



Interviewee: Lynn Brewer

Date: Thursday, May 13, 2004

Interviewer: Lynn Ingberg

Biography

Lynn Brewer, Author of *Confessions of an Enron Executive: A Whistleblowers Story*

Lynn Brewer's notoriety stems from her actions that have dubbed her "the Enron Whistleblower". Her accomplishments include: Author of *Confessions of an Enron Executive: A Whistleblowers Story*; Earning a Certification in Business Ethics from Colorado State University; Founder and President of The Integrity Institute, Inc., which assesses and certifies corporate integrity at the request of organizations for the benefit of their stakeholders.

Prior to joining Enron, Ms. Brewer worked in forensic accounting and spent 18 years as a legal professional in private practice, until she joined Ralston Purina, where she worked in Corporate Development for the General Counsel and Chief Financial Officer.

As an executive at Enron, Ms. Brewer was responsible for Risk Management in Energy Operations, the e-Commerce initiatives for Enron's water subsidiary, and Competitive Intelligence for Enron Broadband Services. Her responsibilities included financial derivatives and the now infamous "off-the-balance sheet" partnerships.

During her nearly three-year tenure, she witnessed numerous instances of illegal and corrupt dealings, including bank fraud, espionage, power price manipulation and the gross overstatements to the press, public and financial world. When her attempts to notify those inside Enron of her knowledge failed, she notified the United States government, who refused to return her e-mails and telephone calls.

Since leaving Enron, Lynn Brewer has become an internationally recognized speaker providing compelling details into Enron's rise and fall, leaving audiences shocked when they realize how vulnerable they are to becoming the next Enron.

Interview

Lynn Ingberg: What were some of the things you discovered that began your search to look deeper into the actions of Enron and its executives?

Lynn Brewer: Initially, I was recruited to head a risk management group that would, among other things, brief the "off-the-balance sheet partnerships". Within six months, I discovered what appeared to be bank fraud when I learned the gas securing a ¼ of a billion dollar loan did not exist.

I would then discover the initial gaming of the power price market in the midwest in the summer of 1998, when Enron drove prices on power from \$35 megawatt hour to \$10,000 per megawatt hour in a 24 hour period. Ultimately, I would assist in the trading of power in California in 2000 when the blackouts began which is where I was able to witness first-hand just how Enron was manipulating power.

In 1999, I would discover the husband of CEO, Rebecca Mark-Jusbasche, Michael Jusbasche was committing espionage by stealing trade secrets and then selling them back to the company.

Ultimately I would witness and confront COO Jeff Skilling on his blatant overstatement of its financial position to the media and analysts.

Lynn Ingberg: When you told your supervisors about your findings of wrongdoing, what did they say as to the company's rationale?

Lynn Brewer: Most of the responses I received every time I "blew the whistle" appeared to be the same – little or no regard for the severity of the situation – rather I was told to cover it up. Believing I didn't have all of the details I did as I was told. In my mind, I couldn't imagine at the time, a company the size of Enron, or any company for that matter, wouldn't intentionally commit bank fraud, espionage, manipulate power prices, or overstate their financial position – I would later find out how wrong I was.

Lynn Ingberg: I understand that the operator for Enron's employee assistance phone number (Enron's "confidential" hotline) stopped you from detailing the ethical issues you came across, because Enron operated the employee assistance service. What gave you the courage to tell what you knew? What made you decide to contact the head of the Energy Commerce Committee that ultimately investigated Enron?

Lynn Brewer: The deciding factor to go outside the company to call Enron's employee assistance program was based upon a potentially life-threatening disease brought I believed by the stress I had undergone in my nearly three years at Enron. Enron had an "internal" hotline that was answered internally by the Office of the Chairman's own Rebecca Carter, then Jeff Skilling's girlfriend, now his wife. And then they had a 3rd party employee assistance program which is what I called and I did lay out for the woman the details of the corruption

which is when she said "Ma'am, inasmuch as our fees are paid by Enron, I can't take your call, you'll have to hire a private lawyer." That's when I went to the government – to the head of the Energy Commerce Committee – which investigated Enron. The Department of Justice and the Securities and Exchange Commission were both run by appointees of the Bush Administration – the same administration that Enron was the biggest financial supporter of – so I did not actually trust the government which is why I went to Senator Byron Dorgan's office – unfortunately they have no record of my contacting them – despite my e-mails and phone records.

Lynn Ingberg: The Sarbanes-Oxley Act of 2002 mandated that all public companies provide a confidential and anonymous whistleblower hotline for employees to report financial issues. What would you say to an individual who may have access to information about their employer's fraud to think about when making a decision to tell or keep it to themselves as so many of your fellow Enron employees did?

Lynn Brewer: Report it. Under the revised Federal Organizational Sentencing Guidelines, the mandatory sentencing if found guilty for covering up or contributing the fraudulent acts requires severe penalties. Take Jamie Olis, for instance. A mid-level executive from Dynegy (a competitor of Enron's) was sentenced to 24 years in prison about a month ago for his role in putting together a structured finance deal. While his supervisors both pled guilty, he rolled the dice and unfortunately, there is no "time off for good behavior" in federal court. He is 38 years old and has a wife and a six month old daughter. He will have absolutely no influence in her upbringing. The "cost of compliance" is far too costly whether we are talking about soldiers in Iraq or mid-level executives in corporate America.

Lynn Ingberg: Since this is a technology publication, it would be remiss of me not to mention your involvement in a new technological advancement: The confidential reporting system. Is this a good step in the right direction?

Lynn Brewer: I have, in the past, provided advisory guidance to a company called EthicsPoint which provides the most comprehensive integrated means for employees to anonymously and confidentially report financial fraud or other ethical shortcomings. Sarbanes-Oxley Section 301(4)(a) and (b), requires the "receipt, retention, and treatment of the problem". The EthicsPoint system is the only system I have found that allows each component of Section 301 to be met with a single system, while maintaining the confidentiality of the reporter throughout the process.

I believe this section of SOX may actually become the Achilles heel for most companies as the class action lawyers begin to ask for incident reports in the discovery process. If a company does not have a comprehensive reporting system, companies may find themselves suddenly having to defend themselves in a criminal action by the Justice Department, when it is revealed they have failed to comply with the law.

Lynn Ingberg: Your book, *Confessions of an Enron Executive: A Whistleblower's Story*, talks about the illegal transactions and the dishonest people who planned and executed them. What would you expect Ken Lay and Jeffrey Skilling's response

be if they were to read your book? Have you been pleased with the response from the public thus far?

Lynn Brewer: I think Ken Lay would be pleased that I don't point too many fingers at his unfortunate ignorance about what was occurring while the "cat was away". Jeff Skilling, on the other hand, was the proverbial "mouse" who was at play. He underwent a lie-detector test the day immediately following Enron's bankruptcy filing to prove his innocence. He would likely deny any of the anecdotes about my interactions with him even took place. While Jeff's 15 minutes of fame are going to eventually come to an end, I hope to have 15 years of impact.

Note from the editor: Mark Powers

I would like to thank Lynn Brewer for providing the Great Lakes Journal the opportunity to interview her and to learn about her incredible experience with Enron. If you have any questions about this interview or would like to learn more about Lynn Brewer's story or her company The Integrity Institute please contact Lynn Ingberg, Great Lakes Journal.

I would also like to thank Lynn Ingberg for her time and efforts conducting the Lynn Brewer interview. Please feel free to contact Lynn Ingberg at lynni@greatlakesjournal.com