United States Courts
Southern District of Texas
FILED
APR 18 2003
Michael N. Milby, Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In Re Enron Corporation Securities, Derivative & "ERISA" Litigation	§	MDL-1446
MARK NEWBY, ET AL., Plaintiffs, v. ENRON CORPORATION, ET AL., Defendants.	§	CIVIL ACTION NO. H-01-3624 CONSOLIDATED CASES JUDGE MELINDA HARMON
AL RAJHI INVESTMENT CORPORATION BV, Plaintiff, vs. ARTHUR ANDERSEN LLP, Defendant, And ARTHUR ANDERSEN LLP, Defendant-Third-Party Plaintiff, vs. J.P. MORGAN CHASE & CO., *et al.* Third-Party Defendants.	§	CIVIL ACTION NO. H 03 1219 JUDGE SIM LAKE

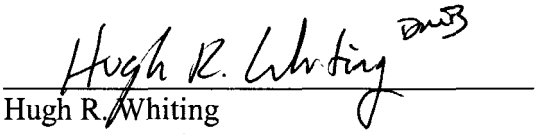
EXHIBITS TO THE NOTICE OF CONSOLIDATION,
OR IN THE ALTERNATIVE, MOTION TO CONSOLIDATE

Attached hereto are Exhibits A and B to the Notice of Consolidation, or in the

1344

Alternative, Motion to Consolidate.

Respectfully submitted,



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Attorneys for Lehman Brothers Holdings Inc. and Lehman Brothers Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served upon all counsel of record by mail and by service to the http://www.esl3624.com website on the 17th day of April 2003 and by mail on this 18th day of April 2003.

David M. Bays

2002-23320

HARRIS COUNTY, T E X A S | 11th JUDICIAL DISTRICT COURT

AL RAJHI INVESTMENT CORPORATION BV

VS.

ARTHUR ANDERSEN L.L.P.

2002-23320
Cause No. _____

PLAINTIFF'S ORIGINAL PETITION

Plaintiff Al Rajhi Investment Corporation BV files this Original Petition against defendant Arthur Andersen L.L.P., and respectfully alleges upon knowledge as to its own acts, and upon information and belief as to the acts of all other parties, as follows:

1. Discovery is intended to be conducted under Level 2 of Tex. R. Civ. P. 190 (2002).

PARTIES

2. Plaintiff Al Rajhi Investment Corporation BV ("plaintiff") is an investment company incorporated in the Netherlands, with its offices in Amsterdam, in the Netherlands. Plaintiff is a wholly owned subsidiary of Al Rajhi Banking & Investment Corporation Ltd. ("the Bank"), a banking and investment company incorporated in Saudi Arabia, with offices in London, England and Riyadh. Saudi Arabia.

3. Defendant Arthur Andersen L.L.P. ("Andersen") is an accounting and consulting firm organized as a partnership that does business in Texas. One of its largest offices is located in Houston, Texas. The conduct by Andersen at issue in this action took place primarily in Houston, Texas. Andersen may be served with process at the offices of P. Scott Ozanus, 901 Main Street, Suite 5600, in Dallas, Texas 75202-3799.

TEXAS
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VENUE

4. Venue is proper in Harris County, Texas because all or substantially all of the wrongful conduct complained of took place in this county. Tex. Civ. Prac. & Rem. Code Ann. § 15.002 (2002).

NATURE OF THIS ACTION

5. In this action, plaintiff seeks to hold Andersen liable for losses plaintiff suffered in a transaction into which it was induced to enter by false representations made by Andersen. Plaintiff is an investment company which provides financing through transactions involving trades or sales of commodities such as metals. In July 2001, in a transaction involving a metals sale negotiated by individuals in the Houston office of Enron Corporation ("Enron"), plaintiff effectively extended over $101 million of credit to Enron, after careful review of and in reliance on financial statements audited and certified by Andersen, and in reliance on Andersen's own affirmative misrepresentations. The transaction required Enron to repay the $101 million plus to plaintiff on December 21, 2001. Enron declared bankruptcy on December 2, 2001 before repaying any portion of the $101 million plus it owes plaintiff. Plaintiff seeks damages for the losses that resulted from its justifiable reliance on false representations knowingly or recklessly made by Andersen.

ANDERSEN'S AUDIT AND CERTIFICATION OF THE FALSE FINANCIALS

6. Since 1985, Andersen provided services to Enron in its capacity as a firm of "certified independent public accountants." In addition to these "external" auditing services, Andersen provided internal auditing services whereby Enron in effect contracted out portions of its internal accounting process to Andersen. In addition to these auditing functions, Andersen also provided

extensive consulting services to Enron, including tax consultation on individual transactions such as the transaction with plaintiff.

7. Andersen had a significant pecuniary interest in the provision of such services. Enron paid Andersen approximately $25 million for audit services for the year 2000, as well as an additional $27 million for consulting services for that year. In effect, Andersen received on average $1,000,000 per week from Enron.

8. Numerous Andersen partners worked on the Enron engagement, providing both auditing and consulting services. The principle locus for the performance of this work was in the Houston offices of Andersen and Enron, and many of the Andersen partners working on the engagement were located in Andersen's Houston office, including David B. Duncan, the partner in charge of the Enron account, and numerous others.

9. Andersen audited and certified the consolidated financial statements for Enron and its subsidiaries for the years 1997, 1998, 1999 and 2000. To perform such auditing services for Enron and its subsidiaries, Andersen stated that it reviewed documents located in Enron's office in Houston, and that it spoke to Enron employees and officers located in the Houston office.

10. In its certification of the financial statements for the years 1997, 1998, 1999 and 2000, Andersen did not qualify its certification of those financial statements in any way.

11. Despite Andersen's unqualified certification, on November 8, 2001, Enron issued a "Form 8-K" report that contained "re-stated" consolidated financial statements for the years 1997, 1998, 1999 and 2000.

12. As revealed in the re-stated financials, the original statements, among other things, significantly misrepresented Enron's level of debt, much of which was "hidden" in off-balance sheet partnerships. This was done by Enron, with Andersen's knowledge or reckless

accommodation, and with Andersen's assistance, for the precise purpose of enhancing Enron's ability to obtain credit from various entities including creditors such as plaintiff who, Enron and Andersen knew, would not extend credit if the true finances and circumstances were known.

13. The November 8, 2001 "Form 8-K" report contained a report from Andersen in which Andersen disclaimed its own prior statements and expressly stated that the original statements "should not be relied upon."

14. In October and early November 2001, knowing that the Enron financial statements had contained false information, knowing that it had itself made numerous false representations, and knowing that many creditors had relied upon the false information and statements to their great detriment, Andersen embarked on a concerted campaign to destroy the evidence of its misdeeds. Much of the document destruction took place in Houston and was perpetrated by many of the same Houston partners and Andersen employees who worked on the Enron engagement.

ANDERSEN'S FALSE REPRESENTATIONS

15. Attached to the Enron financial statements provided to plaintiff to induce it into the transaction with Enron were reports entitled "report of independent public accountants." In these reports, Andersen made numerous false statements regarding the audits conducted by it and about the financial statements it had audited.

16. In its reports, Andersen represented that the financial statements "present fairly, in all material respects, the financial position of Enron Corp. and subsidiaries," "in conformity with accounting principles generally accepted in the United States."

17. In reality, Andersen knew, or, in the absence of recklessness, would have known, that Enron's financial statements were prepared in complete violation of numerous basic accounting

rules adopted by the American Institute of Certified Public Accountants ("AICPA") as Generally Accepted Accounting Principles ("GAAP").

18. Among the many violations of GAAP contained in Enron's financial statements which Andersen concealed with its false representations and certifications of conformity with GAAP are the following, all designed to inflate Enron's revenue and net worth, and hide the true size of Enron's debt from creditors such as plaintiff:

(a) Andersen knew, or, in the absence of recklessness, would have known, that Enron had improperly failed to consolidate certain "special purpose entities" ("SPEs") created by Enron into Enron's financial statements, in violation of GAAP (including but not limited to GAAP as set forth in Accounting Research Bulletin ("ARB) No. 51, ¶ 1; FASB Statement of Financial Accounting Standards ("SFAS") No. 94; and FASB Emerging Issues Task Force Abstracts ("EITF") No. 90-15 and EITF Topic D-14), and, as a result, Andersen knew, or, in the absence of recklessness, would have known, that Enron had improperly concealed significant losses and significant debt (including loans), and improperly overstated earnings/income, in connection with certain transactions that these SPEs engaged in, in violation of GAAP (including but not limited to GAAP as set forth in FASB Statement of Concepts No. 5, ¶¶ 83-84). Examples of such improper accounting include Andersen's accounting of certain transactions involving SPEs known by the names "Chewco Investments," "LJM Caymen L.P." (also called "LJM1"), "LJM2 Co-Investment L.P." (also called "LJM2"), "Cortez," "Rawhide," "Margeaux," "Fishtail," "JGB Trust," "LAB Trust," "EBS

Content Systems, LLC" (also known as Project "Braveheart"), "Firefly," and "JV Co."

(b) Andersen knew, or, in the absence of recklessness, would have known, that Enron had improperly recorded certain transactions with certain entities as sales, instead of loans (or "secured borrowings"), thereby recognizing revenue and concealing debt, in violation of GAAP (including but not limited to GAAP as set forth in SFAS No. 125). Examples of such improper accounting include transactions involving Whitewing, the Osprey Trust and the Marlin Trust.

(c) Andersen knew, or, in the absence of recklessness, would have known, that Enron had improperly recorded certain transactions as forward sales contracts or hedging contracts, and improperly recorded revenues from such alleged contracts, rather than recording them as loans, in violation of GAAP (including but not limited to GAAP as set forth in FASB Statement of Concepts No. 2, ¶ 78). Such transactions include transactions involving Enron Natural Gas Marketing Corp. and Enron North America Corp. (and Mahonia and Mahonia Gas, entities created by J.P. Morgan).

19. Andersen knew, or, in the absence of recklessness, would have known, about the improper accounting because Andersen itself was intimately involved in consulting on and structuring many of the very transactions that were concealed or improperly reported in the financial statements. Yet Andersen, in the interest of retaining Enron's multimillion dollar fees, represented that Enron's statements complied with GAAP.

20. In the reports provided to plaintiff, Andersen also represented that it had "conducted our audits in accordance with auditing standards generally accepted in the United States," standards

that "require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement."

21. In fact, in conducting its audit, Andersen had deviated completely and in numerous instances from "auditing standards generally accepted in the United States," that is, with standards approved and adopted by the AICPA, including but not limited to Generally Accepted Auditing Standards ("GAAS") and Statements on Auditing Standards (codified as AU sections) which are recognized by the AICPA as the Institute's interpretations of GAAS. Among the more flagrant of Andersen's knowing, intentional and reckless departures from GAAS are the following:

(a) GAAS standards of reporting require the auditor's report to "state whether the financial statements are presented in accordance with generally accepted accounting principles." The standards also require that "the report shall identify those circumstances in which such principles have not been consistently observed." (GAAS Standards of Reporting, Standard 1 and Standard 2, AU §§ 150, 410 and 420.) Andersen violated both standards by falsely and recklessly stating that Enron's statements were in conformance with GAAP, and concealing the many specific circumstances in which Andersen knew, or, in the absence of recklessness, would have known, that the statements deviated from GAAP.

(b) Andersen violated GAAS by failing to remain independent of and objective about its client as required by GAAS General Standard 2 and the AICPA Code of Professional Ethics. (ET §§ 54, 55, 102 and AU § 150, § 220.) Andersen's lack of independence led it to make statements it knew to be false in the interest of earning substantial auditing and consulting fees.

(c) Andersen violated GAAS by failing to adequately investigate and disclose the SPEs such as Chewco and LJM as "related party transactions" as required by AU § 334. Having played a large role in structuring many of these entities and transactions, Andersen knew, or, in the absence of recklessness, would have known, that Enron and the Enron insiders retained control of these entities, and as such Andersen was required as part of its audit to evaluate them as related parties.

(d) Andersen violated GAAS by ignoring the risk factors for fraudulent financial reporting, risk factors such as significant related-party transactions, overly complex organizational structure, highly complex transactions and significant pressure to obtain additional credit (AU § 316.17), risk factors Andersen knew existed at Enron because Andersen participated in advising on and structuring these very matters.

(e) Andersen violated GAAS by failing to evaluate and disclose Enron's ability (or inability) to survive as an ongoing concern, as required by AU § 341. The massive concealed debt, of which Andersen was well aware, seriously threatened Enron's viability as a company. Once revealed, the company collapsed almost immediately.

22. Through these violations of GAAS and through its affirmative false statements, Andersen intended to, and did, induce creditors such as plaintiff into extending credit to Enron which, had the creditors known the truth, they never would have extended.

23. Andersen had reason to expect, and knew, that creditors such as plaintiff would rely on Andersen's false statements. Andersen provided multiple copies of its reports to Enron,

knowing that the reports would be disseminated by Enron to such creditors for them to make decisions concerning creditworthiness, just as they were here.

24. Andersen's conduct in failing to exercise due care or competence in auditing Enron, failing to perform the audit in accordance with GAAS despite its express representation to the contrary, and certifying Enron's financial statements as in conformance with GAAP when it knew or, in the absence of recklessness, would have known, that they were not, caused and contributed to the statements' containing significant false information upon which plaintiff relied to its detriment.

25. Andersen's false representations of compliance with GAAP and GAAS misled plaintiff into believing Enron to be the financially healthy and creditworthy company depicted in the financial statements, thereby inducing plaintiff to extend credit to Enron.

PLAINTIFF'S RELIANCE ON ANDERSEN'S FALSE STATEMENTS

26. In or about December 2000, plaintiff's parent, the Bank, was contacted by Man Group Finance Limited ("Man"), a commodities and derivatives broker used by Enron, regarding a potential commodity financing transaction with Enron.

27. The negotiations between the parties that followed the initial contact took place between Soma Ghosh, for Enron, David Barnett and Philip Kurukgy, for the Bank, and Brian Thomson, for Man. Ms. Ghosh, and the other individuals from Enron who participated in these negotiations, including Julia Chin and Maricela Trevino, all worked out of Enron's Houston office. Mr. Barnett, a consultant working for the Bank, worked out of London. Mr. Kurukgy, manager of the Bank's International Corporate Department, worked out of the Bank's Riyadh office. Mr. Thomson worked out of Man's offices in London.

28. Enron proposed that the Bank purchase a specified commodity from Man, for immediate delivery and "spot" (*i.e.*, immediate) payment, and that the Bank then promptly sell that same commodity to Enron for immediate delivery and deferred payment. In effect, Enron would be able to purchase the commodity it had selected (in an amount it had selected) on credit. Initially, Enron proposed that the commodity be a petroleum product, or natural gas; later, Enron specified that the commodity be aluminum.

29. Enron proposed to conduct the transaction through a subsidiary. The Bank agreed, although it requested as a principle term of the transaction and Enron as parent agreed to provide an unconditional guarantee of payment. Enron also requested that the Bank use plaintiff, its subsidiary in the Netherlands, as the counterparty, apparently for tax purposes based on tax advice given to Enron. The Bank agreed.

30. Enron requested that the transaction (or transactions) result in it obtaining $250 million in credit. The Bank responded that, at least initially, it would consider a transaction (or transactions) with a total value of no more than $200 million.

31. In or about March 2001, in the course of analyzing whether to enter into the transaction, the Bank requested that Enron provide it with financials for the nominated subsidiary. Enron representatives explained that Enron had consolidated financial statements that reported on the financial position of itself and all of its subsidiaries. Further, Enron representatives explained that the Bank did not need financials for the nominated subsidiary, because Enron would provide an unconditional payment guarantee.

32. In response to the Bank's request, Enron provided the Bank with consolidated financial statements for the years 1999 and 2000, audited and certified by Andersen, either directly, or

through Man. Further, the Bank received information from Enron's consolidated financial statements for the years 1997 and 1998, also audited and certified by Andersen.

33. At the time it audited and certified Enron's financial statements, Andersen's extensive consulting and auditing work made it privy to Enron's inner workings. Andersen knew or should have known that roughly half of Enron's revenue came from commodities trading, including in energy, natural gas and/or metals, and thus Andersen knew or should have known that commodities traders and financiers such as plaintiff would be relying upon the financial statements it audited and certified, when considering whether to enter into commodities transactions with Enron and its subsidiaries.

34. In early 2001, while the Bank was negotiating with Enron, Andersen was internally evaluating its representation of Enron in light of what it knew about the improper accounting in which it had participated. Unable to forego the massive fees it was receiving from Enron, Andersen elected to continue the representation even though to do so meant allowing the false statements (then being relied upon by the Bank) to stand and be disseminated.

35. Based on its review of the consolidated financial statements for the years 1999 and 2000, as well as its analysis of historical financial reports also audited and certified by Andersen, the Bank's credit department concluded that Enron was creditworthy, did not have excessive debt and would be able to repay the Bank. The fact that Andersen had certified the financial reports, had represented that they were in accordance with GAAP, and had represented that its audit was in compliance with GAAS, was heavily relied upon by the Bank in reaching the conclusion that Enron was creditworthy.

36. On April 5, 2001, the Bank's credit department issued a credit report, including a spread sheet which analyzed the financial statements certified by Andersen, recommending approval of the transaction.

37. Based on the April 5, 2001 credit report, an internal committee at the Bank agreed to go forward with the proposed transaction with Enron.

38. In fact, the original consolidated financial statements that formed the basis of the April 5, 2001 credit report contained significant false information. Specifically, these statements overstated Enron's net income, understated Enron's debt, overstated Enron's assets, and overstated Enron's equity. All of this was known or should have been known by Andersen at the time it certified the original reports, and at the time it gave its reports to Enron to provide to creditors such as plaintiff.

39. The transaction closed on July 5, 2001, when plaintiff and Enron's subsidiary, Enron Metals and Commodities Corporation ("EMCC") entered into a written contract whereby plaintiff sold 68,850 metric tons of aluminum to EMCC, at a price of US $1480.383895 per metric ton, or US $101,924,431.17 total. Plaintiff agreed to transfer title to the aluminum to EMCC in exchange for EMCC's promise to pay the price on December 21, 2001, some six months later. On or about the same date, plaintiff purchased the same aluminum from Man.

40. Also on or about July 5, 2001, at plaintiff's request, Enron executed a written guarantee in connection with plaintiff's transaction with EMCC, in which Enron promised, unconditionally, to pay any or all of the price for the aluminum to plaintiff, if EMCC failed to do so.

41. Before making any payment to plaintiff on either the sale/purchase contract or the guarantee, on or about December 2, 2001, Enron and EMCC (and other Enron subsidiaries) filed for protection pursuant to chapter 11 of the United States Bankruptcy Code.

FIRST CAUSE OF ACTION - FRAUD

42. Plaintiff reiterates and adopts each and every allegation of paragraphs 1 through 41 as if set forth herein verbatim.

43. Andersen made material misrepresentations and false statements in its certification of and report on the audited consolidated financial statements of Enron and its subsidiaries for the years 1997 through 2000.

44. Andersen knew that the statements it was making were false.

45. Alternatively, Andersen made the statements recklessly, as positive assertions, without any knowledge of their truth or falsity.

46. Andersen intended that creditors such as plaintiff would rely and act upon the statements, in a type of transaction in which Andersen intended or had reason to expect creditors such as plaintiff would be influenced.

47. Alternatively, Andersen had reason to expect that creditors such as plaintiff would rely and act upon the statements, in a type of transaction in which Andersen intended or had reason to expect creditors such as plaintiff would be influenced.

48. Plaintiff did act in reliance upon Andersen's false statements and misrepresentations, in a type of transaction in which Andersen intended or had reason to expect creditors such as plaintiff would be influenced.

49. Plaintiff suffered financial injury of $101,924,431.17 because of its reliance on Andersen's material, intentional false statements and misrepresentations.

SECOND CAUSE OF ACTION - NEGLIGENT MISREPRESENTATION

50. Plaintiff reiterates and adopts each and every allegation of paragraphs 1 through 49 as if set forth herein verbatim.

51. Andersen audited and certified consolidated financial statements for Enron and its subsidiaries for the years 1997 through 2000.

52. In doing such work for Enron, Andersen acted in the course of its business as internal and external auditors for Enron and its subsidiaries. Andersen had a pecuniary interest in such business.

53. These financial statements contained information which Andersen knew or should have known would be used for the guidance of others in their business transactions with Enron and its subsidiaries.

54. These financial statements contained false information.

55. Andersen failed to exercise reasonable care or competence in obtaining and/or communicating the information set forth in these financial statements.

56. On July 5, 2001, in justifiable reliance upon the information set forth in these financial statements, plaintiff sold and transferred title to a large volume of aluminum to EMCC, in exchange for a promise by EMCC to pay the $101,924,431.17 price some six months later, as well as an unconditional payment guarantee from Enron.

57. Insofar as it entered into these transactions with EMCC and Enron, plaintiff was and is one of a limited group of persons for whose benefit and guidance Andersen knew or should have known that Enron and EMMC intended to supply the information set forth in these financial statements.

58. The transaction in which plaintiff sold and EMCC bought aluminum, as well as the related transaction in which Enron guaranteed the payment of the price for such aluminum, were transactions, or substantially similar to transactions, that Andersen knew or should have known that Enron and EMC intended the information set forth in these financial statements to influence.

59. Before any part of the price was paid, on December 2, 2001, Enron and EMCC filed for protection pursuant to chapter 11 of the United States Bankruptcy Code.

60. As a result of its justifiable reliance, plaintiff suffered a pecuniary loss insofar as it did not receive payment of any part of the price from either EMCC or Enron.

EXEMPLARY DAMAGES

61. Plaintiff reiterates and adopts each and every allegation of paragraphs 1 through 60 as if set forth herein verbatim.

62. The wrongful conduct of Andersen was willful, wanton and malicious, and done with the intent of causing injury to plaintiff. Accordingly, plaintiff is entitled to punitive and exemplary damages from Andersen in an amount not less than two times actual damages as punishment to deter others from similar unlawful acts, for which plaintiff now sues.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment as follows:

A. Awarding actual damages in favor of plaintiff and against defendant, for all damages sustained as a result of defendant's wrongdoing, in an amount to be proven at trial, on the first and second causes of action;

B. Awarding exemplary damages in favor of plaintiff and against defendant. on the first cause of action;

C. Awarding all costs in prosecuting this action; and

D. Awarding such other and further relief, whether legal or equitable, to which plaintiff may be justly entitled.

JURY DEMAND

Plaintiffs hereby demand a trial by jury.

Respectfully submitted,

BREWER & PRITCHARD, P.C.

By: _____

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DISTRICT CLERK
HARRIS COUNTY, TEXAS

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CLERK HOURS PENDING

ORIGINAL

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
ENTERED

DEC 13 2001

Michael N. Milby, Clerk of Court

MARK NEWBY,	§	
	§	
Plaintiff,	§	
	§	
VS.	§	CIVIL ACTION NO. H-01-3624
	§	(Securities Suits)
ENRON CORP., *et al.*,	§	
	§	
Defendants.	§	

SETH ABRAMS and STEVEN FRANK, Individually and On Behalf of All Others Similarly Situated,	§	
	§	
Plaintiffs,	§	
	§	
VS.	§	CIVIL ACTION NO. H-01-3630
	§	
ENRON CORP., *et al.*,	§	
	§	
Defendants.	§	

ROBERT J. CASEY II and RUTH I. HORTON, Individually and On Behalf of All Others Similarly Situated,	§	
	§	
Plaintiffs,	§	
	§	
VS.	§	CIVIL ACTION NO. H-01-3647
	§	
ENRON CORP., *et al.*,	§	
	§	
Defendants.	§	

FRANK WILSON, On Behalf of Himself and All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3652
J. MICHAEL GOTTESMAN, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3660
AVIGAYIL GREENBERG, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3670

ROBERT CHRISTIANSON, Individually and on Behalf of All Others Similarly Situated,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-3671
ENRON CORP., *et al.*,	§	
Defendants.	§	
ERNEST GOTTDIENER, Individually and on Behalf of All Others Similarly Situated,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-3681
ENRON CORP., *et al.*,	§	
Defendants.	§	
MURIEL P. KAUFMAN, IRA, Individually and on Behalf of All Others Similarly Situated,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-3682
ENRON CORP., *et al.*,	§	
Defendants.	§	

JOHN F. MCCARTHY MONEY PURCHASE PLAN, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § § § §	CIVIL ACTION NO. H-01-3686
HENRY H. STEINER, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § § § §	CIVIL ACTION NO. H-01-3717
MICHAEL KOROLUK, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § § § §	CIVIL ACTION NO. H-01-3733

JAMES BRILL, on Behalf of Himself and of All Others Similarly Situated, Plaintiffs, VS. ENRON CORP., *et al.*, Defendant.	§ § § § § § § § § § § §	CIVIL ACTION NO. H-01-3734
ELMAR A. BUSCH, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al,*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3735
WARREN PINCHUCK, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3736

MAHIN S. MASHAYEKH, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3737
BARBARA D. LEE, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3789
DANIELLE M. KARCICH, *et al.*, on Behalf of Itself and All Others Similarly Situated, Plaintiffs, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3838

NAOMI RAPHAEL, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3839
VICTOR RONALD FRANGIONE, on Behalf of Himself and All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3889
PATRICIA D. PARSONS, On Behalf of All Others Similarly Situated Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3903

JOHN and PEGGY ODAM, *et al.*, Plaintiffs, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § §	CIVIL ACTION NO. H-01-3914
FRANK ANTHONY CAMMARATA III, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § §	CIVIL ACTION NO. H-01-3993
GEORGE NICOUD, on Behalf of Himself and of All Others Similarly Situated, Plaintiff, VS. ENRON CORPORATION, *et al.*, Defendants.	§ § § § § § § § § §	CIVIL ACTION NO. H-01-4009

ARCHDIOCESE OF MILWAUKEE SUPPORTING FUND, INC., Individually and on Behalf of All Others Similarly Situated,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-4071
ENRON CORP., *et al.*,	§	
Defendants.	§	
KENNETH FRANKLIN, Individually and on Behalf of All Others Similarly Situated,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-4106
ENRON CORP., *et al.*,	§	
Defendants.	§	
SUSAN COPLEY, on Behalf of Herself and of All Others Similarly Situated,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-4168
KENNETH L. LAY, *et al.*,	§	
Defendants.	§	

JAMES J. DALY, as Trustee of the James J. Daly IRA Rollover and on behalf of all others similarly situated,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-4189
ENRON CORP., *et al.*,	§	
Defendants.	§	

AMALGAMATED BANK, as Trustee for the Longview Collective Investment Fund Longview Core Bond Index Fund and Certain other Trust accounts, Individually and on Behalf of All Others Similarly Situated,	§	
Plaintiffs,	§	
VS.	§	CIVIL ACTION NO. H-01-4198
KENNETH L. LAY, *et al.*,	§	
Defendants.	§	

PIRELLI ARMSTRONG TIRE CORPORATION RETIREE MEDICAL BENEFITS TRUST, Derivatively On Behalf of ENRON CORPORATION,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-3645 (Derivative Suits)
KENNETH L. LAY, *et al.*,	§	
Defendants,	§	
- and- ENRON CORPORATION, an Oregon Corporation,	§	
Nominal Defendant.	§	

JOSEPH E. KASSOWAY , Trustee of the Joseph E. Kassoway and Robert T. Kassoway Trust,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-3690
ANDREW S. FASTOW, *et al.*,	§	
Defendants.	§	

DETECTIVES ENDOWMENT ASSOCIATION ANNUITY FUND, derivatively on behalf of Enron Corporation, Plaintiff, VS. KENNETH L. LAY, *et al.*, Defendants.	§ § § § § § § § § § § § §	CIVIL ACTION NO. H-01-3892
WILLIAM COY, Individually and Derivatively and on Behalf of All Others Similarly Situated, Plaintiff, VS. ANDREW S. FASTOW, *et al.*, Defendants.	§ § § § § § § § § § § §	CIVIL ACTION NO. H-01-3995
CANDY MOUNTER, *et al.*, Individually and Derivatively, And on Behalf of All Similarly Situated Stockholders of Enron Corp., Plaintiffs, VS. JOINT ENERGY DEVELOPMENT INVESTMENTS LP, *et al.*, Defendants.	§ § § § § § § § § § § §	CIVIL ACTION NO. H-01-3996

SHIRLEY J. PRATZ, *et al.*, Individually and Derivatively, And on Behalf of All Similarly Situated Stockholders of Enron Corp.,	§	
Plaintiffs,	§	
VS.	§	CIVIL ACTION NO. H-01-3997
CHEWCO INVESTMENTS LP, aka Chewco Investments of Houston, *et al.*,	§	
Defendants.	§	

FRED GREENBERG, derivatively on behalf of Enron Corp.,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-3998
ROBERT A. BELFER, *et al.*,	§	
Defendants.	§	

ENRON CORP. SAVINGS PLAN, an employee pension benefit plan appearing derivatively through Pamela M. Tittle, a participant of the plan,	§	
Plaintiff,	§	
VS.	§	CIVIL ACTION NO. H-01-4108
ENRON CORP., an Oregon Corporation, *et al.*,	§	
Defendants.	§	

PAMELA M. TITTLE, *et al.*, on behalf of herself and a class of persons similarly situated, Plaintiffs, VS. ENRON CORP., an Oregon Corporation, *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3913 (ERISA suits)
MICHAEL P. HARNEY, on Behalf of Himself and All Others Similarly Situated, Plaintiff, VS. ENRON CORP., an Oregon Corporation, *et al.*, Defendants.	§ § § § § § § § § § § §	CIVIL ACTION NO. H-01-4063
GARY W. KEMPER, on behalf of himself and All Others Similarly Situated, and on behalf of the Enron Corporation Savings Plan; *et al.*, Plaintiff, VS. ENRON CORPORATION, *et al.*, Defendants.	§ § § § § § § § § § § §	CIVIL ACTION NO. H-01-4089

BETTY J. CLARK, Individually and on Behalf of All Others Similarly Situated, Plaintiff, VS. ENRON CORP., *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-4125
DOROTHY RICKETTS, on Behalf of the Enron Corp. Savings Plan and its participants, Plaintiff, VS. ENRON CORPORATION, an Oregon Corporation, *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-4128
RICHARD POTTRATZ and BRADLEY DIEBNER, on Behalf of Themselves and All Others Similarly Situated, Plaintiffs, VS. ENRON CORP., an Oregon Corporation, *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-4150

CATHERINE STEVENS, *et al.*, Plaintiffs, VS. ENRON CORP., Savings Plan Administrative Committee, *et al.*, Defendants.	§ § § § § § § § § §	CIVIL ACTION NO. H-01-4208
CITY OF BIRMINGHAM RETIREMENT AND RELIEF PLAN on Behalf of Itself and of All Others Similarly Situated, Plaintiffs, VS. ENRON CORPORATION, *et al.*, Defendants.	§ § § § § § § § § § §	CIVIL ACTION NO. H-01-3940 (Other suit)

ORDER OF CONSOLIDATION

A number of defendants have moved to consolidate the pending litigation concerning Enron Corporation in a single court. The motion to consolidate has been filed by the outside directors of Enron Corporation,[1] Kenneth L. Lay, Rebecca Mark-Jusbache, Jeffrey K. Skilling, Steven Kean, Lou Pai, Stanley Horton,

[1] The "outside directors" of Enron Corporation are current and former directors that have been named in many of the Enron-related lawsuits. They are Robert Belfer, Norman Blake, Jr., Ronnie C. Chan, John H. Duncan, Wendy L. Gramm, Robert K. Jaedicke, Charles A. Lemaistre, John Mendelsohn, M.D., Paulo V. Ferraz Pereira, Frank Savage, John Wakeham, Joe H. Foy, Jerome J. Meyer and Herbert Winokur.

Rick Buy, Richard Causey, Mark Frevert, and Andrew S. Fastow, Arthur Andersen LLP, and Enron Corporation itself. The consolidation is sought as to the many actions in this district arising from, or relating to, the financial difficulties of Enron Corporation. Some of the actions arise under the federal securities laws; other cases are actions filed derivatively on behalf of Enron against its present or former directors; and a third group of cases has been filed under the Employee Retirement Income Security Act on behalf of participants in various employee benefit plans maintained by Enron.

These cases all arise from a common core of operative facts. They are filed against common defendants. Many of the cases contain identical claims. The legal issues will overlap. Much of the discovery will be common to all the cases. In order to ensure the orderly progress of these lawsuits and to avoid unwarranted duplication of discovery and motion practice, the motion to consolidate the pending actions in one court is GRANTED, pursuant to Rule 42 of the Federal Rules of Civil Procedure and Local Rule 7.6 of the Southern District of Texas.

Pursuant to Rule 42 of the Federal Rules of Civil Procedure and Local Rule 7.6, and to serve the interests of justice, the actions involving or related to the financial difficulties of Enron Corporation, pending in the Southern District of Texas, are consolidated in the court in which the oldest related case was filed in this district,

which is Civil Action No. H-01-3624, *Newby v. Enron Corporation, et al.* Other actions later filed in this district relating to the same core of operative facts and issues will also be consolidated in this court.

All actions filed in this district against any or all of the following will be automatically consolidated before this court: Enron Corporation, Andrew S. Fastow, Kenneth L. Lay, Jeffrey K. Skilling, Richard Causey, Mark Frevert, Cliff Baxter, Lou Pai, Robert A. Belfer, Norman P. Blake, Jr., Ronnie C. Chan, John H. Duncan, Wendy L. Gramm, Robert K. Jaedicke, Charles A. Lemaistre, John Mendelsohn, Paulo V. Ferraz Pereira, Frank Savage, John Wakeham, Herbert S. Winokur, Ken L. Harrison, Jerome J. Meyer, John A. Urquhart, Joint Energy Development Investments, L.P., Joint Energy Development Investments II, L.P., Chewco Investments, L.P., a/k/a Chewco Investments of Houston, L.P., Michael Kopper, LJM2 Co-Investment, L.P., Arthur Andersen LLP, Mary K. Joyce, Rebecca Mark-Jusbache, Ken Rice, Steven Kean, Stanley Horton, Richard Buy, Ben Glisan, Kristina Mordaunt or Northern Trust Company. If any such actions are subsequently filed in this district, counsel for defendants is directed to file a copy of this order along with a Notice of Consolidation in the action to be consolidated and to serve the same on counsel for plaintiffs. The Clerk of Court is directed to consolidate such action or actions before this court as follows:

The federal securities cases will be consolidated under Civil Action No. H-01-3624, *Newby v. Enron Corp., et al.*, as the lead case.

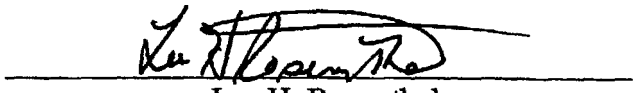
The derivative cases will be consolidated under Civil Action No. H-01-3645, *Pirelli Armstrong Tire Corp. Defined Benefit Plan, et al. v. Kenneth L. Lay, et al.*, as the lead case.

The employee benefit plan cases will be consolidated under Civil Action No. H-01-3913, *Tittle v. Enron Corp., et al.*, as the lead case.

If any party objects to the consolidation, that party must file an objection to consolidation with this court within 10 days of the filing of this Notice of Consolidation.

Scheduling orders will be issued separately.

SIGNED on December 12, 2001, at Houston, Texas.



Lee H. Rosenthal
United States District Judge