

**UNITED STATES COURTS
SOUTHERN DISTRICT OF TEXAS
FILED**

DEC 28 2005

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

MICHAEL N. MILBY, CLERK OF COURT

UNITED STATES OF AMERICA	§	
	§	
v.	§	Cr. No. H-04-25 (S-2)
	§	(Lake, J.)
RICHARD A. CAUSEY,	§	
	§	
Defendant.	§	
	§	

Exhibit A to Plea Agreement

The following factual statement made by defendant Richard A. Causey is submitted to provide a factual basis for my plea of guilty to Count Nineteen (securities fraud) of the above captioned Superseding Indictment, charging me with securities fraud, in violation of Title 15, United States Code, Sections 78j(b) and 78ff.

1. I was the Chief Accounting Officer (“CAO”) of Enron Corporation (“Enron”) from 1998 through Enron’s bankruptcy in December 2001. While CAO, I and other members of Enron’s senior management fraudulently misled investors and others about the true financial position of Enron in order to inflate artificially the price of Enron’s stock.

2. More specifically, I conspired with members of Enron’s senior management to make false and misleading statements, in Enron’s filings with the Securities and Exchange Commission (“SEC”) and in analyst calls, about the financial condition of Enron, which did not fairly and accurately reflect Enron’s actual financial condition and performance as I knew it.

3. Certain of the conduct, for which I accept responsibility, is detailed below.

False and Misleading Statements in SEC Filings

4. Along with others in senior management, I was responsible for the preparation and drafting of the financial statements that were included in Enron’s annual reports filed with the SEC on Form 10-K and its quarterly reports on Form 10-Q. I, along with others in senior management, were responsible for ensuring that the financial statements contained in Enron’s public filings fairly presented Enron’s true financial condition. The financial statements were required to include a section entitled Management, Discussion and Analysis (“MD&A”), which required, among other things, that management disclose information necessary to an understanding of Enron’s financial condition and results of operations. I reviewed drafts of Enron’s quarterly and annual reports, and I signed these reports attesting to their accuracy. As set forth below, I participated along with others in Enron’s senior management in efforts to use Enron’s public filings and public statements to mislead the investing public about the true nature of Enron’s financial performance by making false and misleading statements, and omitting facts

necessary to make certain statements not misleading.

5. For example, in the first quarter of 2000, Enron recorded \$85 million in earnings from a partnership interest it held in a vehicle named JEDI, which held Enron stock. I and others reported these earnings as recurring earnings from operations when, as I and others knew, the earnings in fact came from a dramatic increase in Enron's stock price resulting from positive investor reaction to Enron's January 20, 2000 analyst conference. I and others understood that it would have been material information to investors and analysts that a significant portion of Enron's reported earnings from its Assets and Investments business came solely from an increase in its own stock price. I and others misled investors by describing the earnings as coming from the strong performance of Enron's portfolio of energy related and other investments. I and others intentionally failed to disclose the true nature of the earnings and the fact that Enron management was taking large positions in Enron stock.

6. Another example concerns disclosures in 2001 relating to Enron's retail business, Enron Energy Services ("EES"). During the first quarter of 2001, I became aware that EES had incurred hundreds of millions of dollars in losses resulting from California regulatory actions and the identification of significant valuation errors in EES contracts. These losses were in excess of EES's targeted earnings for the entire year of 2001. I understood that EES had been promoted by Enron management as a growth segment of the company that was a major contributor to Enron's stock price. I and others in senior management believed that had these losses been disclosed to Enron's shareholders and the analyst community, the reaction would have been severely negative and the stock price would have declined.

7. I and others in senior management made a decision to move the risk management function of EES into another business unit, Enron Wholesale Services ("EWS"). This reorganization allowed us to avoid reporting the losses in EES's results so that I and others in senior management could continue to tout EES as a growing and successful business. I and others in management intentionally failed to disclose to the investing public any reference to EES's losses, which we knew was material information.

8. On April 17, 2001, Enron issued its earnings release for its first quarter 2001 results, a copy of which I reviewed. I and others reported to Enron's shareholders and the investing public that EES had earned \$40 million in recurring IBIT for the first quarter of 2001. We did not disclose that EES had in fact incurred hundreds of millions of dollars in losses during the first quarter of 2001 that through an accounting change we had concealed in EWS. By failing to disclose the true performance of EES, I and others intentionally misled Enron's shareholders and the investing public.

10-Q for the First Quarter 2001

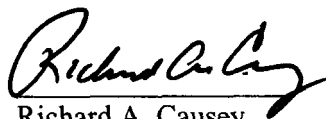
9. On or about May 15, 2001, Enron filed its Form 10-Q, which I reviewed and signed. While the 10-Q disclosed the transfer of risk management functions, the 10-Q did not disclose the losses that EES would otherwise have incurred, which was required in order to fairly

present to Enron's shareholders and the investing public Enron's true financial condition. This information was material and would have been important to a reasonable investor. I and others in senior management failed to include this information in Enron's 10-Q because we were concerned that disclosing such information would have a negative effect on Enron's stock price.

10. On or about May 15, 2001, within the Southern District of Texas, Enron filed via electronic transmission its Form 10-Q for the first quarter 2001, with the Securities and Exchange Commission. As set forth above, in connection with Enron's Form 10-Q for the first quarter 2001, a copy of which I signed, I and others in Enron senior management 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.

11. I understood that my conduct and the conduct of those with whom I conspired would have a material effect on Enron's financial statements which Enron shareholders and potential shareholders relied upon in making investment decisions. Enron's stock was traded on the New York Stock Exchange. I also understood that interstate wire transmissions, including fax transmissions, email and telephone calls, would be used and were used in furtherance of the scheme. Specifically, I knew that Enron's annual and quarterly reports were filed with the SEC via interstate wire transmissions.

12. The preceding is a summary of facts that make me guilty, which I make for the purpose of providing the Court with a factual basis for my guilty plea to Count 19 of the Superseding Indictment. It does not include all of the facts known to me concerning criminal activity in which I and other members of Enron senior management engaged. I make this statement knowingly and voluntarily because I am in fact guilty of the crime charged.



Richard A. Causey
Defendant

December 28, 2005