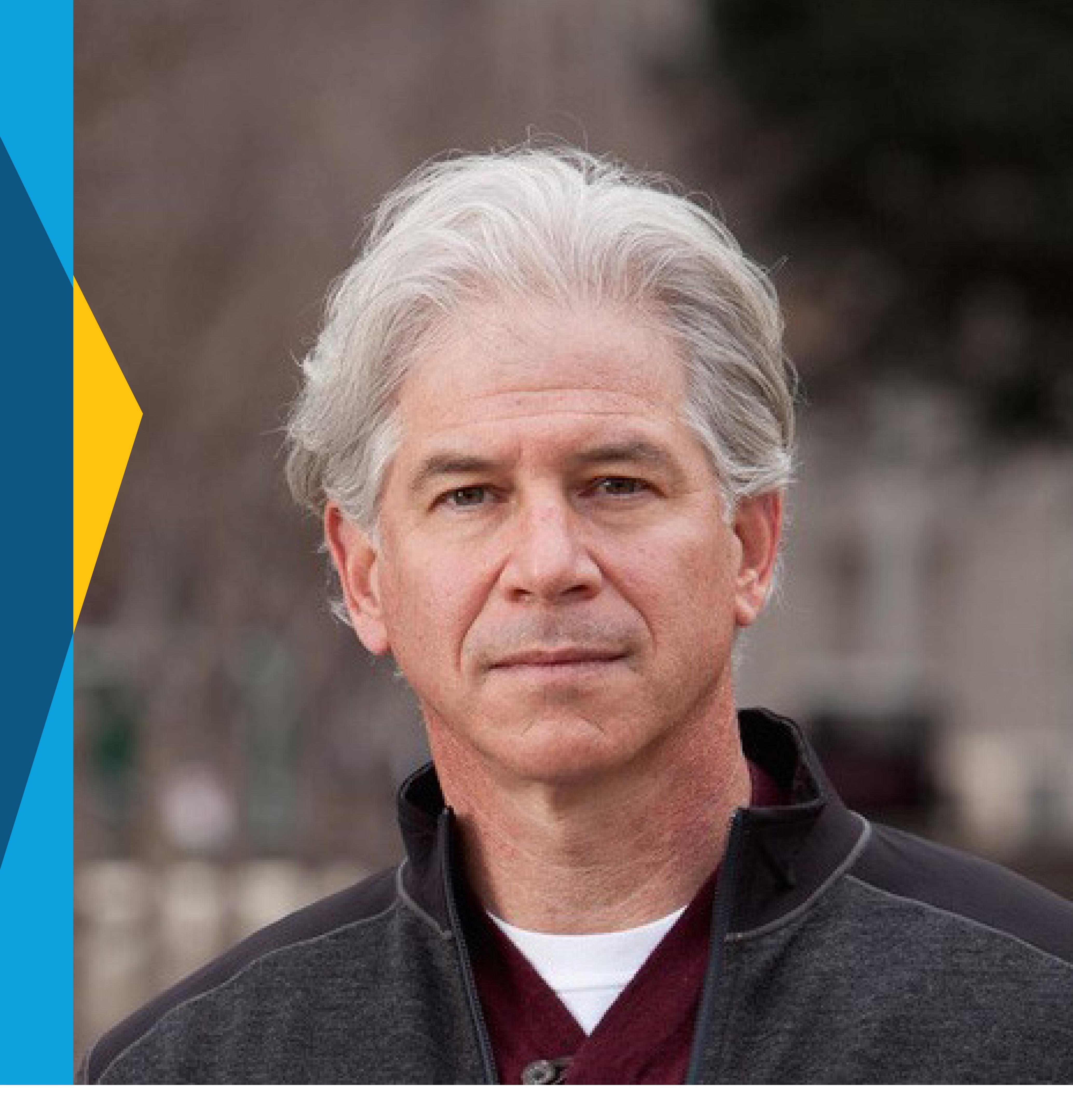
Wednesday, April 26

## ANDREW FASTOW

FORMER CFO OF ENRON CORPORATION

RULES VERSUS
PRINCIPLES

## MARQUETTE BUSINESS



Fraud examiners, Auditors, Regulators, and Underwriters look for "fraud", but fraud is a narrowly defined term. Usually, these experts look for embezzlement, bribery, and the forging of incorrect financial entries. This "traditional" definition of fraud does not include a very significant component of fraud, namely "loopholes". Loopholes, simply stated, are contrived structures that technically adhere to a rule (or at least obtain an opinion attesting to technical compliance), but that contravene the purpose, or principle, of the rule.

Beginning in the 1980's, there were two major systemic changes that gave rise to the "loophole" industry. The first was the advent of "structured finance". The second was the explosion in the complexity of accounting, tax, and securities regulations. An industry comprising accountants, bankers, lawyers, and financial consultants arose to create financial structures that exploit this complexity, enabling companies to alter reported financials and to avoid taxes, all while "technically" complying with rules and regulations. Business executives now have at their disposal, an array of "legal" weapons that can fundamentally alter the appearance of their company's financial condition.

When is it acceptable to engage in a transaction that technically complies with the rules, but that may be misleading? Can a transaction that technically complies with the rules be considered unethical or illegal? Is it ever appropriate to depart from GAAP or IFRS? Andrew Fastow will cite examples of such transactions at major companies, he will discuss the rationalizations made by executives to justify their decisions, and he will discuss examples of how these decisions can cause great harm to stakeholders. Mr. Fastow will make suggestions of questions that Regulators, Auditors, Fraud Examiners, and Underwriters might ask in order to ensure that their companies not only follow the rules, but also uphold the principles behind them.

Finally, the former Chief Financial Officer of Enron Corp. will discuss his own story, and he will describe how he made such profound mistakes.

## Wednesday, April 26, 2017 5:30 p.m.

Beaumier Conference Center (basement of Raynor Memorial Libraries)

1355 W. Wisconsin Ave. Milwaukee, WI 53233

Please RSVP by Wednesday, April 19 to mu.edu/formassembly/921

