NEELEY MAKING NEWS

MARCH 2017

March 14, 2017
10 Skills the Best Investors Have - by Lou Carlozo

While stories of IPO riches abound, the best investors apply a common skill set for prolonged returns.

The most obvious of questions – "What is investing all about, anyway?" – rarely has one obvious answer, though there's much to be gleaned by pursuing wealth of another kind: wisdom. Solid investor skills predate computer models and breathless pundits and survive for a reason, namely that successful stock market mavens have to put the principles to the test. It also highlights that going it alone is hardly advisable. Just as today's investing gurus had gurus of their own, or Main Street investors have smart financial advisors, novices hoping to become experts have plenty to learn in the company of others.

1. Become a lifelong student.

2. Place value on investing.

3. Employ healthy skepticism.

4. Follow the news, but don't be a follower.

5. Have a vacation plan.

6. Sharpen your analytical ability.

7. Find and follow a plan.

8. Work hard.
   What's true for NFL quarterbacks also applies to investors who avoid the Hail Mary throw. **"There's now substitute for hard work and intellect," says Larry Lockwood, the Stan Block Endowed Chair in Finance at Texas Christian University's Neeley School of Business, "Good investors don't make major decision based on tips they read on message boards or overhear in the hallway. They examined publicly available information about companies, listen carefully to conference calls and ignore market noise. In other words, good investors conduct their own due diligence."**

9. Practice Persistence.

10. Learn discipline.

Star-Telegram

March 29, 2017

Former Enron exec advises TCU students to do the right thing – by Steve Kaskovich

Andy Fastow has two props he uses in speeches to explain how he ended up as one of the country's most famous corporate criminals.

First, he holds up the trophy he received when he was named "CFO of the Year" in 2000 for his work at Enron Corp.

Then he holds up the federal prison ID card he was issued when he served nearly six years for wire and securities fraud.

"I got both of these for doing the same deals," **Fastow told a roomful of business students at Texas Christian University on Tuesday.** "How is it possible to be CFO of the Year and commit the greatest fraud in American history doing the same deals?"

To Fastow, it comes down to one word: loopholes.

While serving as Enron's chief financial officer from 1998 to 2001, Fastow created a web of off-balance-sheet entities that turned the Houston pipeline company into what seemed like a highly profitable trading powerhouse. But in a span of four months in 2001, Enron went from near the top of the Fortune 500 to bankruptcy, spawning investigations that led to criminal charges for its top executives.

The government showed that Enron executives had used accounting tricks to hide billions in debt and enrich themselves. In 2004, Fastow pled guilty to two counts of fraud and was sentenced to six years in prison after agreeing to cooperate with prosecutors.

Fastow was released from prison in 2011, while former Enron CEO Jeff Skilling remains locked up, serving a 24-year sentence.

Fastow, 55, takes responsibility for his crimes, though he says it never crossed his mind at the time that he might be committing fraud.

"What I did was wrong, what I did was unethical, it was illegal," Fastow said. "I intentionally misrepresented Enron's financial condition and, as a result of that, I caused a lot of harm. I take full responsibility for that, and I'm very sorry for that."

But, he said, all of his deals were approved by a bevy of gatekeepers: Enron's accountants, outside auditors, attorneys and the board of directors, and no information was withheld.

While the financial maneuvers technically followed the rules, the overall scheme was intended to mislead investors, he said. By keeping billions in debt off Enron's books, Fastow says he transformed the appearance of Enron's financials so much that it received an investment grade rating when his own evaluation showed it should have been rated as junk.

Accounting and tax rules and securities law are not black and white, Fastow said. but rather full of gray areas. "They're very complex, ambiguous, sometimes nonsensical, sometimes non-existent," he said.

Using loopholes to your advantage, he contends, is part of American society, a common practice both in business and politics. He urged the students to ask themselves what is right, not just what can be approved.

“The intent was to technically follow the rule, but the intent was to also be materially misleading,” Fastow said.

“When is that a good thing, and when is that a problem? That’s the question, and you will be confronted by that question.”

Ed Ireland, an associate professor at TCU’s Neeley School of Business and a former energy industry executive, said he invited Fastow to show students that “there’s a thin line between ethical and unethical behavior.”

In recent years, Fastow has been invited to share his message on many campuses including Harvard, Stanford, Rice and the University of Texas, as well as to groups of fraud examiners and FBI investigators.

“I’m always surprised when I’m invited to talk about business ethics. I think that’s like inviting Kim Kardashian to lecture high school girls about chastity,” he joked.

“There’s only one reason I’m here — because I went to prison,” he added. “That’s my distinction, and it is a terrible distinction to have. I’m ashamed of it every day.”

Star-Telegram

March 31, 2017
Frontier Communications Lost 600,000 New Verizon Customers in One Year – by Dave Lieber

A year ago, on April Fool’s Day, many of us were victims of a terrible joke. Frontier Communications took over Verizon’s nonwireless services. Immediately, hundreds of thousands of new customers in Texas, Florida and California complained about service problems of every possible kind.

The Watchdog was bombarded, too. Three weeks after the takeover, I wrote: “Not since the Dallas Cowboys debuted in 1960 with an 0-11-1 record has a new franchise bombed so badly in its North Texas debut.”

#FrontierFail was born

With several million new customers gained after the $10 billion purchase, the Connecticut company was turning from “a regional player into a national company,” the Motley Fool stock website reported.

Losers from the start

Two weeks ago, The Watchdog obtained a copy of the company’s detailed customer numbers for the first 50 weeks of the company’s ownership in the three new states. I’ll share some of the shocking customer losses. But the bottom line: Frontier lost nearly one-fifth of its FiOS customer base here in Texas in its first year.

Frontier not only squandered its reputation but also the legacy of the Verizon workers who built an outstanding FiOS network.

More than a thousand employees fell in layoffs, many of them Verizon workers who poured their hearts out building the fine-running fiber network, only to watch it crumble because Frontier's tech team was too small and overwhelmed by the complexity of the systems it inherited.

Offshore call centers and an executive team that made poor decisions rounded out the catastrophe of this 0-11-1 team.

'Committed to our customers'

Frontier CEO and President Dan "Disappearing Dan" McCarthy calls it "the whole disruption of what happened following the integration."

We call it #FrontierFail.

Frontier spokeswoman Christy Reap tells The Watchdog: "Our April 2016 acquisition of Verizon's wireline operations in California, Texas and Florida doubled our size, presented operational issues that have steadily improved, taught us valuable lessons, and helped better position the company for success in 2017.

"We are sharply focused on delivering a better customer experience by continuing to invest in our network and by improving the service provided to our valuable customers. Frontier is committed to our customers, employees and the communities we serve."

The numbers

Let's look at the numbers. A year ago, Frontier stock was $5.47 a share. Last week, the stock dipped to its all-time low of under $2. The company hasn't reported a profit during its first year in Texas.

It's easy to see why. In the three categories I looked at — high-speed Internet, TV packages and residential data — Frontier lost a total of 110,000 Texas customers out of 620,000 it inherited a year ago.

Frontier lost one-fourth of its Texas TV customers. The same happened in California and Florida, where Frontier also lost a quarter of its TV customers.

In those three categories, the company lost 322,000 customers in California and 180,000 customers in Florida.

By my math, that's a loss of 600,000 customers in a year.

How come?

I saw it at my local UPS store when the man ahead of me was returning his Frontier equipment after canceling his service. The store clerk said he sees similar frustrated Verizon customers giving up on Frontier almost every day.

It's a demonstration of everything a telecommunications company can do wrong. Service interruptions. Billing incompetence. Customer service failures. Constant outages. Slow data speeds. Missing movie libraries. Mobile app failures.

Customers were hung up on, not responded to or shuffled among reps.

And while Rome was burning, the staff fiddled. Or more accurately created an office dance video that I posted on the Internet (along with angry customers watching it) much to the company's consternation.

Stock sales?

The Watchdog was tipped by someone who closely follows the company that top executives sold stock shares three days before a disastrous fourth-quarter earnings report. Tipster wanted to know if the sales showed executives' lack of confidence.

Disappearing Dan, the CEO, sold 302,000 shares in the days before the 4Q report.

I checked with three business experts: University of Texas at Dallas professor Dennis McCuistion and **TCU assistant professors Ryan Krause and Swami Kalpathy.** All agree with Frontier spokeswoman Christy Reap who told me that the stock trades weren't sales for cash, but were shares withheld to fulfill tax bills when the executives' stock options vested.

So I want to put that lack-of-confidence fear to bed. Confidence is not the problem. It's incompetence.

No punishment for incompetence

There's a final happy note for the company here in Texas, but not for us. Most likely, the company will never be held to account for its customer failures.

In West Virginia, last year, the state attorney general extracted a $160 million settlement. Don't expect anything like that to happen here. In Texas, Frontier is essentially unregulated. What a sweet birthday present.

Happy birthday, Frontier. And thanks for the worst April Fool's prank ever.