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## Skilling lashes out at Enron prosecutors

By **MARK BABINECK**  
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Jeff Skilling lashed out at the Justice Department while testifying at his criminal trial today, angrily accusing prosecutors of ignoring the facts about Enron's collapse and focusing instead on collecting executive hides.

"I think they have purposely not looked at facts they should have looked at if they wanted to come to a more balanced and accurate conclusion," Skilling said in his fourth day on the witness stand in the conspiracy and fraud trial of Skilling and fellow ex-Enron Chief Executive Ken Lay.

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Skilling, 52, is on trial for 28 counts of conspiracy, fraud, insider trading and making false statements. Lay, who turns 64 Saturday, faces six charges.

Skilling was answering questions from his attorney, Daniel Petrocelli, about accusations in the indictment that he repeatedly lied about the health of Enron and two of its key units in a conference call with analysts on March 23, 2001, shortly after a plunge in Enron's share price.

The government accuses Skilling of fibbing to boost the stock price. Skilling said he believed — and still believes — Enron was in good shape and that its retail energy and broadband divisions continued to be important parts of the corporation's future.

The retail energy business was on track to be profitable in 2001, Skilling said, contradicting earlier testimony by former division head David Delainey that it was a mess. And the broadband business was preparing for the long haul even as the industry was sinking, he said, contradicting former division head Ken Rice's testimony that it was failing.

As Petrocelli asked Skilling to address each alleged lie point by point, Skilling visibly grew frustrated by what he was reading in the indictment, displayed on a screen in the courtroom.

"I'm sorry. I have to calm down here a little bit," Skilling said. "These are serious accusations."

Petrocelli seized on the chance to inject raw emotion into what has been largely technical testimony over the last three days.

"Is it difficult to contain how upset you are?" Petrocelli asked, interrupting his line of questioning.

Skilling responded: "Yes, at times." However, he never raised his voice and spoke in even tones, although his ire was evident in his stern demeanor.

"This is a total misrepresentation, in my view, of the state of events that was occurring at the time and I think it would be very easy for someone to confirm that if they had any interest in confirming that," said Skilling, who previously called the pursuit of Enron executives a "witch hunt."

Enron was a good, vibrant company that he believed in as of March 2001 and afterward, he said.

"I bled Enron blue," he said. "I am devastated because the company that was a fine corporation was brought to its knees, in my view, unnecessarily, and I'm devastated by that. Subsequently, the damage that created the horrific failure of the company has been made worse by these sorts of inaccuracies.

"There are a lot of people at Enron Corporation who will never recover from what's happened," said Skilling, who blamed prosecutors for a "rewriting of history" to pin Enron's demise on innocent people.

An example of revisionist history, according to Skilling, was former Enron executive Kevin Hannon's attention-grabbing testimony that Skilling said "They're on to us" after being shown an investment analysis questioning Enron's earnings in May 2001.

"That sounds like a very neat, sinister conversation," Petrocelli said, dripping with sarcasm.

Skilling said he may have spoken those words, but that Hannon twisted the context and that it was in the vein of "Oh no! Mr. Bill! Oh no! They're on to us!" Skilling said, mimicking the high-pitched voice of the hapless Play-Doh character from early episodes of *Saturday Night Live* in the 1970s.

Further refuting Hannon, Skilling said he dismissed the negative report as the "foolish" product of short sellers betting against Enron's success, an accusation Skilling frequently lobbs at critics. He also denied Hannon's assertion that Chief Financial Officer Andrew Fastow bragged about profiting from side deals with Enron.

Addressing his attempt to sell 200,000 shares of Enron stock on Sept. 16, 2001, Skilling said he wasn't trying to dump about 20 percent of the stock because he thought it was troubled, as the government contends, but rather because he was trying to diversify his portfolio by shorting shares in power producer AES Corp.

He couldn't do it then, however, because his stockbroker still had him listed as an Enron executive, which would require special reporting. In a recorded conversation, Skilling said he would obtain a release from Enron.

Skilling sold 500,000 shares of Enron on Sept. 17, citing the terrorist attacks. He said he did do the AES short sale, ironic considering his disdain for such players in Enron stock, making \$15 million in three weeks.

Skilling said he didn't recall the Sept. 6 chat with his stockbroker when he testified to the Securities and Exchange Commission after Enron's collapse, and still doesn't recall it today. However, he says the massive sale attempt simply slipped his mind and he wasn't lying about it.

Earlier today, Skilling told jurors he "wasn't that involved" in the operations of Enron's ballyhooed broadband division for most of 2000 and based his some of his promotion of it on information from the unit's leaders.

The burgeoning communications business had a reputation as a favorite of Skilling's, but he said he stepped back after being heavily involved at the beginning of 2000.

"The last three quarters of 2000, I wasn't that involved in the day-to-day broadband operations," Skilling said, adding that he kept tabs on the broadband and other divisions in weekly meetings and in his "wandering around" time at the headquarters, where he informally checked in on various business units.

Consequently, Skilling said he was only vaguely familiar with a monetization of projected future broadband earnings the unit's leaders enacted in early 2001, a move prosecutors said was done to hide underperformance.

Skilling said asset sales and monetizations always were part of the broadband plan to keep it viable as the business got started. Former Enron Broadband Services executives Rice and Kevin Hannon testified the division was troubled at the beginning of 2001 and relied on elaborate balance-sheet machinations to mask losses.

Broadband was OK at the very beginning of 2001, Skilling said today, and Skilling was upbeat in a meeting with analysts at the end of January. Rice and Hannon said they, along with Skilling, lied about the state of the business at the gathering.

However, Skilling said his remarks that day were based on information he got from the other men because he was not immersed in daily details about Enron Broadband Services.

"I wasn't really involved in creating any of the (meeting presentation) documents there," Skilling said.

Skilling agreed the broadband networking business was in a "meltdown" by March because of capacity

oversupply, and he was looking to cut costs and consolidate operations in Houston from the unit's base in Portland, Ore.

Enron tried to bend over backwards to avoid layoffs under Skilling, he said.

"Layoffs are not a failure of employees," he said. "Layoffs are a failure of management. That means you have made a mistake."

The broadband division ultimately did conduct layoffs in July 2001 as the business imploded. Skilling took responsibility for the Internet misadventure today.

"This was my failure," he said.

Skilling will undergo much-awaited cross-examination by Enron Task Force Director Sean Berkowitz starting Monday.

*Mary Flood contributed to this story.*

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