

Lay Learns about Fastow's Raptors: August 2001

... Watkins wrote that "Skilling's abrupt departure will raise suspicions of accounting improprieties and valuation issues . . . I am incredibly nervous that we will implode in a wave of accounting scandals."¹ She offered several solutions to the accounting problems associated with the Raptor accounts and overvaluation of assets. Watkins recommended that these problems be fixed before a disgruntled employee informed the SEC. She noted that Lay probably could not address the technical details at the all-employee meeting, but suggested that "you give some assurances that you and Causey will sit down and take a good hard objective look at what is going to happen to [the SPEs] in 2002 and 2003."² Watkins then inserted the letter in Lay's suggestion box.³

DECISION CHOICE. *If you were Ken Lay would you:*

- (1) respond to the concerns of the letter at the all-employee meeting, or*
- (2) not say anything about these issues at the meeting but investigate them further after the meeting? Why?*

¹ Swartz and Watkins, *Power Failure*, 369-370.

² Swartz and Watkins, *Power Failure*, 370.

³ Swartz and Watkins, *Power Failure*, 276-280.