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GRETCHEN MORGENSON

Before Enron, There Was Cendant

THE fraud that time forgot is finally going to trial.

Tomorrow in Federal District Court in Hartford, opening arguments are scheduled to begin in the case against Walter A. Forbes, former chairman of the **Cendant** Corporation, and E. Kirk Shelton, former vice chairman. The government has accused the two men of orchestrating a titanic accounting and securities fraud that misled investors over a decade beginning in the late 1980's. The trial will open more than six years after the problems at Cendant came to light.

Cendant was formed in late 1997 when CUC International, a seller of shopping-club memberships that was run by Mr. Forbes, merged with HFS Inc., a hotel, car-rental and real estate company overseen by Henry R. Silverman.

Norman Y. Lono

Walter A. Forbes, former Cendant chairman. His trial is about to begin.

Three months after the merger, Cendant disclosed evidence of accounting irregularities; the stock lost almost half its value in one day. Later, Cendant told investors that operating profits for the three years beginning in 1995 would be reduced by $640 million.

Mr. Forbes and Mr. Shelton have been accused of securities fraud, conspiracy and lying to the Securities and Exchange Commission. The charges of fraud and making false statements to regulators each carry a maximum penalty of 10 years in prison and a $1 million fine. Mr. Forbes is also accused of insider trading, relating to an $11 million stock sale he made about a month before the accounting irregularities were disclosed.

Both men have pleaded not guilty. Mr. Forbes's lawyer did not return a phone call requesting an interview. Mr. Shelton's lawyer said: "He is innocent and expects to be vindicated."

Thanks to the creative corporate minds at Enron, WorldCom, Tyco and Adelphia, investors are up to their necks in revelations of accounting shenanigans. But the scandal at Cendant still ranks as one of the world's costliest corporate calamities.

The day after the company disclosed evidence of accounting irregularities, holders of Cendant stock and convertible bonds lost more than $14 billion. And in 2000, Cendant, now based in New York, paid

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INSIDE

Illustration by The New York Times

Corporate Art Lovers Who Hate That Big Tax Bill

Tyco's Ex-Boss Isn't the Only One Under Scrutiny

By TIMOTHY L. O'BRIEN

NEW YORK'S art auctions kicked into high gear last Tuesday, ushering in a delirious, two-week intersection of prized paintings and big, big money. One of the treasures involved was on display at Sotheby's the next day: a 1905 work by Picasso, "Boy With a Pipe (The Young Apprentice)," which fetched $104 million, a record for a painting sold at auction.

The mating dance between art and commerce, repeated every spring and fall in Manhattan, attracts cafe society's wealthiest inhabitants — Wall Street financiers, Hollywood stars, European royalty, corporate executives, Latin American hacienda owners and even gambling moguls; Stephen A. Wynn, who has a new Las Vegas casino in the works, is said by art aficionados to be among the most active bidders this spring.

At the periphery of the froth whipped up at Sotheby's and Christie's are scores of Manhattan galleries and private dealers who, with the utmost discretion and tact, court the glitterati. Art is displayed. Toasts are made. Backs are patted. Wallets are opened. Millions of dollars quietly change hands.

This hush-hush world, its boundaries defined by handsome East Side avenues and Chelsea and SoHo side streets, is far removed from the gavels, cellphones and hubbub of the major auction houses. It is frequented by major art collectors like Joe L. Allbritton, the biggest shareholder of the **Riggs National** Corporation and that bank's former chief executive.

Robert J. Hurst, former vice chairman of Goldman Sachs & Company and president of the board of the Whitney Museum of American Art, is another habitué. So, too, was L. Dennis Kozlowski, Tyco International's former chief executive, whom the Manhattan district attorney's office is prosecuting on fraud charges.

What all these men share, aside from a fascination with fabulously expensive art, is that they have been investigated — or, in Mr. Kozlowski's case, indicted — in connection with possible tax avoidance on their purchases. But the three businessmen are by no means the only ones who have attracted the attention of law enforcement officials examining records of art transactions. The New York State Department of Taxation and Finance said it was investigating about 90 people it suspected of evading sales tax, largely on high-priced art and jewelry.

The sums involved are not pocket change. New York sales tax on a $10 million painting, for example, is $825,000. The state's tax agency says it has collected about $11 million in unpaid sales taxes on high-end goods over the last year alone, most from tardy buyers spurred into action by publicity about Mr. Kozlowski's tax woes.

Robert M. Morgenthau, the Manhattan district attor-

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It's Not Google. It's That Other Big I.P.O.

By GARY RIVLIN

LOS ANGELES

PITY Marc Benioff. Sure, his net worth may well exceed $250 million when **Salesforce.com,** the company he helped to start in 1999, goes public, most likely in the next couple of months.

But until then, Mr. Benioff, a boyishly brash chief executive whose large personality matches his bulky 6-foot-5-inch frame, has to walk around with a government-mandated mute in his mouth — otherwise known as the quiet period that precedes the sale of stock to the public. That means no boasting to the world about how his company, which might just prove to be the hottest public technology offering this side of **Google**, will become the Microsoft of the 21st century.

The joke a few years back, when Salesforce was just another dot-com burning through cash like L. Dennis Kozlowski on a spending binge, was that the company would always remain private because Mr. Benioff could not survive the quiet period, which is required by the Securities and Exchange Commission. Salesforce filed to go public in mid-December, imposing on its employees, and especially on its gregarious chatterbox of a chief executive, strict rules governing what they could and could not say about their company.

"This must be the toughest six to nine months of Marc's life," said Zach Nelson, a onetime colleague at the **Oracle** Corporation whom Mr. Benioff describes as a friend. Mr. Nelson runs **NetSuite,** a small company based in Silicon Valley that nominally competes with Salesforce.

During the quiet period, companies tend to carefully limit news media access to their executives. For instance, Eric E. Schmidt, the chief executive of Google, is about as visible now as Vice President Dick Cheney was in the months after Sept. 11, 2001.

Peter DaSilva for The New York Times

Marc Benioff, the brash and talkative chief executive and co-founder of Salesforce.com, a software leasing company, has had difficulty muzzling himself in the quiet period required by the Securities and Exchange Commission before the company's initial public offering.

"Most companies are extra cautious during the quiet period," said David Menlow, the president of the IPO Financial Network.

Mr. Benioff, by contrast, recently permitted a reporter to spend a day following him around, a visit that included hours of one-on-one time, much to the chagrin of the high-priced lawyers the company has hired to help him negotiate the tricky byways of going public.

"There's quiet, and then there's Marc's version of quiet," said John Dillon, Salesforce's chief executive from mid-1999 through late 2001. "He loves the media attention and courts it like no one else in Silicon Valley."

In part, Mr. Benioff said, he has no choice. He sells the kind of product that only a sales executive could love: a simple, efficient way of tracking a company's customers and prospective clients.

Certainly Mr. Benioff would have a lot to crow about. "The S.E.C. prohibits me from making any statements that would hype my I.P.O.," he said, a statement he re-

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