



# Department of Justice

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## **FEDERAL JURY CONVICTS FORMER ENRON CHIEF EXECUTIVES KEN LAY, JEFF SKILLING ON FRAUD, CONSPIRACY AND RELATED CHARGES**

WASHINGTON, D.C. – A federal jury in Houston has convicted former Enron Chief Executive Officers Kenneth L. Lay and Jeffrey K. Skilling on charges including conspiracy, securities fraud, wire fraud, and making false statements, the Department of Justice announced today. The eight-woman, four-man jury returned its verdict today on its sixth day of deliberations, following 56 days of trial proceedings before U.S. District Judge Sim Lake.

Lay, 64, was convicted on all of the six counts with which he was charged: conspiracy, two counts of wire fraud and three counts of securities fraud. Lay was also convicted at a separate bench trial before Judge Lake of one count of bank fraud and three counts of making false statements to banks. The judge announced his verdict immediately after reading the jury verdict in the other case. Skilling, 52, was convicted on 19 of the 28 counts pending against him: conspiracy, 12 counts of securities fraud, one count of insider trading, and five counts of making false statements to auditors. Skilling was acquitted of nine insider trading counts.

Sentencing for both defendants is scheduled for Sept. 11, 2006, before Judge Lake at 1:30 p.m. CST. Potential maximum terms of imprisonment on the charges are as follows: five years on conspiracy, 10 years on each of the securities fraud charges, 10 years on each of the false statements to auditors charges, five years on the wire fraud charges, and 10 years on the insider trading charge. The defendants also face tens of millions of dollars in fines.

“The message of today’s verdict is simple: our criminal laws will be enforced just as vigorously against corporate executives as they will be against street criminals,” said Deputy Attorney General Paul J. McNulty, chairman of the President’s Corporate Fraud Task Force. “No one – including the heads of Fortune 500 companies – is above the law.”

“The jury has spoken. Enron’s top executives perpetrated a series of lies designed to mislead analysts and the investing public,” said Assistant Attorney General Alice S. Fisher of the Criminal Division. “People have the right to expect honesty and integrity in the marketplace. Today’s verdict is the culmination of more than four years of hard work and dedication by the prosecutors and investigators, whose tireless efforts demonstrate the finest qualities of public service.”

“Today’s verdicts speak loudly about the right of investors and employees to be told the truth by their corporate leaders,” said FBI Director Robert S. Mueller. “I want to commend the FBI Agents who worked on this case and on other Enron prosecutions for their unwavering commitment and dedication to get to the truth. The FBI and its partners will continue to aggressively pursue corporate fraud and other crimes – wherever we find it and at every level.”

Today's convictions stem from a wide-ranging scheme that Lay, Skilling and other Enron executives engaged in at various times between at least 1999 and 2001, to deceive the investing public, the U.S. Securities and Exchange Commission and others about the true performance of Enron's businesses. The 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 ongoing 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 Special Agents from the FBI and IRS Criminal Investigation. 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. To date, the efforts of the Corporate Fraud Task Force have resulted in 1,063 convictions, including the convictions of 167 corporate presidents and chief executive officers, and 36 chief financial officers.

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