

Enron VP tells Congress she feared for her life

But media remains silent on Baxter "suicide"

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Enron Vice President Sherron Watkins, who warned top company officials last August that the energy trading giant might "implode in a wave of accounting scandals," said she feared for her own life during the crisis that culminated in Enron's filing for bankruptcy.

Testifying under oath before the House Energy and Commerce Committee February 14, Watkins, who still holds a high position at Enron, spoke at some length about the atmosphere of intimidation that existed inside the company during the months before its collapse.

But none of the congressmen participating in the hearing, Democratic or Republican, made any connection between Watkins' concern, not only for her job, but for her physical safety, and the mysterious death last month of J. Clifford Baxter, Enron's former vice chairman.

Baxter had been identified in the media as an internal critic of Enron's accounting scams and was slated to testify before a congressional committee probing the Enron collapse when he was found dead in his car on January 25. He died of a gunshot wound to the head.

Officials of Sugar Land, Texas, the wealthy Houston suburb where Baxter lived and where he was found dead, immediately declared his death a suicide. No serious investigation has yet been conducted and police refuse to release the alleged suicide note or answer questions about the case.

Within a few days of Baxter's death, reports on his demise and the police investigation virtually disappeared from the television news and the major daily newspapers, in sharp contrast to their treatment of such events as the suicide of Vincent Foster, the lawyer in the Clinton White House who killed himself in 1993.

Baxter's death was clearly on Watkins' mind when she testified three weeks later. At one point the transcript shows the following interchange with Iowa Republican Congressman Greg Ganske, who asked her about the August 15 memorandum she wrote to Enron CEO Kenneth Lay, warning him of massive financial irregularities in the company's accounts.

GANSKE: Did you keep a copy for your own personal files?

WATKINS: Yes, I did. Yes, I did.

GANSKE: And where did you keep those files? At home?

WATKINS: No.

GANSKE: At work?

WATKINS: No, in a lockbox.

GANSKE: In a lockbox. So you were enough concerned about this that you wanted to put this somewhere where it couldn't be destroyed.

WATKINS: Yes.

GANSKE: Were you worried about your own personal safety?

WATKINS: At times, I mean, just because the company was a little bit radio-silent back to me, so I didn't know how they were taking my memos or the investigation.

GANSKE: Why would you be worried about your personal safety?

WATKINS: Because it was the seventh-largest company in America.

GANSKE: And you were dealing with a really powerful person—

WATKINS: Yes.

GANSKE: —and a really powerful company.

This extraordinary exchange projects a picture of modern America which has more in common with John Grisham's *The Firm* —and far more truth—than the standard media depiction of America as a land of "democracy" and "freedom."

"Why would you be worried about your personal safety?" the congressman asks. "Because it was the seventh largest company in America," she replies. Both witness and questioner take it for granted that those in possession of so much power and wealth would not hesitate to resort to violence.

Yet no such understanding informs the media coverage of Baxter's death. There has been no voicing, in the daily newspapers or television networks, of the entirely justified suspicion that Baxter may have been killed because he knew too much and was discussing with his lawyer an agreement to cooperate with congressional investigators.

The media silence is not so much a matter of protecting Enron—now bankrupt and under new management—as of

protecting the Bush administration, which had the closest ties with the company and numbers at least a dozen high-ranking officials who were either Enron executives, highly paid consultants or significant stockholders.

Other portions of Watkins' testimony suggest that Baxter, who resigned as vice chairman last May after becoming increasingly critical of the company's financial arrangements, had continued to press his views on other Enron executives, and thus potentially made himself a target for retaliation.

She related conversations with Baxter, as recently as January 15, 10 days before his death, in which he was highly critical of former CEO Jeffrey Skilling and other top executives. In this conversation Baxter told her that he had repeatedly met with Skilling to express his views on the private partnerships controlled by Chief Financial Officer Andrew Fastow, used to shift huge debts off Enron's books.

Watkins also described a conversation between Baxter and Skilling last March, which she learned of second-hand, in which Baxter told Skilling, "We are headed for a train wreck, and it is your job to get out in front of the train and try to stop it." Skilling, who was Enron Chairman Kenneth Lay's protégé and chosen successor, ultimately resigned in August, after which Lay resumed the position of CEO.

In her testimony, Watkins sought to place the blame for the Enron collapse on Skilling and Fastow, rather than on Lay. She described Skilling and Fastow as "highly intimidating, very smart individuals, and I think they intimidated a number of people into accepting some structures that were not truly acceptable." She claimed that the financial dealings devised by Fastow were so complex that Lay could not fully comprehend them. "I do believe that Mr. Skilling and Mr. Fastow did dupe Ken Lay and the board," she said.

But this attempt to whitewash Lay is contradicted by Watkins' overall testimony, which describes a company in which many top-level employees were aware of and troubled by the deals Fastow effectively contracted with himself. He was both Enron CFO and principal organizer of the private partnerships. Watkins said she feared that speaking out about these transactions would be a "job-terminating move," and only sent her memo to Lay after Skilling abruptly quit the company and a shake-up was clearly in the works.

At an earlier session of the House committee, Enron board member William Powers, dean of the University of Texas Law School, revealed that Baxter had given "a couple of hours" of interviews to the investigative committee set up by the board in the aftermath of the financial collapse. Powers refused to turn over notes or recordings of those interviews without permission from Enron.

Watkins' account is quite different from the version told by Skilling under oath at a congressional hearing a week earlier, in which he described himself as only vaguely aware of the financial operations carried out by Fastow. Watkins said of Skilling, "He is a very much intense, hands-on manager. He

was involved in Mr. Fastow's endeavors. I find it very hard to believe that he was not fully aware of transactions with Mr. Fastow's partnerships."

While she refused to discuss Baxter's death, claiming to be overcome by emotion, Watkins' description of Baxter implicitly refutes Skilling's portrait of a despairing man. Skilling, who described Baxter as "my closest friend," said he had a long discussion with him only a week before his death, in which the former vice chairman was visibly distraught and felt his reputation had been ruined by the Enron collapse.

Baxter's Houston lawyer, J.C. Nickens, who spoke with him frequently in the weeks before his death, has denied that Baxter was troubled either by the prospect of testifying before Congress or the danger of being held criminally liable in the Enron collapse. Baxter, according to his lawyer, feared neither eventuality because of his record of having criticized the practices that destroyed the company's financial standing.

In a press interview February 9, Nickens described Baxter as agitated over harassment. "Cliff expressed to me his belief that people were going through his mail, that they were going through his garbage, that people were showing up at his home late at night, and making phone calls that were unwelcome."

Nickens was not clear as to the source of this harassment—whether the press, prosecutors, or other Enron executives. But he did say that he had no sense that Baxter would take his own life. In the hours before Baxter's death, Nickens had begun negotiating with congressional investigators on the conditions under which his client would appear in Washington to testify about the Enron collapse.

Conflicting reports have emerged about the circumstances of Baxter's death. The official story is that Baxter was already dead when he was discovered slumped over in his car. But by one account—county Constable Hal Werlein—Baxter was still alive, though mortally wounded, when he was found by a deputy constable, who then summoned emergency medical assistance.

Local police in Sugar Land—the home town of a powerful Republican congressman, Majority Whip Tom DeLay—immediately concluded that Baxter had died a suicide, and ordered his body taken to a mortuary without an autopsy. Only the intervention of Baxter's family, who contacted a local judge, resulted in an order to take the body to the county morgue for an official autopsy.



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