Adverse Media Monitoring Report

2023-01-18

Kenneth Lay

Needs Investigation

Overview

Search parameters

Name	Type	Year of birth	Location
Kenneth Lay	**Individual**	—	**—, United States**

High-risk countries

—

Keywords

ACCUSE · ARREST · BRIBE · CONVICT · CORRUPT · COUNTERFEIT · CRIME · EMBEZZLEMENT · FRAUD · GUILT · ILLEGAL · INDICTMENT · INVESTIGATION · KICKBACK · MONEY LAUNDERING · NARCOTIC · PENALTY · SANCTION · SENTENCED · EVASION · TERRORIST · THEFT · TRAFFICKING · VIOLATION · ACUSAR · ARRESTAR · SOBORNO · CORRUPTO · CRIMEN · FRAUDE · CULPA · ILEGAL · CONTRAGOLPE · LAVADO DE DINERO · MULTA · SENTENCIADO · TERRORISTA · ROBO · FALSIFICACIÓN · MALVERSACIÓN · ACUSACIÓN · INVESTIGACIÓN · NARCÓTICO · SANCIÓN' · EVASIÓN · TRÁFICO · VIOLACIÓN

Article Language(s)

Any

Source

Google API

Business process

https://demo-qa.workfusion.com/workfusion/secure/business-process/edit/70d855d4-4e06-4b0e-9ad0-96b1a9f1856d

Batch ID

70d855d4-4e06-4b0e-9ad0-96b1a9f1856d

Transaction ID

d11cc231-4efa-4252-824e-01ed39a3974b

Overview of search results

High-risk countries found in the search results

—

Keywords found in the search results

fraud — 158 · conspiracy — 77 · convicted — 59 · guilty — 58 · bankruptcy — 54 · trial — 54 · indictment — 53 · criminal — 46 · prison — 41 · collapse — 40 · scandal — 35 · investigation — 33 · verdict — 26 · sentence — 24 · insider trading — 23 · alleges — 20 · sentencing — 17 · defendants — 16 · fraudulent — 16 · conviction — 16 · indicted — 16 · defendant — 15 · securities fraud — 14 · laws — 14 · attorney — 14 · problems — 14 · corruption — 12 · death — 12 · wire fraud — 11 · authorities — 10 · scandals — 10 · debt — 9 · convictions — 8 · collapsed — 8 · alleged — 8 · crimes — 8 · crime — 7 · money laundering — 6 · sentenced — 6 · author — 6 · illegal — 6 · deceive — 6 · unlawful — 6 · investigations — 6 · investigators — 4 · manipulate — 4 · investigating — 4 · fines — 4 · wrongdoing — 4 · resigned — 4 · fraudulently — 4 · violating — 4 · trials — 4 · fake — 4 · preceded — 4 · jail — 4 · grand jury — 4 · penalty — 4 · investigate — 4 · corrupt — 4

debts — 4 | litigation — 4 | bank fraud — 4 | allegations — 4 | arrested — 3 | frauds — 2 | improperly — 2 | problem — 2
extremely — 2 | defenders — 2 | fraudster — 2 | manipulation — 2 | felony — 2 | investigated — 2 | violated — 2 | misconduct — 2
fined — 2 | nicknamed — 2 | litigate — 2 | embezzlement — 2 | probed — 2 | sentences — 2 | defended — 2 | criminals — 2
violate — 2 | disclosure — 2 | drugs — 2 | defrauding — 2 | robber — 2 | imposed — 2 | deception — 2 | fine — 2
offender — 2 | defraud — 2 | incrimination — 2 | handcuffs — 2 | sued — 2 | arraigned — 2 | deceptive — 2 | indictments — 2
wound — 2 | scandalous — 2 | bankrupt — 2 | disgraced — 1 | police — 1 | co conspirators — 1

Reviewers

Thompson Anna Thompson, Auto

Reviewer Comment

n/a

Summary - 20

[Enron turned obscure businesspeople into household names. Here's where they are now]

2021-12-02 · Needs Investigation (Score 1.00) · Auto   cnbc.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Enron turned obscure businesspeople into household names. Here's where they are now

... Enron's founder and chairman, Kenneth Lay, did not survive the scandal. Not long before Enron's collapse, he was riding high — a local hero in Houston who had been rumored to be in line for a post in the new George W. Bush administration. Lay had deep ties to the Bush family, nicknamed by the second President Bush as "Kenny Boy." ...

... Convicted on 10 felony counts in 2006 — a verdict that he said at the time left him "shocked" — Lay died of a heart attack six weeks later while awaiting sentencing ...

[#470: 07-08-04 FORMER ENRON CHAIRMAN AND CHIEF EXECUTIVE OFFICER KENNETH L. LAY CHARGED WITH CONSPIRACY, FRAUD, FALSE STATEMENTS]

Needs Investigation (Score 0.94) · Auto   justice.gov

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

#470: 07-08-04 FORMER ENRON CHAIRMAN AND CHIEF EXECUTIVE OFFICER KENNETH L. LAY CHARGED WITH CONSPIRACY, FRAUD, FALSE STATEMENTS

... Lay surrendered this morning to FBI agents in Houston and the indictment was unsealed. Lay had an initial appearance this morning before Magistrate Judge Mary Milloy ...

... #This indictment alleges that every member of Enron#s senior management participated in a criminal conspiracy to commit one of the largest corporate frauds in American history,# said Assistant Attorney General Wray ...

[Enron's Kenneth Lay Arrested]

Needs Investigation (Score 0.90) · Auto   thestreet.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Enron's Kenneth Lay Arrested

... Kenneth Lay, the indicted former chairman of ...

... Lay's armor cracked earlier this year when prosecutors reached a plea agreement with Fastow. That led to the indictment of Richard Causey, Enron's former chief accounting officer. Soon after, Skilling was added as a defendant in a superseding indictment. Both Causey and Skilling have pleaded not guilty to the charges ...

[Disgraced boss Ken Lay dies at luxury ski chalet]

2006-07-06 · Needs Investigation (Score 0.88) · Auto theguardian.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Disgraced boss Ken Lay dies at luxury ski chalet

... **1985** Enron is formed through the merger of Houston Natural Gas and InterNorth. Kenneth Lay becomes chief executive ...

... **January 2004** Fastow reaches a plea deal and is sentenced to 10 years in jail ...

[Lay, Skilling guilty on nearly all counts]

Needs Investigation (Score 0.86) · Auto nbcnews.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Lay, Skilling guilty on nearly all counts

... The trial lasted nearly four months. The jury deliberated six days. And after being convicted Thursday of fraud and conspiracy in one of the biggest corporate scandals in U.S ...

... He has pleaded guilty to conspiracy in exchange for a 10-year jail sentence which he likely will begin serving soon ...

['I didn't intend to deceive anyone']

Needs Investigation (Score 0.84) · Auto fraud-magazine.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

'I didn't intend to deceive anyone'

... Enron founder, Kenneth Lay, and CEO Jeffrey Skilling also financially benefited from Fastow's fraudulent schemes in the millions of dollars of stock they sold prior to Enron's collapse ...

... **Houston, April 4:** Former Enron chairman Kenneth Lay during the midday break of his fraud and conspiracy trial April 4, 2006, in Houston, Texas. (Photo by Dave Einsel/Getty Images News/Thinkstock) ...

[Enron Founder Dies Before Sentencing (Published 2006)]

2006-07-05 · Needs Investigation (Score 0.78) · Auto nytimes.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Enron Founder Dies Before Sentencing (Published 2006)

... Mr ...

... He was one of three children of a struggling preacher and businessman, and often took odd jobs like baling hay and delivering newspapers to help his family get by The Lay family was often in and out of financial distress. Omer Lay, Kenneth Lay's father, was a Baptist minister who also tried his hand at a number of other occupations, including running a general store and selling stoves door to door ...

[Enron Scandal: The Fall of a Wall Street Darling]

Needs Investigation (Score 0.77) · Auto investopedia.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Enron Scandal: The Fall of a Wall Street Darling

... Enron was formed in 1985 following a merger between Houston Natural Gas Co. and Omaha, Neb.-based InterNorth Inc. Following the merger, Kenneth Lay, who had been the chief executive officer (CEO) of Houston Natural Gas, became Enron's CEO and chair. Lay quickly rebranded Enron into an energy trader and supplier Deregulation of the energy markets allowed companies to place bets on future prices, and Enron was poised to take advantage. In 1990, Lay created Enron Finance Corp. and appointed Jeffrey Skilling, whose work as a McKinsey & Co. consultant had impressed Lay, to head the new corporation ...

... The term “smartest guys in the room” is a sarcastic reference to top Enron executives—including its former chairman Kenneth Lay, CEO Jeffrey Skilling, and CFO Andrew Fastow—whose hubris in perpetrating the massive fraud at Enron led to its eventual downfall. *Enron: The Smartest Guys in the Room* was also the title of a book by Bethany McLean and Peter Elkind, published in 2003, that was later made into an award-winning documentary film of the same name ...

Enron settles with ex-CEO's wife Linda Lay

2011-06-20 · Needs Investigation (Score 0.72) · Auto reuters.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Enron settles with ex-CEO's wife Linda Lay

... It also said continuing to litigate might not be best because Kenneth Lay’s estate is insolvent and Linda Lay has “extremely limited” assets ...

... A Houston federal jury in May 2006 found Kenneth Lay guilty of fraud and conspiracy related to Enron’s collapse, but his death two months later led to his ...

Convicted Enron Founder Kenneth Lay Dies at 64

2006-07-05 · Needs Investigation (Score 0.71) · Auto pbs.org

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Convicted Enron Founder Kenneth Lay Dies at 64

... A separate jury also convicted Lay, who sold millions of dollars of stock in the company right before its collapse, of fraud related to his personal finances ...

... Lay and Skilling were scheduled for sentencing Oct. 23 and faced 25 to 40 years in prison ...

Kenneth L. Lay

Needs Investigation (Score 0.68) · Auto sourcewatch.org

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Kenneth L. Lay

... Briony Hale, "Kenneth Lay: A fallen hero," BBC, July 8, 2004: "Enron's former chief executive Kenneth Lay has protested his innocence since the day the scandal broke in 2001, pinning the blame firmly onto his former colleagues instead." ...

... "Enron ex-chief Kenneth Lay dies," BBC, July 5, 2006 ...

Top 10 Crooked CEOs - TIME

2009-06-09 · Needs Investigation (Score 0.67) · Auto content.time.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Top 10 Crooked CEOs - TIME

... **Convicted** : May 25, 2006 of fraud and conspiracy ...

... Enron imploded with breathtaking speed in the early 2000s, going virtually overnight from being the nation's seventh-largest company to a bankrupt shell synonymous with corporate greed and deceit. Kenneth Lay and Jeffrey Skilling were at the helm as the company collapsed, taking the jobs and savings of thousands along with it. Lay helped create Enron in 1985 as a natural gas provider and presided as it grew into an energy-trading behemoth worth some $68 billion in 2000 ...

Endowed Enron

2002-05-12 · Needs Investigation (Score 0.66) · Auto washingtonpost.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Endowed Enron

... "We've been arguing [that] we shouldn't wait for the smoking gun, that what has been revealed so far is enough to make naming a chair after Kenneth Lay more than questionable," says political science professor Paul Wallace ...
... "To return it back to the Kenneth Lay Foundation is not going to send it to Mother Teresa's orphanages," Wallace says. "We would like the money to be used in a moral fashion." ...

[Ken Lay--Guilty. George Bush--Guilty.]

2006-05-25 · Needs Investigation (Score 0.66) · Auto   thenation.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Ken Lay--Guilty. George Bush--Guilty.

... The man who paid many of the biggest bills for George Bush's political ascent, Enron founder Kenneth Lay, has been found guilty of conspiracy and fraud almost five years after his dirty dealings created the greatest corporate scandal in what will be remembered as an era of corporate ...
... The same jury that convicted Lay found Enron's former chief executive, Jeffrey Skilling, guilty on 19 counts of fraud, conspiracy, making false statements and engaging in insider trading</ ...

[Statement by SEC Staff: Statement at Press Conference Announcing Actions Against Kenneth Lay]

Needs Investigation (Score 0.63) · Auto   sec.gov

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

Statement by SEC Staff: Statement at Press Conference Announcing Actions Against Kenneth Lay

... Let me begin by congratulating the Department of Justice, the Federal Bureau of Investigation, the Internal Revenue Service, and especially the Enron Task Force, on today's criminal action against Ken Lay ...
... And finally — lest there be any doubt — I will repeat what we've said before: Our investigation is continuing ...

[USA v. Jeffrey Skilling, Kenneth Lay (4:04-CR-25) | Southern District of Texas]

Needs Investigation (Score 0.63) · Auto   txs.uscourts.gov

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

USA v. Jeffrey Skilling, Kenneth Lay (4:04-CR-25) | Southern District of Texas

... Order Dismissing Indictment against Defendant Kenneth Lay ...
... Order Regarding the Right of Crime Victims to Testify at Sentencing ...

[A Nervous Kenneth Lay at Enron Trial | Crime, Corruption, and ...]

Needs Investigation · —   loc.gov

There was an error when processing the article. Please review manually.

A Nervous Kenneth Lay at Enron Trial | Crime, Corruption, and ...

A Nervous Kenneth Lay at Enron Trial. Crime, Corruption, and Cover-Ups ... A Nervous Kenneth Lay at Enron Trial. As Mark Koenig, Enrons head of investor ...

[True Crime Weekly: Enron Founder Kenneth Lay Guildy of Fraud]

2021-10-12 · Needs Investigation · —   aezoutbailbonds.com

There was an error when processing the article. Please review manually.

True Crime Weekly: Enron Founder Kenneth Lay Guildy of Fraud

Kenneth Lay Found Guilty. The late CEO OF Enron was convicted by a federal jury in Houston of conspiracy, securities fraud, wire fraud, and making false ...

[Enron Scandal Executives, 20 Years Later: Where Are They Now ...]

Needs Investigation · — bloomberg.com

This article could not be downloaded because it is hidden behind a paywall. Please review manually.

Enron Scandal Executives, 20 Years Later: Where Are They Now ...

Dec 2, 2021 ... He was convicted by a Houston jury in 2006 of conspiracy, securities fraud, making false statements to auditors and insider trading. His prison ...

[Overconfidence Is Contagious]

2020-11-17 · True Positive (Score 0.46) · Thompson Anna Thompson hbr.org

Overconfidence Is Contagious

... When the Enron scandal broke in 2001, it shook Wall Street to its core and left thousands of people, who had lost billions of dollars in pensions and stocks, disillusioned and angry. People still wonder how the once-revered Wall Street giant, at the time the seventh-largest company in the U.S., crumbled almost overnight .. ... So what did go wrong? The search for answers leads consistently to Enron's top executives, Jeffrey Skilling and Kenneth Lay, whose massive acts of accounting fraud, corruption, and deception covered up the company's weaknesses until their exposure led to its downfall ...

Report Explanation

Case Status: the recommendation based on the analyst''s findings. Possible values are Further investigation needed, True positive or False Positive. This is listed under the entity name.

High-Risk Countries: shows flagged countries which were found within the article(s). Note that additional countries that were not found within the articles may have been used in the screening.

Keywords: shows keywords found within the article(s) that are commonly associated with a True Positive alert. Note that additional keywords that were not found within the article(s) may have been used in the screening.

Article Title: the name of the article returned by the search parameters. Clicking the name of the article title in the Summary section will navigate you to the full text of the article in the article details section.

Article Status: a risk-based category assigned to an article. Possible values are “Needs Investigation”, “False Positive”, "True Positive". Articles that were not dispositioned as "False Positive" by the model are automatically assigned "Needs Investigation" unless a human team member changes the status during the review process.

Score: a model-based assessment that determines the relevance of the entity and a risky activity and/or crime. It is given on a 0.00 to 1.00 scale, with 1.00 being the most relevant.

Reviewer: the name and ID of the final analyst who reviewed the article and updated its status and/or comment. Possible values are the name and ID of analysts at your organization or "Auto" if it was processed automatically by the digital worker Evelyn. It is possible for different articles to be reviewed by different analysts within the same case.

Comment: articles are first analyzed by the machine learning model. If the model dispositioned the article as False Positive, you''ll see the reasoning listed here. You''ll also find comments made by analysts during their manual review in this section.

Enron turned obscure businesspeople into household names. Here's where they are now

2021-12-02 · Needs Investigation (Score 1.00) · Auto cnbc.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

trial fraud prison investigation attorney conspiracy guilty sentence bankruptcy defendants verdict convicted arrested convictions corruption crime criminal defendant felony fine illegal indicted investigate investigated investigators problems sentenced sentences sentencing

Enron turned obscure businesspeople into household names. Here's where they are now

The sudden collapse of Enron, culminating in what was then the largest bankruptcy filing in U.S. history on Dec. 2, 2001, changed thousands of lives, damaged investor confidence to the core and made household names out of previously obscure businesspeople.

Many were dragged in front of congressional committees and berated in seemingly endless hearings. Some were later indicted, arrested and paraded in front of cameras in handcuffs as part of a national catharsis. Twenty years later, the last of the Enron defendants have completed their prison sentences, paid their restitution and have sought to move on with their lives.

Even now, few of the dozen or so people we spoke to for this article were willing to speak publicly about their time at Enron. Several said they saw "no upside" in re-associating themselves with the company, preferring instead to keep a low profile. More than one said that even two decades later, recounting the experience is deeply emotional. One former executive said he would need time to "decompress" after an hour-and-20-minute phone conversation about Enron — most conversations with Enron alumni are long.

All the former company leaders CNBC spoke with still recall their time at Enron fondly, as do many of the thousands of employees who may still blame them for the collapse of what all seem to agree was a special place to work.

Former Enron chairman Kenneth Lay (C) leaves the Bob Casey U.S. Courthouse after the day's proceedings in his fraud and conspiracy trial, April 26, 2006, in Houston, Texas.

Enron's founder and chairman, Kenneth Lay, did not survive the scandal. Not long before Enron's collapse, he was riding high — a local hero in Houston who had been rumored to be in line for a post in the new George W. Bush administration. Lay had deep ties to the Bush family, nicknamed by the second President Bush as "Kenny Boy."

Convicted on 10 felony counts in 2006 — a verdict that he said at the time left him "shocked" — Lay died of a heart attack six weeks later while awaiting sentencing. Because he never had the chance to appeal the verdict, his convictions were vacated by the court.

Lay's daughter Elizabeth, an attorney who worked on his defense team, and son Mark, a former Enron vice president who still works in the energy industry, recalled what they said were multiple firsts at Enron under their father's leadership, in areas including renewable energy, environmental stewardship, and support for minorities and disadvantaged people.

"The model was simple, hire the smartest people you could find, give them capital and manage the back office for them so they could build new markets," they said in a statement to CNBC.

Former Enron CEO Jeffrey Skilling testifies before the Senate Committee on Commerce, Science and Transportation February 26, 2002 on Capitol Hill in Washington DC.

Former CEO Jeffrey Skilling, the one-time McKinsey consultant who developed Enron's "asset-light" business model focusing on market-making businesses like natural gas trading instead of traditional pipelines, completed a 12-year prison term in 2019 . His sudden resignation after just six months as CEO in 2001 triggered some of the first suspicions about problems at Enron.

Skilling, who declined to comment for this story, served the longest sentence of any Enron defendant, convicted alongside Lay on 19 counts including fraud, conspira and insider trading. He has consistently maintained his innocence, but he dropped his remaining appeals in 2013 as part of an agreement with the Justice Departmen that led to his early release from prison.

He was originally sentenced to 24 years, but a federal appeals court ruled the sentence was excessive and sent the case back to the trial judge for resentencing. In 2013, Skilling and the DOJ agreed to jointly recommend a 14-year sentence in exchange for Skilling dropping his remaining appeals. With good behavior, that meant Skilling was released after approximately 12 years.

Today, Skilling is back in Houston, where he is working on a start-up firm in the energy industry, Veld Applied Analytics. According to its website , the company is developing "sophisticated analytical tools to establish and monitor valuation" of oil and natural gas assets.

Richard Causey, the former chief accounting officer who was slated to go on trial alongside Skilling and Lay but agreed to plead guilty just weeks before the trial began, served nearly five years in prison and was released in 2011. Today, he too is back in Houston, where he operates a niche financial consulting business. Causey also declined to comment.

Ethics needs to be taught like a skill that's like accounting, where you're really going through all the different dilemmas that might cross your desk.

One of the few former Enron executives willing to discuss their experiences is Andy Fastow, former chief financial officer. Fastow, who created some of Enron's most notorious off-balance-sheet transactions and made millions in the process, eventually pleaded guilty to two fraud counts. He was a star prosecution witness against Skilling and Lay, and served five years in prison.

He too declined to be interviewed, but he provided a statement on the 20-year anniversary of Enron's bankruptcy.

"I believe that what I did was wrong, was unethical, and was illegal. I take full responsibility for my actions. I am ashamed and embarrassed every day of my life. To those who were hurt by my actions, directly or indirectly, I apologize. I don't expect you to accept my apology, but you deserve to hear it," he wrote.

Former Enron chief financial officer Andy Fastow is escorted from the Bob Casey Federal Courthouse in Houston, Texas by U. S. Marshals after his fourth day of testimony for the government in the fraud and conspiracy trial against Jeff Skilling and Ken Lay Monday, March 13, 2006.

Since his release from prison in 2011, Fastow has worked the lecture circuit, and has also given unpaid talks to business groups, fraud investigators and college classes. Often, he displays his Federal Bureau of Prisons identification card in one hand and a "CFO of the Year" trophy he once won in the other. His message: ever though companies and executives may believe they are following the rules, they could still be breaking the law like he did. Fastow says misleading deals like the ones he did at Enron are still common in business, and still celebrated.

"You can follow all the rules, and yet still be committing fraud. That should make everyone very uncomfortable," Fastow said in an excerpt from one of his speeches posted online by the BigSpeak Speakers Bureau , where the going rate for a Fastow speech is listed at $10,001-$20,000.

Enron's Vice President of corporate development Sherron Watkins (L) watches as former President and CEO of Enron Corporation Jeffrey Skilling (R) testifies before the Senate Committee on Commerce Science and Transportation February 26, 2002 in Washington, DC.

Another former Enron executive who has parlayed her experience into a speaking and consulting career said that from what she has seen, Fastow still doesn't get it.

"The CFO of the Year award is the same information as investors and employees, while the Department of Justice has subpoena power and could get to the root of the transaction, so that's a misrepresentation," said former Enron Vice President Sherron Watkins in an interview. "I am conflicted about his message because he is talking about principles over specific rules. It gives a good message, but he acts like he was a victim of the ambiguity and the accounting rules when in fact he looks for the ambiguity in the rules to force a result that he wants."

Watkins, who at one time reported to Fastow, brought her concerns about Enron's accounting to Lay soon after Skilling's resignation. When her memo to Lay became public during the congressional investigation, she gained fame as the "Enron whistleblower."

After testifying before Congress and in the trial of Skilling and Lay in 2006, Watkins became a speaker and a corporate consultant, although she said the consulting work never really took off.

"I think companies are fine hearing my story, one-way communication. I've never been hired for two-way communication," she said. "For whatever reason, I make them uncomfortable."

Today, she still gives speeches, and she teaches, serving as executive in residence at Texas State University .

"Ethics needs to be taught like a skill that's like accounting, where you're really going through all the different dilemmas that might cross your desk," she said.

While Watkins is typically billed as a whistleblower, she never took her concerns outside the company. She said that is because there was not much of a mechanism for employees to do so in 2001. She takes pride in the fact that there are now protections for corporate whistleblowers, including the Securities and Exchange Commission's robust Office of the Whistleblower created following the 2008 financial crisis.

"They've already given out over a billion dollars of rewards in the 10 years it's been operating," she said.

U.S. Assistant Attorney and Enron Lead Prosecutor Leslie R. Caldwell speaks with the media October 16, 2002 in Houston, Texas.

While the most prominent Enron executives have kept a low profile over the past 20 years, some members of the government team that investigated the collapse saw their own careers skyrocket.
Soon after Enron's collapse, amid public outrage, and a determination that the U.S. attorney's office in Houston had too many Enron-related conflicts of interest (as di then-Attorney General John Ashcroft, who recused himself from the investigation), the George W. Bush administration formed an Enron Task Force to investigate the company.
The first director of the task force was Leslie Caldwell, who had cut her teeth prosecuting organized crime in Brooklyn, New York, and brought many of the same tactics to the Enron investigation.
Caldwell, who obtained the indictments of Fastow and Skilling, and secured the pivotal guilty plea from Fastow, would go on to head the Justice Department's crimina division in the Obama administration. Today, she heads the white-collar defense practice as a partner at Latham & Watkins in San Francisco.
In an interview, Caldwell said she is proud of the task force's work, which she said has helped make a lasting impact on corporate accountability.
"It led to a change in culture at a lot of companies around the country. Compliance, which used to be kind of a back-office function that nobody really paid attention to, became huge," she said. "I also think it's sent a very strong message about corruption in leadership ranks and how that's really something to be avoided at all costs."
Her successor as Enron Task Force director, Andrew Weissmann, would go on to become a top prosecutor in former FBI Director Robert Mueller's investigation of Russian interference in the 2016 election. Today, he is on the faculty at New York University, and is a legal analyst for NBC News.
Weissmann was followed as director by Sean Berkowitz, who was the lead prosecutor in the Skilling and Lay trial. Now the global chair of the complex commercial litigation practice at Latham & Watkins in Chicago, he has represented high-profile white-collar defendants including "Full House" actress Lori Loughlin in the Operation Varsity Blues college admission scandal.
A deputy director of the task force, Kathryn Ruemmler, would go on to become White House counsel in the Obama administration. Today, she is general counsel at Goldman Sachs .
Disclosure: Comcast is the parent company of both NBC News and CNBC.

#470: 07-08-04 FORMER ENRON CHAIRMAN AND CHIEF EXECUTIVE OFFICER KENNETH L. LAY CHARGED WITH CONSPIRACY, FRAUD, FALSE STATEMENTS

Needs Investigation (Score 0.94) · Auto justice.gov

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

indictment fraud alleges conspiracy criminal problems alleged investigation money laundering allegations attorney convicted defendant defendants fraudulent grand jury indicted wire fraud bankruptcy corruption fines guilty imposed indictments investigate prison sentence investigations

#470: 07-08-04 FORMER ENRON CHAIRMAN AND CHIEF EXECUTIVE OFFICER KENNETH L. LAY CHARGED WITH CONSPIRACY, FRAUD, FALSE STATEMENTS

FOR IMMEDIATE RELEASE THURSDAY, JULY 8, 2004 WWW.USDOJ.GOV CRM (202) 514-2008 TDD (202) 514-1888

FORMER ENRON CHAIRMAN AND CHIEF EXECUTIVE OFFICER KENNETH L. LAY CHARGED WITH CONSPIRACY, FRAUD, FALSE STATEMENTS

Money Laundering Charges Added Against Former Cao Richard Causey

WASHINGTON, D.C. - Deputy Attorney General James B. Comey, Assistant Attorney General Christopher A. Wray of the Criminal Division, FBI Director Robert Mueller, and Enron Task Force Director Andrew Weissmann announced today that a federal grand jury in Houston has indicted former Enron Corp. Chairman and Chief Executive Officer Kenneth L. Lay on charges of conspiracy, securities fraud, wire fraud, bank fraud and making false statements.
A superseding indictment returned by the grand jury in Houston Wednesday, and unsealed today, charges Lay, 62, of Houston, with conspiracy to commit securities fraud, four counts of securities fraud and two counts of wire fraud, one count of bank fraud and three counts of making false statements to a bank. The superseding indictment joins Lay as a defendant in a case pending against former Enron CEO Jeffrey K. Skilling and former Enron Chief Accounting Officer Richard Causey. Causey was originally indicted in January 2004, and Skilling was added to the case in February 2004. The new indictment also adds a money laundering conspiracy count and four counts of money laundering against Causey in connection with fraudulent hedging vehicles, and expands certain factual allegations against Causey in connection with the securities fraud conspiracy. The case is pending before U.S. District Judge Sim Lake in Houston, Texas.
Lay surrendered this morning to FBI agents in Houston and the indictment was unsealed. Lay had an initial appearance this morning before Magistrate Judge Mary Milloy.
#The indictment charges that Lay, Skilling, Causey and others oversaw a massive conspiracy to cook the books at Enron and to create the illusion that it was a robus growing company with limitless potential when, in fact, Enron was an increasingly troubled business kept afloat only by a series of deceptions,# said Deputy Attorney General James B. Comey, who heads the President#s Corporate Fraud Task Force. #These charges demonstrate the Department#s commitment to the rule of law, it commitment to the principle that no one is above the law, and its commitment to unravel even the most complex of fraudulent schemes.#
#This indictment alleges that every member of Enron#s senior management participated in a criminal conspiracy to commit one of the largest corporate frauds in American history,# said Assistant Attorney General Wray. #Kenneth Lay is charged with abusing his powerful position as Chairman of the Board and CEO and repeatedly lying in an effort to cover up the financial collapse that caused devastating harm to millions of Americans. The progress of this investigation shows that the Department of Justice will work tirelessly to hold corporate America to the high standards imposed by federal law.#
#The collapse of Enron was devastating to tens of thousands of people and shook the public#s confidence in corporate America,# said FBI Director Mueller. #The FB and our partners on the President#s Corporate Fraud Task Force responded with a concerted effort to uncover the truth and to bring those responsible to justice. The charges against Ken Lay, Jeffrey Skilling and Richard Causey take us one step closer to restoring the public confidence in our financial markets.#
The indictment alleges that at various times between at least 1999 and 2001, Lay, Skilling, Causey and other Enron executives engaged in a wide-ranging scheme to deceive the investing public, the U.S. Securities and Exchange Commission and others about the true performance of Enron#s businesses. The alleged scheme was designed to make it appear that Enron was growing at a healthy and predictable rate, consistent with analysts# published expectations, that Enron did not have

significant write-offs or debt and was worthy of investment-grade credit rating, that Enron was comprised of a number of successful business units, and that the company had an appropriate cash flow. It had the effect of inflating artificially Enron#s stock price, which increased from approximately $30 per share in early 1998 to over $80 per share in January 2001, and artificially stemming the decline of the stock during the first three quarters of 2001.

The indictment alleges that Lay had a significant profit motive for participating in the scheme. As stated in the indictment, between 1998 and 2001, Lay received approximately $300 million from the sale of Enron stock options and restricted stock, netting over $217 million in profit, and was paid more than $19 million in salary and bonuses. During 2001 alone, Lay received a salary of over $1 million, a bonus of $7 million and $3.6 million in long term incentive payments. Additionally, during the period of August 21 through Oct. 26, 2001, Lay sold 918,104 shares of Enron stock to repay advances totaling $26,025,000 he had received from a line of credit extended to Lay by Enron.

As a part of the alleged scheme, unrealistic and unattainable earnings goals were set for Enron, based on analysts# expectations rather than on actual or reasonably achievable business results. When, as expected within the company, Enron consistently fell short of those goals, Lay, Skilling, Causey and others allegedly orchestrated a series of accounting gimmicks designed to make up the shortfall between actual and predicted results. Enron then announced publicly that it had met c exceeded analysts# expectations when, as Lay, Skilling and Causey allegedly knew, it made its numbers only by engaging in fraud. The indictment also alleges that Lay, Skilling and Causey made false and misleading representations about Enron#s finances and business operations to analysts, at press conferences, in SEC filing and elsewhere.

Lay is principally charged for his conduct during the third quarter of 2001. As the indictment alleges, upon Skilling#s abrupt departure from Enron in August 2001, Lay resumed his position as CEO of the company, intensified his oversight of Enron#s day-to-day operations, and took control as leader of the conspiracy. Starting in August, according to the indictment, Lay was briefed extensively about mounting and undisclosed financial and operational problems, including overvaluation of Enron#s assets and business units by several billion dollars. As a result of these and other issues confronting Enron, Lay privately considered a range of potential solutions, including mergers, restructurings, and even divestiture of Enron#s pipelines, assets that Lay considered to be the crown jewels of the company. However, the indictment alleges he failed to disclose Enron#s problems to the investing public and affirmatively misled the investing public about Enron#s financial condition, while falsely claiming that he was disclosing everything that he had learned.

For example, the indictment states that during August 2001, Lay participated in Management Committee meetings at which reports were presented showing earnings shortfalls in virtually every Enron business unit, totaling approximately $1 billion. During early September 2001, Lay attended a Management Committee retreat in the Woodlands, Texas, at which the serious problems besetting Enron, including underperforming business units and troubled assets, were further discussed. Among other things, executives discussed the need to take in the third quarter of 2001 at least a $1 billion charge and that Enron had committed an accounting error in the amount of $1.2 billion.

The indictment alleges that throughout the remainder of September 2001, Lay engaged in a series of high-level meetings to discuss the growing financial crisis at Enron and the likely impact on Enron#s credit rating. Among other things, Lay knew that the total amount of losses embedded in Enron#s assets and business units was, at a minimum, $7 billion. Lay also knew that Enron#s auditors had changed their position concerning the accounting treatment of four off-balance sheet vehicles called the Raptors, which required Enron to determine in short order whether an acceptable alternative methodology existed or whether, instead, Enron would have tc restate its earnings and admit the error.

Despite knowing these negative facts, on Sept. 26, 2001, in an online forum with thousands of Enron employees, many of whom were investors in Enron stock, Lay allegedly stated that Enron was going to #hit [its] numbers.# Lay allegedly created the false impression that his confidence in Enron#s stock was such that he had increased his personal ownership of Enron stock in the past two months as a sign of his belief in what he was espousing. As the indictment alleges, during the prior two months, Lay actually purchased $4 million in Enron stock while also selling $24 million in Enron stock through nonpublic transactions.

The indictment states that in the weeks leading up to Enron#s third quarter earnings release on Oct. 16, 2001, Lay determined that Enron could not publicly report a loss in excess of $1 billion without triggering negative action by Enron#s credit rating agencies. Lay thus artificially capped Enron#s losses to that amount. Also during this time, Lay learned that changes to the accounting rules governing goodwill (i.e., the difference between what Enron paid for an entity and the book value of that entity#s net assets) would require Enron to disclose impairments to certain of its assets, including its interest in Wessex Water, a business located in Bath, England. Ir order to hide the impact of asset impairment, Lay allegedly claimed, falsely, that Enron was committed to engaging in a #water growth strategy,# which would have required Enron to expend between $1 billion and $28 billion in capital investments in the water industry. Lay allegedly knew that Enron had no intention of pursuing such a strategy and did not have the capital to support it.

According to the indictment, on Oct.16, 2001, when Enron announced losses of approximately $1 billion, Lay allegedly sought to minimize the import of the reported losses by falsely describing the losses as #nonrecurring,# that is, a one-time or unusual earnings event. Enron also disclosed the same day an approximate $1.2 billion reduction in shareholder equity, which Lay again sought to minimize by falsely attributing it to the unwind of the Raptor vehicles, rather than to an accounting error. According to the indictment, on October 12, Lay misled a representative of a national credit rating agency about the need to take additional writedowns and the extent of Enron#s goodwill problems. On both October 16 and 23, Lay told the investing public that Enron had determined that its goodwill impairment was up to $200 million. However, he failed to disclose the impact on Enron of an additional goodwill impairment of up to $700 million in connection with Wessex. Also on October 23, Lay allegedly espoused faith in Elektro, a Brazilian power plant which Enron carried on its books as worth in excess of $2 billion. In fact, as Lay allegedly knew, Elektr was overvalued by up to $1 billion. Lay also allegedly distributed materials at the road shows that misleadingly described the value of the international portfolio as $6.5 billion. In reality, as Lay knew, this vastly overstated the true value of the international assets by billions of dollars.

These and other schemes alleged in the indictment quickly unraveled, and on Dec. 2, 2001, Enron filed for bankruptcy, making its stock, which less than a year earlie had been trading at over $80 per share, virtually worthless.

Lay was also charged in four counts with bank fraud and making false statements to three banks arising out of his obtaining and using four personal lines of credit worth over $60 million. Lay allegedly promised the banks that the loans would not be used to purchase stock. As a result of these false representations, the banks extended far greater loans to Lay than they otherwise would. The indictment alleges that in spite of his promises, Lay repeatedly used the lines of credit to buy the stock. The lines of credit were collateralized mainly by artificially inflated shares of Enron stock and were repaid with the same.

If convicted of all the charges in the indictment, Lay faces a maximum sentence of 175 years in prison and millions of dollars in fines.

Criminal indictments are only charges and not evidence of guilt. A defendant is presumed to be innocent unless and until proven guilty.

The investigation into Enron#s collapse is being conducted by the Enron Task Force, a team of federal prosecutors supervised by the Justice Department#s Criminal Division and agents from the FBI and the IRS Criminal Investigations Division. The Task Force also has coordinated with and received considerable assistance from the Securities and Exchange Commission. The Enron Task Force is part of President Bush#s Corporate Fraud Task Force, created in July 2002 to investigate allegations of fraud and corruption at U.S. corporations.

Thirty-one defendants have been charged to date, including 21 former Enron executives. Eleven defendants have been convicted to date, including former CFO Andrew Fastow and former Treasurer Ben Glisan. To date, the Enron Task Force has restrained more than $161 million in proceeds derived from criminal activity. Th Task Force investigation is continuing.

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04-470

Enron's Kenneth Lay Arrested

Needs Investigation (Score 0.90) · Auto thestreet.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

indictment criminal fraud authorities bankruptcy collapse guilty indicted insider trading arraigned conspiracy convicted defendant fines incrimination investigation scandal securities fraud unlawful wrongdoing arrested money laundering

Enron's Kenneth Lay Arrested

Updated from July 7

Kenneth Lay, the indicted former chairman of

Enron

, turned himself into authorities in Houston Thursday, capping more than two years of prosecutorial pursuit in America's most notorious corporate collapse.

Lay, Enron's well-connected architect whose aloof manner infuriated investors as the energy trader sank into insolvency, was handcuffed and taken by FBI agents to a federal courthouse, where he is expected to be arraigned on criminal charges including insider trading.

According to a source, the charges will be similar to those filed in February against Jeffery Skilling, Enron's former chief executive, who was indicted on securities fraud and insider trading charges. The

Securities and Exchange Commission

also is expected to file civil charges against Lay along with the criminal charges being brought by the Justice Department's Enron Task Force.

Michael Ramsey, Lay's lawyer, could not be reached for comment.

The indictment of Lay marks the final step in a march up the corporate ladder that began in August 2003 with a guilty plea from Michael Kopper to money-laundering and conspiracy charges. Kopper was the right-hand man to Andrew Fastow, the former Enron chief financial officer, who masterminded the off balance sheet accounting tricks used to inflate earnings and hide its assets.

The indictment is also a rebuke to critics who said prosecutors would never touch Lay, who refused to testify when called before Congress shortly after Enron filed for bankruptcy in December 2001. Lay asserted his Fifth Amendment right against self-incrimination and has said little since. He claims to be innocent of criminal wrongdoing in the storied collapse.

Lay's armor cracked earlier this year when prosecutors reached a plea agreement with Fastow. That led to the indictment of Richard Causey, Enron's former chief accounting officer. Soon after, Skilling was added as a defendant in a superseding indictment. Both Causey and Skilling have pleaded not guilty to the charges.

Federal authorities contend that both Skilling and Causey knew by the fourth quarter of 1999 that Enron was not meeting its budget targets and that the company only appeared to be profitable because of the many schemes they and others concocted to juice reported earnings. The two men specifically are charged with concealing large losses in two of the company's divisions: Enron Broadband Services and Enron Energy Services.

The SEC , meanwhile, has charged Skilling will selling Enron stock while in possession of material, nonpublic information, generating unlawful proceeds of about $63 million.

Last November, a special examiner in the Enron bankruptcy proceeding concluded that both Lay and Skilling most likely knew some of Enron's financial officers were misusing the company's array of off balance sheet entities and providing the public with misleading financial information.

The examiner suggested that Enron's former top managers might have to repay loans to the fallen oil- and gas-trading firm. Between May 1999 and October 2001, Lay borrowed more than $94 million from Enron and repaid it with company stock. In May 1999, Skilling repaid $2 million with Enron stock

The Enron corporate fraud is notable because it goes beyond a mere accounting scandal that catches a few rogue executives.

To date, a number of investment bankers, including three former

Merrill Lynch

(**MER**)

bankers, were charged with aiding and abetting the company's fraud.

The SEC also has levied steep fines against Merrill,

Citigroup

(**C**) - Get Free Report

,

J.P. Morgan Chase

(**JPM**) - Get Free Report

and

Canadian Imperial Bank of Commerce

undefined

for their role in helping to finance Enron's shady accounting schemes.

Enron's former auditor, Arthur Andersen, was forced to close its doors, after a federal jury convicted the giant accounting firm of an obstruction of justice charge early on in the investigation..

Disgraced boss Ken Lay dies at luxury ski chalet

2006-07-06 · Needs Investigation (Score 0.88) · Auto theguardian.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

collapse fraud death criminal guilty author authorities bankruptcy conspiracy convicted conviction convictions corruption debts defendant handcuffs indicted investigation jail nicknamed prison problems securities fraud sentence sentenced trial wire fraud wrongdoing disgraced police

Disgraced boss Ken Lay dies at luxury ski chalet

The former Enron chairman whose name became a byword for boardroom deceit and corruption, Ken Lay, died in an exclusive ski resort yesterday while awaiting sentence for his involvement in America's biggest ever corporate fraud.

Police were called to Lay's holiday home near Aspen, Colorado, in the early hours of the morning. The 64-year-old was rushed to the casualty department of a nearby hospital but was pronounced dead by doctors.

There was no official confirmation of the cause of his death but a family friend, pastor Steve Wende of Houston's First United Methodist Church, said Lay had suffered a massive coronary: "His death was totally unexpected. Apparently, his heart simply gave out."

The Colorado authorities said the reason for his collapse would be determined by an autopsy.

The death of Lay, who protested his innocence to his final days, shocked his supporters and critics alike. It happened just six weeks after his criminal conviction on six counts of conspiracy, wire fraud and securities fraud over the collapse of the energy trading multinational.

A jury found he had been instrumental in billions of dollars worth of accounting irregularities which prompted the collapse of Enron, once America's seventh largest company with more than $100bn (£54bn) in annual revenue. Each of Lay's convictions carried terms of between five and 10 years and he was expected to spend the rest of his life in prison.

A family spokeswoman, Kelly Kimberley, said Lay's five children and 12 grandchildren were being informed of his passing: "The Lays have a very large family with whom they need to communicate and out of respect for the family we will release further details at a later time."

The son of a preacher from a small town in Missouri, Lay enjoyed a meteoric rise to the heights of American society. He was nicknamed "Kenny boy" by President Bush and lived a lavish lifestyle with more than a dozen homes and a personal wealth of more than $400m.

The company's collapse left 21,000 people jobless and Lay became the butt of hatred and of jokes - one ex-employee did a roaring trade in t-shirts with slogans such as "I got Lay'd by Enron".

Former employees yesterday suggested there was some irony in the venue of Lay's death - a luxurious chalet in one of America's most expensive resorts. In Houston callers to radio stations expressed outrage that he had been allowed to continue enjoying such conditions. Mimi Schwartz, co-author of Power Failure, a book about the demise of Enron, said there was still a great deal of anger in Houston: "People wanted to see the end of the story. The narrative people were buying into was that the story would end with Ken Lay being led away in handcuffs and shackles."

But she added that he would also be remembered as a philanthropist who gave a lot of money to Texan charities.

Although Lay often looked pale and strained in court, he was not known to be suffering any serious health problems. Short, with grey hair and an easy smile, Lay was regarded as a relatively sympathetic character in comparison with his co-defendant, former chief executive Jeffrey Skilling, who has a reputation for being abrasive.

Lay is the second top Enron executive to die since the company's collapse. In 2002, Enron's former vice chairman and head of strategy, Cliff Baxter, committed suicide in a Houston suburb, leaving a note saying: "Once there was great pride, now it's gone ... the pain is overwhelming."

Throughout his trial, Lay blamed financial wrongdoing on Enron's chief financial officer, Andrew Fastow, and claimed he was personally in the dark about it. Lay maintained that the company's collapse was down to a sudden loss of confidence among customers and investors, effectively a "run on the bank" prompted by opportunistic short-sellers on the stock market. But prosecutors said the company was financially a house of cards with largely illusory profits, kept standing by increasingly elaborate accounting tricks dreamed up by Lay, Skilling and their senior colleagues.

Lay's refusal to accept responsibility and his apparent lack of remorse enraged many of those who lost their livelihoods at Enron. Even when he was convicted, he remained aloof, declaring: "I firmly believe that I am innocent of the charges against me, as I have said from day one. I still firmly believe that to this day."

How the company was undone

1985 Enron is formed through the merger of Houston Natural Gas and InterNorth. Kenneth Lay becomes chief executive

1990 Lay hires Jeffrey Skilling, a former management consultant, to look after Enron's fledgling energy trading business

February 2001 Skilling appointed chief executive

August Skilling resigns abruptly and is replaced by Lay. A mid-ranking Enron accountant, Sherron Watkins, alerts Lay about her concerns over dubious accounting

October Enron announces $638m (£431m) quarterly loss and write-offs worth $1.2bn. Andrew Fastow, finance chief, is fired

November Enron announces further losses and hitherto undisclosed debts. Its share price falls to below $1

December Enron files for bankruptcy

January 2002 US justice department launches a criminal investigation and Lay resigns

June Enron's accounting firm, Arthur Andersen, is found guilty of obstruction of justice and forced out of business

January 2004 Fastow reaches a plea deal and is sentenced to 10 years in jail

February Skilling pleads innocent to charges including fraud and misleading investors

July Lay is indicted on charges including fraud and making false statements. He pleads innocent

May 2006 Skilling and Lay are found guilty

Lay, Skilling guilty on nearly all counts

Needs Investigation (Score 0.86) · Auto nbcnews.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

verdict conspiracy trial guilty convicted fraud criminal prison sentencing attorney convictions insider trading scandals sentence author authorities bankruptcy collapse conviction corruption criminals drugs jail laws penalty scandal violate wire fraud wound co conspirators

Lay, Skilling guilty on nearly all counts

The trial lasted nearly four months. The jury deliberated six days. And after being convicted Thursday of fraud and conspiracy in one of the biggest corporate scandals in U.S. history, former Enron executives Kenneth Lay and Jeffrey Skilling face the possibility of spending the rest of their lives in prison.

“The jury sent an unmistakable message: You can’t lie to shareholders. No matter how rich and powerful, you must play by the rules,” prosecutor Sean Berkowitz saic

As the verdicts were read, Lay slumped, sighed heavily and shook his head, his sobbing wife Linda tightly clutching his arm. Skilling looked shaken and left the courtroom quickly after U.S. District Judge Sim Lake set sentencing for Sept. 11.

Afterward, still in the courtroom, Lay and his weeping family members gathered in a circle, clasped hands and prayed.

“God’s got another plan right now,” Lay, the son of a preacher, said without tears. “We’ll all come through this stronger and more reliant on God.”

Outside the courthouse, he said the verdict had “shocked” him.

“Certainly this is not the outcome we expected,” Lay said. “I firmly believe I am innocent of the charges against me, as I have said from Day One.”

“If I were a CEO today, I would say it sends a very dangerous message. (It) basically makes an innocent act criminal,” he said.

In a devastating verdict, Lay and Skilling were convicted of a total of 29 criminal counts, including a conspiracy to hide the failing health of the company by selling a boosterish optimism to Wall Street and the public.

Lay was convicted on all six counts of conspiracy, securities and wire fraud against him in the corporate trial and all four in the separate personal banking trial. Forme chief executive Skilling was convicted on 19 of 28 counts, including one count of insider trading, and acquitted on the remaining nine.

‘I wanted very, very badly to believe’ Jurors found that the once-wealthy and powerful corporate chiefs repeatedly lied to cover up accounting tricks and business failures that led to its 2001 demise. The collapse wiped out more than $60 billion in market value, almost $2.1 billion in retirement savings and 5,600 jobs.

“I wanted very, very badly to believe what they were saying, very much so,” juror Wendy Vaughan told reporters after the verdict.

Former Enron chairman Ken Lay looks up at overcast skies as he arrives at Federal court during the fraud and conspiracy trial of Lay and former CEO Jeff Skilling in Houston, Texas, in this file photo taken May 4, 2006. The Enron jury found Lay guilty of conspiracy and fraud on May 26, 2006. REUTERS/Richard Carson Richard Carson / X01366

The conspiracy conviction was a major win for the government, capping an era that has seen prosecutors win convictions against executives from WorldCom Inc. to Adelphia Communications Corp. and homemaking maven Martha Stewart. The public outrage over the string of corporate scandals led Congress to pass the Sarbanes-Oxley Act, designed to make company executives more accountable.

“The jury’s verdicts help to close a notorious chapter in the history of America’s publicly traded companies” said Rep. Michael Oxley, R-Ohio, co-author of the legislation. “Appeals aside, the end of the trial will mark the end of a dark era.”

The charges against Lay, 64, carry a maximum penalty of 45 years in prison for the corporate trial and 120 years in the personal trial. The charges against Skilling, 52 carry a maximum 185 years.

After the judge left the courtroom, Lay’s family and some friends gathered around him as the ex-chairman, red-faced and fighting back tears, hugged them and thanked them for their support.

Skilling, sitting with his brother, Mark, showed no emotion when the verdict was read.

The sentencing will come five years almost to the day after Skilling sold 500,000 shares of Enron stock for $15.5 million, for which he was convicted of insider trading

“Obviously, I’m disappointed,” Skilling told reporters outside the courthouse. “But that’s the way the system works.”

“We’re going to stand behind him,” his lawyer, Daniel Petrocelli, said. “As I told him, we’ve just begun to fight.”

Lay attorney Mike Ramsey also promised an appeal and said, “The biggest issue is the venue issue,” meaning the trial should not have been held in Houston, where Enron was based.

Skilling’s $5 million bond, which restricts him to the continental United States, remains in effect. Lay surrendered his passport and posted a $5 million bond secured with family-owned properties at a hearing following the verdict.

The Enron founder was also ordered to stay in the Southern District of Texas or Colorado, avoid contact with any victim of the fraud and report regularly to court authorities. He also cannot own a gun or use alcohol excessively or drugs.

A ‘tremendous win’ In Washington, Deputy U.S. Attorney General Paul McNulty hailed the convictions as a “tremendous win.”

“Lay, Skilling and their numerous co-conspirators perpetrated an elaborate scheme to mislead analysts and investors about Enron’s true financial picture,” he said.

“The message of today’s verdict is simple: Our criminal laws will be enforced just as vigorously against corporate executives as ... with street criminals.”

White House spokesman Tony Snow concurred, saying, “The administration has been pretty clear there’s no tolerance for corporate corruption. ... The Justice Department has been going aggressively after those who are involved.”

One former Enron employee, Chris Jones, 35, stood outside the courthouse as his former bosses left the building. The guilty verdicts, he said, were some consolatior

“If it (the guilty verdict) hadn’t happened it would have been an open wound,” he said. “This brings closure for some people.”

Enron investor Don Chandler, who lost $11,000 on the stock, said, “Three cheers for the jury. It’s a good day for justice.”

“The ones that lost their security or their retirement — nothing that happened today is going to bring that back for them,” prosecutor Berkowitz said. “They’re not going to get their retirement money or their security back.

“What we do hope is that today’s verdict lets them know that the government will not let corporate leaders violate their trust and get away with it.”

Asked what was next, the prosecutor said, “We’re probably going to step aside and go get a well-deserved drink and an afternoon off.”

For Lay, the verdict appeared to mark the polar opposite of the man he once was: the founder and CEO of the seventh-largest company in America, nothing less than a titan in Houston, known for his millions in philanthropy and a leading political patron of President Bush who once had the former Texas governor’s ear.

In an act that seemed humiliating, each of his children was required to step forward in an afternoon court hearing and sign a paper using their own houses to guarantee the terms of Lay’s release until sentencing.

Then Lay walked outside the federal courthouse and declared himself blessed because “we believe that God in fact is in control, and indeed he does work all things fc good for those who love the lord.”

“I firmly believe I’m innocent of the charges against me,” Lay said. “I believe that to this day.”

Most important testimony Jurors said some of the most important testimony came from former Enron treasurer Ben Glisan, who was already serving a five-year prison sentence after pleading guilty to a charge of conspiracy.

Glisan testified Skilling and Lay knew Enron was in deep financial trouble and tried to hide it.

The jury believed him, not his former bosses, said juror Freddy Delgado.

“To say that you didn’t know what was going on in your own company is not the right thing,” he told reporters.

Fastow tearfully told the jury of his misdeeds and said Skilling and Lay were deeply involved in what he described as a massive cover-up of Enron’s troubled finances

He has pleaded guilty to conspiracy in exchange for a 10-year jail sentence which he likely will begin serving soon.

Prosecutors said Lay and Skilling milked Enron for hundreds of million of dollars and lived lives of luxury while driving the company into bankruptcy.

Lay took home $220 million in compensation from the sale of Enron shares from 1999 through 2001, while Skilling got $150 million, Assistant U.S. Attorney John Hueston said in opening arguments.

Lay used his and the company’s money to gain political power by donating heavily to candidates, particularly Republicans and especially the Bush family.

He was the biggest donor to President Bush, who before the Enron scandal referred to him warmly as “Kenny Boy.”

'I didn't intend to deceive anyone'

Needs Investigation (Score 0.84) · Auto fraud-magazine.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

fraud · criminal · guilty · trial · fraudulent · laws · convicted · deceive · collapse · conspiracy · conviction · crime · crimes · deceptive · defendants · disclosure · embezzlement · frauds · fraudster · fraudulently · indicted · indictment · insider trading · investigating · investigation · manipulate · offender · securities fraud · sentenced · trials

'I didn't intend to deceive anyone'

Fraud perpetrators often use a variety of excuses to alleviate the culpability of their mental states because they know they can't be convicted unless prosecutors can prove their criminal acts were accompanied by a guilty state of mind known as mens rea.

At the end of a five-year investigation, the FBI discovered that Enron Corporation — an American energy, commodities and services company based in Houston, Texas — used a variety of deceptive and fraudulent accounting practices to cover its financial reporting fraud. Corporate officers created the illusion that Enron was making profits in the billions, and its stock soared. Between 1996 and 2000, Enron reported an increase in revenue from $13.3 billion to $100.8 billion. However, the company was actually losing money.

Enron executives, who used insider information to trade millions of dollars in Enron stock, knew the company was hiding losses in offshore accounts. Investors were oblivious. CFO Andrew Fastow and some subordinates created off-book companies to manipulate transactions that provided himself with hundreds of millions of dollars in guaranteed revenue — all at the expense of the corporation and its stockholders. As Enron stock climbed, and as Wall Street continued to promote it, a group of 29 Enron executives and directors began to sell their shares. These insiders received $1.1 billion by selling 17.3 million shares from 1999 through mid-2001. Enron founder, Kenneth Lay, and CEO Jeffrey Skilling also financially benefited from Fastow's fraudulent schemes in the millions of dollars of stock they sold prior to Enron's collapse.

When Lay was indicted for fraud, he conveniently blamed Skilling, Fastow and CAO Richard Causey for Enron's demise and denied he'd known anything about the accounting fraud. Before his trial, he insisted he was a victim in an interview with "60 Minutes," stating: "I don't think I'm a fool, but I think I was fooled … I can't take responsibility for the criminal conduct of someone inside the company." (See Enron's Ken Lay: I Was Fooled , by Rebecca Leung, "60 Minutes," March 11, 2005.) (La died of a heart attack on July 5, 2006, after he was convicted but before he was sentenced.)

Skilling also insisted he was a victim and claimed he didn't know enough about accounting to detect fraud at the company. "I had no idea the company was in anythin but excellent shape," he said in Enron's Many Strands: The Former CEO: Darth Vader. Machiavelli. Skilling Set Intense Pace , by John Schwartz, *The New York Tim* , Feb. 7, 2002.

Houston, April 4: Former Enron chairman Kenneth Lay during the midday break of his fraud and conspiracy trial April 4, 2006, in Houston, Texas. (Photo by Dave Einsel/Getty Images News/Thinkstock)

'GOOD' INTENTIONS AND MENS REA

Fraudsters, like Lay and Skilling, commonly proclaim their innocence by denying a guilty mental state. In a securities fraud case, for example, management will artificially inflate an organization's stock price and then claim it was only a temporary measure to get through a difficult period and not an attempt to deceive anyone. Or in an embezzlement case, the perpetrator will say he never *intended* to fraudulently take the money because it was only a temporary loan.

High-level executives and CEOs might try to distance themselves from fraudulent behavior by claiming ignorance to demonstrate they didn't know of any organizational fraud to minimize the chances of possible indictment. They'll argue that subordinates who orchestrated the fraud scheme kept them in the dark.

In most criminal trials, prosecutors seeking a conviction must prove that the defendants showed a "guilty or culpable state of mind" — the legal concept of *mens rea* .

Unfortunately for Lay and Skilling, Fastow testified at trial that his superiors encouraged him to make the financial health of the company look as positive as possible and to avoid public disclosure. So, the jury found that Lay and Skilling knew exactly what they were doing.

In this article, we attempt to show how misconceptions about mens rea can affect our professional skepticism in fraud cases. We'll use examples of the different types of a criminal state of mind to show when a fraudster most likely has given thought to his or her scheme.

(Some criminal laws, called *strict liability laws* , don't require the identification of any guilty state of mind. These laws say that regardless of an offender's state of mind the act — such as the sale of alcohol to minors — constitutes a crime and deserves criminal punishment.)

For full access to story, members may sign in here. Not a member? Click here to Join Now. Or Click here to sign up for a FREE TRIAL.

Preet Bharara speaks about lessons learned, the outlook for new insider trading rules under the Biden administration, the challenges of overseeing COVID-relief funds, the difficulties of investigating Ponzi schemes and much more.

Bernie Madoff is gone, but the effects of his crimes live on. Fraud examiners endeavor to learn from all frauds, including the world's largest-ever Ponzi scheme. What lessons have we learned? How has the regulatory environment improved? How have Madoff's schemes affected the anti-fraud profession?

Town Mark Ltd. of India retained this accountant and fraud examiner to document and streamline the information systems in preparation for ISO certification. But like the proverbial Pandora's Box, when he and others lifted the lid off the accounts, scores of errors and issues tumbled out.

Enron Founder Dies Before Sentencing (Published 2006)

2006-07-05 · Needs Investigation (Score 0.78) · Auto nytimes.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

fraud conspiracy convicted trial crimes insider trading prison collapse sentencing bank fraud bankruptcy collapsed conviction death defended guilty scandal sentence trials verdict

Enron Founder Dies Before Sentencing (Published 2006)

Kenneth L. Lay, the former chairman and chief executive of Enron who was convicted of fraud and conspiracy in the giant energy company's collapse, died today at his home in Aspen, Colo. He was 64.

A spokeswoman for the Lay family, Kelly L. Kimberly, confirmed reports of Mr. Lay's death but declined to discuss specifics. In a prepared statement, Ms. Kimberly said: "Ken Lay passed away early this morning in Aspen. The Lays have a very large family with whom they need to communicate. And out of respect for the family, we will release further details at a later time."

Mr. Lay was convicted in May on six counts of fraud and conspiracy and four counts of bank fraud, and was free on a $5 million bond while awaiting his sentencing, which was scheduled for this fall.

Each count carried a maximum sentence of 5 to 10 years, so he faced the possibility of spending the rest of his life in prison.

The Pitkin County Sheriff's Office said in a statement that an emergency crew was dispatched to Mr. Lay's home at 1:41 a.m.; he was transported to the Aspen Valley Hospital, where he was pronounced dead at 3:11 a.m.

Kenneth L. Lay leaving federal court in Houston in January. Credit... James Nielsen/AFP--Getty Images

The financial crimes that Mr. Lay and Jeffrey K. Skilling, who succeeded Mr. Lay as chief executive and presided over Enron during its implosion, were convicted of committing came to symbolize the corporate excess and greed of the 1990's. While not as large in dollar terms as the fraud at Worldcom, a telecommunications giant driven to bankruptcy by an accounting scandal in 2002, the crimes of Enron's executives resonated the most in the public mind, and the company's name became synonymous with corporate malfeasance.

Mr. Lay and Mr. Skilling were found by the jury to have lied to investors, employees and regulators so they could disguise the financial weaknesses of their energy empire.

For his part, Mr. Lay always maintained his innocence. On the day of his conviction, he denied having ever done anything improper during his tenure at Enron.

"We believe that God in fact is in control, and indeed he does work all things for good for those who love the Lord," he said outside the courthouse in Houston after the verdict.

Mr. Lay, who was put on trial twice for crimes connected to his tenure at Enron and was convicted both times, insisted that the only fraud at Enron was committed by underlings who stole millions of dollars in secret deals. Unlike Mr. Skilling, he was not charged with insider trading. Mr. Lay has maintained that Andrew S. Fastow, the company's former chief financial officer, bore most of the responsibility for what went wrong at the company.

Mr. Fastow pleaded guilty to conspiracy and agreed to serve 10 years in prison, and other charges against him were dropped, in exchange for his cooperation with prosecutors and testimony in the trials of Mr. Skilling and Mr. Lay.

Video

The Times's Vikas Bajaj recounts the turbulent life of Enron's Kenneth L. Lay. (Producer: Adam B. Ellick)

For his part, Mr. Skilling still faces the possibility of life in prison. He was convicted of 18 counts of fraud and conspiracy and 1 count of insider trading, but acquitted o 9 other counts of insider trading.

Mr. Lay, known for his close ties to President Bush, was Enron's founder and public face. During the 56-day trial that ended in May, he testified on his own behalf, occasionally losing his temper on the stand as he sparred with prosecutors, despite a reputation for coolness under pressure.

He insisted that Enron's collapse was due to a "conspiracy" waged by short sellers, a handful of rogue executives whose activities were unknown to him, and the new media.

As a child growing up in Missouri, Mr. Lay's modest beginnings were a far cry from the extravagance that would define his later years. His luxurious lifestyle became a point of contention in his trial as prosecutors showed the jury examples of his lavish spending.

He was one of three children of a struggling preacher and businessman, and often took odd jobs like baling hay and delivering newspapers to help his family get by. The Lay family was often in and out of financial distress. Omer Lay, Kenneth Lay's father, was a Baptist minister who also tried his hand at a number of other occupations, including running a general store and selling stoves door to door.

At the trial, Mr. Lay defended himself as prosecutors tried to embarrass him by pointing out that he spent $200,000 on a cruise with his wife months before the company collapsed. "We had realized the American dream, and were living a very expensive lifestyle," Mr. Lay said, adding it was "the type of lifestyle where it is difficult to turn off the spigot."

Enron Scandal: The Fall of a Wall Street Darling

Needs Investigation (Score 0.77) · Auto investopedia.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

bankruptcy fraud scandal debt collapse conspiracy convicted conviction fake guilty insider trading prison scandals securities fraud sentence author authorities bank fraud collapsed corrupt defraud illegal investigating investigations manipulation misconduct resigned sentencing wire fraud

Enron Scandal: The Fall of a Wall Street Darling

The story of Enron Corp. depicts a company that reached dramatic heights only to face a dizzying fall. The fated company's collapse affected thousands of employee and shook Wall Street to its core. At Enron's peak, its shares were worth $90.75; just prior to declaring bankruptcy on Dec. 2, 2001, they were trading at $0.26.

To this day, many wonder how such a powerful business—at the time one of the largest companies in the United States—disintegrated almost overnight. Also difficult to fathom is how its leadership managed to fool regulators for so long with fake holdings and off-the-books accounting.

Enron's leadership fooled regulators with fake holdings and off-the-books accounting practices.

Enron used special purpose vehicles (SPVs), or special purpose entities (SPEs), to hide its mountains of debt and toxic assets from investors and creditors.

The price of Enron's shares went from $90.75 at its peak to $0.26 at bankruptcy.

The company paid its creditors more than $21.7 billion from 2004 to 2011.

Investopedia / Source Data: Forbes / Created using Datawrapper

Enron was formed in 1985 following a merger between Houston Natural Gas Co. and Omaha, Neb.-based InterNorth Inc. Following the merger, Kenneth Lay, who ha been the chief executive officer (CEO) of Houston Natural Gas, became Enron's CEO and chair. Lay quickly rebranded Enron into an energy trader and supplier. Deregulation of the energy markets allowed companies to place bets on future prices, and Enron was poised to take advantage. In 1990, Lay created Enron Finance Corp. and appointed Jeffrey Skilling, whose work as a McKinsey & Co. consultant had impressed Lay, to head the new corporation. Skilling was then one of the youngest partners at McKinsey.

Skilling joined Enron at an auspicious time. The era's minimal regulatory environment allowed Enron to flourish. At the end of the 1990s, the dot-com bubble was in fu swing, and the Nasdaq hit 5,000. Revolutionary Internet stocks were being valued at preposterous levels and, consequently, most investors and regulators simply accepted spiking share prices as the new normal.

One of Skilling's early contributions was to transition Enron's accounting from a traditional historical cost accounting method to a mark-to-market (MTM) accounting method, for which the company received official U.S. Securities and Exchange Commission (SEC) approval in 1992. MTM is a measure of the fair value of accounts that can change over time, such as assets and liabilities. MTM aims to provide a realistic appraisal of an institution's or company's current financial situation, and it is a legitimate and widely used practice. However, in some cases, the method can be manipulated, since MTM is not based on "actual" cost but on "fair value," which is harder to pin down. Some believe MTM was the beginning of the end for Enron, as it essentially permitted the organization to log estimated profits as actual profits.

Enron created EnronOnline (EOL) in October 1999, an electronic trading website that focused on commodities. Enron was the counterparty to every transaction on EOL; it was either the buyer or the seller. To entice participants and trading partners, Enron offered its reputation, credit, and expertise in the energy sector. Enron wa praised for its expansions and ambitious projects, and it was named "America's Most Innovative Company" by *Fortune* for six consecutive years: 1996–2001.

One of the many unwitting players in the Enron scandal was Blockbuster, the former juggernaut video rental chain. In July 2000, Enron Broadband Services and Blockbuster entered a partnership to enter the burgeoning video on demand (VOD) market. The VOD market was a sensible pick, but Enron started logging expected earnings based on the expected growth of the VOD market, which vastly inflated the numbers.

By mid-2000, EOL was executing nearly $350 billion in trades. When the dot-com bubble began to burst, Enron decided to build high-speed broadband telecom networks. Hundreds of millions of dollars were spent on this project, but the company ended up realizing almost no return.

When the recession hit in 2000, Enron had significant exposure to the most volatile parts of the market. As a result, many trusting investors and creditors found themselves on the losing end of a vanishing market capitalization .

By the fall of 2000, Enron was starting to crumble under its own weight. Skilling hid the financial losses of the trading business and other operations of the company using MTM accounting. This technique measures the value of a security based on its current market value instead of its book value. This can work well when trading securities but can be disastrous for actual businesses.

In Enron's case, the company would build an asset, such as a power plant, and immediately claim the projected profit on its books, even though the company had not made one dime from the asset. If the revenue from the power plant was less than the projected amount, instead of taking the loss, the company would then transfer the asset to an off-the-books corporation, where the loss would go unreported. This type of accounting enabled Enron to write off unprofitable activities without hurting its bottom line.

The MTM practice led to schemes designed to hide the losses and make the company appear more profitable than it really was. To cope with the mounting liabilities, Andrew Fastow, a rising star who was promoted to chief financial officer (CFO) in 1998, developed a deliberate plan to show that the company was in sound financial shape despite the fact that many of its subsidiaries were losing money.

Fastow and others at Enron orchestrated a scheme to use off-balance-sheet special purpose vehicles (SPVs), also known as special purposes entities (SPEs) , to hide Enron's mountains of debt and toxic assets from investors and creditors. The primary aim of these SPVs was to hide accounting realities rather than operating results.

The standard Enron-to-SPV transaction would be the following: Enron would transfer some of its rapidly rising stock to the SPV in exchange for cash or a note. The SPV would subsequently use the stock to hedge an asset listed on Enron's balance sheet. In turn, Enron would guarantee the SPV's value to reduce apparent counterparty risk.

Investopedia

Although their aim was to hide accounting realities, the SPVs were not illegal. But they were different from standard debt securitization in several significant—and potentially disastrous—ways. One major difference was that the SPVs were capitalized entirely with Enron stock. This directly compromised the ability of the SPVs to hedge if Enron's share prices fell. Just as dangerous was the second significant difference: Enron's failure to disclose conflicts of interest. While Enron disclosed the SPVs' existence to the investing public—although it's quite likely that few people understood them—it failed to adequately disclose the non-arm's-length deals between the company and the SPVs.

Enron's management believed that its stock price would continue to appreciate —a belief similar to that embodied by Long-Term Capital Management , a large hedge fund, before its collapse in 1998. Eventually, Enron's stock declined. The values of the SPVs also fell, forcing Enron's guarantees to take effect.

Jim Chanos of Kynikos Associates is a well-known short seller . At a SEC-led roundtable on hedge funds in May 2003 , Chanos said that his interest in Enron and other energy trading companies was "piqued" in October 2000 after a *Wall Street Journal* article pointed out that many of these firms employed the "gain-on-sale" accounting method for their long-term energy trades. According to Chanos, his experience with companies that had used this accounting method was that management had too great a temptation to be overly aggressive about making assumptions regarding the future, and "earnings" could effectively be created out of thi air if management was willing to push the envelope by using highly favorable assumptions.

Chanos also noted that Enron's cost of capital was closer to 9% and likely above the 7% return on capital —a widely used profitability metric—that it claimed to have, which meant that it was not really earning money despite reporting profits to its shareholders. Chanos said that this mismatch of Enron's cost of capital and its return on investment became the cornerstone of his bearish view on Enron, and his firm began shorting Enron's common stock for its clients in November 2000. This short trade netted Chanos and his Kynikos firm hundreds of millions in gains when Enron went under.

In addition to Fastow, a major player in the Enron scandal was Enron's accounting firm, Arthur Andersen LLP, and partner David B. Duncan, who oversaw Enron's accounts. As one of the five largest accounting firms in the United States at the time, Andersen had a reputation for high standards and quality risk management.

However, despite Enron's poor accounting practices, Arthur Andersen offered its stamp of approval, signing off on the corporate reports for years. By April 2001, man analysts started to question Enron's earnings and transparency .

By the summer of 2001, Enron was in freefall. Lay had retired in February, turning over the CEO position to Skilling. In August 2001, Skilling resigned as CEO, citing personal reasons. Around the same time, analysts began to downgrade their rating for Enron's stock, and the stock descended to a 52-week low of $39.95. By Oct. 16, the company reported its first quarterly loss and closed its Raptor I SPV. This action caught the attention of the SEC.

A few days later, Enron changed pension plan administrators, essentially forbidding employees from selling their shares for at least 30 days. Shortly after, the SEC announced that it was investigating Enron and the SPVs created by Fastow. Fastow was fired from the company that day. Also, the company restated earnings going back to 1997. Enron had losses of $591 million and $690 million in debt by the end of 2000. The final blow was dealt when Dynegy, a company that had previously announced it would merge with Enron, backed out of the deal on Nov. 28. By Dec. 2, 2001, Enron had filed for bankruptcy.

The amount that shareholders lost in the four years leading up to Enron's bankruptcy.

Once Enron's Plan of Reorganization was approved by the U.S. Bankruptcy Court, the new board of directors changed Enron's name to Enron Creditors Recovery Corp. (ECRC). The company's new sole mission was "to reorganize and liquidate certain of the operations and assets of the 'pre-bankruptcy' Enron for the benefit of creditors." The company paid its creditors more than $21.7 billion from 2004 to 2011. Its last payout was in May 2011.

Investopedia

Arthur Andersen was one of the first casualties of Enron's notorious demise. In June 2002, the firm was found guilty of obstructing justice for shredding Enron's financial documents to conceal them from the SEC. The conviction was overturned later on appeal; however, the firm was deeply disgraced by the scandal and dwindled into a holding company. A group of former partners bought the name in 2014, creating a firm named Andersen Global.

Several of Enron's executives were charged with conspiracy, insider trading, and securities fraud. Lay, Enron's founder and former CEO, was convicted on six counts of fraud and conspiracy and four counts of bank fraud. Prior to sentencing, he died of a heart attack in Colorado.

Fastow, Enron's former star CFO, pleaded guilty to two counts of wire fraud and securities fraud for facilitating Enron's corrupt business practices. He ultimately cut a deal for cooperating with federal authorities and served more than five years in prison. He was released from prison in 2011.

Skilling, Enron's former CEO, ultimately received the harshest sentence of anyone involved in the scandal. In 2006, Skilling was convicted of conspiracy, fraud, and insider trading. Skilling originally received a 17½-year sentence, but in 2013, it was reduced by 14 years. As a part of the new deal, Skilling was required to give $42 million to the victims of the Enron fraud and to cease challenging his conviction. Skilling was originally scheduled for release on Feb. 21, 2028, but was instead released early on Feb. 22, 2019.

Enron's collapse and the financial havoc that it wreaked on its shareholders and employees led to new regulations and legislation to promote the accuracy of financial reporting for publicly held companies. In July 2002, then-President George W. Bush signed into law the Sarbanes–Oxley Act . The act heightened the consequences for destroying, altering, or fabricating financial statements and for trying to defraud shareholders.

As two researchers state, the Sarbanes–Oxley Act is a "mirror image of Enron: the company's perceived corporate governance failings are matched virtually point for point in the principal provisions of the act" (Deakin and Konzelmann, 2003).

The Enron scandal resulted in other new compliance measures. Additionally, the Financial Accounting Standards Board (FASB) substantially raised its levels of ethical conduct. Moreover, company boards of directors became more independent, monitoring the audit companies and quickly replacing poor managers. These new measures are important mechanisms to spot and close loopholes that companies have used to avoid accountability.

Enron was one of the fastest-growing and supposedly innovative companies in the United States in the 1990s. However, the entire edifice was based on massive accounting and corporate fraud that eventually came to light and resulted in Enron declaring bankruptcy in December 2001—the biggest corporate bankruptcy in the world at that time.

The term "smartest guys in the room" is a sarcastic reference to top Enron executives—including its former chairman Kenneth Lay, CEO Jeffrey Skilling, and CFO Andrew Fastow—whose hubris in perpetrating the massive fraud at Enron led to its eventual downfall. *Enron: The Smartest Guys in the Room* was also the title of a book by Bethany McLean and Peter Elkind, published in 2003, that was later made into an award-winning documentary film of the same name. Co-author McLean wa among the first to be skeptical about Enron's inflated claims when she wrote an article titled "Is Enron Overpriced?" in *Fortune* in March 2001.

Sherron Watkins, a vice president at Enron, wrote a letter to Lay in August 2001 warning that the company could implode in a wave of accounting scandals; a few months later, Enron had collapsed. Watkins' role as a whistleblower in exposing Enron's corporate misconduct led to her being recognized as one of three *Time* "Persons of the Year" in 2002.

Enron no longer exists. It sold its last business, Prisma Energy, in 2006.

In December 2000, a bill that deregulated energy commodity trading in California was passed, allowing Enron to operate an unregulated power auction called EnronOnline that rapidly gained control over a large share of the state's electricity and natural gas market. After the bill was passed, California endured an acute electricity shortage that caused as many as 38 rolling blackouts by June 2001, compared with only one in the six-month period preceding the bill.

Subsequent investigations by state and federal officials concluded that power generators and power marketers intentionally withheld electricity to create artificial shortages and increase the cost of power. As Enron was one of the main players in such market manipulation, its energy traders were able to sell power at multiples c normal peak power prices. Enron's new, unregulated power auction led to revenues at its Wholesale Services business quadrupling to $48.4 billion in the first quarter (Q1) of 2001 compared with the year-ago period.

At the time, Enron's collapse was the biggest corporate bankruptcy to ever hit the financial world (since then, it has been surpassed by the bankruptcies of other former giants, including Lehman Brothers , Washington Mutual, WorldCom , and General Motors). The Enron scandal drew attention to accounting and corporate frau as its shareholders lost $74 billion in the four years leading up to its bankruptcy, and its employees lost billions in pension benefits.

Increased regulation and oversight have been enacted to help prevent corporate scandals of Enron's magnitude. However, some companies are still reeling from the damage caused by Enron. Most recently, in March 2017, a judge granted a Toronto-based investment firm the right to sue Skilling (the former Enron CEO), Credit Suisse Group AG, Deutsche Bank AG, and Bank of America's Merrill Lynch unit over losses incurred by purchasing Enron shares.

Enron settles with ex-CEO's wife Linda Lay

2011-06-20 · Needs Investigation (Score 0.72) · Auto reuters.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

bankruptcy fraud litigation alleged collapse conspiracy convicted conviction death defendants extremely fraudulent guilty litigate preceded prison sued

Enron settles with ex-CEO's wife Linda Lay

By Jonathan Stempel

NEW YORK (Reuters) - The widow of former Enron Corp Chief Executive Officer Kenneth Lay has settled long-running litigation brought by an entity that has been seeking money for creditors of the failed energy company.

Linda Lay (C) widow of former Enron Chairman Ken Lay and daughter Robyn (L) leave memorial services for the Enron founder at the First United Methodist Church in Houston July 12, 2006. REUTERS/Richard Carson

Linda Lay and Enron Creditors Recovery Corp agreed to split two annuity contracts, the primary assets in dispute, to settle the eight-year-old case, according to papers filed Friday with the U.S. bankruptcy court in Manhattan.

"It resolves all remaining litigation between Enron, Mrs. Lay and Kenneth Lay's estate," Martin Siegel, a partner at Brown Rudnick representing Linda Lay, said in an interview.

Enron sued the Lays over alleged fraudulent transfers that preceded the company's December 2, 2001, bankruptcy: loans that Enron made to Kenneth Lay that he repaid with company stock, and Enron's agreement to buy the annuities from the Lays for $10 million. It is unclear what the annuities are worth now.

In Friday's filing, Enron Creditors Recovery Corp, a successor to Enron, said the settlement is fair and resulted from mediation.

It also said continuing to litigate might not be best because Kenneth Lay's estate is insolvent and Linda Lay has "extremely limited" assets.

Approving the settlement "would allow ECRC to maximize its potential recovery by having a tangible asset in hand, rather than the potential for future recovery contingent on a finding of liability and the solvency of the defendants," it said.

The Lays were once worth several hundred million dollars, mostly tied to Enron stock. That sum evaporated as Enron's accounting fraud became known, resulting in the Houston-based company's bankruptcy. Other family assets have also been sold.

Lawyers for Enron did not immediately return calls seeking comment. The settlement requires court approval. A hearing before U.S. Bankruptcy Judge Arthur Gonzalez in Manhattan is set for July 7.

A Houston federal jury in May 2006 found Kenneth Lay guilty of fraud and conspiracy related to Enron's collapse, but his death two months later led to his conviction being thrown out.

Another former CEO, Jeffrey Skilling, was also convicted and awaits resentencing. Former Enron Chief Financial Officer Andrew Fastow, considered the mastermind behind Enron's fraud, entered prison in September 2006 and is expected to be released from a halfway house on December 17.

The case is The Official Committee of Unsecured Creditors of Enron Corp et al v. Lay et al, U.S. Bankruptcy Court, Southern District of New York, No. 03-ap-02075.

Convicted Enron Founder Kenneth Lay Dies at 64

2006-07-05 · Needs Investigation (Score 0.71) · Auto pbs.org

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

scandal convicted bankruptcy collapse collapsed defrauding fraud fraudulent guilty investigators prison scandals sentencing trial

Convicted Enron Founder Kenneth Lay Dies at 64

Lay was at his family vacation home in Aspen, Colo., when he reportedly suffered a massive heart attack.

In a statement, a spokeswoman for Lay said more information would be released later.

"The Lays have a very large family with whom they need to communicate, and out of respect for the family we will release further details at a later time," Kelly Kimberl said.

In Colorado, a CNN affiliate said Lay had been admitted to the Aspen Valley Hospital in the early hours of Wednesday morning and had died there.

In May, a jury found Lay and former Enron CEO Jeffrey Skilling guilty of defrauding employees and investors by lying about the financial health of the energy and trading conglomerate they ran, even as it headed toward bankruptcy.

The former Fortune 500 company, which was once considered the country's seventh largest corporation, collapsed in 2001 after investigators found that much of its wealth was based on fraudulent partnerships rather than the profits Lay and Skilling reported.

Some 4,000 employees lost their jobs and a lifetime of savings in the scandal.

A separate jury also convicted Lay, who sold millions of dollars of stock in the company right before its collapse, of fraud related to his personal finances.

Lay and Skilling were scheduled for sentencing Oct. 23 and faced 25 to 40 years in prison.

Throughout the Enron trial, Lay and Skilling maintained their innocence and blamed negative publicity and the subsequent lack of investor confidence in the company for Enron's fall.

The Enron accounting scandal, and later scandals involving WorldCom, Tyco and other high profile, multi-million dollar corporations, led to the passage of the Sarbanes-Oxley Act, which strengthened control of how U.S. companies run their finances, CNN reported.

Lay was born in Tyrone, Mo., attended the University of Missouri and later went to work in the oil industry. He joined the Navy in 1961 during the Vietnam War and later was promoted from a supply officer to a position at the Pentagon, a 2002 Houston Chronicle article reported.

Lay later served as undersecretary for the Department of Interior before returning to the private sector, reported the AP.

He became chairman and CEO of Enron in 1985 when Houston Natural Gas merged with InterNorth of Omaha, Neb. to form Enron.

Lay is survived by his wife Linda and five children.

Kenneth L. Lay

Needs Investigation (Score 0.68) · Auto sourcewatch.org

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

conspiracy fraud convicted guilty scandal verdict sentencing

Kenneth L. Lay

From SourceWatch

Kenneth L. Lay , the "former Enron chief executive and chairman convicted on fraud and conspiracy charges" on May 25, 2006 [1] , suffered a fatal heart attack early on Wednesday morning, July 5, 2006, in Aspen, Colorado. [2]

Profiles

Kenneth L. Lay, President of Lay Interests LLC , Houston, TX, was a member of the class of 1998 and is a member of the Horatio Alger Association (HAA). According to the HAA Web Site :

"Kenneth L. Lay was raised in the Ozarks of Missouri and in central Missouri in the 1940s. Finances were difficult for the Lay family, Mr. Lay's father sold farm equipment and served as a Baptist minister. As a young boy, he managed three paper routes and drove tractors for local farmers. Mr. Lay received a scholarship to the University of Missouri, where he earned a bachelor's and a master's in economics. He went to work for Exxon in Houston as an economist, at the same time, earning his Ph.D. in economics. Mr. Lay served as a Naval Officer in the mid 1960's and later as Deputy Undersecretary of the U.S. Department of Interior. In the 1970s, Mr. Lay became vice president for the Florida Gas Company . During the next decade, he served as president of Florida Gas, president and COO of Transco Energy Company , then chairman and CEO of Houston Natural Gas (HNG). When HNG was sold and renamed Enron, Mr. Lay became President and COO and four months later Chairman and CEO of the combined company until retiring in 2002."

Lay was a member of the Board of Trustees of the Forum for International Policy .

Bush administration and the Enron connection

External links

Profiles

Articles & Commentary

Briony Hale, "Kenneth Lay: A fallen hero," BBC, July 8, 2004: "Enron's former chief executive Kenneth Lay has protested his innocence since the day the scandal broke in 2001, pinning the blame firmly onto his former colleagues instead."

"Enron bosses 'stole to pump egos'," BBC, May 15, 2006.

"Lay 'too busy' to spot law break," BBC, May 23, 2006.

"Enron's Lay and Skilling guilty," BBC, May 25, 2006.

"Enron bosses 'shocked' at verdict," BBC, May 26, 2006.

"Enron's Ken Lay Dies Of Heart Attack. Enron Founder Was Awaiting Sentencing On Fraud And Conspiracy Charges," CBS News/Associated Press, July 5, 2006.

"Enron ex-chief Kenneth Lay dies," BBC, July 5, 2006.

Top 10 Crooked CEOs - TIME

2009-06-09 · Needs Investigation (Score 0.67) · Auto content.time.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

conspiracy fraud prison sentence convicted bankrupt bankruptcy collapsed conviction fined resigned

Top 10 Crooked CEOs - TIME

Dave Einsel / Getty

CEOs : Enron

Convicted : May 25, 2006 of fraud and conspiracy

Enron imploded with breathtaking speed in the early 2000s, going virtually overnight from being the nation's seventh-largest company to a bankrupt shell synonymous with corporate greed and deceit. Kenneth Lay and Jeffrey Skilling were at the helm as the company collapsed, taking the jobs and savings of thousands along with it.
Lay helped create Enron in 1985 as a natural gas provider and presided as it grew into an energy-trading behemoth worth some $68 billion in 2000. Skilling joined in 1990 and, as he rose, pushed an aggressive growth strategy that, in retrospect, relied on shady accounting to reflect chimerical profits. In 2001, Skilling briefly becam the company's CEO while Lay moved to chairman; Skilling abruptly resigned months later as the energy giant neared the breaking point, later cashing out nearly $60 million in stock. The company filed for Chapter 11 on December 2, 2001 — at that point the largest bankruptcy in U.S. history.
Skilling and Lay were tried together and convicted in May 2006 on fraud and conspiracy charges. Lay died of heart disease two months later while awaiting a prison sentence that could have lasted 45 years. Skilling was fined $45 million and is currently serving a 24-year sentence in federal prison. He has appealed his conviction.
See 25 people to blame for the financial crisis.
Next Dennis Kozlowski

Endowed Enron

2002-05-12 · Needs Investigation (Score 0.66) · Auto washingtonpost.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

investigation bankruptcy convicted criminal debts defenders illegal indicted investigations manipulate preceded problem problems robber scandalous securities fraud

Endowed Enron

When students step into Lowry Hall to visit the University of Missouri's College of Arts & Science student counseling center, they are greeted by a larger-than-life, three-quarter portrait of a dapper, balding man smiling from business offices that tower over the Houston skyline.
There's nothing identifying the man in the portrait, but a student passing by guesses it must be "Mr. Lowry," the guy whose name is on the building.
Nope. The smiling man is Kenneth L. Lay, former longtime chief executive officer of the Enron Corp., which is fast becoming one of the most infamous businesses in U S. history. The portrait is by top-shelf watercolorist Paul Jackson, whose work fetches six figures.
So what is a pricey portrait of Lay doing in such a place of honor on this leafy college campus? Lay is what the University of Missouri calls a "very distinguished benefactor" after donating $1.2 million to endow the Kenneth L. Lay Chair in International Economics.
The seat is meant for an internationally esteemed scholar, but lately the unfilled job is more like a punch line -- even if some folks in Lay's home state don't get the jok
"It's not like it's the Osama bin Laden chair," Michael Podgursky, chairman of the university's economics department, told reporters after scandalous details about Enron's financial dealings became public.
Still, there's no denying that the donations from Lay's family foundation and Enron have placed school administrators at the University of Missouri and several other campuses in an awkward position of trying to fill scholarly jobs with titles that prompt giggles and guffaws.
The University of Houston has two professorships -- one filled and one unfilled -- named for Lay. Keith Poole, the Kenneth L. Lay Professor of Political Science at the University of Houston, knows all about being the butt of jokes.
"The standard jokes from my friends are about whether or not the checks have cleared," he says.
At Missouri, it's not so much the jokes that some worry about as what they see as a real ethical problem -- accepting money from potentially tainted sources. Enron's own internal investigation outlines the financial tricks used to inflate the company's stock, stock that was the initial source of the 1999 donation to Missouri. (University officials, by policy, promptly sold the Enron shares.)
The MU situation has sparked a low-intensity war on its campus, pitting professors against professors, who have been battling it out in meetings and open letters.
A group of more than two dozen MU faculty members say the Ken Lay Chair is an embarrassment to the oldest land-grant institution west of the Mississippi River.
"We are wary of the possible tarnishing of the reputation and integrity of the University of Missouri that might result from a public identification of the university with La and the questionable business and accounting practices he has pursued that led to his personal wealth," the professors wrote in an open letter to the faculty.
Some academic officials insist, however, that the Lay money poses no problems.
"He certainly hasn't been indicted," says University of Missouri economics professor Kenneth R. Troske, who is leading up the Ken Lay Chair search committee.
That's certainly true, but the MU academics are wielding the Powers report -- Enron's investigation -- and board minutes, which reveal many damaging facts about La 's stewardship. He was chief executive when he and Enron's board of directors waved conflict-of-interest rules to permit the company's chief financial officer to create special-purpose entities that hid debts, inflated profits and enriched top executives. When those entities became public, Enron's stock price cratered, forcing the company into bankruptcy protection and costing thousands of employees their retirement savings.
"We've been arguing [that] we shouldn't wait for the smoking gun, that what has been revealed so far is enough to make naming a chair after Kenneth Lay more than questionable," says political science professor Paul Wallace.
But in a time of declining state education funds, consternation only goes so far. Some professors want Lay's name off the chair and the money returned. There are others, including Wallace, who say dumping Lay's name would suffice. The money could still be put to good use, they argue.
"To return it back to the Kenneth Lay Foundation is not going to send it to Mother Teresa's orphanages," Wallace says. "We would like the money to be used in a moral fashion."
Regardless, all the objections have struck a nerve.
MU administrators have quietly begun an internal review to determine whether to take Lay's name off the position -- or, if Lay doesn't agree, to give back the money.
No decision has been made. But tomorrow MU Chancellor Richard Wallace, who is an economics scholar by training and still keeps an office in the economics department, will meet with the provost and the executive committee of the MU Faculty Council to discuss the matter.
"By and large, the executive committee feels uneasy about the dilemma that the university is in," says Russ Zguta, the history professor who chairs the committee.
Spurred by sociology professor Clarence Lo, Chancellor Wallace met with the disgruntled professors and the chair's defenders on April 1. The meeting was heated, according to Lo and others who attended. Economic teachers praised Lay, calling him a creative and innovative business leader. They noted that Henry Ford had anti Semitic beliefs, yet Ford Foundation money is not considered tainted. They noted that universities were created with money from robber barons.
It was liberal arts professors who raised the objections to the chairmanship, professor Dick Russell says.
Lines have to be drawn someplace, they argued.
The economics professors outlined their defense of the chair in their own open letter.

"If higher education institutions rejected philanthropic contributions from controversial American businessmen, prestigious institutions such as Stanford University, the University of Chicago, Carnegie-Mellon, Vanderbilt and Duke University, to name just a few, would not exist," Podgursky and Troske wrote.
"Moreover, faculty at MU and other research institutions routinely accept grants that support research and teaching from the Ford, Rockefeller, Carnegie, Milken and other foundations in spite of the controversial, and sometimes illegal, behavior of the benefactors."
The man who is the focal point of all the controversy moved with his family to Columbia from the Ozarks when he was a boy. His father was a local preacher, and Lay received a business degree from the University of Missouri in 1964 and a master's in economics a year later.
His Missouri education led him to Washington when one of his economics professors, Pinkney Walker, became chairman of the agency that preceded the Federal Energy Regulatory Commission. Walker hired Lay as an assistant. Later, Lay went on to an assistant secretary job in the Interior Department, where he became an evangelist for deregulation.
"I am convinced that a great deal of my professional and personal success over the years was made possible by my education at MU," Lay once said in a university alumni publication.
That MU training is another thing worrying some professors. They wonder what it was about Lay's education at Missouri that left him unprepared to stop the kind of activities at Enron that now are the subject of congressional, civil and criminal investigations.
"Ken Lay was trained here," Lo says. Now, perhaps it would be fitting for the Ken Lay money to be used to beef up ethical training of business students or study how corporations can manipulate energy markets to enrich their bottom lines.
The Missouri professors are also calling for a policy to address potentially tainted money. They note that Ivan Boesky and Michael Milken, both convicted of securities fraud, allowed their names to be taken off endowed academic positions. They hope Lay will make a similar offer.
In the meantime, MU officials have been rather mum about the future of the chair.
"We wouldn't speculate on anything that has not been decided yet," says spokesman Christian Basi.
Campus fundraisers, however, have asked portrait artist Jackson to quickly finish his next portrait so that Lay's painting can be moved "to another place of honor," which coincidentally will be less prominent than its current location in the administration building of the College of Arts & Science.
The economics department still has, for now, a posting circulating for a "prominent" scholar. "Candidates should have substantial scholarly achievements," the listing says.
Before Enron's fall, the job was offered to one candidate, but it was rejected because of the Midwest weather, Basi said.
Applications are still arriving. There are nearly 50 so far, Troske says.
"We would have filled it long ago if we lowered our standards," says Troske, who is leading the search. "We have a couple of applicants we are actively considering -- not to the point where we are ready to offer the job tomorrow."
Lay's $1.2 million donation to the University of Missouri created a chair in his name in international economics. Is Ken Lay's chair in economics at the University of Missouri really a seat of shame?

Ken Lay--Guilty. George Bush--Guilty.

2006-05-25 · Needs Investigation (Score 0.66) · Auto thenation.com

After reviewing the content of this article, it could not be ruled out as a false positive alert for Kenneth Lay. Additional information was not provided for Kenneth Lay and, therefore, not used when evaluating this alert. Please review manually.

fraud | guilty | conspiracy | convicted | scandal | bankruptcy | collapse | crime | criminal | insider trading | laws | trial | investigations

Ken Lay--Guilty. George Bush--Guilty.

Thank you for signing up for *The Nation* 's weekly newsletter.
Thank you for signing up. For more from *The Nation* , check out our latest issue .
The man who paid many of the biggest bills for George Bush's political ascent, Enron founder Kenneth Lay, has been found guilty of conspiracy and fraud almost five years after his dirty dealings created the greatest corporate scandal in what will be remembered as an era of corporate crime.
On the sixth day of deliberations following the conclusion of a long-delayed federal trial, a Houston jury found Lay guilty on six counts of fraud and conspiracy. In a separate decision, US District Judge Sim Lake ruled that Lay was guilty of four counts of fraud and making false statements.
The same jury that convicted Lay found Enron's former chief executive, Jeffrey Skilling, guilty on 19 counts of fraud, conspiracy, making false statements and engaging in insider trading.
Lay, who President Bush affectionately referred to as "Kenny-boy" when the two forged an alliance in the 1990s to advance Bush's political ambitions and Lay's business prospects, contributed $122,500 to Bush's gubernatorial campaigns in Texas. Lay would later explain to a PBS "Frontline" interviewer that, though he had worked closely with former Texas Governor Ann Richards, the Democrat incumbent who Bush challenged in 1994, he backed the Republican because "I was very close to George W."
Needless to say, once Bush became governor, Lay got his phone calls returned. A report issued by Public Citizen in February, 2001, months before the Enron scandal broke, identified Lay as "a long-time Bush family friend and an architect of Bush's policies on electricity deregulation, taxes and tort reform while Bush was Texas governor."
No wonder Lay had Enron give $50,000 to pay for Bush's second inaugural party in Austin in 1999 — a showcase event that was organized by Karl Rove and others to help the Texas governor step onto the national political stage.
After Bush gave Enron exactly what it wanted in 1999, by signing legislation that deregulated the state's electrical markets, Lay knew he had found his candidate for president.
When Bush opened his campaign, Lay opened the cash spigots.
As a "Bush Pioneer" in the run-up to the 2000 presidential election, Lay was a key member of the Bush campaign's fund-raising inner circle.Under Lay's leadership, Enron ultimately gave Bush $550,025, making the corporation the Texan's No. 1 career patron at the time the 2000 election campaign began, according to the Center for Public Integrity. Lay personally pumped almost $400,000 into Republican hard- and soft-money funds, while Enron slipped another $1.5 million into the GOP's soft money cesspool.
But that was just the beginning. Lay sent a letter to Enron executives urging them to contribute to Bush's campaign. More than 100 of them — including Skilling, a major Bush giver since 1993, when he cut his first $5,000 check to GW's gubernatorial campaign — did just that. Dozens of spouses wrote, including "homemaker"

and frequent $10,000 donor Linda Lay, gave as well, making the Enron "family" a prime source of the money that gave Bush his early advantage over Republican rivals such as Arizona Senator John McCain.

All told, it is estimated that, over the years prior the company's bankruptcy, Lay, his company and its employees contributed close to $2 million to fund George W. Bush's political rise.

Lay found other ways to help, as well. He put Enron's corporate jets at the disposal of the Bush campaign in 2000. He kicked in $5,000 to pay for the Florida recount fight, while a top Enron "consultant," former Secretary of State James A. Baker III, ran the Republican's recount effort. He even paid for his own bookkeeping, chipping in $1,000 to help the Bush-Cheney campaign comply with campaign-finance laws. And Lay and Enron gave $300,000 to underwrite the Bush-Cheney inauguration festivities in 2001.

Did all that giving pay off? You bet!

Lay cashed in even before Bush was sworn in as president, entering into the inner circles of the new administration and using the access he had paid for to craft its agenda on the issues that mattered most to Enron.

Bush took good care of his contributor-in-chief, appointing the Enron founder as one of five members of the elite "Energy Department Transition Team," which set the stage for the Vice President Dick Cheney's energy task force and administration policies designed to benefit corporations such as Enron. A report on "Bush Administration Contacts with Enron," compiled at the request of Congressman Henry Waxman, D-California, by the minority staff of the Special Investigations Division of the House Committee on Government Reform, U.S. House of Representatives, found evidence of at least 112 contacts between Enron and White House or other Administration officials during the month prior to the corporation's very-public collapse in late 2001. At least 40 of those contacts involved top White House officials, including Vice President Dick Cheney, presidential advisor Karl Rove, White House economic advisor Lawrence Lindsey, White House personnel director Clay Johnson III, and White House energy task force director Andrew D. Lundquist.

As Waxman explained in a 2001 interview, "The fact of the matter is that Enron and Ken Lay, who was the Chief Executive Officer of Enron, had an extraordinary amount of influence and access to the Bush Administration. Lay was called a close friend by both the President and the Vice President. When the Vice President chaired an Energy Task Force, Ken Lay had an opportunity to meet privately with the Vice President and to have a great deal of influence in their recommendations."

Bush and his aides have worked hard since the Enron scandal broke to suggest that Lay was just another generous Texan. But the attempts to deny linkages to the now-convicted corporate criminal never cut water with Lone Star-state watchdog Craig McDonald, the director of Texans for Public Justice.

"President Bush's explanation of his relationship with Enron is at best a half truth," McDonald said after Bush first tried to distance himself from Lay and other Enron executives. "He was in bed with Enron before he ever held a political office."

As governor and president, Bush maintained that intimate relationship.

Now that his strange bedmate have been convicted of fraud, isn't it time for the president to end the fraud of claiming that he was ever anything less than a political partner of Lay and the Enron team?

Statement by SEC Staff: Statement at Press Conference Announcing Actions Against Kenneth Lay

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investigation fraud criminal defendant defendants laws unlawful violating alleges bankruptcy collapse corrupt corruption deceive fraudulent fraudulently improperly penalty violated

Statement by SEC Staff: Statement at Press Conference Announcing Actions Against Kenneth Lay

Good Afternoon.

Let me begin by congratulating the Department of Justice, the Federal Bureau of Investigation, the Internal Revenue Service, and especially the Enron Task Force, on today's criminal action against Ken Lay.

Also today, the Securities and Exchange Commission initiated civil fraud charges against Mr. Lay, seeking among other things the return of over $90 million in unlawful proceeds. Today's action seeks the permission of the U.S. District Court in Houston to add Mr. Lay as a defendant in the Commission's previously-filed action against Jeffrey Skilling, Enron's former Chief Executive Officer, and Richard Causey, Enron's former Chief Accounting Officer. By our actions — the Commission's civil action and the Department of Justice's criminal action — we again demonstrate our collective commitment to use every tool available under law to pursue those who violated the law in connection with Enron's collapse.

The Commission's proposed Second Amended Complaint charges Mr. Lay with fraudulently violating the federal securities laws, and seeks from him the full array of civil remedies. In particular, the Commission has asked the Court to permanently enjoin Mr. Lay from violating the federal securities laws in the future, to permanently bar him from acting as an officer or director of a public company, to order him to disgorge over $90 million in unlawful proceeds, and to order him to pay a substantial monetary penalty. The Commission's action alleges that beginning in early 2001, Mr. Lay engaged in a wide-ranging scheme to deceive the investing public with statements that misrepresented Enron's financial performance. At the same time Mr. Lay was falsely touting Enron's financial condition, he was quietly selling millions of dollars of his own Enron stock. Of course, when what Mr. Lay knew became known to the rest of the investing public, Enron was in a freefall into bankruptcy and the stock certificates of Enron's shareholders — many of whom were Enron employees and retirees — were now worthless pieces of paper.

This is not simply a case about someone sitting at the top of a corrupt and fraudulent organization. Mr. Lay is being charged, not for where he sat, but for what he did. Mr. Lay is today a defendant not because he was a disengaged figurehead, but rather because he was an all-too-engaged participant in the fraud that was Enron. The defendants charged in Enron-related actions now number in the dozens. This list — on the one hand — is a testament to the tenacity and perseverance of the United States law enforcement community, of which all the people here, and those many others who have worked on this investigation, are proud members.

On the other hand, the list of defendants is also a sad commentary on the pervasive culture of corruption that permeated Enron. The list now includes Enron's former Chairman, its former President and Chief Executive Officer, its former Chief Accounting Officer, its former Chief Financial Officer, its former Treasurer, as well as 10 other former executives of various Enron operating divisions. It includes some of the world's largest financial institutions. And — as the U.S. Court of Appeals for the Fifth Circuit recently affirmed — it includes Enron's former independent auditor, Arthur Andersen.

Just the mention of the name Enron evokes images of duplicity and greed. However, we hope that Enron will also someday evoke another image: That the Enron investigation is emblematic of vigorous and careful and thoughtful prosecution of corporate fraud. It is our sincere hope that others who might someday be tempted to dissemble to the investing public -- and improperly place their personal interests ahead of those of their shareholders -- will be deterred by the specter of a determined and multi-faceted prosecution.

I would like to thank the entire SEC team that has worked on this investigation, particularly Phil Gross, Rick Kutchey, and Cindy Haspel. Also Charles Clark, Doug Paul, Alex Lipman, Kurt Gresenz, and John Loesch.

And finally — lest there be any doubt — I will repeat what we've said before: Our investigation is continuing.

Thank you.

http://www.sec.gov/news/speech/spch070804lct.htm

USA v. Jeffrey Skilling, Kenneth Lay (4:04-CR-25) | Southern District of Texas

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trial crime defendant indictment sentencing

USA v. Jeffrey Skilling, Kenneth Lay (4:04-CR-25) | Southern District of Texas

This website has been established to provide current and comprehensive information about this case. Judges' chambers should not be contacted under any circumstances.

Today's Update includes select information that the court feels is presently relevant to the public; i.e., hearing dates, press and public courtroom seating arrangements, case dispositive rulings, etc.

Case Documents:

Order Setting Resentencing - 2013

Order Setting Resentencing

Judgment

Order Dismissing Indictment against Defendant Kenneth Lay

Order Regarding the Right of Crime Victims to Testify at Sentencing

Contact Information:

1. The Judge is not available for any interviews.

2. Do not contact the Judge's chambers for information about the case.

3. Scheduling Issues:

Andrew Boyd, Case Manager for Judge Lake Phone: 713-250-5514

4. Courtroom and Security Issues:

Wanda Price, Senior Inspector, U.S. Marshal Phone: 713-718-4301 E-mail: Wanda_Price@doj.gov

5. Copies of docket, orders, and pleadings:

Public terminals are available in the Clerk's office at each division for viewing the docket, orders, and pleadings free of charge.

Copies of the docket and documents may be obtained from:

The Office of the Clerk, by submitting a Copy Request and Search Form available online at the Southern District of Texas website, under Forms and Filing Fees. The Copy Request and Search Forms are listed by division at: Forms, Fees & Rules

or

Online through PACER subscription: Register on-line at:

http://pacer.psc.uscourts.gov or call toll-free 800-676-6856

6. Copies of exhibits admitted at trial:

Enron Trial Exhibits Websites:

U. S. Government Ken Lay

7. Any other Information:

Nathan Ochsner Chief Deputy Clerk Phone: 713-250-5146 E-mail: Nathan_Ochsner.uscourts.gov

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Kenneth Lay Found Guilty. The late CEO OF Enron was convicted by a federal jury in Houston of conspiracy, securities fraud, wire fraud, and making false ...

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Enron Scandal Executives, 20 Years Later: Where Are They Now ...

Dec 2, 2021 ... He was convicted by a Houston jury in 2006 of conspiracy, securities fraud, making false statements to auditors and insider trading. His prison ...

Overconfidence Is Contagious

2020-11-17 · True Positive (Score 0.46) · Thompson Anna Thompson hbr.org

corruption deception fraud probed scandal

Overconfidence Is Contagious

Recent research shows that overconfidence within an organization can be contagious. That social contagion can shed new light on relatively recent events, such as the fall of Enron in 2001, which has many lessons to teach about the dangers of arrogance in the workplace. Companies that prize risky behavior create an environment where employees fuel one another's feelings of invincibility. Six recent studies found that that people are more likely to become overconfident when others around them are overconfident. If people can "catch" overconfidence from their peers and leaders, the effect may multiply within a company and generate widespread norms. Companies that want to identify the cause of dysfunction and encourage more prudent decision making must understand the risk of having even a few overconfident employees.
Research shows that arrogance spreads socially.
">

Leer en español Ler em português
When the Enron scandal broke in 2001, it shook Wall Street to its core and left thousands of people, who had lost billions of dollars in pensions and stocks, disillusioned and angry. People still wonder how the once-revered Wall Street giant, at the time the seventh-largest company in the U.S., crumbled almost overnight. So what did go wrong? The search for answers leads consistently to Enron's top executives, Jeffrey Skilling and Kenneth Lay, whose massive acts of accounting frau
, corruption, and deception covered up the company's weaknesses until their exposure led to its downfall.

But a deeper analysis reveals the dysfunctional corporate culture that made it all possible. A “culture of arrogance” permeated the organization, and many employees felt like they were part of an elite group and believed they were smarter than everybody else. This culture of bravado drove employees to aggressively negotiate deals with questionable financials and take on increased risks under the illusion of invincibility.

How does such hubris become so entrenched within a company? And, more broadly, how do cultures of overconfidence emerge and become infused in any organization? We recently conducted research to help answer these questions, and our findings reveal that social contagion may play a crucial yet hidden role.

It comes as no surprise that teams and organizations possess distinct cultures and exhibit firm-specific values and norms, some of which are products of personnel selection and reward systems. For example, a company may offer large financial or prestige incentives to employees who flaunt competitive or risk-taking behavior, thereby fueling and rewarding feelings of invincibility. But another equally important (and less-obvious) force at play is the firm’s *social* environment — in other words, who’s around? Humans are exceptionally social creatures. We rely on learning from others, from language and religious rituals to food preferences and moral values. When we enter a social environment where overconfidence is rampant, we too may acquire an overconfident mindset.

In our research, we found that people are more likely to become overconfident when others around them express overconfidence. We call this the *transmission of overconfidence* , or the tendency to more closely align one’s self-assessments to the confidence level of others. If people can “catch” overconfidence from others, this effect may scale up within a company and generate widespread norms.

We found evidence of overconfidence transmission across six studies. To measure overconfidence, we compared participants’ beliefs about their relative performanc to their *actual* relative performance. The more people’s beliefs exceeded reality, the more overconfident we could say they were. We found evidence of overconfidenc transmission in many different settings, ranging from in-person interactions to mere exposure to information about how others think.

In one study, for example, we brought a pair of strangers to our lab and asked them to work alone on guessing people’s personalities based on photographs. We then introduced each person to a partner and had them work together on a similar task. In scoring performance, we compared how close their guesses came to the actual personality ratings supplied by friends and coworkers of the people in the photographs. Before collaboration, one partner’s overconfidence level was unrelated to that of the other, as we would expect. But after their 15-minute collaboration, overconfidence levels converged: When one partner was highly overconfident about their performance, so too was the other person. In fact, even those whose accuracy was high before partnering up became more overconfident upon interacting with an overconfident partner, indicating that social transmission had taken place. This is especially remarkable as neither partner was informed of the other’s level of confidence.

In another study, participants learned the extent to which a peer (who was a previous participant in the study) was overconfident through reading how that person assessed their own performance. Some participants were exposed to an overconfident peer, some to an accurate peer, and others to an underconfident peer. To simulate the sometimes-costly nature of overconfidence (such as the risk of mistakes fueled by overconfidence), we offered extra money for accurate self-assessments. Again, people became overconfident after observing someone else who was overconfident; those who had an underconfident partner, by contrast, erre toward underconfidence. Remarkably, overconfidence can transmit even when it pays to be accurate.

But just how contagious is overconfidence? In our other study, participants observed a peer expressing overconfidence in one task domain: this time, guessing the weight of strangers depicted in photographs. We then measured the participants’ overconfidence a few days later in a game of Boggle, where the goal is to visually search a random array of letters to create words. We found that if a peer had expressed overconfidence in the weight-guessing game, participants’ overconfidence even days later in Boggle was elevated compared to if they were exposed to an accurate peer. Surprisingly, however, when probed, participants were oblivious to the impact of overconfident peers and reported that the peer had little sway over them.

To find out when overconfidence is especially contagious, we examined whether in- versus out-group boundaries matter. We conducted a similar weight-guessing game study with university students, except we now described the peer as being from the same university (in-group) or from a different university that’s also their biggest rival in college football (out-group). We found that overconfidence was only infectious when it came from a member of one’s in-group, not when from someone from an out-group. Indeed, people tend to selectively conform to the practices, strategies, and beliefs of those who are similar and share their social identity or group membership. As such, our findings suggest that people may be most prone to “catching” overconfidence from their direct supervisors and teammates.

An abundance of research reveals that overconfident leaders put their firms at risk . But, as our studies show, the havoc they can wreak extends beyond their own reckless decision making — they may be the first domino to fall, influencing their employees who in turn influence their peers. Inspiring a culture of overconfidence in this way fuels greater peril. One lesson from the story of Enron is that the success of an organization depends on cultivating the right social climate and norms — norms that promote grounding in reality and freedom from delusions of grandeur. Understanding the danger of having even a few overconfident employees, whose undue optimism may rub off on us and inhibit our ability to make accurate and informed decisions, can help us identify the roots of dysfunction, and hopefully cultivate more prudent decision making and design thriving organizations.