Confidential - Attorney Work Product

SMARTCOUNSEL INTRANET SERVER

Litigation

Matter Description & Activity

External Client Name:	ENRON CORP.
Matter Number:	AA2001002325
Matter Status:	Open
Description of Claim and Contested Services: (Use Report Description)	(13-Dec-2001-Bernice P. Wolfrawitz): - The U.S. Firm has been sued in state and federal court in Houston, Texas, in connection with accounting and auditing services the U.S. Firm provided to Enron Corp. Shareholders have brought state court derivative claims against the U.S. Firm alleging negligence, fraud and breach of contract for auditing and accounting services. Shareholders have also brought claims for securities fraud under Section 10(b) of the 1934 Securities and Exchange Act alleging that Andersen's audit reports on Enron's financial statements for the years ended December 31, 1997 through 2000 were false and misleading. Enron and certain of its officers and directors are also defendants. The plaintiffs in the federal securities lawsuits purport to bring claims on behalf of a class of common stock shareholders, alleging various class periods, the longest of which is from October 1998 to November 2001. The plaintiffs in the derivative lawsuits purport to bring claims on behalf of any person who has been a shareholder since January 1, 1997. Enron's stock price began falling after it announced a $1 billion charge in its third quarter earnings release on October 17, 2001. On October 31, 2001, Enron announced that it had formed a Special Committee of its Board of Directors to investigate related party transactions and that the U.S. Securities and Exchange Commission had commenced a formal investigation. On November 8, 2001, Enron announced that it will restate its year-end financial statements for the periods ending December 31, 1997 through 2000, and that reported income for these periods will be reduced by $569 million. Enron also announced that it will restate its unaudited interim financial statements for the first and second quarters of 2001. The U.S. Firm has not yet responded to the litigation, which is in its earliest stages.

Prior Description of Claim and Contested Services:

(18-Nov-2001-Nancy A. Temple): The U.S. Firm has been sued in state and federal court in Houston, Texas, in connection with its past accounting and auditing services provided to Enron Corp. Shareholders have brought state court derivative claims against the U.S. Firm alleging negligence, fraud and breach of contract for auditing and accounting services. Shareholders have also brought claims for securities fraud under Section 10(b) of the 1934 Securities and Exchange Act alleging that Andersen's audit reports on Enron's financial statements for the years ended December 31, 1997 through 2000 were false and misleading. Enron and certain of its officers and directors are also defendants. The plaintiffs in the federal securities lawsuits purport to bring claims on behalf of a class of common stock shareholders, alleging various class periods, the longest of which is from October 1998 to November 2001. The plaintiffs in the derivative lawsuits purport to bring claims on behalf of any person who has been a shareholder since January 1, 1997. Enron's stock price began falling after it announced a $1 billion charge in its third quarter earnings release on October 17, 2001. On October 31, 2001, Enron announced that it had formed a Special Committee of its Board of Directors to investigate related party transactions and that the U.S. Securities and Exchange Commission had commenced a formal investigation. On November 8, 2001, Enron announced that it will restate its year-end financial statements for the periods ending December 31, 1997 through 2000, and that reported income for these periods will be reduced by $569 million. Enron also announced that it will restate its unaudited interim financial statements for the first and second quarters of 2001.

One area of restatement involved certain related party transactions which previously were not consolidated on Enron's financial statements. Another area of restatement is a balance sheet error which primarily affects the unaudited balance sheets for the first and second quarters of 2001. Enron recently replaced its chief financial officer and on November 8 it announced that it had terminated two other employees who allegedly were involved in certain transactions. The investigations and the U.S. Firm's expanded quarterly review and audit procedures are ongoing. The U.S. Firm has not yet responded to the litigation, which is in the earliest stage.

(10/12/2001-Nancy A. Temple): Enron is a publicly held client of our Houston office. Beginning in December 1999 and continuing through 2000 Enron entered into a series of complex transactions involving four SPEs (special purpose entities) known as the Raptor entities. The general purpose of the transactions was to hedge risks associated with investments in high tech stocks and private ventures. Enron expects to announce a $1.3 billion charge in the third quarter which includes significant impairment of the notes reflecting the investments in the Raptor entities. We have concluded that the company's accounting method for potential impairment in the first and second quarters 2001 was incorrect and we are informing the client of our advice. We are reviewing acceptable alternatives and determining whether restatement is necessary. The team is consulting with PSG and risk management (Stewart, Ripepi, Neuhauser,

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Petersen of PSG; Geolsby, Geron, Corgel, Odom of risk management; others consulted are Rieger, Swanson, Goddard, Lowther (concurring reviewer; engagement partners involved are Duncan and Cash). A former Andersen employee at Enron complained about the original accounting for the Raptor entities to the Company's GC and Chairman. The company hired Vinson & Elkins to investigate and we are awaiting the outcome of that investigation before we sign off on the third quarter.

Current Matter Status:	(18-Nov-2001-Nancy A. Temple): During the week of November 12, the firm was served with four complaints: three 10b-5 claims in federal court in Houston (Parsons, Abrams and Odom) and one derivative action in Harris County, Houston, Texas (Coy).

Prior Matter Status:

Show All

Last Note for Matter:	No note for this matter
Last Document for Matter:	01/04/2002 Related Litigations Form - Lawsuits vs. Andersen
Last Event for Matter:	No event for this matter
Last Task for Matter:	No task for this matter
Type of Claim:	Professional Practice - Litigation
Cause of Action:	Breach of Contract Federal Securities Laws Misrepresentation Negligence Professional Regulatory Investigation SEC Investigation State Securities Law Stock Price Decline
Service Category: (For Services in Question)	ABA
Engagement Service Period (Date Range)	
From:	1997
To:	2000 year-end and 2001 first and second quarter reviews
Notified on Mgmt./3.05 Report:	

Legal Fees/Settlements/Loss Exposure

	Budget	Fees and Disbursements Paid	Fees and Disbursements Unpaid	Settlements	Total
Fiscal YTD (US $):	10,000,000	355,008.20	237,779.19	0.00	592,787.39
Since Inception (US $):		355,008.20		0.00	355,008.20

MLE Amount (US $):

MLE Comments:

Prior MLE and Comments:

Trial Date/Comments:

Prior Trial Date/Comments:

AICPA/QCIC Reporting Information

Notified QCIC?

Date Notified:

Description of Notification:

Prior Amended/Related Complaints:

Resolution Information

Resolution Date:

Resolution Type:

Resolution Description:

Damages Paid (US $):

Internal Legal Team Assignments

Primary Internal Counsel:	Nancy A. Temple - ARTHUR ANDERSEN LEGAL GROUP (Chicago; Illinois)
Supporting Internal Counsel:	Donald Dreyfus - Arthur Andersen Legal Group (Chicago; Illinois)
Primary Paraprofessional:	Michelle A. Molay - ARTHUR ANDERSEN LEGAL GROUP (Chicago; Illinois)
AA Practice Director:	Corgel, Richard (Los Angeles; California)
Litigation Oversight Partner:	Friedlieb, James A. (Chicago; Illinois)
Other Technical Partner:	

AA Office and Engagement Team Information

Engagement Partner/MGR (1): Duncan, David B. (Houston; Texas)

Phone:	1-713-237-2518
Octel:	23-72518
Classification:	Partner / Director
GMU Number:	0080
GMU Name:	Houston
LMU Number:	001
LMU Desc./Service Line:	Audit-Energy
Engagement Partner/MGR (2):	Cash, Debra A. (Houston: Texas)
Phone:	1-713-237-2344
Octel:	23-72344
Classification:	Manager
GMU Number:	0080
GMU Name:	Houston
LMU Number:	001
LMU Desc./Service Line:	Audit-Energy
Engagement Partner/MGR (3):	Bauer, Thomas H. (Houston: Texas)
Phone:	1-713-237-2420
Octel:	23-72420
Classification:	Partner / Director
GMU Number:	0080
GMU Name:	Houston
LMU Number:	001
LMU Desc./Service Line:	Audit-Energy
Other Contacts:	Roger D. Willard (additional engagement partner)
Area/Region:	North America
Market Center:	Gulf
Country:	United States
Office:	Houston

AA Counsel/Witnesses/Consultants/Experts and Mediators
Claimant/Adverse Party Counsel/Witnesses/Consultants and Experts
Other Defendant Counsel/Witnesses/Consultants and Experts

Legal Administrative Information

Date Reported to Legal:	28-Sep-01
Date Record Established:	12-Oct-01
Review for Counsel:	Yes
Date Complaint Filed:	
Date of Service:	
Service Description:	
Prior Service Description:	
Venue/Jurisdiction:	
Court:	
Docket Number:	
Judge:	
Previous Subpoena?:	No
Previous Claim C?:	Yes
Related Matters Scan Date:	
Date Sent to Warehouse:	
Warehouse Location:	

Insurance Reporting Information

Notified to insurer:	Yes
Claim Date:	12-Nov-01
Description of Notification:	Notification under attest and non-attest policies. Letter of circumstance to Mendes & Mount dated Nov. 12, 2001.

Prior Insurance Notification

Confidential Treatment Requested by Arthur Andersen LLP

Insurance Claim Year:
Insurance Claim Number:
Insurance Reserves Est.:

Accounting and Management Reporting Information

G/L Account for LF&S Cost Allocations: 615A50[illegible]02
G/L Account for Case Administration Time: 415A50[illegible]02
GMU# Bearing Legal Costs:
GMU Name Bearing Legal Costs:

Modification Audit Trail

entered by: Nancy A. Temple on 12-Oct-01 at 11:14 AM
last modified by: Michelle A. Moley on 02-Jan-02 at 03:14 PM