ENRON

Timeline of Events

July 1985 – Houston Natural Gas merges with InterNorth, a natural gas company based in Omaha, Neb., to form the modern-day Enron, an interstate and intrastate natural gas pipeline company with 37,500 miles of pipe.

Jan. 1987 – Enron discovers that oil traders in their Valhalla, NY office have been diverting company funds to their personal accounts.

April 1987 – The board—including Ken Lay—learns that Louis Borget and Tom Mastroeni, the men in charge of the Valhalla operation, were gambling beyond their limits, destroying trading reports, keeping two sets of books and manipulating accounting in order to give the appearance that Valhalla was earning steady profits. The board does not fire the Valhalla executives because Lay makes it clear that they are making too much money to let them go. Lay increases the trading limits of the Valhalla traders.

Oct. 1987 – Borget and Mastroeni end up on the wrong side of a massive trade, threatening to bankrupt the company. Enron executive Mike Muckleroy manages to bluff the market and reduce the loss from $1 billion to $140 million, thus saving the company.

Oct. 1987 – Ken Lay professes shock at the actions of the traders. They are fired. Three years later, Borget and Mastroeni plead guilty to a number of felonies. Borget spends one year in jail; Mastroeni receives a suspended sentence.

Oct. 19, 1987 – Black Monday. The Dow Jones industrial plummets 508 points, dropping 20.4%. It's the greatest single-day loss in Wall Street history.

1989 – Enron begins trading natural gas commodities. The company will become the largest natural gas merchant in North America and the United Kingdom.

June 1990 – Jeff Skilling, who has been a consultant for McKinsey & Co., joins Enron.

June 11, 1991 – Enron asks SEC to approve mark-to-market accounting.

Jan. 30, 1992 – SEC approves mark-to-market accounting for Enron.

1993 – Enron and the government of the state of Maharashtra, India sign a formal agreement to build a massive power plant. The cost for construction will soar to $2.8 billion.

1996 – Enron signs a contract giving it rights to explore 11 gas fields in Uzbekistan, a project costing $1.3 billion. The goal was to sell gas to the Russian markets, and link to Unocal's southern export pipeline crossing Turkmenistan, Uzbekistan and Afghanistan.

Jan. 8, 1996 – Enron and the government of Maharashtra reached a new agreement that would shift some of the construction costs and lower the electricity tariffs.

Feb. 23, 1996 – New Dabhol agreement announced.

Nov. 1996 – Richard Kinder, COO of Enron, doesn't get CEO job so he leaves.

Dec. 10, 1996 – Enron announces that Jeff Skilling is taking over as COO.

July 1997 – Enron executive Rebecca Mark tries to sell 50% of Enron International to Shell. But the deal doesn't get done. She blames Cliff Baxter and Skilling for botching the negotiations.

May 24, 1999 – Tim Belden, head of Enron's West Coast Trading Desk in Portland Oregon, conducts his first experiment to exploit the new rules of California's deregulated energy market. Known as the Silverpeak Incident, Belden creates congestion on power lines which causes electricity prices to rise and at a cost to California of $7 million. This will be the first of many "games" that Belden and his operation play to exploit "opportunities" in the California market.

June 28, 1999 – Enron's Board of Directors exempts CFO Fastow from the company's code of ethics so that he can run a private equity fund—LJM1—that will raise money for and do deals with Enron. The LJM Funds become one of the key tools for Enron to manage its balance sheet and make investors think that it is performing better than it is.

Sept. 16, 1999 – Enron's CFO Andy Fastow addresses Merrill Lynch in World Trade Center, asking the team of investment bankers to find investors for his LJM2 Fund. He assures them: "If there's a conflict between Enron and LJM, I will favor LJM."

Oct. 12, 1999 – Enron board exempts Fastow from Enron's "code of ethics" so that he can raise money for LJM2.

Oct. 13, 1999 – Merrill Lynch releases placement memo for LJM2. Enron Energy Services

Jan. 19-20, 2000 – Annual Analysts Meeting. First day - Skilling: "EES is just rockin' and rollin.'" Second Day: Enron rolls out its Broadband plan. Scott McNealy, of Sun Microsystems, shows up to offer his support. By end of day, stock rises 26% to new high of $67.25.

April 2000 – Conference call with stock analysts. Skilling: "...we have been swamped with new opportunities..."

May 5, 2000 – Enron trader, in an email to colleagues, announces "Death Star," a new strategy to game the California market.

May 12, 2000 – Timothy Belden (chief trader for Enron's West Coast power desk) sends email to Enron headquarters in Houston confirming his strategy is working. "So far so good...pricing keeps going up." Belden has made a massive bet that California energy prices will increase. His e-mail confirms that prices are rising.

California

May 22, 2000 – CA ISO (Independent System Operator), the organization in charge of California's electricity supply and demand, declares a Stage One Emergency, warning of low power reserves.

June 12, 2000 – Skilling makes joke at Las Vegas conference, comparing California to the Titanic.

July 2000 – Enron announces that its Broadband unit (EBS) has joined forces with Blockbuster to supply video-on-demand.

August 23, 2000 – Stock hits all-time high of $90. Market valuation of $70 billion. FERC (the Federal Energy Regulatory Commission) orders an investigation into strategies designed to drive electricity prices up in California.

Sept. 20, 2000 – Jonathan Weil writes piece about mark-to-market and energy companies. Investment analyst James Chanos reads this in the Texas Journal, a regional supplement to the Wall Street Journal.

Oct. 3, 2000 – Enron attorney Richard Sanders travels to Portland to discuss Timothy Belden's strategies.

Nov. 1, 2000 – FERC investigation exonerates Enron for any wrongdoing in California.

Dec. 6, 2000 – Christian Yoder and Stephen Hall write internal memo detailing Belden's strategies.

Dec. 13, 2000 – Enron announces that president and chief operating officer Jeffrey Skilling will take over as chief executive in February. Kenneth Lay will remain as chairman.

End of 2000 – Enron uses "aggressive" accounting to declare $53 million in earnings for Broadband on a collapsing deal that hadn't earned a penny in profit.

Jan. 2001 – Belden's West Coast power desk has its most profitable month ever - $254 million in gross profits.

Jan. 17, 2001 – Rolling blackouts in Northern California.

Jan. 22, 2001 – Quarterly Analyst Conference Call—Skilling reports: "outstanding...fantastic...tremendous..."

Jan. 25, 2001 – Analyst Conference in Houston, Texas. Skilling bullish on the company. Analysts are all convinced. Ken Rice increases his estimates for value of Broadband.

Feb., 2001 – Tom White resigns from EES (Enron Energy Services, the retail division he headed since 1998) and becomes Secretary of the Army. He cashes out with $14 million and begins to build a huge home in Naples, Florida. The purchase price for the property is $6.5 million.

Feb., 2001 – Over the past year (while he presided over EBS, Enron Broadband Services), Ken Rice cashes in $53 million in shares and options.

Feb. 5-14, 2001 – Senior Andersen partners meet to discuss whether to retain Enron as a client. They call use of mark-to-market accounting "intelligent gambling."

Feb. 14, 2001 – Writer Bethany McLean interviews Skilling.

Feb. 15, 2001 – Mark Palmer, head of publicity for Enron, and Fastow go to Fortune to answer questions. Fastow to Bethany McLean: "I don't care what you say about the company. Just don't make me look bad."

Feb. 19, 2001 – Fortune article, by Bethany McLean: "Is Enron Overpriced?"

Feb. 21, 2001 – Employee Meeting. Skilling says: "Yes, it is a black box. But it is a black box that's growing the wholesale business by about 50 percent in volume and profitability. That's a good black box." Skilling announces Enron's goal: "The World's Leading Company."

March, 2001 – Enron transfers large portions of EES business into wholesale to hide EES losses.

March, 2001 – Arthur Andersen takes auditor Carl Bass off the Enron account.

March 23, 2001 – Enron schedules unusual analyst conference call to boost stock. It works.

April 17, 2001 – Quarterly Conference Call. The "asshole" call.

May 17, 2001 – "Secret" meeting at Peninsula Hotel in LA—Schwarzenegger, Lay, Milken.

June 21, 2001 – Skilling hit in face with blueberry tofu cream pie by Francine Cavanaugh at The Commonwealth Club in San Francisco.

June 2001 – FERC finally institutes price caps across the western states. The California energy crisis ends.

July 12, 2001 – Quarterly Conference Call. Skilling still bullish.

July 13, 2001 – Skilling announces desire to resign to Lay. Lay asks Skilling to take the weekend and think it over. There are two different views of what happened that day. According to Lay, he tried to talk Skilling out of resigning. Skilling says Lay didn't seem to care and that he offered to stay on for six months. Board member says he recommended the transition period to Lay. Lay claims Skilling wanted an immediate out.

July 24-25, 2001 – Skilling meets with analysts and investors in NY. "We will hit those numbers. We will beat those numbers." Says LJM is stopping and that all other issues are immaterial. "All of these are bunk. These are not issues for the stock."

August 3, 2001 – Skilling makes a bullish speech on EES. That afternoon, he lays off 300 employees.

August 11, 2001 – Skilling talks to Mark Palmer about preparing press release for resignation.

August 13, 2001 – Board Meeting. Rick Buy outlines disaster scenario if Enron's stock starts to fall. All SPEs crash. Skilling dismisses this. That evening, in board-only session, Skilling, in tears, resigns.

August 14, 2001 – Skilling's Resignation Announcement. In evening, analyst and investor conference call. Skilling: "The company is in great shape..." Lay: "Company is in the strongest shape that it's ever been in." Lay is named CEO.

August 15, 2001 – Jim Chanos thinks the stock is going through the floor and bets aggressively on that. Notes that Skilling's departure coincided with release of second quarter 10-Q. Enron's cash flow was a negative $1.3 billion for the first six months.

September 2001 – Skilling sells $15.5 million of stock, bringing stock sales since May 2000 to over $70 million.

Sept. 26, 2001 – Employee Meeting. Lay tells employees: Enron stock is an "incredible bargain." "Third quarter is looking great."

Oct. 16, 2001 – Enron reports a $638 million third quarter loss and declares a $1.01 billion non-recurring charge against its balance sheet, partly related to "structured finance" operations run by chief financial officer Andrew Fastow. In the analyst conference call that day, Lay also announces a $1.2 billion cut in shareholder equity.

Oct. 17, 2001 – Wall Street Journal article, written by John Emshwiller and Rebecca Smith, appears. The article reveals, for the first time, the details of Fastow's partnerships and shows the precarious nature of Enron's business.

Oct. 22, 2001 – Enron acknowledges Securities and Exchange Commission inquiry into a possible conflict of interest related to the company's dealings with the partnerships.

Oct. 23, 2001 – Lay professes support for Fastow, saying he has the "highest regard" for his character during conference call with analysts, and employee meeting.

Oct. 23, 2001 – In a massive shredding operation, Arthur Andersen destroys one ton of Enron documents.

Oct. 24, 2001 – Enron ousts Fastow.

Oct. 31, 2001 – Enron announces the SEC inquiry has been upgraded to a formal investigation.

Nov. 8, 2001 – Enron files documents with SEC revising its financial statements for past five years to account for $586 million in losses.

Nov. 19, 2001 – Enron restates its third quarter earnings and discloses it is trying to restructure a $690 million obligation that could come due Nov. 27.

Nov. 28, 2001 – Enron shares plunge below $1.

Dec. 2, 2001 – Enron files for Chapter 11 bankruptcy protection.

Jan. 9, 2002 – Justice Department confirms it has begun a criminal investigation of Enron.

Jan. 10, 2002 – Arthur Andersen announces that employees in its Houston Division had destroyed documents related to Enron.

Jan. 23, 2002 – Lay resigns as chairman and CEO of Enron.

Jan. 25, 2002 – Cliff Baxter commits suicide.

Feb. 2, 2002 – The Powers Report, a 218-page summary of an internal investigation into Enron's collapse led by University of Texas School of Law Dean William Powers, spreads blame among self-dealing executives and negligent directors.

Feb. 7, 2002 – Fastow and his former top aide Michael Kopper invoke the Fifth Amendment before Congress; Skilling testifies, saying he knew of no problems at Enron when he resigned.

March 14, 2002 – Former Enron auditor Arthur Andersen LLP indicted for obstruction of justice for destroying tons of Enron-related documents as the SEC began investigating the energy company's finances in October 2001.

April 9, 2002 – David Duncan, Arthur Andersen's former top Enron auditor, pleads guilty to obstruction.

June 15, 2002 – Arthur Andersen convicted of obstruction after a six-week trial that included 72 hours of jury deliberations spread over 10 days.

Aug. 21, 2002 – Michael Kopper pleads guilty to conspiracy to commit wire fraud and money laundering conspiracy; acknowledges funneling millions of dollars to Fastow through myriad financial schemes and agrees to cooperate with investigators.

Aug. 31, 2002 – Arthur Andersen surrenders its license to practice accounting in US. 85,000 people lose their jobs. $9 billion in annual earnings disappears.

Oct. 16, 2002 – Arthur Andersen sentenced to probation and a $500,000 fine; firm already banned from auditing public companies with only a few hundred employees left on the payroll after its conviction.

Oct. 31, 2002 – Fastow indicted on 78 charges of conspiracy, fraud, money laundering and other counts.

Feb. 5, 2003: Republican former Assemblyman Howard Kaloogian and the taxpayer group People's Advocate announce separate campaigns to try to recall California Gov. Gray Davis.

March 19, 2003 – Enron announces the company will keep its North American pipelines and 18 international pipeline and power assets to emerge from bankruptcy as two separate companies with different names.

March 25, 2003 – California Recall supporters begin collecting the 897,158 signatures needed to put the recall on the ballot.

May 1, 2003 – Andrew Fastow's wife, Lea, and seven former Enron executives charged. Lea Fastow is charged with conspiracy and filing false tax forms for allegedly participating in some of her husband's deals. Former Enron treasurer Ben Glisan Jr. and midlevel executive Dan Boyle also charged for allegedly participating in Fastow-run schemes. Additional charges filed against Andrew Fastow.

July 11, 2003 – Enron files reorganization plan in its bankruptcy case that says most creditors will receive about one fifth of the estimated $67 billion they are owed. The $67 billion shrinks to $66.4 billion after several revisions.

July 23, 2003 – California Secretary of State Kevin Shelley announces that Davis will face a recall election.

Aug. 6, 2003 – Actor Arnold Schwarzenegger announces on *The Tonight Show with Jay Leno* that he will run for governor. California's Lt. Gov. Cruz Bustamante, breaking ranks with fellow prominent Democrats, announces he too will run. U.S. Sen. Dianne Feinstein rules out running for governor, saying the election is "more and more like a carnival every day."

Sept. 10, 2003 – Ben Glisan pleads guilty to one count of conspiracy and is the first former Enron executive to be put in jail.

Oct. 7, 2003 – Arnold Schwarzenegger wins the recall election.

Nov. 18, 2003 – Enron announces it will sell Portland General Electric, its Pacific Northwest utility, to partnership backed by Texas Pacific Group for $1.25 billion in cash and $1.1 billion in assumed debt.

Jan. 6, 2004 – Enron Corp.'s roadmap for emerging from bankruptcy receives a New York judge's initial blessing and will be sent to creditors to accept or reject the plan that will pay them a fraction of what they are owed.

Jan. 14, 2004 – Andrew and Lea Fastow plead guilty.

- Andrew, who faced 98 counts, pleaded guilty to one charge of conspiracy to commit wire fraud and one charge of conspiracy to commit wire and securities fraud. Fastow has agreed to serve 10 years in prison; forfeit $23.8 million, including homes in Galveston and Vermont; and forfeit claims on another $6 million held by third parties. He is cooperating with the Enron task force in ongoing investigations. To be sentenced in June 2006.
- Lea Fastow pleaded guilty to one count of filing a false tax report for failing to report $47,800 in income on her 2000 personal taxes, part of more than $204,000 undeclared over four years. She is currently serving a one-year term in prison. Released July 7, 2005.

Feb. 19, 2004 – Named in 35-count indictment, Skilling pleads not guilty to wire fraud, securities fraud, conspiracy, insider trading and making false statements on financial reports. He's the highest-ranking Enron executive to face criminal charges in the energy giant's downfall. Charges against former chief accounting officer Richard Causey also expanded in the indictment to 31 counts.

May 18, 2004 – Paula Rieker, former director of investor relations and secretary for Enron's board of directors, pleads guilty to one felony count of insider trading and agrees to pay the SEC the $499,333 profit she netted by selling Enron stock before the public knew about big losses at Enron's Internet business. Lay is escorted into the courthouse in handcuffs. Rieker to be sentenced in Sept., 2005.

July 8, 2004 - Indicted on 11 criminal counts of fraud and making misleading statements, Enron's highest-ranking executive, Ken Lay, surrenders to the FBI. After pleading not guilty, he calls a news conference to proclaim his innocence and argue that while he takes responsibility for Enron's failure, only a "superman" could know everything that happens at his company. "It has been a tragic day for me and my family," Lay says.

July 30, 2004 -Ken Rice, former co-CEO of Enron Broadband Services, pleads guilty to a single count of securities fraud.

Aug. 25, 2004 -Mark Koenig, the former head of Enron's Investor Relations section, pleads guilty to a charge of aiding and abetting securities fraud and agrees to cooperate with the government. To be sentenced in May, 2006.

Aug. 28, 2004 -Kevin Hannon, former chief operating officer for Enron Broadband Services, pleads guilty to conspiracy to commit securities and wire fraud.

Oct. 5, 2004 -Timothy Despain, former assistant treasurer at Enron, pleads guilty to conspiracy to commit securities fraud by lying to credit rating agencies.

Nov. 3, 2004 – Enron's first criminal trial ends. Former Enron accountant, Sheila Kahnek, is acquitted. Former Vice President Dan Boyle and four former Merrill Lynch bankers are convicted of conspiracy and fraud in the Nigerian barge deal. Boyle sentenced to 46 months in prison.

Jan. 7, 2005 - The U.S. Supreme Court agrees to consider overturning the conviction of the Arthur Andersen accounting firm for obstruction of justice in the shredding of thousands of Enron document. Overturns the conviction, on May 31, 2005.

February 25, 2005 - The fraud and conspiracy trial of Kenneth L. Lay, the founder of the Enron Corporation, and Jeffrey K. Skilling, its former chief executive, has been set for Jan. 17, 2006.