# Enron

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This article is about the corporation.

For the play, see [ENRON (play)](http://en.wikipedia.org/wiki/ENRON_%28play%29%22%20%5Co%20%22ENRON%20%28play%29).

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| --- |
| Enron Energy Case |
| nron Logo.svgEnron logo, designed by [Paul Rand](http://en.wikipedia.org/wiki/Paul_Rand) |
| [**Type**](http://en.wikipedia.org/wiki/Types_of_business_entity) | [Public](http://en.wikipedia.org/wiki/Public_company) |
| [**Traded as**](http://en.wikipedia.org/wiki/Ticker_symbol) | [NYSE](http://en.wikipedia.org/wiki/New_York_Stock_Exchange): ENE |
| **Industry** | Energy |
| **Fate** | Bankrupted |
| **Predecessors** | * Northern Natural Gas Company
* [Houston Natural Gas](http://en.wikipedia.org/wiki/Houston_Natural_Gas)
 |
| **Successors** | * [Dynegy](http://en.wikipedia.org/wiki/Dynegy)
* [Prisma Energy International](http://en.wikipedia.org/wiki/Prisma_Energy_International)
 |
| **Founded** | [Omaha](http://en.wikipedia.org/wiki/Omaha), [Nebraska](http://en.wikipedia.org/wiki/Nebraska), United States (before 1968) |
| **Founders** | [Kenneth Lay](http://en.wikipedia.org/wiki/Kenneth_Lay) |
| **Headquarters** | [1400 Smith Street](http://en.wikipedia.org/wiki/1400_Smith_Street)Houston, Texas, United States |
| **Key people** | [Kenneth Lay](http://en.wikipedia.org/wiki/Kenneth_Lay), Founder, Chairman and CEO[Jeffrey Skilling](http://en.wikipedia.org/wiki/Jeffrey_Skilling), former President, COO, and CEO[Andrew Fastow](http://en.wikipedia.org/wiki/Andrew_Fastow), former CFO[Rebecca Mark-Jusbasche](http://en.wikipedia.org/wiki/Rebecca_Mark-Jusbasche), former Vice Chairman, Chairman and CEO of Enron InternationalStephen F. Cooper, Interim CEO and CRO |
| **Website** | [www.enron.com](http://www.enron.com) |

**Enron Corporation** (former [New York Stock Exchange](http://en.wikipedia.org/wiki/New_York_Stock_Exchange%22%20%5Co%20%22New%20York%20Stock%20Exchange) ticker symbol **ENE**) was an American energy, commodities, and services company based in [Houston](http://en.wikipedia.org/wiki/Houston%22%20%5Co%20%22Houston), [Texas](http://en.wikipedia.org/wiki/Texas). Before its bankruptcy on December 2, 2001, Enron employed approximately 20,000 staff and was one of the world's major [electricity](http://en.wikipedia.org/wiki/Electricity%22%20%5Co%20%22Electricity), [natural gas](http://en.wikipedia.org/wiki/Natural_gas), communications, and [pulp and paper](http://en.wikipedia.org/wiki/Pulp_and_paper_industry%22%20%5Co%20%22Pulp%20and%20paper%20industry) companies, with claimed revenues of nearly $111 billion during 2000.[[1]](http://en.wikipedia.org/wiki/Enron%22%20%5Cl%20%22cite_note-1) [*Fortune*](http://en.wikipedia.org/wiki/Fortune_%28magazine%29) named Enron "America's Most Innovative Company" for six consecutive years.

At the end of 2001, it was revealed that its reported financial condition was sustained substantially by an institutionalized, systematic, and creatively planned [accounting fraud](http://en.wikipedia.org/wiki/Accounting_scandals%22%20%5Co%20%22Accounting%20scandals), known since as the [Enron scandal](http://en.wikipedia.org/wiki/Enron_scandal%22%20%5Co%20%22Enron%20scandal). Enron has since become a well-known example of willful corporate fraud and [corruption](http://en.wikipedia.org/wiki/Corporate_crime%22%20%5Co%20%22Corporate%20crime). The scandal also brought into question the accounting practices and activities of many corporations in the United States and was a factor in the creation of the [Sarbanes–Oxley Act](http://en.wikipedia.org/wiki/Sarbanes%E2%80%93Oxley_Act%22%20%5Co%20%22Sarbanes%E2%80%93Oxley%20Act) of 2002. The scandal also affected the greater business world by causing the dissolution of the [Arthur Andersen](http://en.wikipedia.org/wiki/Arthur_Andersen%22%20%5Co%20%22Arthur%20Andersen) accounting firm.[[2]](http://en.wikipedia.org/wiki/Enron%22%20%5Cl%20%22cite_note-2)

Enron filed for bankruptcy in the [Southern District of New York](http://en.wikipedia.org/wiki/Southern_District_of_New_York%22%20%5Co%20%22Southern%20District%20of%20New%20York) during late 2001 and selected [Weil, Gotshal & Manges](http://en.wikipedia.org/wiki/Weil%2C_Gotshal_%26_Manges%22%20%5Co%20%22Weil%2C%20Gotshal%20%26%20Manges) as its bankruptcy counsel. It ended its bankruptcy during November 2004, pursuant to a court-approved plan of reorganization, after one of the most complex bankruptcy cases in U.S. history. A new board of directors changed the name of Enron to **Enron Creditors Recovery Corp.**, and emphasized reorganizing and liquidating certain operations and assets of the pre-bankruptcy Enron.[[3]](http://en.wikipedia.org/wiki/Enron%22%20%5Cl%20%22cite_note-3) On September 7, 2006, Enron sold [Prisma Energy International Inc.](http://en.wikipedia.org/wiki/Prisma_Energy_International%22%20%5Co%20%22Prisma%20Energy%20International), its last remaining business, to Ashmore Energy International Ltd. (now AEI).[[4]](http://en.wikipedia.org/wiki/Enron%22%20%5Cl%20%22cite_note-4)

Major banks exposed include [Abbey National](http://en.wikipedia.org/wiki/Abbey_National%22%20%5Co%20%22Abbey%20National), [ANZ](http://en.wikipedia.org/wiki/ANZ), [Bear Stearns](http://en.wikipedia.org/wiki/Bear_Stearns) ,[Canadian Imperial Bank of Commerce](http://en.wikipedia.org/wiki/Canadian_Imperial_Bank_of_Commerce), [Chubb Corp](http://en.wikipedia.org/w/index.php?title=Chubb_Corp&action=edit&redlink=1), [Citigroup](http://en.wikipedia.org/wiki/Citigroup), [Commonwealth Bank](http://en.wikipedia.org/wiki/Commonwealth_Bank), [Crédit Lyonnais](http://en.wikipedia.org/wiki/Cr%C3%A9dit_Lyonnais), [ING Group](http://en.wikipedia.org/wiki/ING_Group), [JP Morgan](http://en.wikipedia.org/wiki/JP_Morgan), [Mitsubishi UFJ Financial Group](http://en.wikipedia.org/wiki/Mitsubishi_UFJ_Financial_Group), [National Australia Bank](http://en.wikipedia.org/wiki/National_Australia_Bank), [Nikko Cordial](http://en.wikipedia.org/wiki/Nikko_Cordial), [Principle Financial](http://en.wikipedia.org/w/index.php?title=Principle_Financial&action=edit&redlink=1), [Sanwa Bank](http://en.wikipedia.org/wiki/Sanwa_Bank), [Sony Bank](http://en.wikipedia.org/wiki/Sony_Bank), [Sumitomo Mitsui Financial Group](http://en.wikipedia.org/wiki/Sumitomo_Mitsui_Financial_Group), and [Westpac](http://en.wikipedia.org/wiki/Westpac%22%20%5Co%20%22Westpac).

## Early history



[Enron Complex](http://en.wikipedia.org/wiki/1400_Smith_Street) in [Downtown Houston](http://en.wikipedia.org/wiki/Downtown_Houston).

Enron's predecessor was the Northern Natural Gas Company, which was formed in 1932, in [Omaha, Nebraska](http://en.wikipedia.org/wiki/Omaha%2C_Nebraska). It was reorganized in 1979 as the main subsidiary of a [holding company](http://en.wikipedia.org/wiki/Holding_company), [InterNorth](http://en.wikipedia.org/wiki/InterNorth) which was a diversified energy and energy related products company. Internorth was a major business for natural gas production, transmission and marketing as well as for natural gas liquids and was an innovator in the plastics industry.

The company initially named itself "HNG/InterNorth Inc.", even though InterNorth was the nominal parent. It built a large and lavish headquarters complex with pink marble in Omaha (dubbed locally as the "Pink Palace"), that was later sold to [Physicians Mutual](http://en.wikipedia.org/wiki/Physicians_Mutual) corporation. However, the departure of ex-InterNorth and first CEO of Enron Corp [Samuel Segnar](http://en.wikipedia.org/w/index.php?title=Samuel_Segnar&action=edit&redlink=1) six months after the merger allowed former HNG CEO [Kenneth Lay](http://en.wikipedia.org/wiki/Kenneth_Lay) to become the next CEO of the newly merged company. Lay soon relocated the company's headquarters to [Houston](http://en.wikipedia.org/wiki/Houston) (after promising to keep it in Omaha) and began to change the business. Lay and his secretary, Nancy McNeil, originally selected the name "Enteron" (possibly spelled in "[camelcase](http://en.wikipedia.org/wiki/CamelCase)" as "EnterOn"), but, when informed that the term approximated a Greek word referring to the [intestines](http://en.wikipedia.org/wiki/Intestine), the name was quickly abbreviated to Enron. The final name was decided upon only after business cards, stationery, and other items had been printed reading "Enteron". Enron's "crooked E" logo was designed during the mid-1990s by the American [graphic designer](http://en.wikipedia.org/wiki/Graphic_designer) [Paul Rand](http://en.wikipedia.org/wiki/Paul_Rand). Rand's original design included one of the elements of the E in yellow which disappeared when copied or faxed. This was quickly replaced by a green element. Almost immediately after the relocation to Houston, Enron began selling major assets such as its chemicals division Northern PetroChemicals, accepted silent partners in Enron CoGeneration, Northern Border Pipeline and Transwestern Pipeline, and became a less diversified company. Early financial analysts said Enron was accumulating great debt and the sale of major operations would not solve the problem.

### Misleading financial accounts

Main article: [Enron scandal](http://en.wikipedia.org/wiki/Enron_scandal)

In 1990, Enron's Chief Operating Officer [Jeffrey Skilling](http://en.wikipedia.org/wiki/Jeffrey_Skilling) hired [Andrew Fastow](http://en.wikipedia.org/wiki/Andrew_Fastow), who was well acquainted with the burgeoning deregulated energy market that Skilling wanted to exploit. In 1993, Fastow began establishing numerous [limited liability](http://en.wikipedia.org/wiki/Limited_liability) [special purpose entities](http://en.wikipedia.org/wiki/Special_purpose_entity) (a common business practice in the energy sector); however, it also allowed Enron to transfer liability so that it would not appear in its accounts, allowing it to maintain a robust and generally increasing stock price and thus keeping its critical investment grade credit ratings.

Enron was originally involved in transmitting and distributing electricity and natural gas throughout the United States. The company developed, built, and operated [power plants](http://en.wikipedia.org/wiki/Power_plant) and [pipelines](http://en.wikipedia.org/wiki/Pipeline_transport) while dealing with rules of law and other infrastructures worldwide. Enron owned a large network of natural gas pipelines, which stretched ocean to ocean and border to border including Northern Natural Gas, [Florida Gas Transmission](http://en.wikipedia.org/wiki/Florida_Gas_Transmission), [Transwestern Pipeline](http://en.wikipedia.org/wiki/Transwestern_Pipeline) company and a partnership in [Northern Border Pipeline](http://en.wikipedia.org/wiki/Northern_Border_Pipeline) from Canada. The states of California, New Hampshire and Rhode Island had already passed power deregulation laws by July 1996, the time of Enron's proposal to acquire [Portland General Electric](http://en.wikipedia.org/wiki/Portland_General_Electric) corporation.[[5]](http://en.wikipedia.org/wiki/Enron#cite_note-5) During 1998, Enron began operations in the [water sector](http://en.wikipedia.org/wiki/Water_sector), creating the [Azurix](http://en.wikipedia.org/wiki/Azurix) Corporation, which it part-floated on the [New York Stock Exchange](http://en.wikipedia.org/wiki/New_York_Stock_Exchange) during June 1999. Azurix failed to become successful in the [water utility](http://en.wikipedia.org/wiki/Water_utility) market, and one of its major concessions, in [Buenos Aires](http://en.wikipedia.org/wiki/Buenos_Aires), was a large-scale money-loser. After the relocation to Houston, many analysts[*[who?](http://en.wikipedia.org/wiki/Wikipedia%3AManual_of_Style/Words_to_watch%22%20%5Cl%20%22Unsupported_attributions%22%20%5Co%20%22Wikipedia%3AManual%20of%20Style/Words%20to%20watch)*] criticized the Enron management as being greatly in debt. The Enron management pursued aggressive retribution against its critics, setting the pattern for dealing with accountants, lawyers, and the financial media.

Enron grew wealthy due largely to marketing, [promoting](http://en.wikipedia.org/wiki/Promotion_%28marketing%29) power, and its high stock price.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] Enron was named "America's Most Innovative Company" by the magazine [*Fortune*](http://en.wikipedia.org/wiki/Fortune_%28magazine%29) for six consecutive years, from 1996 to 2001. It was on the *Fortune*'s "100 Best Companies to Work for in America" list during 2000, and had offices that were stunning in their opulence. Enron was hailed by many, including labor and the workforce, as an overall great company, praised for its large long-term pensions, benefits for its workers and extremely [effective management](http://en.wikipedia.org/wiki/Vitality_curve) until the exposure of its corporate fraud. The first [analyst](http://en.wikipedia.org/wiki/Financial_analyst) to question the company's success story was [Daniel Scotto](http://en.wikipedia.org/wiki/Daniel_Scotto), an energy market expert at [BNP Paribas](http://en.wikipedia.org/wiki/BNP_Paribas), who issued a note in August 2001 entitled *Enron: All stressed up and no place to go*, which encouraged investors to sell Enron stocks, although he only changed his recommendation on the stock from "buy" to "neutral".[[6]](http://en.wikipedia.org/wiki/Enron#cite_note-6)

As was later discovered, many of Enron's recorded assets and profits were inflated or even wholly fraudulent and nonexistent. One example of fraudulent records was during 1999 when Enron promised to repay [Merrill Lynch & Co.](http://en.wikipedia.org/wiki/Merrill_Lynch_%26_Co.)'s investment with interest in order to show profit on its books. Debts and losses were put into entities formed "offshore" that were not included in the company's [financial statements](http://en.wikipedia.org/wiki/Financial_statement), and other sophisticated and arcane financial transactions between Enron and related companies were used to eliminate unprofitable entities from the company's books.

Its most valuable asset and the largest source of honest income, the 1930s-era Northern Natural Gas company, was eventually purchased by a group of Omaha investors, who relocated its headquarters back to Omaha; it is now a unit of [Warren Buffett](http://en.wikipedia.org/wiki/Warren_Buffett)'s [Berkshire Hathaway Energy](http://en.wikipedia.org/wiki/Berkshire_Hathaway_Energy). NNG was established as collateral for a $2.5 billion capital infusion by [Dynegy Corporation](http://en.wikipedia.org/wiki/Dynegy) when Dynegy was planning to buy Enron. When Dynegy examined Enron's financial records carefully, they repudiated the deal and dismissed their CEO, Chuck Watson. The new chairman and CEO, the late Daniel Dienstbier, had been president of NNG and an Enron executive at one time and was forced out of Enron by Ken Lay. Dienstbier was an acquaintance of Warren Buffett. NNG continues to be profitable now.

## 2001 Accounting scandals

Main article: [Enron scandal](http://en.wikipedia.org/wiki/Enron_scandal)

During 2001, after a series of revelations involving irregular accounting procedures bordering on fraud perpetrated throughout the 1990s involving Enron and its accounting company [Arthur Andersen](http://en.wikipedia.org/wiki/Arthur_Andersen), Enron suffered the largest [Chapter 11 bankruptcy](http://en.wikipedia.org/wiki/Chapter_11%2C_Title_11%2C_United_States_Code) in history (since surpassed by those of [Worldcom](http://en.wikipedia.org/wiki/Worldcom) during 2002 and [Lehman Brothers](http://en.wikipedia.org/wiki/Lehman_Brothers) during 2008).

As the scandal progressed, Enron share prices decreased from US $90.56 during the summer of 2000, to just pennies.[[28]](http://en.wikipedia.org/wiki/Enron#cite_note-28) Enron had been considered a [blue chip](http://en.wikipedia.org/wiki/Blue_chip_%28stock_market%29) stock investment, so this was an unprecedented event in the financial world. Enron's demise occurred after the revelation that much of its profits and revenue were the result of deals with [special purpose entities](http://en.wikipedia.org/wiki/Special_purpose_entity) ([limited partnerships](http://en.wikipedia.org/wiki/Limited_partnership) which it controlled). This meant that many of Enron's debts and the losses that it suffered were not reported in its [financial statements](http://en.wikipedia.org/wiki/Financial_statement).[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*]

A rescue attempt by a similar, smaller energy company, [Dynegy](http://en.wikipedia.org/wiki/Dynegy), failed during late November due to concerns about an unexpected restatement of earnings.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] Enron filed for bankruptcy on December 2, 2001. In addition, the scandal caused the dissolution of [Arthur Andersen](http://en.wikipedia.org/wiki/Arthur_Andersen), which at the time was one of the world's main accounting companies. The company was found guilty of [obstruction of justice](http://en.wikipedia.org/wiki/Obstruction_of_justice) during 2002 for destroying documents related to the Enron audit.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] Since the SEC is not allowed to accept audits from convicted felons, Andersen was forced to stop auditing public companies. Although the conviction was dismissed during 2005 by the [Supreme Court](http://en.wikipedia.org/wiki/Supreme_Court_of_the_United_States), the damage to the Andersen name has prevented it from reviving as a viable business even on a limited scale.

Enron also withdrew a naming-rights deal with the [Houston Astros](http://en.wikipedia.org/wiki/Houston_Astros) [Major League Baseball](http://en.wikipedia.org/wiki/Major_League_Baseball) club to have its name associated with their new stadium, which was known formerly as Enron Field (now [Minute Maid Park](http://en.wikipedia.org/wiki/Minute_Maid_Park)).[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*]

For the criminal trials and convictions of various participants in this scandal, see the main article [Enron scandal](http://en.wikipedia.org/wiki/Enron_scandal).

### Accounting practices

Enron used a variety of deceptive, bewildering, and fraudulent accounting practices and tactics to cover their fraud in reporting Enron's financial information. These entities made Enron seem more profitable than it actually was, and created a dangerous spiral in which, each quarter, corporate officers would have to perform more and more financial deception to create the illusion of billions of dollars in profit while the company was actually losing money.[[29]](http://en.wikipedia.org/wiki/Enron#cite_note-29) This practice increased their stock price to new levels, at which point the executives began to work on [insider information](http://en.wikipedia.org/wiki/Insider_trading) and trade millions of dollars' worth of Enron stock. The executives and insiders at Enron knew about the offshore accounts that were hiding losses for the company; however, the investors knew nothing of this. Chief Financial Officer Andrew Fastow directed the team which created the off-books companies, and manipulated the deals to provide himself, his family, and his friends with hundreds of millions of dollars in guaranteed revenue, at the expense of the corporation for which he worked and its stockholders.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*]

During 1999, Enron initiated EnronOnline, an Internet-based trading operation, which was used by virtually every energy company in the United States. Enron president and chief operating officer [Jeffrey Skilling](http://en.wikipedia.org/wiki/Jeffrey_Skilling) began advocating a novel idea: the company didn't really need any "assets".[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] By promoting the company's aggressive investment strategy, he helped make Enron the biggest wholesaler of gas and electricity, trading over $27 billion per quarter. The corporation's financial claims, however, had to be accepted at face value. Under Skilling, Enron adopted [mark to market](http://en.wikipedia.org/wiki/Mark_to_market) accounting, in which anticipated future profits from any deal were tabulated as if currently real. Thus, Enron could record gains from what over time might turn out to be losses, as the company's fiscal health became secondary to manipulating its stock price on [Wall Street](http://en.wikipedia.org/wiki/Wall_Street) during the so-called "[Tech boom](http://en.wikipedia.org/wiki/Tech_boom)".[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] But when a company's success is measured by undocumented financial statements, actual balance sheets are inconvenient. Indeed, Enron's unscrupulous actions were often gambles to keep the deception going and so increase the stock price. An advancing price meant a continued infusion of investor capital on which debt-ridden Enron in large part subsisted (much like a financial "pyramid" or "[Ponzi scheme](http://en.wikipedia.org/wiki/Ponzi_scheme)"). Attempting to maintain the illusion, Skilling verbally attacked Wall Street Analyst Richard Grubman,[[30]](http://en.wikipedia.org/wiki/Enron#cite_note-million-30) who questioned Enron's unusual accounting practice during a recorded conference telephone call. When Grubman complained that Enron was the only company that could not release a balance sheet along with its earnings statements, Skilling replied "Well, thank you very much, we appreciate that . . . asshole." Though the comment was met with dismay and astonishment by press and public, it became an inside joke among many Enron employees, mocking Grubman for his perceived meddling rather than Skilling's offensiveness.[[31]](http://en.wikipedia.org/wiki/Enron#cite_note-31) When asked during his trial, Skilling declared that industrial dominance and abuse was a global problem: "Oh yes, yes sure, it is."[[32]](http://en.wikipedia.org/wiki/Enron#cite_note-SmartestBook-32)

### Peak and decline of stock price

During August 2000, Enron's stock price attained its greatest value of $90.56 [[33]](http://en.wikipedia.org/wiki/Enron#cite_note-33) At this time Enron executives, who possessed inside information on the hidden losses, began to sell their stock. At the same time, the general public and Enron's investors were told to buy the stock. Executives told the investors that the stock would continue to increase until it attained possibly the $130 to $140 range, while secretly unloading their shares.

As executives sold their shares, the price began to decrease. Investors were told to continue buying stock or hold steady if they already owned Enron because the stock price would rebound during the near future.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] Kenneth Lay's strategy for responding to Enron's continuing problems was his demeanor. As he did many times, Lay would issue a statement or make an appearance to calm investors and assure them that Enron was doing well.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] In February 2001 an article by [Bethany McLean](http://en.wikipedia.org/wiki/Bethany_McLean) appeared in [*Fortune*](http://en.wikipedia.org/wiki/Fortune_%28magazine%29) magazine questioning whether Enron stock was overvalued.[[34]](http://en.wikipedia.org/wiki/Enron#cite_note-34)

By August 15, 2001, Enron's stock price had decreased to $42. Many of the investors still trusted Lay and believed that Enron would rule the market.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] They continued to buy or retain their stock as the equity value decreased. As October ended, the stock had decreased to $15. Many considered this a great opportunity to buy Enron stock because of what Lay had been telling them in the media.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*]

Lay was accused of selling more than $70 million worth of stock at this time, which he used to repay cash advances on lines of credit. He sold another $20 million worth of stock in the open market.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] Also, Lay's wife, Linda, was accused of selling 500,000 shares of Enron stock totaling $1.2 million on November 28, 2001. The money earned from this sale did not go to the family but rather to charitable organizations, which had already received pledges of contributions from the foundation.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] Records show that Mrs. Lay made the sale order sometime between 10:00 and 10:20 am. News of Enron's problems, including the millions of dollars in losses they hid, became public about 10:30 that morning, and the stock price soon decreased to less than one dollar.

Former Enron executive Paula Rieker was charged with criminal insider trading. Rieker obtained 18,380 Enron shares for $15.51 a share. She sold that stock for $49.77 a share during July 2001, a week before the public was told what she already knew about the $102 million loss.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*]

### Post-bankruptcy

Enron initially planned to retain its three domestic pipeline companies as well as most of its overseas assets. However, before emerging from bankruptcy, Enron sold its domestic pipeline companies as CrossCountry Energy for $2.45 billion [[35]](http://en.wikipedia.org/wiki/Enron#cite_note-35) and later sold other assets to [Vulcan Capital Management](http://en.wikipedia.org/wiki/Vulcan_Capital_Management).[[36]](http://en.wikipedia.org/wiki/Enron#cite_note-36)

Enron sold its last business, [Prisma Energy](http://en.wikipedia.org/wiki/Prisma_Energy), during 2006, leaving Enron asset-less.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] During early 2007, its name was changed to Enron Creditors Recovery Corporation. Its goal is to repay the old Enron's remaining creditors and end Enron's affairs.

[Azurix](http://en.wikipedia.org/wiki/Azurix), the former water utility part of the company, remains under Enron ownership, although it is currently asset-less. It is involved in several litigations against the government of [Argentina](http://en.wikipedia.org/wiki/Argentina) claiming compensation relating to the negligence and corruption of the local governance during its management of the [Buenos Aires](http://en.wikipedia.org/wiki/Buenos_Aires) water concession during 1999, which resulted in substantial amounts of debt (approx. $620 million) and the eventual collapse of the branch.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*]

Soon after emerging from bankruptcy during November 2004, Enron's new board of directors sued 11 financial institutions for helping Lay, Fastow, Skilling and others hide Enron's true financial condition. The proceedings were dubbed the "megaclaims litigation". Among the defendants were [Royal Bank of Scotland](http://en.wikipedia.org/wiki/Royal_Bank_of_Scotland), [Deutsche Bank](http://en.wikipedia.org/wiki/Deutsche_Bank) and [Citigroup](http://en.wikipedia.org/wiki/Citigroup). As of 2008, Enron has settled with all of the institutions, ending with Citigroup. Enron was able to obtain nearly $20 billion to distribute to its creditors as a result of the megaclaims litigation.[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] As of December 2009, some claim and process payments were still being distributed.

## California's deregulation and subsequent energy crisis

See also: [California electricity crisis](http://en.wikipedia.org/wiki/California_electricity_crisis)

During October 2000, [Daniel Scotto](http://en.wikipedia.org/wiki/Daniel_Scotto), the most renowned utility analyst on [Wall Street](http://en.wikipedia.org/wiki/Wall_Street), suspended his ratings on all energy companies conducting business in California because of the possibility that the companies would not receive full and adequate compensation for the deferred energy accounts used as the basis for the California Deregulation Plan enacted during the late 1990s.[[*citation needed*](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed)] Five months later, [Pacific Gas & Electric](http://en.wikipedia.org/wiki/Pacific_Gas_%26_Electric) (PG&E) was forced into bankruptcy. Senator [Phil Gramm](http://en.wikipedia.org/wiki/Phil_Gramm), the second largest recipient of [campaign](http://en.wikipedia.org/wiki/Political_campaign) contributions from Enron,[[37]](http://en.wikipedia.org/wiki/Enron#cite_note-37) succeeded in legislating California's energy commodity trading deregulation. Despite warnings from prominent consumer groups which stated that this law would give energy traders too much influence over energy commodity prices, the legislation was passed during December 2000.

As the periodical [Public Citizen](http://en.wikipedia.org/wiki/Public_Citizen) reported, "Because of Enron's new, unregulated power auction, the company's 'Wholesale Services' revenues quadrupled—- from $12 billion in the first quarter of 2000 to $48.4 billion in the first quarter of 2001."[[38]](http://en.wikipedia.org/wiki/Enron#cite_note-38)

Before passage of the deregulation law, there had been only one Stage 3 [rolling blackout](http://en.wikipedia.org/wiki/Rolling_blackout) declared. After passage, California had a total of 38 blackouts defined as Stage 3 rolling blackouts, until federal regulators intervened during June 2001.[[*citation needed*](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed)] These blackouts occurred mainly as a result of a poorly designed market system that was manipulated by traders and marketers. Enron traders were revealed as intentionally encouraging the removal of power from the market during California's energy crisis by encouraging suppliers to shut down plants to perform unnecessary maintenance, as documented in recordings made at the time.[[39]](http://en.wikipedia.org/wiki/Enron#cite_note-39)[[40]](http://en.wikipedia.org/wiki/Enron#cite_note-40) These acts contributed to the need for rolling blackouts, which adversely affected many businesses dependent upon a reliable supply of electricity, and inconvenienced a large number of retail consumers. This scattered supply increased the price exponentially, and Enron traders were thus able to sell power at premium prices, sometimes up to a factor of 20x its normal peak value.