

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

In re ENRON CORP. SECURITIES  
LITIGATION

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RALPH A. WILT, JR.,  
KIERAN J. MAHONEY,  
and DAVID I. LEVINE,

Plaintiffs,

v.

ANDREW S. FASTOW;  
KENNETH L. LAY;  
JEFFREY K. SKILLING;  
RICHARD A. CAUSEY;  
JAMES V. DERRICK, JR.;  
REX R. ROGERS;  
THE ESTATE OF J. CLIFFORD  
BAXTER;  
MICHAEL J. KOPPER;  
MARK A. FREVERT;  
STANLEY C. HORTON;  
KENNETH D. RICE;  
RICHARD B. BUY;  
LOU L. PAI;  
ROBERT A. BELFER;  
NORMAN P. BLAKE, JR.;  
RONNIE C. CHAN;  
JOHN H. DUNCAN;  
WENDY L. GRAMM;  
ROBERT K. JAEDICKE;  
CHARLES A. LEMAISTRE;  
JOE H. FOY;  
JOSEPH M. HIRKO;  
KEN L. HARRISON;  
MARK E. KOENIG;  
STEVEN J. KEAN;  
REBECCA P. MARK-JUSBASCHE;  
MICHAEL S. MCCONNELL;  
JEFFREY MCMAHON;  
J. MARK METTS;  
CINDY K. OLSON;  
JOSEPH W. SUTTON;

and

Consolidated Lead No. H-01-3624

Civil Action No. H-02-0576

**FIRST AMENDED COMPLAINT;  
DEMAND FOR JURY TRIAL**

United States Courts  
Southern District of Texas  
FILED

NC APR 01 2002

Michael N. Milby, Clerk

ORIGINAL

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ANDERSEN;  
ANDERSEN WORLDWIDE;  
ARTHUR ANDERSEN, LLP;  
DAVID B. DUNCAN;  
THOMAS H. BAUER;  
DEBRA A. CASH;  
ROGER D. WILLARD;  
D. STEPHEN GODDARD, JR.;  
MICHAEL M. LOWTHER;  
GARY B. GOOLSBY;  
MICHAEL C. ODOM;  
MICHAEL D. JONES;  
STEVE M. SAMEK;  
WILLIAM SWANSON;  
MICHAEL BENNETT;  
GREG JONAS;  
BOB KUTSENDA;  
JEANNOT BLANCHETTE  
JOHN E. STEWART;  
NANCY A. TEMPLE;  
DORSEY L. BASKIN, JR.;  
C.E. ANDREWS;  
JOSEPH F. BERARDINO;

and

VINSON & ELKINS, LLP;  
RONALD T. ASTIN;  
JOSEPH DILG;  
MICHAEL P. FINCH;  
MAX HENDRICK III;

and

DOES 1-500, inclusive,

Defendants.

Plaintiffs, by the undersigned counsel, aver on personal knowledge as to themselves and their own acts, and on information and belief (based on the investigation of their counsel) as to all other matters (as to which averments they believe that substantial evidentiary support will exist after a reasonable opportunity for further investigation and discovery) as follows:

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## NATURE OF THE ACTION

1. This action arises from the gargantuan fraud perpetrated by directors, officers, accountants, and attorneys of Enron Corporation (“Enron”), with the assistance of corrupt public officials, elected and appointed, against many shareholders of Enron, potential investors in Enron securities, and the integrity of the securities market.

2. Enron is not a defendant herein because Enron filed a Chapter 11 petition on December 2, 2001, in the United States Bankruptcy Court for the Southern District of New York, whereupon an automatic stay was imposed under 11 U.S.C. § 362. Enron is an Oregon corporation with its principal executive offices at 1400 Smith Street, Houston, Texas. According to public filings, Enron is the largest buyer and seller of natural gas and the top wholesale power marketer in the United States; operates a 25,000-mile gas pipeline system in the United States; and also markets and trades in commodities such as electricity, weather futures, metals, paper, coal, chemicals, and fiber-optic bandwidth.

## JURISDICTION

3. Jurisdiction exists under 28 U.S.C. § 1332 because the parties are of diverse citizenship and the amount in controversy, including punitive and exemplary damages, exceeds \$75,000.00, exclusive of interest and costs. On information and belief, punitive and exemplary damages are highly likely to be awarded to each Plaintiff in substantial amounts far exceeding \$75,000.00 due to the egregiousness of the fraudulent acts, omissions, and scheme set forth in detail below.

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## VENUE

4. Venue is proper in this district under 28 U.S.C. § 1391(a)(2) because a substantial part of the events or omissions giving rise to the claims occurred here.

## PLAINTIFFS

5. Plaintiff Ralph A. Wilt, Jr. (“Wilt”) is a resident and citizen of the State of Missouri and at relevant times bought and sold Enron securities. Due to the egregiousness of the fraudulent acts, omissions, and schemes set forth below, Wilt seeks and expects to recover, in addition to compensatory damages, at least \$200,000.00 in punitive and exemplary damages from each defendant pursuant to Texas Civil Practice & Remedies Code § 41.008(b).

6. Plaintiff Kieran J. Mahoney (“Mahoney”) is a resident and citizen of the State of Florida and at relevant times bought Enron securities. Due to the egregiousness of the fraudulent acts, omissions, and schemes set forth below, Mahoney seeks and expects to recover, in addition to compensatory damages, at least \$200,000.00 in punitive and exemplary damages from each defendant pursuant to Texas Civil Practice & Remedies Code § 41.008(b).

7. Plaintiff David I. Levine (“Levine”) is a resident and citizen of the State of Florida and at relevant times bought Enron securities. Due to the egregiousness of the fraudulent acts, omissions, and schemes set forth below, Levine seeks and expects to recover, in addition to compensatory damages, at least \$200,000.00 in punitive and exemplary damages from each defendant pursuant to Texas Civil Practice & Remedies Code § 41.008(b).

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## DIRECTOR AND OFFICER DEFENDANTS

8. On information and belief, Defendant Andrew S. Fastow (“Fastow”) is a resident of Houston, Texas, and has been the Executive Vice President and Chief Financial Officer of Enron since July 1999; was previously, from March 1998 to July 1999, the Senior Vice President and Chief Financial Officer of Enron; and also served as the Senior Vice President of Finance of Enron from January 1997 to March 1998. Fastow is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below. On information and belief, Fastow unjustly enriched himself in the amount of approximately \$30 million, or more, through his wrongful and unlawful acts.

9. On information and belief, Defendant Kenneth L. Lay (“Lay”) is a resident of Houston, Texas, and was the Chairman of the Board of Directors of Enron at relevant times; was Chief Executive Officer of Enron from 1985 until Defendant Skilling was elected to the position in early 2001; and assumed the duties of President and Chief Executive Officer when Jeffrey K. Skilling resigned on August 14, 2001. Lay is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

10. On information and belief, Defendant Jeffrey K. Skilling (“Skilling”) is a resident of Houston, Texas, and has been a director of Enron since 1997; served as President of Enron from January 1997 until August 14, 2001; was Chief Executive Officer of Enron from early 2001 until August 14, 2001; and remains a consultant to Enron and a member of its Board of Directors. Skilling is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

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11. On information and belief, Defendant Richard A. Causey (“Causey”) is a resident of Houston, Texas, and was the Executive Vice President and Chief Accounting Officer of Enron at relevant times and signed multiple financial disclosure documents and filings with the United States Securities Exchange Commission (“SEC”). Causey is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

12. On information and belief, Defendant James V. Derrick, Jr. (“Derrick”) is a resident of Houston, Texas, and has been the Executive Vice President and General Counsel of Enron since July 1999; was previously the Senior Vice President and General Counsel; and was for many years an associate then a partner of Defendant law firm Vinson & Elkins, LLP. Derrick signed multiple opinion letters that were filed with the SEC and were of great importance and utility to the perpetration of the fraudulent acts, omissions, and scheme set forth below. Derrick is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

13. On information and belief, Defendant Rex R. Rogers (“Rogers”) is a resident of Houston, Texas, and has been the Vice President and Associate General Counsel of Enron at relevant times. Rogers is listed in SEC filings that were of great importance and utility to the perpetration of the fraudulent acts, omissions, and scheme set forth below. Rogers is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

14. On information and belief, until his recent death by suicide, J. Clifford Baxter (“Baxter”) was a resident of Houston, Texas, and was the Vice Chairman of Enron since October 2000; was the Chief Strategy Officer of Enron since June 2000; and previously served as the Chairman and Chief Executive Officer of Enron North America

Corp. – an affiliate of Enron controlled by Enron – from January 1997 until June 1999. But for his recent death by suicide, Baxter would have been sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below. By reason of his recent death, this action is brought against Defendant Estate of J. Clifford Baxter (the “Baxter Estate”) as Baxter’s successor in interest. Plaintiffs will seek leave to amend to substitute the executor, administrator, or other personal representative, if and when appropriate, on ascertaining that information.

15. On information and belief, Defendant Michael J. Kopper (“Kopper”) is a resident of Houston, Texas, and has been an officer and/or director of Enron at relevant times. Kopper is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below. On information and belief, Kopper unjustly enriched himself in the amount of approximately \$10 million through his wrongful and unlawful acts.

16. On information and belief, Defendant Mark A. Frevert (“Frevert”) is a resident of Houston, Texas, and has been the Chairman and Chief Executive Officer of Enron Wholesale Services since June 2000, and was previously the Chairman and Chief Executive Officer of Enron Europe from March 1997 to June 2000. On information and belief, Enron Wholesale and Enron Europe are both affiliates of Enron controlled by Enron. Frevert is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

17. On information and belief, Defendant Stanley C. Horton (“Horton”) is a resident of Houston, Texas, and was the Chairman and Chief Executive Officer of Enron Transportation Services and/or Enron Pipeline Group at relevant times. On information and belief, Enron Transportation Services and Enron Pipeline Group are affiliates of

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Enron controlled by Enron. Horton is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

18. On information and belief, Defendant Kenneth D. Rice (“Rice”) is a resident of Houston, Texas, and has been the Chairman and Chief Executive Officer of Enron Broadband Services, Inc. since June 2000, and was previously the Chairman and Chief Executive Officer of Enron Capital & Trade – North America from March 1997 until June 1999. On information and belief, Enron Broadband Services, Inc. and Enron Capital & Trade – North America are both affiliates of Enron controlled by Enron. Rice is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

19. On information and belief, Defendant Richard B. Buy (“Buy”) is a resident of Houston, Texas, and has been the Executive Vice President and Chief Risk Officer of Enron since June 1999; was previously the Senior Vice President and Chief Risk Officer of Enron from March 1999 until June 1999; and was also the Managing Director and Chief Risk Officer of Enron Capital & Trade – North America – an affiliate of Enron controlled by Enron – from January 1998 to March 1999. Buy is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

20. On information and belief, Defendant Lou L. Pai (“Pai”) is a resident of Houston, Texas, and was at relevant times the Chairman and Chief Executive Officer of Enron Accelerator, and was previously a Director of Enron Energy Services – an affiliate of Enron controlled by Enron. Pai is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

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21. On information and belief, Defendant Robert A. Belfer (“Belfer”) is a resident of Houston, Texas, and/or New York, New York, and was at relevant times a Director of Enron. Belfer is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

22. On information and belief, Defendant Norman P. Blake, Jr. (“Blake”) is a resident of Houston, Texas, and/or Baltimore, Maryland, and was a Director of Enron at relevant times. Blake is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

23. On information and belief, Defendant Ronnie C. Chan (“Chan”) is a resident of Houston, Texas, and/or Hong Kong, China, and was a Director of Enron at relevant times. Chan is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

24. On information and belief, Defendant John H. Duncan (“J.Duncan”) is a resident of Houston, Texas, and was a Director of Enron at relevant times. J.Duncan is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

25. On information and belief, Defendant Wendy L. Gramm (“W.Gramm”) is a resident of Houston, Texas, and/or Washington, D.C., and was at all relevant times either the chair of the Commodity Futures Trading Commission (“CFTC”) or a Director of Enron and a member of Enron’s Audit and Compliance Committee, which has full oversight authority for the accounting, auditing, and financial reporting practices of Enron. W.Gramm is the wife of the senior U.S. Senator, Phil Gramm, from Texas (“Senator Gramm”). W.Gramm is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below. On

information and belief, W.Gramm knew or recklessly failed to learn of the fraudulent acts, omissions, and scheme set forth below, and joined herself thereto as a direct participant, aider and abettor, and co-conspirator by *inter alia* (a) engaging in corrupt acts in her capacity as former chair of the CFTC, when she advocated Enron's position and opposed regulation of energy derivatives, energy swaps, and/or other important parts of Enron's business, in part because of large campaign contributions over the years to Senator Gramm and a political payoff in the form of her appointment to the Enron board of directors; and (b) intentionally and wilfully, or recklessly, failing and refusing to fulfil her responsibilities and to exercise her power and authority as a member of Enron's Audit and Compliance Committee *inter alia* to ensure full and fair disclosure of Enron's financial condition and to prevent the use of fraudulent accounting practices, in part because of large campaign contributions over the years to Senator Gramm. On information and belief, Enron contributed approximately \$97,000 to Senator Gramm in the most recent election cycle alone, in addition to all prior campaign contributions.

26. On information and belief, Defendant Robert K. Jaedicke ("Jaedicke") is a resident of Houston, Texas, and/or Stanford, California, and was a Director of Enron at relevant times. Jaedicke is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

27. On information and belief, Defendant Charles A. LeMaistre ("LeMaistre") is a resident of Austin, Texas, and was a Director of Enron at relevant times. LeMaistre is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

28. On information and belief, Defendant Joe H. Foy ("Foy") is a resident of Houston, Texas, and was a Director of Enron at relevant times, until June 2000. Foy is

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sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

29. On information and belief, Defendant Joseph M. Hirko (“Hirko”) is a resident of Houston, Texas, and was at relevant times the Chief Executive Officer of Enron Broadband Services – an affiliate of Enron controlled by Enron. Hirko is sued herein as a direct participant, aider, abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

30. On information and belief, Defendant Ken L. Harrison (“Harrison”) is a resident of Portland, Oregon, and was a Director of Enron at relevant times and was the Chief Executive Officer of Portland General Electric – an affiliate of Enron controlled by Enron – until March 31, 2000. Harrison is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

31. On information and belief, Defendant Mark E. Koenig (“Koenig”) is a resident of Houston, Texas, and was the Executive Vice President of Enron for Investor Relations at relevant times. Koenig is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

32. On information and belief, Defendant Steven J. Kean (“Kean”) is a resident of Houston, Texas, and has been the Executive Vice President and Chief of Staff of Enron since 1999. Kean is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

33. On information and belief, Defendant Rebecca P. Mark-Jusbasche (“Mark-Jusbasche”) is a resident of Houston, Texas, and was a Director of Enron at relevant times, until August 2000. Mark-Jusbasche is sued herein as a direct participant, aider

and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

34. On information and belief, Defendant Michael S. McConnell (“McConnell”) is a resident of Houston, Texas, and was the Executive Vice President of Enron for Technology. McConnell is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

35. On information and belief, Defendant Jeffrey McMahon (“McMahon”) is a resident of Houston, Texas, and has been the Treasurer and Executive Vice President of Enron for Finance since July 1999; was the Treasurer and Senior Vice President of Enron for Finance from July 1998 to July 1999; and was previously the Chief Financial Officer of Enron Europe from 1994 to July 1998. McMahon is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

36. On information and belief, Defendant J. Mark Metts (“Metts”) is a resident of Houston, Texas, and was the Executive Vice President of Enron for Corporate Development at relevant times. Metts is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

37. On information and belief, Defendant Cindy K. Olson (“Olson”) is a resident of Houston, Texas, and was the Executive Vice President of Enron for Human Resources at relevant times. Olson is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

38. On information and belief, Defendant Joseph W. Sutton (“Sutton”) is a resident of Houston, Texas, and was the Vice Chairman of Enron at relevant times, until

early 2001. Sutton is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

39. On information and belief, Defendant Does 1 through 50 are past or present directors, officers, managing agents, and/or other employees or agents of Enron, whose identities are currently unknown, but who committed, aided, abetted, participated in, and/or furthered the fraudulent acts, omissions, and scheme set forth below. On information and belief, at least some of these Does are residents of Houston, Texas. Plaintiffs will seek leave of court to identify these Does by their proper names and capacities when that information is ascertained.

40. Defendants Fastow, Lay, Skilling, Causey, Derrick, Rogers, the Baxter Estate, Frevert, Horton, Rice, Buy, Pai, Belfer, Blake, Chan, J.Duncan, W.Gramm, Jaedicke, LeMaistre, Foy, Hirko, Harrison, Koenig, Kean, Mark-Jusbasche, McConnell, McMahon, Metts, Olson, Sutton, and Does 1 through 50 are collectively called the “Director and Officer Defendants.”

41. On information and belief, on dates currently unknown, the Director and Officer Defendants secretly entered into an agreement, combination, and conspiracy with each other, and with the other defendants identified below, to commit, aid, abet, participate in, and further the fraudulent acts, omissions, and scheme set forth below, all with the intent of misleading Enron’s shareholders, potential investors, and the securities market as to the value of Enron’s securities.

42. On information and belief, the Director and Officer Defendants have engaged in a pattern of fraudulent concealment, by *inter alia* shredding accounting and other documents and destroying other evidence, in a concerted attempt to conceal the

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fraudulent acts, omissions, and scheme set forth below and their conspiracy to engage in such wrongful and unlawful conduct.

### **ACCOUNTANT DEFENDANTS**

43. On information and belief, Defendant Andersen is either a partnership or other type of unincorporated association consisting of member firms within “the Andersen global client service network.” On information and belief, Andersen describes and promotes itself as a single, integrated, full-service, professional business enterprise comprising “one firm” with “one voice” and a “shared heritage and common values and vision.” On information and belief, Anderson does business and is found in Houston, Texas, and is one of the most sophisticated international accounting, auditing, and management consulting firms in the United States and the world, with expertise in all areas of Enron’s business. Before the recent bankruptcy of Enron, Andersen enjoyed an excellent reputation; Andersen’s involvement with auditing, SEC filings, and securities offerings bestowed the imprimatur of legitimacy, confidence, and stability on its many clients, including Enron. Andersen is sued as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below. Plaintiffs will seek leave of court to amend this pleading to name constituent members of Andersen after discovery into the exact nature of Andersen, members, alter ego issues, and sham transaction issues.

44. On information and belief, Defendant Andersen Worldwide is a corporation, a partnership, or another type of unincorporated association consisting of member firms within “the Andersen global client service network.” On information and belief, Andersen Worldwide describes and promotes itself as a single, integrated, full-service, professional business enterprise comprising “one firm” with “one voice” and a “shared heritage and common values and vision.” On information and belief, Anderson

Worldwide and does business and is found in Houston, Texas, and is one of the most sophisticated international accounting, auditing, and management consulting firms in the United States and the world, with expertise in all areas of Enron's business. Before the recent bankruptcy of Enron, Andersen Worldwide enjoyed an excellent reputation; Andersen Worldwide's involvement with auditing, SEC filings, and securities offerings bestowed the imprimatur of legitimacy, confidence, and stability on its clients, including Enron. Andersen Anderson Worldwide is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below. Plaintiffs will seek leave of court to amend this pleading to name constituent members of Andersen Worldwide after discovery into the exact nature of Andersen Worldwide, its members, alter ego issues, and sham transaction issues.

45. On information and belief, Defendant Arthur Anderson, LLP is a limited liability partnership, a member of "the Andersen global client service network," does business and is found in Houston, Texas, and is one of the most sophisticated international accounting, auditing, and management consulting firms in the United States and the world, with expertise in all areas of Enron's business. Before the recent bankruptcy of Enron, Arthur Andersen, LLP enjoyed an excellent reputation; Arthur Andersen, LLP's involvement with auditing, SEC filings, and securities offerings bestowed the imprimatur of legitimacy, confidence, and stability on its clients, including Enron. Arthur Andersen, LLP is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

46. On information and belief, Andersen, Andersen Worldwide, and Arthur Andersen, LLP are alter egos of each other in that they now and at all relevant times (a) held themselves out to the public as a single, integrated, full-service, professional business enterprise comprising "one firm" with "one voice" and a "shared heritage and common values and vision"; (b) completely dominated and controlled each other's

assets, operations, policies, procedures, strategies, and tactics; (c) failed to observe corporate formalities; (d) and used and commingled the assets, facilities, employees, and business opportunities of each other, as if those assets, facilities, employees, and business opportunities were their own -- all to such an extent that any adherence to the fiction of the separate existence of any of these defendants distinct from the others would be inequitable, would permit egregious wrongdoers to abuse a corporate, limited liability partnership, and/or similar privilege of limited liability, if any, and would promote injustice by allowing these defendants to evade liability or veil assets that should be attachable.

47. For convenience, in light of the foregoing relationships among them, Defendants Andersen, Andersen Worldwide, and Arthur Andersen, LLP are collectively called "AA" below.

48. On information and belief, on dates and/or during a period that is currently not precisely known, AA has made strategic business decisions to transform itself from a traditional, independent, and objective accounting and auditing firm with acknowledged responsibilities to the public, into a very aggressive, pro-active, pro-client, advisory firm committed to promoting client success through value creation. On information and belief, the AA model of client success through value creation was described at length by three AA partners, on behalf of AA, in *Cracking the Value Code: How Successful Businesses Are Creating Wealth in the New Economy* (2000), and summarized as follows:

Value creation – that is, future value captured in the form of increased market capitalization – is how successful businesses are creating value in the New Economy....

In the pages that follow, you will find a new set of tools that we have developed to help you create value in the New Economy [i.e. increased market capitalization]. It is called *Value Dynamics*, and it is based, in part, on an intensive three-year, 10,000-company research project by professionals at Arthur Andersen.

49. On information and belief, on or about January 10, 2001, AA appointed Joseph F. Berardino to be its new chief executive officer. In a press release announcing Mr. Berardino's new appointment, AA described its collective "Cracking the Value Code" vision as follows:

Arthur Andersen's vision is to be the partner for success in the new economy. The firm helps clients find new ways to create, manage and measure value in the rapidly changing global economy. With world-class skills in assurance, tax, consulting and corporate finance, Arthur Andersen has more than 77,000 people in 84 countries who are united by a single worldwide operating structure that fosters inventiveness, knowledge sharing and a focus on client success.

50. On information and belief, the fraudulent acts, omissions, and scheme set forth below was substantially the result of AA's very aggressive, pro-active, pro-client business strategy and management-consulting philosophy of fostering "inventiveness" and promoting client success through value creation as measured by increased market capitalization. On information and belief, if AA had performed the more traditional roles of independent and objective accountant and auditor, then the fraudulent acts, omissions, and scheme below would not have occurred or would have been exposed much earlier.

51. On information and belief, Defendant David B. Duncan ("B.Duncan") is a resident of Houston, Texas, and was at relevant times the lead AA auditor on the Enron account. On information and belief, B.Duncan acted as a direct participant, aider and abetter, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in the shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA's involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, B.Duncan intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly

relevant had already been commenced and/or were imminent. B.Duncan is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

52. On information and belief, Defendant Thomas H. Bauer (“Bauer”) is a resident of Houston, Texas, a partner in AA, and was at relevant times an auditor, accountant, and/or management consultant on the Enron account. On information and belief, Bauer acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Bauer intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Bauer is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

53. On information and belief, Defendant Debra A. Cash (“Cash”) is a resident of Houston, Texas, a partner in AA, and was at relevant times an auditor, accountant, and/or management consultant on the Enron account. On information and belief, Cash acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Cash intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary

matter was highly relevant had already been commenced and/or were imminent. Cash is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

54. On information and belief, Defendant Roger D. Willard (“Willard”) is a resident of Houston, Texas, a partner in AA, and was at relevant times an auditor, accountant, and/or management consultant on the Enron account. On information and belief, Willard acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Willard intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Willard is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

55. On information and belief, Defendant D. Stephen Goddard, Jr. (“Goddard”) is a resident of Houston, Texas, and was at relevant times the managing partner of AA’s Houston office. On information and belief, Goddard acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or knew of, condoned, authorized, directed, furthered, and/or participated *inter alia* in the shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Goddard intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal

investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Goggard is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

56. On information and belief, Defendant Michael M. Lowther (“Lowther”) is a resident of Houston, Texas, and was at relevant times an AA partner based in AA’s Houston office. On information and belief, Lowther acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or knew of, condoned, authorized, directed, furthered, and/or participated *inter alia* in the shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Lowther intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Lowther is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

57. On information and belief, Defendant Gary B. Goolsby (“Goolsby”) is a resident of Houston, Texas, and was at relevant times an AA partner based in AA’s Houston office. On information and belief, Goolsby acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or knew of, condoned, authorized, directed, furthered, and/or participated *inter alia* in the shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Goolsby intentionally, wilfully, and/or recklessly did so with full

knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Goolsby is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

58. On information and belief, Defendant Michael C. Odom (“Odom”) is a resident of Houston, Texas, a partner in AA, and at relevant times a risk manager based in and responsible for AA’s Houston office. On information and belief, at relevant times Odom acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or *inter alia* knew of, condoned, authorized, directed, participated in, furthered, and/or attempted to conceal the true extent of AA’s involvement in the fraudulent acts, omissions, and scheme set forth below. On information and belief, Odom intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Odom is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

59. On information and belief, Defendant Michael D. Jones (“Jones”) is a resident of Houston, Texas, a partner in AA, and was at relevant times an auditor, accountant, and/or management consultant on the Enron account. On information and belief, Jones acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Jones intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which

such evidentiary matter was highly relevant had already been commenced and/or were imminent. Jones is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

60. On information and belief, Defendant Steve M. Samek (“Samek”) is a resident of Houston, Texas, or Chicago, Illinois, and was at relevant times either an auditor, accountant, management consultant, or other AA partner or employee who serviced the Enron account, and a co-author of the book, “Cracking the Value Code,” described and quoted above. On information and belief, Samek acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Samek intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Samek is sued herein as a direct participant, aider, abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

61. On information and belief, Defendant William Swanson (“Swanson”) is a resident of Houston, Texas, was at relevant times the head of the Audit and Business Advisory practice in AA’s Houston office and the partner-in-charge of assurance for the southwest region, and worked on the Enron account. On information and belief, Swanson acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s

involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Swanson intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Swanson is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

62. On information and belief, Defendant Michael Bennet (“Bennet”) is a resident of Houston, Texas, was at relevant times a partner in AA’s Houston office, and worked on the Enron account. On information and belief, Bennett acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in the shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Bennett intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Bennett is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

63. On information and belief, Defendant Greg Jonas (“Jonas”) is a resident of Chicago, Illinois, was at relevant times a partner in AA’s Chicago office, and worked on the Enron account. On information and belief, Jonas acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in the shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider

and abettor, and co-conspirator. On information and belief, Jonas intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Jonas is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

64. On information and belief, Defendant Bob Kutsenda (“Kutsenda”) is a resident of Chicago, Illinois, was at relevant times a partner in AA’s Chicago office, and worked on the Enron account. On information and belief, Kutsenda acted as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or ordered and/or participated *inter alia* in the shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA’s involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Kutsenda intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Kutsenda is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

65. On information and belief, Defendant Jeannot Blanchette (“Blanchette”) is the same individual who was named in the original Complaint as Defendant “John Doe Jeneaux” and identified simply by the name “Jeneaux” in the February 6, 2001 memo from Michael D. Jones to David B. Duncan and Thomas H. Bauer, describing “Jeneaux” as a participant “by phone” in a meeting on February 5, 2001. On information and belief, Blanchette is a resident of Chicago, Illinois, was at relevant times a partner or employee in AA’s Chicago office, and worked on the Enron account. On information and belief,

Blanchette acted as a direct participant, aider and abetter, and/or co-conspirator in the fraudulent acts, omissions, and scheme below, and/or ordered and/or participated *inter alia* in the shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA's involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Blanchette intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Blanchette is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

66. On information and belief, Defendant John E. Stewart ("Stewart") is the same individual who was named in the original Complaint as Defendant "John Doe Stewart" and identified simply by the name "Stewart" in the February 6, 2001 memo from Michael D. Jones to David B. Duncan and Thomas H. Bauer, describing "Stewart" as a participant "by phone" in a meeting on February 5, 2001. On information and belief, Stewart is a resident of Chicago, Illinois, was at relevant times a partner or employee in AA's Chicago office, and worked on the Enron account. On information and belief, Stewart acted as a direct participant, aider and abetter, and/or co-conspirator in the fraudulent acts, omissions, and scheme below, and/or ordered and/or participated *inter alia* in the shredding, destruction, and spoliation of documents and other evidence of (a) the fraudulent acts, omissions, and scheme set forth below, and (b) AA's involvement therein as a direct participant, aider and abettor, and co-conspirator. On information and belief, Stewart intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Stewart is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

67. On information and belief, Defendant Nancy A. Temple (“Temple”) is a resident of Chicago, Illinois, a former partner in the prestigious corporate law firm of Sidley & Austin, and a high-level corporate attorney employed by AA. On information and belief, at relevant times Temple acted as a direct participant, aider and abetter, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or *inter alia* knew of, condoned, authorized, directed, participated in, furthered, and/or attempted to conceal the true extent of AA’s involvement in the fraudulent acts, omissions, and scheme set forth below. On information and belief, as set forth more fully below, Temple *inter alia* wrote a clever email and caused it be sent to AA’s Houston office to encourage and incite the shredding, destruction, and spoliation of records. On information and belief, Temple intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Temple is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

68. On information and belief, Defendant Dorsey L. Baskin, Jr. (“Baskin”) is a resident of Chicago, Illinois, an AA partner, and at relevant times the managing director of AA’s professional standards group. On information and belief, at relevant times Baskin acted as a direct participant, aider and abetter, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or *inter alia* knew of, condoned, authorized, directed, participated in, furthered, and/or attempted to conceal the true extent of AA’s involvement in the fraudulent acts, omissions, and scheme set forth below. On information and belief, Baskin intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Baskin is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

69. On information and belief, Defendant C.E. Andrews (“Andrews”) is a resident of Chicago, Illinois, an AA partner, and the managing partner of AA’s global auditing practice. On information and belief, at relevant times Andrews acted as a direct participant, aider and abetter, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or *inter alia* knew of, condoned, authorized, directed, participated in, furthered, and/or attempted to conceal the true extent of AA’s involvement in the fraudulent acts, omissions, and scheme set forth below. On information and belief, Andrews intentionally, wilfully, and/or recklessly did so with full knowledge that civil, administrative, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Andrews is sued herein as a direct participant, aider and abettor, and co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

70. On information and belief, Defendant Joseph F. Berardino (“Berardino”) is a resident of Chicago, Illinois, and the Chief Executive Office of AA. On information and belief, at relevant times Berardino acted as a direct participant, aider and abetter, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below, and/or *inter alia* knew of, condoned, authorized, directed, furthered, and/or attempted to conceal the true extent of AA’s involvement in the fraudulent acts, omissions, and scheme set forth below. On information and belief, Berardino intentionally, wilfully, and/or recklessly did so with full knowledge that administrative, civil, and criminal investigations and litigation to which such evidentiary matter was highly relevant had already been commenced and/or were imminent. Berardino is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

71. On information and belief, Defendant Does 51 through 100 are past or present partners, principals, officers, managing agents, and/or other employees or agents

of AA, whose identities are currently unknown, but who committed, aided, abetted, participated in, and/or furthered the fraudulent acts, omissions, and scheme set forth below, AA's attempted cover-up, and the related spoliation of documents and other evidence relevant thereto. On information and belief, at least some of these Does are residents of Houston, Texas. Plaintiffs will seek leave of court to identify these Does by their true names and capacities when ascertained.

72. Defendants AA, B.Duncan, Bauer, Cash, Willard, Goddard, Lowther, Goolsby, Odom, Jones, Samek, Swanson, Bennett, Jonas, Kutsenda, Blanchette, Stewart, Temple, Baskin, Andrews, Berardino, and Does 51 through 100 are collectively called the "Accountant Defendants" below.

73. On information and belief, an extremely close relationship has existed for many years between AA and Enron at the business level, and between the partners or principals of AA and the key management personnel of Enron on a personal and social level. On information and belief, several former partners or principals of AA have become directors or officers of Enron.

74. On information and belief, AA was continuously engaged by Enron for many years, until January 2002, to provide "independent" accounting, auditing, and management consulting services, tax services, examination and review of SEC filings, audits, and reviews of financial statements included in Enron's SEC filings, including audited and unaudited information, and annual reports.

75. On information and belief, AA had personnel permanently stationed in Enron's corporate headquarters in Houston, Texas, for the purpose of continuously monitoring Enron's accounting, communicating with Enron's personnel and its in-house and retained counsel, and working directly with Enron's personnel and its in-house and

retained counsel to help structure, organize, and/or account for the operations and ventures of Enron, including *inter alia* the structuring and organizing of and accounting for the hundreds or thousands of partnerships that were euphemistically called “special purpose entities” (collectively, the “SPE’s”) and were at the heart of the massive fraud set forth below. On information and belief, AA’s relationship with Enron went far beyond “independent” auditing services to include both internal and external auditing and accounting, management consulting, and extensive, active involvement throughout the evaluation, adoption, creation, structuring, organization, implementation, documentation, use, furtherance, concealment, and/or the materially incomplete, misleading, and fraudulent reporting and disclosure of the fraudulent acts, omissions, and scheme set forth below.

76. On information and belief, the fraud set forth below included *inter alia* the use of SPE’s to understate Enron’s liabilities and overstate its income and assets. On information and belief, AA rendered extensive internal and external accounting, auditing, consulting, general advisory, and other services to Enron relating *inter alia* to formation, structuring, accounting, auditing, use, reporting, and/or disclosure of SPE’s and transactions effected through SPE’s. On information and belief, according to a 2/6/01 written memorandum from Jones to B.Duncan and Bauer, one of the many services that AA rendered to Enron in connection with SPE’s and transactions accomplished through SPE’s was “to focus on timely documentation of final transaction structures to ensure consensus is reached on the final structure” of each SPE and transaction.

77. On information and belief, as a result of the myriad of services rendered to Enron, AA had personnel in Enron’s corporate offices and operations continuously from 1997 to the end of 2001 or the beginning of 2002, and had continual access to and knowledge of Enron’s inside corporate and business information, including *inter alia* the

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relevant facts concerning the SPE's at the heart of the massive fraud set forth below and related fraudulent accounting practices.

78. On information and belief, as a result of AA's expertise, extremely close working relationship with Enron (and retained counsel), constant interaction with Enron (and retained counsel), consensus-building, and detailed knowledge of and access to all relevant documents and information, at all relevant times AA knew full well that it was a direct participant, aider and abettor, and co-conspirator in a massive scheme to mislead and defraud Enron shareholders, potential investors, and the securities market as to *inter alia* the value of Enron's securities.

79. On information and belief, AA received over \$100 million in accounting, audit, management consulting, and advisory fees in the period leading up to the Enron bankruptcy.

80. On information and belief, on dates currently unknown, the Accountant Defendants secretly entered into an agreement, combination, and conspiracy with each other, with the Director and Officer Defendants, and with the defendants identified below, to commit, aid, abet, participate in, and further the fraudulent acts, omissions, and scheme set forth below, all with the intent of keeping Enron as a client and continuing to reap multi-million dollar fees.

81. On information and belief, the Accountant Defendants have engaged in a pattern of fraudulent concealment, by *inter alia* shredding accounting and other records, deleting email and other computer records, and destroying other evidence in Houston, Texas, Chicago, Illinois, and/or other locations, all in a concerted attempt to conceal the fraudulent acts, omissions, and scheme set forth below and their conspiracy to engage in such wrongful and unlawful conduct.

## ATTORNEY DEFENDANTS

82. On information and belief, Defendant Vinson & Elkins, LLP (“V&E”) is based, does business, and is found in Houston, Texas, and is one of the largest and most sophisticated international corporate law firms in the United States and the world, with expertise in all areas of Enron’s business. Before the recent bankruptcy of Enron, V&E enjoyed an excellent reputation; V&E’s involvement with corporate transactions, SEC filings, and securities offerings bestowed the imprimatur of legitimacy, confidence, and stability on its many clients, including Enron.

83. On information and belief, Defendant Ronald T. Astin (“Astin”) is a resident of Houston, Texas; was and is a partner in V&E who specializes *inter alia* in corporate financing; and was at relevant times the lead V&E attorney involved in forming, structuring, using, and issuing legal opinions on certain partnerships and “special-purpose entities” at the heart of the massive fraud set forth below. Astin is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

84. On information and belief, Defendant Joseph Dilg (“Dilg”) is a resident of Houston, Texas; was and is a partner in V&E who specializes *inter alia* in corporate law; and was at relevant times, for at least a decade, V&E’s chief liaison with Enron. On information and belief, Dilg oversaw V&E’s relationship with Enron; was personally involved in providing legal services relating to certain partnerships and “special-purpose entities” at the heart of the massive fraud set forth below; and was aware how the personnel of Enron, V&E, and AA were working together to form, structure, use, and account for those partnerships and entities. Dilg is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

85. On information and belief, Defendant Michael P. Finch (“Finch”) is a resident of Houston, Texas; was and is a partner in V&E who specializes *inter alia* in corporate law and securities law; and was at relevant times the attorney at V&E in charge of some or all of Enron’s SEC registration statements and prospectuses. On information and belief, Finch was personally involved in providing legal services relating to certain partnerships and “special-purpose entities” at the heart of the massive fraud set forth below; and was aware how the personnel of Enron, V&E, and AA were working together to form, structure, use, and account for those partnerships and entities. Finch is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

86. On information and belief, Defendant Max Hendrick III (“Hendrick”) is a resident of Houston, Texas; was and is a litigation partner in V&E; and was at relevant times the attorney at V&E charged with performing the “independent” review of SPE’s and related transactions in or about August through October 2001. On information and belief, Hendrick was personally involved in providing legal services relating to the SPE’s; knew how the personnel of Enron, V&E, and AA collaborated and worked together closely to create, structure, organize, use, and account for the SPE’s; ignored an actual conflict of interest in purporting to do an “independent” review of his own firm’s legal work in or about August through October 2001; and participated in the fraudulent acts, omissions, and scheme set forth below by *inter alia* participating in and aiding and abetting their concealment. Hendrick is sued herein as a direct participant, aider and abettor, and/or co-conspirator in the fraudulent acts, omissions, and scheme set forth below.

87. On information and belief, Defendant Does 101 through 150 are past or present partners or principals of V&E, whose identities are currently unknown, but who committed, aided, abetted, participated in, and/or furthered the fraudulent acts,

omissions, and scheme set forth below. On information and belief, at least some of these Does are residents of Houston, Texas. Plaintiffs will seek leave of court to identify these Does by their proper names and capacities when that information is ascertained.

88. Defendants V&E, Astin, Dilg, Finch, Hendrick, and Does 101 through 150 are collectively called the “Attorney Defendants” below.

89. On information and belief, an extremely close relationship has existed for many years between the Attorney Defendants and Enron at the business level, and between the partners or principals of V&E and key management personnel of Enron on a personal and social level. On information and belief, several former partners or principals in V&E have become directors or officers of Enron, and Enron is reported to be V&E’s largest client. On information and belief, due to these business, personal, and social ties, V&E has the nickname “Vinson & Enron.”

90. On information and belief, the Attorney Defendants have been continuously engaged by Enron for many years to provide legal services, including *inter alia* corporate transactions, securities offerings, SEC filings, shareholder communications, and the formation, structuring, and use of the SPE’s at the heart of the massive fraud set forth below.

91. On information and belief, V&E had attorneys permanently stationed in Enron’s corporate headquarters in Houston, Texas, for the purpose of continuously monitoring Enron’s corporate affairs, communicating with Enron’s personnel and the Accountant Defendants, and working directly with Enron’s personnel and the Accountant Defendants to create, structure, use, and account for the manifold operations and ventures of Enron, including *inter alia* the SPE’s at the heart of the massive fraud and the SEC filings set forth below. On information and belief, V&E’s relationship with

Enron went far beyond normal corporate legal services to include extensive, active involvement in the consideration, adoption, implementation, documentation, furtherance, and/or concealment of the fraudulent acts, omissions, and scheme set forth below.

92. On information and belief, for purposes of servicing Enron, V&E had attorneys present in Enron's corporate offices and operations continuously for years and at all relevant times, and had continual access to and knowledge of Enron's inside corporate and business information, including *inter alia* the manner in which Enron, the Accounting Defendants, and the Attorney Defendants were collaborating and working together *inter alia* in creating, structuring, using, and accounting for the SPE's and sham transactions accomplished through the SPE's.

93. On information and belief, as a result of the Attorney Defendants' expertise, their close collaboration and working relationship with Enron and the Accountant Defendants, their constant interaction with Enron and the Accountant Defendants, the consensus-building role of the Accountant Defendants, and the Attorney Defendants' detailed knowledge of and access to all relevant documents and information, at all relevant times the Attorney Defendants knew full well that they were direct participants, aiders and abettors, and co-conspirators in a massive scheme to mislead and defraud Enron shareholders, potential investors, and the securities market as to *inter alia* the value of Enron's securities.

94. On information and belief, the Attorney Defendants issued several opinion letters (and related consents to use and dissemination) on the legality, independence, authenticity, and non-sham nature of, and/or other issues relating to, the SPE's at the heart of the subject fraud. On information and belief, when the Attorney Defendants issued those documents, and when they did all other work described below, the Attorney Defendants knew or recklessly failed to learn that the SPE's were created, owned, and/or

controlled by Enron and certain Director and Officer Defendants and were being used for sham transactions to hide liabilities and overstate income of Enron in SEC filings that the Attorney Defendants intentionally, wilfully, or recklessly prepared.

95. On information and belief, the Attorney Defendants received over \$100 million for legal and related services rendered to Enron in the period leading up to Enron's bankruptcy.

96. The Attorney Defendants are sued herein as direct participants, aiders and abettors, and co-conspirators in the fraudulent acts, omissions, and scheme set forth below.

97. On information and belief, on dates currently unknown, the Attorney Defendants secretly entered into an agreement, combination, and conspiracy with each other, with the Director and Officer Defendants, and with the Accountant Defendants, to commit, aid, abet, participate in, and/or further the fraudulent acts, omissions, and scheme set forth below, all with the intent of keeping Enron as a client and continuing to reap multi-million dollar fees.

98. On information and belief, the Attorney Defendants have engaged in a pattern of fraudulent concealment, by *inter alia* (a) condoning spoliation of evidence by the Director and Officer Defendants and the Accountant Defendants; (b) purporting to render (despite an actual conflict of interest) a favorable second opinion on their own legal work on questioned SPE's previously formed and structured by the Attorney Defendants themselves, in an attempt to thwart a disinterested review by independent counsel; (c) recklessly ignoring grave deficiencies and illegalities in the accounting practices and SEC filings of Enron, knowing full well that Enron shareholders, potential investors, and the securities market were relying, directly or indirectly, on the legality and

reliability of those very accounting practices and SEC filings; (d) continuing to perform legal services that delayed the public disclosure of and perpetuated the fraudulent acts, omissions, and scheme set forth below; and/or (e) continuing, without protest and without raising a “red flag,” to lend their good names, reputations, and prestige to the fraudulent acts, omissions, and scheme set forth below, of which the Attorney Defendants were an integral component.

### CORRUPT OFFICIALS

99. On information and belief, Defendant Does 151 through 500 are past or present government officials, elected and appointed, whose identities are currently unknown, but who aided, abetted, furthered, and/or concealed the massive fraud set forth below. Plaintiffs will seek leave of court to identify these Does by their proper names and capacities when that information is ascertained. Does 151 through 500 are collectively called the “Corrupt Officials” below.

100. On information and belief, on dates currently unknown, Corrupt Officials secretly entered into an agreement, combination, and conspiracy with each other, with the Director and Officer Defendants, with the Accountant Defendants, and with the Attorney Defendants, to aid, abet, and/or further the fraudulent acts, omissions, and scheme set forth below and/or the concealment thereof, with the intent of requiring large campaign contributions from Enron, AA, V&E, and certain of their directors, officers, partners, and principals, with major official actions, favors, and favorable treatment in violation *inter alia* of 18 U.S.C. §§ 201, 371, and 600.

101. On information and belief, the Corrupt Officials have participated in the pattern of fraudulent concealment of and bestowed illegal favors and favorable treatment on Enron, AA, and V&E, by *inter alia* turning a blind eye to and ignoring the SPE’s,

material understatement of liabilities, material overstatement of income or assets, conflicts of interest in connection with the foregoing matters, and conflicts of interest of certain Accountant Defendants in performing internal accounting, external auditing, and management consulting for one and the same client; by opposing and defeating legislation and regulations that would have exposed and/or stopped the fraudulent acts, omissions, and scheme set forth below; by introducing, approving, supporting, advancing, defending, and voting for legislation or regulations that would facilitate the fraudulent acts, omissions, and scheme set forth below and/or make it more difficult for Enron, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants to be held accountable and liable in private legal proceedings, including *inter alia* the Federal Securities Litigation Reform Act of 1995 (“FSLRA”) and amendments to the Racketeer Influenced and Corrupt Organizations Act (the “RICO Amendments”); and/or by delaying civil, criminal, administrative, and Congressional inquiries, hearings, investigations, and enforcement actions, adopting a “hands off” approach, and refusing to take sides or to pursue blame as between major campaign contributors, until it was politically impossible to continue doing so.

102. On information and belief, the Corrupt Officials started furthering and continued furthering the massive fraudulent scheme set forth below commencing in the early 1990's, during the Administration of former President William Jefferson Clinton, continuing through the 1990's, and continuing into the current Administration of George W. Bush. On information and belief, W.Gramm was one of the earliest public officials to join the conspiracy and did so by engaging in corrupt acts in her capacity as chair of the CFTC, when she advocated Enron's position and opposed regulation of energy derivatives, energy swaps, and/or other important part's of Enron's business, in part because of large campaign contributions over the years to Senator Gramm and a political payoff in the form of her appointment to the Enron board of directors. Subsequently, on information and belief, W.Gramm intentionally and wilfully, or recklessly, failed and

refused to fulfil her responsibilities and to exercise her power and authority as a member of Enron's Audit and Compliance Committee *inter alia* to ensure full and fair disclosure of Enron's financial condition and to prevent the use of fraudulent accounting practices, in part because of large campaign contributions over the years to Senator Gramm.

W.Gramm is named herein as one of the Director and Officer Defendants because she was a director of Enron and a member of its Audit and Compliance Committee when the majority of the following events occurred.

### **GENERAL OVERVIEW OF SCHEME TO DEFRAUD**

103. Enron was at all relevant times one of the world's largest and most powerful energy companies, with major operations, assets, connections, and influence around the world.

104. On Information and belief, from the late 1980's or early 1990's until late 2001, the Director and Officer Defendants entered into an agreement, combination, and conspiracy with each other to "PUMP AND DUMP" Enron's common stock and other securities for their own personal profit, by fraudulently inflating the market price of Enron's securities, selling their own holdings to unsuspecting buyers at the fraudulently inflated market price, inducing and otherwise causing unwitting shareholders and investors to hold on to their Enron holdings, and utilizing a massive blanket of political campaign contributions and/or bribes to the Corrupt Officials to buy exemptions from and otherwise to evade government regulation and oversight (the "SCHEME").

105. As a result of (a) their expertise, (b) their collaboration and very close working relationship with the Director and Officer Defendants and each other, (c) their extensive, active involvement in the formation, structuring, and use of, and the accounting for the SPE's, and (d) their own specific acts and omissions set forth below,

the Accountant Defendants and Attorney Defendants understood, or recklessly failed to understand, the workings of the SCHEME; joined the conspiracy of the Director and Officer Defendants; and intentionally, wilfully, or recklessly participated in, aided and abetted, and actively furthered the SCHEME as co-conspirators.

106. On information and belief, using the services of the Accountant Defendants and Attorney Defendants, and with the assistance of the Corrupt Officials, the Director and Officer Defendants fraudulently inflated the market price of Enron's stock by *inter alia* (a) forming, structuring, and using SPE's to conceal hundreds of millions of dollars in liabilities of Enron and keep them off Enron's financial statements; (b) forming, structuring, and using SPE's and accounting practices that the Accountant Defendants characterized as "intelligent gambling" to overstate materially the income or assets of Enron; (c) concealing that SPE's were controlled by Enron and/or were mere accounting shams; and (d) concealing material facts, making materially incomplete and misleading representations, and making material misrepresentations in financial reports and statements, annual reports, SEC filings, shareholder communications, employee communications, public information packages, press releases, interviews with the news media and securities analysts, and other matters affecting the market price of Enron's stock.

107. On information and belief, the Director and Officer Defendants used their inside information about the SCHEME and Enron's true financial condition to reap illicit profits of the SCHEME by selling their own Enron holdings to unsuspecting purchasers through a series of securities transactions, including *inter alia* the following estimates:

INSIDER	SHARES SOLD	PROCEEDS (\$)
Baxter	577,436	\$35,202,808

Buy	54,874	4,325,309
Causey	197,485	13,329,743
Derrick	230,660	12,656,238
Fastow	561,423	30,463,609
Frevert	830,620	50,269,504
Horton	734,444	45,472,278
Lay	1,810,793	101,346,951
Rice	1,138,370	72,786,034
Skilling	1,119,958	66,924,028
Pai	5,031,105	353,712,438
Belfer	1,052,138	51,080,967
Blake	21,200	1,705,328
Chan	8,000	337,200
B.Duncan	35,000	2,009,700
Gramm	10,256	276,912
Jaedicke	13,360	841,438
LeMaistgre	17,344	481,768
Foy	31,320	1,639,590
Hirko	473,837	35,168,721
Harrison	1,004,170	75,211,630
Koenig	129,153	9,110,466
Kean	64,932	5,166,414
Mark-Jasbasche	1,410,262	79,526,787
McConnell	30,960	2,353,431
McMahon	39,630	2,739,226
Olson	83,183	6,505,870
Metts	17,711	1,448,937
Sutton	614,960	40,093,346
<b>TOTAL:</b>	<b>17,344,584</b>	<b>\$1,102,544,672</b>

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108. On information and belief, the Director and Officer Defendants, the Accountant Defendants, the Attorney Defendants, and/or the Corrupt Officials have engaged in additional transactions, for their personal gain, using inside information as to Enron's undisclosed financial condition, in addition to the \$1.2 billion in insider transactions estimated and summarized above.

109. On information and belief, commencing on a date currently unknown before or during the Clinton Administration, and continuing for years through the most recent federal election cycle up to and including the Bush Administration, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants undertook separate but overlapping and widespread political action in an attempt to evade government regulation and oversight by regularly paying campaign and other contributions and/or bribes to the Corrupt Officials and/or other elected officials who were perceived to have political power to assist Enron in evading regulation and oversight. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants made and/or caused Enron to make such payments with the intent to influence the official acts of and/or to obtain favors and favorable treatment from the Corrupt Officials, in violation *inter alia* of 18 U.S.C. §§ 201, 371, and 600. On information and belief, the Corrupt Officials acted as the other defendants expected and/or requested, as a result of extensive contributions and/or bribes, thereby engaging in unlawful acts and/or committing lawful acts in an unlawful manner.

110. On information and belief, commencing on dates currently unknown before or during the Clinton Administration, and continuing for years through the most recent federal election cycle up to and including the Bush Administration, in violation *inter alia* of 18 U.S.C. §§ 201, 371, and 600, the Corrupt Officials joined themselves to the conspiracy with the Director and Officer Defendants, the Accountant Defendants, and

the Attorney Defendants – i.e. all major campaign contributors -- by *inter alia* turning a blind eye to and ignoring SPE's, material understatement of liabilities, material overstatement of income or assets, conflicts of interest in connection with the foregoing matters, and/or conflicts of interest of certain Accountant Defendants in performing internal accounting, external auditing, and management consulting for one and the same client; by opposing and defeating legislation and regulations that would have exposed and/or stopped the massive fraud set forth below; by introducing, approving, supporting, advancing, defending, and voting for legislation or regulations that would facilitate the fraudulent acts, omissions, and scheme set forth below and/or make it harder for Enron, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants to be held accountable and liable in private legal proceedings, including *inter alia* the FSLRA and RICO Amendments; and/or by delaying civil, criminal, administrative, and Congressional inquiries, hearings, investigations, and enforcement actions, adopting a "hands off" approach, and refusing to take sides or pursue blame as between major campaign contributors, until it was politically impossible to continue doing so.

### **SPECIFIC CHRONOLOGY OF EVENTS**

111. On information and belief, the SCHEME was initiated in either the late 1980's or early 1990's, before or during the Clinton Administration. On information and belief, the early stages of the SCHEME include the early corruption of W.Gramm, to wit, her commission of corrupt acts in her capacity as chair of the CFTC, when she advocated Enron's position and opposed regulation of energy derivatives, energy swaps, and/or other important part's of Enron's business, in part because of large campaign contributions over the years to Senator Gramm and a political payoff in the form of appointment to the Enron board of directors. Subsequently, on information and belief, W.Gramm intentionally and wilfully, or recklessly, failed and refused to fulfil her

responsibilities and to exercise her power and authority as a member of Enron's Audit and Compliance Committee *inter alia* to ensure full and fair disclosure of Enron's financial condition and to prevent the use of fraudulent accounting practices, in part because of large campaign contributions over the years to Senator Gramm. Plaintiffs will seek leave of court to amend this pleading to allege additional acts of fraud, conspiracy, and political corruption by public officials, elected and appointed, when that information is ascertained.

112. On information and belief, from the 1990's through 2001, as a *quid pro quo* for years of large campaign contributions and/or bribes, and as a result of the special access granted to top elected and appointed government officials, Lay, other Director and Officer Defendants, certain Accountant Defendants, and certain Attorney Defendants were granted many favors and favorable treatment that enabled them *inter alia* to evade much government regulation and oversight and to perpetuate, enlarge, and enrich themselves from the SCHEME.

113. On information and belief, from the 1990's through 2001, as a *quid pro quo* for large campaign contributions, the Corrupt Officials granted favors and favorable treatment to Enron and the Director and Officer Defendants by *inter alia* turning a blind eye to and ignoring their use of SPE's, material understatement of liabilities, and material overstatement of income or assets, conflicts of interest in the foregoing matters, and/or conflicts of interest of certain Accountant Defendants in performing internal accounting, external auditing, and management consulting for one and the same client; by opposing and defeating legislation and regulations that would have exposed and stopped the SCHEME; by introducing, approving, supporting, advancing, defending, and voting for legislation or regulations that would facilitate the SCHEME and/or make it harder for Enron and the Director and Officer Defendants to be held accountable and liable in private legal actions, including *inter alia* the FSLRA and RICO Amendments; and/or by

delaying civil, criminal, administrative, and Congressional inquiries, hearings, investigations, and enforcement actions against and the “hand’s off” approach toward Enron and the Director and Officer Defendants until it was politically impossible to continue doing so.

114. On information and belief, from the 1990's through 2001, as a *quid pro quo* for large campaign contributions, the Corrupt Officials granted favors and favorable treatment to the Accountant Defendants by *inter alia* turning a blind eye to and ignoring their acceptance and/or promotion of SPE’s, material understatement of liabilities, material overstatement of income or assets, and their conflicts of interest in performing internal accounting, external auditing, and management consulting for one and the same client; by opposing and defeating legislation and regulations contrary to such accounting practices and/or conflicts of interest; by introducing, approving, supporting, advancing, defending, and voting for legislation or regulations that would facilitate the SCHEME and make it harder for the Accountant Defendants to be held accountable and liable in private legal actions, including *inter alia* the FSLRA and the RICO Amendments; and/or by delaying civil, criminal, administrative, and Congressional inquiries, hearings, investigations, and enforcement actions against the Accountant Defendants and their clients, including Enron, until it was politically impossible to continue doing so.

115. On information and belief, from the 1990's through 2001, as a *quid pro quo* for large campaign contributions, the Corrupt Officials granted favors and favorable treatment to the Attorney Defendants by *inter alia* turning a blind eye to and ignoring their acceptance and/or promotion of SPE’s, material understatement of liabilities, and material overstatement of income or assets; by opposing and defeating legislation and regulations curbing such practices; by introducing, approving, supporting, advancing, defending, and voting for legislation or regulations that would facilitate the SCHEME and make it harder for the Attorney Defendants to be held accountable and liable in

private legal actions, including *inter alia* the FSLRA and the RICO Amendments; by delaying civil, criminal, administrative, and Congressional inquiries, investigations, hearings, and/or enforcement actions against the Attorney Defendants and their clients, including *inter alia* Enron, until it was politically impossible to continue doing so; and/or by turning a blind eye to and ignoring the pervasive involvement of the Attorney Defendants in all aspects of the Enron fiasco and failing to include them in the scope of any inquiries, hearings, investigations, and/or enforcement actions.

116. On information and belief, as a result of the foregoing political corruption from the 1990's through 2001, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants were materially enabled, aided, and assisted to implement, perpetuate, enlarge, profit from, conceal, and/or avoid liability for the SCHEME. On information and belief, the SCHEME would not have been possible, or could not have grown and continued and been as successful and remained undetected for as many years as it was, without the affirmative acts and omissions knowingly committed by the Corrupt Officials in furtherance of the SCHEME.

117. The Accountant Defendants audited Enron's financial statements for the fiscal year ended December 31, 1997 (the "1997 Financials"), and issued unqualified audit reports dated February 23, 1998, and March 30, 1998, attesting to the accuracy and reliability of the financial information (the "1997 Audit Reports").

118. Enron's Form 10-K (Annual Report) for the fiscal year ended December 31, 1997, was filed with the SEC on March 31, 1998 (the "1997 10-K"). The 1997 10-K is a public record and included the 1997 Financials and the 1997 Audit Reports.

119. On information and belief, the 1997 Financials, the 1997 Audit Reports, and the 1997 10-K were all provided not only to the SEC, but also, with the knowledge,

approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

120. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 1997 10-K, and they knew its contents.

121. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 1997 Financials, the 1997 Audit Reports, and the 1997 10-K were materially false, incomplete, misleading, and deceptive because these disclosure documents failed to disclose fully and fairly that Enron was improperly using SPE's in sham transactions, materially understating its liabilities, and materially overstating its income or assets.

122. On information and belief, despite knowledge or reckless failure to learn that the 1997 Financials, the 1997 Audit Reports, and the 1997 10-K were materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

123. The Accountant Defendants audited Enron's financial statements for the fiscal year ended December 31, 1998 (the "1998 Financials"), and issued unqualified audit reports dated March 5, 1999, attesting to the accuracy and reliability of the financial information (the "1998 Audit Reports").

124. Enron's Form 10-K (Annual Report) for the fiscal year ended December 31, 1998, was filed with the SEC on March 31, 1999 (the "1998 10-K"). The 1998 10-K is a public record and included the 1998 Financials and the 1998 Audit Reports.

125. On information and belief, the 1998 Financials, the 1998 Audit Reports, and the 1998 10-K were all provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

126. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 1998 10-K, and they knew its contents.

127. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 1998 Financials, the 1998 Audit Reports, and the 1998 10-K were materially false, incomplete, misleading, and deceptive because these disclosure documents failed to disclose fully and fairly that Enron was improperly using SPE's, materially understating its liabilities, and materially overstating its income or assets.

128. On information and belief, despite knowledge or reckless failure to learn that the 1998 Financials, the 1998 Audit Reports, and the 1998 10-K were materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work

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product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

129. On information and belief, Enron entered into merger negotiations with Veba, a German company, in or about 1999. On information and belief, the due diligence conducted for the merger revealed to those involved that Enron was at that time already engaging in the same conduct that ultimately led to its collapse and bankruptcy, to wit, that Enron was (a) using SPE's to conceal liabilities; (b) using SPE's to overstate income or assets; (c) concealing that SPE's were controlled by Enron and/or accounting shams; and/or (d) concealing material facts, making materially incomplete and misleading representations, and making material misrepresentations in financial reports and statements, annual reports, SEC filings, shareholder communications, employee communications, information packages, press releases, interviews with the news media and securities analysts, and other matters affecting the market price of Enron's securities.

130. On information and belief, the Accountant Defendants participated in the Veba negotiations and due diligence and knew, in 1999, why the merger failed. On information and belief, as a result of the Veba deal, the Accountant Defendants knew full well no later than 1999 that Enron was using SPE's, sham transactions, illicit accounting practices, and related acts and omissions to conceal and misrepresent Enron's financial position. Despite this actual knowledge, the Accountant Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

131. On information and belief, the Attorney Defendants participated in the Veba negotiations and due diligence and knew, in 1999, why the merger failed. On information and belief, as a result of the Veba deal, the Attorney Defendants knew full

well no later than 1999 that Enron was using SPE's, sham transactions, illicit accounting practices, and related acts and omissions to conceal and misrepresent Enron's financial position. Despite this actual knowledge, the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

132. On or about April 5, 1999, the Accountant Defendants consented in writing to incorporation of the 1998 Audit Reports into an imminent Form S-3 Registration Statement and Prospectus.

133. On or about April 5, 1999, a Form S-3 Registration Statement and Prospectus was filed with the SEC in connection with Enron's issuance and offering of 3.8 million shares of common stock for a proposed maximum aggregate offering price of approximately \$246 million (the "4/5/99 S-3"). The 4/5/99 S-3 is a public record and includes the 1998 Financials and the 1998 Audit Reports, with specific reference to AA as the "independent" public accountants and experts that had audited the 1998 Financials.

134. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 4/5/99 S-3, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 4/5/99 S-3 and the subject securities offering.

135. On information and belief, the 4/5/99 S-3 was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the

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Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

136. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 4/5/99 S-3, and they knew its contents.

137. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 4/5/99 S-3 was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

138. On information and belief, despite knowledge or reckless failure to learn that the 4/5/99 S-3 was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

139. On information and belief, at a meeting of the Enron board of directors on or about June 28, 1999, Lay, Skilling, Fastow, and other Director and Officer Defendants discussed *inter alia* off-balance sheet transactions. On information and belief, some of the Accountant Defendants and Attorney Defendants attended the 6/28/99 meeting to answer questions posed to them. On information and belief, as a result of the 6/28/99 meeting, the Director and Officer Defendants, the Accountant Defendants, and the

Attorney Defendants knew or recklessly failed to learn that Enron was (a) using SPE's to conceal liabilities; (b) using SPE's to overstate its income or assets; (c) concealing that SPE's were accounting shams controlled by Enron; and/or (d) concealing material facts, making materially incomplete and misleading representations, and making material misrepresentations in financial reports and statements, annual reports, SEC filings, shareholder communications, employee communications, information packages, press releases, interviews with the news media and securities analysts, and other matters affecting the market price of Enron's securities.

140. On or about June 30, 1999, the Accountant Defendants consented in writing to incorporation of the 1998 Audit Reports into an imminent Form S-8 Registration Statement and Prospectus.

141. On or about July 2, 1999, a Form S-8 Registration Statement and Prospectus was filed with the SEC in connection with Enron's issuance and offering of 10 million shares of common stock for a proposed maximum aggregate offering price of approximately \$771 million (the "7/2/99 S-8"). The 7/2/99 S-8 is a public record and includes the 1998 Financials and the 1998 Audit Reports, with specific reference to AA as the "independent" public accountants and experts that had audited the 1998 Financials.

142. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 7/2/99 S-8, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 7/2/99 S-8 and the subject securities offering.

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143. On information and belief, the 7/2/99 S-8 was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

144. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 7/2/99 S-8, and they knew its contents.

145. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 7/2/99 S-8 was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

146. On information and belief, despite knowledge or reckless failure to learn that the 7/2/99 S-8 was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

147. On or about July 23, 1999, the Accountant Defendants consented in writing to incorporation of the 1998 Audit Reports into an imminent Form S-3 Registration Statement and Prospectus.

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148. On or about July 23, 1999, a Form S-3 Registration Statement and Prospectus was filed with the SEC in connection with Enron's issuance and offering of 10 million Exchangeable Notes (the "7/23/99 S-3"). The 7/23/99 S-3 is a public record and includes the 1998 Financials and the 1998 Audit Reports, with specific reference to AA as the "independent" public accountants and experts that had audited the 1998 Financials.

149. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 7/23/99 S-3, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 7/23/99 S-3 and the subject securities offering.

150. On information and belief, the 7/23/99 S-3 was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

151. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 7/23/99 S-3, and they knew its contents.

152. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 7/23/99 S-3 was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham

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transactions, materially understating its liabilities, and materially overstating its income or assets.

153. On information and belief, despite knowledge or reckless failure to learn that the 7/23/99 S-3 was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

154. On or about August 11, 1999, the Accountant Defendants consented in writing to incorporation of the 1998 Audit Reports into an imminent Form S-8 Registration Statement and Prospectus.

155. On or about August 12, 1999, a Form S-8 Registration Statement and Prospectus was filed with the SEC in connection with Enron's issuance and offering of 15 million shares of common stock at a proposed aggregate offering price of approximately \$1.275 billion (the "8/12/99 S-8"). The 8/12/99 S-8 is a public record and includes the 1998 Financials and the 1998 Audit Reports, with specific reference to AA as the "independent" public accountants and experts that had audited the 1998 Financials.

156. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 8/12/99 S-8, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 8/12/99 S-8 and the subject securities offering.

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157. On information and belief, the 8/12/99 S-8 was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

158. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 8/12/99 S-8, and they knew its contents.

159. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 8/12/99 S-8 was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

160. On information and belief, despite knowledge or reckless failure to learn that the 8/12/99 S-8 was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

161. On information and belief, at a meeting of the Enron board of directors on or about October 11, 1999, Fastow and other Director and Officer Defendants discussed that Enron had both "on-balance and off-balance sheet debt" from using SPE's and sham transactions, and that Fastow had a conflict of interest in connection with SPE's

and his position in Enron. On information and belief, some of the Accountant Defendants and Attorney Defendants attended the 10/11/99 meeting to answer questions posed to them. On information and belief, as a result of the 10/11/99 meeting, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that Enron was (a) using SPE's to conceal liabilities; (b) using SPE's to overstate its income or assets; (c) concealing that SPE's were accounting shams controlled by Enron; and/or (d) concealing material facts, making materially incomplete and misleading representations, and making material misrepresentations in financial reports and statements, annual reports, SEC filings, shareholder communications, employee communications, information packages, press releases, interviews with the news media and securities analysts, and other matters affecting the market price of Enron's securities.

162. On information and belief, on a date or dates currently unknown but no later than March 2000, McMahon warned Skilling *inter alia* that use of SPE's in sham transactions, the material understatement of liabilities, the material overstatement of income or assets, and/or related accounting practices or conflicts of interest, were illegal or improper and/or threatened to expose Enron and the defendants to scandal, investigation, litigation, and/or prosecution. On information and belief, Skilling and the other Director and Officer Defendants intentionally, wilfully, or recklessly decided to ignore McMahon's concerns, and McMahon intentionally, wilfully, or recklessly decided to go along with their decision and to continue furthering the SCHEME as a participant, aider and abetter, and/or co-conspirator.

163. The Accountant Defendants audited Enron's financial statements for the fiscal year ended December 31, 1999 (the "1999 Financials"), and issued unqualified audit reports dated March 13, 2000, attesting to their accuracy and reliability (the "1999 Audit Reports").

164. On or about March 28, 2000, the Accountant Defendants consented in writing to incorporation of the 1999 Audit Reports into an imminent Form 10-K (Annual Report).

165. Enron's Form 10-K (Annual Report) for the fiscal year ended December 31, 1999, was filed with the SEC on March 30, 2000 (the "1999 10-K"). The 1999 10-K is a public record and includes the 1999 Financials and the 1999 Audit Report, with specific reference to AA as the "independent" public accountants and experts that had audited the 1999 Financials.

166. On information and belief, the 1999 10-K was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

167. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 1999 10-K, and they knew its contents.

168. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 1999 10-K was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

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169. On information and belief, despite knowledge or reckless failure to learn that the 1999 10-K was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

170. On or about March 30, 2000, Mahoney purchased 100 shares of Enron common stock at a price of \$77.00 per share, for a total cost, with commissions, of \$7,729.95. On information and belief, unbeknownst to Mahoney, this stock transaction occurred at a grossly inflated price because of the SCHEME.

171. On or about April 4, 2000, the Accountant Defendants consented in writing to incorporation of the 1999 Audit Report into an imminent Form S-3 Registration Statement and Prospectus.

172. On or about April 4, 2000, a Form S-3 Registration Statement and Prospectus was filed with the SEC in connection with Enron's issuance and offering of 4.9 million shares of common stock at a proposed maximum aggregate offering price of approximately \$362 million (the "4/4/00 S-3"). The 4/4/00 S-3 is a public record and includes the 1999 Financials and the 1999 Audit Report, with specific reference to AA as the "independent" public accountants and experts that had audited the 1999 Financials.

173. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 4/4/00 S-3, knew its contents, and/or issued an opinion that was used, with the

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knowledge, approval, and consent of the Attorney Defendants, to facilitate the 4/4/00 S-3 and the subject securities offering.

174. On information and belief, the 4/4/00 S-3 was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

175. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 4/4/00 S-3, and they knew its contents.

176. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 4/4/00 S-3 was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

177. On information and belief, despite knowledge or reckless failure to learn that the 4/4/00 S-3 was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

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178. On or about April 7, 2000, Mahoney purchased another 125 shares of Enron common stock at a price of \$65.00 per share, for a total cost, with commissions, of \$8,154.95. On information and belief, unbeknownst to Mahoney, this stock transaction occurred at a grossly inflated price because of the SCHEME.

179. On information and belief, at a meeting of the Enron board of directors on or about May 1, 2000, Fastow and other Director and Officer Defendants discussed that the risk of “accounting scrutiny” of SPE’s, sham transactions, material understatement of liabilities, and/or material overstatement of income or assets. On information and belief, some Accountant Defendants and Attorney Defendants attended the 5/1/00 meeting to answer questions posed to them. On information and belief, as a result of the 5/1/00 meeting, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that Enron was (a) using SPE’s to conceal liabilities; (b) using SPE’s to overstate its income or assets; (c) concealing that SPE’s were accounting shams controlled by Enron; and/or (d) concealing material facts, making materially incomplete and misleading representations, and making material misrepresentations in financial reports and statements, annual reports, SEC filings, shareholder communications, employee communications, information packages, press releases, interviews with the news media and securities analysts, and other matters affecting the market price of Enron’s securities.

180. On information and belief, on or about May 19, 2000, the Accountant Defendants consented in writing to incorporation of the 1999 Audit Report into an imminent Prospectus Supplement and Prospectus.

181. On or about May 19, 2000, a Prospectus Supplement and Prospectus dated May 18, 2000, were filed with the SEC in connection with Enron’s issuance and offering for sale of debt securities, preferred stock, and common stock worth several hundred

millions dollars (the “5/19/00 Prospectus Supplement”). The 5/19/00 Prospectus Supplement is a public record and includes the 1999 Financials and the 1999 Audit Report, with specific reference to AA as the “independent” public accountants and experts that had audited the 1999 Financials.

182. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 5/19/00 Prospectus Supplement, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 5/19/00 Prospectus Supplement and the subject securities offering.

183. On information and belief, the 5/19/00 Prospectus Supplement was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

184. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 5/19/00 Prospectus Supplement, and they knew its contents.

185. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 5/19/00 Prospectus Supplement was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE’s for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

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186. On information and belief, despite knowledge or reckless failure to learn that the 5/19/00 Prospectus Supplement was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

187. Also on or about May 19, 2000, a Form 8-K Current Report dated May 18, 2000, relating to the 5/19/00 Prospectus Supplement, was filed with the SEC in regard to medium-term notes (the "5/19/00 8-K"). The 5/19/00 8-K included and was filed to submit *inter alia* the Attorney Defendants' opinion on tax issues and Attorney Defendants' consent to dissemination of its opinion for the 5/19/00 Prospectus Supplement. The 5/19/00 8-K is a public record.

188. On information and belief, the 5/19/00 8-K was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and/or others who affect the securities market.

189. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 5/19/00 8-K, and they knew its contents.

190. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 5/19/00 8-K was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham

transactions, materially understating its liabilities, and materially overstating its income or assets.

191. On information and belief, despite knowledge or reckless failure to learn that the 5/19/00 8-K was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

192. On information and belief, on or about June 2, 2000, the Accountant Defendants consented in writing to incorporation of the 1999 Audit Report into an imminent Prospectus Supplement and Prospectus.

193. On or about June 2, 2000, a second Prospectus Supplement to the Prospectus dated May 18, 2000, was filed with the SEC (the “6/2/00 Prospectus Supplement”). The 6/2/00 Prospectus Supplement is a public record and includes the 1999 Financials and the 1999 Audit Report, with specific reference to AA as the “independent” public accountants and experts that had audited the 1999 Financials.

194. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 6/2/00 Prospectus Supplement, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 6/2/00 Prospectus Supplement and the subject securities offering.

195. On information and belief, the 6/2/00 Prospectus Supplement was provided not only to the SEC, but also, with the knowledge, approval, and consent of all

defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

196. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 6/2/00 Prospectus Supplement, and they knew its contents.

197. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 6/2/00 Prospectus Supplement was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

198. On information and belief, despite knowledge or reckless failure to learn that the 6/2/00 Prospectus Supplement was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

199. On or about June 14, 2000, the Accountant Defendants consented in writing to incorporation of the 1999 Audit Report into an imminent Form S-3 Registration Statement and Prospectus.

200. On or about June 15, 2000, a Form S-3 Registration Statement and Prospectus was filed with the SEC in connection with Enron's issuance and offering of

616,778 shares of common stock at a proposed maximum aggregate offering price of approximately \$44.6 million (the "6/15/00 S-3"). The 6/15/00 S-3 is a public record and includes the 1999 Financials and the 1999 Audit Report, with specific reference to AA as the "independent" public accountants and experts that had audited the 1999 Financials.

201. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 6/15/00 S-3, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 6/15/00 S-3 and the subject securities offering.

202. On information and belief, the 6/15/00 S-3 was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

203. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 6/15/00 S-3, and they knew its contents.

204. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 6/15/00 S-3 was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

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205. On information and belief, despite knowledge or reckless failure to learn that the 6/15/00 S-3 was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

206. On or about July 13, 2000, the Accountant Defendants consented in writing to incorporation of the 1999 Audit Report into an imminent Form S-3 Registration Statement and Prospectus.

207. On or about July 19, 2000, a Form S-3 Registration Statement and Prospectus was filed with the SEC in connection with Enron's issuance and offering *inter alia* of \$1 billion worth of preferred stock (the "7/19/00 S-3"). The 7/19/00 S-3 is a public record and includes the 1999 Financials and the 1999 Audit Report, with specific reference to AA as the "independent" public accountants and experts that had audited the 1999 Financials.

208. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 7/19/00 S-3, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 7/19/00 S-3 and the subject securities offering.

209. On information and belief, the 7/19/00 S-3 was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

210. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 7/19/00 S-3, and they knew its contents.

211. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 7/19/00 S-3 was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

212. On information and belief, despite knowledge or reckless failure to learn that the 7/19/00 S-3 was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

213. On information and belief, at a meeting of the Enron board of directors on or about August 7, 2000, Director and Officer Defendants discussed that Enron was using SPE's to "manage its balance sheet debt." On information and belief, some Accountant Defendants and Attorney Defendants attended the 8/7/00 meeting to answer questions. On information and belief, as a result of the 8/7/00 meeting, the Director and Officer Defendants, Accountant Defendants, and Attorney Defendants knew or recklessly failed to learn that Enron was (a) using SPE's to conceal liabilities; (b) using SPE's to overstate its income or assets; (c) concealing that SPE's were accounting shams controlled by Enron; and/or (d) concealing material facts, making materially incomplete

and misleading representations, and making material misrepresentations in financial reports and statements, annual reports, SEC filings, shareholder communications, employee communications, information packages, press releases, interviews with the news media and securities analysts, and other matters affecting the market price of Enron's securities.

214. On or about September 7, 2000, Levine purchased 100 shares of Enron common stock at or about a price of \$83.837 per share, for a total cost, with commissions, of \$8,487.15. On information and belief, unbeknownst to Levine, this stock transaction occurred at a grossly inflated price because of the SCHEME.

215. On or about January 24, 2001, the Accountant Defendants consented in writing to incorporation of the 1999 Audit Report into three separate, imminent Form S-8 Registration Statements and Prospectuses.

216. On or about January 26, 2001, three separate Form S-8 Registration Statements and Prospectuses were filed with the SEC in connection with several securities issues and offering by Enron (the "1/26/01 S-8's"). The first S-8 (SEC filename h83596s-8.txt) was filed in connection with an issuance and offering of 10,000,000 shares of common stock at a proposed maximum aggregate offering price of approximately \$714 million. The second S-8 (SEC filename h83597s-8.txt) was filed in connection with an issuance and offering of 32,000,000 shares of common stock at a proposed maximum aggregate offering price of approximately \$2.285 billion. The third S-8 (SEC filename h83598s-8.txt) was filed in connection with an issuance and offering of another 3,000,000 shares of common stock at a proposed maximum aggregate offering price of approximately \$214 million. The 1/26/01 S-8's are public records and include the 1999 Financials and the 1999 Audit Report, with specific reference to AA as the "independent" public accountants and experts that had audited the 1999 Financials.

217. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 1/26/01 S-8's, knew their contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 1/26/01 S-8's and the subject securities offering.

218. On information and belief, the 1/26/01 S-8's were provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

219. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 1/26/01 S-8's, and they knew the contents thereof.

220. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 1/26/01 S-8's were materially false, incomplete, misleading, and deceptive because they failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

221. On information and belief, despite knowledge or reckless failure to learn that the 1/26/01 S-8's were materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow

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their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

222. On January 29, 2001, Enron issued a press release to announce plans to raise gross proceeds of approximately \$1.5 billion through an offering of zero coupon convertible senior debt securities. Enron touted itself as “one of the world’s leading electricity, natural gas and communications companies.” Enron boasted *inter alia* that “Fortune magazine has named Enron ‘America’s Most Innovative Company’ for five consecutive years, the top company for ‘Quality of Management’ and the second best company for ‘Employee Talent.’”

223. On January 30, 2001, Enron issued another press release to announce the pricing for its anticipated offering of zero coupon convertible senior debt securities. Enron again touted itself as “one of the world’s leading electricity, natural gas and communications companies.” Enron again boasted *inter alia* that “Fortune magazine has named Enron ‘America’s Most Innovative Company’ for five consecutive years, the top company for ‘Quality of Management’ and the second best company for ‘Employee Talent.’”

224. Just in case anyone had missed Enron’s press releases dated January 29 and 30, 2001, Enron included copies of these two press releases in a Form 8-K Current Report filed with the SEC on January 31, 2001 (the “1/31/01 8-K”).

225. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, release, and/or filing of the press releases dated January 29 and 30, 2001, and the 1/31/01 8-K, and knew their contents.

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226. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated and worked together to prepare, finalize, and file the 1/31/01 8-K, and they knew the contents thereof.

227. On information and belief, the 1/31/01 8-K was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

228. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 1/31/01 8-K was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, materially overstating its income or assets, and being managed by dishonest, even criminal directors and officers who were destroying the company for their own personal gain.

229. On information and belief, despite knowledge or reckless failure to learn that the 1/31/01 8-K was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used to further the SCHEME, without resigning, blowing the whistle, or raising a red flag.

230. On information and belief, the Accountant Defendants undertook to audit Enron's financial statements for the fiscal year ended December 31, 2000 (the "2000 Financials"). On information and belief, during this audit and before February 5, 2001, the Accountant Defendants had grave concerns and second thoughts about continuing to

represent Enron in light of its use of SPE's for sham transactions, understatement of liabilities, overstatement of income or assets, and similar accounting, auditing, legal, management, and liability issues, as well as the exposure of the Accountant Defendants as direct participants, aiders and abettors, and co-conspirators in the SCHEME. On information and belief, these concerns and second thoughts were raised with the highest levels of the Accountant Defendants' management.

231. On information and belief, the Accountant Defendants' senior management had meetings and conferred in Houston, Texas, Chicago, Illinois, and/or other locations, on various dates currently unknown, to discuss *inter alia* (a) the Enron account; (b) the management and financial problems at Enron; (c) the Accounting Defendants' knowledge of, involvement in, and responsibility and liability for those problems; (d) whether the Accounting Defendants had an actual conflict of interest with Enron; (e) whether the Accounting Defendants should terminate their relationships with Enron; (f) whether the Accounting Defendants should withdraw their prior unqualified audit reports or otherwise blow the whistle or raise a red flag for the SEC or other regulators; and/or (g) whether the Accounting Defendants would instead continue to participate in the SCHEME, as they had been doing for years, and continue to profit from their lucrative relationships with Enron.

232. On information and belief, the Accountant Defendants held a large meeting and conference call in Houston, Texas, on or about February 5, 2001, to consider whether to keep Enron as a client. On information and believe, the Accountant Defendants who attended in person or participated by conference call were aware of, discussed, and intentionally, wilfully, or recklessly decided to do nothing about the ongoing fraud of the Director and Officer Defendants, involving the use of SPE's for sham transactions, understatement of liabilities, and overstatement of assets or income. Instead, the Accounting Defendants intentionally, wilfully, or recklessly decided to keep

Enron as a client and continue as knowing participants, aiders and abettors, and co-conspirators in furtherance of the SCHEME to preserve lucrative relationships with Enron.

233. On information and belief, on or about February 6, 2001, Jones wrote a memo to D. Duncan and Bauer about the 2/5/01 meeting conducted by the Accountant Defendants, admitting *inter alia* that the Accounting Defendants knew that Enron was using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets (the "5/6/01 Memo"). The 5/6/01 Memo admits that most Accountant Defendants had directly participated in the meeting; that they had discussed "the fact that Enron often is creating industries and markets and transactions for which there are no specific rules which requires significant judgement and that Enron is aggressive in its transaction structuring"; and that certain earnings figures were nothing but "intelligent gambling."

234. Despite serious concerns and second thoughts about the propriety of Enron's business and accounting practices, the Accountant Defendants failed to resign, blow the whistle, or raise a red flag, completed the audit of Enron's financial statements for the fiscal year ended December 31, 2000 (the "2000 Financials"), and issued an unqualified audit report dated February 23, 2001, attesting to their accuracy and reliability (the "2000 Audit Report").

235. On information and belief, when the Accounting Defendants issued the 2000 Audit Report, they knew and intended that it would be broadly disseminated and relied upon and would be provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

236. Also on February 23, 2001, the Accountant Defendants consented in writing to incorporation of the 2000 Audit Report not only into an imminent Form 8-K Current Report, but also into 18 separate registration statements that had previously been filed with the SEC.

237. Enron's Form 8-K Current Report dated February 27, 2001, was filed with the SEC on or about February 28, 2001 (the "2/28/01 8-K"). The 2/28/01 8-K is a public record and includes the 1999 Financials and the 1999 Audit Report, with specific reference to AA as the "independent" public accountants and experts that had audited the 1999 Financials.

238. On information and belief, the 2/28/01 8-K was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

239. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 2/28/01 8-K, and they knew its contents.

240. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 2/28/01 8-K was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

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241. On information and belief, despite knowledge or reckless failure to learn that the 2/28/01 8-K was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

242. On or about March 30, 2001, the Accountant Defendants consented in writing to incorporation of the 2000 Audit Report not only into an imminent Form 10-K (Annual Report), but also into 18 separate registration statements that had previously been filed with the SEC.

243. Enron's Form 10-K (Annual Report) for the fiscal year ended December 31, 2000, was filed with the SEC on April 2, 2001 (the "2000 10-K"). The 2000 10-K is a public record and includes the 2000 Financials and the 2000 Audit Report, with specific reference to AA as the "independent" public accountants and experts that had audited the 2000 Financials.

244. On information and belief, the 2000 10-K was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

245. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 2000 10-K, and they knew its contents.

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246. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 2000 10-K was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

247. On information and belief, despite knowledge or reckless failure to learn that the 2000 10-K was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

248. On information and belief, in or about April 2001, the Enron legal department sought and obtained the legal opinion of the prestigious New York law firm Fried, Frank, Harris, Shriver & Jacobson (the "Fried Firm") as to the legality *inter alia* of Enron's use of SPE's for sham transactions, the material understatement of liabilities, and/or the material overstatement of income or assets. On information and belief, Enron's legal department was advised *inter alia* to "halt this practice" immediately. On information and belief, the Director and Officer Defendants intentionally, wilfully, or recklessly decided to ignore this advice and to continue the SCHEME.

249. On information and belief, in or about April 2001 or shortly afterward, the Accountant Defendants and the Attorney Defendants learned of the Fried Firm's legal advice to stop using SPE's for sham transactions and/or to stop materially understating liabilities and overstating income or assets. On information and belief, the Accountant Defendants and the Attorney Defendants intentionally, wilfully, or recklessly decided to

ignore this advice and to continue as direct participants, aiders and abettors, and co-conspirators in the SCHEME.

250. On or about May 14, 2001, Wilt purchased 350 shares of Enron common stock at a price of \$58.25 per share, for a total cost, with commissions, of \$20,417.45. On information and belief, unbeknownst to Wilt, this stock transaction occurred at a grossly inflated price because of the SCHEME.

251. On or about May 31, 2001, the Accountant Defendants consented in writing to incorporation of the 2000 Audit Report into an imminent S-3 Registration Statement and Prospectus.

252. On or about June 1, 2001, a Form S-3 Registration Statement and Prospectus was filed with the SEC in connection with Enron's issuance and offering for resale of approximately \$1.9 billion worth of Zero Coupon Convertible Senior Notes and the shares of common stock issuable upon conversion of the notes (the "6/1/01 S-3"). The 6/1/01 S-3 is a public record and includes the 2000 Financials and the 2000 Audit Report, with specific reference to AA as the "independent" public accountants and experts that had audited the 2000 Financials.

253. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 6/1/01 S-3, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 6/1/01 S-3 and the subject securities offering.

254. On information and belief, the 6/1/01 S-3 was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the

Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

255. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 6/1/01 S-3, and they knew its contents.

256. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 6/1/01 S-3 was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

257. On information and belief, despite knowledge or reckless failure to learn that the 6/1/01 S-3 was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

258. On or about July 13, 2001, Form S-3A Amendment No. 1 to the 6/1/01 S-3 was filed with the SEC (the "7/13/01 S-3A"). The 7/13/01 S-3A is a public record and includes the 2000 Financials and the 2000 Audit Report, with specific reference to AA as the "independent" public accountants and experts that had audited the 2000 Financials.

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259. On information and belief, the Attorney Defendants were central participants in all aspects of the preparation, finalization, approval, and filing of the 7/13/01 S-3A, knew its contents, and/or issued an opinion that was used, with the knowledge, approval, and consent of the Attorney Defendants, to facilitate the 7/13/01 S-3A and the subject securities offering.

260. On information and belief, the 7/13/01 S-3A was provided not only to the SEC, but also, with the knowledge, approval, and consent of all defendants (except the Corrupt Officials), to Enron shareholders, potential investors, securities analysts, the news media, and others who affect the securities market.

261. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants collaborated throughout and worked together closely in preparing, finalizing, and filing the 7/13/01 S-3A, and they knew its contents.

262. On information and belief, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants knew or recklessly failed to learn that the 7/13/01 S-3A was materially false, incomplete, misleading, and deceptive because it failed to disclose fully and fairly that Enron was improperly using SPE's for sham transactions, materially understating its liabilities, and materially overstating its income or assets.

263. On information and belief, despite knowledge or reckless failure to learn that the 7/13/01 S-3A was materially false, incomplete, misleading, and deceptive, the Director and Officer Defendants, the Accountant Defendants, and the Attorney Defendants intentionally, wilfully, or recklessly continued to work for Enron and allow

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their good names, services, and work product to be used in furtherance of the SCHEME, without resigning, blowing the whistle, or raising a red flag.

264. On information and belief, on a date currently unknown but no later than August 14, 2001, Skilling came to the conclusion that the SCHEME would soon be exposed despite the best efforts of everyone involved to conceal it and to evade government regulation and oversight. Accordingly, Skilling abruptly resigned on or about August 14, 2001.

265. On information and belief, Skilling's abrupt resignation was unexpected and came as a surprise to the financial community. On information and belief, other Director and Officer Defendants, the Accountant Defendants, and/or the Attorney Defendants embarked upon a public deception campaign in an attempt to mollify Enron's employees, shareholders, investors, and others, and/or to influence the Corrupt Officials to grant favors and favorable treatment by way of turning a blind eye and failing to investigate whether Skilling's resignation was a possible red flag justifying an investigation into Enron's true financial condition and/or the possible need for regulatory intervention to protect employees, shareholders, investors, and the securities market.

266. On information and belief, Sherron S. Watkins ("Watkins") was formerly a vice president and accountant employed by Enron. On information and belief, on a date currently unknown but no later than August 2001, Watkins learned of the SPE's, material understatement of liabilities, material overstatement of income or assets, and related accounting practices. On information and belief, Watkins came to have serious concerns about these matters.

267. On information and belief, on or about August 15, 2001, Watkins prepared a brief anonymous memo, and caused it to be delivered to Lay, warning that Skilling's

sudden departure might “raise suspicions of accounting improprieties” (the “8/16/01 Memo”). On information and belief, the 8/16/01 Memo was widely circulated among the Director and Officer Defendants and came to the attention of the Accountant Defendants and/or the Attorney Defendants.

268. On or about August 16, 2001, as seen in an internal Enron videotape recorded at a companywide meeting, Lay gave a “pep talk” to an assembly of Enron employees and others, during which he represented to those in attendance that Enron’s stock was a “great value.” Lay also urged those in attendance not to sell, but to hold, their Enron stock. On information and belief, Lay gave this “pep talk” as the agent of the other Director and Officer Defendants, in concert with them, and with the knowledge, approval, and consent of the Accountant Defendants and/or the Attorney Defendants, all in furtherance of their conspiracy and the SCHEME. On information and belief, while Lay was urging others to keep their Enron stock, he was selling his own Enron Stock for millions of dollars, and the other Director and Officer Defendants, the Accountant Defendants, and/or the Attorney Defendants were doing likewise.

269. On information and belief, on or about August 20, 2001, Watkins contacted one of the Accountant Defendants (whose name is currently unknown) and discussed her serious concerns about the SPE’s, Enron’s accounting practices, and/or accounting scandals.

270. Also on or about August 20, 2001, on information and belief, Lay provided an interview to BusinessWeek Dallas Correspondent Stephanie Anderson Forest, in which he falsely represented that “There are absolutely no problems that had anything to do with Jeff [Skilling]’s departure.... There are no accounting issues, no trading issues, no reserve issues, no previously unknown problem.... There is no other shoe to fall.” On  
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information and belief, Lay knew these statements were false when made, but he made them intentionally to further the SCHEME.

271. On information and belief, on or about August 21, 2001, one of the Accountant Defendants (whose name is currently unknown) prepared a memo detailing Watkins' concerns for the AA auditors, accountants, and/or management consultants on the Enron account. On information and belief, this memo was widely circulated among the Accountant Defendants and came to the attention of the Director and Officer Defendants and/or the Attorney Defendants.

272. On information and belief, on a date currently unknown but no later than August 22, 2001, Watkins prepared a more detailed memo to Lay about Skilling's resignation, the public deception campaign to avoid exposure of the SCHEME, the fraudulent accounting practices, the prospect of scandal, and/or related matters (the "8/22/01 Memo"). On information and belief, Watkins stated that she was "incredibly nervous that we will implode in a wave of accounting scandals." On information and belief, the 8/22/01 Memo was quickly provided to the other Director and Officer Defendants, the Accountant Defendants, and/or the Attorney Defendants.

273. On information and belief, on or about August 22, 2001, Watkins met with Lay, gave him the 8/22/01 Memo outlining her concerns, and urged Lay to have independent counsel (i.e. not the Attorney Defendants, given their actual conflict of interest) review the SPE's and related legal accounting issues. On information and belief, Lay told Watkins that he would have independent counsel review these matters. In fact, however, Lay, Derrick, and other Director and Officer Defendants decided to use the Attorney Defendants for the "independent" review.

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274. On information and belief, in responding to Watkins's concerns and memos, Lay, Derrick, and other Director and Officer Defendants never had any intention to have independent counsel review the SPE's or related legal accounting issues because a truly independent review would have again concluded (as in the Fried Firm's review) that the SPE's were shams that were being used wrongfully and unlawfully to understate liabilities and overstate income or assets in a massive fraud against shareholders, potential investors, and the integrity of the securities market. Rather, on information and belief, the Director and Officer Defendants intentionally and wilfully decided to have the Attorney Defendants review their own work because they had repeatedly and consistently proven themselves to be willing participants, aiders and abettors, and co-conspirators who could be counted on to continue acting in furtherance of the SCHEME and its concealment.

275. On information and belief, despite their actual conflict of interest, the Attorney Defendants agreed to undertake a limited review of their own prior work on the SPE's, the sham transactions, and related matters, while expressly declining to address accounting issues that the Attorney Defendants self-servingly stated were the responsibility of the Accountant Defendants. On information and belief, the Attorney Defendants agreed to perform the limited review, despite their actual conflict of interest, in an attempt to conceal their past and present role as participants, aiders and abettors, and co-conspirators in the SCHEME, to avoid exposure of the SCHEME, and to continue reaping many millions of dollars in attorneys' fees from the Enron Account.

276. On or about September 19, 2001, in an effort to mitigate his losses, Wilt sold his 350 shares of Enron common stock and dividend stock at the reduced price of \$26.67 per share, for a net total of only \$9,329.62, and for a loss of approximately \$11,088.00.

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277. On information and belief, on various dates including *inter alia* September 26, 2001, Lay and/or other Director and Officer Defendants reassured employees and shareholders that *inter alia* Enron's "financial liquidity has never been stronger" and "Enron stock is an incredible bargain at current prices." On information and belief, Lay and/or other Director and Officer Defendants made such statements with the knowledge, approval, and consent of the Accountant Defendants and/or the Attorney Defendants, and in furtherance of their conspiracy and the SCHEME, to urge employees and shareholders to hold, and not sell, their Enron stock. On information and belief, all defendants knew such statements were false when made. On information and belief, while Lay and/or other Director and Officer Defendants were urging others to keep their Enron stock, they were selling their own stock for millions of dollars, and the Accountant Defendants and/or the Attorney Defendants were doing likewise.

278. On information and belief, on a date or dates currently unknown but no later than February 5, 2001, AA's senior management came to understand that AA and several Accountant Defendants were exposed to major civil and criminal liability as participants, aiders and abettors, and co-conspirators in the SCHEME. On information and belief, as a result of determining that Enron's fraudulent accounting practices were about to explode in a major accounting scandal, AA on or about October 9, 2001, hired outside counsel, David Polk & Wardwell ("Davis Polk"), and intensified its litigation preparation. On information and belief, Temple participated in the retention of Davis Polk and knew of AA's litigation preparation at all relevant times.

279. On information and belief, on or about October 12, 2001, Temple sent an email to Odom in Houston, who forwarded it to B. Duncan in Houston, stating "It might be useful to consider reminding the engagement team of our documentation and retention policy. It will be helpful to make sure that we have complied with the policy. Let me know if you have any questions" (emphasis added) (the "10/12/01 Email"). On

information and belief, when Temple sent the 10/12/01 Email, she knew that AA's documentation and retention policy called for the destruction of certain documents, and she intended to and did refer to that destruction policy.

280. On information and belief, during several telephone conference calls in October 2001, concurrently with other litigation preparation, Temple made a point of specifically asking whether the Accountant Defendants who were located in the Houston office were in compliance with AA's documentation and retention policy.

281. On information and belief, the 10/12/01 Email and the telephone inquiries about compliance with AA's documentation and retention policy were clever attempts by Temple, a very sophisticated lawyer, to encourage and incite the shredding, destruction, and spoliation of AA's records relating to Enron in the face of actual and imminent administrative, civil, and criminal investigations, litigation, and prosecutions, while maintaining deniability on her part, in an attempt to destroy the full record of AA's active complicity in furthering the SCHEME.

282. On information and belief, Odom, B.Duncan, and all the other AA partners in Houston construed the 10/12/01 Email and Temple's telephone inquiries about compliance with AA's documentation and retention policy to have the meaning intended by Temple, to wit, as a directive to shred, destroy, and spoliage evidence that would be damning to AA in litigation; at no time did any AA partners in Houston doubt that intended meaning or seek clarification.

283. On information and belief, on a date or dates currently unknown but no later than the receipt of the 10/12/01 Email in Houston, AA undertook a massive campaign to shred, destroy, and spoliage huge quantities of records and documents relating to the Enron account and/or evidencing AA's role in furthering the SCHEME.

On information and belief, this evidence-destruction campaign was conducted and/or condoned by at least 8 partners in the Houston office, at least four of whom had management authority and duties, together with scores of secretaries, staff accountants, office assistants, and other AA employees. On information and belief, the evidence-destruction campaign was so extensive, interrupted normal operations so much, and was so frenetic in its conduct, that no AA personnel in management in the Houston office could have been unaware that it was occurring.

284. On information and belief, on or about October 15, 2001, the Attorney Defendants issued a report essentially stating *inter alia* that the SPE's were legitimate and Enron had done nothing wrong, while purporting to ignore the fraudulent accounting practices that were well known to the Attorney Defendants (the "10/15/01 Report"). On information and belief, the 10/15/01 Report also stated that no further investigation by independent counsel and auditors was warranted. On information and belief, when the 10/15/01 Report was prepared and issued, the Attorney Defendants knew that they had a conflict of interest, and they issued the report in bad faith in an attempt to justify and conceal their own wrongful and unlawful misconduct, knowing that SPE's had been used to effect sham transactions, understate liabilities, and overstate income or assets, in a massive fraud that they had knowingly furthered as willing participants.

285. On information and belief, on or about October 16, 2001, Temple sent an email to B.Duncan asking him to alter one or more documents to delete her name and references to legal advice in news releases relating to Enron's financial position. On information and belief, Temple made this request with the intent to minimize the appearance of her involvement and to create the false impression that the massive evidence-destruction campaign in Houston was unauthorized.

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286. On information and belief, on or about October 16, 2001, Enron announced a \$618 million third-quarter loss and a \$1.2 billion reduction in shareholder equity as a result of the manner in which the SPE's and fraudulent accounting practices had been used for several years. Due to the egregiousness of the SCHEME, Wilt seeks and expects to recover, in addition to this economic loss, at least \$200,000.00 in punitive and exemplary damages from each defendant pursuant to Texas Civil Practice & Remedies Code § 41.008(b).

287. On information and belief, on a date currently unknown but no later than October 17, 2001, the SEC made its first inquiry of AA relating to Enron. On information and belief, on dates currently unknown but promptly after the SEC's first inquiry, the Accountant Defendants all knew or recklessly failed to learn of that inquiry. On information and belief, notwithstanding knowledge or reckless failure to learn of the SEC's inquiry, the evidence-destruction campaign continued, and the Accountant Defendants made no effort to stop it or to preserve documents.

288. On information and belief, on or about October 17, 2001, the Director and Officer Defendants manipulated the 401(k) of Enron's employees to freeze all purchases and sales in the 401(k) for almost four weeks until on or about November 12, 2001. On information and belief, the Director and Officer Defendants did so to reduce selling activity by others and support the market price so that the Director and Officer Defendants could sell their own Enron holdings at higher prices than would be possible if all Enron employees were able to sell off their holdings. On information and belief, the Director and Officer Defendants breached their fiduciary duties to the 401(k) plan beneficiaries in this manner in order to further the SCHEME.

289. On information and belief, on a date currently unknown but no later than October 22, 2001, Enron publicly disclosed that the SEC was investigating Enron. On

information and belief, any of the Accountant Defendants who may not have learned of the SEC investigation from the first inquiry to AA on or about October 17, 2001, learned of it from Enron's disclosure no later than October 22, 2001. On information and belief, notwithstanding knowledge of the SEC investigation, the evidence-destruction campaign continued, and the Accountant Defendants made no effort to stop it or to preserve documents.

290. On information and belief, on a date currently unknown but no later than October 31, 2001, the SEC opened a formal inquiry into Enron. On information and belief, the Accountant Defendants immediately learned of this formal inquiry. On information and belief, notwithstanding knowledge of the SEC's formal inquiry, the evidence-destruction campaign continued, and the Accountant Defendants made no effort to stop it or to preserve documents.

291. Enron's Form 8-K Current Report dated November 8, 2001, was filed with the SEC on or about November 8, 2001 (the "11/8/01 8-K"). The 11/8/01 8-K is a public record, relates to the previously disclosed \$1.2 billion reduction in shareholder equity, and included various unaudited income statement and balance sheet adjustments.

292. On information and belief, on a date currently unknown but no later than November 8, 2001, the SEC served a subpoena on AA for Enron records. On information and belief, the Accountant Defendants promptly learned of this subpoena. On information and belief, notwithstanding knowledge of the subpoena, the evidence-destruction campaign continued, and the Accountant Defendants initially made no effort to stop it or to preserve documents.

293. On information and belief, on a date currently unknown but no later than November 9, 2001, a secretary in AA's Houston office sent an email to others in the

Houston office directing them to “stop the shredding” (the “11/9/01 Email”). On information and belief, the evidence-destruction campaign continued for an unknown period after the 11/9/01 Email. On information and belief, at no time prior to November 9, 2001, did Temple or other Accountant Defendants attempt to stop the ongoing evidence-destruction campaign.

294. On information and belief, the Accountant Defendants tried to conceal the widespread evidence-destruction campaign for almost two months after the 11/9/01 Email. On information and belief, the Accountant Defendants did not admit that massive quantities of evidence had been destroyed until January 4, 2002, and then only because they realized that they could not possibly succeed in concealing such extensive spoliation involving so many people.

295. On information and belief, commencing on a date currently unknown until the U.S. Federal Bureau of Investigation descended upon Enron’s offices in or about January 2002, certain unknown persons at Enron and among the Director and Officer Defendants shredded, destroyed, and spoliated massive quantities of records relating to Enron’s SPE’s, understatement of liabilities, overstatement of income or assets, and/or other matters relating to the SCHEME.

296. As a result of the SCHEME, Enron suffered a disastrous financial meltdown and, on December 2, 2001, was forced to file a petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York.

297. On information and belief, on or about January 16, 2002, the New York Stock Exchange (“N.Y.S.E.”) took the extraordinary step of delisting Enron’s securities, stating that “the company’s securities are longer suitable for trading on the N.Y.S.E.”

298. On information and belief, Enron fired the Accountant Defendants on or about January 17, 2002, after they had completed their services in furtherance of the SCHEME.

299. On information and belief, from the 1990's through 2001, as a *quid pro quo* for large campaign contributions, Lay, other Director and Officer Defendants, certain Accountant Defendants, and certain Attorney Defendants were granted favors and favorable treatment *inter alia* in the form of special access to the leaders and members of key Congressional committees, top officials in the Clinton Administration, and top officials of the current Bush Administration.

300. On information and belief, on dates currently unknown, as a *quid pro quo* for large campaign contributions, Lay, other Director and Officer Defendants, certain Accountant Defendants, and/or certain Attorney Defendants were granted the favor of being allowed to give the Clinton Administration and the current Bush Administration lists of names of persons who were favored by them for appointment to key government positions with regulatory oversight of Enron, Director and Officer Defendants, Accountant Defendants, and/or Attorney Defendants, including *inter alia* the SEC, Treasury Department, Commerce Department, Energy Department, and/or federal commissions. On information and belief, as a *quid pro quo* for large campaign contributions, the Clinton Administration appointed persons on such lists to key positions, and the current Bush Administration appointed at least two such persons: Pat Wood to Chairman of the Federal Energy Regulatory Commission ("FERC") and Nora Brownell to member of the FERC. On information and belief, these favors and favorable treatment furthered the conspiracy of all defendants by facilitating the evasion of government regulation, oversight, and/or reform.

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301. On information and belief, as Enron's financial condition rapidly deteriorated in 2001, Lay, other Director and Officer Defendants, certain Accountant Defendants, and/or certain Attorney Defendants contacted and/or met with the leaders and members of key Congressional committees from both political parties, the Secretary of the Treasury, other top Treasury officials, the Secretary of Commerce, other top Commerce officials, the President's budget director, and/or others currently unknown, to seek additional favors and favorable treatment. On information and belief, Enron's financial crisis, a financial bailout, and Enron's continuing evasion of government regulation and oversight were discussed on these occasions. On information and belief, as a *quid pro quo* for large campaign contributions, the Corrupt Officials participating in the conversations and meetings granted favors and favorable treatment *inter alia* by way of considering a financial bailout, other special treatment, and/or allowing evasion of government regulation and oversight.

302. On information and belief, the appointments of Pat Wood and Nora Brownell to the FERC, the special access to top government officials, the continuing evasion of regulation and oversight, and/or other favors and favorable treatment granted from the 1990's through 2001 were all granted to requite campaign contributions, in violation *inter alia* of 18 U.S.C. §§ 201, 371, and 600, and contributed substantially to the lack of government regulation and oversight of Enron, the SPE's, the related accounting practices, and the bankruptcy and shareholders losses.

303. On information and belief, from the 1990's through 2001, the Corrupt Officials intentionally, wilfully, or recklessly ignored early warnings and adopted a "hand's off" approach to Enron, AA, and V&E, and refrained from doing anything to expose the fraud at Enron or to protect shareholders, potential investors, and the integrity of the securities market, until it was too late. On information and belief, the Corrupt Officials did not change course and begin to act concerned for the victims of the

SCHEME and the integrity of the securities market until the Corrupt Officials concluded, based on Machiavellian calculations, that their receipt of campaign contributions and/or bribes in exchange for official action, favors, and favorable treatment would be a scandalous political liability unless they acted independent and outraged. Before then, the Corrupt Officials were participants, aiders and abettors, and co-conspirators in the SCHEME.

304. Notwithstanding the financial collapse of Enron and the economic losses of many ordinary shareholders, many if not all Director and Officer Defendants exploited their special positions and inside information to enrich themselves by selling Enron holdings at artificially inflated prices before the truth about Enron's use of SPE's, material understatement of liabilities, material overstatement of income or assets, and fraudulent accounting practices were publicized and dramatically lowered the market price of Enron securities. On information and belief, as set forth *supra* in the General Overview of Scheme to Defraud, Plaintiffs currently estimate that the Director and Officer Defendants wrongfully and unlawfully received more than \$1.2 billion dollars from their elaborate scheme to "PUMP AND DUMP" Enron securities. On information and belief, for their participation in the SCHEME, the Accountant Defendants and the Attorney Defendants earned more than \$100 million in fees and/or other compensation, and the Corrupt Officials received years of contributions and/or bribes in total amounts currently unknown.

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**FIRST CLAIM FOR RELIEF**

**(Fraud in Stock Transactions and Civil Conspiracy,  
pursuant to Texas Business & Commerce Code Section 27.01,  
against All Defendants)**

305. Plaintiffs hereby fully incorporate by reference all allegations set forth in preceding Paragraphs 1 through 304 as if fully set forth at this point.

306. On information and belief, the Director and Officer Defendants, acting in concert and conspiracy with the Accountant Defendants, the Attorney Defendants, and the Corrupt Officials, as set forth fully above, made material misrepresentations to Plaintiffs relating to Enron's financial condition and the value of Enron's securities, in and in connection with *inter alia* the following communications and SEC filings: the 1997 Financials, the 1997 Audit Reports, the 1997 10-K, the 1998 Financials, the 1998 Audit Reports, the 1998 10-K, the 4/5/99 S-3, the 7/2/99 S-8, the 7/23/99 S-3, the 8/12/99 S-8, the 1999 Financials, the 1999 Audit Reports, the 1999 10-K, the 4/4/00 S-3, the 5/19/00 Prospectus Supplement, the 5/19/00 8-K, the 6/2/00 Prospectus Supplement, the 6/15/00 S-3, the 7/19/00 S-3, the 1/26/01 S-8's, the 1/29/01 press release, the 1/30/01 press release, the 1/31/01 8-K, the 2000 Financials, the 2000 Audit Report, the 2/28/01 8-K, the 2000 10-K, the 6/1/01 S-3, the 7/13/01 S-3A, the 8/16/01 "pep talk" of Lay, the 8/20/01 interview of Lay, and the 9/26/01 statements to employees and shareholders.

307. On information and belief, the Director and Officer Defendants, acting in concert and conspiracy with the Accountant Defendants, the Attorney Defendants, and the Corrupt Officials, as set forth fully above, concealed material information relating to Enron's financial condition and the value of Enron's securities -- e.g. the use of SPE's for sham transactions, the material understatement of liabilities, and the material overstatement of income or assets -- in and in connection with *inter alia* the following

communications and SEC filings: the 1997 Financials, the 1997 Audit Reports, the 1997 10-K, the 1998 Financials, the 1998 Audit Reports, the 1998 10-K, the 4/5/99 S-3, the 7/2/99 S-8, the 7/23/99 S-3, the 8/12/99 S-8, the 1999 Financials, the 1999 Audit Reports, the 1999 10-K, the 4/4/00 S-3, the 5/19/00 Prospectus Supplement, the 5/19/00 8-K, the 6/2/00 Prospectus Supplement, the 6/15/00 S-3, the 7/19/00 S-3, the 1/26/01 S-8's, the 1/29/01 press release, the 1/30/01 press release, the 1/31/01 8-K, the 2000 Financials, the 2000 Audit Report, the 2/28/01 8-K, the 2000 10-K, the 6/1/01 S-3, the 7/13/01 S-3A, the 8/16/01 "pep talk" of Lay, the 8/20/01 interview of Lay, and the 9/26/01 statements to employees and shareholders. As a result of the foregoing concealment of material information, the affirmative representations that were made relating to the SPE's, Enron's financial condition, and the value of Enron's securities were at all relevant times materially incomplete, misleading, and fraudulent misrepresentations.

308. On information and belief, the Director and Officer Defendants, acting in concert and conspiracy with the Accountant Defendants, the Attorney Defendants, and the Corrupt Officials, as set forth fully above, made *inter alia* the foregoing misrepresentations intentionally, wilfully, maliciously, with knowledge of, or with recklessness as to the materially incomplete, misleading, and fraudulent nature of the misrepresentations.

309. On information and belief, the Director and Officer Defendants, acting in concert and conspiracy with the Accountant Defendants, the Attorney Defendants, and the Corrupt Officials, as set forth fully above, intended and/or had reason to expect that their foregoing misrepresentations would be relied upon by Plaintiffs, would influence and manipulate the market for Enron securities, and would artificially inflate the price paid and received in all purchases and sales thereof, from a date currently unknown but no later than 1997, and for as long as possible into 2001.

310. On information and belief, the foregoing misrepresentations of the Director and Officer Defendants, the Accountant Defendants, the Attorney Defendants, and the Corrupt Officials, acting in concert and conspiracy with each other, as set forth fully above, did in fact induce reliance on the misrepresentations, manipulate and influence the market for Enron securities, and artificially inflate the market price paid and received in all purchases and sales thereof, from a date currently unknown but no later than 1997, until October 16, 2001.

311. Plaintiffs reasonably and justifiably relied on the foregoing misrepresentations, on the integrity of the securities market, and/or on the absence of a fraud on the securities market in purchasing and selling securities, as set forth more fully above.

312. As a direct and proximate result of the defendants' fraud and conspiracy in the foregoing stock transactions, as set forth fully above, Plaintiffs have suffered injury and damages in that they were fraudulently induced to purchase securities at artificially inflated prices and lost some or all of the amount and value of their investments, in amounts according to proof at trial.

313. On information and belief, the foregoing fraud in stock transactions would not have been possible, or could not have grown and continued and been as successful and remained undetected for as many years as it was, without the affirmative acts and omissions knowingly committed by the Corrupt Officials in furtherance of the SCHEME.

314. The securities fraud perpetrated by the defendants was aggravated by the kind of fraud for which Texas law allows the imposition of punitive and exemplary damages, in that the defendants (in concert and conspiracy with each other) made material representations that were false, knowing that they were false or with reckless

disregard as to their truth and as positive assertions, with the intent that Plaintiffs rely on the representations. In fact, Plaintiffs relied on the representations and suffered injury and damages as a result of this reliance. Hence, Plaintiffs seek punitive and exemplary damages in the maximum amount authorized by Texas law.

**SECOND CLAIM FOR RELIEF**  
**(Common Law Fraud and Civil Conspiracy,**  
**against All Defendants)**

315. Plaintiffs hereby fully incorporate by reference all allegations set forth in preceding Paragraphs 1 through 304 as if fully set forth at this point.

316. On information and belief, the Director and Officer Defendants, acting in concert and conspiracy with the Accountant Defendants, the Attorney Defendants, and the Corrupt Officials, as set forth fully above, made material misrepresentations to Plaintiffs relating to Enron's financial condition and the value of Enron's securities, in and in connection with *inter alia* the following communications and SEC filings: the 1997 Financials, the 1997 Audit Reports, the 1997 10-K, the 1998 Financials, the 1998 Audit Reports, the 1998 10-K, the 4/5/99 S-3, the 7/2/99 S-8, the 7/23/99 S-3, the 8/12/99 S-8, the 1999 Financials, the 1999 Audit Reports, the 1999 10-K, the 4/4/00 S-3, the 5/19/00 Prospectus Supplement, the 5/19/00 8-K, the 6/2/00 Prospectus Supplement, the 6/15/00 S-3, the 7/19/00 S-3, the 1/26/01 S-8's, the 1/29/01 press release, the 1/30/01 press release, the 1/31/01 8-K, the 2000 Financials, the 2000 Audit Report, the 2/28/01 8-K, the 2000 10-K, the 6/1/01 S-3, the 7/13/01 S-3A, the 8/16/01 "pep talk" of Lay, the 8/20/01 interview of Lay, and the 9/26/01 statements to employees and shareholders.

317. On information and belief, the Director and Officer Defendants, acting in concert and conspiracy with the Accountant Defendants, the Attorney Defendants, and

the Corrupt Officials, as set forth fully above, concealed material information relating to Enron's financial condition and the value of Enron's securities -- e.g. the use of SPE's for sham transactions, the material understatement of liabilities, and the material overstatement of income or assets -- in and in connection with *inter alia* the following communications and SEC filings: the 1997 Financials, the 1997 Audit Reports, the 1997 10-K, the 1998 Financials, the 1998 Audit Reports, the 1998 10-K, the 4/5/99 S-3, the 7/2/99 S-8, the 7/23/99 S-3, the 8/12/99 S-8, the 1999 Financials, the 1999 Audit Reports, the 1999 10-K, the 4/4/00 S-3, the 5/19/00 Prospectus Supplement, the 5/19/00 8-K, the 6/2/00 Prospectus Supplement, the 6/15/00 S-3, the 7/19/00 S-3, the 1/26/01 S-8's, the 1/29/01 press release, the 1/30/01 press release, the 1/31/01 8-K, the 2000 Financials, the 2000 Audit Report, the 2/28/01 8-K, the 2000 10-K, the 6/1/01 S-3, the 7/13/01 S-3A, the 8/16/01 "pep talk" of Lay, the 8/20/01 interview of Lay, and the 9/26/01 statements to employees and shareholders. As a result of the foregoing concealment of material information, the affirmative representations that were made relating to the SPE's, Enron's financial condition, and the value of Enron's securities were at all relevant times materially incomplete, misleading, and fraudulent misrepresentations.

318. On information and belief, the Director and Officer Defendants, acting in concert and conspiracy with the Accountant Defendants, the Attorney Defendants, and the Corrupt Officials, as set forth fully above, made *inter alia* the foregoing misrepresentations intentionally, wilfully, maliciously, with knowledge of, or with recklessness as to the materially incomplete, misleading, and fraudulent nature of the misrepresentations.

319. On information and belief, the Director and Officer Defendants, acting in concert and conspiracy with the Accountant Defendants, the Attorney Defendants, and the Corrupt Officials, as set forth fully above, intended and/or had reason to expect that

their foregoing misrepresentations would be relied upon by Plaintiffs, would influence and manipulate the market for Enron securities, and would artificially inflate the price paid and received in all purchases and sales thereof, from a date currently unknown but no later than 1997, and for as long as possible into 2001.

320. On information and belief, the foregoing misrepresentations of the Director and Officer Defendants, the Accountant Defendants, the Attorney Defendants, and the Corrupt Officials, acting in concert and conspiracy with each other, as set forth fully above, did in fact induce reliance on the misrepresentations, manipulate and influence the market for Enron securities, and artificially inflate the market price paid and received in all purchases and sales thereof, from a date currently unknown but no later than 1997, until October 16, 2001.

321. Plaintiffs reasonably and justifiably relied on the foregoing misrepresentations, on the integrity of the securities market, and/or on the absence of a fraud on the securities market in purchasing and selling securities, as set forth more fully above.

322. As a direct and proximate result of the defendants' pervasive fraud and conspiracy against shareholders, potential investors, and the integrity of the securities market, as set forth fully above, Plaintiffs have suffered injury and damages in that they were fraudulently induced to purchase securities at artificially inflated prices and lost some or all of the amount and value of their investments, in amounts according to proof at trial.

323. On information and belief, the foregoing fraud against shareholders, potential investors, and the integrity of the securities market would not have been possible, or could not have grown and continued and been as successful and remained

undetected for as many years as it was, without the affirmative acts and omissions knowingly committed by the Corrupt Officials in furtherance of the SCHEME.

324. The foregoing fraud and conspiracy perpetrated by the defendants was aggravated by the kind of fraud for which Texas law allows the imposition of punitive and exemplary damages, in that the defendants (in concert and conspiracy with each other) made material representations that were false, knowing that they were false or with reckless disregard as to their truth and as positive assertions, with the intent that Plaintiffs rely on the representations. In fact, Plaintiffs relied on the representations and suffered injury and damages as a result of this reliance. Hence, Plaintiffs seek punitive and exemplary damages in the maximum amount authorized by Texas law.

### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs pray for the following relief:

1. For judgment in favor of Plaintiffs against all Defendants, jointly and severally;
2. For general damages, according to proof at trial;
3. For consequential damages, according to proof at trial;
4. For exemplary and punitive damages, according to proof at trial;
5. For all other damages permitted by law, according to proof at trial;
6. For attorneys' fees;

7. For expert witness fees;
8. For costs for copies of depositions;
9. For costs of court;
10. For all other costs and expenses permitted by law; and
11. For all other and further relief that the Court deems just and proper.

Dated: March 28, 2002

Respectfully Submitted,

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By: \_\_\_\_\_

  
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**DEMAND FOR JURY TRIAL ON NEXT PAGE**

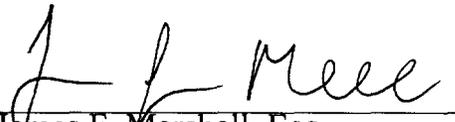
**DEMAND FOR JURY TRIAL**

Plaintiffs hereby demand trial by jury.

Dated: March 28, 2002

Respectfully Submitted,

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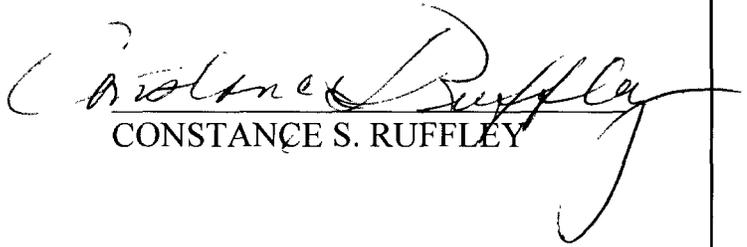
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**CERTIFICATE OF SERVICE**

**In re ENRON Corp. Securities Litigation  
Consolidated Lead Case No. H-01-3624**

**Wilt v. Fastow,  
Case No. H-02-0576**

I certify that on March 29, 2002, I served a true and correct copy of the foregoing document, by first class mail, on each attorney of record on the list attached hereto.

  
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