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Justice Dept. to Form Task Force To Investigate Collapse of Enron

By KURT EICHENWALD with JONATHAN D. GLATER
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Widening the potential scope of the criminal investigation into the Enron Corporation, the Justice Department plans to form a special task force of prosecutors from across the country to conduct the inquiry into the company and its eventual collapse, government officials said yesterday.

At the same time, the decision will reduce the burdens going forward on Enron, which has been struggling with the demands from multiple civil and criminal investigations. By consolidating the criminal investigations, the company will have only one coordinated group of prosecutors seeking information, decreasing the potential demands for documents and limiting the number of officials to persuade of its position.

Legal experts said the decision to create such a task force on a white-collar case involving a single company was virtually unheard-of and signaled that the government might elevate the case to a level of significance usually reserved for investigations of entire industries.

The task force will bring together prosecutors from several United States attorneys' offices -- including those in Houston, New York City and San Francisco -- with all of them reporting through the department's criminal division, officials said. In addition, prosecutors from the fraud section, part of the criminal division, will be part of the task force.

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"This is a case of national scope and national significance that is going to require coordination and manpower, and the task force is a way of achieving that," one official said.

Robert S. Bennett, a Washington lawyer who represents the company, said last night that he saw the department's decision as positive. "I'm pleased that there now appears to be some centralization and coordination, because it is very difficult and expensive to deal with half a dozen different entities," he said. "This is a company in bankruptcy, and it needs to be given a fair shot to come out of bankruptcy and increase the value for stakeholders. If we get caught in a cumbersome scandal machine, that may not happen."

While the decision to form the task force is final, many details have yet to be worked out, officials said. Some prosecutors involved in the case have not been notified of their specific roles in the task force, and other decisions about where the group will work and how the various strands of investigation will be coordinated have not been determined.

The Justice Department has formed numerous task forces in the past, but they have usually focused either on complex cases of violent crime or conducted inquiries into practices by entire industries.

Legal experts who have examined the Enron case said yesterday that by bringing together the disparate pieces of the sprawling criminal investigation of the company, the government is overcoming hurdles that might have hampered the inquiry if it was conducted in separate offices.

For example, while federal prosecutors in Manhattan have the most experience in investigating complex white-collar cases, they might face difficulty in meeting the requirement that potential crimes took place in their geographical jurisdiction. And while prosecutors in Houston, where Enron is based, would have no such problems, they do not have the same experience in white-collar cases.

By bringing the prosecutors together, while simultaneously adding the manpower from the department's fraud section, legal experts said, the government is raising the probability of indictments.

"Prosecutors tend to indict what they investigate," said John C. Coffee Jr., a law professor at Columbia University who has testified in Congress on the Enron case. "This kind of task force for an individual investigation is without precedent, and while it doesn't guarantee an indictment, it certainly raises the stakes."

But some past efforts by the Justice Department to take a more central role in a criminal investigation of a corporation with influence in Washington have raised concerns about potential political influence over the inquiry. For example, in the 1990's, when part of an inquiry involving the Archer Daniels Midland Company was assigned to the fraud section, some critics contended -- to the vehement denials of Justice officials -- that Washington was trying to protect Archer, the politically influential grain company. Enron, whose officers have been close to both President Bush and Vice President Dick Cheney, has exercised similar political influence in the past.

In addition to the inquiry being conducted by the Justice Department, Enron's collapse is being investigated by the Securities and Exchange Commission and several Congressional committees.

Meanwhile, in Enron's bankruptcy proceedings, parts of the company are now up for auction to the highest bidder. For example, an auction of its trading business is scheduled to take place today, and a spokeswoman said it should be presented to the bankruptcy court at a hearing tomorrow. But a speedy approval by the court is not assured. Several creditors have filed objections to the auction because they are worried that they will not have time to evaluate whether all or parts of the business will be sold at a fair price.

Creditors have also expressed concern about what would happen to the proceeds from the sale. Creditors of Enron North America, the unit that owns the trading business, want to make sure that the money goes to them and is not distributed among all the company's creditors.

In Houston yesterday, in a suit filed by investors against 29 Enron directors and officers, a federal judge dealt a setback to plaintiffs by declining to freeze more than \$1 billion that they say the directors and officers gained from the sale of Enron shares while hiding information about the company's decline. However, the judge also told defendants that she had the power to freeze the assets if necessary.

