



## Irvine, Calif., eMachines Workers Get \$72.5 Million in Bonuses from Owner

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Orange County entrepreneur John Hui is the type of boss who demands a lot from his employees. His high expectations and their long hours helped turn around Irvine computer seller eMachines.

Hui also gives a lot. When he sold the company last month for nearly twice what he paid for it just three years ago, Hui rewarded employees by giving them \$72.5 million -- the lion's share of his profit on the deal.

"John was extremely generous," said Bob Davidson, an eMachines vice president and now a senior vice president at Gateway who became a millionaire thanks to Hui's largesse. "A lot of people were touched."

A Chinese immigrant whose legal name is Lap Shun Hui, the high-tech leader paid \$161 million for eMachines in 2001 and sold it to Gateway Inc. for \$290 million -- \$30 million in cash and 50 million shares of stock that were worth \$260 million on the day the deal closed.

Of his \$129 million profit on the investment, Hui is giving more than half to eMachines' 140 employees.

"We had quite a few people who cried" when they learned of the gift, said Wayne Inouye, eMachines' former chief executive, who took over the same role at Gateway. "There were a lot of people who were totally in shock because there was no expectation that this would happen. Typically, an owner would keep everything. But John felt very strongly that every employee should be rewarded and share in the transaction."

After paying everybody from managers to warehouse workers who helped ship the

company's PCs, Hui ended up with a gain of about \$57 million.

It's not unknown for owners of private companies to give something extra to employees when they sell a business. But nothing like Hui's figures -- 25 percent of the sale price and 56 percent of the profit, said Edward Archer, managing director of Pearl Meyer & Partners, a compensation consulting firm with offices in Los Angeles.

"It's superbly generous. It's a way of saying, 'You've made me successful and in turn I'm going to make you successful,'" Archer said. "No. 1, it says, 'We love you.' No. 2, that we recognize and respect the work you've done."

The gift is reminiscent of what happened in 1996, when two friends of Hui, David Sun and John Tu, gave their employees part of the proceeds from the sale of Kingston Technology in Fountain Valley. Staff got about \$100 million, or 7

percent of the \$1.5 billion sale price.

Hui said it makes good business sense to treat people well.

"I'm not a generous guy. I end up with the most," said Hui, grinning. "It's just a formula that works. I take care of my employees."

Hui had Inouye disburse the money to employees, who each received a cash bonus equivalent to at least 30 percent of their annual salary.

Much of the bonus money went to about two dozen executives who got a total of 12.5 million shares, which have increased in value from \$65 million when the deal closed to \$76 million on Wednesday.

The bonuses were announced when the acquisition closed last month, said Adam Andersen, eMachines chief operating officer and now Gateway's chief administrative officer.

"I bumped into a lot of happy people when I handed out the

checks," he said. Some top-level managers, who didn't receive shares, got bonuses of nearly \$100,000, he said.

To show their gratitude, employees took pictures of themselves and made a thank-you collage, which is now sitting in Hui's Santa Ana office. Gateway turned down requests to speak to rank-and-file employees.

Gateway employees haven't fared as well. Inouye, known for running a lean business, shut all of Gateway's 188 stores last week, leaving 2,500 people unemployed. Gateway, which now has about 4,000 workers, hasn't said if it plans to lay off any of its several thousand employees at manufacturing plants in South Dakota.

That uncertainty, along with the perks just given to the eMachines staff, could hurt morale among the old Gateway employees still at the company, said Lauraine Bifulco, president of Vantaggio Inc., a human resources consulting firm in Aliso Viejo.

"Preferential treatment causes resentment. It breeds discontent," she said.

Inouye said he plans to motivate Gateway employees in the same way he did the workers at eMachines: Do a good job, you'll be rewarded.

"A performance incentive plan has been implemented. It's a highly leveraged pay for performance," Inouye said. "I fully intend to create an atmosphere and environment where employees can prosper."

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