# MANAGING THE FUTURE

OR

# THE SIXTY-MINUTE M.B.A.

NOVEMBER 3, 2003 BME 531
NOVEMBER 4, 2003 EEN415 AND EEN 418

NORMAN G. EINSPRUCH

# MANAGING THE FUTURE

- WHY DOES THE CORPORATION EXIST?
- CORPORATE STRATEGIC PLANNING
- ECONOMICS
- FINANCE
- ACCOUNTING
- TAXATION
- ETHICS
- ENRON
- ANDERSEN

# WHY DOES THE CORPORATION EXIST?

## THE CORPORATION EXISTS TO

- CREATE
- MAKE
- MARKET

GOODS AND SERVICES FOR THE BENEFIT OF MANKIND

THE INCENTIVE TO DO SO IS THE OPPORTUNITY TO MAKE A PROFIT

HOW MUCH PROFIT YOU MAKE IS A MEASURE OF HOW WELL THE GOODS AND SERVICES ARE PROVIDED

# FORTUNE

MARCH 3, 2003 $4.99

# AMERICA'S MOST ADMIRED COMPANIES

## Eight key attributes of reputation

**Social responsibility**
1 Alexander & Baldwin
2 Johnson & Johnson
3 American Express

**Innovation**
1 PepsiCo
2 Nike
3 Medtronic

**Long-term investment value**
1 Medtronic
2 Cardinal Health
3 Cintas

**Use of corporate assets**
1 Berkshire Hathaway
2 Cintas
3 Philip Morris*

**Employee talent**
1 General Electric
2 American Express
3 Philip Morris*

**Financial soundness**
1 Microsoft
2 Berkshire Hathaway
3 Philip Morris*

**Quality of products/services**
1 Philip Morris*
2 Medtronic
3 Procter & Gamble

**Quality of management**
1 Philip Morris*
2 Berkshire Hathaway
3 General Electric

*Now called Altria.

## The top ten

1 Wal-Mart
2 Southwest Airlines
3 Berkshire Hathaway
4 Dell Computer
5 General Electric
6 Johnson & Johnson
7 Microsoft
8 FedEx
9 Starbucks
10 Procter & Gamble

# MISSION STATEMENT

Baptist - South Miami Home Care is dedicated to providing excellent health care to individuals in their place of residence through its commitment to clinical and service excellence and fiscal responsibility. These home health services are designed to restore acutely ill, convalescing and disabled persons to their maximum potential for good health and independent functioning.

Baptist - South Miami Home Care seeks to promote the understanding of good health practices; to promote physical, emotional, and psychological care to all patients, including the terminally ill and their families; to prevent unnecessary institutionalization; and to facilitate early hospital discharge by providing technically feasible treatment in a therapeutic home environment.

Baptist - South Miami Home Care aims to provide counseling and guidance, utilizing the home care team personnel and community resources to cope with problems affecting a patient's health and well-being. Baptist - South Miami Home Care believes that quality patient care is the result of the combined efforts of each individual; thus the home care team collaborated with patients, care givers, physicians, and others to coordinate and provide quality holistic care.

Baptist - South Miami Home Care is a vital link in South Miami Hospital's comprehensive network of services striving to meet the health care needs of the community of Dade and Monroe Counties without regard to sex, race, color, national origin, age, creed or handicap.

# SITUATION ANALYSIS

## INTERNAL

- STRENGTHS

- WEAKNESSES

## EXTERNAL

- OPPORTUNITIES

- THREATS

# CORPORATE STRATEGIC PLANNING

- OBJECTIVES
- STRATEGIES
- TACTICS

# economics

social science that seeks to analyze and describe the production, distribution, and consumption of wealth.

The major divisions of **economics** include microeconomics, which deals with the behaviour of individual consumers, companies, traders, and farmers; and macroeconomics, which focuses on aggregates such as the level of income in an economy, the volume of total employment, and the flow of investment. Another branch, development **economics**, investigates the history and changes of **economic** activity and organization over a period of time, as well as their relation to other activities and institutions. Within these three major divisions there are specialized areas of study that attempt to answer questions on a broad spectrum of human **economic** activity, including public finance, money supply and banking, international trade, labour, industrial organization, and agriculture. The areas of investigation in **economics** overlap with other social sciences, particularly political science, but **economics** is primarily concerned with relations between buyer and seller.

*Encyclopedia Britannica*

# finance

the process of raising funds or capital for any kind of expenditure. Consumers, business firms, and governments often do not have the funds available to make expenditures, pay their debts, or complete other transactions and must borrow or sell equity to obtain the money they need to conduct their operations. Savers and investors, on the other hand, accumulate funds which could earn interest or dividends if put to productive use. These savings may accumulate in the form of savings deposits, savings and loan shares, or pension and insurance claims; when loaned out at interest or invested in equity shares, they provide a source of investment funds. **Finance** is the process of channeling these funds in the form of credit, loans, or invested capital to those economic entities that most need them or can put them to the most productive use. The institutions that channel funds from savers to users are called financial intermediaries. They include commercial banks, savings banks, savings and loan associations, and such nonbank institutions as credit unions, insurance companies, pension funds, investment companies, and **finance** companies.

*Encyclopedia Britannica*

# accounting

the systematic development and analysis of information about the economic affairs of an organization. This information may be used in a number of ways: by the organization's managers to help them plan and control the organization's operations; by owners and legislative or regulatory bodies to help them appraise the organization's performance and make decisions as to its future; by owners, lenders, suppliers, employees, and others to help them decide how much time or money to devote to the organization; by governmental bodies to determine how much tax the organization must pay; and occasionally by customers to determine the price to be paid when contracts call for cost-based payments.

*Encyclopedia Britannica*

## Income Statement



Stock investors like to look at the income statement (a.k.a. "earnings statement" or "statement of operations") because it shows the company's "bottom line": its earnings, or profit. Most of the income statement details the company's operations: the yellow zone back in the diagram.

Consolidated Financial Statements

Income Statement

(click on highlighted text for more information)

| (dollar figures are in thousands) | 1997 | 1996 |
|---|---|---|
| **Sales Revenue** | | |
| Widget Sales | $ 12,347 | $ 9,746 |
| Services | 6,912 | 5,688 |
| Total Sales Revenue | 19,259 | 15,434 |
| **Sales Costs** | | |
| Widget Sales | 5,649 | 4,688 |
| Services | 3,166 | 2,712 |
| Total Sales Costs | 8,815 | 7,400 |
| Gross Profit | **10,444** | **8,034** |
| Gross Margin Percent | 54 % | 52 % |
| **Operating Expenses** | | |
| Sales & Marketing | 4,078 | 3,132 |
| General & Administrative | 916 | 705 |
| Research & Development | 2,364 | 1,831 |
| Total Operating Expenses | **7,358** | **5,668** |
| Operating Income | **3,086** | **2,366** |
| Interest Payments to Bondholders | 147 | 253 |
| Earnings Before Taxes | 2,939 | 2,113 |
| Provision for Taxes | 1,028 | 739 |

| | | |
|---|---|---|
| Earnings ("net income") | **1,911** | **1,374** |
| Dividends paid to Shareholders | 10 | - |
| Earnings available to Shareholders | 1,901 | 1,374 |

Consolidated Financial Statements

## Balance Sheet

(click on highlighted text for more information)

| (dollar figures are in thousands) | 1997 | 1996 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and Equivalents | $ 2,738 | $ 2,260 |
| Accounts Receivable | 1,175 | 996 |
| Inventory | 1,034 | 897 |
| Total Current Assets | 4,947 | 4,153 |
| Real Estate (purchase price) | 31,677 | 29,847 |
| Equipment (depreciated value) | 13,448 | 12,958 |
| Goodwill (depreciated value) | 3,167 | 3,334 |
| **Total Assets** | **53,229** | **50,292** |
| **Liabilities** | | |
| Current Liabilities | | |
| Accounts Payable | 1,488 | 1,092 |
| Short-term Debt | 123 | 147 |
| Total Current Liabilities | 1,611 | 1,239 |
| Long-term Debt | 245 | 267 |
| Other Liabilities | 122 | 101 |
| **Total Liabilities** | **1,978** | **1,607** |
| **Total Shareholders' Equity** | **51,251** | **48,685** |

Article
Introduction
Income Stat
Cash Flow S
Balance Sh
For More In

# Pepper . . . and Salt 12/20/00

THE WALL STREET JOURNAL


"Feelings of self-worth are important, but never confuse them with *net* worth."

# FAMOUS INTERVIEW

**STUDENT:** *Dr. Einstein, what is the most important invention in the history of mankind?*

**DR. EINSTEIN:** ***COMPOUND INTEREST!***

# RULE OF SEVENTY

$$(N) \times (r) = 70$$

Where: r = annual percentage interest rate

N = number of years required for principal to double

Examples: If r = 7%, then 10 years are required to double

If doubling time is 7 years, the interest rate is 10%

Frequently see 72, since it has more factors than 70 does

# THE POWER OF COMPOUNDING

- Scenario: Put $2k each year on your birthday into a tax-deferred account (annuity, IRA, Keogh, 401(k), 403(b), ....)
- S & P 500 Compound Annual Growth Rate (CAGR) for 75 years is 11%
- CAGR of 10% gives a doubling every seven years

| Year 1 | | Year 2 | | Year 3 | | Year 4 | | xxxxxxx | | Year 27 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Age | | Age | | Age | | Age | | | | Age | |
| 22 | $2k | 23 | $2k | 24 | $2k | 25 | $2k | x | x | 48 | $2k |
| 29 | 4 | 30 | 4 | 31 | 4 | 32 | x | x | x | 55 | x |
| 36 | 8 | 37 | 8 | 38 | 8 | 39 | x | x | x | 62 | x |
| 43 | 16 | 44 | 16 | 45 | 16 | x | x | x | x | 69 | x |
| 50 | 32 | 51 | 32 | 52 | 32 | x | x | x | x | 76 | x |
| 57 | 64 | 58 | 64 | 59 | 64 | x | x | x | x | 83 | x |
| 64 | $128k | 65 | $128k | 66 | $128k | 67 | $128k | x | x | 90 | $128k |

# 2002 Tax Rate Schedules

**Schedule Y-1**—Use if your filing status is **Married filing jointly** or **Qualifying widow(er)**

| If the amount on Form 1040, line 41, is: *Over—* | *But not over—* | Enter on Form 1040, line 42 | *of the amount over—* |
|---|---|---|---|
| $0 | $12,000 | .......... 10% | $0 |
| 12,000 | 46,700 | $1,200.00 + 15% | 12,000 |
| 46,700 | 112,850 | 6,405.00 + 27% | 46,700 |
| 112,850 | 171,950 | 24,265.50 + 30% | 112,850 |
| 171,950 | 307,050 | 41,995.50 + 35% | 171,950 |
| 307,050 | .......... | 89,280.50 + 38.6% | 307,050 |

# TAXATION

- FEDERAL INCOME TAX – 35% MAX IN 2003
- SOCIAL SECURITY – 6.20% ON $87,000 (DOUBLED)
- MEDICARE – 1.45% (DOUBLED/NO LIMIT)
- STATE/LOCAL SALES TAX – 7%
- LOCAL REAL ESTATE TAXES - $5K ON $300K CORAL GABLES HOME
- GASOLINE, CIGARETTES, ALCOHOL, ….

# ESTATE (DEATH) TAXES

**Exclusion**

| Year | Amount |
|---|---|
| 2002 and 2003 | $1,000,000 |
| 2004 and 2005 | 1,500,000 |
| 2006, 2007, and 2008 | 2,000,000 |
| 2009 | 3,500,000 |

**Maximum**

| Year | Tax Rate |
|---|---|
| 2002 | 50% |
| 2003 | 49% |
| 2004 | 48% |
| 2005 | 47% |
| 2006 | 46% |
| 2007, 2008, and 2009 | 45% |

FIRST PRINCIPLES

# The Estate Tax Is One Death Penalty Too Many

BY N. GREGORY MANKIW ■ When the Republican-led Congress recently voted to repeal the estate tax, many Democrats called the move unfair; President Clinton threatened a veto. Without doubt, the heirs of millionaires—not exactly society's neediest group—would benefit most directly from the repeal. But the concept of tax fairness means more than merely soaking the rich and protecting the poor. The more you think about the estate tax, the less fair it looks.

Consider a story of two millionaires—Sam Spendthrift and Frank Frugal. Each starts a dot-com after college and sells the business a few years later, accumulating a $20 million nest egg. Sam then enjoys the high life, buying expensive cars, boats, planes, and vacation homes. When all that gets boring, he blows millions financing his own campaign for Senate, leaving little for his heirs. Frank, meanwhile, chooses a more middle-class lifestyle. He keeps his fortune invested in the economy, where it finances capital accumulation, new technologies, and economic growth. He leaves most of it to his children, grandchildren, nephews, and nieces.

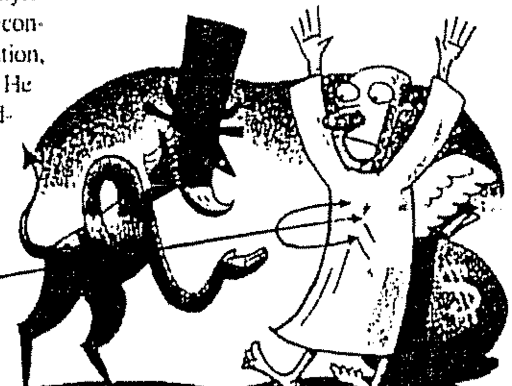
Now, here's the policy question: Which millionaire should pay higher taxes?

It is easy to argue that they should face the same tax burden. They both start life with the same resources. One person's extravagant tastes aren't the government's business. Equalizing their tax burdens would mean taxing their earnings but not their estates.

It is also easy to argue that Sam should face higher taxes. Sam is taking more from the economy than Frank, so shouldn't he pay for the privilege? If the nation's millionaires were less like Sam and more like Frank, the economy would be more prosperous, and the country would be better off. Many economists have advocated encouraging behavior like Frank's by replacing the income tax with a progressive consumption tax; people would pay taxes based on how much they spent rather than how much they earned. Again, an estate tax wouldn't be necessary.

What is hard to argue, however, is that Sam should pay less in taxes than Frank. But that is precisely the tax policy we have now. Under current law, Frank's estate is taxed at a rate of about 50%, while Sam avoids the tax by blowing his wad during his lifetime. This, according to many Democrats, is what fairness requires.

Of course, proponents of the estate tax are moved not by such comparisons between rich guys but by comparisons between the rich and the poor. In their view, the estate tax helps ensure that the rich pay their fair share. But if the rich are the target, the estate tax is the wrong weapon. The right one is a progressive income or consumption tax. If advocates of greater



redistribution think that the current top income-tax rate of 39.6% is too low, they should argue for an increase. If they think there are too many loopholes, they should try to close them. But once we have taxed the successful for their success, we shouldn't go further and tax the frugal more than the spendthrift.

Several years ago the book *The Millionaire Next Door* made bestseller lists with the message that getting rich is more often the result of patience than of good luck. Recent research from the National Bureau of Economic Research by economists Steven Venti and David Wise confirms this conclusion. According to Venti and Wise, whether a person reaches old age wealthy or penniless mostly depends on the percentage of his earnings he saved—not on the total amount he made in his lifetime. This means that most of the burden of the estate tax falls not on those who have been lucky throughout life but rather on those who have been frugal.

When the government levies a tax on what we leave when we die, it is literally taxing our patience. If the nation were suffering from a surfeit of patience, if national saving were too high, if we were doing too much to ensure our children's economic prosperity, the estate tax would make sense. In the real world it doesn't.

MOST OF THE BURDEN OF THE ESTATE TAX FALLS ON THOSE WHO HAVE BEEN FRUGAL.

It is a good rule of thumb that when you tax an activity, you get less of it. If we stopped taxing estates, estate building would be more attractive, and that would be good for everyone in the economy. Maybe we'd even have fewer multimillionaires trying to buy themselves second careers in Congress. No one would call that change unfair.

N. GREGORY MANKIW *is an economics professor at Harvard and the author of* Principles of Economics.

THE INSTITUTE OF ELECTRICAL AND ELECTRONICS ENGINEERS, INC.

# Code of Ethics

*We, the members of the IEEE, in recognition of the importance of our technologies in affecting the quality of life throughout the world, and in accepting a personal obligation to our profession, its members and the communities we serve, do hereby commit ourselves to the highest ethical and professional conduct and agree:*

1. to accept responsibility in making engineering decisions consistent with the safety, health, and welfare of the public, and to disclose promptly factors that might endanger the public or the environment;
2. to avoid real or perceived conflicts of interest whenever possible, and to disclose them to affected parties when they do exist;
3. to be honest and realistic in stating claims or estimates based on available data;
4. to reject bribery in all its forms;
5. to improve the understanding of technology, its appropriate application, and potential consequences;
6. to maintain and improve our technical competence and to undertake technological tasks for others only if qualified by training or experience, or after full disclosure of pertinent limitations;
7. to seek, accept, and offer honest criticism of technical work, to acknowledge and correct errors, and to credit properly the contributions of others;
8. to treat fairly all persons regardless of such factors as race, religion, gender, disability, age, or national origin;
9. to avoid injuring others, their property, reputation, or employment by false or malicious action;
10. to assist colleagues and co-workers in their professional development and to support them in following this code of ethics.

APPROVED BY THE IEEE BOARD OF DIRECTORS, AUGUST 1990

# LESSONS TO LEARN

- EXECUTIVES SOLD STOCK WHILE EMPLOYEES WERE BLOCKED
- EXECUITVES PROFITED FROM LUCRATIVE SIDE DEALS WITH THE COMPANY
- BOARD OF DIRECTORS SUSPENDED CORPORATE ETHICS CODE TO PERMIT SIDE DEALS
- AUDITORS SHREDDED RECORDS THAT FEDERAL INVESTIGATORS WERE SEEKING
- INVESTMENT BANKS WERE SELLING BONDS WHILE KNOWING OF FINANCIAL INSTABILITY

FORTUNE

SEND THEM TO JAIL

VOL. 145, NO. 6 MARCH 18, 2002

7 Tech Trends To Boost Your Business

Wal-Mart's People Problem • What Recession?

# FORTUNE

MARCH 18, 2002

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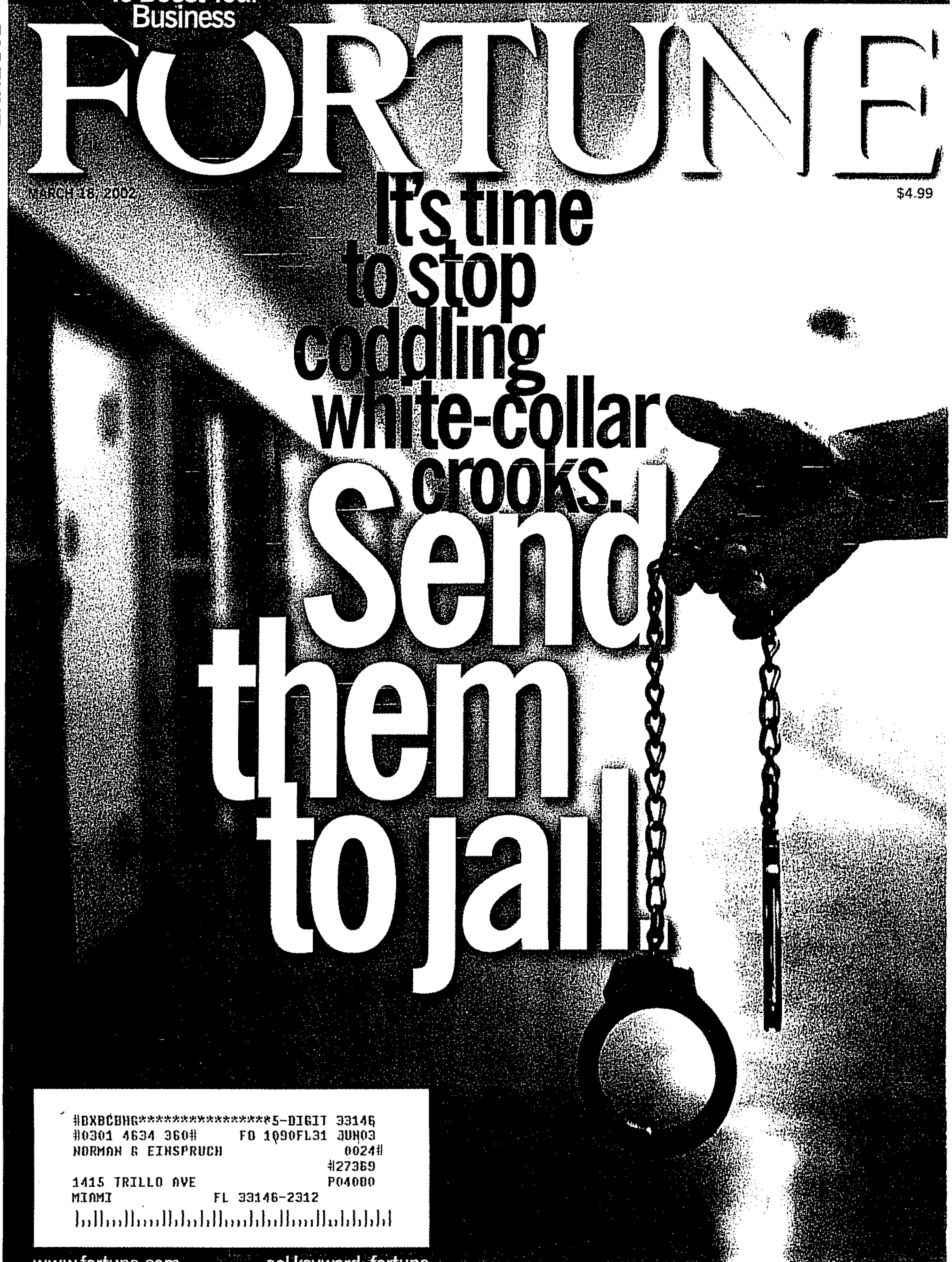

# It's time to stop coddling white-collar crooks. Send them to jail

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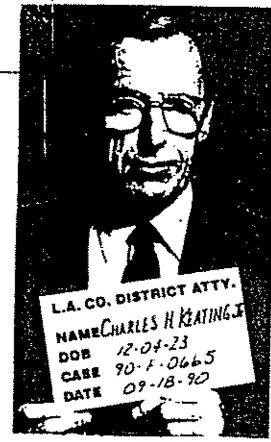
• FORTUNE March 18, 2002

# Schemers and scams


### 1920: The Ponzi scheme
Charles Ponzi planned to arbitrage postal coupons—buying them from Spain and selling them to the U.S. Postal Service at a profit. To raise capital, he outlandishly promised investors a 50% return in 90 days. They naturally swarmed in, and he paid the first with cash collected from those coming later. He was imprisoned for defrauding 40,000 people of $15 million.

### 1930: Ivar Krueger, the Match King
Heading companies that made two-thirds of the world's matches, Krueger ruled—until the Depression. To keep going, he employed 400 off-the-books vehicles that only he understood, scammed his bankers, and forged signatures. His empire collapsed when he had a stroke.

### 1983: Marc Rich
Fraudulent oil trades in 1980–81 netted Rich and his partner, Pincus Green, $105 million, which they moved to offshore subsidiaries. Expecting to be indicted by U.S. Attorney Rudy Giuliani for evading taxes, they fled to Switzerland, where tax evasion is not an extraditable crime. Clinton pardoned Rich in 2001.




### 1989: Charles Keating and the collapse of Lincoln S&L
Keating was convicted of fraudulently marketing junk bonds and making sham deals to manufacture profits. Sentenced to 12½ years, he served less than five. Cost to taxpayers: $3.4 billion, a sum making this the most expensive S&L failure.

### 1995: Nick Leeson and Barings Bank
A 28-year-old derivatives trader based in Singapore, Leeson brought down 233-year-old Barings by betting Japanese stocks would rise. He hid his losses—$1.4 billion—for a while but eventually served more than three years in jail.


### 1998: Waste Management
Fighting to keep its reputation as a fast grower, the company engaged in aggressive accounting for years and then tried straight-out books cooking. In 1998 it took a massive charge, restating years of earnings.

### 1998: Al Dunlap
He became famous as "Chainsaw Al" by firing people. But he was then axed at Sunbeam for illicitly manufacturing earnings. He loved overstating revenues—booking sales, for example, on grills neither paid for nor shipped.

### 1999: Martin Frankel
A financier who siphoned off at least $200 million from a series of insurance companies he controlled, Frankel was arrested in Germany four months after going on the lam. Now jailed in Rhode Island—no bail for this guy—he awaits trial on charges of fraud and conspiracy.

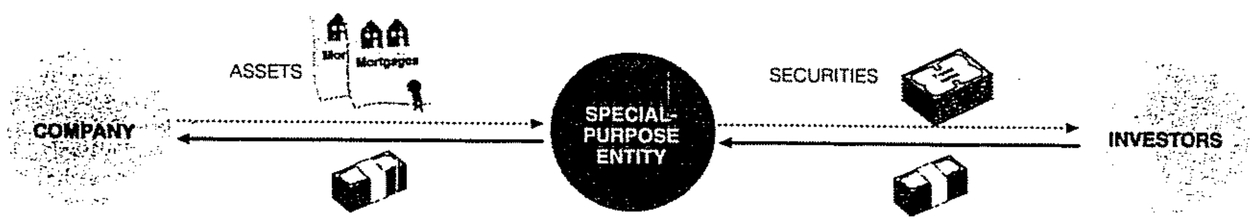
# Enron

## Tools From Wall Street's Workbench . . .

Structured finance is used by companies to raise cash and reduce risk. In the form it most frequently takes, structured finance allows a company to sell an asset to a special-purpose entity created to buy it, thereby spreading the risks associated with the asset among the investors who finance the entity.

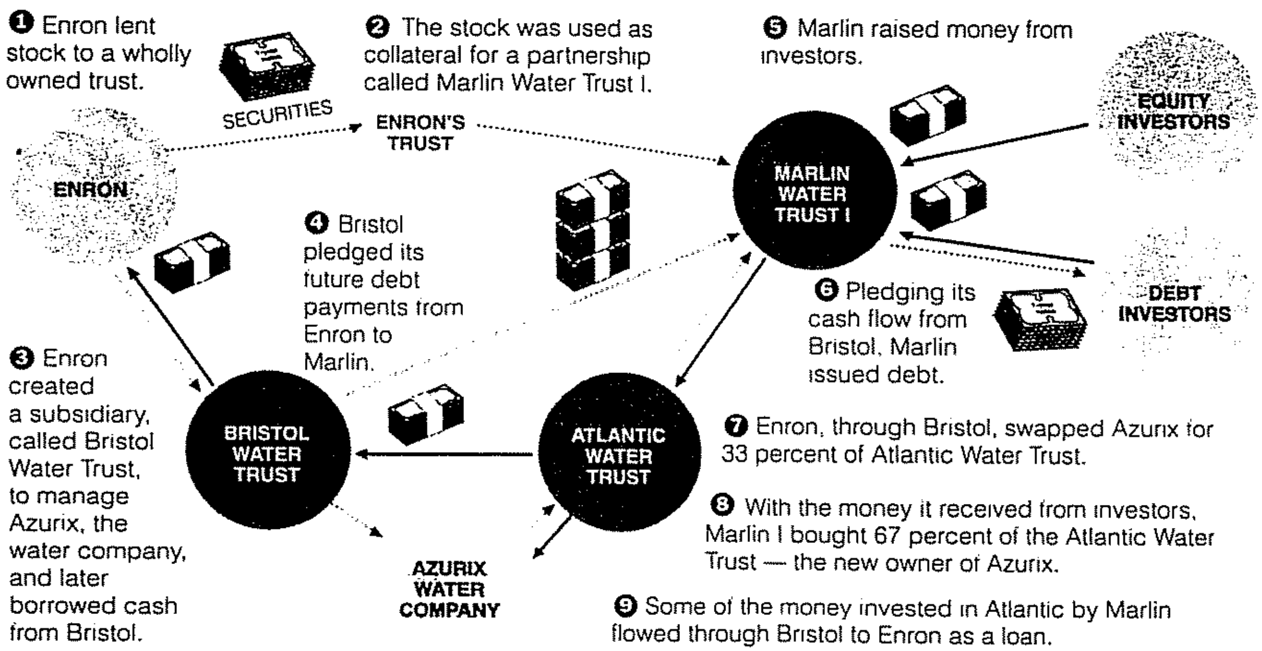
1. A company sells financial assets to an entity created by the company to buy them.

2. The entity is financed by investors who buy debt securities issued by the entity and backed by the assets bought from the company.



## . . . Built the Labyrinth That Was Enron

Using similar structured finance tools, Enron created elaborate arrangements for selling assets and raising cash. Here is one example, the Marlin Water Trust I, set up to purchase Azurix, a water and waste treatment company, from Enron.




The New York Times

THE WALL STREET JOURNAL. MONDAY, JANUARY 21, 2002 C

# MONEY & INVESTING

## Murky Waters: A Primer on Enron Partnerships

### As Details Surface, They Appear Central In Firm's Collapse

By JOHN R. EMSHWILLER And REBECCA SMITH
*Staff Reporters of* THE WALL STREET JOURNAL

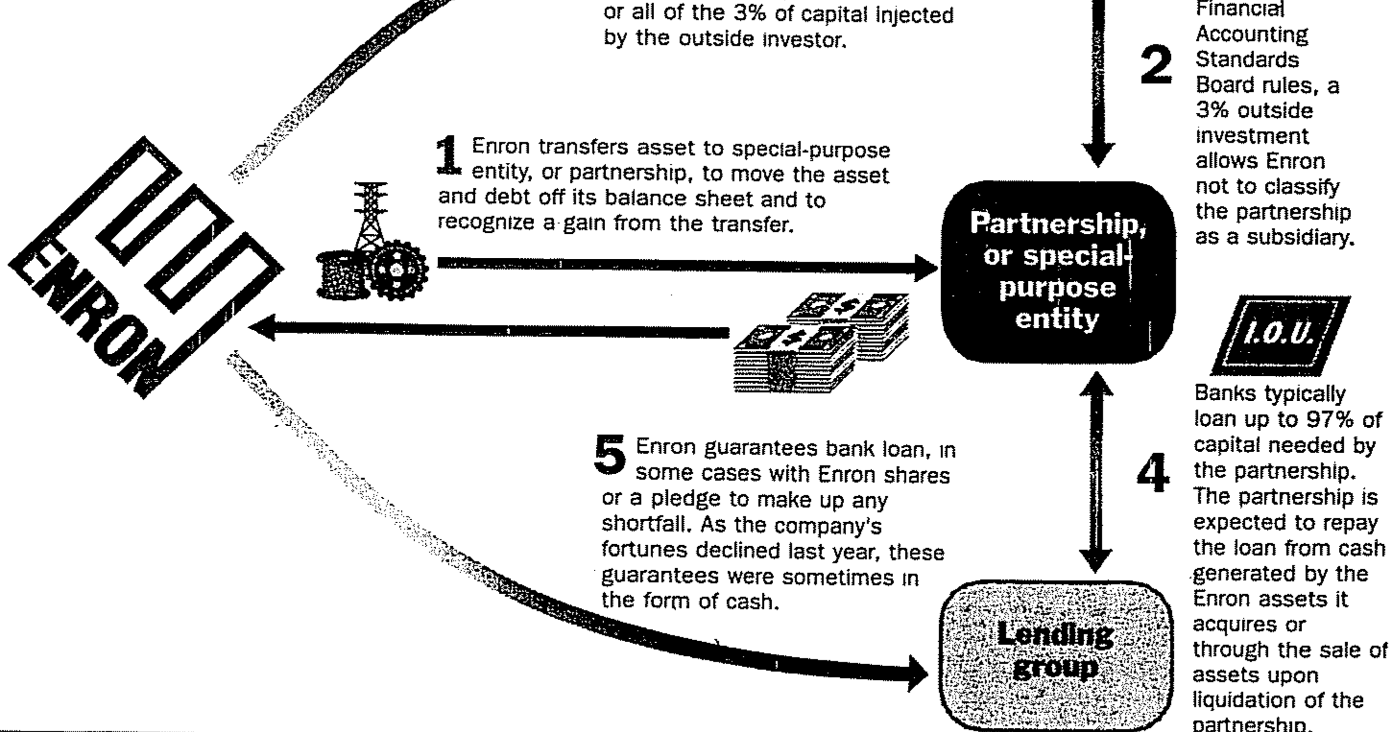
With names such as Marlin and Rawhide, Braveheart and Raptor, they sound like fancy bar drinks or maybe top-secret military missions.

They are, in fact, a few of the myriad entities that Enron Corp. helped set up over the past decade and that now find themselves at the heart of one of the biggest corporate scandals in history. Government investigators are still sifting through the complex financial structures of these partnerships, limited-liability companies and other affiliates—domestic and foreign—trying to determine what, if any, accounting rules and laws may have been violated.

At this stage, many details remain murky. But one thing is certain: The partnerships—which Enron often told investors little or nothing about—hid hundreds of millions of dollars of losses and debt from public view. As information about the partnerships began surfacing, they were a major factor in the company's filing for bankruptcy-court protection in December.

### The Art of the Enron Deal

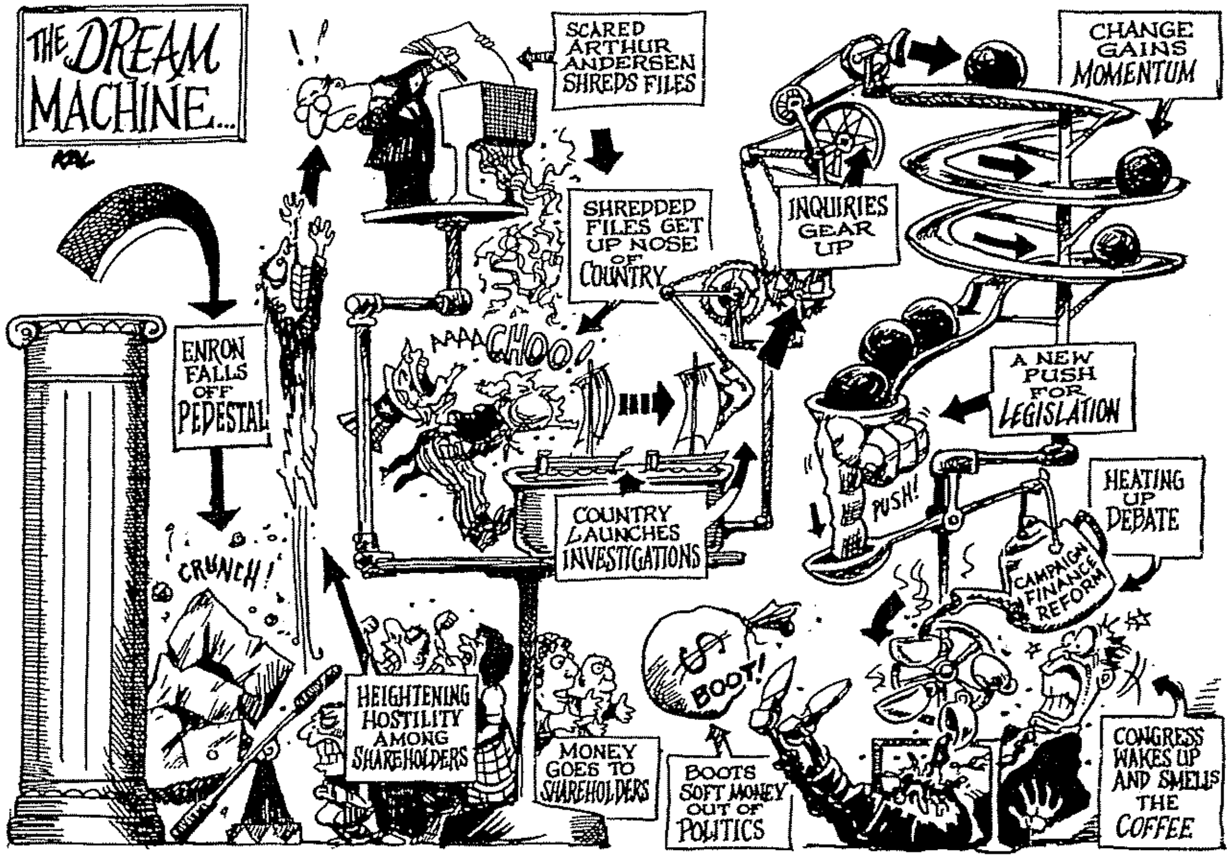
Enron used outside partnerships to monetize assets and move debt off its balance sheet. But the company at times was deeply involved in funding the partnerships. Here is how such transactions in recent years were typically structured:



# Enron: The Tale Less Trumpeted

IEEE SPECTRUM • MARCH 2002

**The blame falls not just on faulty bookkeeping and inflated expectations, but also on a fashionable but questionable model of stewardship**



THE NEW YORK TIMES, FRIDAY, MARCH 15, 2002

**ENRON'S MANY STRANDS:** An Auditor's Troubles

# Andersen: A Firm That Grew, Then Faltered

### Building the Business

**1913** Andersen, DeLany & Co. is formed in Chicago.

**1918** The firm is renamed Arthur Andersen & Co. and creates a new business of management information consulting.

**1940** Andersen establishes a centralized training program, the first of its kind.

**1947** Arthur Andersen dies; firm almost breaks up, but is held together under a new managing partner, Leonard Spacek.

**1955** Andersen establishes its first foreign office, in Mexico City.

**1988** Andersen pays the State of Ohio $5.5 million to cover taxpayers' losses on Home State Savings Bank, which failed amid allegations of fraudulent accounting.

**1989** Andersen forms a separate, lucrative consulting practice.

'10's '20's '30's '40's '50's '60's '70's '80's

### Cracks Appear

'90 '91 '92 '93 '94 '95 '96 '97 '98 '99 '00

**1992** Andersen pays more than $22 million to settle a lawsuit that it misrepresented the financial health of the American Continental Corporation and its subsidiaries, which included Lincoln Savings & Loan.

**1998** Andersen pays $90 million to Colonial Realty investors, who lost $300 million when the company collapsed amid an accounting scandal in 1990.

**1998** Andersen pays $75 million to Waste Management shareholders after the company erases more than $1 billion from earnings for the years 1992-1996.

**1999** Baptist Foundation of Arizona, an Andersen client, files for bankruptcy amid allegations of fraud.

**2000** Consulting practice splits off as an independent company called Accenture. As part of the agreement, it pays Andersen $1 billion.

Yesterday's federal indictment of Arthur Andersen for obstruction of justice could lead to the demise of one of the country's oldest and biggest accounting firms.

## It All Unravels

**APRIL 2001** Andersen agrees to pay $110 million to shareholders of Sunbeam because of accounting misstatements.

**OCT. 16** Enron reduces shareholder equity by about $1 billion because of undisclosed liabilities on off-balance-sheet entities.

**NOV. 8** Andersen receive a subpoena from the S.E.C.

**MAR. 1, 2002** Andersen agrees to pay $217 million to settle lawsuits stemming from the failure of the Baptist Foundation, which plaintiffs say was a giant Ponzi scheme.

Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar.

**JUNE** Andersen pays $7 million to settle a fraud complaint by the Securities and Exchange Commission for issuing false and misleading audit reports on Waste Management's annual financial statements from 1992 to 1996.

**OCT. 22** Enron says that the Securities and Exchange Commission has opened an inquiry into the company.

**OCT. 23** According to eyewitnesses, auditors in Andersen's Houston office begin shredding Enron-related documents.

**NOV. 29** The S.E.C. investigation is expanded to include Andersen.

**YESTERDAY** Andersen is indicted.

The New York Times