Enron Internal Affairs Alex Lundin

Risk management is a broad area that interests me. Specifically these three following transactions: Whitewing, LJM and Raptor. All three of these pieces served to conceal Enron’s losses in slightly different ways. Finally, I’d like to analyze the company’s business plan by looking at their goals, paths taken and the end result. Did they get to where they intended to be?

**Risk Management**

**Special Entities (SPE)**

**Whitewing, LJM, Raptor Transactions**

**Loss concealment**

**Financial bolstering**

**Business plan**

**Aggressive Strategy**

**Mission statement**

**Leadership style**

**Whitewing – SPE for acquiring assets with excess Enron stock**

Overview

-initial funding of 579 million from Enron, that was legal

-Enron freed Whitewing to be run by Osprey Trust…another SPE of Enron

-Whitewing had $ (from Enron) to stand behind Ospreys debt of $2.4 billion (accrued by Enron)

- Whitewing was now covering up Enrons debt through a convoluted system

- Enron could get into debt, push it off on Osprey which was backed by Whitewing, ultimately funded by shares in Enron.

-goal: get un-sold stock off the books to increase Enron’s image

-<https://books.google.com/books?id=3-qvLpoYXUIC&pg=PA157&lpg=PA157&dq=enron+whitewing&source=bl&ots=gHEfiOQXdm&sig=i4nQpwitv4iT4tQ8yxLcirUuiq0&hl=en&sa=X&ei=YuLaVPefPJG1sATxuoGIDg&ved=0CEcQ6AEwBQ#v=onepage&q=enron%20whitewing&f=false>

**LJM – SPE that bolstered Enron through purchasing stocks**

Overview

-names of Andrew Fastow's wife and children

- a company created in 1998 by [Enron](http://en.wikipedia.org/wiki/Enron)'s [CFO](http://en.wikipedia.org/wiki/CFO), [Andrew Fastow](http://en.wikipedia.org/wiki/Andrew_Fastow), to buy Enron's poorly performing stocks and stakes and bolster Enron's financial statements

-“warehouse” for assets, allowing Enron to make sales at the drop of a hat

- made Enron capable to record what they wanted, when they wanted

-performed so well, LJM2 was commissioned

<http://www.bizjournals.com/houston/stories/2006/03/06/daily13.html?page=all>

**Raptors**

Overview

-special purposes entities (SPE), dubbed the Raptors

- Enron established to shield itself from mark-to-market losses

- this entity allowed Enron to “lock in” market gains on their stock investments

<http://www.nysscpa.org/cpajournal/2003/0403/features/f042403.htm>

**Business plan**

Overview

-heavy handed management

-organizational behavior is the result of decisions made by those in power

-Enrons top dogs allowed themselves to be motivated by only what would benefit themselves rather than the company

-this lead to unethical practice

-focus on self interest, power, material possesions and greed

<http://editingbysuzy.yolasite.com/why-enron-failed.php>

-aggressive exploitation of advantages available

-asset light business strategy

-made creative accounting easier

<http://web.stanford.edu/group/siepr/cgi-bin/siepr/?q=system/files/shared/pubs/papers/briefs/policybrief_may02.pdf>