Visionary's Dream Led to Risky Business
Opaque Deals, Accounting Sleight of Hand Built an Energy Giant and Ensured Its Demise

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Washington Post Staff Writers
Sunday, July 28, 2002; Page A01

First of five articles

For Vince Kaminski, the in-house risk-management genius, the fall of Enron Corp. began one day in June 1999. His boss told him that Enron President Jeffrey K. Skilling had an urgent task for Kaminski's team of financialanalysts.

A few minutes later, Skilling surprised Kaminski by marching into his office to explain. Enron's investment in a risky Internet start-up called Rhythms NetConnections had jumped $300 million in value. Because of a securities restriction, Enron could not sell the stock immediately. But the company could and did count the paper gain as profit. Now Skilling had a way to hold on to that windfall if the tech boom collapsed and the stock dropped.

Much later, Kaminski would come to see Skilling's command as a turning point, a moment in which the course of modern American business was fundamentally altered. At the time Kaminski found Skilling's idea merely incoherent, the task patently absurd.

When Kaminski took the idea to his team -- world-class mathematicians who used arcane statistical models to analyze risk -- the room exploded in laughter.

The plan was to create a private partnership in the Cayman Islands that would protect -- or hedge -- the Rhythms investment, locking in the gain. Ordinarily, Wall Street firms would provide such insurance, for a fee. But Rhythms was such a risky stock that no company would have touched the deal for a reasonable price. And Enron needed Rhythms: The gain would amount to 30 percent of its profit for the year.

The whole thing was really just an accounting trick. The arrangement would pay Enron to cover any losses if the tech stock dropped. But Skilling proposed to bankroll the partnership with Enron stock. In essence, Enron was insuring itself. The risk was huge, Kaminski immediately realized.

If the stocks of Enron and the tech company fell precipitously at the same time, the hedge would fail and Enron would be left with heavy losses.

The deal was "so stupid that only Andrew Fastow could have come up with it," Kaminski would later say.

In fact, Fastow, Enron's chief financial officer, had come up with the maneuver, with Skilling and others. In an obvious conflict of interest, Fastow would run the partnership, sign up banks and others as investors, and invest in it himself. He stood to

make millions quickly, in fees and profits, even if Enron lost money on the deal. He would call it LJM, after his wife and two children.

Stupid or not, Enron did it and kept doing more like it, making riskier and riskier bets. Enron's top executives, who fancied themselves the best of the brightest, the most sophisticated connoisseurs of business risk, finally took on more than they could handle.

Fastow's plan and Skilling's directive would sow seeds of destruction for the nation's largest energy-trading company, setting in motion one of the greatest business scandals in U.S. history.

On Oct. 16, 2001, Enron was forced to disclose $1 billion in losses, more than half from LJM deals gone bad. Thus began a chain of events that would drive Enron's stock price into the dirt and force the company into bankruptcy proceedings, wiping out thousands of jobs and tens of billions of dollars in savings.

Enron was the first of the recent business scandals that have devastated investor faith, contributed to a multi-trillion-dollar market downturn and made corporate reform a political imperative.

The Washington Post examined Enron's epic collapse, focusing on the final five months, drawing on dozens of interviews with former Enron executives and employees and thousands of pages of Enron documents, records from an internal investigation, and sworn testimony from court cases and congressional hearings.

The company's story provides a powerful parable. Policymakers, investors and executives must grapple with its lessons today; business students and historians will study them for decades.

Enron was a fundamentally self-destructive institution, a house of cards where human error and a culture of ambition, secrecy and greed made collapse inevitable.

While Skilling has previously attributed Enron's demise to innocent misfortune -- a "classic run on the bank" -- the Houston firm was a victim of its own making, a virtual company with vastly overstated profits.

Skilling and Enron founder and chairman Kenneth L. Lay said they believe Enron remained profitable until its sudden collapse late last year. Skilling and Fastow declined to be interviewed for this article. Skilling has testified that he was unaware of any improper accounting or falsified financial statements. A spokeswoman for Lay said in a statement yesterday that Lay believes Enron's profits "were not inflated in any way."

Lay, who had turned day-to-day control over to Skilling in the late 1990s, was obliged as chairman of a company with 25,000 employees in 30 countries to "rely on talented people whose trustworthiness he had no reason to doubt," according to his spokeswoman, Kelly Kimberly.

Skilling, Lay's personally chosen successor as chief executive, was directly involved in the overstatement of profit, according to interviews and investigators' reports. He sponsored and approved accounting and tax gimmicks with private partnerships and funds that contributed billions in improper or questionable earnings. Those deals helped elevate Enron's stock price during the market's boom in the 1990s. Enron executives and directors sold $1 billion worth of shares in the three years before the company collapsed.

Enron hailed 2000 as a breakout year with $101 billion in revenue, more than double that of the year before, putting it at No. 7 on the list of largest U.S. corporations. Skilling, Lay, and 17 other officers and directors signed the 2000 financial statements, declaring them to be a true picture on which investors could rely.

The numbers were shams and the portrait was a fake, the record shows.

In 2001, Enron spent money faster than it was coming in. Most of its huge revenue gains came from power sales on its highly touted Internet energy-trading site. But revenue was padded in various ways. Traders swapped power with each other, internal memos state. Billions in loans were counted as cash from operations. And Enron's accounting inflated revenue from long-term contracts, former executives say.

Enron's profits were a mirage.

The company claimed that it earned $979 million in 2000. But $630 million of that came from improper accounting involving LJM and other partnerships, investigators for the company's board concluded. Another $296 million in "profit" came from hidden tax-cutting transactions, not normal business operations.

Take away the accounting tricks and the company was making little profit, if any.

Enron used the bewildering complexity of its finances to hide its true nature. Some people had nagging suspicions. But like the cowed townspeople in the children's story, few questioned the emperor's new clothes.

"It's so complicated everybody is afraid to raise their hands and say, 'I don't understand it,' " Louis B. Gagliardi, an analyst with John S. Herold Inc. in Norwalk, Conn., said last year.

Enron's arc toward scandal and bankruptcy exposed the failure of watchdogs at every level. Its board defaulted on its oversight duties. Outside accountants ceded their independence and violated their profession's rules. Outside lawyers approved misleading deals and failed to vigorously pursue a crucial allegation of accounting misdeeds. Wall Street analysts led a cheering section while their firms collected enormous banking fees from the company. Regulators were overwhelmed by Enron's complexity. The media were blinded by its image of success.

Nobody looked inside the company and saw what wasn't there.

After Skilling gave Kaminski the assignment involving the LJM partnership in June 1999, the researcher and a member of his team worked through the weekend to check

and recheck their analysis. On Monday morning, Kaminski was confident that it was a bad, even dangerous, deal for Enron. He told his immediate boss, Chief Risk Officer Richard Buy, that the Rhythms NetConnections-LJM partnerships venture should not go forward.

Kaminski described the deal as "heads the partnership wins, tails Enron loses."

Enron could not make the deal without the approval of its outside accounting firm, Arthur Andersen LLP.

But accountants there had the same reaction as Kaminski. Andersen partner Benjamin Neuhausen e-mailed his colleague David B. Duncan, head of Andersen's Enron audit team, to complain about Fastow's proposed role in LJM:

"Setting aside the accounting, idea of a venture entity managed by CFO is terrible from a business point of view. Conflicts galore. Why would any director in his or her right mind ever approve such a scheme?"

Duncan responded: "I really couldn't agree more."

But Duncan did not try to oppose the deal. In his e-mail to Neuhausen, Duncan wrote that Andersen would go along if Lay and Enron's 18-member board of directors approved the arrangement.

In a one-hour teleconference on June 28, 1999, that included five other items of business, the board approved the LJM proposal presented by Lay, Skilling and Fastow. It also gave Fastow permission to work simultaneously for LJM and Enron, despite the conflict of interest.

"I couldn't stop it," Buy told Kaminski. Kaminski wondered how hard he had tried.

Paraphrasing Winston Churchill's rebuke of Neville Chamberlain's appeasement of Hitler, Kaminski told a colleague that Buy had chosen shame over confrontation. The confrontation would come, Kaminski predicted.

Several days later, Kaminski was sitting in his office when the phone rang, according to one executive's account. It was Skilling, saying Kaminski was being transferred out of Buy's risk-management division because he was acting like a cop, trying to kill deals. People did not like it.

A Patriarchal Visionary

To understand Enron's fate, it helps to start with its beginnings.

In June 1984, when Ken Lay became chairman and chief operating officer of Enron's precursor, Houston Natural Gas, the firm's finances were a lot simpler. It was just a pipeline company. Lay quickly doubled its size by acquiring a Florida pipeline company.

But Lay's dreams were bigger still. Pipelines were profitable, and Lay wanted to create the largest pipeline system in the nation. The next year, Lay's firm merged with InterNorth Inc. Together, they owned about 40,000 miles of pipeline.

The company changed its name to Enron in 1986. It was just the beginning. Lay, its patriarchal visionary, was determined to create one of the biggest, most successful companies in the world.

With an ideological fervor for deregulation and a knack for winning influential friends, Lay campaigned for changes in federal energy rules that would allow natural gas to be sold on open markets like wheat or pork bellies. In doing so, he helped create an industry and made Enron a corporate political powerhouse.

In 1990, Lay hired the 36-year-old Skilling, a brilliant Harvard MBA who was a longtime Enron consultant, to pioneer the company's energy-trading operations. Skilling created the "gas bank," making Enron the first company to buy large volumes of gas from producers and resell it to industrial customers on long-term contracts. That stabilized the U.S. gas market, expanded gas production nationwide and fueled the phenomenal growth that Enron reported during the decade.

The synthesis of Lay and Skilling proved potent, putting Enron at a confluence of major political and financial currents. The deregulation of energy markets, spurred by the Reagan administration, created great opportunities. And Skilling's foray into energy trading came just as financial institutions were unleashing exotic investment tools -- a flow of money looking for opportunities.

A guru-like pitchman with a disdain for traditional business practices, Skilling was perfectly placed to ride the new wave. He gave the impression that pipelines were hopelessly boring. As he rose at Enron, he retooled the company in his own image: smart and arrogant, confident and flashy. He assembled a fast-moving band of self-described pioneers who embraced risky new ideas as the route to profits.

"We like risk because you make money by taking risk," Skilling said in an interview with University of Virginia business school professors two years ago. "The key is to take on risk that you manage better than your competitors."

Skilling was proud of pushing boundaries. He persuaded federal regulators to let Enron use "mark-to-market" accounting, an approved mechanism used by brokerages for securities trading. Skilling applied it throughout Enron's operations, from the Rhythms NetConnections transaction to its commodities trading. It allowed Enron to calculate revenue from long-term contracts and count much of it as immediate profit, although the money would not come in for years, if ever. For example, the company booked a $65 million profit in 1999 based on its projection of natural-gas sales from a South American pipeline project. The pipeline had yet to be built.

In a bold stroke, Enron moved its gas and electricity trading online. Going far beyond energy, Skilling's young MBAs created unheard-of commodities markets -- even offering weather derivatives, contracts that gave businesses financial protection against the costs of heat waves or blizzards.

"We made the gas market in the United States what it is today," said Robert Hermann, Enron's former chief tax counsel. "We decided we could do the same thing with electricity, and we were well on our way to doing it. Then we thought we could do it with anything. We had people who thought they could sell hairballs if they could find the buyers."

Wall Street and the business press were dazzled. For six years running, Fortune magazine ranked Enron as the most innovative company in the nation. At an exclusive conference of intellectuals and political leaders at Davos, Switzerland, in 2000, Lay declared Enron the prototype of the "new economy" corporation. Lay described Enron executives as guerrillas fashioning bullets out of ideas.

"Somewhere out there is a bullet with your company's name on it, a competitor . . . that will render your strategy obsolete," Lay said. "You've got to shoot first."

'The World's Coolest Company'

As the nation's tech sector boomed in the late 1990s, Skilling said the transformed energy firm, with its online trading arm, deserved the sky-high stock price of a dot-com company. The market bought it. From 1998 to 2000, Enron's stock tripled in value.

"We're the world's coolest company," Skilling told the University of Virginia professors.

Lay even considered the idea of draping a giant pair of sunglasses around Enron's headquarters tower in Houston, Skilling joked.

"It was an intoxicating atmosphere," said Jeff S. Blumenthal, an Enron tax lawyer. "If you loved business and loved being challenged and working with unique, novel situations . . . it was the most wonderful place."

It wasn't just the ideas. The place was giddy with money. Enron paid employees $750 million in cash bonuses in 2000, an amount approaching the company's reported profit that year.

The princes of Enron were its dealmakers or "developers," in-house entrepreneurs who launched businesses and structured deals so they could immediately claim huge profits for the company -- and bonuses for themselves -- while saving the problems for later.

From the company's earliest days, those princes flew around the world, overpaying for power plants in India, Poland and Spain, a water plant in Britain, a pipeline in Brazil, and thousands of miles of Internet cable. Enron accumulated 50 energy plants in 15 countries. Virtually none of them were profitable.

Lou L. Pai, a Skilling favorite, set up an Enron division that sold electricity to businesses. Pai received numerous stock options as compensation. He sold $270 million worth of Enron stock in the 16 months before he left the company last year.

"The culture at Enron is all about 'me first, I want to get paid,' " Hermann said. "I used to tell people if they don't know why people are acting a certain way, go look up their compensation deal and then you'll know. There were always people wanting to do deals that didn't make sense in order to get a bonus."

Porsches replaced pickup trucks in the company parking lot as even secretaries became paper millionaires. There were mansions in Houston's posh River Oaks neighborhood, vacation homes in Aspen. Everybody went along for the company's wild ride.

In June 1999, when Kaminski opposed the Rhythms deal that Skilling and Fastow was promoting, his boss's wry response was telling.

"Next time Fastow is going to run a racket, I want to be part of it," Kaminski recalled his boss, Buy, saying.

To much of the world, Jeff Skilling looked like a genius. Between January and May 2000, the stock price had risen nearly 80 percent, to $77 a share. Enron insiders -- Lay and Skilling among them -- had cashed out more than $475 million worth of stock. Everybody was getting rich.

A High-Tech Ponzi Scheme

But Enron had created only an illusion of ever-expanding revenue and profits.

The company still needed increasing amounts of cash for its profligate new ventures and expanding energy-trading operations. Its grab bag of pipelines and plants could not produce enough money to drive the growth that Lay and Skilling demanded.

As Fastow explained in a CFO Magazine article, Enron could not keep borrowing in traditional ways without scaring lenders away and damaging its credit rating. Enron's investment-grade credit was just high enough to ensure that it could get the cash it needed to settle its energy contracts when they came due.

So Enron turned itself into a factory for financial deals that would pump up profit, protect its credit rating and drive up its stock price.

In the 1990s, banks and law firms began aggressively peddling "structured finance," complex deals in which companies set up separate affiliates or partnerships to help generate tax deductions or move assets and debts off the books. With Skilling's ascension to the presidency in 1997, Enron became increasingly dependent upon such deals to hit its financial targets.

"Skilling's participation in the LJMs and the other vehicles was probably the most important part of his job," said John Ballentine, a former president of an Enron pipeline subsidiary and a corporate vice president.

The company teamed up with the brightest minds in banking, accounting and law to create scores of secretive deals with exotic code names such as Braveheart, Backbone, Rawhide, Raptor and Yosemite.

Enron used the deals for various purposes. The LJM partnerships hedged risky stock investments such as Rhythms. An affiliate named Whitewing took billions of dollars of debt off of the company's books. In some cases, Enron "sold" money-losing foreign assets to the partnerships, added the proceeds to its quarterly financial statement and then bought the assets back in the next reporting period.

To entice banks and others to invest in the deals, Enron privately pledged millions of shares of its stock to guarantee against any losses. It was a risky gambit, exposing the company to losses if the price of its shares dropped and it could not cover its obligations.

It worked well for the short term, when Enron needed a quick boost for its quarterly earnings. But as Enron's trading expanded, its other businesses underperformed. Its debt and cash needs kept growing, so the company needed to make more and bigger "structured transactions" to keep the game going -- pledging increasing amounts of stock. Enron's strategy began to resemble what members of Congress would later call a high-tech Ponzi scheme.

'Name Enron's CFO'

In May 2000, Alberto Gude, an Enron vice president, went to see Lay just before Gude retired. He had known Lay since 1977 and wanted to warn him about the "selfishness" and "arrogance" of the team that had transformed the company. Lay said through his spokeswoman than he does not recall this specific conversation.

"I really believe you are in trouble," Gude recalled telling Lay. "Jeff Skilling and his team are not the same kind of people we are used to managing Enron."

According to Gude, Lay responded, "They are okay guys."

One of Skilling's "okay guys" was Andrew S. Fastow, then 38, Enron's chief financial officer since 1998. Skilling hired him from a Chicago bank where he specialized in numbingly complex deals to raise money for clients.

As the top finance man at Enron, Fastow was responsible for Enron's overall financial stability.

He was known as an intimidating and single-minded self-promoter. He liked to say that capitalism was about survival of the fittest. He flogged his team so furiously to close deals that they often made business calls in the middle of the night. Executives who attended meetings with Fastow recall him freely putting down older colleagues or anybody he perceived as weak.

As unpopular as he was, Fastow was untouchable. Skilling was positively enamored of him. "Fastow was Skilling's favorite," Enron lawyer Jordan Mintz said later.

But even Skilling later conceded to investigators that Fastow could be a "prickly guy that would tell you everything wrong about others and everything right about himself."

Fastow was also something of a mystery. He rarely attended the quarterly briefings Enron staged for financial analysts, making him the butt of a Wall Street wisecrack: "Name Enron's CFO."

He spent much of his time as managing partner of the LJM partnerships. Although he later said he spent only three hours a week on the partnerships, colleagues complained that he was constantly working on his own deals. He jetted to New York, California, Florida and the Caribbean, hunting investors.

For Enron, Fastow's effort was time well spent. LJM1 had been a huge success.

The Rhythms stock was worth nearly $60 a share when the second quarter of 1999 ended, giving Enron a paper profit of about $300 million. That windfall exceeded Enron's net income for the quarter. By the end of the year, Rhythms stock had dropped to about $30 a share -- but thanks to the hedge with LJM1, Enron avoided reporting any losses on the decline.

It was easy to see the deal as an act of financial wizardry.

So Skilling supported Fastow's drive to create a much bigger private equity fund, LJM2, capitalized with more than $300 million from outside investors -- more than 20 times the size of LJM1. This time, the board required Fastow's colleague, Chief Accounting Officer Richard A. Causey, to monitor what Fastow was doing.

But nobody reined in Fastow.

In raising money for LJM2, he was both ruthless and charming, colleagues said.

Fastow strong-armed Enron's major Wall Street banking partners, threatening to take away Enron's banking business if they did not put money into his fund, former Enron treasurer Jeffrey McMahon said later.

The banks put up a "huge outcry," but many ultimately invested, including J.P. Morgan Chase & Co., Citigroup Inc. and Merrill Lynch & Co.

"The banks complained they were being told that investing in LJM2 was a quid pro quo for future Enron business," McMahon later told investigators.

Fastow used the soft touch with people like Joe Marsh. A wealthy Floridian, Marsh had been approached in 2000 by his Merrill Lynch stock adviser about investing $1 million in LJM2. Fastow's partnership would do deals with Enron, promising gaudy annual returns of 20 percent or more.

At first, Marsh was skeptical. "It sure sounded like a conflict of interest," he said. So his broker arranged for Marsh to do a conference call with other investors and Fastow.

Fastow was knowledgeable, at ease and persuasive, Marsh said. "He said he was putting in $5 million of his own. His wife was mad at him for doing it, but he really believed in it," Marsh said. Enron's lawyers and accountants, the board, Merrill

Lynch, everyone had approved it. "It got flying colors." Marsh was convinced. He put in $1.6 million.

Fastow had married into a wealthy Houston family. He wanted wealth of his own, colleagues said.

At Enron, Fastow made about $2.4 million in salary, bonus and incentives. But he had long chafed at the huge bonuses that division chiefs were getting from big power plant and pipeline deals. He wanted a similarly lucrative payday for himself. He got one from LJM1 in the spring of 2000, when Enron and the partnership ended the Rhythms transaction.

Three London bankers who have been accused in criminal fraud complaints of joining with Fastow to cheat their bank in the Rhythms deal had a pithy take on what motivated him. "We should be able to appeal to his greed," one of the bankers e-mailed another in February 2000.

Fastow's dealings with the British bankers were not revealed until much later. Fastow's secret profit from LJM1 and the Rhythms deal was staggering: a $1 million investment turned into a $22 million profit in less than a year.

A Closely Held Secret

For a while, LJM2 looked like a great deal for everyone.

From 2000 on, the LJM deals provided most of Enron's profits, though they remained invisible to outside investors.

At the end of each financial quarter, whenever Enron needed to sell a pipeline or Internet cable, or execute a helpful commodities trade, it would turn to Fastow for almost instant results.

Even inside Enron, the exact details were a closely held secret. People gossiped that Fastow was getting rich, but nobody asked how rich.

Enron's board, which twice waived the company's code of ethics to allow Fastow's dual roles, could have asked, but it did not until too late. Board members later said they were misled by Enron executives. The board set up an elaborate system for monitoring Fastow, with three committees assigned to the task. But board members put little energy into it, repeatedly failing to ask pointed questions, a Senate subcommittee later concluded.

As Enron's chief financial officer, Fastow was supposed to be the company's financial watchdog, even in the LJM transactions. But Fastow personally profited if LJM bested Enron in negotiations. Some Enron colleagues say Fastow bullied subordinates to win an advantage for LJM. He pressured one, William Brown, to close a deal on terms unfair to Enron, Brown later told investigators.

As more colleagues came to believe that Fastow was enriching himself and a few close to him, the deals became a source of envy and suspicion.

In early 2000, McMahon complained to Skilling about Fastow's conflict of interest, McMahon later told investigators. Soon afterward Fastow confronted McMahon.

Fastow told McMahon that he "should have known everything said to Skilling would get back to him," McMahon recalled.

A week later, Skilling encouraged McMahon to take a job in another part of the company. Skilling replaced him with Ben F. Glisan, one of Fastow's closest aides.

The message flashed throughout Enron: Don't mess with Fastow.

When Mintz, a lawyer who worked under Fastow, later complained to Buy about the conflict, Mintz said Buy warned him not to "stick his neck out."

Enron had publicly identified Fastow as LJM's general manager in its proxy statements in 2000 and 2001. But in its quarterly and annual financial statements filed with the Securities and Exchange Commission, Enron had not named him. It merely referred in footnotes to "a senior officer of Enron," a vague description that troubled some Enron executives and left some investors in the dark.

But the word was getting out.

'Questionable Quality'

By spring 2001, Fastow's identity -- and his LJM role -- attracted attention from a few Wall Street analysts, financial speculators and journalists.

In May, a column on TheStreet.com cited a very critical analysis of Enron's finances by a private research firm, Off Wall Street, that alerts subscribers to high-priced stocks that are primed to fall. The analysis concluded that Enron's stock was worth only half of its $59 price.

"It probably should come as no surprise that Enron management appears to have resorted to a variety of transactions that are of questionable quality and sustainability to manage and to boost its earnings," the analysis said.

In the center of the TheStreet.com's column was Fastow's name as the head of one of the questionable Enron partnerships that "consistently bugs analysts."

Others questioned why so many top Enron executives were leaving -- after cashing in stock. In June, U.S. News & World Report quoted skeptics asking whether Enron's financial reports masked an underachieving company. After starting 2001 in the $80 range, the stock had drifted downward. By July it was below $50.

Once investors and journalists started asking about LJM, Skilling "got concerned," Mintz and one of Enron's outside lawyers, Ronald T. Astin, later told investigators.

Some Enron lawyers had been saying all year that they wanted Fastow out of LJM. They were worried that the company would have to provide more details about Fastow's partnership to comply with SEC disclosure rules.

Mintz had written an internal memo stating there was "no possible legal argument" for not disclosing how much Fastow had profited personally from the LJM partnerships in the company's next proxy statement.

Enron was expecting a routine SEC review in the coming months, making it more urgent to get Fastow out of LJM.

But he was reluctant to walk away from the partnership. He tried at first to reduce his role, but the Andersen accountants said that Enron would have to disclose the relationship anyway.

Skilling sat down with Fastow and gave him a choice, Skilling later told investigators. He could be Enron's chief financial officer or run LJM, but he could not keep doing both.

Fastow wanted to think about it.

Ultimately, Fastow had what Mintz later described as a "melodramatic moment" and resolved to sell his interest to one of his closest associates, Michael J. Kopper, who left the company in order to take over LJM. Mintz did not know the terms.

Several Enron lawyers met to discuss whether Enron should know. A lawyer for Enron's main outside firm, Vinson & Elkins LLP, advised that Enron didn't have any obligation to know. So Enron didn't ask.

That summer, accounting professor Bala G. Dharan pointed out some opaque financial transactions in Enron's published financial statements to a class at Rice University in Houston. He flashed the cryptic reference to the "senior officer" on the screen. He wondered aloud about the executive's identity.

After class, a student -- an Enron employee -- approached. "Everybody knows that, Professor Dharan. It's Andy Fastow."

'Real Minor Things'

On July 12, 2001, in one of those routine rites of business, Skilling fielded questions from Wall Street analysts about the company's second-quarter financial results. Skilling batted away the analysts' mild queries. Enron had "outstanding" results, he said, a 40 percent increase in profit.

Finally, Skilling was asked an obscure-sounding question by Carol Coale, a securities analyst with Prudential Securities Inc. in Houston and a growing skeptic.

What about Enron's transactions with your "MLT affiliate" she asked, groping for the correct name, LJM.

Skilling mentioned there were "a couple of real minor things" with LJM, before dismissing the question: "There are no new transactions in LJM."

"He's lying to me," Coale thought. She, too, had been piecing together the sketchy clues from Enron's financial statements. She suspected that Enron was using LJM to hide big losses.

But she did not press him. People who dealt with Skilling knew not to do that. And despite her misgivings, Coale did not feel that she had enough information to advise investors to sell their Enron stock. By the end of July 2001, Lay and Skilling were on the road again, telling analysts that Enron had never been stronger.

The response was nearly unanimous: "Buy, buy, buy."

The full story of LJM remained hidden.

Staff researchers Margot Williams, Lucy Shackelford, Mary Lou White and Richard Drezen contributed to this report.

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Read This Business Visionaryâ€™s Advice First. Rob DubeSenior Contributor. Opinions expressed by Forbes Contributors are their own. Entrepreneurs. I write about mindful leadership and leading positive businesses. Share to Facebook. Share to Twitter.Â For over twenty years, Gino has been helping people make their entrepreneurial dream a reality. In this reality, the entrepreneur wakes up and heads to the office at their ideal time. When they arrive, every employee is engaged and excited for the day ahead. The opening to Risky Business has Joel (Tom Cruise) explaining a dream he has about walking into his neighborâ€™s house and seeing a beautiful woman taking a shower. As he approaches her he ends up in a classroom with only two minutes left to finish his SAT test. Thatâ€™s foreshadowing of the entire story. Will Joel be tempted by sex and destroy his future? In the end the story is all about menâ€™s dreams about women. Joel is a typical white suburban kid who wants to go to the best colleges. He then calls a prostitute and things of course go haywire for him. Risky Business by Tangerine Dream. 11 songs. 1984 year. Format â€“ mp3. Download soundtrack for free and listen online.Â Tangerine Dream - Love On A Real Train (Risky Business). 1.5K. 03:59 320 ÐšÐ±/Ñ. disable ads. Please log in to vote. 1 2 3 4 5 6 7 8 9 10. Total votes: 7. Similar soundtracks. Tangerine Dream. L'affaire Wallraff & Risky Busines. 1991. OST. A visionary leader is a person who creates a clear picture of a positive future state. Leaders use courage, clarity, connectedness and culture.Â Visionary leadership means that everyone knows their part in the story, and they feel like their part is important to achieving the vision. â€œ â€œCourage is the main quality of leadership.â€ -Walt Disney.