

United States Courts
Southern District of Texas
FILED
JAN 21 2004
Michael H. Milby, Clerk of Court

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA

v.

RICHARD A. CAUSEY,

Defendant.



Cr. No. H-04- 25

Violations: 15 U.S.C. §§ 78j(b) and 78ff;
18 U.S.C. §§ 371, 2 and 3551 et seq.

INDICTMENT

The Grand Jury charges:

INTRODUCTION

At all times relevant to this Indictment,

1. Enron Corp. ("Enron") was an Oregon corporation with its headquarters in Houston, Texas. Among other businesses, Enron was engaged in the purchase and sale of natural gas and power, construction and ownership of pipelines, power facilities and energy-related businesses, provision of telecommunications services, and trading in contracts to buy and sell various commodities. Before it filed for bankruptcy on December 2, 2001, Enron was the seventh largest corporation in the United States.

2. Enron was a publicly traded company whose shares were listed on the New York Stock Exchange and were bought, held, and sold by individuals and entities throughout the United States and the world. Enron and its directors, officers, and employees were required to comply with regulations of the United States Securities and Exchange Commission ("SEC"). Those regulations protect members of the investing public by, among other things, requiring that a company's financial information is fully and accurately recorded

and disclosed to the public, including in financial statements and management descriptions of the nature and profitability of its business required to be filed with the SEC in Washington, D.C.

3. The price of Enron's stock was influenced by factors such as Enron's reported revenue, earnings, debt, cash flow (sometimes categorized as "funds flow"), and credit rating, as well as its ability to meet revenue and earnings targets and forecasts. Enron's management, like that of many public companies, provided guidance to the investing public regarding anticipated revenue and earnings for upcoming reporting periods. Relying in part on the company's guidance, many professional securities analysts disseminated to the public their own estimates of the company's expected performance. These earnings estimates, or analysts' expectations, were closely followed by investors. Typically, if a company announced earnings that failed to meet or exceed analysts' expectations, the price of the company's securities declined. Quarter to quarter, industry analysts and the investing public evaluated Enron according to, among other things, reported revenue, net income, outstanding debt, cash flow, and earnings per share.

4. It was critical to Enron's ongoing business operations that it maintain an investment grade rating for its debt. An investment grade rating was essential to Enron's ability to enter into trading contracts with its counterparties and to maintain sufficient lines of credit with major banks. The credit rating agencies relied on, among other things, Enron's publicly filed financial statements in rating Enron's debt. In addition, members of Enron's senior management met regularly with, and provided financial and other information to, representatives of credit rating agencies. Two primary factors influencing Enron's credit rating and the willingness of banks to extend loans to Enron were Enron's total amount of debt and other obligations and its cash flow.

DEFENDANT

5. Defendant RICHARD A. CAUSEY was a certified public accountant and was an employee of Enron from 1991 through early 2002. From 1986 to 1991, while an employee of the accounting firm Arthur Andersen LLP (“Anderson”), CAUSEY sold audit services to Enron on behalf of Andersen, which served as Enron's outside auditor. In 1991, Enron hired CAUSEY as Assistant Controller of Enron Gas Services Group. From 1992 to 1997, CAUSEY served in various positions in a business unit known as Enron Capital and Trade, including as Vice-President and Managing Director. In 1998, CAUSEY was made Chief Accounting Officer ("CAO") of Enron and an Executive Vice-President.

6. As Enron's CAO, defendant RICHARD A. CAUSEY was a principal manager of Enron's accounting practices. CAUSEY reported to Enron's Chairman/Chief Executive Officer ("CEO") and its Chief Operating Officer ("COO")/CEO. Enron's Chairman/CEO, its COO/CEO, its Chief Financial Officer ("CFO") Andrew S. Fastow, its Treasurer, and CAUSEY were the principal managers of Enron's finances. CAUSEY was also a principal manager of Enron's disclosures and representations to the investing public. He signed Enron's annual reports on Form 10-K and its quarterly reports on Form 10-Q as Executive Vice-President and CAO.

SCHEME TO DEFRAUD

7. From at least 1999 through late 2001, defendant RICHARD A. CAUSEY, together with other Enron executives and senior managers, engaged in a wide-ranging scheme, through a variety of devices, to deceive the investing public about the true performance and

profitability of Enron's businesses by manipulating Enron's publicly reported financial results and making false and misleading public representations about Enron's financial results and the performance of its various business units.

8. The scheme's objectives were, among other things, to produce reported earnings that steadily grew by approximately 15 to 20 percent every year; to meet or exceed, without fail, the published expectations of industry analysts forecasting Enron's reported earnings-per-share results; to avoid publicly reporting any large "write-downs" or losses; to persuade investors that Enron's future profitability would continue to grow; and to deceive lenders, rating agencies, and the investing public about the true magnitude of Enron's debt and other obligations and the true condition of Enron's cash flow.

9. In order to achieve their objectives, Enron's executives and senior managers, including defendant RICHARD A. CAUSEY, imposed annual and quarterly earnings targets ("budget targets") on each of the company's business units. These budget targets were derived from earnings-per-share goals rather than on forecasts derived from the projected earnings likely to be generated by the company's various commercial operations. When the budget targets were not met through results from business operations, they were achieved through the use of various earnings "levers," many of which involved fraudulent devices, including but not limited to those described below. Enron's executives and senior managers frequently explained the use of these devices to Enron's outside auditors, and at times to the investing public, through misleading descriptions and justifications that were designed to dovetail with accounting and financial reporting requirements but which masked the true intent of Enron's executives and senior managers to present a false and misleading portrait of Enron's

current and likely future financial condition.

10. Defendant RICHARD A. CAUSEY was a principal architect and operator of the scheme to manipulate Enron's reported earnings. He participated in the decisions about where budget targets were set and what demands were placed on each Enron's business unit both to meet each unit's own budget targets and to produce additional earnings to cover differences between the projected earnings of Enron's business units and the company's overall budget target. This difference, which at times constituted hundreds of millions of dollars, was referred to within Enron's variously as the "gap," "stretch" or "overview." From time to time, CAUSEY and others increased budget targets at or near the end of the quarter, and at times even after the close of the quarter, in order to achieve a revised earnings-per-share objective in comparison to the expectations of equity analysts.

11. For a time, the scheme to inflate artificially the share price of Enron's stock and to maintain Enron's credit rating at investment grade succeeded. In early 1998, Enron's stock traded at approximately \$30 per share. By January 2001, even after a stock split in August 1999, Enron's stock was trading at over \$80 per share and Enron had become the seventh-ranked company in the United States, according to the leading index of the "Fortune 500." Until late 2001, Enron maintained an investment grade credit rating. At the same time, rising stock prices led to enrichment of defendant RICHARD A. CAUSEY and Enron's other senior managers in the form of salary, bonuses, grants of artificially appreciating stock and stock options, and prestige within their professions and communities. For instance, between 1998 and 2001, defendant CAUSEY received more than \$14 million from the sale of Enron stock and stock options, netting over \$5 million in profit, and was paid more than \$3 million in salary and bonuses.

DEVICES EMPLOYED IN FURTHERANCE OF SCHEME

12. The devices employed in furtherance of this fraudulent scheme included but were not limited to:

- a. manufacturing earnings through fraudulent sales and improving its balance sheet through over-valuation of assets and avoidance of losses through the use of fraudulent devices designed to "hedge," or lock-in, asset values;
- b. structuring misleading financial transactions using various accounting techniques in order to achieve earnings objectives, avoid booking of large losses from reductions in asset values, conceal debt, and create the appearance of greater cash flows;
- c. concealing losses in the earnings of Enron's individual "business segments" through fraudulent manipulation of "segment reporting," that is, the manner in which Enron recorded and reported the earnings of its various businesses, and improper use of reserve accounts to mask losses in one segment with earnings in another;
- d. fraudulently manipulating reserve accounts to mask volatility in earnings by concealing earnings during highly profitable periods and using the reserved earnings during later periods in order to achieve desired earning results; and
- e. providing false and misleading descriptions of Enron's business performance and its financial results, which had been engineered to appear more successful than they actually were, in conferences with Wall Street investment analysts, press releases, media statements, and other forms of communication with the investing public.

MANNER AND MEANS OF FRAUDULENT DEVICES

13. The manner and means by which defendant RICHARD A. CAUSEY and other Enron executives and senior managers used these fraudulent devices included but were not limited to those described in paragraphs 14 through 25 below.

Manufacturing Earnings by Fraudulently Manipulating Asset Values

14. Enron executives and senior managers, including defendant RICHARD A. CAUSEY, engaged in a pattern of fraudulent conduct designed to generate earnings needed to meet budget targets by artificially increasing the book value of certain assets in Enron's large "merchant asset portfolio." This portfolio included many energy-related businesses that were not publicly traded and, therefore, were valued by Enron according to its own internal accounting "models." Enron at times manipulated these models in order to produce results desired to meet budget targets. For example, in the fourth quarter of 2000, under the direction of CAUSEY and others, Enron personnel fraudulently increased the value of one of the largest of Enron's merchant assets, Mariner Energy, by \$100 million in order to help close a budget gap.

Use of SPEs to Manipulate Reported Financial Results

15. Enron heavily used Special Purpose Entities ("SPEs") to achieve "off-balance-sheet" accounting treatment of assets and business activities and thereby present itself more attractively as measured by criteria favored by Wall Street investment analysts, credit rating agencies, and others. By 1999, Enron was increasingly dependent on transactions with SPEs to meet its financial reporting goals. In June 1999, in order to have an off-balance-sheet SPE to which Enron could readily and repeatedly turn to achieve its desired financial reporting results,

Enron's Board of Directors (the "Board") agreed to permit CFO Fastow to create and serve as the managing partner of a new SPE named LJM. The Board later approved Fastow's participation in another even larger SPE named LJM2 (the LJM entities are collectively referred to as "LJM" unless otherwise noted). LJM's business activity principally involved transactions with Enron and Enron affiliates.

16. "Raptor" Hedges: Beginning in the spring of 2000, Enron and LJM2 engaged in a series of financial transactions with four SPEs called Raptor I, Raptor II, Raptor III and Raptor IV (collectively referred to as the "Raptors"). Defendant RICHARD A. CAUSEY, Fastow, Enron Treasurer Ben F. Glisan, Jr., and others used the Raptors to manipulate fraudulently Enron's reported financial results. Raptor I was designed to protect Enron from having to report publicly in its financial results decreases in value in large portions of its energy merchant asset portfolio and technology investments by allowing Enron to hedge the value of those investments with an allegedly independent third party created by Enron, known as Talon.

17. The Raptor I structure, however, was invalid under applicable accounting rules because Talon was not independent from Enron, and LJM2's investment in Talon was not at risk. Defendant RICHARD A. CAUSEY and Fastow had an oral side deal that LJM2 would receive its initial investment in Talon plus a profit of \$11 million from Enron, all prior to Talon engaging in any of the hedging transactions for which it was created. As a quid pro quo for this payment to LJM2, Fastow agreed with CAUSEY that Enron employees could use Raptor I to manipulate Enron's balance sheet, including by allowing Enron employees, without negotiation or due diligence on behalf of LJM2, to select the values at which the Enron assets were hedged with Talon.

18. The defendant RICHARD A. CAUSEY, Fastow, Glisan, and others satisfied CAUSEY's and Fastow's side deal by manufacturing a transaction between Enron and Talon that generated a \$41 million payment to LJM2 but had no business purpose for Enron. After satisfying the conditions of the side deal by providing LJM2 with a guaranteed return on its investment, Enron began to use Raptor I to hedge the value of Enron's assets. Enron employees manipulated the book values of Enron assets, many of which were expected to decline in value, before they were hedged, knowing that the Raptor I structure ensured that Enron would not suffer the financial reporting consequences of subsequent, and anticipated, declines in the value of those assets. CAUSEY and Fastow further used Raptor I fraudulently to promote Enron's financial position by back-dating a hedge to Enron's advantage, capturing the all-time high stock value of one of the Enron assets at a time when they knew that value already had declined.

19. Manufacturing Earnings and Concealing Debt through Purported Sales to

LJM: In addition to the fraudulent Raptor hedging device, defendant RICHARD A. CAUSEY and other Enron senior managers used LJM to conduct other transactions in order to achieve financial reporting objectives, usually purported asset sales that yielded reported income and cash flow and moved poorly performing assets off Enron's balance sheet. These transactions were not arm's-length and could not have been accomplished by using legitimate independent counterparties. In numerous instances, these transactions were accomplished through another undisclosed side agreement between CAUSEY and Fastow that LJM would be guaranteed against loss in certain of its transactions with Enron, and that other losses to LJM would be made up through other transactions with Enron.

Concealing EES Failures

20. In presentations to the investing public, Enron's executives and senior managers heavily emphasized the performance and potential of Enron Broadband Services ("EBS") together with Enron Energy Services ("EES") as major reasons for past and projected increases in the value of Enron's stock, attributing as much as half of Enron's total stock value to those two business units. Defendant RICHARD A. CAUSEY and others concealed massive losses in EES's business through fraudulently manipulating Enron's "business segment reporting." This was accomplished at the close of the first quarter of 2001 through a reorganization of Enron's business segments that Enron explained deceptively as solely meant to improve efficiency. In fact, the reorganization was designed to conceal EES's problems. Enron hid those problems from the investing public by moving large portions of EES's business - where CAUSEY and others knew at the time of the change hundreds of millions of dollars in losses would have to be recorded - into Enron's Enron North American ("ENA") business segment. As CAUSEY and others knew, ENA would have ample earnings, including in the large reserve accounts described below, to ensure that ENA could book the huge losses that in fact were attributable to EES while at the same time continuing to meet Enron's budget targets.

Concealing EBS Failures

21. As Enron's executives and senior managers well knew, EBS was also a failed business that was losing large amounts of money. However, Enron's executives and senior managers took steps to ensure that EBS's financial results did not publicly reveal its failure. For example, during late 2000, Enron structured a series of one-time financial transactions in EBS that were designed to manufacture earnings that Enron used to present the false impression that

EBS was close to generating positive operating profits. Even with these one-time earnings, EBS still was facing much larger than expected losses during the first quarter of 2001. In order to ensure that EBS did not record in the first quarter of 2001 losses that exceeded Enron's annual budget target for EBS, and in order to achieve the financial result dictated by defendant RICHARD A. CAUSEY and others for the first quarter 2001, CAUSEY and others fraudulently manipulated, and caused to be fraudulently manipulated, EBS's expenses for the first quarter of 2001.

Manipulating Reserves to Conceal Earnings Volatility and Losses

22. During 2000 and 2001, the profitability of Enron's wholesale energy trading business, primarily based in its ENA business unit, dramatically increased for reasons including rapidly rising energy prices in the western United States, especially in California. This sudden and large increase in trading profits, which exceeded \$1 billion, threatened to undermine Enron's description and presentation of itself as the dominant "intermediator" in the energy markets, rather than as a speculative (and therefore risky) trading company whose stock would trade at a much lower price-to-earnings ratio. In order to mask these earnings and preserve them for later use, defendant RICHARD A. CAUSEY and others fraudulently created and used reserve accounts within ENA both to conceal the extent of ENA's trading profits and, as set forth above, to avoid reporting large losses in other areas of its business.

False and Misleading Representations to Investing Public

23. In furtherance of the scheme to manipulate Enron's financial results and inflate its stock price, defendant RICHARD A. CAUSEY and others participated in presenting false and misleading statements about Enron's financial results, the performance of its

businesses, and the manner in which its stock was and should be valued. These statements were disseminated to the investing public in conferences, conference calls, press releases, interviews, and statements to members of the media. They included, but were not limited to:

a. On January 22, 2001, a national quarterly Enron conference call with Wall Street analysts, in which false and misleading statements were made about Enron's wholesale and retail energy trading businesses, its telecommunications business, and the condition of its business;

On January 25, 2001, an annual conference in Houston with Wall Street investment analysts, at which false and misleading presentations were made about Enron's retail energy trading business, its telecommunications business, the value of Enron's stock and the bases for Enron's stock value, and the condition of Enron's business;

c. On March 23, 2001, a national Enron conference call with Wall Street analysts, held for the purpose of dispelling concerns about Enron's falling stock price, in which false and misleading statements were made about Enron's retail energy trading business, its telecommunications business, and the condition of Enron's business;

d. On April 17, 2001, a national quarterly Enron conference call with Wall Street analysts, in which false and misleading statements were made about Enron's wholesale and retail energy trading businesses, its telecommunications business, and the condition of its business;

e. On July 12, 2001, a national quarterly Enron conference call with Wall Street analysts, in which false and misleading statements were made about Enron's retail energy trading business, its telecommunications business, and the condition of Enron's

business; and

f. On October 16, 2001, a national quarterly Enron conference call with Wall Street analysts, in which false and misleading statements were made about the condition of Enron's business and losses recorded by Enron.

False and Misleading Representations to SEC, Outside Auditors,. Rating Agencies, and
Creditors

24. In furtherance of the scheme to manipulate Enron's financial results and inflate its stock price, defendant RICHARD A. CAUSEY and others filed and caused to be filed with the SEC at least four false quarterly 10-Q and annual 10-K reports for the quarters ending September 30, 2000 through June 30, 2001 and the fiscal year ending December 31, 2000 that, among other things, contained materially false and misleading financial statements that overstated Enron's actual revenues and earnings and understated Enron's actual debt and expenses. In addition, in furtherance of the scheme, CAUSEY and others misrepresented, concealed and hid, and caused to be misrepresented, concealed and hidden, the purposes and acts done in furtherance of the scheme, including by providing false, misleading and inaccurate information and making false representations to, among others, Enron's outside auditors, Enron's lenders, various rating agencies, and the SEC.

The Scheme Collapses

25. On August 14, 2001, Enron's COO/CEO unexpectedly resigned. Enron's stock price, which had been declining since January 2001, fell sharply. On October 16, 2001, Enron announced a loss of \$618 million for the third quarter of 2001. Enron's stock price again

declined sharply. On October 29 and November 1, 2001, the two leading credit rating agencies downgraded Enron's credit rating. On November 8, 2001, Enron announced its intention to restate its financial statements for 1997 through 2000 and the first and second quarters of 2001 to reduce previously reported net income by an aggregate of \$586 million. On November 28, 2001, Enron's credit rating was downgraded to 'junk" status. On December 2, 2001, Enron filed for bankruptcy, making its stock, which less than a year earlier had been trading at over \$80 per share, virtually worthless.

COUNT ONE

(Conspiracy to Commit Securities Fraud: Scheme to Manipulate Reported Financial Results)

26. The allegations in paragraphs 1 through 25 are realleged as if fully set forth here.

27. In or about and between late 1999 and December 2001, both dates being approximate and inclusive, within the Southern District of Texas and elsewhere, defendant RICHARD A. CAUSEY and others did knowingly and intentionally conspire willfully and unlawfully to use and employ manipulative and deceptive contrivances and directly and indirectly (i) to employ devices, schemes and artifices to defraud; (ii) to make untrue statements of material fact and omit to state facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) to engage in acts, practices, and courses of conduct which would and did operate as a fraud and deceit upon members of the investing public, in connection with the purchase and sale of Enron securities and by use of the instruments of communication in interstate commerce and the mails, in violation of Title 15, United States Code, Sections 78j(b) and 78ff and Rule 10b-5 of the SEC, Title 17, Code of Federal Regulations, Section 240.10b-5.

OVERT ACTS

28. In furtherance of the conspiracy and in order to carry out the objectives of the conspiracy, on or about the dates listed below, in the Southern District of Texas and elsewhere, defendant RICHARD A. CAUSEY, and others known and unknown to the grand jury, committed and caused to be committed the following overt acts, among others:

a. In or about 1999, CAUSEY and others sought and obtained the approval of Enron's Board to conduct transactions between Enron and LIM, which transactions were designed to manipulate Enron's reported financial results.

b. In or about the spring of 2000, CAUSEY and others designed and approved Enron's use of the fraudulent Raptor structure in order to ensure that Enron would not have to report expected losses in the value of certain of its assets.

c. In or about the summer of 2000, in an undocumented side deal, CAUSEY and Fastow agreed that LJM2 would receive, without risk, a guaranteed return of its \$30 million investment in the first Raptor structure, together with a profit of \$11 million on that investment, in exchange for which Enron would be permitted unilaterally to determine the value of the assets hedged in Raptor without negotiation or due diligence by LJM2.

d. In or about August 2000, Enron personnel selected assets for hedging in the Raptor structure and manipulated the value of certain of those assets in order to ensure that there would be no earnings loss in connection with the Raptor asset portfolio.

e. In or about September 2000, CAUSEY and others caused Enron

to purchase a "put" on its own stock from an entity involved in the Raptor structure, which had no business purpose for Enron but ensured that LJM received, without risk, the complete return of its \$30 million investment in the first Raptor structure, together with a profit of \$11 million on that investment.

f. In or about September 2000, CAUSEY and others back-dated a portion of the Raptor I transaction to Enron's advantage, capturing the all-time high stock value of one of the Enron assets hedged in Raptor I at a time when they knew that value already had declined.

g. In or about August and September 2000, CAUSEY and others held a meeting to discuss Enron's and LJM's undocumented side agreement that LJM would be guaranteed against loss in certain of its transactions with Enron, and that other losses to LJM would be made up through other transactions with Enron.

h. On or about November 14, 2000, CAUSEY signed and caused to be filed an Enron form 10-Q with the SEC.

In or about November 2000, CAUSEY and others approved Enron employees' manipulating the value of Mariner Energy on Enron's books in order to produce approximately \$100 million in reported earnings.

j. On or about January 22, 2001, CAUSEY and others conducted a quarterly conference call with Wall Street investment analysts.

k. On or about January 25, 2001, Enron senior managers planned and delivered an annual presentation to Wall Street investment analysts.

l. On or about March 23, 2001, CAUSEY and others conducted a conference call with Wall Street investment analysts.

m. In or about March 2001, CAUSEY and others approved the transfer of large portions of EES 's business, including areas where hundreds of millions of dollars in losses would need to be recorded, from EES into Enron Wholesale, the business unit within which ENA was housed.

n. On or about April 2, 2001, CAUSEY signed and caused to be filed an Enron 10-K with the SEC.

o. On or about April 17, 2001, CAUSEY and others conducted a quarterly conference call with Wall Street investment analysts.

p. On or about May 15, 2001, CAUSEY signed and caused to be filed an Enron form 10-Q with the SEC.

q. On or about July 12, 2001, CAUSEY and others conducted a quarterly conference call with Wall Street investment analysts.

r. On or about August 14, 2001, CAUSEY signed and caused to be filed and caused to be filed an Enron form 10-Q with the SEC.

s. On or about October 16, 2001, CAUSEY and others conducted a quarterly conference call with Wall Street investment analysts.

(Title 18, United States Code, Sections 371 and 3551 et seq.)

COUNT TWO

(Securities Fraud: Raptor Fraud)

29. The allegations in paragraphs 1 through 13 and 15 through 18 are realleged as if fully set forth here.

30. In or about and between spring 2000 and October 2001, both dates being approximate and inclusive, within the Southern District of Texas and elsewhere, defendant RICHARD A. CAUSEY and others in a course of conduct involving the construction and use of Enron financial devices known as the Raptors, did willfully and unlawfully use and employ manipulative and deceptive devices and contrivances and directly and indirectly (i) employ devices, schemes and artifices to defraud; (ii) make untrue statements of material facts and omit to state facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engage in acts, practices, and courses of conduct which would and did operate as a fraud and deceit upon members of the investing public, in connection with purchases and sales of Enron securities and by the use of the instruments of communication in interstate commerce and the mails.

(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

COUNTS THREE THROUGH SIX

(Securities Fraud: Enron Financial Statements)

31. The allegations of paragraphs 1 through 25 and 28(a) through 28(g) are

realleged as if fully set forth here.

32. On or about the dates set forth below, each such date constituting a separate count of this Indictment, within the Southern District of Texas and elsewhere, defendant RICHARD A. CAUSEY, and others known and unknown to the grand jury, in Enron Forms 10-K and 10-Q filed with the SEC, did willfully and unlawfully use and employ manipulative and deceptive devices and contrivances and directly and indirectly (i) employ devices, schemes and artifices to defraud; (ii) make untrue statements of material facts and omit to state facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (iii) engage in acts, practices, and courses of conduct which would and did operate as a fraud and deceit upon members of the investing public, in connection with purchases and sales of Enron securities and by the use of the instruments of communication in interstate commerce and the mails.

Count	Date	Report
3	November 14, 2000	Form 10-Q for Enron for the Third Quarter 2000
4	April 2, 2001	Form 10-k for Enron for Fiscal Year 2000
5	May 15, 2001	Form 10-Q For Enron for the First Quarter 2001
6	August 14, 2001	Form 10-Q for Enron for the Second Quarter 2001

(Title 17, Code of Federal Regulations, Section 240.10b-5; Title 15, United States Code, Sections 78j(b) and 78ff; Title 18, United States Code, Sections 2 and 3551 et seq.)

FORFEITURE ALLEGATIONS

(18 U.S.C. §§ 981 and 982, 28 U.S.C. § 2461)

33. As a result of the conspiracy and securities fraud offenses alleged in the Indictment, herein alleged and incorporated by reference for the purpose of alleging forfeitures to the United States of America pursuant to the provisions of Title 18, United States Code, Section 981, and Title 28, United States Code, Section 2461, defendant RICHARD A. CAUSEY shall, upon conviction of each such offense alleged in the Indictment, forfeit to the United States all property, real and personal, which constitutes or is derived from proceeds traceable to the alleged conspiracy and securities fraud offenses, wherever located, and in whatever name held, including a sum of money equal to the amount of proceeds obtained as a result of the conspiracy and securities fraud offenses.

34. In the event that any property described above as being subject to forfeiture, as a result of any act or omission by the defendant:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to or deposited with a third person;

(c) has been placed beyond the jurisdiction of the Court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty; it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other property of RICHARD A. CAUSEY up to the value of

the above described property in paragraph 34(a)-(e).

Dated: Houston, Texas
January 21, 2004

A TRUE BILL

FOREPERSON

LESLIE R. CALDWELL
Director, Enron Task Force

ANDREW WEISSMANN
Deputy Director, Enron Task Force

By:

SAMUEL W. BUELL
SEAN M. BERKOWITZ
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