

TO THE HONORABLE UNITED STATES DISTRICT COURT JUDGE:

COMES NOW, Plaintiff Amalgamated Bank, as Trustee for the LongView Collective Investment Fund, LongView Core Bond Index Fund and Certain Other Trust Accounts, individually and on behalf of all others similarly situated, by its undersigned attorneys, for its complaint, alleges as follows:

NATURE OF THE ACTION

1. This is a securities class action on behalf of persons who purchased the publicly traded securities of Enron Corp. ("Enron" or the "Company") between October 19, 1998 and November 27, 2001, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act") and the Securities Act of 1933 (the "Securities Act"). Defendants include senior Enron officers and directors and its outside auditors.

2. Enron is engaged in the businesses of natural gas, electricity and communications to wholesale and retail customers. During the Class Period, defendants engaged in massive insider trading while issuing false financial statements and making false and misleading statements about the Company's purportedly "record" results and strong operating performance. As a result of these false statements, the Company's stock traded as high as \$90.75,¹ allowing defendants to dump 17.3 million of their own Enron shares for proceeds of \$1.1 billion.

3. Beginning in late 2001, it was revealed that the Company would be incurring losses of \$1 billion for certain of its divisions and that Enron would be restating its results for 1997, 1998, 1999 and 2000, and the first two quarters of 2001, to correct for errors which had inflated Enron's net income by \$591 million in those years. The impact of the restatement was enormous:

¹ All share and per share amounts are adjusted to reflect Enron's 2-for-1 stock split in August 1999.

	1997	1998	1999	2000
Recurring Net Income Amount of Overstatement	\$96,000,000	\$113,000,000	\$250,000,000	\$134,000,000
Debt Amount of Understatement	\$711,000,000	\$561,000,000	\$685,000,000	\$628,000,000
Shareholders' Equity Amount of Overstatement	\$313,000,000	\$448,000,000	\$833,000,000	\$1,164,000,000

4. Upon these disclosures, Enron's stock dropped to as low as \$8.20 before closing at \$8.41 on November 8, 2001, some 91% below the Class Period high of \$90.75. Then, on November 28, 2001, it was revealed that the attempted acquisition of Enron by Dynegy Inc. would be scuttled. Thereafter, Enron's debt was cut to junk bond status and its stock dropped to just \$0.26 per share. Then, on December 2, 2001, Enron filed for Chapter 11 bankruptcy protection.

JURISDICTION AND VENUE

5. The claims asserted herein arise under and pursuant to §§10(b), 20(a) and 20A of the Exchange Act [15 U.S.C. §§78j(b), 78t(a) and 78t-1] and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission ("SEC") [17 C.F.R. §240.10b-5] and under §§11 and 15 of the Securities Act [15 U.S.C. §§77k and 77o].

6. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and 1337 and §27 of the Exchange Act [15 U.S.C. §78aa] and §22 of the Securities Act [15 U.S.C. §77v].

7. Venue is proper in this District pursuant to §27 of the Exchange Act, and 28 U.S.C. §1391(b). Enron maintains its principal place of business in this District and many of the acts and practices complained of herein occurred in substantial part in this District.

8. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

9. Plaintiff Amalgamated Bank, as Trustee for the LongView Collective Investment Fund, LongView Core Bond Index Fund and Certain Other Trust Accounts, purchased the publicly traded equity and debt securities of Enron at artificially inflated prices during the Class Period, as described in the attached certification, and has been damaged thereby.

10. Enron is not named as a defendant in this action as it has filed for protection pursuant to Chapter 11 of the U.S. Bankruptcy Code.

11. (a) Defendant Kenneth L. Lay ("Lay") served at all times relevant hereto as a director of the Company and Chairman of the Board of Directors. Lay also served as Enron's Chief Executive Officer from 1986 until February 2001. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Lay sold 1,810,793 shares of his Enron stock for insider trading proceeds of \$101 million. Lay also received bonus payments of \$14.1 million, in addition to his salary, for 1998, 1999 and 2000 based on Enron's false financial reports.

(b) Defendant Jeffrey K. Skilling ("Skilling") served at all times relevant hereto as a director of the Company. Skilling also served as the Company's President and Chief Operating Officer until February 2001, when he became Chief Executive Officer. Skilling resigned as President and Chief Executive Officer in August 2001. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Skilling sold 1,119,958 shares of his Enron stock for insider trading proceeds of \$66.9 million. Skilling also received bonus payments of \$10.8 million, in addition to his salary, for 1998, 1999 and 2000 based on Enron's false financial reports.

(c) Defendant Andrew S. Fastow ("Fastow") served as the Chief Financial Officer of the Company from 1998 until he was fired in October 2001. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Fastow sold 561,423 shares of his Enron stock for insider trading proceeds of \$30.4 million.

(d) Defendant Richard A. Causey ("Causey") was, at all relevant times, Executive Vice President and Chief Accounting Officer of the Company. Causey signed each Form 10-K and

Form 10-Q issued during the Class Period. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Causey sold 197,485 shares of his Enron stock for insider trading proceeds of \$13.3 million.

(e) Defendant James V. Derrick, Jr. ("Derrick") has been Executive Vice President and General Counsel of the Company since July 1999, and prior to that was Senior Vice President and General Counsel. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Derrick sold 230,660 shares of his Enron stock for insider trading proceeds of \$12.6 million.

(f) Defendant J. Clifford Baxter ("Baxter") has been Vice Chairman of the Company since October 2000 and Chief Strategy Officer since June 2000. Baxter also served as Chairman and Chief Executive Officer of Enron North America Corp. from June 1999 until June 2000, and Senior Vice President, Corporate Development from January 1997 until June 1999. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Baxter sold 577,436 shares of his Enron stock for insider trading proceeds of \$35.2 million.

(g) Defendant Mark A. Frevert ("Frevert") has been Chairman and Chief Executive Officer of Enron Wholesale Services since June 2000, and Chairman and Chief Executive Officer of Enron Europe from March 1997 to June 2000. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Frevert sold 830,620 shares of his Enron stock for insider trading proceeds of \$50.2 million. Frevert also received bonus payments of \$4.3 million, in addition to his salary, for 1998, 1999 and 2000 based on Enron's false financial reports.

(h) Defendant Stanley C. Horton ("Horton") was, at all relevant times, Chairman and Chief Executive Officer of Enron Transportation Services. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Horton sold 734,444 shares of his Enron stock for insider trading proceeds of \$45.4 million. Horton also received bonus payments of \$2.9 million, in addition to his salary, for 1998, 1999 and 2000 based on Enron's false financial reports.

(i) Defendant Kenneth D. Rice ("Rice") has been Chairman and Chief Executive Officer of Enron Broadband Services, Inc. since June 2000. Prior to that, Rice was Chairman and Chief Executive Officer of Enron Capital & Trade ("ECT")-North America from March 1997 until June 1999. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Rice sold 1,138,370 shares of his Enron stock for insider trading proceeds of \$72.7 million. Rice also received bonus payments of \$3.9 million, in addition to his salary, for 1998, 1999 and 2000 based on Enron's false financial reports.

(j) Defendant Richard B. Buy ("Buy") has been Executive Vice President and Chief Risk Officer of the Company since July 1999, Senior Vice President and Chief Risk Officer from March 1999 until July 1999, and Managing Director and Chief Risk Officer of ECT from January 1998 to March 1999. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Buy sold 54,874 shares of his Enron stock for insider trading proceeds of \$4.3 million.

(k) Defendant Lou L. Pai ("Pai") was Chairman and CEO of Enron Accelerator, and prior to that Pai was a director of Enron Energy Services and was involved in setting up some of the bad deals. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Pai sold 5,031,105 shares of his Enron stock for insider trading proceeds of \$353.7 million.

(l) Defendant Robert A. Belfer ("Belfer") was, at all relevant times, a director of the Company. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Belfer sold 1,052,138 shares of his Enron stock for insider trading proceeds of \$51 million.

(m) Defendant Norman P. Blake, Jr. ("Blake") was, at all relevant times, a director of the Company. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Blake sold 21,200 shares of his Enron stock for insider trading proceeds of \$1.7 million.

(n) Defendant Ronnie C. Chan ("Chan") was, at all relevant times, a director of the Company. During the Class Period, while defendants were causing Enron to make false

statements and issue false financial results, Chan sold 8,000 shares of his Enron stock for insider trading proceeds of \$337,200 million.

(o) Defendant John H. Duncan ("Duncan") was, at all relevant times, a director of the Company. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Duncan sold 35,000 shares of his Enron stock for insider trading proceeds of \$2.0 million.

(p) Defendant Wendy L. Gramm ("Gramm") was, at all relevant times, a director of the Company. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Gramm sold 10,256 shares of her Enron stock for insider trading proceeds of \$276,912.

(q) Defendant Robert K. Jaedicke ("Jaedicke") was, at all relevant times, a director of the Company. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Jaedicke sold 13,360 shares of his Enron stock for insider trading proceeds of \$841,438.

(r) Defendant Charles A. LeMaistre ("LeMaistre") was, at all relevant times, a director of the Company. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, LeMaistre sold 17,344 shares of his Enron stock for insider trading proceeds of \$841,768.

(s) Defendant Joe H. Foy ("Foy") was, at all relevant times, a director of the Company until June 2000. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Foy sold 31,320 shares of his Enron stock for insider trading proceeds of \$1.6 million.

(t) Defendant Joseph M. Hirko ("Hirko") was, at all relevant times, Chief Executive Officer of Enron Broadband Services. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Hirko sold 473,837 shares of his Enron stock for insider trading proceeds of \$35.1 million.

(u) Defendant Ken L. Harrison ("Harrison") was, at all relevant times, Chief Executive Officer of Portland General Electric (a subsidiary of Enron) until March 31, 2000, and was

a director of Enron. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Harrison sold 1,004,170 shares of his Enron stock for insider trading proceeds of \$75.2 million.

(v) Defendant Mark E. Koenig ("Koenig") was, at all relevant times, Executive Vice President, Investor Relations of Enron. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Koenig sold 129,153 shares of his Enron stock for insider trading proceeds of \$9.1 million.

(w) Defendant Steven J. Kean ("Kean") has been Executive Vice President and Chief of Staff of the Company since 1999. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Kean sold 64,932 shares of his Enron stock for insider trading proceeds of \$5.1 million.

(x) Defendant Rebecca P. Mark-Jusbasche ("Mark-Jusbasche") was a director of Enron until August 2000. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Mark-Jusbasche sold 1,410,262 shares of her Enron stock for insider trading proceeds of \$79.5 million.

(y) Defendant Michael S. McConnell ("McConnell") was, at all relevant times, Executive Vice President, Technology of the Company. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, McConnell sold 30,960 shares of his Enron stock for insider trading proceeds of \$2.3 million.

(z) Defendant Jeffrey McMahan ("McMahon") was Executive Vice President, Finance and Treasurer of the Company since July 1999. Prior to that he was Senior Vice President, Finance and Treasurer from July 1998 to July 1999, and, from 1994 to July 1998, was Chief Financial Officer of Enron Europe. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, McMahon sold 39,630 shares of his Enron stock for insider trading proceeds of \$2.7 million.

(aa) Defendant J. Mark Metts ("Metts") was, at all relevant times, Executive Vice President Corporate, Development of Enron. During the Class Period, while defendants were

causing Enron to make false statements and issue false financial results, Metts sold 17,711 shares of his Enron stock for insider trading proceeds of \$1.4 million.

(bb) Defendant Cindy K. Olson ("Olson") was, at all relevant times, Executive Vice President, Human Resources of the Company. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Olson sold 83,183 shares of her Enron stock for insider trading proceeds of \$6.5 million.

(cc) Defendant Joseph W. Sutton ("Sutton") has been, at all relevant times, Vice Chairman of Enron until early 2001. During the Class Period, while defendants were causing Enron to make false statements and issue false financial results, Sutton sold 614,960 shares of his Enron stock for insider trading proceeds of \$40 million.

12. The defendants referenced above in ¶¶11(a)-(cc) are referred to herein as the "Individual Defendants."

13. Lay, Skilling and Fastow are controlling persons of Enron due to their positions with the Company. Notwithstanding the other Individual Defendants' positions with the Company, pursuant to which they had access to the adverse undisclosed information about its business, operations, products, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and/or Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith, these defendants engaged in massive insider selling. Certain of the defendants had a material role in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws. Each of the Individual Defendants had material roles in the preparation or dissemination of the false statements and/or engaged in the unlawful practice of selling their Enron stock while in possession of undisclosed adverse information about Enron.

14. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of defendants identified above. Each of the above officers and directors of Enron, by virtue of their current or former high-level positions with the Company, participated in the management of the Company, and was privy to confidential proprietary information concerning the Company and its business, operations, products, growth, financial statements, and financial condition, as alleged herein.

15. The Individual Defendants, because of their positions of authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected.

16. Each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

17. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Enron publicly traded securities by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme:

(a) deceived the investing public regarding Enron's business, operations, management and the intrinsic value of Enron's publicly traded securities;

(b) enabled Enron to sell:

(i) \$250 million in 6.95% notes pursuant to a Prospectus Supplement dated November 24, 1998;

(ii) 24 million shares of its common stock at \$31.34 per share in a February 1999 secondary offering pursuant to a Prospectus dated February 12, 1999;

(iii) \$500 million in 7.375% notes pursuant to a Prospectus dated May 19, 1999;

(iv) 10 million exchangeable notes at \$22.250 per note pursuant to a Prospectus dated August 10, 1999;

(v) \$500 million in Medium-Term Notes pursuant to a Prospectus Supplement dated May 18, 2000;

(vi) \$325 million in 7.875% notes pursuant to a Prospectus Supplement dated June 1, 2000; and

(vii) more than \$1 billion in a private placement of zero coupon convertible senior notes in February 2001 on favorable terms;

(c) enabled Enron insiders to sell more than \$1.1 billion of their personally held Enron common stock to the unsuspecting public; and

(d) caused plaintiff and other members of the Class to purchase Enron publicly traded securities at artificially inflated prices.

18. Taking advantage of the inflation in Enron's stock caused by their misstatements, defendants sold the following amounts of their Enron stock:

INSIDER	SHARES SOLD	PROCEEDS
Baxter	577,436	\$35,200,808
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

INSIDER	SHARES SOLD	PROCEEDS
Blake	21,200	\$1,705,328
Chan	8,000	\$337,200
Duncan	35,000	\$2,009,700
Gramm	10,256	\$276,912
Jaedicke	13,360	\$841,438
LeMaistre	17,344	\$841,768
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-Jusbasche	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	<u>614,960</u>	<u>\$40,093,346</u>
TOTAL:	\$17,344,584	\$1,102,544,672

19. Defendant Arthur Andersen, LLP ("Arthur Andersen") is an international accounting and consulting firm. Arthur Andersen was engaged by Enron for many years to provide "independent" auditing, accounting and management consulting services, tax services, examination and review of filings with the SEC, audits and/or reviews of financial statements which were included in Enron's SEC filings, including audited and unaudited information, and annual reports. As a result of the myriad of services it rendered to Enron, Arthur Andersen personnel were present at Enron corporate offices and operations continuously during 1997-2001 and had continual access to and knowledge of Enron's private and confidential corporate information and business information. Arthur Andersen received over \$100 million in audit and consulting fees during the Class Period, including \$52 million in 2000 alone. Arthur Andersen's role in the fraud alleged herein is described in ¶¶125-144.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

20. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of persons who purchased the publicly traded securities of Enron between October 19, 1998 and November 27, 2001, inclusive (the "Class Period") and were damaged thereby. Excluded from the Class are defendants, the officers and directors of the Company, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

21. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Enron securities were actively traded on the NYSE and the NASDAQ and other markets. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Enron or its transfer agent and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

22. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

23. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

24. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by defendants' acts as alleged herein;

(b) whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Enron; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

25. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

BACKGROUND AND OVERVIEW

26. Enron is an Oregon corporation with its principal place of business at 1400 Smith Street, Houston, Texas. Enron is engaged in electricity, natural gas and communications businesses. The Company produces electricity and natural gas, develops, constructs and operates energy facilities worldwide and delivers both physical commodities and financial and risk management services to customers.

27. Between 1993 and 1997, Enron's stock did not appreciate significantly as it was mainly seen as an energy company focused on the production and distribution of natural gas. The Company began a diversification program in 1997 which included making acquisitions and entering new businesses. As defendants promoted these opportunities and reported favorable financial results, Enron's stock price began to increase, reaching \$40 per share by mid-1999. Throughout fiscal year 2000, the price of Enron stock substantially increased – rising from \$43.4375 per share on January 3, 2000 to \$83.125 per share on December 29, 2000. Analysts attributed the price rise to, among other things, interest and expectations for Enron's Broadband Services Division, which had been created to trade bandwidth and, as described by the Company, to "deploy a global network for the delivery of comprehensive bandwidth solutions and high bandwidth applications." Unbeknownst to investors, however, the Broadband Services Division was not performing as defendants had led the market to believe.

28. Exacerbating the problems at the Broadband Services Division, defendants had caused Enron to enter into a series of complicated financial hedge transactions with two limited partnerships, which were controlled by Enron's Chief Financial Officer, defendant Fastow. These

transactions, which defendants did not fully detail for investors, purportedly involved hedging transactions in the broadband market and exposed the Company to increased risk and uncertainty given the weakening market for bandwidth. Moreover, Enron's financial statements did not consolidate the results of these partnerships, nor of other subsidiaries, such that Enron's financial statements were materially misstated.

29. Defendants' expansion plan for Enron was extremely capital intensive and necessitated raising billions of dollars from debt and equity issuances. To make Enron appear more attractive to investors and to secure better credit ratings to decrease the cost of capital, defendants caused Enron to falsify its financial statements, eliminating unprofitable and debt-ridden subsidiaries from Enron's financial statements.

30. Defendants also lied about the success of Enron's broadband efforts. The problems at the Broadband Services Division finally began to be revealed on October 16, 2001. On that date, defendants surprised the market by announcing that the Company was taking non-recurring charges of \$1.01 billion after-tax, or (\$1.11) loss per diluted share, in the third quarter of 2001, the period ending September 30, 2001. Defendant Lay commented on the substantial charge, stating:

"After a thorough review of our businesses, we have decided to take these charges to clear away issues that have clouded our performance and earnings potential of our core energy businesses"

31. The press release further detailed the charge as follows: \$287 million related to asset impairments recorded by Azurix Corp.; \$180 million associated with the restructuring of the Company's Broadband Services Division; \$544 million related to losses associated with certain investments; and early termination during the third quarter of certain structured finance arrangements with a previously disclosed entity.

32. An article in *The Wall Street Journal*, on October 17, 2001, further explained the nature of the "structured finance arrangements with a previously disclosed entity" that was mentioned in the Company's earnings release. According to the article, the structured finance arrangements involved limited partnerships that were managed by Enron's Chief Financial Officer, defendant Fastow. The article stated in pertinent part as follows:

The two partnerships, LJM Cayman LP and the much larger LJM2 Co-Investment LP, have engaged in billions of dollars of complex hedging transactions with Enron involving company assets and millions of shares of Enron stock. It isn't clear from Enron filings with the Securities and Exchange Commission what Enron received in return for providing these assets and shares. In a number of transactions, notes receivable were provided by partnership-related entities.

33. The next day, on October 18, 2001, *The Wall Street Journal* further reported on the nature of defendant Fastow's financial arrangements with the Company. The article reported that "Enron ... shrank its shareholder equity by \$1.2 billion as the company decided to repurchase 55 million of its shares that it had issued as part of a series of complex transactions with an investment vehicle" connected to defendant Fastow. The article stated in pertinent part as follows:

According to Rick Causey, Enron's chief accounting officer, these shares were contributed to a "structured finance vehicle" set up about two years ago in which Enron and LJM2 were the only investors. In exchange for the stock, the entity provided Enron with a note. The aim of the transaction was to provide hedges against fluctuating values in some of Enron's broadband telecommunications and other technology investments.

34. In response to the news that Enron would be eliminating more than \$1 billion of shareholder equity and that it might impact the Company's credit rating, on October 18, 2001, the price of Enron common stock declined sharply, falling from \$32.20 per share to \$29.00 per share on extremely heavy trading volume. As the market continued to digest the information, the price of Enron stock continued to decline, trading as low as \$25.87 per share on October 19, 2001.

35. Then, on November 8, 2001, defendants announced Enron would restate its results for 1997, 1998, 1999, 2000, and interim 2001, to include losses from partnerships which should have been consolidated into Enron's results during those years pursuant to Generally Accepted Accounting Principles ("GAAP").

36. On this news, Enron's stock declined to as low as \$8.20 before closing at \$8.41 on November 8, 2001, on volume of 60.9 million shares.

37. Subsequently, as the lurid details about the magnitude of defendants' financial improprieties reached the market, defendants found it increasingly difficult to raise money for Enron. On November 20, 2001, Enron disclosed it would have to pay some \$9.15 billion in debt before it could complete its merger with Dynegy, money Enron didn't have. On this news, Enron's stock dropped to as low as \$4.55, its lowest price in more than a decade. Then, on November 28, 2001,

Enron revealed that Dynegy had terminated the Enron acquisition. Enron has now filed for Chapter 11 bankruptcy and its stock is now trading at less than \$0.50 per share.

38. During the Class Period, defendants issued materially false and misleading statements concerning Enron's financial results and operations, including the performance of its Broadband Services Division, while selling more than \$1.1 billion worth of their own Enron shares at prices as high as \$89 per share.

DEFENDANTS' FRAUDULENT SCHEME AND WRONGFUL COURSE OF BUSINESS

39. On January 20, 1998, defendants caused Enron to announce its 1997 total year and fourth quarter results in a release which stated:

Enron reported 1997 net income of \$105 million compared with \$584 million in 1996. The corresponding diluted earnings per share were \$0[.16] and \$[1.08] for 1997 and 1996, respectively. Basic earnings per share were \$0[.16] and \$[1.16] for 1997 and 1996, respectively.

"Our 1997 results reflected extremely strong operating performance in virtually all of our business units, offset to a significant degree by a number of non-recurring changes," said Kenneth L. Lay, Enron Corp. chairman and CEO. "These charges allow us to clear the decks for future growth."

40. On March 31, 1998, Enron filed its 1997 Form 10-K with the SEC which was signed by defendants Lay, Skilling and Fastow. The Form 10-K included the financial results previously reported for 1997 and included a "Consolidated Balance Sheet" for "Enron Corp. and Subsidiaries." This Balance Sheet represented that Enron had debt of only \$6.254 billion and shareholders' equity of \$5.618 billion.

41. In fact, this Form 10-K was false and misleading and prepared in violation of GAAP and SEC rules, as described in ¶¶99-124, due to Enron's failure to consolidate subsidiaries in which Enron had control. Enron actually had debt of \$6.965 billion, and its shareholders' equity was actually only \$5.305 billion.

42. On October 13, 1998, defendants caused Enron to announce 1998 third-quarter financial results in a press release which stated in part:

"We are very pleased to report another quarter of strong results, generating \$168 million of net income compared to \$134 million a year ago. In a period of financial market uncertainty and commodity price volatility, Enron has demonstrated its ability to consistently generate solid and predictable earnings, as evidenced by the

60 percent increase in earnings in our Wholesale business," said Kenneth L. Lay, Enron Corp. chairman and chief executive officer.

43. These statements were alive and uncorrected at the beginning of the Class Period. In fact, these statements were false and misleading. Enron has now admitted its 1997 net income was actually \$9 million, instead of the \$105 million reported due to its failure to consolidate the results of two entities (Joint Energy Development Investments LP ("JEDI") and Chewco Investments, LP ("Chewco")) and due to the other accounting misstatements as described in ¶¶99-124. The Company has also admitted that its 1998 net income was overstated by \$113 million, or 19%.

44. On November 16, 1998, defendants caused Enron to file its third quarter 1998 Form 10-Q with the SEC which was signed by Causey. The Form 10-Q included the financial results previously reported for 1997 and included a "Consolidated Balance Sheet" for "Enron Corp. and Subsidiaries." This Balance Sheet represented that Enron had debt of only \$8.475 billion and shareholders' equity of \$6.951 billion.

45. In fact, this Form 10-Q was false and misleading and prepared in violation of GAAP and SEC rules, as described in ¶¶99-124, due to Enron's failure to consolidate subsidiaries in which Enron had control. The entities had hundreds of millions of dollars in debt which should have been, but was not, on Enron's balance sheet.

46. On January 19, 1999, defendants caused Enron to report its 1998 results in a press release which stated in part:

Enron Corp. announced today a 16 percent increase in 1998 earnings per diluted share to \$[1.01] from \$[0.87] in 1997. Corresponding net income increased 36 percent to \$698 million from \$515 million during the year....

"Across Enron, 1998 was an excellent year," said Kenneth L. Lay, Enron Corp. chairman and chief executive officer. "Our Wholesale Energy Operations and Services business led the company's growth during the year, achieving record levels both in volumes of energy marketed and in earnings.

"In addition to positive developments in our established businesses, Enron Energy Services has advanced to a fully developed business with broad new capabilities to provide energy outsourcing products to business customers across the nation," Lay said. "We have experienced a strong market reception and very successful contracting results, and we are very pleased about the prospects for this dynamic business.

"The operating success across Enron was reflected in an almost 40 percent shareholder return during the year, significantly above the very strong returns of the broader U.S. equity market," Lay said.

47. In fact, these 1998 results were materially false and misleading due to defendants' failure to cause Enron to include \$107 million in losses of partnerships which had improperly not been consolidated. Defendants have now caused Enron to admit it was improper not to include these losses and restate its results.

48. Subsequent to issuing its results, defendants, including Lay, Skilling and Fastow, caused Enron to host a conference for analysts and large investors at which it discussed Enron's 1998 results, its business and prospects. Prudential Securities later reported on the conference in a January 25, 1999 report by C. Coale:

- At the conference, management stressed that 1999 would be a "momentum" year for the company, whereas 1998 was a "break out" year and 1997 a "transition" year. In its wholesale energy trading and financing subsidiary, Enron Capital & Trade (ECT), growth in the European markets is expected to continue to be exponential in gas and power marketing sales.

* * *

- International Projects Not Threatened By Brazilian Currency Devaluation. Enron's international effort is centered on building a regional focus in countries where it can offer its unique capabilities through its integrated approach in providing total packaged services from the supply source to the developer to the project manager. Management stressed that Enron is a long-term player in each of its markets, and is positioned to transition from a project-based company to a "business" company, operating in the core markets of the southern cone of South America and India. Management also described Enron International as "battle tested" from its fight to save its Dabhol project in India, and is prepared to weather the devaluation trend in foreign currencies.

49. CIBC Oppenheimer also repeated defendants' statements in a January 25, 1999 report by William Hylar:

Management appears to have the systems, personnel and, importantly, customer relationships, in place to maintain its leadership role in energy marketing, namely gas and power, for the foreseeable future.

* * *

Enron management sees greater profit opportunities in energy management outsourcing for commercial and industrial customers. To date management has indicated that strong market response is resulting in significant contract success. At year end 1998 total retail contracts stood at \$3.8 billion. Management is targeting \$8 billion by year-end 1999, a number which could prove conservative. Backlog of

potential prospects now stands at \$18 billion. Importantly, EES is expected to turn profitable by the fourth quarter.

50. On February 3, 1999, defendants caused Enron to file a form S-3/A Registration Statement pursuant to the offering of \$1 billion in Debt Securities, Preferred Stock and Depositary Shares, and 27.6 million shares of its common stock. The Form S-3/A included Enron's recently reported results for 1998, including net income of \$105 million and \$703 million for 1997 and 1998, respectively. Enron has now admitted these results were materially false and misleading as described in ¶¶99-124. The Form S-3/A was signed by (or on behalf of) Causey, Lay, Fastow, Belfer, Blake, Chan, Dundan, Foy, Gramm, Harrison, Jaedicke, LeMaistre and Skilling.

51. On March 31, 1999, Enron filed its 1998 Form 10-K with the SEC which was signed by Lay, Skilling, Fastow and Causey. The Form 10-K included the financial results previously reported for 1998 and included a "Consolidated Balance Sheet" for "Enron Corp. and Subsidiaries." This balance sheet represented that Enron had debt of only \$7.357 billion and shareholders' equity of \$7.048 billion.

52. In fact, this Form 10-K was false and misleading and prepared in violation of GAAP and SEC rules, as described in ¶¶99-124, due to Enron's failure to consolidate subsidiaries in which Enron had control. Enron actually had debt of \$7.918 billion and its shareholders' equity was actually only \$6.6 billion.

53. On April 13, 1999, defendants caused Enron to announce its first quarter 1999 results in a release which stated in part:

Enron Corp. announced today that 1999 first quarter net income increased 18 percent to \$253 million compared to \$214 million in the first quarter of 1998. Enron also reported earnings per diluted share of \$[0.34] for the most recent quarter compared to \$[0.33] a year ago....

"Our first quarter results reflect the continued strength of our worldwide energy businesses. Each region of our wholesale business continued to grow during the quarter in terms of both volumes of energy delivered and profitability. Also, during the quarter, Enron Energy Services added \$1.7 billion of retail contracts, including several large, multi-location energy outsourcing agreements," said Kenneth L. Lay, Enron chairman and chief executive officer.

54. By this time Enron was becoming a favorite of the market. Its stock had increased from the \$25 range at the beginning of the Class Period to above \$35 per share. On May 7, 1999, Lehman Brothers issued a report on Enron raising its price target to \$45. The report stated:

Multiple To Expand To High End Of Historical Range Based On Growing Evidence That 15% Growth Rate Is Sustainable, Returns Are Improving And Capital Intensity Is Dropping.

55. On June 9, 1999, J.P. Morgan initiated coverage of Enron with a report entitled "Initiating Coverage With A Buy: Size And Savvy Seize The Day." The report stated:

We see no other company in our universe that offers such impressive, sustainable, and controlled growth as Enron. Enron's core strengths include scale and scope, financial expertise, technological know-how, intellectual capital, and global presence and reach. In short, the company has the necessary skillset to compete and win in the global marketplace. Enron has become a builder of companies and markets.

56. On July 13, 1999, Enron announced its second quarter 1999 results in a release which stated in part:

Enron Corp. announced today a 29 percent increase in earnings for the second quarter of 1999 to \$[0.27] per diluted share compared to second quarter 1998 results of \$[0.21] per diluted share. Net income in the current quarter increased 53 percent to \$222 million compared to \$145 million in the prior year's quarter. Revenues were also up significantly in the second quarter of 1999 to \$9.7 billion compared to \$6.6 billion in the same period of 1998, a 47 percent increase.

* * *

"Enron's consistent earnings growth reflects the very strong market positions in all of our businesses. We have established unique networks in natural gas, electricity and, most recently, communications, that each have distinct advantages of scale and scope. Combining this strong market presence with our core skills and market knowledge, we are positioned to be the leading player in the largest and fastest growing markets in the world," said Kenneth L. Lay, Enron chairman and chief executive officer.

57. On July 23, 1999, defendants caused Enron to file a Form S-3 Registration Statement pursuant to the offering of \$225 million in exchangeable notes. The Form S-3 represented that Enron had net income on common stock of \$122 million in the first quarter 1999, \$203 million in 1998 and \$105 million in 1997. Enron has now admitted these results were materially false and misleading as described in ¶¶99-124. The Form S-3 was signed by (or on behalf of) Causey, Lay, Fastow, Belfer, Blake, Chan, Duncan, Foy, Gramm, Harrison, Jaedicke, LeMaistre, Mark-Jusbasche and Skilling.

58. On October 12, 1999, defendants caused Enron to announce its results for the third quarter of 1999 in a press release which stated in part:

Enron Corp. announced today a 33 percent increase in net income to \$223 million for the third quarter of 1999, compared to \$168 million in the third quarter of 1998. Enron also announced a 13 percent increase in earnings per diluted share to \$0.27 for the most recent quarter, compared to \$0.24 a year ago....

"The scale and scope of Enron's wholesale businesses provide tremendous competitive advantages in the rapidly growing, deregulating energy markets, enabling Enron to consistently achieve strong earnings growth. Our new retail energy network has similar operating advantages and continues to exceed our own expectations both for signing long-term outsourcing contracts and for profitability," said Kenneth L. Lay, Enron chairman and chief executive officer.

59. In late December 1999, Enron announced it would host an analyst conference on January 20, 2000 in Houston. As CIBC World Markets Corp. noted:

Management to Highlight Communications Efforts at January analyst meeting. Enron's annual analyst meeting is scheduled for 1/20/2000 in Houston, TX. At the full-day presentation management is expected to provide further clarification and details on its strategy to operate a dominant platform for delivery of broadband communication services. Based on publicly traded valuations for competing strategies, management has hinted its business model could, in time, be valued at \$15-\$30 per ENE share. We estimate the current share price incorporates only \$4-5 per share for communication initiatives; accordingly, we expect the meeting to represent a potential strong catalyst for ENE shares and recommend accumulation prior to the meeting.

60. Enron's stock began climbing in anticipation of this meeting, as news leaked out about the Company's entry into broadband, increasing from \$37 on December 16, 1999 to \$56.375 on January 14, 2000.

61. On January 18, 2000, defendants caused Enron to issue a press release announcing its financial results for the fourth quarter of 1999 and fiscal year 1999. The Company reported that for fiscal 1999 it earned \$957 million and had revenues of \$40 billion. Defendant Lay commented on the results, stating in pertinent part as follows:

"Our strong results in both the fourth quarter and full year 1999 reflect excellent performance in all of our operating businesses.... In addition, Enron continues to develop innovative, high-growth new businesses that capitalize on our core skills, as demonstrated by the early success of our new broadband services business. Overall, a great year – one in which our shareholders received a total return of 58 percent."

62. In fact, defendants have now caused Enron to admit that its 1999 results were false and misleading since it failed to include \$153 million in losses from its JEDI and Chewco

partnerships and \$95 million in losses from a subsidiary (LJM Cayman LP ("LJM1")), which, pursuant to GAAP, should have been consolidated into Enron's financial statements, as described in ¶¶99-124.

63. On January 20, 2000, Enron hosted its annual analyst conference in Houston. With respect to the Broadband Services Division, the press release announcing the conference stated in pertinent part as follows:

The new name of Enron's communications business, Enron Broadband Services, reflects its role in the very fast growing market for premium broadband services. Enron is deploying an open flexible global broadband network controlled by software intelligence, which precludes the need to invest in a traditional point-to-point fiber network.

64. This announcement and comments made at the conference were viewed extremely favorably by the market and Enron's stock increased to \$67.375 on January 20, 2000 and to \$71.625 on January 21, 2000.

65. On March 30, 2000, defendants caused Enron to file its 1999 Form 10-K with the SEC which was signed by Lay, Skilling, Fastow and Causey. The Form 10-K included the financial results previously reported for 1999 and included a "Consolidated Balance Sheet" for "Enron Corp. and Subsidiaries." This balance sheet represented that Enron had debt of only \$8.152 billion and shareholders' equity of \$9.57 billion.

66. In fact, this Form 10-K was false and misleading, and prepared in violation of GAAP and SEC rules, as described in ¶¶99-124, due to Enron's failure to consolidate subsidiaries in which Enron had control. Enron actually had debt of \$8.837 billion and its shareholders' equity was actually only \$8.736 billion.

67. On April 4, 2000, defendants caused Enron to file a Form S-3 Registration Statement pursuant to the registration of \$4.9 million shares of its stock for sale by a shareholder. The Form S-3 incorporated by reference Enron's 1999 Form 10-K which contained Enron's 1999 results. Defendants have now admitted these results were materially false and misleading as described in ¶¶99-124. The Form S-3 was signed by (or on behalf of) Causey, Lay, Fastow, Belfer, Blake, Chan, Duncan, Foy, Gramm, Harrison, Jaedicke, LeMaistre, Mark-Jusbasche and Skilling.

68. On April 12, 2000, defendants caused Enron to issue a press release announcing its financial results for the first quarter of 2000, the period ending March 31, 2000. The Company reported net income of \$338 million, or \$0.40 per share, and revenues of \$13.1 billion. Defendant Lay highlighted the Company's broadband business, stating in pertinent part as follows:

"In our newest business, we significantly advanced deployment of our broadband network and saw strong response to our bandwidth intermediation and content delivery products."

69. The press release further described the developments in the broadband business as follows:

Enron is replicating its unique business model and skills to deploy a global network for the delivery of comprehensive bandwidth solutions and high bandwidth applications.

During the first quarter, Enron significantly advanced its network development. New agreements have been signed with over 20 broadband distribution partners

70. On July 19, 2000, defendants caused Enron to file a Form S-3 Registration Statement pursuant to the offering of \$1 billion in Debt Securities, Preferred Stock and Depositary Shares. The Form S-3 incorporated by reference Enron's 1999 Form 10-K containing its 1999 results. Defendants have now admitted these results were materially false and misleading as described in ¶¶99-124. The Form S-3 was signed by (or on behalf of) Causey, Lay, Fastow, Belfer, Blake, Chan, Duncan, Gramm, Harrison, Jaedicke, LeMaistre, Mark-Jusbasche and Skilling.

71. On July 24, 2000, defendants caused Enron to issue a press release announcing its financial results for the second quarter of 2000, the period ending June 30, 2000. The Company reported net income of \$289 million, or \$0.34 per share, and revenues of \$16.9 billion for the second quarter. Defendant Lay described these results as "another excellent quarter" and highlighted that Enron broadband had recently executed "an exclusive, 20-year, first-of-its-kind contract with Blockbuster to stream on-demand movies." The press release further reported that Enron broadband had executed \$19 million of new contracts.

72. Subsequent to this announcement, Enron's stock increased to above \$80 per share.

73. On October 17, 2000, defendants caused Enron to issue a press release announcing its financial results for the third quarter of 2000, the period ending September 30, 2000. The

Company reported net income of \$292 million, or \$0.34 per share, and revenues of \$30 billion.

Defendant Lay commented on the results stating in pertinent part as follows:

"Enron delivered very strong earnings growth again this quarter, further demonstrating the leading market positions in each of our major businesses We operate in some of the largest and fastest growing markets in the world, and we are very optimistic about the continued strong outlook for our company."

With respect to the Broadband Services Division, the press release reported, among other things, that "Enron delivered 1,399 DS-3 months equivalents of broadband capacity, which was a 42 percent increase over the previous quarter."

74. On January 22, 2001, defendants caused Enron to issue a press release announcing its financial results for the fourth quarter of 2000 and fiscal year 2000, the period ending December 31, 2000. The Company reported earnings of \$0.41 per share for the fourth quarter of 2000.

Defendant Lay commented on the results stating in pertinent part as follows:

"Our strong results reflect breakout performances in all of our operations Our wholesale services, retail energy and broadband businesses further expanded their leading market positions, as reflected in record levels of physical deliveries, contract originations and profitability. Our shareholders had another excellent year in 2000, as Enron's stock returned 89 percent, significantly in excess of any major investment index."

75. With respect to the Broadband Services Division, the press release stated:

In addition, Enron Broadband Services reported a \$32 million IBIT loss. These results include costs associated with building this new business, partially offset by the monetization of a portion of Enron's broadband delivery platform. Enron Broadband Services delivered 2,393 DS-3 month equivalents of capacity, representing a 71 percent increase over the third quarter of 2000. In addition, transaction levels also significantly increased to 236 transactions in the fourth quarter, compared to 59 transactions in the third quarter of 2000.

76. In fact, defendants have now admitted that Enron's 2000 financial results were materially misstated as it failed to record \$91 million in losses from its JEDI and Chewco partnerships and \$8 million in losses from its LJM1 subsidiary. Defendants have now also admitted that they failed to cause Enron to make some \$33 million in proposed audit adjustments to correct its financial statements.

77. On January 30, 2001, defendants caused Enron to issue a press release announcing that it had priced an offering of 20-year zero coupon convertible senior debt securities, raising \$1.25 billion.

78. On April 2, 2001, defendants caused Enron to file its 2000 Form 10-K with the SEC which was signed by Lay, Skilling, Fastow and Causey. The Form 10-K included the financial results previously reported for 2000 and included a "Consolidated Balance Sheet" for "Enron Corp. and Subsidiaries." This balance sheet represented that Enron had debt of only \$10.229 billion and shareholders' equity of \$11.47 billion.

79. In fact, this Form 10-K was false and misleading and prepared in violation of GAAP and SEC rules, as described in ¶¶99-124, due to Enron's failure to consolidate subsidiaries in which Enron had control. Enron actually had debt of \$10.857 billion and its shareholders' equity was actually only \$10.306 billion. The Form 10-K also overstated Enron's assets by \$172 million due to improper accounting, beginning in the second quarter 2000, from a transaction in which Enron issued common stock in exchange for a note receivable and increased assets by this amount. In fact, this should have been treated as a reduction in shareholders' equity pursuant to GAAP and SEC rules.

80. On April 17, 2001, defendants caused Enron to issue a press release announcing its financial results for the first quarter of 2001, the period ending March 30, 2001. The Company reported earnings per share of \$0.47. Defendant Skilling commented on the results, stating in pertinent part as follows:

"Enron's wholesale business continues to generate outstanding results. Transaction and volume growth are translating into increased profitability In addition, our retail energy services and broadband intermediation activities are rapidly accelerating."

81. With respect to the Broadband Services Division, the press release stated, among other things, that:

Enron's global broadband platform is substantially complete, and 25 pooling points are operating in North America, Europe and Japan. Enron's broadband intermediation activity increased significantly, with over 580 transactions executed during the quarter – more than in all of 2000. Enron also added 70 new broadband customers this quarter for a total of 120 customers.

82. In May 2001, *The Wall Street Transcript* published an interview with defendant Frevert. During this interview, Frevert stated:

As we move forward in time, we would expect to enhance that growth rate by virtue of some of these new industries and new businesses that we're trying to develop. Over the next year or two, these new businesses should begin to generate significant earnings. With this in mind, I'd look for continued growth rates in our

underlying volumes in the 25%-30% range, and an earnings growth in the 20%-plus range.

* * *

We think, clearly, we're undervalued at today's price. We've fallen back fairly significantly in line with a lot of the other companies due to the recent market corrections, which we think were overdone. If you look at some of the analyst projections and target prices over the next 12-18 months, more companies have Enron targeted somewhere between \$90 and \$110 a share. So we think that at these prices it's a bargain.

83. At the time of this interview, Enron's stock was trading at between \$50 and \$60 per share.

84. On June 1, 2001, defendants caused Enron to file a Form S-3 Registration Statement pursuant to the registration of \$1.9 billion in zero coupon convertible notes due 2021. The Form S-3 incorporated by reference Enron's 2000 Form 10-K containing Enron's 2000 results. Defendants have now caused Enron to admit these results were materially false and misleading as described in ¶¶99-124. The Form S-3 was signed by (or on behalf of) Causey, Lay, Fastow, Belfer, Blake, Chan, Duncan, Gramm, Jaedicke, LeMaistre and Skilling.

85. On July 12, 2001, defendants caused Enron to issue a press release announcing its financial results for the second quarter of 2001, the period ending June 30, 2001. The Company reported diluted earnings of \$0.45 per share. Defendant Skilling downplayed any concerns investors might have about the Broadband Services Division, stating in pertinent part as follows:

"In contrast to our extremely strong energy results, this was a difficult quarter in our broadband business. However, our asset-light approach will allow us to adjust quickly to weak broadband industry conditions. We are significantly reducing our broadband cost structure to match the reduced revenue opportunities currently available."

86. On July 25, 2001, *Bloomberg Business News* reported that at a meeting with analysts, defendant Skilling stated that Enron would meet or beat its profit projections. The article stated in pertinent part:

"We will hit those numbers, and we will beat those numbers," Skilling told a meeting of analysts and investors in New York....

Analysts have also cited concern about unpaid power bills by Enron customers in California and India, and losses by Enron's broadband trading unit, which may hurt Enron's profits.

"All of these are bunk," Skilling said. "These are not issues for this stock."

87. On August 14, 2001, defendants caused Enron to issue a press release announcing that defendant Skilling had resigned his positions at the Company. This announcement surprised investors and the price of Enron common stock dropped in response. According to a report carried by *Bloomberg Business News*, on August 17, 2001, after the announcement of defendant Skilling's resignation, defendant Lay met with investors and analysts "to calm fears that the Company may be hiding dire financial news." The article quoted an analyst from UBS Warburg as stating: "Ken met with us to reassure us that there is nothing wrong with the company There is no other shoe to fall, and no charges to be taken."

88. Then, on August 29, 2001, defendant Lay provided an interview to *Bloomberg Business News* which was carried on the newswires. Defendant Lay portrayed the Broadband Services Division in highly positive terms. The following question/answer is illustrative:

Johnson: There has been a lot of concern by investors recently over the company's broadband trading unit, which trades space on fiber optic networks. Where does Enron stand with fiber optic trading now? Have you – do you still remain hopeful in that sector? Or what's the outlook now?

Lay: Why, no, that continues to grow, quarter-to-quarter, at a very good rate, so we're continuing to develop liquidity in the marketplace. I mean, the biggest single problem has been the shortage of creditworthy counter parties to do longer term transactions. But certainly, quarter-to-quarter, we continue to increase the number of trades rather significantly.

89. The statements referenced above in ¶¶39-40, 42-44, 46, 48-51, 53-59, 61-63, 65, 67-71, 73-76, 78, 80-82 and 84-88 above, were each materially false and misleading when made as they misrepresented and/or omitted the following adverse facts which then existed and disclosure of which was necessary to make the statements made not false and/or misleading, including that:

(a) The Company's efforts to create a trading market for bandwidth were not meeting with the success claimed by defendants and, by 2000, the Broadband Services Division was experiencing declining demand for bandwidth;

(b) The Company's operating results were materially overstated as result of the Company failing to timely write down the value of its investments with LJM1 and LJM2 Co-Investment LP ("LJM2");

(c) Enron's operating results were misstated due to defendants' failure, in violation of GAAP, to consolidate partnerships and subsidiaries which had lost hundreds of millions of dollars and which losses should have been (but were not) recorded on Enron's financial statements as described in ¶¶99-118 and 123-124;

(d) Defendants had caused Enron to fail to write down impaired assets on a timely basis in accordance with GAAP as described in ¶¶119-124; and

(e) Enron's assets were overstated in 2000 and 2001 by up to \$1 billion due to the improper accounting for a note received in exchange for stock.

90. On October 16, 2001, Enron surprised the market by announcing that the Company was taking non-recurring charges of \$1.01 billion after-tax, or (\$1.11) loss per diluted share, in the third quarter of 2001, the period ending September 30, 2001. Defendant Lay commented on the substantial charge, stating:

"After a thorough review of our businesses, we have decided to take these charges to clear away issues that have clouded our performance and earnings potential of our core energy businesses"

91. The press release further detailed the charge as follows: \$287 million related to asset impairments recorded by Azurix Corp.; \$180 million associated with the restructuring of the Company's Broadband Services Division; \$544 million related to losses associated with certain investments; and early termination during the third quarter of certain structured finance arrangements with a previously disclosed entity.

92. An article in *The Wall Street Journal*, on October 17, 2001, further explained the nature of the "structured finance arrangements with a previously disclosed entity" that was mentioned in the Company's earnings release. According to the article, the structured finance arrangements involved limited partnerships that were managed by Enron's Chief Financial Officer, defendant Fastow. The article stated in pertinent part as follows:

The two partnerships, LJM Cayman LP and the much larger LJM2 Co-Investment LP, have engaged in billions of dollars of complex hedging transactions with Enron involving company assets and millions of shares of Enron stock. It isn't clear from Enron filings with the Securities and Exchange Commission what Enron received in return for providing these assets and shares. In a number of transactions, notes receivable were provided by partnership-related entities.

93. The next day, on October 18, 2001, *The Wall Street Journal* further reported on the nature of defendant Fastow's financial arrangements with the Company. The article reported that "Enron ... shrank its shareholder equity by \$1.2 billion as the company decided to repurchase 55 million of its shares that it had issued as part of a series of complex transactions with an investment vehicle" connected to defendant Fastow. The article stated in pertinent part as follows:

According to Rick Causey, Enron's chief accounting officer, these shares were contributed to a "structured finance vehicle" set up about two years ago in which Enron and LJM2 were the only investors. In exchange for the stock, the entity provided Enron with a note. The aim of the transaction was to provide hedges against fluctuating values in some of Enron's broadband telecommunications and other technology investments.

94. In response to the news that Enron would be reducing its shareholder equity by more than \$1 billion and that it might impact the Company's credit rating, on October 18, 2001, the price of Enron common stock began declining, falling from \$32.20 per share to \$29.00 per share on extremely heavy trading volume. As the market continued to digest the information, the price of Enron stock continued to decline, trading as low as \$25.87 per share on October 19, 2001. However, even these disclosures did not apprise the market of the extent of Enron's misstatements, such that its stock continued to be artificially inflated.

95. On November 8, 2001, Enron filed a Form 8-K disclosing a massive restatement of its results for 1997 through 2001. The Form 8-K stated:

1. Background on Special Purpose Entities and Related-Party Transactions

Enron, like many other companies, utilizes a variety of structured financings in the ordinary course of its business to access capital or hedge risk. Many of these transactions involve "special purpose entities," or "SPEs." Accounting guidelines allow for the non-consolidation of SPEs from the sponsoring company's financial statements in certain circumstances. Accordingly, certain transactions between the sponsoring company and the SPE may result in gain or loss and/or cash flow being recognized by the sponsor, commonly referred to by financial institutions as "monetizations."

LJM Cayman, L.P. ("LJM1") and LJM2 Co-Investment, L.P. ("LJM2") (collectively "LJM") are private investment limited partnerships that were formed in 1999. Andrew S. Fastow, then Executive Vice President and Chief Financial Officer of Enron, was (from the inception through July 2001) the managing member of the general partners of LJM1 and LJM2. Enron believes that the LJM partnerships have as limited partners a significant number of institutions and other investors that are not related parties to Enron. These partnerships are a subject of the Special Committee's investigation and it is possible that the Committee's review will identify additional or different information concerning matters described herein.

2. Restatement of Prior Period Financial Statements

Enron will restate its financial statements from 1997 to 2000 and the first and second quarters of 2001 to: (1) reflect its conclusion that three entities did not meet certain accounting requirements and should have been consolidated, (2) reflect the adjustment to shareholders' equity described below, and (3) include prior-year proposed audit adjustments and reclassifications (which were previously determined to be immaterial in the year originally proposed). Specifically, Enron has concluded that based on the current information:

- The financial activities of Chewco Investments, L.P. ("Chewco"), a related party which was an investor in Joint Energy Development Investments Limited Partnership ("JEDI"), should have been consolidated beginning in November 1997;
- The financial activities of JEDI, in which Enron was an investor and which was consolidated into Enron's financial statements during the first quarter of 2001, should have been consolidated beginning in November 1997; and
- The financial activities of a wholly-owned subsidiary of LJM1, which engaged in derivative transactions with Enron to permit Enron to hedge market risks of an equity investments in Rhythms NetConnections, Inc., should have been consolidated into Enron's financial statements beginning in 1999.

The restatement resulted in additional losses of \$396 million being recorded for unconsolidated partnerships JEDI and Chewco and \$103 million in unconsolidated losses for the LJM1 subsidiary and \$92 million in losses which should have been recorded in prior periods but were not. Enron also corrected its accounting for notes received in exchange for common stock to net the note against shareholders' equity.

96. Upon these disclosures, Enron's stock declined to as low as \$8.20 before closing at \$8.41 on November 8, 2001, some 91% below the Class Period high of \$90.75. Thereafter, on November 9, 2001, Enron announced that it would be acquired for approximately \$22 billion in stock and assumed debt by Dynegy. Within 11 days, however, investors were again stunned when it was disclosed that:

- Enron's fourth quarter 2001 results would be hurt by lost business; and
- Enron might run out of cash before it could complete the merger with Dynegy.

97. Then, on November 28, 2001, Dynegy issued a press release which stated:

Dynegy Inc. today reported that it has terminated its previously announced merger agreement with Enron Corp. The company cited Enron's breaches of

representations, warranties, covenants and agreements in the merger agreement, including the material adverse change provision.

98. On this news, it became clear that Enron was headed for bankruptcy and the stock headed for zero, trading as low as \$0.26 on November 30, 2001. On December 2, 2001, Enron – which had been trading at more than \$90 per share just 14 months before, giving the Company a market capitalization of more than \$70 billion – filed for bankruptcy.

FALSE FINANCIAL STATEMENTS

99. In order to overstate its net income and earnings per share during the Class Period, the defendants caused the Company to violate GAAP and SEC rules by failing to consolidate three entities which, pursuant to GAAP, were required to be consolidated into Enron's financial statements and which entities were incurring hundreds of millions of dollars in losses and should have reduced Enron's earnings. These entities also had hundreds of millions of dollars in debt which should have been included on Enron's balance sheets reported during the Class Period. Enron also improperly accounted for common stock issued to a related-party entity which should have been treated as a reduction in shareholders' equity but was accounted for as a note receivable. Enron has also admitted to not recording an aggregate of \$478 million from 1997 to 2000 in proposed audit adjustments and reclassifications to shareholders' equity which Enron chose not to make until the end of the Class Period. Enron also failed to record, on a timely basis, required write-downs for impairment in the value of Enron's content services business, and for the impairment in the value of Enron's interest in The New Power Company, and its broadband and technology investments.

100. Enron has now admitted that these results were false and improperly reported and has restated the results. The scope and size of the restatement is enormous:

	1997	1998	1999	2000
Recurring Net Income Amount of Overstatement	\$96,000,000	\$113,000,000	\$250,000,000	\$134,000,000
Debt Amount of Understatement	\$711,000,000	\$561,000,000	\$685,000,000	\$628,000,000
Shareholders' Equity Amount of Overstatement	\$313,000,000	\$448,000,000	\$833,000,000	\$1,164,000,000

101. Enron reported the following financial results prior to and during the Class Period:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Recurring Net Income	\$515 M	\$698 M	\$957M	\$1.27 B
Total Assets	\$22.5 B	\$29.4 B	\$33.4 B	\$65.5 B
Debt	\$6.25 B	\$7.36 B	\$8.15 B	\$10.23 B
Shareholders' Equity	\$5.62 B	\$7.05 B	\$9.57 B	\$11.47 B
		<u>3/31/01</u>	<u>6/30/01</u>	<u>9/30/01</u>
Recurring Net Income		\$406 M	\$404 M	\$393 M
Total Assets		\$67.3 B	\$63.4 B	
Shareholders' Equity		\$11.73 B	\$11.74 B	

102. Enron included these results in press releases and in SEC filings, including Form 10-Qs for the interim results and Form 10-Ks for the annual results. The SEC filings represented that the financial information was a fair statement of its financial results and that the results were prepared in accordance with GAAP.

103. These representations were false and misleading as to the financial information reported, as such financial information was not prepared in conformity with GAAP, nor was the financial information "a fair presentation" of the Company's operations due to the Company's improper accounting for its subsidiaries and its improper accounting for investments in broadband and content services business, causing the financial results to be presented in violation of GAAP and SEC rules.

104. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. Regulation S-X (17 C.F.R. §210.4-01(a)(1)), states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. §210.10-01(a).

105. Moreover, pursuant to §13(b)(2) of the Exchange Act, Enron was required to:

(A) make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; and

(B) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that –

(i) transactions are executed in accordance with management's general or specific authorization;

(ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles

Enron's Failure to Consolidate Subsidiaries and Special Purpose Entities

106. GAAP, as set forth in Accounting Research Bulletin ("ARB") No. 51 and as amended by FASB Statement of Financial Accounting Standards ("SFAS") No. 94, requires consolidation of all majority-owned subsidiaries unless control is temporary or does not rest with the majority owner.

ARB No. 51, ¶1, states in part:

There is a presumption that consolidated statements are more meaningful than separate statements and that they are usually necessary for a fair presentation when one of the companies in the group directly or indirectly has a controlling financial interest in the other companies.

107. GAAP provides that certain qualifying Special Purpose Entities ("SPE") do not have to be consolidated. SFAS No. 125 sets forth criteria for a qualifying SPE that must be met, including that it is a legal entity whose activities are limited by legal documents establishing the SPE to: (i) hold title to transferred assets; (ii) issue beneficial interests; (iii) collect cash proceeds from the assets and reinvest or distribute to holders of interests; and (iv) distribute proceeds to holders. It also must have standing apart from the transferor. SFAS No. 125, ¶26. *See also* FASB Emerging Issues Task Force Abstracts ("EITF") Nos. 96-20 and 96-21.

108. Prior to and during the Class Period, Enron formed partnerships and other entities to buy unnamed Enron assets with borrowed funds. These entities were purportedly qualifying SPEs such that consolidation of their losses and debt on Enron's financial statements was not required. Also, Enron could record sales to these entities as gains rather than as inter-company transactions

which are eliminated in the consolidation process. In fact, these SPEs were not qualifying SPEs and were controlled by Enron personnel such that consolidation was required.

109. One entity which should have been consolidated was Chewco. Chewco was formed in 1997 with about \$400 million in financial backing to buy interests in unnamed Enron assets, and was run by Michael Kopper, a managing director of Enron's Global Equity Markets Group. Neither this entity, nor its relationship to Enron, was disclosed to Enron's shareholders. Enron then formed a limited partnership named Joint Energy Development Investments ("JEDI") in which Chewco was an investor. As a result of this disqualifying relationship with Chewco, JEDI also failed to be a qualifying SPE. Nevertheless, in order to keep the losses from these entities and the debt attributed to these entities off Enron's financial statements, defendants caused Enron to not consolidate these entities.

110. As a result, Enron failed to record losses from these two entities and debt attributed to these two entities by the following amounts:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Unrecorded Losses	\$45M	\$107M	\$153M	\$91M
Unrecorded Debt	\$711M	\$561M	\$685M	\$628M

111. Enron has now admitted that Chewco and JEDI did not meet the criteria to qualify as unconsolidated SPEs and has restated its results to consolidate these entities' losses and debt into its own financial statements.

112. The reason for the misstatement was that it was extremely important to Enron's future plans that it minimize the amount of debt reported on its balance sheet. As *The Wall Street Journal* reported on November 8, 2001:

But to make all of its growth dreams possible, Enron had to make sure that its balance sheet didn't become too laden with debt. Too much debt would lead major ratings agencies, such as Moody's Investors Service and Standard & Poor's, to lower Enron's credit rating. Such downgrades could significantly increase the company's cost of borrowing and make it more difficult to finance its continued expansion.

113. LJM1 and LJM2 are investment limited partnerships formed in 1999. Fastow was the managing member of the general partners of both LJM1 and LJM2. From June 1999 through September 2001, Enron and Enron-related entities entered into 24 business relationships in which

LJM1 or LJM2 participated. These relationships were of several general types, including: (a) sales of assets by Enron to LJM2 and by LJM2 to Enron; (b) purchases of debt or equity interests by LJM1 or LJM2 in Enron-sponsored SPEs; (c) purchases of debt or equity interests by LJM1 or LJM2 in Enron affiliates or other entities in which Enron was an investor; (d) purchases of equity investments by LJM1 or LJM2 in SPEs designed to mitigate market risk in Enron's investments; (e) the sale of a call option and a put option by LJM2 on physical assets; and (f) a subordinated loan to LJM2 from an Enron affiliate.

114. Despite the fact that the results of LJM1 should have been consolidated into Enron's financial statements (as Enron has now admitted should have been done), defendants caused Enron to not consolidate these results, eliminating losses of \$95 million and \$8 million in 1999 and 2000, respectively, from Enron's financial statements. The failure to consolidate also caused Enron to report \$222 million in assets which it was not entitled to report in 1999. Enron has now restated its financial results to record the losses and to remove the assets from its balance sheet.

Enron's Improper Accounting for Common Stock Issued

115. GAAP, as set forth in EITF 85-1, Classifying Notes Received for Capital Stock, requires that except in very rare circumstances, notes received in payment for stock should be recorded as a reduction in shareholders' equity:

The SEC requires that public companies report notes received in payment for the enterprise's stock as a deduction from shareholders' equity. Task force members confirmed the predominant practice is to offset the notes and stock in the equity section. However, such notes may be recorded as an asset if collected in cash prior to issuance of the financial statements.

116. In the second quarter of 2000 and the first quarter of 2001, Enron issued \$1.2 billion in common stock in exchange for a note receivable to capitalize four entities known as Raptor I-IV. Notwithstanding the basic requirement that such transactions should be accounted for as a reduction in shareholders' equity, Enron recorded the notes receivable as assets. Enron has admitted that its 2000 financial statements included overstated assets of \$172 million for notes receivable that should have been recorded as an offset to equity and that, "as a result of these errors, shareholders' equity and notes receivable were overstated by a total of \$1 billion in the unaudited financial statements of Enron at March 31 and June 30, 2001."

Enron's Failure to Make Proposed Audit Adjustments and Reclassifications

117. Enron has admitted to failing to make proposed audit adjustments and reclassifications it was informed about by Arthur Andersen in prior years because it had considered those adjustments "immaterial." In each year, the changes which Enron refused to make would have reduced Enron's net income. Enron has admitted that the proposed adjustment for 1997 was \$51 million. This represented 48% of net income and 10% of recurring net income. Yet, Enron considered this amount to be "immaterial." However, Enron was required to consider the materiality of events in the aggregate. SEC Staff Accounting Bulletin No. 99 states:

Even though a misstatement of an individual amount may not cause the financial statements taken as a whole to be materially misstated, it may nonetheless, when aggregated with other misstatements, render the financial statements taken as a whole to be materially misleading. Registrants and the auditors of their financial statements accordingly should consider the effect of the misstatement on subtotals or totals. The auditor should aggregate all misstatements that affect each subtotal or total and consider whether the misstatements in the aggregate affect the subtotal or total in a way that causes the registrant's financial statements taken as a whole to be materially misleading.

Enron's Restatement Is an Admission the Prior Financial Statements Were Materially False

118. The fact that Enron has restated its financial statements for 1997 through the second quarter of 2001 is an admission that the financial statements originally issued were false and that the overstatement of revenues and income was material. Pursuant to GAAP, as set forth in Accounting Principles Board Opinion ("APB") No. 20, the type of restatement announced by Enron was to correct for material errors in its previously issued financial statements. *See* APB No. 20, ¶¶7-13. The restatement of past financial statements is a disfavored method of recognizing an accounting change as it dilutes confidence by investors in the financial statements, it makes it difficult to compare financial statements and it is often difficult, if not impossible, to generate the numbers when restatement occurs. *See* APB No. 20, ¶14. Thus, GAAP provides that financial statements should only be restated in limited circumstances, *i.e.*, when there is a change in the reporting entity, there is a change in accounting principles used or to correct an error in previously issued financial statements. Enron's restatement was not due to a change in reporting entity or a change in accounting principles, but rather, was due to errors in previously issued financial statements. Thus, the restatement is an

admission by Enron that its previously issued financial results and its public statements regarding those results were false and misleading.

Enron's Improper Accounting for Long-Term Assets

119. GAAP, as set forth in SFAS No. 121, requires that companies review long lived assets to determine if the assets are impaired. SFAS No. 121, ¶¶5-6, state:

5. The following are examples of events or changes in circumstances that indicate that the recoverability of the carrying amount of an asset should be assessed:

- a. A significant decrease in the market value of an asset
- b. A significant change in the extent or manner in which an asset is used or a significant physical change in an asset
- c. A significant adverse change in legal factors or in the business climate that could affect the value of an asset or an adverse action or assessment by a regulator
- d. An accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset
- e. A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an asset used for the purpose of producing revenue.

6. If the examples of events or changes in circumstances set forth in paragraph 5 are present or if other events or changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, the entity shall estimate the future cash flows expected to result from the use of the asset and its eventual disposition. Future cash flows are the future cash inflows expected to be generated by an asset less the future cash outflows expected to be necessary to obtain those inflows. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, the entity shall recognize an impairment loss in accordance with this Statement. Otherwise, an impairment loss shall not be recognized; however, a review of depreciation policies may be appropriate.

(Footnote omitted.)

120. During 2001, contrary to GAAP, Enron failed to adequately reflect the deterioration in the value of the its broadband assets and content services business. In fact, the assets were not worth anywhere near what Enron reported in its financial statements.

121. As a result of these factors, the assets would not provide the benefits estimated when they were acquired, but defendants did not take required write-downs in order to report strong earnings.

122. On October 16, 2001, Enron belatedly announced that it was writing off \$1 billion in assets. The release stated:

Non-recurring charges totaling \$1.01 billion after-tax, or \$(1.11) loss per diluted share, were recognized for the third quarter of 2001.

* * *

Enron's results in the third quarter of 2001 include after-tax non-recurring charges of \$1.01 billion, or \$(1.11) per diluted share, consisting of:

- \$287 million related to asset impairments recorded by Azurix Corp. These impairments primarily reflect Azurix's planned disposition of its North American and certain South American service-related businesses;
- \$180 million associated with the restructuring of Broadband Services, including severance costs, loss on the sale of inventory and an impairment to reflect the reduced value of Enron's content services business; and
- \$544 million related to losses associated with certain investments, principally Enron's interest in The New Power Company, broadband and technology investments, and early termination during the third quarter of certain structured finance arrangements with a previously disclosed entity.

Enron's Financial Statements Violated GAAP

123. Due to these accounting improprieties, the Company presented its financial results and statements in a manner which violated GAAP, including the following fundamental accounting principles:

(a) The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements was violated (APB No. 28, ¶10);

(b) The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions was violated (FASB Statement of Concepts No. 1, ¶34);

(c) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events and circumstances that change resources and claims to those resources was violated (FASB Statement of Concepts No. 1, ¶40);

(d) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it was violated. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, ¶50);

(e) The principle that financial reporting should provide information about an enterprise's financial performance during a period was violated. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, ¶42);

(f) The principle that financial reporting should be reliable in that it represents what it purports to represent was violated. That information should be reliable as well as relevant is a notion that is central to accounting (FASB Statement of Concepts No. 2, ¶¶58-59);

(g) The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (FASB Statement of Concepts No. 2, ¶79); and

(h) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶95, 97).

124. Further, the undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations of the national stock exchanges and customary business practice, is expected by investors and securities analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed.

ARTHUR ANDERSEN'S PARTICIPATION IN THE FRAUD

125. Arthur Andersen, a firm of certified public accountants, was engaged by Enron to provide independent auditing and accounting services throughout the Class Period. Arthur Andersen's Houston office was engaged to examine and opine on Enron's financial statements for 1997, 1998, 1999 and 2000, to perform review services on Enron's interim 2001 results, and to provide significant consulting, tax and due diligence services throughout 1997 through 2001. As a result of the far-reaching scope of services provided by Arthur Andersen, it was intimately familiar with Enron's business, including its business relationships. Arthur Andersen received large fees for its services to Enron. These fees were particularly important to the partners in Arthur Andersen's Houston office as their incomes were dependent on the continued business from Enron. For 2000 alone, for example, Arthur Andersen received \$25 million in fees related to the audit of Enron's financial statements and another \$27 million for non-audit related work. As *Platt's Oilgram News* notes:

Since verifiable exchange-traded transactions occur in relatively few of its commodities, and seldom more than a year out, Enron and its trading peers build their own forward curves, subject only to a "reasonableness" test by auditors. In Enron's case, that is Arthur Andersen, which got \$25-mil in audit fees and \$27-mil for consulting at Enron last year. ***Skeptics say those huge fees, and the domination of AA's audit team by Enron's bonus-driven pros, has given Enron great leeway in setting its curve, and thus booking profits.***

126. Arthur Andersen falsely represented that Enron's financial statements for 1997, 1998, 1999 and 2000 were presented in accordance with GAAP and that Arthur Andersen's audits of Enron's financial statements had been performed in accordance with Generally Accepted Auditing Standards ("GAAS"). Arthur Andersen also consented to the incorporation of its false reports on Enron's financial statements in Enron's Form 10-Ks for those years and in Enron's Prospectus Supplement for the Company's offering of \$325 million in 7.875% notes due 2003 in June 2000, its Prospectus Supplement for the Company's offering of \$500 million in Medium-Term Notes in May 2000, its Prospectus for the Company's offering of 10 million exchangeable notes at \$22.250 per note in August 1999, its Prospectus for the Company's offering of \$500 million in 7.375% notes in May 1999, its Prospectus for the Company's offering of 24 million shares of its common stock at \$31.34 per share in a February 1999 secondary offering, and its Prospectus Supplement for the Company's offering of \$250 million in 6.95% notes, in November 1998, which were filed with the SEC. Arthur

Andersen's issuance of and multiple consents to reissue materially false reports on Enron's 1997-2000 financial statements were themselves violations of GAAS.

127. The SEC has stressed the importance of meaningful audits being performed by independent accountants:

[T]he capital formation process depends in large part on the confidence of investors in financial reporting. An investor's willingness to commit his capital to an impersonal market is dependent on the availability of accurate, material and timely information regarding the corporations in which he has invested or proposes to invest. The quality of information disseminated in the securities markets and the continuing conviction of individual investors that such information is reliable are thus key to the formation and effective allocation of capital. ***Accordingly, the audit function must be meaningfully performed and the accountants' independence not compromised.***

Relationship Between Registrants and Independent Accountants, SEC Accounting Series Release No. 2961, 1981 SEC LEXIS 858 (Aug. 20, 1981).

128. GAAS, as approved and adopted by the American Institute of Certified Public Accountants ("AICPA"), relate to the conduct of individual audit engagements. Statements on Auditing Standards (codified and referred to as AU §___) are recognized by the AICPA as the interpretation of GAAS.

Arthur Andersen's False Statements as to Enron's 1997-2000 Financial Statements

129. With respect to Enron's financial statements for 2000, Arthur Andersen represented, in a report dated February 23, 2001, the following:

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Enron Corp.:

We have audited the accompanying consolidated balance sheet of Enron Corp. (an Oregon corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of Enron Corp.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by

management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enron Corp. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

130. Arthur Andersen issued nearly identical audit reports for 1997 (issued February 23, 1998), 1998 (issued March 5, 1999), and 1999 (issued March 13, 2000).

131. Arthur Andersen's reports were false and misleading due to its failure to comply with GAAS and because Enron's financial statements were not prepared in conformity with GAAP, as alleged in detail in ¶¶99-124, so that issuing the reports was in violation of GAAS and SEC rules. Arthur Andersen knew its reports would be relied upon by the Company as well as by present and potential investors in Enron's stock.

Arthur Andersen Ignored the Audit Evidence It Gathered

132. GAAS, as set forth in AU §326, Evidential Matter, requires auditors to obtain sufficient, competent, evidential matter through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit:

In evaluating evidential matter, the auditor considers whether specific audit objectives have been achieved. The independent auditor should be thorough in his or her search for evidential matter and unbiased in its evaluation. In designing audit procedures to obtain competent evidential matter, he or she should recognize the possibility that the financial statements may not be fairly presented in conformity with generally accepted accounting principles or a comprehensive basis of accounting other than generally accepted accounting principles. In developing his or her opinion, the auditor should consider relevant evidential matter regardless of whether it appears to corroborate or to contradict the assertions in the financial statements. To the extent the auditor remains in substantial doubt about any assertion of material significance, he or she must refrain from forming an opinion until he or she has obtained sufficient competent evidential matter to remove such substantial doubt, or the auditor must express a qualified opinion or a disclaimer of opinion.

AU §326.25 (footnotes omitted).

133. Arthur Andersen's responsibility, as Enron's independent auditor, was to obtain "sufficient competent evidential matter ... to afford a reasonable basis for an opinion regarding the financial statements under audit" as to "the fairness with which they present, in all material respects,

financial position, results of operations, and its cash flows in conformity with generally accepted accounting principles." AU §§110, 150.

134. In violation of GAAS, and contrary to the representations in its report on Enron's financial statements, Arthur Andersen did not obtain sufficient, competent evidential matter to support Enron's assertions regarding its income, assets, debt and shareholders' equity for 1997, 1998, 1999 and 2000.

Arthur Andersen's Audit Procedures with Respect to Enron's Failure to Consolidate Its Non-qualifying SPEs Did Not Conform with GAAS

135. As one of the largest audit firms in the world, Arthur Andersen was well aware of the strategies, methods and procedures required by GAAS to conduct a proper audit. Also, Arthur Andersen knew of the audit risks inherent at Enron and in the industries in which Enron operated because of the comprehensive services it provided to Enron over the years and its experience with many other clients. Arthur Andersen's intentional failure to comply with GAAS and Arthur Andersen's performance on the Enron audits rose to the level of deliberate recklessness, as the following paragraphs demonstrate.

136. The Chewco, JEDI and LJM1 and LJM2 relationships were transactions which Arthur Andersen was required to carefully evaluate. Pursuant to AU §334.09:

.09 After identifying related party transactions, the auditor should apply the procedures he considers necessary to obtain satisfaction concerning the purpose, nature, and extent of these transactions and their effect on the financial statements. The procedures should be directed toward obtaining and evaluating sufficient competent evidential matter and should extend beyond inquiry of management. Procedures that should be considered include the following:

- a. Obtain an understanding of the business purpose of the transaction.²
- b. Examine invoices, executed copies of agreements, contracts, and other pertinent documents, such as receiving reports and shipping documents.
- c. Determine whether the transaction has been approved by the board of directors or other appropriate officials.

² Until the auditor understands the business sense of material transactions, he cannot complete his audit. If he lacks sufficient specialized knowledge to understand a particular transaction, he should consult with persons who do have the requisite knowledge.

- d. Test for reasonableness the compilation of amounts to be disclosed, or considered for disclosure, in the financial statements.
- e. Arrange for the audits of intercompany account balances to be performed as of concurrent dates, even if the fiscal years differ, and for the examination of specified, important, and representative related party transactions by the auditors for each of the parties, with appropriate exchange of relevant information.
- f. Inspect or confirm and obtain satisfaction concerning the transferability and value of collateral.

137. Arthur Andersen ignored the guidance in this professional literature, which required that Arthur Andersen understand the transactions and the business purpose for the transactions and insist that Enron make adequate disclosure and proper accounting for the transactions. Arthur Andersen knew that:

- Employees and officers of Enron had interests in and control over certain of the SPEs.
- Enron had a note receivable received in exchange for stock issued in 2000.
- Enron had extremely close ties to the SPEs, which SPEs had huge liabilities that Arthur Andersen knew did not show up on Enron's balance sheet.

138. Arthur Andersen abandoned its role as independent auditor by turning a blind eye to each of the above indications of improper accounting, including the failure to consolidate, failure of Enron to make \$51 million in proposed adjustments in 1997, and failure to adequately disclose the nature of transactions with subsidiaries. Despite this knowledge, Arthur Andersen did not insist upon adjustments to Enron's audited financial statements. Pursuant to GAAS, Arthur Andersen should have issued a qualified or adverse report, or it should have insisted that Enron comply with GAAP.

139. As *The Wall Street Journal* noted on November 5, 2001:

Questions could well turn to whether Andersen fulfilled its obligation to protect investors' interests. And an important focus is likely to be whether Andersen should have required Enron to better explain its dealings with partnerships run by former Chief Financial Officer Andrew S. Fastow before agreeing to bless the company's financial statements.

* * *

For its part, Enron – which is hardly the only large energy company with complex partnership dealings – maintains its off-balance-sheet transactions were legal and properly disclosed. "They comply with reporting requirements," says Enron spokesman Karen Denne, adding that Andersen was aware of the transactions and reviewed them.

140. Arthur Andersen also permitted Enron to improperly account for notes received for stock issued, which manipulation is described in ¶¶115-116. According to the SEC's former Chief Accountant, Arthur Andersen ignored a basic accounting rule on this issue. A November 12, 2001 *Bloomberg* article stated:

Lynn Turner, who was the SEC's chief accountant for three years until he resigned in August, said Enron and Andersen ignored a basic accounting rule when they overstated shareholder's equity.

Explaining the equity reduction last week, Enron said it had given common stock to companies created by Enron's former chief financial officer in exchange for notes receivable, and then improperly increased shareholder equity on its balance sheet by the value of the notes.

"Basic Accounting"

"What we teach in college is that you don't record equity until you get cash for it, and a note is not cash," said Turner, who is now director of the Center for Quality Financial Reporting at Colorado State University. "It's a mystery how both the company would violate, and the auditors would miss, such a basic accounting rule, when the number is one billion dollars."

141. Enron has now stated it intends to restate its financial statements for 1997 through 2000, and the audit reports covering the year-end financial statements for 1997 through 2000 "should not be relied upon." Unfortunately for the thousands of investors who had already relied upon Arthur Andersen's reports, this warning came years too late, after they had lost billions of dollars based on admittedly false financial statements.

142. Arthur Andersen also was required to evaluate and report on Enron's ability to continue as a going concern. According to GAAS, as set forth in AU §341.02:

.02 The auditor has a responsibility to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited (hereinafter referred to as *a reasonable period of time*). The auditor's evaluation is based on his knowledge of relevant conditions and events that exist at or have occurred prior to the completion of fieldwork. Information about such conditions or events is obtained from the application of auditing procedures planned and performed to achieve audit objectives that are related to management's assertions embodied in the financial statements being audited, as described in section 326, *Evidential Matter*.

(Emphasis in original.)

143. In fact, due to undisclosed debt in partnerships (which Arthur Andersen knew about), Enron was not a going concern. Once the previously undisclosed debt was revealed in defendants

announcement of its restatement on November 8, 2001, Enron's solvency was immediately in question and, within three and a half weeks the Company had filed for bankruptcy.

144. Due to Arthur Andersen's false statements and failure to identify and modify its reports to identify Enron's false financial reporting, Arthur Andersen violated the following GAAS standards:

(a) The first general standard is that the audit should be performed by persons having adequate technical training and proficiency as auditors.

(b) The second general standard is that the auditors should maintain an independence in mental attitude in all matters relating to the engagement.

(c) The third general standard is that due professional care is to be exercised in the performance of the audit and preparation of the report.

(d) The first standard of field work is that the audit is to be adequately planned and that assistants should be properly supervised.

(e) The second standard of field work is that the auditor should obtain a sufficient understanding of internal controls so as to plan the audit and determine the nature, timing and extent of tests to be performed.

(f) The third standard of field work is that sufficient, competent, evidential matter is to be obtained to afford a reasonable basis for an opinion on the financial statements under audit.

(g) The first standard of reporting is that the report state whether the financial statements are presented in accordance with GAAP.

(h) The second standard of reporting is that the report shall identify circumstances in which GAAP has not been consistently observed.

(i) The third standard of reporting is that informative disclosures are regarded as reasonably adequate unless otherwise stated in the report.

(j) The fourth standard of reporting is that the report shall contain an expression of opinion or the reasons why an opinion cannot be expressed.

THE INDIVIDUAL DEFENDANTS' SCIENTER

145. As alleged herein, the Individual Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading, that such statements or documents would be issued or disseminated to the investing public, and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Enron, their control over, and/or receipt and/or modification of Enron's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Enron, participated in the fraudulent scheme alleged herein.

146. Defendants' scienter is further evidenced by the large amount of insider selling. The defendants sold the following amounts of stock:

INSIDER	SHARES SOLD	PROCEEDS
Baxter	577,436	\$35,200,808
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
Belfer	1,052,138	\$51,080,967
Blake	21,200	\$1,705,328
Chan	8,000	\$337,200
Duncan	35,000	\$2,009,700
Gramm	10,256	\$276,912

INSIDER	SHARES SOLD	PROCEEDS
Jaedicke	13,360	\$841,438
LeMaistre	17,344	\$841,768
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	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
Pai	5,031,105	\$353,712,438
Sutton	<u>614,960</u>	<u>\$40,093,346</u>
TOTAL:	17,344,584	\$1,102,544,671

147. The details of defendants' insider sales are as follows:

Name	Date	Price	Shares Sold	Proceeds
BAXTER	01/04/1999	\$28.970	2,000	\$57,940
	01/04/1999	\$28.970	8,000	\$231,760
	01/04/1999	\$28.900	5,464	\$157,910
	01/04/1999	\$29.060	10,000	\$290,600
	02/04/1999	\$31.340	262	\$8,211
	02/04/1999	\$31.250	32,120	\$1,003,750
	02/24/1999	\$32.610	5,814	\$189,595
	02/24/1999	\$32.610	25,000	\$815,250
	12/30/1999	\$43.420	45,844	\$1,990,546
	12/30/1999	\$43.420	25,000	\$1,085,500
	12/30/1999	\$43.420	2,064	\$89,619
	01/25/2000	\$64.000	5,814	\$372,096
	01/25/2000	\$64.000	37,194	\$2,380,416
	01/25/2000	\$64.000	7,000	\$448,000
	01/25/2000	\$64.000	11,778	\$753,792
	01/31/2000	\$60.190	50,837	\$3,059,879
	01/31/2000	\$60.190	31,250	\$1,880,938
	01/31/2000	\$60.190	51,966	\$3,127,834
	03/22/2000	\$75.000	12,500	\$937,500
	07/11/2000	\$70.820	2,064	\$146,172

Name	Date	Price	Shares Sold	Proceeds
	10/31/2000	\$79.320	31,250	\$2,478,750
	01/02/2001	\$81.310	45,844	\$3,727,576
	01/02/2001	\$81.310	25,000	\$2,032,750
	01/02/2001	\$81.310	37,194	\$3,024,244
	01/11/2001	\$69.440	36,989	\$2,568,516
	01/29/2001	\$80.530	12,500	\$1,006,625
	01/31/2001	\$80.000	<u>16,688</u>	<u>\$1,335,040</u>
TOTAL:			577,436	\$35,200,808
BELFER	02/25/1999	\$33.190	6,000	\$199,140
	03/10/1999	\$68.750	3,000	\$206,250
	03/11/1999	\$71.000	1,000	\$71,000
	09/02/1999	\$40.188	360,003	\$14,467,810
	11/04/1999	\$39.700	57,000	\$2,262,900
	11/08/1999	\$38.340	25,800	\$989,172
	11/08/1999	\$38.900	17,200	\$669,080
	11/11/1999	\$41.900	50,000	\$2,095,000
	01/20/2000	\$56.760	8,000	\$454,080
	03/01/2000	\$69.330	3,000	\$207,990
	03/06/2000	\$70.200	6,000	\$421,200
	03/07/2000	\$71.500	3,000	\$214,500
	03/20/2000	\$71.000	1,500	\$106,500
	03/23/2000	\$73.690	19,500	\$1,436,955
	05/02/2000	\$75.750	15,000	\$1,136,250
	05/11/2000	\$76.000	5,000	\$380,000
	05/11/2000	\$77.000	10,000	\$770,000
	05/15/2000	\$77.170	9,000	\$694,530
	05/16/2000	\$77.890	4,500	\$350,505
	08/30/2000	\$84.860	5,461	\$463,420
	09/18/2000	\$89.060	10,800	\$961,848
	11/06/2000	\$80.460	16,449	\$1,323,487
	02/14/2001	\$80.990	1,000	\$80,990
	02/26/2001	\$71.000	3,000	\$213,000
	03/09/2001	\$68.840	151,674	\$10,441,219
	05/23/2001	\$55.350	50,021	\$2,768,658
	07/27/2001	\$46.040	100,015	\$4,604,670
	09/21/2001	\$28.300	<u>109,216</u>	<u>\$3,090,813</u>
TOTAL:			1,052,138	\$51,080,967
BLAKE	10/31/2000	\$80.440	3,600	\$289,584
	10/31/2000	\$80.440	4,720	\$379,677
	10/31/2000	\$80.440	3,840	\$308,890
	10/31/2000	\$80.440	5,120	\$411,853
	10/31/2000	\$80.440	<u>3,920</u>	<u>\$315,325</u>
TOTAL:			21,200	\$1,705,328
BUY	01/02/2001	\$81.900	228	\$18,673
	01/02/2001	\$81.900	11,320	\$927,108
	01/02/2001	\$81.900	15,280	\$1,251,432
	01/02/2001	\$81.900	566	\$46,355
	01/02/2001	\$81.900	5,715	\$468,059
	01/26/2001	\$82.000	7,511	\$615,902
	03/05/2001	\$70.000	1,433	\$100,310
	03/05/2001	\$70.000	<u>12,821</u>	<u>\$897,470</u>

Name	Date	Price	Shares Sold	Proceeds
TOTAL:			54,874	\$4,325,309
CAUSEY	03/04/1999	\$32.560	4,256	\$138,575
	03/04/1999	\$32.560	18,464	\$601,188
	03/04/1999	\$65.130	4,190	\$272,895
	03/04/1999	\$32.560	30,526	\$993,927
	03/04/1999	\$65.130	6,000	\$390,780
	01/21/2000	\$71.000	2,128	\$151,088
	01/21/2000	\$71.000	9,232	\$655,472
	01/21/2000	\$71.000	3,600	\$255,600
	01/21/2000	\$71.000	5,040	\$357,840
	01/21/2000	\$72.000	25,000	\$1,800,000
	05/02/2000	\$75.080	7,814	\$586,675
	09/28/2000	\$87.890	7,000	\$615,230
	09/28/2000	\$87.890	15,592	\$1,370,381
	09/28/2000	\$87.890	2,128	\$187,030
	09/28/2000	\$87.890	21,155	\$1,859,313
	09/28/2000	\$87.890	10,174	\$894,193
	09/28/2000	\$87.890	19,656	\$1,727,566
	09/28/2000	\$87.890	5,048	\$443,669
	05/14/2001	\$58.760	482	\$28,322
TOTAL:			197,485	\$13,329,743
CHAN	07/26/1999	\$42.150	8,000	\$337,200
TOTAL:			8,000	\$337,200
DERRICK	02/05/1999	\$31.000	18,470	\$572,570
	01/24/2000	\$65.250	10,710	\$698,828
	01/25/2000	\$64.000	10,710	\$685,440
	12/28/2000	\$86.000	30,770	\$2,646,220
	06/06/2001	\$53.200	10,000	\$532,000
	06/07/2001	\$50.920	60,000	\$3,055,200
	06/11/2001	\$50.880	18,000	\$915,840
	06/12/2001	\$50.560	18,000	\$910,080
	06/13/2001	\$50.590	18,000	\$910,620
	06/14/2001	\$49.000	18,000	\$882,000
	06/15/2001	\$47.080	18,000	\$847,440
TOTAL:			230,660	\$12,656,238
DUNCAN	05/09/2001	\$57.420	35,000	\$2,009,700
TOTAL:			35,000	\$2,009,700
FASTOW	01/08/1999	\$32.000	32,578	\$1,042,496
	01/08/1999	\$32.000	60,000	\$1,920,000
	03/18/1999	\$69.110	22,022	\$1,521,940
	04/30/1999	\$37.010	62,500	\$2,313,125
	04/30/1999	\$37.010	8,720	\$322,727
	04/30/1999	\$37.010	3,690	\$136,567
	04/30/1999	\$37.010	46,492	\$1,720,669
	04/30/1999	\$37.010	29,116	\$1,077,583
	04/30/1999	\$37.010	29,500	\$1,091,795
	04/30/1999	\$37.010	31,688	\$1,172,773
	03/27/2000	\$75.520	26,254	\$1,982,702
	03/27/2000	\$75.520	10,174	\$768,340

Name	Date	Price	Shares Sold	Proceeds
	03/27/2000	\$75.520	10,500	\$792,960
	03/27/2000	\$75.520	5,048	\$381,225
	03/27/2000	\$75.520	45,844	\$3,462,139
	03/27/2000	\$75.520	2,180	\$164,634
	05/17/2000	\$75.500	4,996	\$377,198
	05/17/2000	\$75.500	31,547	\$2,381,799
	05/17/2000	\$75.500	46,494	\$3,510,297
	11/01/2000	\$83.000	24,196	\$2,008,268
	11/07/2000	\$83.000	<u>27,884</u>	<u>\$2,314,372</u>
TOTAL:			561,423	\$30,463,609
FOY	02/25/1999	\$33.560	15,360	\$515,482
	03/18/1999	\$69.010	2,960	\$204,270
	03/18/1999	\$69.010	1,960	\$135,260
	03/18/1999	\$69.010	1,920	\$132,499
	01/21/2000	\$71.500	3,072	\$219,648
	01/21/2000	\$71.500	3,600	\$257,400
	01/21/2000	\$71.500	<u>2,448</u>	<u>\$175,032</u>
TOTAL:			31,320	\$1,639,590
FREVERT	01/04/1999	\$29.150	40,850	\$1,190,778
	01/04/1999	\$29.150	15,120	\$440,748
	01/08/1999	\$31.510	40,000	\$1,260,400
	04/30/1999	\$37.000	57,940	\$2,143,780
	04/30/1999	\$37.000	12,060	\$446,220
	04/30/1999	\$37.000	80,000	\$2,960,000
	04/30/1999	\$37.620	100,000	\$3,762,000
	01/20/2000	\$65.500	60,000	\$3,930,000
	01/21/2000	\$72.500	30,000	\$2,175,000
	05/11/2000	\$78.010	378	\$29,488
	05/11/2000	\$78.010	43,708	\$3,409,661
	05/11/2000	\$78.010	52,512	\$4,096,461
	09/11/2000	\$86.010	60,000	\$5,160,600
	09/12/2000	\$86.040	60,000	\$5,162,400
	12/18/2000	\$79.020	76,292	\$6,028,594
	12/18/2000	\$79.020	23,708	\$1,873,406
	12/19/2000	\$79.980	34,552	\$2,763,469
	12/20/2000	\$79.000	<u>43,500</u>	<u>\$3,436,500</u>
TOTAL:			830,620	\$50,269,504
GRAMM	11/03/1998	\$27.000	2,880	\$77,760
	11/03/1998	\$27.000	2,800	\$75,600
	11/03/1998	\$27.000	640	\$17,280
	11/03/1998	\$27.000	1,632	\$44,064
	11/03/1998	\$27.000	<u>2,304</u>	<u>\$62,208</u>
TOTAL:			10,256	\$276,912
HARRISON	02/24/1999	\$33.960	54,000	\$1,833,840
	04/30/1999	\$37.500	100,000	\$3,750,000
	05/02/2000	\$74.070	14,860	\$1,100,680
	05/02/2000	\$74.070	28,640	\$2,121,365
	05/02/2000	\$76.070	189,830	\$14,440,368
	05/02/2000	\$76.070	10,170	\$773,632
	05/02/2000	\$74.070	56,500	\$4,184,955

Name	Date	Price	Shares Sold	Proceeds
	05/11/2000	\$78.000	50,170	\$3,913,260
	05/12/2000	\$78.000	15,000	\$1,170,000
	05/15/2000	\$78.130	20,000	\$1,562,600
	05/16/2000	\$78.170	65,000	\$5,081,050
	08/28/2000	\$86.690	32,000	\$2,774,080
	08/29/2000	\$86.880	30,740	\$2,670,691
	08/29/2000	\$87.200	68,000	\$5,929,600
	08/29/2000	\$86.880	29,260	\$2,542,109
	09/01/2000	\$86.910	40,000	\$3,476,400
	09/18/2000	\$89.440	33,410	\$2,988,190
	09/18/2000	\$89.440	66,590	\$5,955,810
	09/18/2000	\$89.430	<u>100,000</u>	<u>\$8,943,000</u>
TOTAL:			1,004,170	\$75,211,630
HIRKO				
	02/18/2000	\$69.390	20,000	\$1,387,800
	02/18/2000	\$69.390	15,390	\$1,067,912
	02/18/2000	\$69.390	4,907	\$340,497
	02/18/2000	\$69.390	5,430	\$376,788
	02/18/2000	\$69.390	30,000	\$2,081,700
	02/18/2000	\$69.390	17,460	\$1,211,549
	04/20/2000	\$70.700	130,650	\$9,236,955
	05/11/2000	\$78.050	192,000	\$14,985,600
	05/12/2000	\$77.240	<u>58,000</u>	<u>\$4,479,920</u>
TOTAL:			473,837	\$35,168,721
HORTON				
	01/07/1999	\$29.970	38,900	\$1,165,833
	03/18/1999	\$68.640	24,000	\$1,647,360
	04/29/1999	\$36.040	33,340	\$1,201,574
	04/29/1999	\$36.040	17,608	\$634,592
	06/11/1999	\$40.470	540	\$21,854
	06/11/1999	\$40.000	32,290	\$1,291,600
	07/21/1999	\$42.690	40,000	\$1,707,600
	11/10/1999	\$39.560	50,000	\$1,978,000
	12/20/1999	\$41.000	4,402	\$180,482
	12/20/1999	\$41.000	25,000	\$1,025,000
	01/24/2000	\$67.010	70,000	\$4,690,700
	03/07/2000	\$70.010	10,000	\$700,100
	03/07/2000	\$70.010	30,000	\$2,100,300
	03/28/2000	\$75.200	25,000	\$1,880,000
	04/25/2000	\$73.780	25,000	\$1,844,500
	05/09/2000	\$74.460	40,000	\$2,978,400
	08/24/2000	\$85.750	54,100	\$4,639,075
	08/25/2000	\$85.890	20,000	\$1,717,800
	08/28/2000	\$86.030	20,900	\$1,798,027
	09/14/2000	\$86.940	20,000	\$1,738,800
	09/28/2000	\$88.630	20,002	\$1,772,777
	12/27/2000	\$80.960	25,000	\$2,024,000
	01/29/2001	\$80.510	25,000	\$2,012,750
	03/07/2001	\$69.710	13,334	\$929,513
	05/14/2001	\$58.600	20,028	\$1,173,641
	06/01/2001	\$52.360	<u>50,000</u>	<u>\$2,618,000</u>
TOTAL:			734,444	\$45,472,278
JAEDICKE				
	02/24/2000	\$65.940	5,360	\$353,438

Name	Date	Price	Shares Sold	Proceeds
	05/02/2001	\$61.000	<u>8,000</u>	<u>\$488,000</u>
TOTAL:			13,360	\$841,438
KEAN	05/10/2000	\$74.440	4,560	\$339,446
	01/31/2001	\$79.840	17,450	\$1,393,208
	01/31/2001	\$80.000	<u>42,922</u>	<u>\$3,433,760</u>
TOTAL:			64,932	\$5,166,414
KOENIG	01/25/2000	\$61.600	21,880	\$1,347,808
	01/25/2000	\$61.600	23,260	\$1,432,816
	01/25/2000	\$61.600	2,358	\$145,253
	03/23/2000	\$74.250	10,050	\$746,213
	03/23/2000	\$74.250	11,630	\$863,528
	08/24/2000	\$86.420	18,462	\$1,595,486
	08/24/2000	\$86.420	2,873	\$248,285
	08/24/2000	\$86.420	15,212	\$1,314,621
	08/24/2000	\$86.420	1,838	\$158,840
	05/03/2001	\$58.250	7,606	\$443,050
	05/03/2001	\$58.250	1,725	\$100,481
	05/03/2001	\$58.250	6,154	\$358,471
	05/03/2001	\$58.250	2,873	\$167,352
	05/03/2001	\$58.250	<u>3,232</u>	<u>\$188,264</u>
TOTAL:			129,153	\$9,110,466
LAY	02/22/1999	\$31.770	100,000	\$3,177,000
	02/23/1999	\$32.460	100,000	\$3,246,000
	04/20/1999	\$33.690	100,000	\$3,369,000
	04/29/1999	\$36.640	100,000	\$3,664,000
	05/10/1999	\$37.480	50,000	\$1,874,000
	07/21/1999	\$42.625	50,000	\$2,131,250
	07/21/1999	\$42.600	110,770	\$4,718,802
	09/03/1999	\$40.190	148,991	\$5,987,948
	04/20/2000	\$70.810	35,000	\$2,478,350
	04/26/2000	\$73.060	86,800	\$6,341,608
	05/04/2000	\$74.720	154,300	\$11,529,296
	05/04/2000	\$74.660	50,000	\$3,733,000
	05/08/2000	\$75.700	22,500	\$1,703,250
	08/24/2000	\$85.750	25,000	\$2,143,750
	08/24/2000	\$86.360	50,000	\$4,318,000
	11/01/2000	\$83.130	3,534	\$293,781
	11/01/2000	\$83.190	500	\$41,595
	11/02/2000	\$83.520	3,534	\$295,160
	11/02/2000	\$83.560	500	\$41,780
	11/03/2000	\$81.000	500	\$40,500
	11/03/2000	\$81.000	3,534	\$286,254
	11/06/2000	\$78.250	3,534	\$276,536
	11/06/2000	\$78.370	500	\$39,185
	11/08/2000	\$82.750	3,534	\$292,439
	11/09/2000	\$82.970	3,534	\$293,216
	11/09/2000	\$82.970	500	\$41,485
	11/10/2000	\$82.750	500	\$41,375
	11/13/2000	\$78.250	500	\$39,125
	11/14/2000	\$80.000	3,534	\$282,720
	11/15/2000	\$79.940	500	\$39,970

Name	Date	Price	Shares Sold	Proceeds
	11/15/2000	\$79.940	3,534	\$282,508
	11/16/2000	\$81.630	500	\$40,815
	11/16/2000	\$81.630	3,534	\$288,480
	11/17/2000	\$80.560	3,534	\$284,699
	11/17/2000	\$80.470	500	\$40,235
	11/20/2000	\$81.370	500	\$40,685
	11/20/2000	\$81.370	3,534	\$287,562
	11/21/2000	\$80.750	3,534	\$285,371
	11/21/2000	\$80.750	500	\$40,375
	11/22/2000	\$78.630	3,534	\$277,878
	11/22/2000	\$78.630	500	\$39,315
	11/24/2000	\$77.590	3,534	\$274,203
	11/24/2000	\$77.620	500	\$38,810
	11/27/2000	\$79.310	3,534	\$280,282
	11/27/2000	\$79.340	500	\$39,670
	11/28/2000	\$79.000	3,534	\$279,186
	11/28/2000	\$79.000	500	\$39,500
	11/29/2000	\$77.410	3,534	\$273,567
	11/29/2000	\$77.410	500	\$38,705
	11/30/2000	\$71.000	500	\$35,500
	11/30/2000	\$70.970	3,534	\$250,808
	12/01/2000	\$67.220	3,534	\$237,555
	12/01/2000	\$67.190	500	\$33,595
	12/04/2000	\$67.250	3,534	\$237,662
	12/05/2000	\$67.250	500	\$33,625
	12/06/2000	\$68.690	3,534	\$242,750
	12/06/2000	\$68.690	500	\$34,345
	12/07/2000	\$72.780	3,534	\$257,205
	12/07/2000	\$72.780	500	\$36,390
	12/08/2000	\$71.000	3,534	\$250,914
	12/11/2000	\$74.500	500	\$37,250
	12/11/2000	\$74.500	3,534	\$263,283
	12/12/2000	\$76.030	500	\$38,015
	12/12/2000	\$76.030	3,534	\$268,690
	12/13/2000	\$77.130	500	\$38,565
	12/13/2000	\$77.130	3,534	\$272,577
	12/14/2000	\$75.000	500	\$37,500
	12/14/2000	\$76.500	500	\$38,250
	12/14/2000	\$75.000	3,534	\$265,050
	12/15/2000	\$77.250	3,534	\$273,002
	12/15/2000	\$77.280	500	\$38,640
	12/18/2000	\$78.500	3,534	\$277,419
	12/18/2000	\$78.500	500	\$39,250
	12/19/2000	\$80.030	500	\$40,015
	12/19/2000	\$79.750	500	\$39,875
	12/21/2000	\$79.030	500	\$39,515
	12/21/2000	\$79.030	3,534	\$279,292
	12/22/2000	\$79.470	3,534	\$280,847
	12/22/2000	\$79.470	500	\$39,735
	12/22/2000	\$81.190	500	\$40,595
	12/26/2000	\$82.380	500	\$41,190
	12/26/2000	\$82.380	3,534	\$291,131
	12/27/2000	\$83.000	3,534	\$293,322
	12/27/2000	\$83.000	500	\$41,500

Name	Date	Price	Shares Sold	Proceeds
	12/28/2000	\$85.940	3,534	\$303,712
	12/28/2000	\$82.940	500	\$41,470
	12/29/2000	\$84.060	500	\$42,030
	12/29/2000	\$84.060	3,534	\$297,068
	01/03/2001	\$77.940	500	\$38,970
	01/03/2001	\$77.940	3,534	\$275,440
	01/04/2001	\$72.250	3,534	\$255,332
	01/04/2001	\$72.250	500	\$36,125
	01/05/2001	\$72.190	500	\$36,095
	01/05/2001	\$72.190	3,534	\$255,119
	01/08/2001	\$71.530	500	\$35,765
	01/08/2001	\$71.660	3,534	\$253,246
	01/09/2001	\$70.630	3,534	\$249,606
	01/09/2001	\$70.530	500	\$35,265
	01/10/2001	\$68.750	500	\$34,375
	01/11/2001	\$69.090	3,534	\$244,164
	01/11/2001	\$69.090	500	\$34,545
	01/12/2001	\$69.500	3,534	\$245,613
	01/12/2001	\$69.500	500	\$34,750
	01/16/2001	\$68.280	3,534	\$241,302
	01/16/2001	\$69.280	500	\$34,640
	01/17/2001	\$68.750	3,534	\$242,963
	01/18/2001	\$71.560	3,534	\$252,893
	01/18/2001	\$71.560	500	\$35,780
	01/19/2001	\$70.240	2,020	\$141,885
	01/19/2001	\$71.060	1,514	\$107,585
	01/22/2001	\$73.380	3,534	\$259,325
	01/22/2001	\$73.380	500	\$36,690
	01/23/2001	\$77.160	3,534	\$272,683
	01/24/2001	\$80.250	3,534	\$283,604
	01/24/2001	\$80.250	500	\$40,125
	01/25/2001	\$80.410	500	\$40,205
	01/25/2001	\$80.410	3,534	\$284,169
	01/26/2001	\$82.000	3,534	\$289,788
	01/30/2001	\$79.980	3,534	\$282,649
	01/30/2001	\$80.000	500	\$40,000
	01/31/2001	\$79.880	3,534	\$282,296
	01/31/2001	\$79.880	500	\$39,940
	02/01/2001	\$78.830	2,500	\$197,075
	02/01/2001	\$79.060	500	\$39,530
	02/02/2001	\$78.770	2,500	\$196,925
	02/02/2001	\$78.770	500	\$39,385
	02/05/2001	\$80.490	2,500	\$201,225
	02/05/2001	\$80.490	500	\$40,245
	02/06/2001	\$80.780	500	\$40,390
	02/06/2001	\$80.810	2,500	\$202,025
	02/07/2001	\$80.390	24,690	\$1,984,829
	02/07/2001	\$80.400	500	\$40,200
	02/07/2001	\$80.000	40	\$3,200
	02/08/2001	\$80.380	2,500	\$200,950
	02/08/2001	\$80.380	500	\$40,190
	02/09/2001	\$80.770	2,500	\$201,925
	02/09/2001	\$80.690	500	\$40,345
	02/12/2001	\$79.980	500	\$39,990

Name	Date	Price	Shares Sold	Proceeds
	02/12/2001	\$79.980	2,500	\$199,950
	02/13/2001	\$79.960	2,500	\$199,900
	02/13/2001	\$79.760	500	\$39,880
	02/14/2001	\$80.720	2,500	\$201,800
	02/14/2001	\$80.720	500	\$40,360
	02/15/2001	\$77.600	2,500	\$194,000
	02/16/2001	\$76.360	2,500	\$190,900
	02/16/2001	\$76.360	500	\$38,180
	02/20/2001	\$76.280	2,500	\$190,700
	02/20/2001	\$76.280	500	\$38,140
	02/21/2001	\$74.930	500	\$37,465
	02/21/2001	\$74.850	2,500	\$187,125
	02/22/2001	\$72.580	2,500	\$181,450
	02/22/2001	\$72.570	500	\$36,285
	02/23/2001	\$71.060	2,500	\$177,650
	02/23/2001	\$71.080	500	\$35,540
	02/26/2001	\$70.370	500	\$35,185
	02/26/2001	\$70.370	2,500	\$175,925
	02/27/2001	\$70.360	2,500	\$175,900
	02/27/2001	\$70.360	500	\$35,180
	02/28/2001	\$69.500	2,500	\$173,750
	03/01/2001	\$67.780	500	\$33,890
	03/01/2001	\$67.780	2,500	\$169,450
	03/02/2001	\$68.990	500	\$34,495
	03/02/2001	\$69.000	2,500	\$172,500
	03/05/2001	\$70.480	2,500	\$176,200
	03/05/2001	\$70.480	500	\$35,240
	03/06/2001	\$69.860	2,500	\$174,650
	03/06/2001	\$69.860	500	\$34,930
	03/07/2001	\$69.300	500	\$34,650
	03/07/2001	\$69.300	2,500	\$173,250
	03/08/2001	\$70.400	2,500	\$176,000
	03/08/2001	\$70.400	500	\$35,200
	03/09/2001	\$69.870	500	\$34,935
	03/09/2001	\$69.650	2,500	\$174,125
	03/12/2001	\$64.920	2,500	\$162,300
	03/12/2001	\$64.920	500	\$32,460
	03/13/2001	\$61.750	2,500	\$154,375
	03/13/2001	\$61.750	500	\$30,875
	03/14/2001	\$61.430	500	\$30,715
	03/14/2001	\$61.430	2,500	\$153,575
	03/15/2001	\$64.630	2,500	\$161,575
	03/16/2001	\$65.500	500	\$32,750
	03/16/2001	\$65.500	2,500	\$163,750
	03/19/2001	\$62.290	500	\$31,145
	03/19/2001	\$62.270	2,500	\$155,675
	03/20/2001	\$62.280	2,500	\$155,700
	03/20/2001	\$62.300	500	\$31,150
	03/21/2001	\$59.570	2,500	\$148,925
	03/21/2001	\$59.660	500	\$29,830
	03/22/2001	\$53.930	2,500	\$134,825
	03/23/2001	\$57.720	2,500	\$144,300
	03/26/2001	\$61.320	2,500	\$153,300
	03/27/2001	\$60.500	2,500	\$151,250

Name	Date	Price	Shares Sold	Proceeds
	03/27/2001	\$60.510	500	\$30,255
	03/28/2001	\$58.870	500	\$29,435
	03/28/2001	\$58.830	2,500	\$147,075
	03/29/2001	\$56.800	900	\$51,120
	03/29/2001	\$56.800	2,500	\$142,000
	03/30/2001	\$56.620	2,500	\$141,550
	03/30/2001	\$59.000	500	\$29,500
	04/02/2001	\$57.500	2,500	\$143,750
	04/02/2001	\$57.500	500	\$28,750
	04/03/2001	\$55.900	2,500	\$139,750
	04/04/2001	\$54.050	500	\$27,025
	04/04/2001	\$54.110	2,500	\$135,275
	04/05/2001	\$54.880	2,500	\$137,200
	04/06/2001	\$54.750	2,500	\$136,875
	04/09/2001	\$54.530	2,500	\$136,325
	04/09/2001	\$54.520	500	\$27,260
	04/10/2001	\$58.310	2,008	\$117,086
	04/10/2001	\$57.200	492	\$28,142
	04/11/2001	\$59.690	2,500	\$149,225
	04/11/2001	\$59.700	500	\$29,850
	04/12/2001	\$57.400	2,500	\$143,500
	04/16/2001	\$58.240	2,500	\$145,600
	04/17/2001	\$60.750	2,500	\$151,875
	04/18/2001	\$61.570	2,500	\$153,925
	04/18/2001	\$61.640	500	\$30,820
	04/19/2001	\$61.320	500	\$30,660
	04/20/2001	\$60.830	500	\$30,415
	04/20/2001	\$60.870	2,500	\$152,175
	04/23/2001	\$60.940	2,500	\$152,350
	04/24/2001	\$62.180	2,500	\$155,450
	04/25/2001	\$62.040	500	\$31,020
	04/25/2001	\$62.060	2,500	\$155,150
	04/26/2001	\$63.210	2,500	\$158,025
	04/27/2001	\$62.980	2,500	\$157,450
	04/30/2001	\$63.110	500	\$31,555
	04/30/2001	\$63.350	2,500	\$158,375
	05/01/2001	\$63.070	1,000	\$63,070
	05/01/2001	\$63.120	2,500	\$157,800
	05/02/2001	\$61.780	1,000	\$61,780
	05/02/2001	\$61.770	2,500	\$154,425
	05/03/2001	\$58.790	2,500	\$146,975
	05/03/2001	\$58.730	1,000	\$58,730
	05/04/2001	\$58.860	1,000	\$58,860
	05/04/2001	\$58.860	2,500	\$147,150
	05/07/2001	\$58.680	1,000	\$58,680
	05/07/2001	\$58.670	1,000	\$58,670
	05/07/2001	\$58.670	2,500	\$146,675
	05/08/2001	\$57.000	1,000	\$57,000
	05/08/2001	\$57.000	2,500	\$142,500
	05/09/2001	\$57.210	2,500	\$143,025
	05/09/2001	\$57.130	1,000	\$57,130
	05/10/2001	\$58.350	1,000	\$58,350
	05/10/2001	\$58.350	2,500	\$145,875
	05/11/2001	\$57.540	2,500	\$143,850

Name	Date	Price	Shares Sold	Proceeds
	05/11/2001	\$57.530	1,000	\$57,530
	05/14/2001	\$58.520	2,500	\$146,300
	05/14/2001	\$58.550	1,000	\$58,550
	05/15/2001	\$58.080	1,000	\$58,080
	05/15/2001	\$58.080	2,500	\$145,200
	05/16/2001	\$57.250	1,000	\$57,250
	05/16/2001	\$57.250	2,500	\$143,125
	05/17/2001	\$55.020	2,500	\$137,550
	05/17/2001	\$55.050	1,000	\$55,050
	05/18/2001	\$53.750	1,000	\$53,750
	05/18/2001	\$53.750	2,500	\$134,375
	05/21/2001	\$55.160	2,500	\$137,900
	05/21/2001	\$55.160	1,000	\$55,160
	05/22/2001	\$55.060	1,000	\$55,060
	05/22/2001	\$55.060	2,500	\$137,650
	05/23/2001	\$55.670	1,000	\$55,670
	05/23/2001	\$55.680	2,500	\$139,200
	05/24/2001	\$55.110	1,000	\$55,110
	05/24/2001	\$55.110	2,500	\$137,775
	05/25/2001	\$53.810	1,000	\$53,810
	05/25/2001	\$53.810	2,500	\$134,525
	05/29/2001	\$53.410	2,500	\$133,525
	05/29/2001	\$53.410	1,000	\$53,410
	05/30/2001	\$52.950	2,500	\$132,375
	05/30/2001	\$52.950	1,000	\$52,950
	05/31/2001	\$53.030	2,500	\$132,575
	05/31/2001	\$53.030	1,000	\$53,030
	06/01/2001	\$52.660	1,000	\$52,660
	06/01/2001	\$52.660	2,500	\$131,650
	06/04/2001	\$53.880	1,000	\$53,880
	06/04/2001	\$53.880	2,500	\$134,700
	06/05/2001	\$54.080	1,000	\$54,080
	06/05/2001	\$54.080	2,500	\$135,200
	06/06/2001	\$52.790	2,500	\$131,975
	06/06/2001	\$52.790	1,000	\$52,790
	06/07/2001	\$50.630	1,000	\$50,630
	06/08/2001	\$50.200	2,500	\$125,500
	06/08/2001	\$50.190	1,000	\$50,190
	06/11/2001	\$51.170	2,500	\$127,925
	06/11/2001	\$51.170	1,000	\$51,170
	06/12/2001	\$50.910	1,000	\$50,910
	06/12/2001	\$50.920	2,500	\$127,300
	06/13/2001	\$50.640	1,000	\$50,640
	06/13/2001	\$50.630	2,500	\$126,575
	06/14/2001	\$48.830	1,000	\$48,830
	06/14/2001	\$48.830	2,500	\$122,075
	06/15/2001	\$47.780	2,500	\$119,450
	06/15/2001	\$47.800	1,000	\$47,800
	06/18/2001	\$46.000	2,500	\$115,000
	06/18/2001	\$46.000	1,000	\$46,000
	06/19/2001	\$44.930	1,000	\$44,930
	06/19/2001	\$44.930	2,500	\$112,325
	06/20/2001	\$46.110	2,500	\$115,275
	06/20/2001	\$46.110	1,000	\$46,110

Name	Date	Price	Shares Sold	Proceeds
	06/21/2001	\$45.150	1,000	\$45,150
	06/21/2001	\$45.150	2,500	\$112,875
	06/22/2001	\$44.210	2,500	\$110,525
	06/22/2001	\$44.220	1,000	\$44,220
	06/25/2001	\$44.790	2,500	\$111,975
	06/25/2001	\$44.780	1,000	\$44,780
	06/26/2001	\$43.650	1,000	\$43,650
	06/26/2001	\$43.660	2,500	\$109,150
	06/27/2001	\$45.450	1,000	\$45,450
	06/27/2001	\$45.450	2,500	\$113,625
	06/28/2001	\$47.470	1,000	\$47,470
	06/28/2001	\$47.470	2,500	\$118,675
	06/29/2001	\$49.250	2,500	\$123,125
	06/29/2001	\$49.250	1,000	\$49,250
	07/02/2001	\$48.810	2,500	\$122,025
	07/02/2001	\$48.800	1,000	\$48,800
	07/03/2001	\$48.800	2,500	\$122,000
	07/05/2001	\$49.660	2,500	\$124,150
	07/05/2001	\$49.660	1,000	\$49,660
	07/06/2001	\$50.060	1,000	\$50,060
	07/06/2001	\$50.060	2,500	\$125,150
	07/09/2001	\$49.400	1,000	\$49,400
	07/09/2001	\$49.400	2,500	\$123,500
	07/10/2001	\$49.410	1,000	\$49,410
	07/10/2001	\$49.440	2,500	\$123,600
	07/11/2001	\$49.000	2,500	\$122,500
	07/11/2001	\$49.000	1,000	\$49,000
	07/12/2001	\$49.540	1,000	\$49,540
	07/12/2001	\$49.540	2,500	\$123,850
	07/13/2001	\$49.480	1,000	\$49,480
	07/13/2001	\$49.480	2,500	\$123,700
	07/16/2001	\$49.500	1,000	\$49,500
	07/16/2001	\$49.500	2,500	\$123,750
	07/17/2001	\$49.640	1,000	\$49,640
	07/17/2001	\$49.640	2,500	\$124,100
	07/18/2001	\$49.390	1,000	\$49,390
	07/19/2001	\$48.910	2,500	\$122,275
	07/19/2001	\$48.910	1,000	\$48,910
	07/20/2001	\$48.660	2,500	\$121,650
	07/20/2001	\$48.660	1,000	\$48,660
	07/23/2001	\$47.490	2,500	\$118,725
	07/23/2001	\$47.480	1,000	\$47,480
	07/24/2001	\$44.760	1,000	\$44,760
	07/24/2001	\$44.760	2,500	\$111,900
	07/25/2001	\$43.870	1,000	\$43,870
	07/25/2001	\$43.830	2,500	\$109,575
	07/26/2001	\$45.310	1,000	\$45,310
	07/26/2001	\$45.350	2,500	\$113,375
	07/27/2001	\$46.050	2,500	\$115,125
	07/27/2001	\$46.040	1,000	\$46,040
	07/30/2001	\$46.250	2,500	\$115,625
	07/30/2001	\$46.250	1,000	\$46,250
	07/31/2001	\$45.980	2,500	\$114,950
	07/31/2001	\$45.980	<u>1,000</u>	<u>\$45,980</u>

Name	Date	Price	Shares Sold	Proceeds
TOTAL:			1,810,793	\$101,346,951
LEMAISTRE	01/06/1999	\$29.720	1,984	\$58,964
	12/28/1999	\$42.620	7,360	\$313,683
	05/10/2001	\$58.640	<u>8,000</u>	<u>\$469,120</u>
TOTAL:			17,344	\$841,768
MARK-JUSBASCHE	02/23/1999	\$32.500	144,000	\$4,680,000
	02/23/1999	\$65.000	3,223	\$209,495
	02/23/1999	\$32.500	62,500	\$2,031,250
	02/23/1999	\$65.150	70,000	\$4,560,500
	02/23/1999	\$32.530	41,400	\$1,346,742
	03/22/1999	\$68.820	139,926	\$9,629,707
	03/22/1999	\$68.000	31,250	\$2,125,000
	03/23/1999	\$67.880	37,799	\$2,565,796
	03/23/1999	\$68.240	62,201	\$4,244,596
	03/25/1999	\$68.000	33,334	\$2,266,712
	04/01/1999	\$31.900	2,016	\$64,310
	04/01/1999	\$31.870	26,000	\$828,620
	05/26/1999	\$35.670	233,334	\$8,323,024
	02/18/2000	\$68.910	259,392	\$17,874,703
	02/18/2000	\$68.910	62,500	\$4,306,875
	02/18/2000	\$68.910	24,071	\$1,658,733
	02/18/2000	\$68.910	6,446	\$444,194
	02/18/2000	\$68.910	66,666	\$4,593,954
	05/03/2000	\$74.590	<u>104,204</u>	<u>\$7,772,576</u>
TOTAL:			1,410,262	\$79,526,787
MCCONNELL	03/27/2000	\$76.440	6,978	\$533,398
	03/27/2000	\$76.440	1,734	\$132,547
	03/27/2000	\$76.440	748	\$57,177
	03/27/2000	\$76.440	940	\$71,854
	03/27/2000	\$76.440	1,500	\$114,660
	03/28/2000	\$75.750	<u>19,060</u>	<u>\$1,443,795</u>
TOTAL:			30,960	\$2,353,431
MCCMAHON	03/16/2000	\$69.120	3,828	\$264,591
	03/16/2000	\$69.120	1,148	\$79,350
	03/16/2000	\$69.120	9,692	\$669,911
	03/16/2000	\$69.120	15,280	\$1,056,154
	03/16/2000	\$69.120	4,476	\$309,381
	03/16/2000	\$69.120	<u>5,206</u>	<u>\$359,839</u>
TOTAL:			39,630	\$2,739,226
METTS	11/06/2000	\$81.810	12,822	\$1,048,968
	11/06/2000	\$81.810	13	\$1,064
	11/06/2000	\$81.810	3,206	\$262,283
	11/06/2000	\$81.810	<u>1,670</u>	<u>\$136,623</u>
TOTAL:			17,711	\$1,448,937
OLSON	02/16/2000	\$70.000	4,620	\$323,400
	02/16/2000	\$70.130	340	\$23,844
	02/16/2000	\$70.000	9,380	\$656,600
	08/24/2000	\$86.410	11,630	\$1,004,948

Name	Date	Price	Shares Sold	Proceeds
	08/24/2000	\$86.410	4,750	\$410,448
	12/08/2000	\$72.000	7,698	\$554,256
	12/22/2000	\$80.000	15,385	\$1,230,800
	12/22/2000	\$80.000	6,656	\$532,480
	12/22/2000	\$80.000	2,400	\$192,000
	02/08/2001	\$81.000	13,409	\$1,086,129
	03/08/2001	\$71.000	1,022	\$72,562
	03/08/2001	\$71.000	3,327	\$236,217
	03/08/2001	\$71.000	<u>2,566</u>	<u>\$182,186</u>
TOTAL:			83,183	\$6,505,870

PAI	01/08/1999	\$31.920	49,850	\$1,591,212
	04/19/1999	\$34.720	640	\$22,221
	01/21/2000	\$72.080	18,900	\$1,362,312
	01/21/2000	\$72.080	42,470	\$3,061,238
	01/21/2000	\$72.080	6,400	\$461,312
	01/21/2000	\$72.080	150,170	\$10,824,254
	01/21/2000	\$72.080	82,060	\$5,914,885
	02/25/2000	\$65.040	5,200	\$338,208
	02/25/2000	\$65.040	4,800	\$312,192
	03/07/2000	\$72.020	100,000	\$7,202,000
	03/22/2000	\$74.570	55,820	\$4,162,497
	03/22/2000	\$74.570	1,243,212	\$92,706,319
	03/22/2000	\$74.570	461,468	\$34,411,669
	03/23/2000	\$73.740	298,400	\$22,004,016
	04/20/2000	\$71.500	36,400	\$2,602,600
	04/25/2000	\$72.310	473,600	\$34,246,016
	04/26/2000	\$74.000	20,000	\$1,480,000
	05/02/2000	\$76.000	70,000	\$5,320,000
	05/04/2000	\$75.000	100,000	\$7,500,000
	05/10/2000	\$74.630	300,000	\$22,389,000
	05/11/2000	\$77.740	100,000	\$7,774,000
	05/15/2000	\$77.760	15,868	\$1,233,896
	05/15/2000	\$77.760	84,132	\$6,542,104
	05/16/2000	\$78.170	66,050	\$5,163,129
	05/16/2000	\$77.830	100,000	\$7,783,000
	05/17/2000	\$77.710	33,950	\$2,638,255
	05/17/2000	\$78.080	200,000	\$15,616,000
	05/18/2001	\$54.140	300,000	\$16,242,000
	05/23/2001	\$55.710	90,000	\$5,013,900
	05/24/2001	\$54.030	160,000	\$8,644,800
	05/25/2001	\$53.110	101,472	\$5,389,178
	05/25/2001	\$53.110	198,528	\$10,543,822
	06/06/2001	\$52.280	22,818	\$1,192,925
	06/06/2001	\$52.300	32,811	\$1,716,015
	06/07/2001	\$50.520	<u>6,086</u>	<u>\$307,465</u>
TOTAL:			5,031,105	\$353,712,438

RICE	01/07/1999	\$30.830	52,380	\$1,614,875
	11/09/1999	\$39.080	27,140	\$1,060,631
	02/17/2000	\$70.390	14,722	\$1,036,282
	02/17/2000	\$70.390	38,560	\$2,714,238
	02/17/2000	\$70.390	1,600	\$112,624
	02/17/2000	\$70.390	63,600	\$4,476,804

Name	Date	Price	Shares Sold	Proceeds
	04/19/2000	\$70.490	100,000	\$7,049,000
	08/29/2000	\$86.850	13,920	\$1,208,952
	08/29/2000	\$86.850	50,000	\$4,342,500
	08/29/2000	\$86.850	60,182	\$5,226,807
	12/13/2000	\$76.690	30,000	\$2,300,700
	12/13/2000	\$76.690	70,000	\$5,368,300
	01/03/2001	\$76.000	1,000	\$76,000
	01/03/2001	\$77.620	1,000	\$77,620
	01/03/2001	\$77.000	1,000	\$77,000
	01/04/2001	\$71.130	500	\$35,565
	01/04/2001	\$73.630	500	\$36,815
	01/05/2001	\$71.630	500	\$35,815
	01/05/2001	\$72.880	500	\$36,440
	01/08/2001	\$71.690	500	\$35,845
	01/08/2001	\$71.370	500	\$35,685
	01/09/2001	\$72.120	500	\$36,060
	01/10/2001	\$68.880	500	\$34,440
	01/11/2001	\$69.060	500	\$34,530
	01/12/2001	\$67.810	500	\$33,905
	01/16/2001	\$68.190	500	\$34,095
	01/17/2001	\$69.250	500	\$34,625
	01/18/2001	\$72.000	500	\$36,000
	01/18/2001	\$70.880	500	\$35,440
	01/22/2001	\$73.500	500	\$36,750
	01/22/2001	\$73.250	500	\$36,625
	01/23/2001	\$78.560	500	\$39,280
	01/23/2001	\$77.080	1,500	\$115,620
	01/23/2001	\$77.560	500	\$38,780
	01/24/2001	\$79.440	500	\$39,720
	01/24/2001	\$80.500	2,000	\$161,000
	01/25/2001	\$80.880	500	\$40,440
	01/26/2001	\$81.310	2,000	\$162,620
	01/26/2001	\$82.000	500	\$41,000
	01/29/2001	\$80.320	500	\$40,160
	01/29/2001	\$81.030	2,000	\$162,060
	01/30/2001	\$79.500	500	\$39,750
	01/30/2001	\$80.480	2,000	\$160,960
	02/01/2001	\$77.750	1,500	\$116,625
	02/01/2001	\$78.650	500	\$39,325
	02/02/2001	\$79.550	500	\$39,775
	02/06/2001	\$81.000	2,000	\$162,000
	02/07/2001	\$80.000	2,000	\$160,000
	02/07/2001	\$80.730	500	\$40,365
	02/08/2001	\$80.680	2,500	\$201,700
	02/09/2001	\$80.500	500	\$40,250
	02/09/2001	\$80.800	2,000	\$161,600
	02/12/2001	\$80.300	500	\$40,150
	02/13/2001	\$80.280	500	\$40,140
	02/14/2001	\$81.200	2,000	\$162,400
	02/14/2001	\$80.050	136,300	\$10,910,815
	02/14/2001	\$80.550	2,000	\$161,100
	02/15/2001	\$76.000	500	\$38,000
	02/15/2001	\$76.600	1,500	\$114,900
	02/15/2001	\$76.510	1,500	\$114,765

Name	Date	Price	Shares Sold	Proceeds
	02/16/2001	\$77.000	1,500	\$115,500
	02/16/2001	\$75.910	500	\$37,955
	02/16/2001	\$78.000	1,500	\$117,000
	02/20/2001	\$76.040	1,500	\$114,060
	02/20/2001	\$75.830	500	\$37,915
	02/20/2001	\$75.850	1,500	\$113,775
	02/21/2001	\$74.750	500	\$37,375
	02/21/2001	\$75.390	1,500	\$113,085
	02/21/2001	\$75.000	1,500	\$112,500
	02/22/2001	\$72.650	500	\$36,325
	02/23/2001	\$70.340	500	\$35,170
	02/23/2001	\$71.500	500	\$35,750
	02/26/2001	\$70.570	1,000	\$70,570
	02/27/2001	\$70.340	1,000	\$70,340
	02/28/2001	\$69.150	500	\$34,575
	03/01/2001	\$68.000	500	\$34,000
	03/02/2001	\$69.510	500	\$34,755
	03/05/2001	\$70.900	500	\$35,450
	03/05/2001	\$70.010	500	\$35,005
	03/06/2001	\$70.430	500	\$35,215
	03/06/2001	\$69.140	500	\$34,570
	03/07/2001	\$70.000	500	\$35,000
	03/07/2001	\$69.580	500	\$34,790
	03/08/2001	\$70.250	500	\$35,125
	03/08/2001	\$70.150	500	\$35,075
	03/09/2001	\$70.590	500	\$35,295
	03/12/2001	\$65.100	500	\$32,550
	03/13/2001	\$60.750	500	\$30,375
	03/14/2001	\$61.370	500	\$30,685
	03/15/2001	\$64.630	500	\$32,315
	03/16/2001	\$65.140	500	\$32,570
	03/19/2001	\$62.110	500	\$31,055
	03/20/2001	\$62.100	500	\$31,050
	03/22/2001	\$53.930	500	\$26,965
	03/23/2001	\$57.730	500	\$28,865
	03/29/2001	\$56.800	500	\$28,400
	03/30/2001	\$56.610	500	\$28,305
	04/03/2001	\$55.900	500	\$27,950
	04/04/2001	\$54.060	500	\$27,030
	04/05/2001	\$54.880	500	\$27,440
	04/06/2001	\$54.750	500	\$27,375
	04/09/2001	\$54.540	500	\$27,270
	04/10/2001	\$58.100	500	\$29,050
	04/12/2001	\$57.850	500	\$28,925
	04/16/2001	\$58.240	500	\$29,120
	04/17/2001	\$60.770	500	\$30,385
	04/18/2001	\$61.690	500	\$30,845
	04/23/2001	\$60.940	500	\$30,470
	04/24/2001	\$62.180	500	\$31,090
	04/25/2001	\$62.050	500	\$31,025
	04/26/2001	\$63.210	500	\$31,605
	04/27/2001	\$62.980	500	\$31,490
	04/30/2001	\$63.060	500	\$31,530
	05/01/2001	\$63.050	500	\$31,525

Name	Date	Price	Shares Sold	Proceeds
	05/02/2001	\$61.770	500	\$30,885
	05/03/2001	\$58.730	500	\$29,365
	05/04/2001	\$58.860	500	\$29,430
	05/07/2001	\$58.670	500	\$29,335
	05/08/2001	\$57.000	500	\$28,500
	05/09/2001	\$57.090	500	\$28,545
	05/10/2001	\$58.350	500	\$29,175
	05/11/2001	\$57.560	500	\$28,780
	05/14/2001	\$58.510	500	\$29,255
	05/15/2001	\$58.080	500	\$29,040
	05/16/2001	\$57.120	500	\$28,560
	05/17/2001	\$55.050	500	\$27,525
	05/18/2001	\$53.750	500	\$26,875
	05/21/2001	\$55.160	500	\$27,580
	05/22/2001	\$55.060	500	\$27,530
	05/23/2001	\$55.660	500	\$27,830
	05/24/2001	\$55.110	500	\$27,555
	05/25/2001	\$53.810	500	\$26,905
	05/29/2001	\$53.360	500	\$26,680
	05/30/2001	\$52.950	500	\$26,475
	05/31/2001	\$53.030	500	\$26,515
	06/01/2001	\$52.660	500	\$26,330
	06/04/2001	\$53.880	500	\$26,940
	06/05/2001	\$54.080	500	\$27,040
	06/06/2001	\$52.790	500	\$26,395
	06/07/2001	\$50.670	500	\$25,335
	06/08/2001	\$50.210	500	\$25,105
	06/11/2001	\$51.160	500	\$25,580
	06/12/2001	\$50.930	500	\$25,465
	06/13/2001	\$50.890	500	\$25,445
	06/14/2001	\$48.820	500	\$24,410
	07/13/2001	\$48.580	120,000	\$5,829,600
	07/13/2001	\$48.500	178,530	\$8,658,705
	07/13/2001	\$48.580	87,436	\$4,247,641
TOTAL:			1,138,370	\$72,786,034
SKILLING	02/04/1999	\$31.970	1,848	\$59,081
	04/16/1999	\$34.530	250,000	\$8,632,500
	05/05/1999	\$76.650	60,000	\$4,599,000
	05/06/1999	\$38.250	50,000	\$1,912,500
	05/07/1999	\$76.250	25,000	\$1,906,250
	10/18/1999	\$38.000	126,784	\$4,817,792
	04/26/2000	\$73.880	10,000	\$738,800
	04/27/2000	\$74.000	26,217	\$1,940,058
	04/27/2000	\$73.880	25,000	\$1,847,000
	04/27/2000	\$72.500	25,000	\$1,812,500
	08/30/2000	\$86.130	15,000	\$1,291,950
	09/01/2000	\$86.880	30,000	\$2,606,400
	09/01/2000	\$87.250	15,000	\$1,308,750
	09/05/2000	\$85.000	11,441	\$972,485
	11/01/2000	\$83.060	12,600	\$1,046,556
	11/01/2000	\$83.240	60,000	\$4,994,400
	11/02/2000	\$82.340	20,000	\$1,646,800
	11/07/2000	\$82.590	46,068	\$3,804,756

Name	Date	Price	Shares Sold	Proceeds
	11/15/2000	\$80.310	10,000	\$803,100
	11/22/2000	\$77.060	5,000	\$385,300
	11/22/2000	\$80.190	5,000	\$400,950
	11/29/2000	\$78.690	5,000	\$393,450
	11/29/2000	\$74.190	5,000	\$370,950
	12/06/2000	\$68.910	10,000	\$689,100
	12/13/2000	\$77.060	10,000	\$770,600
	12/20/2000	\$79.030	10,000	\$790,300
	12/27/2000	\$83.000	10,000	\$830,000
	01/03/2001	\$78.160	10,000	\$781,600
	01/10/2001	\$69.200	10,000	\$692,000
	01/17/2001	\$68.940	10,000	\$689,400
	01/24/2001	\$80.280	10,000	\$802,800
	01/31/2001	\$79.690	10,000	\$796,900
	02/07/2001	\$80.370	10,000	\$803,700
	02/14/2001	\$80.420	10,000	\$804,200
	02/21/2001	\$74.780	10,000	\$747,800
	02/28/2001	\$69.540	10,000	\$695,400
	03/07/2001	\$69.520	10,000	\$695,200
	03/14/2001	\$61.410	10,000	\$614,100
	03/21/2001	\$59.240	10,000	\$592,400
	03/28/2001	\$58.660	10,000	\$586,600
	04/04/2001	\$54.100	10,000	\$541,000
	04/11/2001	\$59.500	10,000	\$595,000
	04/18/2001	\$61.300	10,000	\$613,000
	04/25/2001	\$62.050	10,000	\$620,500
	05/02/2001	\$61.780	10,000	\$617,800
	05/09/2001	\$57.140	10,000	\$571,400
	05/16/2001	\$57.300	10,000	\$573,000
	05/23/2001	\$55.520	10,000	\$555,200
	05/30/2001	\$52.950	10,000	\$529,500
	06/06/2001	\$52.740	10,000	\$527,400
	06/13/2001	\$50.680	10,000	\$506,800
TOTAL:			1,119,958	\$66,924,028
SUTTON	01/08/1999	\$32.000	30,000	\$960,000
	02/24/1999	\$34.000	40,000	\$1,360,000
	04/28/1999	\$36.020	18,672	\$672,565
	04/28/1999	\$36.020	81,288	\$2,927,994
	02/10/2000	\$68.450	61,900	\$4,237,055
	02/11/2000	\$68.020	26,100	\$1,775,322
	02/14/2000	\$68.000	12,000	\$816,000
	03/21/2000	\$70.110	76,660	\$5,374,633
	03/21/2000	\$70.110	18,672	\$1,309,094
	03/21/2000	\$70.110	4,668	\$327,273
	05/02/2000	\$76.000	100,000	\$7,600,000
	09/14/2000	\$87.000	50,000	\$4,350,000
	09/15/2000	\$88.140	50,000	\$4,407,000
	09/19/2000	\$89.940	15,000	\$1,349,100
	09/27/2000	\$87.000	15,000	\$1,305,000
	09/28/2000	\$88.190	6,000	\$529,140
	09/28/2000	\$88.130	9,000	\$793,170
TOTAL:			614,960	\$40,093,346

Name	Date	Price	Shares Sold	Proceeds
GRAND TOTAL:			<u>17,344,584</u>	<u>\$1,102,544,672</u>

148. The market for Enron's securities was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, Enron's securities traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired Enron publicly traded securities relying upon the integrity of the market price of Enron's securities and market information relating to Enron, and have been damaged thereby.

149. During the Class Period, defendants engaged in unlawful insider trading by disposing of millions of dollars of their own Enron shares while in possession of the material adverse information concerning Enron's operations and/or materially misled the investing public, thereby inflating the price of Enron's publicly traded securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

150. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Enron's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Enron and its business, prospects and operations, thus causing the Company's publicly traded securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's publicly traded securities at artificially inflated prices, thus causing the damages complained of herein.

**APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD-ON-THE-MARKET DOCTRINE**

151. At all relevant times, the market for Enron's publicly traded securities was an efficient market for the following reasons, among others:

(a) Enron's securities were listed and actively traded on the NYSE and NASDAQ, which are highly efficient and automated markets;

(b) As a regulated issuer, Enron filed periodic public reports with the SEC, the NYSE and the NASDAQ;

(c) Enron regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Enron was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

152. As a result of the foregoing, the market for Enron's publicly traded securities promptly digested current information regarding Enron from all publicly available sources and reflected such information in the price of Enron's securities. Under these circumstances, all purchasers of Enron's publicly traded securities during the Class Period suffered similar injury through their purchase of Enron's publicly traded securities at artificially inflated prices and a presumption of reliance applies.

FIRST CLAIM FOR RELIEF

**Violation of Section 10(b) of the Exchange Act and Rule 10b-5
Promulgated Thereunder Against All Defendants**

153. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

154. During the Class Period, defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did:

(a) deceive the investing public regarding Enron's business, operations, management and the intrinsic value of Enron publicly traded securities;

(b) caused Enron to sell:

(i) \$250 million in 6.95% notes pursuant to a Prospectus Supplement dated November 24, 1998;

(ii) 24 million shares of its common stock at \$31.34 per share in a February 1999 secondary offering pursuant to a Prospectus dated February 12, 1999;

(iii) \$500 million in 7.375% notes pursuant to a Prospectus dated May 19, 1999;

(iv) 10 million exchangeable notes at \$22.250 per note pursuant to a Prospectus dated August 10, 1999;

(v) \$500 million in Medium-Term Notes pursuant to a Prospectus Supplement dated May 18, 2000;

(vi) \$325 million in 7.875% notes pursuant to a Prospectus Supplement dated June 1, 2000; and

(vii) more than \$1 billion in a private placement of zero coupon convertible senior notes in February 2001 on favorable terms;

(c) enable defendants to sell more than \$1.1 billion worth of their own Enron common stock to the unsuspecting public; and

(d) cause plaintiff and other members of the Class to purchase Enron publicly traded securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

155. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's publicly traded securities in an effort to maintain artificially high market prices for Enron's publicly traded securities in violation of §10(b) of the

Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

156. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Enron as specified herein.

157. These defendants employed devices, schemes and artifices to defraud, while in possession of material, adverse, non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Enron's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Enron and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Enron publicly traded securities during the Class Period.

158. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (a) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (b) each of these defendants, by virtue of his or her responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (c) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and/or (d) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

159. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Enron's operating condition and future business prospects from the investing public and supporting the artificially inflated price of its publicly traded securities. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

160. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market prices of Enron's publicly traded securities were artificially inflated during the Class Period. In ignorance of the fact that market prices of Enron's publicly traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the markets in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired Enron publicly traded securities during the Class Period at artificially high prices and were damaged thereby.

161. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Enron was experiencing, which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their Enron publicly traded securities, or, if they had acquired such publicly traded securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

162. By virtue of the foregoing, defendants have violated §10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

163. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's publicly traded securities during the Class Period.

SECOND CLAIM FOR RELIEF

Violation of Section 20(a) of the Exchange Act Against Defendants Lay, Skilling and Fastow

164. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

165. Defendants Lay, Skilling and Fastow acted as controlling persons of Enron within the meaning of §20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, defendants Lay, Skilling and Fastow had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading and the creation and structure of the "Star Wars" partnerships, including JEDI and Chewco, which were designed by defendants Lay, Skilling and Fastow to falsify Enron's financial statements as detailed herein.. Defendants Lay, Skilling and Fastow were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

166. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

167. As set forth above, defendants each violated §10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, defendants Lay, Skilling and Fastow are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other members' of the Class suffered damages in connection with their purchases of the Company's publicly traded securities during the Class Period.

THIRD CLAIM FOR RELIEF

For Violation Of Section 20A of the Exchange Act Against the Individual Defendants

168. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

169. During the Class Period, each Individual Defendant occupied a position that made him or her privy to non-public information concerning Enron. Because of this access, each of these defendants knew that the adverse facts specified herein were being concealed and false and misleading statements were being made. Notwithstanding their duty to refrain from selling Enron stock while in the possession of material, non-public information concerning Enron, the defendants sold some 17.3 million shares of the Company's stock, profiting from their fraudulent scheme. Plaintiff Amalgamated Bank purchased shares contemporaneously with Baxter's stock sales on January 31, 2000; Belfer's stock sales on May 15, 2000; Derrick's stock sales on February 5, 1999, June 11, 2001 and June 12, 2001; Fastow's stock sales on April 30, 1999 and November 1, 2000; Frevert's stock sales on April 30, 1999, September 12, 2000 and December 20, 2000; Harrison's stock sales on April 30, 1999, May 15, 2000 and September 1, 2000; Hirko's stock sales on April 20, 2000; Horton's stock sales on September 14, 2000; Lay's stock sales on September 3, 1999, April 20, 2000, November 1, 2000, November 22, 2000, December 1, 2000, December 21, 2000, December 22, 2000, February 2, 2001, March 6, 2001, April 3, 2001, May 18, 2001, June 11, 2001, June 12, 2001 and June 20, 2001; Olson's stock sales on December 22, 2000; Pai's stock sales on April 20, 2000, May 15, 2000 and May 18, 2001; Rice's stock sales on April 19, 2000, February 2, 2001, March 6, 2001, April 3, 2001, May 18, 2001, June 11, 2001 and June 12, 2001; Skilling's stock sales on April 16,

1999, September 1, 2000, November 1, 2000, November 22, 2000 and December 20, 2000; and Sutton's stock sales on September 14, 2000.

170. Plaintiff and all the other members of the Class who purchased shares of Enron stock contemporaneously with the sales of Enron stock by the Individual Defendants: (1) have suffered substantial damages in that they paid artificially inflated prices for Enron stock as a result of the violations of §10(b) and Rule 10b-5 herein described; and (2) would not have purchased Enron stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially inflated by defendants' false and misleading statements.

FOURTH CLAIM FOR RELIEF

Violation of Section 11 of the Securities Act Against All Defendants and §15 of the Securities Act Against Defendants Lay, Skilling and Fastow

171. Plaintiff incorporates ¶¶1, 5-12, 20-26, 50, 57, 67, 70, 84 and 95-144. Plaintiff, for purposes of this claim, expressly excludes and disclaims any allegations that could be construed as fraud or intentional or reckless misconduct, as this claim is based solely on claims of strict liability and/or negligence.

172. Lay, Skilling, Fastow and Causey and other defendants (as described in ¶¶50, 57, 67, 80 and 84) signed and issued Enron's Registration Statements and Prospectuses pursuant to the Company's debt and equity offerings between October 19, 1998 and November 27, 2001.

173. Arthur Andersen consented to the inclusion or incorporation of its report on Enron's false financial statements in the Registration Statements and Prospectuses issued pursuant to these offerings.

174. Each of the statements alleged herein relating to Enron's financial statements included in the Registration Statements was false or misleading when issued due to the Company's improper consolidation practices and improper reporting of shareholders' equity as detailed herein.

175. The officers and directors of Enron who were signatories to the Registration Statements were responsible for the preparation of the Prospectuses and the Registration Statements. By virtue of the material misrepresentations contained in the Registration Statements/Prospectuses, plaintiff and the Class have been damaged.

176. Each of the defendants named in this Claim for Relief is strictly liable for the false statements contained in the Registration Statements absent proof that a reasonable and diligent investigation of the statements contained in the Registration Statements/Prospectuses was conducted prior to the time they became effective to assure that those statements were true and that there was no omission to state material facts required to be stated in the Registration Statements in order to make the statements contained therein not misleading.

177. By reason of the conduct herein alleged, the defendants named in this Claim for Relief violated §11 of the Securities Act. Defendants Lay, Skilling and Fastow, by reason of their stock ownership and positions with Enron, were controlling persons of Enron and are liable under §15 of the Securities Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for relief and judgment, including preliminary and permanent injunctive relief, as follows:

A. Determining that this action is a proper class action, designating plaintiff as lead plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding preliminary and permanent injunctive relief in favor of plaintiff and the Class against defendants and their counsel, agents and all persons acting under, in concert with, or for them, including the imposition of a constructive trust and/or an asset freeze on defendants' insider trading proceeds;

C. Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

D. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

E. Such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

DATED: December 4, 2001

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