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Ex-Enron CEO Skilling Pleads Innocent

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By KRISTEN HAYS, AP Business Writer

HOUSTON - Former Enron Corp. chief executive Jeffrey Skilling, taken to court in handcuffs Thursday, was charged with three dozen counts of fraud and other crimes in the highest-reaching indictment yet stemming from Enron's colossal collapse.

Former Enron CEO Skilling Pleads Innocent

Skilling, the top-ranking executive arrested so far in the scandal that shook Wall Street and Washington alike, was accused of participating in widespread schemes to mislead government regulators and investors about the company's earnings.

"I plead not guilty to all counts," Skilling told U.S. Magistrate Judge Frances Stacy, who set bond for him at \$5 million. Skilling posted the bond with a cashier's check and left the courthouse at midmorning.

Prosecutors said Skilling faced up to 325 years in prison and more than \$80 million in fines if convicted of all counts. Another court appearance was set for March 11.

The indictment accuses Skilling, 50, and Richard Causey, Enron's former chief accounting officer, of taking part in the schemes to mislead regulators and investors. Causey, 44, was indicted a month ago and is free on \$500,000 bond.

Skilling was named in 36 of the counts, 10 of them accusing him of insider trading that generated \$62.6 million from stock sold from April 2000 through September 2001, about a month after he quit Houston-based Enron. According to the indictment, he sold shares in blocks ranging from 10,000 to 500,000 during that time, when Enron stock sold as high as \$87 in September 2000 to \$31 in September 2001.

Prosecutors "were making a grave mistake" in pursuing Skilling "but they have decided to turn a blind eye," said one of his lawyers, Dan Petrocelli.

"Jeff Skilling has nothing to hide," Petrocelli said. "He did not steal. He did not lie. He did not take anyone's money and in the 60 pages of charges filed by the United States government, they don't even accuse him of these things and it's not from lack of trying."

He said Skilling — unlike other former Enron executives who invoked their Fifth Amendment rights before Congress — had cooperated fully with investigators and government panels investigating the company's collapse.

"He has come forward, he has raised his right hand, he has answered the hard questions," Petrocelli said. "Jeff Skilling did nothing wrong. ... I guess they need a scapegoat. And I guess Jeff Skilling is their scapegoat."

Deputy Attorney General James Comey, who heads the Justice Department (news - web sites)'s corporate fraud task force, said Skilling and other executives were responsible for a "massive, complex scheme to give shareholders and the investing public the false appearance of financial strength and security at a time when Enron was, in fact, failing."

"The indictment of Enron's CEO shows that we will follow the evidence wherever it leads — even to the top of the corporate ladder," Assistant Attorney General Christopher Wray said.

The indictment unsealed Thursday also mentions former chief financial officer Andrew Fastow, who pleaded guilty and is cooperating with federal prosecutors, and former treasurer Ben Glisan, who pleaded guilty to conspiracy and became the first former Enron executive put behind bars.

The indictment makes no mention of Skilling's former boss, former Enron chairman Kenneth Lay, either by name or by title. Lay, who served as CEO before Skilling, has maintained his innocence of any wrongdoing related to Enron's failure.

Skilling, flanked by a pair of attorneys, turned himself in at the Houston FBI (news - web sites) offices just before daybreak. About 15 minutes later, his hands behind him in cuffs, he was placed in a car for the trip to the federal courthouse.

He becomes the highest-profile former Enron executive to date to face criminal charges and one of the most anticipated in the Justice Department's methodical investigation, which passed its two-year mark last month.

Two years ago, Skilling told two congressional panels that he knew nothing about serious problems at the energy trader before he quit after serving as CEO for only six months. Skilling maintained that he believed Enron was financially healthy when he stepped down, citing personal reasons he has not explained.

The indictment said the objectives of the schemes were to report recurring earnings that grew by 15 to 20 percent each year, to avoid writedowns or losses, to persuade investors that Enron's profitability would grow and to meet or exceed analyst expectations.

From 1999 through late 2001, Skilling, Causey and their co-conspirators "engaged in a wide-ranging scheme to deceive the investing public, the (Securities and Exchange Commission (news - web sites)), credit rating agencies and others about the true performance of Enron's businesses" by manipulating the company's finances and making false and misleading public statements about Enron's financial performance, the indictment said.

The government was seeking to seize from Skilling accounts worth more than \$50 million, plus an 8,000-square-foot Houston mansion with a market value of \$4.7 million.

Causey, who was fired in February 2002 after an internal probe concluded he failed to adequately look out for Enron's interests when the energy giant did deals with Fastow's partnerships, initially had been charged with six counts. He has pleaded innocent.

Additional counts unsealed Thursday accuse him of insider trading and allege he sold shares of stock generating \$10.3 million from January 2000 to September 2000. The government is seeking forfeiture of Causey's suburban Houston home plus three accounts worth more than \$3 million.

In the latest indictment, both men are accused of wire fraud, securities fraud, securities fraud regarding presentations to securities analysts and of making false statements to auditors in annual representation letters and false statement to auditors.

Fastow pleaded guilty a month ago to two counts of conspiracy and agreed to help prosecutors pursue other cases. Fastow admitted that he and others manipulated Enron's books so the company would appear successful while using various partnerships to enrich himself, his family and chosen colleagues.

Fastow's lawyers said when he was indicted in October 2002 that he was hired to do off-the-books financing and that Enron's top brass approved and praised his work. Causey and Fastow reported directly to Skilling.

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Associated Press Writers Pam Easton and Juan Lozano contributed to this report.

