

September 30, 2003 Ruling on Defendants’ Motions to Dismiss

Defendants	Count I – Surviving Breach of Fiduciary Duty Allegations Regarding Investment of Plan Assets in Enron Stock	Count I –Allegations Dismissed
<p>Enron Corp.</p> <p>Enron Corporation Savings Plan Administrative Committee and its members</p> <p>Enron Stock Ownership Plan Administrative Committee and its members</p> <p>Enron Cash Balance Plan Administrative Committee and its members</p> <p>Kenneth L. Lay</p> <p>Members of Enron’s Board of Directors’ Compensation Committee (who appointed members to the administrative committees)</p>	<ul style="list-style-type: none"> • Induced participants to invest assets in Enron stock or to direct or allow fiduciaries of Savings Plan and ESOP to maintain investment in Enron stock • Caused or allowed Savings Plan to purchase and accept Enron’s matching contributions in the form of stock • Enron and the Compensation Committee failed to provide material information regarding Enron’s financial condition to the Administrative Committees • The Administrative Committees failed to investigate Enron’s financial condition or, knowing of accounting malfeasance, did not timely act to protect plan participants • Failed to disclose to plan participants what they knew, or through prudent investigation, should have known was a threat to the plan’s investments or failed to correct material misinformation • Lay and the Compensation Committee failed to monitor and remove the members of the Administrative Committees • Co-fiduciary liability 	<ul style="list-style-type: none"> • Allegations challenging the plan design; e.g., age and other restrictions on the ability of plan participants to direct their investments out of Enron stock; Enron’s initial decision to give participants the ability to direct investments into Enron stock • Allegation against Kenneth L. Lay for fraudulent promotion of Enron stock (dismissed as requested by plaintiffs)

Defendant	Count I – Surviving Party-in Interest Claim	
Arthur Andersen	<ul style="list-style-type: none"> • Knowingly participated in other defendants’ fiduciary breaches by actively concealing from plan fiduciaries and participants Enron’s actual financial condition and the imprudence of investing in Enron stock • Potential relief limited to restitution in equity, disgorgement, or other types of equitable relief 	
Defendants	Count II - Surviving Breach of Fiduciary Duty Allegations Regarding Blackout	
<p>Enron Corp.</p> <p>Enron Corporation Savings Plan Administrative Committee and its members</p> <p>Enron Stock Ownership Plan Administrative Committee and its members</p> <p>Enron Cash Balance Plan Administrative Committee and its members</p> <p>Kenneth L. Lay</p> <p>Compensation Committee</p> <p>Northern Trust Company</p>	<ul style="list-style-type: none"> • Imposed a scheduled blackout period in spite of “extraordinary circumstances” and despite the ability to postpone or shorten the duration of the blackout period • Failed to provide timely notice of blackout to Savings Plan participants so that they had an opportunity to review their investment strategy in light of the extraordinary circumstances • Northern Trust had duty to determine whether instructions it received were in compliance with ERISA and, if improper, disregard the instructions • Northern Trust had a duty to disclose all material facts that it knew or should have known regarding the blackout when plaintiffs objected to it • Co-fiduciary liability as to Administrative Committees and Northern Trust 	

Defendants	Count III- -Surviving Breach of Fiduciary Duty Allegations Regarding Failure to Diversify Investments	Count III –Allegations Dismissed
<p>Enron Corp.</p> <p>Enron Corporation Savings Plan Administrative Committee and its members</p> <p>Northern Trust Company</p>	<ul style="list-style-type: none"> • Failed to diversify investments in accordance with the terms of the Savings Plan requiring diversification. Enron stock comprised 60% of plan assets • Administrative Committee did not investigate prudence of investing plan assets in Enron stock; committee member Olson had prior warnings about Enron’s financial condition • Because matching contributions were to be made “primarily” in the form of Enron stock, Administrative Committee had fiduciary duty to monitor prudence of allowing Enron to continue to match employee contributions with Enron stock • Future motion for leave to assert similar claims with respect to ESOP to be filed by plaintiffs • Northern Trust had a duty not to follow Administrative Committee directions that were contrary to ERISA • Co-fiduciary liability as to Administrative Committee and Northern Trust 	<ul style="list-style-type: none"> • ERISA does not impose a duty to diversify 401(k) and other individual account plans to the extent assets are invested in company stock

Defendants	Count IV - Surviving Breach of Fiduciary Duty Allegations Regarding Cash Balance Plan Offset Based on Inflated ESOP Account Balance	Count IV –Allegations Dismissed
<p>Enron Corp.</p> <p>Enron Corporation Savings Plan Administrative Committee and its members</p> <p>Enron Stock Ownership Plan Administrative Committee and its members</p> <p>Enron Cash Balance Plan Administrative Committee and its members</p>	<ul style="list-style-type: none"> • Defendants breached fiduciary duty to the cash balance plan participants and beneficiaries by not disclosing artificially inflated price of stock • Can recover monetary relief only if plaintiffs can trace some or all to which they claim entitlement through Enron’s business and into the bonuses and salaries of the individual defendants 	<ul style="list-style-type: none"> • Defendants did not have a duty to affirmatively compute “real value” of stock and use it as a permanent component of the plan • Since offset calculation was a prior practice and was done in accordance with terms of the plan, no need for injunctive relief
Defendants	Count V – Surviving Breach of Fiduciary Duty Allegations Relating to Failure to Apoint and Monitor Fiduciaries as well as Failure to Disclose Material Information	
<p>Enron Corp.</p> <p>Kenneth L. Lay</p> <p>Compensation Committee</p>	<ul style="list-style-type: none"> • Appointed and failed to remove investment fiduciaries that they knew or should have known were not qualified • Failed to monitor fiduciaries • Co-fiduciary liability <ol style="list-style-type: none"> 1. Failed to disclose to investing fiduciaries material information regarding Enron’s financial condition 2. Knowingly participated in investing fiduciaries’ breach of fiduciary duty by accepting benefits thereof 3. Knowingly undertook to hide acts and omissions of other fiduciaries and failed to remedy known breaches 	

<p style="text-align: center;">Defendants</p> <p>Enron Officers and Directors</p> <p>Arthur Andersen</p> <p>Vinson & Elkins</p> <p>Investment Banks (Merrill Lynch, J.P. Morgan Chase, Credit Suisse, Citigroup)</p>		<p style="text-align: center;">Counts VI and VII– Allegations Dismissed</p> <ul style="list-style-type: none"> • RICO claims dismissed – barred under Section 107 of the Private Securities Litigation Reform Act, which eliminates securities fraud as a predicate act for a private cause of action under RICO
<p style="text-align: center;">Defendant</p>	<p style="text-align: center;">Count VIII – Surviving Common Law Claim for Negligent Misrepresentation</p>	
<p>Arthur Andersen</p>	<ul style="list-style-type: none"> • ERISA does not preempt claim that Arthur Andersen performed improper accounting and negligently certified the accuracy of the financial statements and audit reports 	
<p style="text-align: center;">Defendants</p>		<p style="text-align: center;">Count IX– Allegations Dismissed</p>
<p>Enron Officers and Directors</p> <p>Arthur Andersen</p> <p>Vinson & Elkins</p> <p>Investment Banks</p>		<ul style="list-style-type: none"> • ERISA and SLUSA preempt common law claim that defendants conspired to conceal Enron’s true financial condition and deceive Enron Employees into: <ul style="list-style-type: none"> (a) accepting over-valued stock; (b) maintaining their plan investments in Enron stock; and (c) continuing to work at Enron

Please contact Mike Prame, Steve Saxon, or Ted Scallet at (202)857-0620 with any questions.