



## INTERNATIONAL Herald Tribune A tale of two Enrons unfolds as trial opens

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On the opening day of the much-anticipated trial of Kenneth Lay and Jeffrey Skilling, lawyers for the government and the defense told a tale of two Enrons, portraying starkly different versions of why the energy company collapsed in late 2001. That Enron blazed a path to the summit of the energy world was not in dispute in court on Tuesday. In the 1990s, it was a Wall Street darling, the pride of an energy-centered city and the creator of an industry that bought and sold natural gas, electricity and anything else its ambitious employees could dream up. But since its bankruptcy in late 2001, Enron has come to symbolize the malfeasance that infected so many American corporations in the 1990s. After six hours of opening statements, it was clear that Enron's sudden failure, and the reasons behind it, were as much on trial in federal court here as Skilling and Lay. In its statement, the government painted a picture of a company whose stunning rise in profits was due to accounting "hocus pocus." It said that two of Enron's trumpeted businesses were in bad shape and that its chief executives had chosen to lie about the company's true condition because of their own personal greed. In the end, the government said, the comments of Skilling and Lay helped fuel a crisis of confidence in the market that led to Enron's demise. "This is a simple case," John Hueston, an assistant U.S. attorney, told the jury of eight women and four men. "It is not about accounting. It is about lies and choices." Skilling and Lay, Hueston later added, "lied to investors in the final darkening months of Enron." Hueston, who spoke for 90 minutes on Tuesday, said the government would focus its case not on the byzantine accounting that many have attributed to the criminal activity inside Enron but on the purportedly misleading statements that Skilling and Lay gave to investors in 2000 and 2001 — lies, the government said, that hurt the company and gave the two chief executives insider knowledge about when to sell Enron stock. The defense countered with its own portrait of a pioneering company built by Skilling, a former star management consultant, and Lay, a poor Missouri farm boy, that grew rapidly through risk-taking. What ultimately killed Enron, the defense said, was a "death spiral" that began when the market panicked and creditors pulled their support for Enron's trading operation. "Ken Lay has, does and will continue to accept responsibility for the fall of Enron," said Michael Ramsey, Lay's lead lawyer. "He was the man at the controls. But failure is not a crime." Ramsey and Daniel Petrocelli, Skilling's lead lawyer, vowed to attack the government's case by defending the allegedly fraudulent accounting that the government now says it will not focus on. But Lay's lawyer also laid out a case that will blame a host of outsiders, including short-sellers and The Wall Street Journal, and Enron's own overreliance on trading to produce profits, for stoking the crisis of confidence that led to the company's rapid descent to the largest bankruptcy filing in history at the time. The courtroom was packed for the trial's opening arguments. Members of Lay's and Skilling's families filled one row of the courtroom. Skilling smiled and, during breaks, touched the heads of his three children and his wife, Rebecca Carter, a former Enron corporate secretary. Lay sometimes left the courtroom with his arm wrapped around the shoulders of his wife, Linda. The jurors focused intently; several took notes on legal pads. Lawyers watching on Tuesday said the trial was set to be a pitched battle. "It is going to be extremely difficult for this jury to sit in judgment," said Philip Hilder, a trial attorney representing Sherron Watkins, a likely

government witness and the former Enron accountant who once wrote a memo containing warnings about the company's accounting practices. "Both sides made very compelling cases," Hilder said. You can see it is going to be a real slugfest between the parties."The government has accused Skilling of 31 counts of conspiracy, fraud and insider trading. Lay is accused of seven counts of conspiracy and fraud.

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