

Prepared Testimony of Jeffrey K. Skilling

February 7, 2002

Financial Collapse of Enron Corp.

House Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
February 7, 2002
10:00 AM
2322 Rayburn House Office Building

Former President and CEO
Enron Corporation
555 13th Street, NW
Washington, DC, 20004-1109

Good morning Chairman Greenwood and members of the Committee. My name is Jeff Skilling. I worked for Enron for over 10 years, leaving in August of 2001 after being CEO for six months.

During my time at Enron, I was immensely proud of what we accomplished. We believed that we were changing an industry, creating jobs, helping resuscitate a stagnant energy sector, and, by bringing choice to a monopoly-dominated industry, were trying to save consumers and small businesses billions of dollars each year. We believed fiercely in what we were doing.

But today, after thousands of people have lost jobs; thousands have lost money and, most tragically, my best friend has taken his own life, it all looks very different. As proud as I was of what we tried to accomplish at Enron, as I sit here today, I am devastated by, and apologetic about, what our company has come to represent. I know that no words can make things right. Too many have been hurt too much.

I am here today, because I think Enron's employees, shareholders, and the public at large have a right to know about what happened. I have done all I can to help this investigation. I have testified for two days at the SEC and spoken on three occasions to the Special Board Committee and have spoken to the staff of this Committee. I have not exercised my rights to refuse to answer a single question and not one. And I don't intend to start now.

So, let me first talk about Enron and its demise.

First, contrary to the refrain in the press, while I was at Enron, I was not aware of any inappropriate financing arrangements, designed to conceal liabilities, or overstate earnings. The off-balance sheet entities or SPE's that have gotten so much attention are commonplace in corporate America; and if properly established, they can effectively shift risk from a company's shareholders to others who have a different risk/reward preference. As a result, the financial statements issued by Enron, as far as I knew, accurately reflected the financial condition of the company.

Second, it is my belief that Enron's failure was due to a classic "run on the bank:" a liquidity crisis spurred by a lack of confidence in the company. At the time of Enron's collapse, the company was solvent and highly profitable Ð but, apparently, not liquid enough. That is my view of the principal cause of its failure.

Now, let me address some of the questions about my specific involvement in these events. First, I left Enron on August 14, 2001 for personal reasons. At the time I left the company, I fervently believed that Enron would continue to be successful in the future. I did not believe that the company was in financial peril.

Second, similarly, I did not "dump" any stock in Enron because I knew or even suspected that the company was in financial trouble. In fact, I left Enron holding almost the same number of shares that I held at the beginning of 2001: On January 1, 2001 Ð the start of my final year at Enron -- I owned approximately 1.1 million shares of Enron. On August 14, the day I left, I owned about 940,000 shares. Indeed, in June of that year, I terminated an SEC-sanctioned stock sale plan, and elected to hold on to more Enron shares.

Third, with regard to the so-called LJM Partnerships, the Powers Report criticizes me for supposedly not taking a more active role in reviewing the conflict of interest arising from the involvement in those partnerships of Enron's then CFO. I believed at that time that there were adequate controls in place, that the controls were being complied with and that I was discharging, to the full extent of my mandate, my obligations to the Board with respect to this process.

Fourth and finally, the Powers Report also criticizes me for supposedly "approving" the restructuring of certain hedging transactions. The Report then suggests that "if the account of other Enron employees is accurate," that transaction "was designed to conceal" losses on some of Enron's investments and that I may have withheld information from the Board about that restructuring. I can state here today that I did not have any knowledge that that transaction was designed to conceal losses, and I did do anything to withhold information from the Board.

Ours was a company that emphasized creativity, but always in a manner that relied on the advice of the best people we could find Ð both those inside the company and the lawyers and accountants outside the company who advised us.

With that, Mr. Chairman, I am prepared to answer any questions that you may have.

Source: *House Committee on Energy and Commerce*