

Enron's Lay, Skilling Found Guilty of Conspiracy and Fraud

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HOUSTON — Former Enron Corp. executives Kenneth Lay and Jeffrey Skilling were convicted of conspiracy and fraud on Thursday as one of the largest business scandals in U.S. history came full circle. The jury came to the decision during their sixth day of deliberations, following the nearly four-month trial. As the convictions were announced Lay's wife, Linda, was seen crying while Lay and Skilling were said to look shaken and dazed.



Lay, who also founded the company, was convicted of all six counts of conspiracy and fraud and faces a maximum of 45 years in prison. Lay was also convicted on Thursday of bank fraud and making false statements to banks in a separate trial related to his personal banking. Skilling was found guilty of 19 counts of conspiracy, fraud, insider trading and making false statements, which, combined, carry a maximum sentence of 185 years. He was found not guilty on nine criminal counts.

The decision is just the latest event in Enron's stunning rise and scandalous fall. The company's collapse from the seventh-largest company in the U.S. to bankruptcy in 2001 cost Americans billions of dollars in retirement savings, led to the downfall of major accounting firm Arthur Anderson, and spurred a flurry of corporate accounting scandals and investigations. Prior to the scandal Enron was widely admired as a leader of innovation in the energy business and was widely embraced by Wall Street as a corporate model. Both Lay and Skilling were regarded as two of the world's top businessmen.

Skilling will remain free on a \$5 million bond, while Lay said Lay must post a \$5 million bond and give up his passport to stay out of jail until sentencing, set for Sept. 11. Prosecutors charged that Lay and Skilling knew Enron's reports of booming profits were just financial trickery, but told the world all was well to keep the stock price up even as the Houston-based power trader slid toward its demise. In testimony, Lay and Skilling said they painted a rosy picture of the company because they believed it was in great shape, not because they wanted to cover up problems.

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. Their convictions bring to 19 the number of Enron executives who pleaded guilty or have been found guilty of crimes. After Enron, the U.S. Congress scrambled to pass the Sarbanes-Oxley Act in 2002, toughening financial and auditing requirements for publicly-owned companies.

1. On approximately what date did the jury begin deliberations? What month did the trial begin?
2. Lay received an average of about how many years (maximum) per count of conspiracy and fraud?
3. How many more years did Skilling receive in relation to Lay? Explain.
4. Compare and contrast, in appropriate paragraph form, "*Enron's stunning rise and scandalous fall.*"
5. Compare and contrast, also in paragraph form, Skilling and Lay's reputation before and after.
6. Thoroughly explain the tactics implored by ENRON to scam an entire nation?
7. How many other Enron executives pleaded guilty or have been found guilty of crimes?
8. Using contextual clues only, explain the meaning of the italicized words *embraced*, *innovation*, *demise*, and *deliberations*.