gillette Co.	49										49
274	HCA-Healthcare						49					49
279	Warner-Lambert										48	48
280	Mellon Financial		5				42					47
280	Northwestern Energy	47										47
280	Tenet Healthcare										47	47
283	Vyyo, Inc.							46				46
284	Amway/Alticor							45				45
284	Rational Software		45									45
286	Clear Channel Comm.		44									44
286	Hartford Financial Service					44						44
286	Toys 'R' Us			5		39						44

Lifetime Achievement Award Composite Score

Rank	Company	Company Stock in 401(k)	CEO Pay 1998-2001	Layoffs 2001-02	Insider Board	Board Pay	Non-Audit Fees	Campaign Contrib. 2000-02	Lobbying 1997-99	Ex-Im Bank 1998-2001	Corp. Tax Avoidance 1996-98	Total
286	TRW	13		31								44
286	Unisys			29			15					44
291	Aetna			43								43
291	Applied Micro Circuits		43									43
291	Cardinal Health						18				25	43
291	Olin Corp	43										43
295	Amerisource Health										42	42
295	BMC Software		42									42
295	Comcast					42						42
295	Ingersoll-Rand						42					42
295	International Game Technology							42				42
300	Constellation Energy	41										41
300	KeyCorp										41	41
302	Owens-Corning	40										40
303	Dominion Resources	39										39
304	Analog Devices		38									38
304	Rite Aid										38	38
304	Unocal Corp.	27				11						38
307	Northern Trust	37										37
308	Times Mirror										36	36
308	Waters		36									36
310	Progress Energy	35										35
311	General Mills	34										34
312	Ambac Financial Group		33									33
312	Grand Hyatt Hotel							33				33
312	ITT Industries			33								33
315	Gannett					32						32
315	Kemet			32								32
315	PG&E						32					32
315	Visteon						32					32
319	Air Products and Chemicals	29				2						31
320	Engelhard					4					26	30
321	Avaya			29								29
321	Columbia Energy										29	29
321	Newell Rubbermaid			29								29
321	Temple - Inland	10									19	29
321	Venator			29								29
326	Archer Daniels Midland							28				28
326	CVS					28						28
326	Danaher		28									28
326	Dover Corp.	28										28
326	Southwest Air Lines										28	28
331	Texas Utilities Co.										27	27
331	Waste Management					27						27
333	Hershey Foods	26										26
333	Jefferson Smurfit	26										26
335	Smithfield Foods										25	25
335	Tellabs			25								25
337	Adobe Systems		24									24
337	CNF						24					24
337	PacifiCare Health Systems						24					24
340	Bethlehem Steel			23								23
340	Omnicom Group	23										23
342	Atmel			22								22
342	US Bancorp			22								22
344	GATX Corp.	21										21
344	Robert Half Int'l.		21									21
344	Vitesse Semiconductor		21									21
347	Allstate					20						20

Lifetime Achievement Award Composite Score

Rank	Company	Company Stock in 401(k)	CEO Pay 1998-2001	Layoffs 2001-02	Insider Board	Board Pay	Non-Audit Fees	Campaign Contrib. 2000-02	Lobbying 1997-99	Ex-Im Bank 1998-2001	Corp. Tax Avoidance 1996-98	Total
347	Anadarko Petroleum		20									20
347	PACCAR Inc.	20										20
350	Health Net					19						19
350	Level 3 Communications			19								19
352	Parker Hannifin	18										18
353	Ohio Casualty Group	17										17
353	ShopKo			17								17
355	Browning-Ferris										16	16
355	Conoco					16						16
355	Edison International	16										16
358	Cummins Engine						15					15
358	Union Planters		15									15
360	Computer Sciences	14										14
360	LSI Logic			14								14
362	Linear Technology		13									13
362	McLeodUSA			13								13
364	DST Systems		12									12
364	Phelps Dodge			12								12
366	Ames			11								11
366	Washington Mutual					11						11
366	Whirlpool			11								11
366	WinStar Communications			11								11
370	Nordstrom						10					10
370	Starbucks		10									10
372	Central and South West										9	9
372	ISPAT Inland Int'l	9										9
374	Johnson Controls	8										8
374	Network Appliance		8									8
374	Occidental Petroleum	8										8
377	AdvancePCS						7					7
377	Amerada Hess						7					7
377	Circuit City						7					7
377	Consolidated Natural Gas										7	7
377	Humana						7					7
377	Knight Ridder			7								7
377	M&T Bank		7									7
377	Rohm & Haas						7					7
377	Tricon Global Resources						7					7
386	Genuity			6								6
387	Arrow Electronics					5						5
387	Ruddick										5	5
389	Perkin Elmer		4									4
390	Hormel Foods	3										3
391	IDEC Pharmaceuticals		2									2
392	Quest Diagnostics		1									1