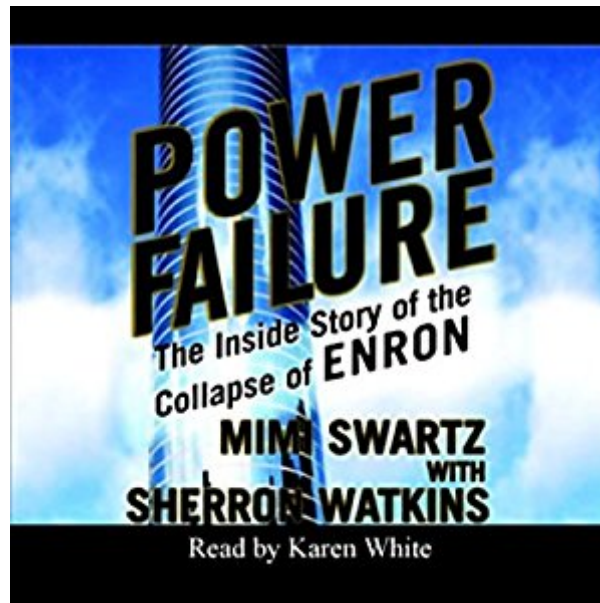




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Power Failure: The Inside Story Of The Collapse Of Enron



Synopsis

“They’re still trying to hide the weenie,” thought Sherron Watkins as she read a newspaper clipping about Enron two weeks before Christmas, 2001. . . It quoted [CFO] Jeff McMahon addressing the company’s creditors and cautioning them against a rash judgment. “Don’t assume that there is a smoking gun.” Sherron knew Enron well enough to know that the company was in extreme spin mode. Power Failure is the electrifying behind-the-scenes story of the collapse of Enron, the high-flying gas and energy company touted as the poster child of the New Economy that, in its hubris, had aspired to be “The World’s Leading Company,” and had briefly been the seventh largest corporation in America. Written by prizewinning journalist Mimi Swartz, and substantially based on the never-before-published revelations of former Enron vice-president Sherron Watkins, as well as hundreds of other interviews, Power Failure shows the human face beyond the greed, arrogance, and raw ambition that fueled the company’s meteoric rise in the late 1990s. At the dawn of the new century, Ken Lay’s and Jeff Skilling’s faces graced the covers of business magazines, and Enron’s money oiled the political machinery behind George W. Bush’s election campaign. But as Wall Street analysts sang Enron’s praises, and its stock spiraled dizzyingly into the stratosphere, the company’s leaders were madly scrambling to manufacture illusory profits, hide its ballooning debt, and bully Wall Street into buying its fictional accounting and off-balance-sheet investment vehicles. The story of Enron’s fall is a morality tale writ large, performed on a stage with an unforgettable array of props and side plots, from parking lots overflowing with Boxsters and BMWs to hot-house office affairs and executive tantrums. Among the cast of characters Mimi Swartz and Sherron Watkins observe with shrewd Texas eyes and an insider’s perspective are: CEO Ken Lay, Enron’s “outside face,” who was more interested in playing diplomat and paving the road to a political career than in managing Enron’s high-testosterone, anything-goes culture; Jeff Skilling, the mastermind behind Enron’s mercenary trading culture, who transformed himself from a nerdy executive into the personification of millennial cool; Rebecca Mark, the savvy and seductive head of Enron’s international division, who was Skilling’s sole rival to take over the company; and Andy Fastow, whose childish pranks early in his career gave way to something far more destructive. Desperate to be a player in Enron’s deal-making, trader-oriented culture, Fastow transformed Enron’s finance department into a “profit center,” creating a honeycomb of financial entities to bolster Enron’s “profits,” while diverting tens of millions of dollars into his own pockets. An unprecedented chronicle of Enron’s shocking collapse, Power Failure should take its place alongside the classics of previous decades “Barbarians at the Gate and Liar’s Poker” as

one of the cautionary tales of our times. From the Hardcover edition. --This text refers to an alternate Audible Audio Edition edition.

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Customer Reviews

Everyone is familiar with the story of Enron Corporation, but do they really know what factors initiated the destruction of this world-respected company? While the outcome is obvious, few people are knowledgeable about the cause of this atrocity. The media spun this news event into a tale of good guys versus bad guys - the powerful executives hurting the weaker, low ranking employees. But the profoundness of this case is that such a scandal can occur at any corporation. As effectively illustrated in *Power Failure*, the handiwork of CFO Andy Fastow blurred the lines of legality so indistinctly, that it was difficult for several renowned legal firms and accounting firms to recognize as unethical. It was not an obvious shuffling of numbers that inflated earnings over \$4 billion dollars, but gray areas that bordered fair accounting and federal crime. The discreetness of the financial operations is what hid billions of dollars in debt from investors, other executives, and auditors. After reading the book, it is evident how such a scheme could slip past the CEO without notice. The best aspect of *Power Failure* is that it describes the malignant financial manipulations in detail. It perfectly describes how Enron used accounting practices like FAS 25 to book earnings before they could be earned. It shows how Enron used fair value accounting as an unfair means of shuffling assets and making profits. It shows Andy Fastow's gradual chipping to create a complex network of special purpose entities, which turned into a recipe for disaster. *Power Failure* does a

good job debunking many of the misunderstandings that surround the Enron case. Despite the media glamour as a hero, the "whistleblower" Sherron Watkins actually played a minor role in exposing the scandal. The mysterious suicide of accountant Cliff Baxter really had no hidden agendas. Questions can also be raised as to Ken Lay's participation in the event, despite his insider trading of stock. Perhaps the greatest strength of *Power Failure* is that it can show executives of other companies what to watch out for. Students and accounting buffs will also find this a worthwhile read. Being knowledgeable about the Enron story may even prevent such an incident at your company.

Great read! I didn't know much about the Enron Scandal, but got a great understanding of how it all unfolded. Would highly recommend for anyone interested!

Fantastic tale of Enron's greed from the vantage point of key employees and the result effect of this collapse on the rest of the nation.

I used this for a management class. Easy read but you can get same information on YouTube. Good for a paper.

What I took away from reading this book is that the accounting practices Enron used are normal. In fact Wall Street would be loathe to allow any of these standards changed. Certainly the way in which Fastow specifically applied them was illegal, but the overall lesson I learned is that in all probability this type of thing will happen again (see WCOM, etc.) because the rules will not be changed. Also interesting is an overall book inference that Ken Lay was somewhat unaware of these practices and was supportive in her bringing this illegal activity to his attention. However Ms. Watkins in her speaking engagements promoting this book relates that the first thing Lay did after she met with him (the first time) was to pick up the phone to HR and see if she could be fired. This was not clearly stated in the book, In all fairness there is a mysterious reference to the outside law firm responding to someone asking whether it would be wise to fire her or not. This is the other message we can take away from this book -- don't believe that the BOD or Chairman are necessary above the corruption seen at lower levels. They are more than likely all in on the scam too.

Unless you are a corporate bean counter and have a firm foundation of the Enron debacle, I suggest you read Robert Bryce's **Pipe Dreams: Greed, Ego, and the Death of Enron** before reading "Whistle-blower" Sherron Watkins' story, here with the help of Texas Monthly's Mimi Swartz.

Power Failure is focused more on Enron's people and personalities than The Big Picture. If you are clueless about "Mark to Market" accounting, return to *Pipe Dreams* and do not collect your now worthless Enron-backed Pension. The photos are more plentiful here and the personalities come alive in their wicked glory. There are no footnotes, and few quote attributions - which can lead to credibility issues. What was her motivation? What did she know and when did she know it? Why wait so late? There is one cool -and it's even attributed- quote, which, unfortunately, Azon's "editors" will not let me quote here in its entirety. It goes something like this: Senator Peter G. Fitzgerald to Kenny-Boy (Pres. G.W.'s pet name for him) Lay: You're perhaps the most accomplished confidence man since Charles Ponzi. I'd say you were a carnival barker, but that wouldn't be fair to carnival barkers. Reviewed by TundraVision

Good read.

I recommend reading "Conspiracy of Fools" first to get to know the cast of characters. Then read this to get a participant's perspective. What is shocking is how easy it was to steal millions. The answer is chicken oversight.

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