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I. INTRODUCTION

Lead plaintiff movant Regents of the University of California ("Regents") and plaintiff Amalgamated Bank seek particularized discovery from certain officers and executives who are knowledgeable about the destruction of evidence at Enron. Enron employees have apparently destroyed evidence despite the fact that they are under a duty to preserve evidence which is under subpoena by various congressional committees and which is to be preserved pursuant to the Private Securities Litigation Reform Act of 1995 ("PSLRA"). As plaintiffs informed the Court at the January 22 hearing on their motion for particularized discovery from Andersen, counsel received from a former Enron employee a box of shredded documents, which appears to contain evidence taken from the 19th floor of the Company's headquarters. Jan. 22 Tr. at 18-19. At the hearing, Enron's counsel admitted that a trash can full of shredded material had been found the night before, but that steps had been taken to protect documents. *Id.* at 60-62. *The New York Times* later reported that individuals at Enron had executed a massive shredding operation, and *The Washington Post* reported on February 5 that Enron continued to shred documents.

Where willful destruction of documents has been acknowledged, the discovery-stay provisions of the PSLRA should be lifted to allow plaintiffs particularized discovery to learn what evidence has been destroyed and to preserve other evidence. Because (among other things) this is not a case where plaintiffs seek discovery to bolster a baseless claim, the PSLRA's purposes will not be frustrated by allowing the particularized discovery plaintiffs request. Indeed, Enron's Special Investigative Committee admits that there was pervasive wrongdoing at the Company, which forms the basis for certain of plaintiffs' claims.

Plaintiffs seek discovery from the following individuals who likely were directly in charge of those persons responsible for ensuring that documents would be preserved or, conversely, for destroying documents in the Enron departments of which plaintiffs are aware:

- Kenneth L. Lay, Former Chief Executive Officer;
- Jeffrey McMahon, Former Treasurer;
- Robert H. Butts, Vice President and Controller of Corporate Finance and Accounting;

- Richard B. Buy, Executive Vice President, Chief Risk Officer;
- Richard A. Causey, Executive Vice President, Chief Accounting Officer;
- Mark E. Lindsey, Vice President and Assistant Controller;
- Rodney L. Faldyn, Corporate Accounting and Finance employee; and
- James V. Derrick, Jr., Vice President and General Counsel.

These individuals should know the who, what, when, where, and how of Enron's document destruction. To protect plaintiffs from undue prejudice and to preserve relevant evidence, the PSLRA's discovery stay should be lifted.

II. RELEVANT PROCEDURAL HISTORY

On January 11, Amalgamated Bank (supported by Regents) filed an *ex parte* application for particularized expedited discovery from Andersen, to preserve evidence in the wake of admissions by the auditor that it had destroyed a significant but undetermined number of electronic and paper documents relating to its Enron engagement. Plaintiffs filed a supplemental brief on January 15, bringing to the Court additional information related to Andersen's destruction of documents. A second supplemental brief was filed on January 18. On January 22, plaintiffs filed a third supplemental brief in support of the *ex parte* application. In addition to seeking discovery from Andersen, the third supplemental brief sought discovery from certain Enron executives to preserve evidence based on the revelation that the Company too was shredding documents.

Hearings on the application were held January 22 and 23, after which the Court issued an Order prohibiting the destruction of evidence, granting limited discovery, and providing other relief regarding Andersen. On January 28, to insure that all parties had an opportunity to respond, the Court ordered plaintiffs to file and serve a motion seeking particularized expedited discovery from specified Enron executives. Amalgamated and Regents filed the instant motion in response to that Order.

III. ARGUMENT

A. Enron's Employees, Like Andersen's, Have Destroyed Evidence

As plaintiffs established at the January 22 hearing, Enron's employees, like those at Andersen, shredded documents at suspicious times and destroyed evidence.

1. Enron's Shredding Operation

As reported by Enron project manager Maureen Raymond Castaneda, after the formal SEC investigation was announced, boxes of documents were gathered and stored in and adjacent to the accounting and finance offices on the 19th floor of the Smith Street headquarters building. Howes Decl., ¶2.¹ Employees were told to box all Enron-related documents in their possession and to label the boxes with their names and office. These boxes, and others gathered throughout the Houston headquarters up to Thanksgiving, were stored in a large room near the accounting and finance offices in the corporate accounting area – and there were so many that they filled the storage area and were stacked in the hallways. Meanwhile, support staff reviewed, removed, and shredded documents from the boxes. The destroyed documents filled scores of trash cans each week. Howes Decl., ¶3.

The boxing, reviewing and shredding process began after the SEC's formal investigation, announced on October 31, 2001, accelerated around Thanksgiving, and has continued until at least January 21. Long before the document shredding was exposed, General Counsel James Derrick instructed all employees in at least two e-mails – the latest dated January 14 – that because of pending and threatened lawsuits, *no company documents in any form should be destroyed:*

From: Legal-James Derrick, Jr.
Sent: Monday, January 14, 2002 4:02PM
To: DL-GA-all_enron_worldwide2
Subject: Retention Of Documents

This is to remind all employees that, as earlier instructed, in view of the pending and threatened legal proceedings involving the company, no company records, either in electronic or paper form, should be destroyed. In the event of an office closing, please contact Bob Williams at (713) 345-2402 to arrange for storage of any records.

Please call Bob with any questions.

Howes Decl., ¶3.

Ms. Castaneda's box of shredded documents, collected on January 14, is not the only evidence that documents were destroyed while the Company was under subpoena by the SEC. After Enron's shredding in the corporate accounting area was publicly disclosed, the Company admitted

¹Paragraph references to the Declaration of G. Paul Howes in Support of Amalgamated Bank's Third *Ex Parte* Application for Particularized Expedited Discovery From Defendant Andersen and Defendant CEO Lay to Preserve Evidence, filed in this Court on January 22, 2002, are stated herein as "Howes Decl., ¶__."

to institutional shredding, which has been described in an ABC report as done on "a supersized scale." *See* Ex. A. Indeed, in response to the ABC report, Enron had to admit that "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." *Id.* *See also* Ex. B.

2. **JEDI, Chewco, and Raptor Partnership-Related Documents Were Destroyed**

The documents destroyed at Enron were unquestionably "Company records," the destruction of which General Counsel Derrick purportedly prohibited. Indeed, the destroyed documents were relevant evidence in this action. Just in the single box of shredded documents retrieved by plaintiffs' counsel were documents concerning JEDI II, Chewco, and Raptor – the principal off-balance-sheet vehicles that defendants used to fraudulently manipulate Enron's financial statements by hundreds of millions of dollars. Howes Decl., ¶3. For example, certain of those documents had references to a percentage amount to be split between Enron (55%) and Raptor (45%), and included shreds labeled "confidential." Other documents that apparently related to financial issues were still bound together in white-yellow-pink-and-gold units, which are Enron accounting documents. *Id.* The shredded documents dated from at least 1994 through as recently as December 20, 2001. *Id.*

Company officials or lawyers claim that the documents shredded were not covered by the government's subpoenas. Of course that neither addresses plaintiffs' disclosures made before the Court on January 22, nor the fact that a much wider scope of documents were to be preserved under the PSLRA's document-preservation provisions. Moreover, others investigating Enron have reason to doubt the claims of innocent destruction. "That's outrageous," said Rep. James Greenwood. Ex. A. "It is stunning to me that this company, which is being investigated by the Congress, by the Justice Department, by the S.E.C., would get anywhere near a shredder without at least seeking the permission of the Justice Department and others, so that everyone is clear on what it is they were shredding.... Otherwise they are either incredibly arrogant and out of control, or somebody's incredibly stupid." Ex. B.

It is still unclear whether Enron's shredding has ended. As *The Washington Post* reported on February 5, Shredco trucks have been seen at Enron's Houston headquarters. "Behind the

building, a passerby stops and points as a truck bearing the logo 'Shredco' – the company Enron hired to shred its documents – is waved into the delivery bay more than a week after Enron came under fire for document shredding." *See* Ex. C. And beyond the acknowledged shredding, Company officials have also been accused of failure to turn over records to congressional investigators. Senator Byron Dorgan, chairman of one of the many subcommittees investigating Enron, charged that officials "just simply have not cooperated" in providing requested documents. *See* Ex. D.

B. Plaintiffs Are Entitled to Particularized Discovery to Preserve Evidence and Prevent Undue Prejudice, Especially Given Probable Violation of the PSLRA's Document-Preservation Mandate by Individuals at Enron

1. The PSLRA's Document-Preservation Mandate Was Likely Violated Here

The PSLRA's document-preservation provisions make it "illegal for any party who receives actual notice of the litigation to destroy or alter evidence." *Powers v. Eichen*, 961 F. Supp. 233, 236 (S.D. Cal. 1997). Under §21D(b)(3)(C)(i):

[U]nless otherwise ordered by the court, any party to the action with actual notice of the allegations contained in the complaint shall treat all documents, data compilations (including electronically recorded or stored data), and tangible objects that are in the custody or control of such person and that are relevant to the allegations, as if they were the subject of a continuing request for production of documents from an opposing party under the Federal Rules of Civil Procedure.

Congress "included a preservation provision in the PSLRA 'in recognition that "the imposition of a stay of discovery may increase the likelihood that relevant evidence may be lost."'" *In re Tyco Int'l Ltd. Sec. Litig.*, MDL No. 00-MD-1335-B, 2000 U.S. Dist. LEXIS 11659, at *4 (D.N.H. July 27, 2000) (citing *In re Grand Casinos Sec. Litig.*, 988 F. Supp. 1270, 1271 (D. Minn. 1997)). As such, the "statute provides for the possibility of court-ordered sanctions for a party's 'willful failure' to comply with the duty to preserve relevant evidence." *Id.* at *4-*5 (citing 15 U.S.C. §78u-4(b)(3)(C)(ii)). As set forth herein and previously disclosed to the Court, Enron employees have destroyed documents in violation of the PSLRA.

2. Plaintiffs Are Entitled to Particularized Discovery to Preserve Evidence and Prevent Undue Prejudice

The PSLRA's discovery-stay provisions and the concomitant duty to preserve relevant documents "reflect a careful balance between Congress's effort to shield defendants facing frivolous

claims from the burdens of discovery, on the one hand, and its desire to ensure the preservation of evidence relevant to legally cognizable claims, on the other." *Id.* at *5. Accordingly, courts allow varying forms of particularized discovery "when faced with 'the risk of lost or destroyed evidence.'" *See, e.g., In re Pac. Gateway Exchange, Inc. Sec. Litig.*, No. C 00-1211 PJH (JL), 2001 U.S. Dist. LEXIS 18433, at *4-*6 (N.D. Cal. Oct. 15 2001) (document requests, Rule 30(b)(6) deposition of custodian of records, mirror imaging of electronic data); *Vezzetti v. Remec, Inc.*, No. 99CV0796-L (JAH), 2001 U.S. Dist. LEXIS 10462, at *5 (S.D. Cal. July 20, 2001) (document preservation subpoenas) (citation omitted).

The discovery requested by plaintiffs poses no threat of the abusive litigation addressed by the PSLRA. Defendants therefore should not be allowed to hide behind the statute when there is concrete evidence of document destruction. As the *Medical Imaging* court explained:

The introductory paragraphs of the Statement of Managers for the Reform Act noted that Congress, in passing this new legislation, was "prompted by significant evidence of abuse in private securities lawsuits," which Congress found to include, "the abuse of the discovery process to impose costs so burdensome that it is often economical for the victimized party to settle." Congress also noted, however, the broader purpose of the federal securities laws, "to protect investors and to maintain confidence in the securities markets, so that our national savings, capital formation and investment may grow for the benefit of all Americans." *Using an "undue prejudice" standard in applying the exception to the statutory discovery stay appropriately attempts to balance the competing concerns of maintaining truth and integrity in the marketplace while curbing meritless litigation.*

Medical Imaging Ctrs. of Am., Inc. v. Lichenstein, 917 F. Supp. 717, 720-21 (S.D. Cal. 1996) (emphasis added). Allowing testimony on the narrow issues surrounding the document destruction here would be entirely appropriate.

Plaintiffs do not dispute that the PSLRA's discovery stay was, among other things, "intended to prevent unnecessary imposition of discovery costs on defendants." *SG Cowen Sec. Corp. v. United States Dist. Court*, 189 F.3d 909, 911 (9th Cir. 1999) (citing H.R. Conf. Rep. No. 104-369, at 32 (1995), *reprinted in* 1995 U.S.C.C.A.N. 679, 731). But, *first*, that concern should not be present here because a number of individuals from whom plaintiffs seek discovery are *not* defendants or are *former* employees of Enron. *See In re Flir Sys., Inc. Sec. Litig.*, No. 00-360-HA, 2000 U.S. Dist. LEXIS 19391, at *5-*6 (D. Or. Dec. 13, 2000). *Second*, those individual defendants

identified herein who currently work at Enron can hardly complain about the minimal burden of providing the discovery sought by plaintiffs.²

Indeed, permitting the limited discovery plaintiffs request would *not* result in a "fishing expedition" to support unfounded claims. See H.R. Conf. Rep. No. 104-369, at 37 (1995), reprinted in 1995 U.S.C.C.A.N. 679, 736. Here, the Special Investigative Committee formed by Enron's own board of directors agreed that there was "a systematic and pervasive attempt by Enron's management to misrepresent the company's financial condition." Ex. E. The Committee's Report of Investigation found that off-balance-sheet partnerships "were used by Enron Management to enter into transactions that [Enron] could not, or would not, do with unrelated commercial entities," and that "[m]any of the most significant transactions apparently were designed to accomplish favorable financial statement results, not to achieve *bona fide* economic objectives or to transfer risk." Ex. F.³ Referring to other transactions with the illicit partnerships used to "offset losses," the Report states:

They allowed Enron to *conceal* from the market very large losses resulting from Enron's merchant investments by creating an appearance that those investments were hedged – that is, that a third party was obligated to pay Enron the amount of those losses – when in fact that third party was simply an entity in which only Enron had a substantial economic stake. *We believe these transactions resulted in Enron reporting earnings from the third quarter of 2000 through the third quarter of 2001 that were almost \$1 billion higher than should have been reported.*

Id. (emphasis added). According to Enron's Special Investigative Committee, the participants in this wrongdoing "include not only the employees who enriched themselves at Enron's expense, but also Enron's Management, Board of Directors and outside advisors." *Id.*

Consequently, this clearly is not a case where plaintiffs seek discovery to bolster a baseless claim. Quite the contrary, plaintiffs seek particularized discovery to preserve evidence that supports well-founded securities fraud claims.

²Moreover, it is the directors' and officers' insurance carrier – not the individual defendants – that will bear the cost of responding to the particularized discovery plaintiffs seek.

³The Committee's report is 217 pages long. Accordingly, plaintiffs attach only the excerpts quoted. Plaintiffs will provide the Court with a copy of the entire report if requested.

C. The Particularized Discovery Plaintiffs Seek

Plaintiffs seek depositions and documents from the following individuals who likely were in charge of those persons responsible for ensuring that documents would be preserved pursuant to the PSLRA, or, conversely, for destroying documents in the Enron departments of which plaintiffs are aware:

- Kenneth L. Lay, Former Chief Executive Officer;
- Jeffrey McMahon, Former Treasurer;
- Robert H. Butts, Vice President and Controller of Corporate Finance and Accounting;
- Richard B. Buy, Executive Vice President, Chief Risk Officer;
- Richard A. Causey, Executive Vice President, Chief Accounting Officer;
- Mark E. Lindsey, Vice President and Assistant Controller;
- Rodney L. Faldyn, Corporate Accounting and Finance employee; and
- James V. Derrick, Jr., Vice President and General Counsel.

The individuals above worked on the 19th floor of Enron's Houston headquarters in the corporate accounting area where the shredding has occurred, and/or supervised those assigned to the shredding on the 19th floor, or had direct or overall responsibility for maintaining internal controls in the corporate accounting and finance department. Thus, the individuals above likely know the who, what, when, where, and how concerning the document destruction.

Similar to the Court's Order regarding Andersen, plaintiffs seek from these individuals discovery limited to document and data retention, storage, removal, deletion, destruction, attempts to restore or recover deleted or destroyed materials, and the documents or data or categories of documents or data that were destroyed, designated for destruction, or segregated for review to determine retention or destruction. For example, plaintiffs seek information related to the identity of all those responsible for directing, executing or assisting in the destruction of Enron documents. Additionally, plaintiffs seek the identity of the documents or categories of documents known or believed to have been shredded. And plaintiffs want to know how and where the documents were

destroyed. Finally, as set forth in the accompanying order, the depositions plaintiffs seek will last up to eight hours each, but will not preclude further merits depositions.

IV. CONCLUSION

Because (among other things) plaintiffs have established that relevant evidence has been destroyed at Enron – and the Company has admitted to both corporate-finance-area document destruction and institutional shredding as recently as January 21 – the Court should grant the motion for particularized expedited discovery from certain Enron executives.

DATED: February 8, 2002

Respectfully submitted,

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DECLARATION OF SERVICE BY MAIL

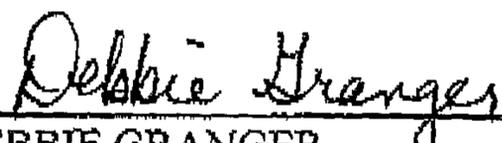
I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and a resident of the County of San Diego, over the age of 18 years, and not a party to or interest in the within action; that declarant's business address is 401 B Street, Suite 1700, San Diego, California 92101.

2. That on February 8, 2002, declarant served the MEMORANDUM IN SUPPORT OF AMALGAMATED BANK'S AND REGENTS' MOTION FOR PARTICULARIZED EXPEDITED DISCOVERY FROM CERTAIN ENRON EXECUTIVES by depositing a true copy thereof in a United States mailbox at San Diego, California in a sealed envelope with postage thereon fully prepaid and addressed to the parties listed on the attached Service List.

3. That there is a regular communication by mail between the place of mailing and the places so addressed.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 8th day of February, 2002, at San Diego, California.


DEBBIE GRANGER

DECLARATION OF SERVICE BY MAIL

I, the undersigned, declare:

1. That declarant is and was, at all times herein mentioned, a citizen of the United States and a resident of the County of San Diego, over the age of 18 years, and not a party to or interest in the within action; that declarant's business address is 401 B Street, Suite 1700, San Diego, California 92101.

2. That on February 8, 2002, declarant served the AMALGAMATED BANK'S AND REGENTS' NOTICE OF MOTION AND MOTION FOR AN ORDER GRANTING PARTICULARIZED EXPEDITED DISCOVERY FROM ENRON EXECUTIVES by depositing a true copy thereof in a United States mailbox at San Diego, California in a sealed envelope with postage thereon fully prepaid and addressed to the parties listed on the attached Service List.

3. That there is a regular communication by mail between the place of mailing and the places so addressed.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 8th day of February, 2002, at San Diego, California.

Debbie Granger
DEBBIE GRANGER

DECLARATION OF SERVICE BY MAIL

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2. That on February 8, 2002, declarant served the ORDER GRANTING PARTICULARIZED EXPEDITED DISCOVERY FROM CERTAIN ENRON EXECUTIVES by depositing a true copy thereof in a United States mailbox at San Diego, California in a sealed envelope with postage thereon fully prepaid and addressed to the parties listed on the attached Service List.

3. That there is a regular communication by mail between the place of mailing and the places so addressed.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 8th day of February, 2002, at San Diego, California.


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ABC News

SHOW: World News Tonight (6:30 PM ET) - ABC

January 29, 2002 Tuesday

TYPE: Newscast

LENGTH: 538 words

HEADLINE: More shredding took place at Enron after investigations began; Stock market report

REPORTERS: BRIAN ROSS

BODY:

PETER JENNINGS, anchor (Washington, DC):

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.

ABC News January 29, 2002 Tuesday

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.

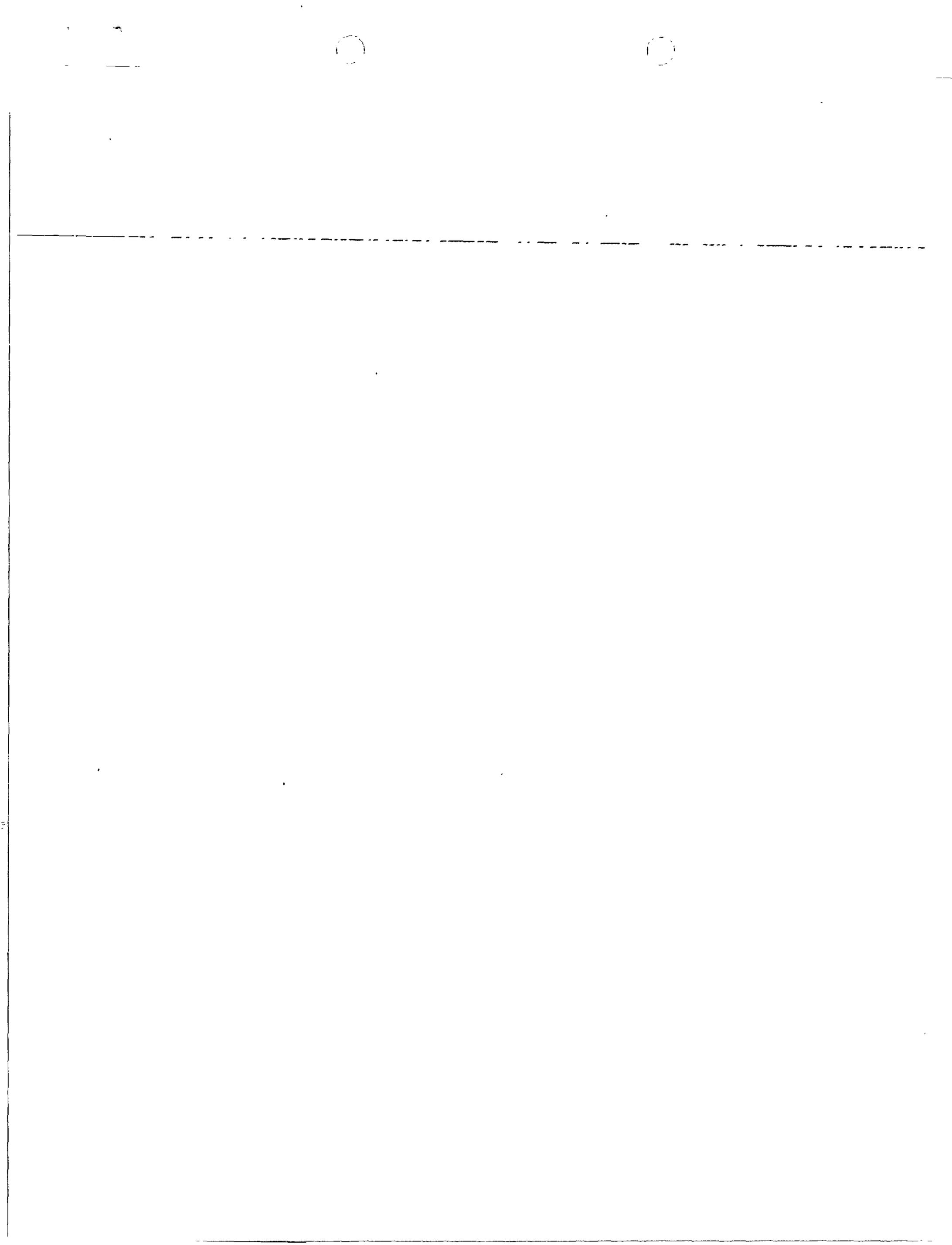
Enron had the stock market worried today according to various analysts. Investors are concerned that other companies may be using deceptive accounting. The Dow Jones industrial average fell 247 points to close at 9,618. The Nasdaq was down 51 points.

Graphics:

Dow Jones Close: 9,618.24 Down 247.51

Nasdaq Close: 1,892.99 Down 50.92

LOAD-DATE: February 1, 2002



Business/Financial Desk; Section A
ENRON'S MANY STRANDS: THE DOCUMENTS
Enron Says Shredding of Records Was Not Stopped Until Recently
By BARNABY J. FEDER and MICHAEL BRICK

01/30/2002
The New York Times
Page 1, Column 1
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A front-page article yesterday about the destruction of records at the Enron Corporation misspelled the given name of a Justice Department spokesman who declined to comment on whether agents had obtained computer hard drives or other electronic media at the company. (The error also occurred in articles on Jan. 21 and last Friday.) He is Bryan Sierra, not Brian.

CORRECTED BY THE NEW YORK TIMES THURSDAY JANUARY 31, 2002

Enron acknowledged yesterday that it had contracted until mid-January with commercial shredding companies to destroy company records.

The disclosure outraged a congressman whose subcommittee is investigating document destruction at Enron and its accounting firm, Arthur Andersen, though Enron insisted that the records being destroyed were unrelated to the continuing investigations of the company's collapse.

F.B.I. agents were in the company's Houston headquarters as recently as Monday, government officials said. They have been working there to preserve potential evidence since last week, when an employee came forward to say documents were being shredded earlier in the month.

In Washington, House Republican leaders backed President Bush and Vice President Dick Cheney in their refusal to tell Congress about contacts between Enron and the administration's energy task force. But several Republican senators called on the White House to disclose the information. [Page C1.]

Mark Palmer, an Enron spokesman, said the commercial shredding was a routine matter. The materials destroyed by a private company, Shredco, included items like payroll runs, old personnel records, performance reviews, medical records and other items that he called "sensitive employee documents."

Representative James Greenwood, the Pennsylvania Republican who is chairman of the investigative subcommittee of the House Energy and Commerce Committee, said last night that he was dismayed that even routine shredding had continued for so long at Enron.

"It is stunning to me that this company, which is being investigated by the Congress, by the Justice Department, by the S.E.C., would get anywhere near a shredder without at least seeking the permission of the Justice Department and others, so that everyone is clear on what it is that they were shredding," Mr. Greenwood said. "Otherwise they are either incredibly arrogant and out of control, or somebody's incredibly stupid."

As for Andersen, the Energy and Commerce Committee sent the firm a letter demanding details of its internal investigation of document shredding, as well as information about any consulting work it did on a score of Enron's complex partnership deals.

And computer experts said in interviews that the majority -- perhaps nearly all -- of the destroyed Andersen and Enron materials could be recovered by electronic means.

Brian Sierra, a Justice Department spokesman, declined yesterday to comment on whether agents had secured computer hard drives and other electronic media at Enron. Asked if the F.B.I. had succeeded in preventing any further destruction of potential evidence at the company, he said, "We certainly hope so."

Mr. Palmer said that all shredding at Enron had ceased as of Jan. 14, after the first reports of document destruction at Andersen.

"A lot of things are stacking up that under normal circumstances we would destroy and employees would want us to destroy," he said.

Last week, when Maureen Castaneda, a former Enron executive, disclosed that the company was continuing to shred documents in its accounting department, the company insisted that it had issued several directives stating that "all relevant documents should be preserved in light of pending litigation."

But those directives, issued as e-mail messages beginning on Oct. 25, began by specifying only certain materials related to investigations that had come to light. At the end of October, the company issued a broader message telling employees to preserve just about all documents.

On Jan. 14, another directive was issued by Enron's general counsel, James Denick Jr., to "remind all employees, that, as earlier instructed, in view of the pending and threatened legal proceedings involving the company, no company records, either in electronic or paper form, should be destroyed."

One Enron employee who insisted on not being identified said that on Friday the company had gathered up the shredders on each floor of its headquarters and put them into sealed-off areas, but that the machines had not been removed from the building.

At Andersen, the focus was on electronic records. The firm has hired ASR Data Acquisition and Analysis, a small computer forensics firm, to recover computer records that may have been deleted or overwritten.

Because nearly all paper documents these days are created on computers, investigators say that recovering the electronic materials is likely to be far more important to sorting out what happened than gathering and reassembling shredded paper documents.

ASR, based in Cedar Park, Tex., declined to describe in any detail its work for Andersen and for Davis, Polk & Wardwell, the law firm that Andersen has hired to investigate its dealings with Enron.

Andrew S. Rosen, president of ASR, said the extent of his inquiry was "still emerging." He added that while it was generally easy to recover deleted data, figuring out who deleted it and when -- crucial information for Congressional and criminal investigators -- is much harder.

"This is like an onion," Mr. Rosen said. "The first layers come off easily, but it gets harder and makes you cry as you go deeper."

Andersen itself is anxious to complete the investigation because the firm's senior management believes that the inquiry will show that potentially illegal activities were confined to a handful of individuals. The firm is struggling to retain customers amid growing concerns that its reputation has been irreparably damaged.

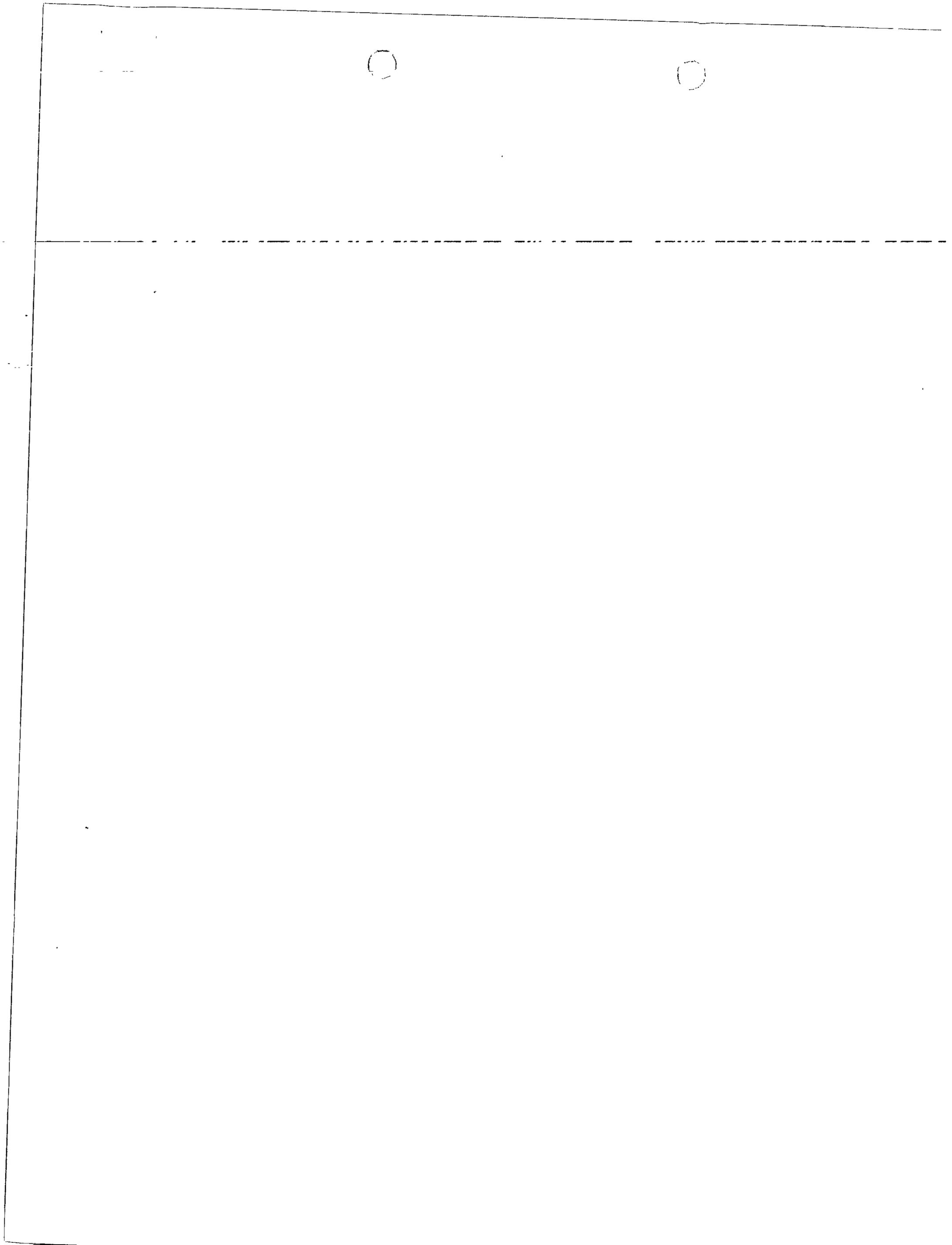
Andersen, based in Chicago, has promised to issue a complete report on its Enron dealings in a few days. The Energy and Commerce Committee, in its letter yesterday, asked Andersen to disclose by tomorrow who was being interviewed as part of the investigation, anyone identified as taking part in the destruction of records and the details of Andersen's engagement of Davis, Polk.

The continuing pressures come at a crucial time for Andersen as it tries to head off client defections.

The Wall Street Journal reported yesterday that Delta Air Lines would give other firms the opportunity this spring to bid for the auditing job now performed by Andersen. Peggy Estes, a Delta spokeswoman, described the process as a normal one for the company.

Other big Andersen clients, like Utilicorp United of Kansas City, Mo., and International Paper of Stamford, Conn., said they were conducting similar reviews.

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Style

The Blue Bayou City; Two Months After 'Black Monday,' Houston Still Is Picking Up The Enron Pieces

Jennifer Frey

Washington Post Staff Writer

02/05/2002

The Washington Post

FINAL

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HOUSTON -- We have tears, we have penthouse apartments, we have a surfboard from Nevis and a couple of kegs. We have shredded documents and a funky art exhibit and a U.S. congressman talking about sending folks to the pokey. There has been a suicide by a former top executive. Some of the other executives are in hiding, perhaps because a female executive with a memo has them pretty much terrified. Not to mention that damning report released by their own board of directors over the weekend.

We even have Jesse, Johnnie and Al.

Oh, and a bunch of chuck wagons coming to town.

Welcome to Houston, post-Enron, where the city known for both its diverse array of strip clubs and its top-notch rodeo is now best known for one particular company with a tilted "E" logo. A logo that folks around here -- who still manage to have a sense of humor about all this -- have taken to calling the "crooked E."

Just in the past week, Jesse Jackson has hit town and compared former Enron chairman Kenneth Lay to Job. Al Sharpton showed up to promote Johnnie Cochran's lawsuit at a town meeting. And Linda Lay cried while talking to Lisa Myers on the "Today" show, prompting Houstonians who have heard about the Lays' numerous properties -- including a penthouse apartment in the best part of town -- to write angry letters to the Houston Chronicle.

These days, the enclosed skyway that connects Enron's gleaming, reflective-glass building at 1400 Smith St. to its parking garage has been nicknamed "The Bridge of Sighs." Television reporters and print journalists stalk the garage, desperate for information about the biggest bankruptcy in U.S. history.

Those traders still employed by Enron "celebrated" the day the company's stock was delisted from the New York Stock Exchange by bringing in a keg. Once used to free-flowing champagne and ski weekends in Beaver Creek or getaways to Hawaii, they just thought it was the appropriate thing to do. Across the street, in a building that used to serve in part as an Enron annex, ex-employees shuffle into a federally funded employment assistance office, only to find Enron's now-infamous company posters ("respect" reads one, "integrity" another) still hanging on the walls.

Behind the building, a passerby stops and points as a truck bearing the logo "Shredco" -- the company Enron hired to shred its documents -- is waved into the delivery bay more than a week after Enron came under fire for document shredding.

Houston -- the fifth-largest city in the country -- has taken its share of grief. There is the shirt-soaking humidity, of course, and the bad air quality. Men's Fitness magazine has named it America's "fattest city" two years in a row.

But don't treat the place too badly, because there's also lots to love. There was always NASA to be proud of, and some pretty fine restaurants, and a couple of basketball teams (the Rockets and the Comets) that have won a few championships. There's the annual rodeo -- biggest and best in the world, Houstonians like to say. The regular folks, like the ones who lost their Enron-invested pensions, are some of the nicest you'll find anywhere.

Hey, even the Astrodome, once one of baseball's ugliest stadiums, has been replaced with a new ballpark that is helping revitalize Houston's downtown. Nowadays, though, some local residents hope the team will change the name.

After all, the ballpark is called Enron Field.

In tony River Oaks, you'll find multimillion-dollar mansions, Houston's most exclusive country club and bags of old, old, old money.

And a little new money, like the stuff that Lay -- and several other Enron executives -- made off stock deals.

The apartment where the Lays still live in Houston is in a building called the Huntingdon, the city's poshest building, at the intersection of Kirby and San Felipe. On this particular late-January morning, the Houston Chronicle's op-ed page is filled with letters from angry individuals who watched Linda Lay give that interview on "Today," during which she defended her husband, and cried, and tried to explain to the masses that her family is suffering, too. She talked about personal bankruptcy, and putting three of the family's four Aspen properties on the market.

It didn't help, though, that Mrs. Lay gave her interview in the living room of one of her luxurious Houston homes. Or

that the apartment she and her husband own is worth \$7.1 million, encompasses nearly 13,000 square feet and has 6 1/2 bathrooms.

"Linda Lay says they have lost everything except their home," A.M. Shelton wrote to the Chronicle. "Their \$7 million penthouse apartment or the 11 other homes they own? Enron has ex-employees who have lost their only home, have no medical insurance and don't know how they are going to feed their families. Cry for them, Linda, not for yourself."

And where are those people?

Well, some of them are across the street from Enron's headquarters trying to find a new job.

"Respect and integrity -- I'm okay with that," says Linda Walker, looking up at the Enron poster hanging over her desk at the employment office. "We just need to get some black paper to cover up that 'E.'"

Until the day the bankrupt company laid off more than 4,000 employees -- a day those employees now call "Black Monday" -- Walker worked for Enron Energy Services in its executive offices.

"I was an executive assistant under Lou Pai," she says.

From across the desk, JoAnn Matson interrupts her.

"Don't say that name, Lou Pai!" she says, making a face.

"The truth will set me free!" Walker hollers, then she pauses, frowns.

"And where is Lou Pai, anyway?"

Lou Pai is now known as the Enron executive who made the most -- \$353 million over the past three years -- on sales of Enron stock. And Walker and Matson, along with Joyce Barrett, a third former Enron employee, are working temporary jobs at the WorkSource office at 3 Allen Center. This particular space used to be home to offices in Enron's engineering and construction divisions. Now it holds a training center for workshops, a computer center where the out-of-work can refine resumes and research corporations, and private offices for interviews.

Barrett was once in charge of Enron's amusingly named "redeployment office" -- which is where the company sent employees it had just fired.

"I gave them the good news after the bad news," she explains.

The good news was the terms of their settlement, and an assignment to temporary office space where they had a phone, a desk and a computer while they looked for new employment, often ending up in another division of the company.

When Barrett was let go, though, there was no severance, no redeployment, no good news.

"I left before they could tell me," says Walker, who lost her entire 401(k) and would have been eligible for \$60,000 in severance under non-bankruptcy circumstances. "I left at about 9:30, and I was crying so hard I could hardly drive."

These days, Walker sees many of her former colleagues, and many of the people who had been in the redeployment program at the time of the bankruptcy filing, come into the WorkSource office. They always seem surprised, she says, to see her there. They thought that she, at least, would have been one of the lucky ones -- one of the ones who remained employed.

"What they don't understand," she says, "is that when they went away, I went away. Without them, there was no need for me."

These days, Barrett is trying to bring in recruiters to interview potential employees at WorkSource. And trying -- with the help of Walker and Matson -- to keep her sense of humor.

"I know that we had several floors of this building," Walker says, when asked how many Enron offices used to be housed at 3 Allen. Then she stops.

"Listen to me, saying we!" she says, raising her voice. "Let me start over. I know that they had. . . ."

Matson interrupts.

"That's right," she says. "Look, you have to remember, we're divorced now."

And the three women chuckle at the thought.

The Enron Code of Ethics was a product of a trip to the toilet. There is, Drew Crispin admits, a bit of symmetry to that.

This is the lobby of 3 Allen Center, down the bank of elevators from the WorkSource office. Here, Crispin runs a coffee stand called the Coffee Bar II, which used to be visited by Enron employees. Not any longer. Almost no one from Enron works in this building anymore.

To honor their memories, though, Crispin -- with a big assist from several ex-Enron employees -- has put up a makeshift art exhibit on the walls of his stand.

"Enron: A Term of Art (1995-2001)" is the exhibit's name, and its contents are all meticulously labeled, with placards just like the ones found in many galleries.

There is, for example, the surfboard one employee received on a company junket to the Caribbean island of Nevis. ("On loan from the private collection of Mark Courtney," the label reads). The item is called "Hang 10 K." There is a bolt placed on red velvet and covered with glass -- a memento given to staffers when Enron completed a \$2.6 billion deal involving the Houston Pipe Line Co. Its official title? "Bolt Before Screwed." Then there is the plastic dome containing shredded money, aptly labeled "Not a Shred of Evidence."

"A bunch of people who used to work at Enron were sitting around one night, drinking beers and talking about how all these little mementos were the only things they have left from Enron," Crispin says, "so they decided to do something about it."

The Code of Ethics, Crispin's personal contribution, was discovered in a box by the elevators right after Black Monday. Crispin had gone up to an Enron floor ("it has the closest public bathroom," he explains), and he peeked into a cardboard box left by the elevators -- a box full of unemployment information and job-seeking advice that Enron left out for the people it had let go. The book was on top of the pile.

Crispin named it "Res Ipsa Loquitur." As in, the thing speaks for itself.

Bring on the Dixie Chicks, the chuck wagons, the trail riders and ZZ Top.

It's time for the annual Houston Livestock Show and Rodeo and, people hope, some sense of normalcy to arrive in this town.

That is, if you consider massive traffic tie-ups as Fords and Hondas negotiate their way around cowboys on horseback (and, occasionally, the stuff the animals leave behind) on all of Houston's major freeways to be normal.

The trail riders -- hundreds of them -- began their journeys to Houston as long as two weeks ago, and they are expected to converge upon Memorial Park on Friday, in time for "Go Texan" weekend and Saturday's big parade. Some left from Louisiana, another group from Mexico, most from spots scattered around Texas.

Meanwhile, out near Reliant Park -- named for the other major energy company in Houston -- tents are going up in the parking lots that separate the Reliant Astrodome from Reliant Stadium (still under construction, it will open with the debut of the NFL Houston Texans next fall) and Reliant Arena and Reliant Hall. Forklifts are taking livestock pens out of storage. The stage is being prepared for a blockbuster lineup of concerts, featuring the likes of Destiny's Child and Bob Dylan.

"To try and explain the Houston Livestock Show and Rodeo to people in another part of the world is hard," says Leroy Shaffer, an assistant general manager of the massive production. "We're every bit as important to Houston as Mardi Gras is to New Orleans or the Rose Bowl is to Southern California."

Many major Houston corporations sponsor the show, which is entirely nonprofit -- all the proceeds go to charity, specifically education programs. Reliant Energy and Continental Airlines, for example, are sponsors. Enron was not. The company had a luxury box reserved, but with a five-year waiting list for boxes, it was immediately resold.

"Our show won't be impacted at all," Shaffer says.

The events span nearly three weeks, starting with the barbecue competition, which begins Thursday. The Dixie Chicks open the concert series next Tuesday. The cowboys swing into action the same day.

More than a million visitors are expected.

After all, this is Texas, and nothing can stop a good Texas rodeo.

"Does it have a sharp edge or round edge?"

It is "power hour" at the Enron Boys & Girls Club -- all the children are required to spend the first hour after school

in the learning center, getting help with their homework. A little girl with thick brown hair and a purple T-shirt is trying to learn her shapes – spheres vs. cones, pentagons vs. triangles – with the help of Blanca Martin, the education director.

The children gather around circular tables, some with math problems, some with science homework, many desperate for assistance because their parents cannot speak or read English, and they barely know the language themselves.

Elmo and Cookie Monster and Big Bird sit on a shelf at one end of the room, next to a row of brightly colored storybooks. On the opposite wall, an Enron logo hangs above a map of the United States, and between a row of circus elephants decorated with numbers 1 through 14.

This center, located in Houston's struggling second ward, east of downtown, opened Nov. 29, three days before Enron declared bankruptcy. The building was renovated by the Boys & Girls Clubs of Greater Houston out of its capital development fund, with the understanding that Enron would pay operating costs for 10 years – to the tune of \$2.4 million.

Less than a month after Enron collapsed, having made just one payment, for \$60,000, to the center that bears its name, local businessman Michael Holthouse quietly agreed to cover the deficit. Holthouse, a member of the Boys & Girls Club board, is a philanthropist with his own foundation (the Holthouse Foundation for Kids) and he has long been a big supporter of the organization.

"We were one of the fortunate ones here," says John Havard, the president of the Boys & Girls Clubs of Greater Houston. "It only took us three or four weeks to make up for what we had lost."

Still, the "crooked E" remains on most of the walls of the building, and the sign proclaiming the building "Enron Boys & Girls Club of Greater Houston" remains on display outside. The logo is on the scoreboard in the gymnasium, over the computers in the technical center, above the glass doors that mark the main entrance.

There is a second dedication planned for Feb. 6. At 3 p.m. the club will remove all the Enron logos from the building and take down the outside sign. They will be replaced with ones bearing the insignia of Holthouse's foundation, an expense Holthouse is footing. Already the Enron logo that once graced the center of the basketball court has been sanded away. "The Holthouse Foundation for Kids" was painted in its place. During the transition, the center of the court was blocked off by cones, and the kids were unhappily confined to playing half-court ball.

The rest of the signs, though, are coming down with ceremony.

"You'd be amazed at how many people want to come," says Amber Pressley, the director of public relations and marketing. "It seems everyone has an interest in seeing those logos come down."

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ON THE WEB

January 31, 2002

Senator Says Enron Not Cooperating With Investigation

By THE ASSOCIATED PRESS

Filed at 4:59 p.m. ET

WASHINGTON (AP) -- Enron has failed to provide a Senate committee with important information about a web of partnerships used to conceal massive debts, a senator leading an investigation said Thursday.

The company's attorney said it doesn't have the documents sought.

Enron officials "just simply have not cooperated" in providing the documents sought, said Byron Dorgan, D-N.D., chairman of a Senate Commerce subcommittee. "We again renew our request."

An estimated 3,000 partnerships, some with names of "Star Wars" characters such as Jedi, were created by Enron -- which took a 97 percent stake in each of them and brought in outside investors for the remainder. The partnerships were kept off Enron's books and helped create the accounting debacle that pushed the company into the biggest U.S. corporate bankruptcy ever on Dec. 2.

Dorgan said the committee didn't immediately plan to issue a subpoena to the company.

Robert Bennett, a Washington attorney representing the company, said, "We have been fully cooperating with them."

The committee has asked Enron for documents that the company doesn't have and must be obtained from the partnerships or people representing them, Bennett said in a telephone interview. "We are exercising enormous good faith in cooperating with that committee," he said.

Kenneth Lay, Enron's chairman until his resignation last week and a supporter of President Bush, has agreed to testify at the committee's hearing on Monday, Dorgan told reporters. He said Lay's attorneys have not asked for immunity from prosecution as a condition.

In a related dispute between Congress and the Bush administration, investigators at the General Accounting Office told the White House on Wednesday they would sue to make officials identify the industry executives -- including some from Enron -- who met last year with Bush's energy task force.

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But the GAO, Congress' investigative arm, is first giving Bush a chance to review his decision not to surrender the information.

Bush has refused to hand over documents from Vice President Dick Cheney's group that formulated a national energy policy, saying to do so would encroach on his ability to seek outside views.

The dispute has gained political traction because Enron, a Houston-based energy conglomerate, had ties to Bush and was one of his biggest corporate campaign donors.

The administration is arguing that the presidency would be harmed by the release of documents Congress' investigators are seeking — yet is not using the politically charged term “executive privilege.”

That might evoke memories of bitter battles of the Nixon and Clinton administrations.

Invoking the presidential privilege “never worked,” said Lanny Davis, who was Clinton White House counsel during the foreign campaign money and Monica Lewinsky controversies. “We could not resist the political pressures for disclosure.”

“This is part of how you make decisions,” Bush declared Monday. “We're not going to let the ability for us to discuss matters between ourselves to become eroded. It's not only important for this administration, it's an important principle for future administrations.”

A day earlier on television shows, Cheney also said it was vital to protect the right of the president and vice president to keep policy discussions private so they can receive “unvarnished advice.”

Yet when a reporter asked Wednesday whether the White House was asserting executive privilege as the legal basis to deny the GAO the documents, presidential spokesman Ari Fleischer said it was not.

“No, the administration's position, which we expect to be upheld in a court of law, is that the General Accounting Office is acting beyond their authority,” Fleischer said. “So there's no need to exert the privilege; the GAO is acting outside its authority.”

Not so, says Comptroller General David Walker, who heads the GAO. In a letter to Rep. Henry Waxman of California, the ranking Democrat on the House Government Reform Committee, Walker said oversight of energy policy and the investigation of Enron-related matters were “important institutional prerogatives” of Congress.

The lawsuit, naming Cheney and possibly others, will be filed in two or three weeks unless a last-minute agreement is worked out, Walker told The Associated Press.

inator Says Enron Not Cooperating With Investigation

wysiwyg://4/http://www.nytimes.c.../AP-Enron-Congress.htm:page=1&_r=1

On the Net:

The Cheney task force's energy plan:
<http://www.fe.doe.gov/general/energypolicy.shtml>

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Enron Deception Started at Top - Director

[Audio/Video](#)

By Kevin Drawbaugh



[Ken Lay Calls Off Testimony](#)
(ABCNEWS.com)

WASHINGTON (Reuters) - Enron Corp. tried to systematically manipulate its results and deceive

shareholders as top executives raked in millions of dollars in personal gains, the author of an internal inquiry into the company's collapse told Congress on Monday.

"We found a systematic and pervasive attempt by Enron's (ENRNQ.PK) management to misrepresent the company's financial condition," said William Powers, dean of the University of Texas Law School, in testimony to be delivered to Congress.

"There were failures in the performance of Enron's outside advisors. And there was a fundamental default of leadership and management," starting with former Chief Executive Kenneth Lay and reaching to the board and senior managers, Powers said.

He also cited Jeff Skilling, a chief operating officer who later was briefly CEO before he resigned last August.

Powers was appointed to the Enron board last fall to probe the downfall of the former energy trader, which filed the largest bankruptcy in U.S. history on Dec. 2.

Powers said former Enron Chief Financial Officer Andrew Fastow made "at least \$30 million," while former senior executive Michael Kopper made "at least \$10 million" through outside partnerships used by the company to hide losses.

He also said the board of directors failed in its duty to provide leadership and oversight.

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In the end, this is a tragedy that could and should have been avoided," Powers said.

Over the weekend, after Powers' report was released, Lay canceled a date to testify on Monday before a Senate committee. He has also canceled plans to testify to the House Financial Services subcommittee on capital markets.

PITT'S REMARKS

That subcommittee was to hear from Powers and Securities and Exchange Commission ([news](#) - [web sites](#)) Chairman Harvey Pitt on Monday.

In prepared remarks, Pitt elaborated on his Jan. 17 proposal for a new accounting supervisory body to be called the Public Accountability Board, saying it should be funded "not by the accounting profession but from the entire private sector.

He reiterated that his vision for the board includes that it have "at least a predominant majority" of members unaffiliated with the accounting profession. His original proposal was criticized by some in Congress as too closely aligned with the profession as it included accountants.

Pitt also cited a possible need for legislation "to require corporate insiders to make public their trading activities more quickly than current law requires."

Under present law dating to 1934, insiders need not report trades until weeks after they occur.

"That may have been good enough in 1934, but it is not nearly good enough today," said Pitt, who represented the accounting industry for years as a private lawyer before being named to head the SEC last summer.

Pitt called on companies to disclose financial information more clearly and quickly. He called for clearer definitions of non-traditional financial trend data. He also called for a better understanding of accounting for outside partnerships, or special purpose entities, like those used heavily by Enron that ultimately led to the company's financial collapse.

Pitt called for faster standard-setting by the Financial Accounting Standards Board (FASB). "For too many years the FASB has failed to set standards for accounting for special purpose entities. In the wake of Enron, it must act and act quickly to give guidance," he said.

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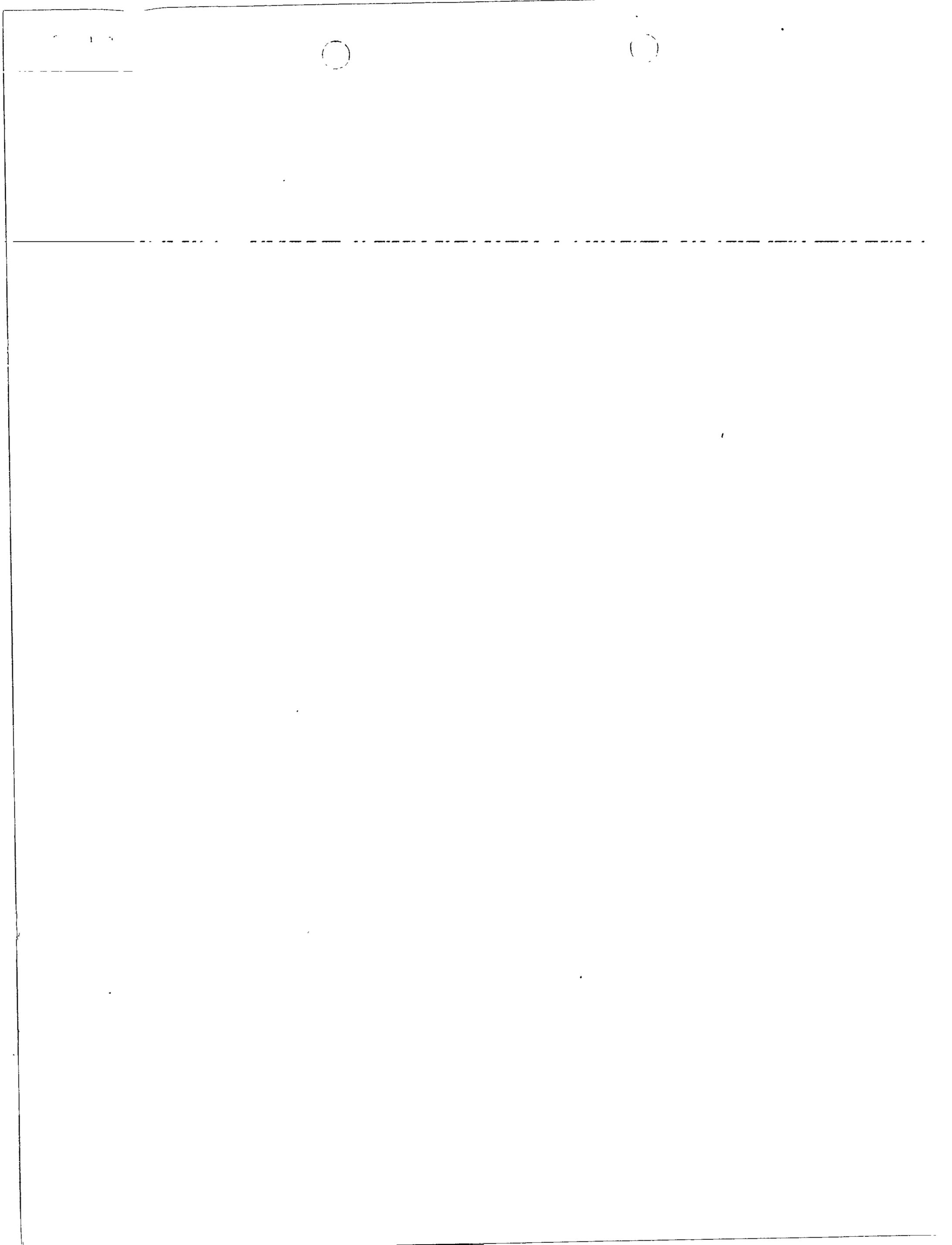
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REPORT OF INVESTIGATION

BY THE

SPECIAL INVESTIGATIVE COMMITTEE
OF THE
BOARD OF DIRECTORS OF ENRON CORP.

William C. Powers, Jr., Chair

Raymond S. Trough

Herbert S. Winokur, Jr.

Counsel
Wilmer, Cutler & Pickering

February 1, 2002

by amounts we believe were at least in the hundreds of thousands of dollars. We have seen no evidence that any of these employees, except Fastow, obtained the permission required by Enron's Code of Conduct of Business Affairs to own interests in the partnerships. Moreover, the extent of Fastow's ownership and financial windfall was inconsistent with his representations to Enron's Board of Directors.

This personal enrichment of Enron employees, however, was merely one aspect of a deeper and more serious problem. These partnerships—Chewco, LJM1, and LJM2—were used by Enron Management to enter into transactions that it could not, or would not, do with unrelated commercial entities. Many of the most significant transactions apparently were designed to accomplish favorable financial statement results, not to achieve *bona fide* economic objectives or to transfer risk. Some transactions were designed so that, had they followed applicable accounting rules, Enron could have kept assets and liabilities (especially debt) off of its balance sheet; but the transactions did not follow those rules.

Other transactions were implemented—improperly, we are informed by our accounting advisors—to offset losses. They allowed Enron to conceal from the market very large losses resulting from Enron's merchant investments by creating an appearance that those investments were hedged—that is, that a third party was obligated to pay Enron the amount of those losses—when in fact that third party was simply an entity in which only Enron had a substantial economic stake. We believe these transactions resulted in Enron reporting earnings from the third quarter of 2000 through the third quarter of 2001 that were almost \$1 billion higher than should have been reported.

The Participants

The actions and inactions of many participants led to the related-party abuses, and the financial reporting and disclosure failures, that we identify in our Report. These participants include not only the employees who enriched themselves at Enron's expense, but also Enron's Management, Board of Directors and outside advisors. The factual basis and analysis for these conclusions are set out in the Report. In summary, based on the evidence available to us, the Committee notes the following:

Andrew Fastow. Fastow was Enron's Chief Financial Officer and was involved on both sides of the related-party transactions. What he presented as an arrangement intended to benefit Enron became, over time, a means of both enriching himself personally and facilitating manipulation of Enron's financial statements. Both of these objectives were inconsistent with Fastow's fiduciary duties to Enron and anything the Board authorized. The evidence suggests that he (1) placed his own personal interests and those of the LJM partnerships ahead of Enron's interests; (2) used his position in Enron to influence (or attempt to influence) Enron employees who were engaging in transactions on Enron's behalf with the LJM partnerships; and (3) failed to disclose to Enron's Board of Directors important information it was entitled to receive. In particular, we have seen no evidence that he disclosed Kopper's role in Chewco or LJM2, or the level of profitability of the LJM partnerships (and his personal and family interests in those profits), which far exceeded what he had led the Board to expect. He apparently also violated and caused violations of Enron's Code of Conduct by purchasing, and offering to Enron employees, extraordinarily lucrative interests in the Southampton Place