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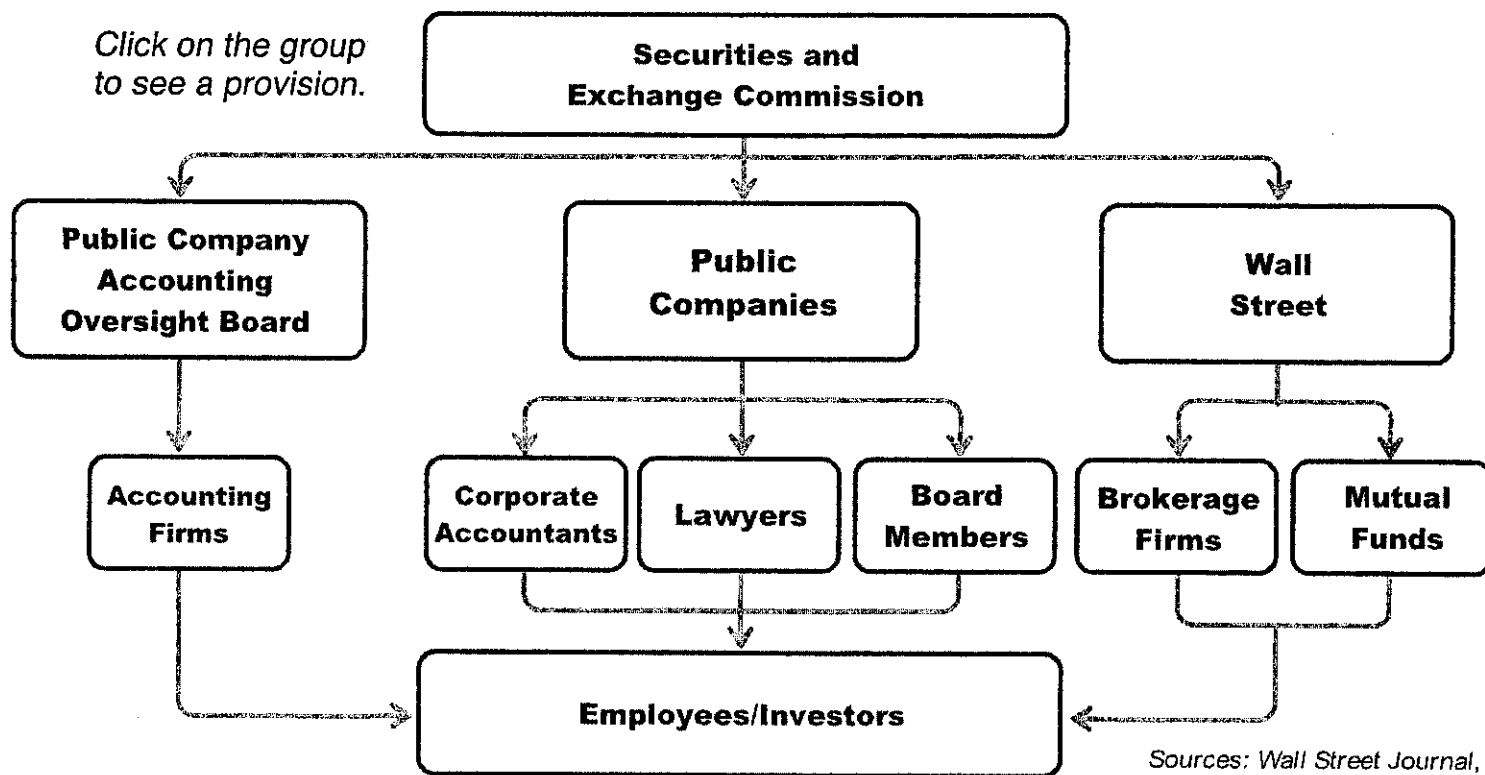
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## The New Legal Landscape

**The Sarbanes-Oxley Act** of 2002 aims to prevent deceptive accounting and management practices of public companies. The comprehensive legislation is designed to benefit investors with the goal of better corporate oversight. Many of the reforms target accounting firms, corporate boards and Wall Street businesses. Click on the groups to take a closer look at some of the provisions and how they are being implemented.



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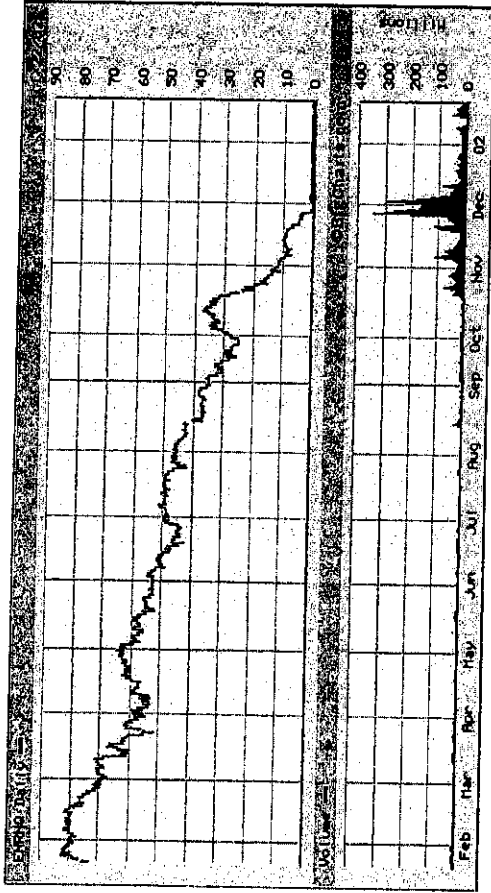
ASSEMBLY JUDICIARY

DATE: 3/12/03 ROOM 3138 EXHIBIT C

SUBMITTED BY: ASS. GOLWATER

# Enron Chronology

## What Happened??...



1/25/2001

10/16/2001

11/09/2001

11/19/2001

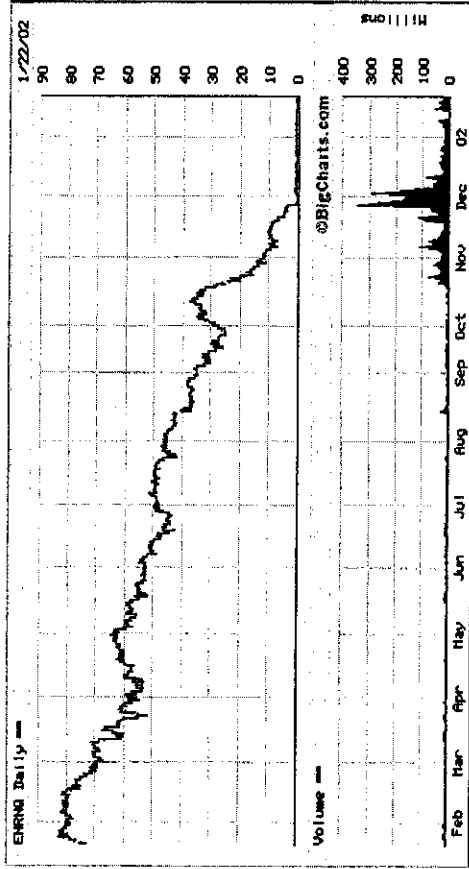
11/28/2001

11/29/2001

- Enron Stock closes at \$82.00, 2001 peak
- Stock erodes over course of year
- In an investor conference call, Enron's management reveals, for the first time, that they were taking a \$1 billion after-tax loss from failed investments.
- Management also reveals that they are reducing equity on their balance sheet by \$1.2 billion.
- Bond spreads widen (drop in price). Average price approximately \$75.00
- Stock closes at \$33.84
- Dynegy announces it's intention to purchase Enron.
- The Ratings Agencies affirm Enron at Baa3/BBB- (investment grade)
- Bond spreads tighten; average price up to \$81.50
- Stock closes at \$8.63
- Enron releases it's 10-Q (quarterly report)
- It is then revealed that Enron had materially less cash and materially greater debt than what was reported to Dynegy on 11/10/2001
- Bond prices closed at \$83.25, then closed at \$77.00 on the next day
- Stock closes at \$8.50
- Standard and Poor's downgrades Enron six notches to B-
- Within minutes, bond prices fall to low 20s.
- Moody's and Fitch also downgrade Enron.
- Dynegy pulls out of the deal
- Recovery values are thought to be approximately \$30 per bond
- Stock closes at \$0.61
- Enron delisted from S&P 500
- Enron files for Chapter 11 Protection Bankruptcy on 12/20

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## ImClone Systems Inc.

From left: Samuel Waksal, Martha Stewart and Peter Bacanovic

**The Allegations:** Authorities believe the drug maker's then-CEO tipped off family and friends that regulators were about to reject its application for a promising cancer drug, allowing them to dump the stock before it tumbled.

### Who's Who:

- Dr. Samuel L. Waksal, former CEO
- Martha Stewart, decorating guru and Waksal friend
- Peter Bacanovic, broker for Mr. Waksal and Ms. Stewart
- Douglas Faneuil, brokerage assistant at Merrill Lynch

**What's Happened:** Dr. Waksal was indicted on criminal insider-trading charges and pleaded not guilty. Federal investigators are trying to determine whether Ms. Stewart had inside information when she sold her ImClone shares, an allegation she denies. Messrs. Baconovic and Faneuil initially maintained the Stewart stock sale was part of a pre-agreed upon plan, though Mr. Faneuil later changed his story and the two were placed on leave.

**What's Next:** Mr. Faneuil is expected to plead guilty to a misdemeanor charge in exchange for testimony against Ms. Stewart.

**Merrill Aide to Plead Guilty, Cooperate on Stewart Probe (09/26/02)**



## **Global Crossing Ltd. / Qwest Communications International Inc.**

Gary Winnick

**The Allegations:** The Justice Department, the SEC and a House panel are probing whether the companies and other telecom carriers traded network capacity they may not have needed to make revenue appear artificially high.

### **Who's Who:**

- Gary Winnick, Global Crossing chairman
- Richard Notebaert, Qwest chairman and CEO
- Joseph Nacchio, former Qwest chairman and CEO

**What's Happened:** Global Crossing filed for Chapter 11 bankruptcy protection in January. Mr. Nacchio resigned under pressure. The companies and executives say the transactions were legitimate ways to augment their networks while demand was high. Qwest restated \$950 million in optical-capacity sales and said it may have to restate another \$531 million in similar transactions. The SEC has ruled that telecommunications companies acted improperly in booking swap revenue and rebuffed a Global Crossing settlement offer. Mr. Winnick promised to contribute tens of millions of dollars to offset the 401(k) losses of Global Crossing employees.

**What's Next:** The companies are negotiating with the SEC and the Justice Department as investigations continue by those agencies and the House panel.

**Winnick Pledges Millions to Offset Employees' Losses (10/02/02)**



## Citigroup Inc.

**The Allegations:** The New York attorney general and federal investigators are probing whether Citigroup's Salomon Smith Barney's securities unit, particularly its former star telecom analyst, provided overly rosy stock recommendations to win investment-banking business. Authorities also are investigating whether Salomon allocated shares of initial public offerings in a bid to win business.

### Who's Who:

- Jack Grubman, former telecom analyst
- Eliot Spitzer, the New York attorney general

**What's Happened:** Citigroup paid \$5 million to settle administrative charges by the National Association of Securities Dealers that Mr. Grubman issued unrealistically optimistic research about Winstar Communications Inc. Citigroup neither admitted nor denied the allegations. Mr. Grubman, who was forced to resign, is fighting the charges. Mr. Spitzer sued former WorldCom CEO Bernard Ebbers, former Qwest executives Philip Anschutz and Joseph Nacchio and others, alleging they steered business to Salomon in exchange for hot IPO shares. The defendants denied wrongdoing. Other investigations continue.

**What's Next:** Citigroup is trying to reach a universal settlement of all probes and could pay fines reaching hundreds of millions of dollars.

**Ebbers, Nacchio, Others Are Sued Over Hot IPOs (10/01/02)**



AP Photos

**FROM ALLEGED LOOTING** at Adelphia to allegations of accounting fraud at WorldCom, it's getting hard to know the corporate scandals without a scorecard. Here's a quick rundown of who's under indictment and what's up next.

## **Adelphia Communications Corp.**

**The Allegations:** Prosecutors say members of the cable company's founding family and two former executives looted the firm "on a massive scale," spending company funds on personal expenses, such as a \$12.8 million golf course. The firm has been accused of hiding business relationships between Adelphia and entities tied to the founders and for inflating its financial results.

### **Who's Who:**

- John J. Rigas, Adelphia's founder
- Timothy Rigas, former CFO
- Michael Rigas, former executive VP
- James R. Brown, former vice president
- Michael C. Mulcahey, former vice president and assistant treasurer

**What's Happened:** All were arrested and indicted on federal fraud charges, and the SEC filed civil charges against the group. Adelphia also sued the Rigas family members. The individuals and the company have denied wrongdoing.

**What's Next:** The five are scheduled to be arraigned Oct. 2.

**Grand Jury Indicts Former Adelphia Officials (09/24/02)**





## Arthur Andersen LLP

**The Allegations:** Federal prosecutors charged the accounting firm with obstructing a Securities and Exchange Commission investigation into Enron Corp.'s collapse by shredding tons of documents.

**Who's Who:**

- Joseph Berardino, former CEO
- David Duncan, partner
- Nancy Temple, in-house lawyer

**What's Happened:** Andersen partners forced Mr. Berardino to resign in March following the firm's indictment. A jury found the firm guilty of obstruction after Mr. Duncan, the firm's lead auditor for Enron, pleaded guilty to obstruction and testified against the firm. But jurors said they were more influenced by evidence that a memo by Ms. Temple had prompted the document destruction. The firm is winding down operations -- barred from auditing public companies and having surrendered all its state licenses. Federal criminal and civil investigations continue.

Andersen has been sued by Enron creditors and shareholders. The firm's overseas partnerships settled with Enron shareholders for \$60 million.

**What's Next:** Sentencing of the firm is scheduled for mid-October, after which the company has said it will appeal its criminal conviction.

**Andersen Surrenders Licenses to Practice Accounting in U.S.**

(09/02/02)



## **Merrill Lynch & Co.**

**The Allegations:** The nation's largest brokerage firm, especially its former star Internet analyst, was accused of giving investors overly rosy research reports about the stock of its investment-banking clients.

### **Who's Who:**

- Henry Blodget, former Internet analyst
- David Komansky, CEO

**What's Happened:** Merrill agreed to pay \$100 million to settle a probe by Eliot Spitzer, the New York attorney general. Under the deal, Merrill analysts no longer will be evaluated and paid based on their role in helping the firm win investment-banking business unless such participation is intended to benefit the investor. Also, a "compliance monitor" will oversee the firm's research practices. Mr. Spitzer agreed to drop the investigation into individuals examined in the probe, including Mr. Blodget. But the deal doesn't preclude other prosecutors or regulators from taking action. Mr. Komansky apologized.

**What's Next:** The firm and individuals may face action by other regulatory agencies and civil lawsuits by clients and shareholders. Merrill is trying to bolster its reputation, which was hurt by the negative publicity about its research.

**Merrill Will Pay \$100 Million Fine to Settle New York's Analyst Probe**  
(05/22/02)



L. Dennis Kozlowski

## **Tyco International Ltd.**

**The Allegations:** New York prosecutors allege the company's former CEO and former CFO stole more than \$170 million from the conglomerate in unauthorized compensation and illegally reaped an additional \$430 million from stock sales. Prosecutors say the former CEO used the company funds on lavish gifts and parties, including a birthday bash for his wife on the Italian island of Sardinia.

### **Who's Who:**

- L. Dennis Kozlowski, former CEO
- Mark Swartz, former CFO
- Mark Belnick, former general counsel

**What's Happened:** Messrs. Kozlowski and Swartz have been indicted on charges that they stole company funds. Mr. Kozlowski has also been indicted on charges of evading New York sales taxes on \$13 million in art. Mr. Belnick has been charged with falsifying records to cover up \$14 million in improper loans. All three have pleaded not guilty.

**What's Next:** Mr. Kozlowski is scheduled to appear at a status hearing Nov. 7 in New York.

**Ex-Tyco Officials Avoid Jail After Bail Hearing (09/27/02)**



## WorldCom Inc.

From left: Bernard Ebbers, Scott Sullivan

**The Allegations:** Prosecutors say several top executives were involved in a massive accounting fraud that hid costs and inflated profits by more than \$7 billion over three years.

### Who's Who:

- Bernard Ebbers, former CEO
- Scott Sullivan, former CFO
- Buford Yates, former director of general accounting
- David Myers, former controller
- Betty Vinson and Troy Normand, executives under Mr. Myers
- Jack Grubman, telecom analyst at Salomon Smith Barney

**What's Happened:** Mr. Ebbers was ousted in April. Mr. Sullivan was fired after an internal audit revealed the alleged accounting scheme. Mr. Sullivan has been indicted on securities-fraud charges, along with his aide, Mr. Yates. Mr. Grubman, who touted WorldCom to Salomon's research clients, was forced to resign amid an investigation into his conduct. All have maintained that they did nothing improper. Mr. Myers pleaded guilty to securities fraud, admitting that he helped manufacture profits.

**What's Next:** Prosecutors hope to use Mr. Myers's testimony against others. Ms. Vinson and Mr. Normand are expected to enter guilty pleas to fraud charges and to cooperate with the government.

**WorldCom's Myers Pleads Guilty to Securities Fraud (09/26/02)**



## **Enron Corp.**

**The Allegations:** Prosecutors and regulators say the former energy giant -- and, in particular, its CFO -- created a number of off-the-books partnerships and used aggressive accounting methods to hide massive debt and inflate the firm's bottom line. Enron auditor Arthur Andersen was accused of destroying documents relevant to the investigation.

### **Who's Who:**

- Jeffrey Skilling, former CEO
- Andrew S. Fastow, former CFO
- Michael J. Kopper, former managing director

**What's Happened:** Prosecutors have moved to seize \$23.6 million of assets from Mr. Fastow and his friends and family members on the grounds that they obtained the money illegally. Mr. Kopper pleaded guilty to money laundering and conspiracy to commit wire fraud. He could face as many as 15 years in prison. He also forfeited \$8 million to settle an SEC civil case that accused him of fraud. Andersen was convicted of obstruction and lost its license to practice in the U.S.

**What's Next:** The Justice Department is expected to bring criminal charges against Mr. Fastow soon.

**Enron's Fastow Likely to Face Criminal Charges (09/26/02)**