

World News Tonight
January 21, 2002

PETER JENNINGS:

We begin tonight with the first evidence that the giant energy company Enron was shredding documents more than two months after the federal government said that it was investigating the company's business practices. When Enron collapsed, as you know, it stripped thousands and thousands of workers of their life savings. ABC News has been told by a former executive at the company that the documents were being destroyed. ABC's Brian Ross here with us tonight.

Brian, this is an exclusive report and it will come as a big blow publicly to Enron.

BRIAN ROSS reporting:

It certainly will, Peter. The former executive says the document shredding continued up until at least last week, despite federal subpoenas and court orders since late October which would have absolutely forbid it.

(VO) The former executive tells ABC News the shredding was being done in an accounting office on the 19th floor of Enron's Houston headquarters.

Ms. MAUREEN CASTANEDA (Former Director Foreign Exchange, Enron): I--I left the second week of January. So the shredding was going on until I--I left, and I have no idea if it continues.

ROSS: (VO) Until last week, Maureen Castaneda was a \$110,000-a-year director in Enron's foreign investment section across the hall from the accounting office.

Ms. CASTANEDA: After Thanksgiving, there was great interest in all the accounting--the accounting documents, which were stored in a--in a storage facility. They pulled out all the boxes and they lined them up in the hallway, and people had to go through every box.

ROSS: (VO) She showed ABC News what she says were some of the shredded documents she discovered in an office hallway.

Ms. CASTANEDA: I got these when I was leaving work to basically use it for packing material. There were a lot more than this. This is filled with--with these shreds and very densely filled. I only took one box.

ROSS: (VO) The word 'confidential' can be seen, financial transactions dated in December.

Ms. CASTANEDA: A lot of them are accounting documents. You can tell because of the

colors--the yellow, the gold, the pink.

ROSS: (VO) Also, shreds with references to some of the secret off-the-books partnerships such as Jedi, partnerships believed by investigators to have helped bring down Enron.

Mr. BILL LERACH (Plaintiffs' Attorney): This is an e-mail.

ROSS: (VO) What many lawyers in the case regard as likely evidence of a criminal act.

Mr. LERACH: You just have to conclude, based on what we know to date, this was a deliberate, coordinated effort to destroy evidence.

ROSS: Tomorrow, Attorney Lerach plans to take the box of shredded documents to federal court to demand an explanation and ask that all relevant Enron documents be put in the custody of the court.

As well, Peter, the attorney for Enron, Bob Bennett, said tonight that the company had warned again and again all employees that no documents were to be shredded. The first warning came October 25th. Bennett said no such shredding will be tolerated by the company, not to mention federal law enforcement officials.

JENNINGS: Many thanks. Brian Ross on the Enron investigation.

World News Tonight
January 29, 2002

PETER JENNINGS:

We're here in Washington tonight primarily for the president's State of the Union address. It is his first. This is a very big night for the nation's capital. And this president strikes many people as being very different than he was a year ago. Certainly much of the world is very different. Who would have thought even half a year ago that the giant Enron company would crash in the country's biggest ever bankruptcy? And we're going to begin with Enron tonight because ABC News has learned that the company was still shredding documents as recently as this month after so many investigations had already begun. A huge amount of shredding. ABC's Brian Ross is here to continue our investigation. Brian:

BRIAN ROSS reporting:

Peter, only last week Enron lawyers said no shredding was acceptable, no exceptions. Today they acknowledge to ABC News even more shredding of company documents, some as recently as this month, shredding on a supersized scale.

(VO) Enron says it called in a huge mobile shredding truck from the Shredco Company in December and shredders from another company in January to destroy documents at its Houston headquarters. Enron says the documents, which are turned into confetti at a rate of 7,000 pounds an hour, were not covered by any subpoenas and were business proposals, payroll material and credit union documents. A chairman of the House subcommittee investigating Enron said that is unacceptable.

Representative JAMES GREENWOOD (Republican, Pennsylvania): That's outrageous. Enron is being investigated by the Congress, by the Justice Department, by the Securities and Exchange Commission. They shouldn't shred so much as an old newspaper without letting us know what they're doing ahead of time.

ROSS: (VO) The Shredco Web site guarantees destruction. "You threw it away, or so you thought. Now you're being sued, don't just throw it away, destroy it, with little chance of ever putting the pieces back together."

TEXT:

Shredco

You threw it away... Now you're being sued. Don't just throw it away... Destroy it!
Shredco Inc. We Guarantee Destruction

Mr. DAVID CULBERTSON (Texas Shredding Company, Inc): It's virtually impossible due to the sheer nature of volume that a commercial shredding operation deals with.

ROSS: (VO) The federal investigation of Enron began in the last week of October, but it was not until last week Enron says it finally stopped all shredding and turned away the shredding trucks. Part of what Enron now calls an expanded policy on handling documents.

(OC) Enron lawyer Robert Bennett insists no pertinent evidence has been destroyed in the most recent shredding. But outraged federal investigators, Peter, say that's something for them to decide, not Enron.

JENNINGS: Many thanks, Brian. Brian Ross in New York.

World News Tonight
January 31, 2002

PETER JENNINGS:

We're going to take A CLOSER LOOK tonight at executive privilege. The energy company Enron still exists as a corporation, though the company has filed for bankruptcy. Today a group of employees told a court that Enron owes its workers as much as a billion dollars they lost in their retirement funds. Enron executives have been at some of the bankruptcy hearings. They flew in on the corporate jet. Here is ABC's Brian Ross with an ABC News Investigation.

BRIAN ROSS reporting:

(VO) Enron's executives and lawyers appear to be going bankrupt in style, traveling to bankruptcy court hearings in New York in one of the company's two remaining private jets, including this one, a Falcon 900.

Ms. NELL MINNOW (Corporate Analyst): Clearly, somebody forget to tell them that the party is over.

ROSS: (VO) A spokesperson for Enron confirmed a total of eight corporate jet trips to New York and Washington since the bankruptcy, saying it was more efficient than commercial travel. A round-trip commercial flight, Houston to New York, costs as little as \$365 in coach. According to aviation executives, the same trip on the Enron jet would be tens of thousands of dollars. The Enron executives seen here leaving the airport yesterday used the corporate jet to attend a funeral and accompany the family of a former executive who killed himself. Enron says that is the only nonbusiness trip since the bankruptcy.

Mr. ROD JORDAN (Chairman, Severed Enron Employees Coalition): I, of course, have empathy and sympathy for the Baxter family. But for them to use the corporate jets to fly the total corporate entity to any function at this point, seems, again, arrogant and still does not seem right.

ROSS: (VO) Laid-off Enron employees, in line today for \$1,000 checks from a group collecting donations and returned political contributions, were outraged to hear the luxury jets were still in the air.

Unidentified Woman: I think that's atrocious. What's wrong with coach class? That's what I fly.

ROSS: (VO) The luxury private jets were part of the Enron culture created by its former chairman and CEO Kenneth Lay, not only did Lay use his \$45 million jet for business, but he regularly used it for strictly personal trips for him and his family at a cost of \$334,000 in the year 2000 alone. Months before the bankruptcy, Lay defended the

personal trips.

(OC) (From file footage) What kind of a message does that send to the rest of the company? 'The boss has...'

Mr. KENNETH LAY: (From file footage) I--I think it's--it--it gives my--my senior people something to aspire to. If they could be CEO someday, they could do that--or president. Very nice to see you.

ROSS: (From file footage) Nice seeing you.

(VO) Enron says Lay's favorite jet has already been sold and that the remaining jets are for sale. Brian Ross, ABC News, New York.

World News Tonight
February 4, 2002

PETER JENNINGS:

Well, Mr. Lay decide and declined to testify amid increasing evidence, as we said, that Enron executives may have engaged in criminal behavior as the company's stock soared. Enron's internal report to which Linda referred, released over the weekend, raised the distinct possibility that this was more serious than just fancy accounting. And ABC's Brian Ross is here.

You've been talking to some prosecutors and investigators, and you very much now believe that.

BRIAN ROSS reporting:

That's right, Peter. The veteran prosecutors and investigators say for all the complexity of the Enron investigation, it boils down to a case of lying, cheating and stealing.

(VO) And the targets are the executives on the 50th floor of the Enron headquarters who did the cheating or should have known about it. These are some of the same executives who, in a recent videotape about the company's values, declared Enron stood for integrity.

Mr. KENNETH LAY (Former Chairman Enron Corporation): (From file footage) Enron is a company that deals with everyone with absolute integrity.

Mr. CHRISTOPHER BEBEL (Former SEC Attorney): This was a company that was devoid of integrity.

ROSS: (VO) For example, the report to Enron's board concludes the company simply lied about its profitability last year, claiming profits that were almost \$1 billion higher than should have been reported publicly, badly misleading Enron's investors about the company's prospects.

Mr. BEBEL: In reality, it was not doing all that well, and that represents the fraud.

ROSS: (VO) The report found that certain Enron executives were enriched by tens of millions of dollars they should never have received.

Mr. BEBEL: There was self-dealing here on a massive scale.

ROSS: (VO) Most prominent of the deals done for personal enrichment involved the former chief financial officer, Andrew Fastow, accused of pocketing some \$30 million in an undisclosed deal that investigators say will likely be the basis of criminal fraud charges.

Mr. JACK BLUM (Financial Crimes Investigator): The point here is that the books were cooked.

ROSS: (VO) Jack Blum is an authority on financial crime.

Mr. BLUM: I think it's a--a combination of arrogance and a kind of disbelief that the rules will ap--be applied to them because they're so important and so well known.

ROSS: As experienced white-collar criminals are fond of saying, 'If you do a crime, do a complicated crime.' The challenge for prosecutors now will be to sort through what documents have not been shredded and unravel the deals and the double deals, Peter, that made up Enron.

JENNINGS: Many thanks, Brian. The Enron story for the day.

World News Tonight
February 6, 2002

PETER JENNINGS:

And now to Enron. On Capitol Hill today a senior member of the House of Representatives said that congressional investigators have found evidence that the bankrupt Enron energy company broke the law. Congressman Billy Tauzin, who has received campaign contributions from Enron, chairs a committee that is investigating the company's collapse.

Representative BILLY TAUZIN (Chairman, Energy and Commerce Committee): We have found substantial evidence of illegal activity by Enron and its management. This activity served to deceive the public about Enron's financial position. It artificially pumped up Enron stock price and allowed these same executives to enrich themselves with the sales of Enron stock.

JENNINGS: The Enron affair has another personality identified with it today. He might be called the \$270 million man. That is how much the ABC News investigative unit believes that a former Enron executive, named Lou Pai, made when he sold his Enron stock before he resigned and before the company went under. Mr. Pai now figures large in the lawsuits against the company. Here's ABC's Brian Ross.

BRIAN ROSS reporting:

(VO) No one has come out further ahead in the Enron mess than Lou Pai. In the last two years, the 54-year-old former executive cashed in stock worth an estimated \$270.2 million.

Mr. BRUCE RANIER (President, UNITE Labor Union): It's mind boggling and, in fact, it is almost equal to the entire budget of the Securities and Exchange Commission.

ROSS: (VO) As a top executive, Pai set up a series of multibillion-dollar deals which, even though they mostly failed, produced huge up-front bonuses and commissions for him in Enron stock.

Ms. MARGARET CECONI (Former Enron Employee): It appears they took a lot of risk in entering into these billion dollar contracts where they weren't sure they would ever make money on it. And, that's, to me, a house of cards.

ROSS: (VO) Pai unloaded his stock on a regular basis up until the time he left Enron, in June of last year, when few knew the company was heading for trouble.

Unidentified Man: People that work and play by the rules every day are paying the price so these people can get fabulously wealthy.

ROSS: (VO) His lawyer says everything Pai did was legal, and today he told ABC News he had no regrets, no guilt, about making so much money from the now-bankrupt company.

Mr. LOU PAI (Former Enron Executive): Not feeling anything.

ROSS: (VO) Former employees say Pai was among several top Enron executives well known for entertaining clients and fellow employees at a top Houston strip club. Pai says much of his money went for his divorce and denied accounts by other Enron employees that he was reprimanded for bringing strippers into the Enron headquarters.

Mr. PAI: That's absolutely false.

ROSS: Absolutely false?

Mr. PAI: Yes, sir.

ROSS: (VO) In addition to his home, Pai owns at least two ranches, including an 80-acre horse farm south of Houston called Canaan. The farm has its own Web site featuring Pai's prized German Show Horses, including one horse named Gucci.

Man: They make the pharaohs of ancient Egypt look poor. These guys have got to be held accountable.

ROSS: (VO) Shareholders now suing Enron now want the court to seize Pai's horses, his ranches, his Mercedes and whatever else is left of his \$270 million. Brian Ross, ABC News, New York.

World News Tonight
February 8, 2003

PETER JENNINGS:

But we're going to begin with latest about Enron. The company's former chief executive Jeffrey Skilling told the Congress yesterday he did not know his company was in bad shape when he left. Today, an assistant who worked with Enron's officials at the highest level has told us that Mr. Skilling lied to the Congress. This is an exclusive report from our investigative unit and ABC's Brian Ross has the details. Brian:

BRIAN ROSS reporting:

Peter, not everyone from Enron is ducking questions. A 25-year-old former executive assistant has now come forward to directly contradict what she saw and heard in yesterday's congressional hearings.

Ms. AMY FLORES (Former Enron/LJM2 Employee): There was no better company than Enron to work for.

ROSS: (VO) Her boss was Enron's chief financial officer, Andrew Fastow, who took the fifth yesterday when asked about secret partnerships used to hide Enron's bad investment deals that made Fastow rich, but led to Enron's downfall.

Ms. FLORES: At first, I disagreed and did not believe any of it. I couldn't believe.

ROSS: (VO) Amy Flores worked for Fastow as office manager of the LJM2 partnerships, what legally was supposed to be a separate company from Enron, but what she says everyone knew was not.

Ms. FLORES: The majority of the people who worked at--at LJM were Enron employees. There were only two that were not.

ROSS: (VO) She says former Enron CEO Jeff Skilling personally approved the arrangement, the same man who yesterday professed to know few, if any, of the details of the LJM2 partnerships.

Mr. JEFFREY SKILLING (Former Enron CEO): (From Thursday) Congressman, Enron corporation was an enormous corporation. Could I have known everything going on everywhere in the company?

Ms. FLORES: He's lying. I mean, he wasn't telling--he knew more than what he was saying.

ROSS: (VO) She says Skilling actually attended a meeting of the LJM2 partners at this

Palm Beach, Florida, hotel on October 26th, 2000, to reassure them Enron was behind the venture.

Ms. FLORES: At that point, I think some people were still a little skeptical.

ROSS: So Skilling came in to, what, essentially give it an Enron seal of approval?

Ms. FLORES: I think he really was there to assure them that, you know, Enron's here and it's not, you know, we know what's going on. We know that LJM2 is here and, you know, they're both benefiting. It's a good--it's a good thing.

ROSS: And there's no doubt he was at this meeting?

Ms. FLORES: I attended the session. I helped check him into the hotel.

ROSS: (VO) According to documents obtained by ABC News, the meeting Skilling attended included a detailed discussion of the strategy and investments of the suspect partnership. Details Skilling denied knowing in his testimony yesterday.

Representative EDWARD MARKEY (Democrat, Massachusetts): It wasn't credible yesterday, and the evidence that is now being produced today makes it clear that he knew a lot more than he was telling us yesterday.

ROSS: Despite our request, there was no reaction tonight, Peter, from Skilling or his lawyer about what Amy Flores has to say.

JENNINGS: Many thanks, Brian. Brian Ross for our investigative unit.

World News Tonight
February 11, 2002

PETER JENNINGS:

Now to Enron. The former chairman of the Enron company, Kenneth Lay, will appear tomorrow before a Senate committee investigating his company's collapse. But as we learned last night, Mr. Lay will become the sixth person to cite the Fifth Amendment and decline to testify. The most senior executive, who did testify, is Enron's former CEO, Jeffrey Skilling. And his testimony has angered some members of the Congress. ABC's Brian Ross is with us for the latest chapter on that one. Brian:

BRIAN ROSS reporting:

That's right, Peter. Members of Congress want another crack at Skilling. They say his testimony leaves large questions whether he told the whole truth.

Representative EDWARD MARKEY: Skilling was supposed to tell us the truth and the whole truth. What he told us was part of the truth.

ROSS: (VO) The top committee members said today they want Skilling to come back to clear up some major inconsistencies. Congressmen doubt Skilling's memory is as flawed as he said it was...

Mr. JEFFREY SKILLING: I don't recall.

ROSS: (VO) ...when questioned about warnings others said he had been given that the company was in trouble.

Mr. SKILLING: I don't recall.

ROSS: (VO) Congress also wants to know more about Skilling's appearance at an October, 2000, meeting at this Florida hotel of one of the suspect partnerships that led to Enron's downfall. During his testimony, Skilling was never asked about the meeting of what's known as the LJM partners, and his lawyer said today his appearance at that meeting was known to Congressional investigators and was of no special significance.

Mr. BRUCE HILER (Skilling's Attorney): My client walked into a room, gave five to 10, or 10--I'm sorry, 10 to 15 minutes of remarks about Enron and left the meeting and left for the airport.

ROSS: (VO) But some members of Congress say Skilling's appearance, where he was listed as guest speaker, raises questions about his testimony that he knew few of the details of the LJM partnership.

Rep. EDWARD MARKEY: I don't think it makes any difference that he was there for a

brief period of time.

ROSS: Skilling's lawyer said today there is no basis for any suggestion his client committed perjury before Congress, and that Skilling is prepared to fully cooperate if Congress wants him back for round two, Peter, of testimony.

JENNINGS: Many thanks, Brian Ross.

World News Tonight
February 14, 2002

PETER JENNINGS:

There's another difficulty to investigating Enron because so much of the company's money and its paperwork are quite literally offshore, something we learned today from ABC's Brian Ross. Brian:

Brian Ross reporting:

That's right, Peter. Federal investigators are now coming up against the fact that Enron, like a lot of companies, was no stranger to the Cayman Islands.

(VO) When they came to the Caymans, Enron's lawyers and accountants had a lot more in mind than just beautiful sunsets over the Caribbean.

Mr. WILLIAM WECHSLER (Former Treasury Department Official): What you get is very little, if not zero, taxes.

ROSS: (VO) In the capital city, Georgetown, this one post office box, number 1350, is the official address for at least 600 Enron corporations.

Mr. WECHSLER: Should the Securities and Exchange Commission or the IRS come calling, the person on the other end of the line, in the Cayman Islands or elsewhere, will say, 'I can't give you that information.' That's a very valuable commodity.

ROSS: (VO) Enron is estimated to have spent several hundred thousand dollars to set up its offshore companies here. At this one law firm, the in-house computer lists hundreds and hundreds of Enron companies.

Senator CHARLES GRASSLEY (Republican, Iowa): It just doesn't smell right.

ROSS: (VO) The Enron scandal is leading to new efforts to crack down on tax havens like the Caymans, efforts that previously faced strong opposition. Before becoming White House economic adviser, Larry Lindsay was one of the most outspoken defenders of such havens. At the same time, he also served as a consultant to Enron, earning \$50,000.

Sen. GRASSLEY: When you find yourself up against some very powerful interests.

ROSS: Tonight Lindsay said his position on tax havens had no connection to his former role at Enron, that he believes countries like the Caymans should be free to set their own tax policies, even no tax. As for the Caymans, Peter, the government said this week it would now consider providing some information on the Enron case.

JENNINGS: Many thanks, Brian Ross. That's Enron for today.