BOOM

Sonic Information Delivered Quarterly

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What's In Store:

New 2006 Statistics Show Increased Need for Businesses to Go Online

Imagine that you, representing your business, have been given an invitation to sit down at a vast banquet table. While this table has certain offerings and conversation you would rather pass on, there is a seemingly unlimited supply of sustenance for you and your business. The banquet table and its all-you-can-eat feast is an analogy for the Internet. If your business currently lacks a website, it's undernourished in the current market.

Karen Torbett, writer for Entrepreneur.com, observed that the decision for business owners to have a website "has gone from IF to WHEN." She added, "In this day and age, your business card is a website." What should compel business owners to buy into this?

In February, 2006, Nielsen's NetRatings showed that 74% of Americans use the Internet, and those users averaged 30.5 hours online per month. InternetWorldStats.com puts the percentage of Internet users in the United States at 68%, or 204 million people out of a population near 300 million. With upcoming generations fully accustomed to using the Internet as a primary source of information and services, these percentages will only increase.

In 2005, Interland, Inc. conducted a survey of owners of 780 small and medium-sized businesses. Samplings of the poll's findings follow:

- 72% have a business website
- 57% say business website generates purchases
- 78% believe website gives business a competitive advantage
- 76% say website generates leads for their business
- 49% of small-business leaders use website to market and generate sales

There are myriad uses for a business website. Individually, these components can greatly empower and expand your business; collectively, they provide can't-miss tentacles into the market.

- Widen your customer base by reaching regional, national, and international markets.
- Make you business accessible to customers and business partners 24/7.
- Increase sales through e-commerce.
- Save on advertising through website presence and promotions.
- Market through website content, including a business profile, rates, and customer testimonials
- Include streaming video that showcases business services or appeal of products
- For service-oriented businesses, include an online scheduling feature
- Improve internal and external communication through e-mail and e-mail newsletters. Newsletters can be used to inform customers of company specials and events.

Ultimately, a business website's potential invites numerous creative uses. Don't let the transforming market pass you by. Get online and put yourself fully in the driver's seat of your business' evolution. The change isn't just good – it's great! ▫

By Bill Garvey, NextAvailable staff writer

Check Contractors' Licenses

A highly beneficial website that enables consumers to check the validity of contractors' licenses is the "Contractor's License Reference Site" at www.contractors-license.org. There, you will find a clickable United States map, including all 50 states, which links you to individual state licensing requirements and searches for contractor license verification. You can check licenses for commercial and residential contractors, electricians, HVAC contractors, plumbers, and gas fitters.

Check a license three different ways:

- by license number
- by the contractor's business name
- by personnel name (first and last)

Also, it's a good idea to cross-check a license number with the name to ensure an individual is not fraudulently using the license number of another.

Obviously, a license is no guarantee of high competence in any profession. Fundamentally, licensing lowers the "quack" quotient or number of charlatans, while demonstrating a measure of professionalism, base of knowledge, and commitment to a career.

For a contractor to be licensed, he/she must demonstrate competency by passing a written exam. In addition, a licensed contractor must also post a bond, which guarantees that consumers can pursue a partial refund if a contract is not honored. Unlicensed and unbonded contractors are also likely uninsured, meaning he/she has a seriously compromised means of reimbursing you for any property damage or personal injury he/she may cause.

Take the following steps to protect yourself:

- Hire only licensed contractors.
- Check the contractor's license at www.contractors-license.org.
- Get three references and review past work.
- Get a minimum of three bids.
- Get a written contract. Don't sign until you completely understand the terms.
- Pay 10% down, or $1000, whichever is less.
- Don't let payments get ahead of work. Keep records of payments.
- Don't make the final payment until you're satisfied with the job.
- Don't pay cash.
- Keep a file of all papers relating to your project.

Take the time to do a little research. Ultimately, it will help protect you, as well as honor and reward individuals who have worked hard to be considered professionals.□

By Bill Garvey, NextAvailable staff writer

Film Review by Bill Garvey

Film directed & written by Alex Gibney
Based on the book, The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron by Bethany McLean and Peter Elkind
Narrated by Peter Coyote
Featuring: Kenneth Lay, Jeffrey Skilling, Andrew Fastow, Louis Pai, Timothy Belden

The title of this film and the book it is based on are reminiscent of David Halberstam's 1972 historical indictment, The Best and the Brightest. Halberstam's book is about the collection of Ivy League and corporate gray matter in the Kennedy and Johnson administrations that came together to bring us the Vietnam War. Bethany McLean and Peter Elkind's The Smartest Guys in the Room deals with one noted Ivy Leaguer, Jeff

Skilling, and his executive compatriots, who led Enron into bankruptcy, robbed California's citizens, defrauded investors, cost 20,000 employees their jobs, and ruined the pensions and retirements of thousands more.

In his review of the Alex Gibney's film adaptation of "Smartest Guys," Roger Ebert astutely observed, "This is not a political documentary. It is a crime story." The documentary shows early on that the criminal minds and intentions at Enron predated the arrivals of Jeff Skilling and Andy Fastow. Back in the '80s, Enron traders (narratively referred to as "the best and the brightest"), operating out of an office in Valhalla, New York, made illegal and fraudulent transactions that netted Enron millions, much to Ken Lay's documented delight. The traders were eventually convicted of fraud and tax evasion, but they were only fired by Enron when their operations ultimately backfired, costing the company $140 million.

Enter Jeff Skilling, Andy Fastow, Lou Pai, and Tim Belden, and Enron descends to the rank of Hell's ninth circle. The film shows that Skilling presided over the introduction of a form of fantasy accounting, "Mark to Market," which enabled Enron to book "potential future profits," whatever the Enron financial brass deemed those to be. "Highly subjective," assessed one former Enron executive; subversive might have been the more fitting s-word. Unconscionably, Arthur Andersen and the SEC gave Mark to Market accounting their blessings.

With Mark to Market, investors followed the rigged compass, and Enron stock began an artificially steady climb. Instead of meaning happier days for most of Enron's employees, Skilling concurrently introduced a vehicle of corporate Darwinism called the Performance Review Committee (PRC). Through the PRC, Enron employees rated their fellow associates, and the weakest performers were expunged from the company.

Meanwhile, the film shows Skilling led Enron's "fittest" on macho biker retreats. This ushers in a laughable sequence of cyclists performing jumps Enron's bad boys only pulled off in their dreams, while Marilyn Manson screams his equally laughable rendition of the Eurythmics' "Sweet Dreams."

The music selections throughout the film are less inspired and apparently meant to be little more than lyrical matches to events in the film. When Ken Lay, the son of a Baptist minister, is introduced, we hear Dusty Springfield singing, "Son of a Preacher Man." Investors get bullish on Enron stock to the tune of The Cardigans' "Love Fool;" and when CFO Andy Fastow gets creative in hiding Enron's debt, his machinations are unveiled to the tune of Traffic's "Dear Mr. Fantasy." Finally, when the film gets to California's energy crisis, we hear Phantom Planet's (Did you guess?)… "California."

Once the film leaves Skilling and his colleagues' search for their inner Neanderthals, we are shown the perfect embodiment of self-deluded machismo at Enron – Lou Pai, CEO of Enron Energy Services (EES). Married, Pai preferred spending his days and nights in the company of Houston strippers, and one senses it's not simply the filmmaker's oversight that we can't gauge whether he did anything else of significance while at Enron.

Pai ends up leaving his wife for a stripper he has impregnated. Having spent countless hours studying the art of the tease, Pai certainly recognized the same quality in Enron's stock. Perhaps forecasting that analysts would eventually see it as well, Pai cashed in his shares for an estimated $250 to $300 million and then used the money to become the second largest landowner in Colorado. [Reviewer's side notes: In Colorado, Pai is presently attempting to overturn land grant rights that date back to 1843. In September, 2002, Fortune Magazine honored Lou Pai as the "15th greediest corporate executive in America." It makes one wonder and shudder simultaneously to think what numbers 1-14 looked like.]

The film's next segments show how Enron set a course of spreading goodwill both internationally and nationally. In India, Enron nearly completed construction of a power plant the country simply could not afford. Today, the unfinished edifice is a rusting scar on the Indian landscape.

Closer to home, Enron acquired Portland General Electric (PGE) to position itself for the newly deregulated market of California – a change Enron lobbyists had successfully pitched back in 1996. Ominously for PGE employees, all PGE stock is converted into Enron stock.

The problem, as the film shows and many of us now know, is that Enron's high stock valuation was built on illusions and deceptions. Andy Fastow, Enron's CFO, hid
$30 billion of Enron debt in companies such as "LJM," which he manufactured for that sole purpose. We are shown how Fastow constructed a labyrinth of financial entities to obfuscate the truth about Enron's dire financial health.

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Whistle blower Sherron Watkins, a former Enron VP, took one look at the accounting and knew the books were "cooked." What was obvious to her, when first assigned to work for Fastow, did nothing to dissuade or disturb Arthur Andersen and investors such as J.P. Morgan Chase, Citibank, and Merrill Lynch.

Outside Enron, financial reporters and analysts also began taking a closer look at Enron's accounting. Acting on a tip to question Enron's financial statements, Bethany McLean, a Fortune Magazine writer, queried Jeff Skilling but netted only his rising ardor and evasions. The film includes an audio recording of Skilling in a 2001 meeting with stock analysts. One analyst quite appropriately posed the long-overdue question of why Enron is the "only financial institution that can't produce a balance sheet or cash flow statement with their earnings." Bristling, Skilling responded, "We appreciate it… asshole."

The documentary's third act focuses on Enron's last gasps in 2001, when the company engulfed California in its sleazy supernova before fizzling out in bankruptcy. Enron traders, led by Tim Belden, criminally manipulated the deregulated market of California. Through the traders, we learn that "arbitrage" is actually a euphemism for extortion. The traders' demonic phone chatter is played back as they gloated over California's orchestrated shortfalls of power. We hear Belden's taped phone conversation as he easily coaxed a power plant foreman into shutting down in order to trigger additional blackouts and "arbitrage opportunities."

[Reviewer's side notes: Not since Houston-based Maxxam Corporation acquired Pacific Lumber Company in the '80s have the miseries of Texans and Californians been so tragically united. Maxxam's CEO, Charles Hurwitz, managed United Savings Association of Texas into a $1.6 billion taxpayers' debt, and then used junk-bond financing in a hostile takeover of Pacific Lumber, where he quickly commenced clearcutting and doubled the cut rate of redwoods.]

The blackouts put Governor Gray Davis on the fast track to a recall. As one Davis aide lamented, an industry that had worked fine for a hundred years with reasonable rates had been "turned into a casino" through deregulation. The film documents Ken Lay's May 17, 2001 meeting in Beverly Hills with luminaries such as Arnold Schwarzenegger and Michael Milken. His mission – to champion the rewards of deregulation.

Here, the film missed an opportunity to chronicle an interesting parallel event. On the same day, May 17, Vice-President Dick Cheney was interviewed on "Frontline." When asked if he believed Enron had manipulated the California energy crisis, he emphatically responded, "No." He added, "The problem you had in California was caused by a combination of things – an unwise regulatory scheme, because they didn't really deregulate. They've obviously created major problems for themselves."

President Bush offered that the best way to help California was "to be good citizens." To the president and vice-president's defense, they did not have access to the overwhelming evidence of criminal activities by Enron's traders that is well documented today.
Still, calls for more deregulation and for the likes of Tim Belden to be a "good citizen" could be equated with expecting a great white shark to behave when the full bucket of chum is spilled in front of it.

Meanwhile, Lay and Skilling were filmed answering questions about California's crisis in a segment that will leave the healthiest cardiovascular system aching for angina and blood pressure prescriptions. "Enron's making money despite California," Lay says poker-faced. Skilling adds, "We're the good guys. We are on the side of angels," while failing to mention those must be of the fallen variety.

The film omits some key information about Enron and California. Most telling, Enron's West Coast trading division accounted for 80% of Enron's profits in 2000 and 2001. Apparently, when Lay insisted Enron was "making money despite California," he was thinking of the other 20%. After Gray Davis signed $42 billion in long-term contracts with specific energy companies, Skilling and Lay met with Belden to determine what could be done to resuscitate the West Coast traders' shenanigans. As the rest of the country entered the "United We Stand" era, Enron's heartfelt battle cry remained, "Deregulated We Exploit."

Seeing the oncoming freight train, Skilling left Enron two months after the meeting with Belden. Shortly before his departure, Skilling was taped exhorting investors to buy Enron stock while he concurrently dumped his own to the tune of $66 million – a transaction he is filmed having great difficulty recalling during a Congressional hearing.

This is the film's documented final outrage – Enron executives preaching to shareholders to keep the faith while they dumped their own

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substantial shares. Thousands were frozen out of their accounts when the stock fell to $32, only to again be given access when the stock had tanked to $9. The result is painfully clear as one PGE electrician is filmed recalling how his 401K dwindled from $348,000 to $1,200.

In April of 2006, the trials of Jeff Skilling and Ken Lay began. On the witness stand, Skilling has continually attempted to dodge the truth and doing time by reinventing both himself and events. In the film, Sherron Watkins predicted their defenses would be to point to Andy Fastow and declare, “Andy Fastow – there’s your man!” Paraphrasing this script only slightly on the witness stand, Lay asserted, “It all began with the deceit of Andy Fastow.” One can only hope that the jury will act like Enron’s old Performance Review Committee and give their performances the appropriate ratings.□