

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

In re ENRON CORPORATION SECURITIES LITIGATION	§	Civil Action No. H-01-3624
	§	(Consolidated)
<hr/> This Document Relates To:	§	
	§	<u>CLASS ACTION</u>
MARK NEWBY, et al.,	§	
Plaintiffs,	§	
vs.	§	
ENRON CORP., et al.,	§	
Defendants.	§	
<hr/> THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, et al.,	§	
Plaintiffs,	§	
vs.	§	
KENNETH L. LAY, et al.,	§	
Defendants.	§	
<hr/> WASHINGTON STATE INVESTMENT BOARD and EMPLOYER- TEAMSTERS LOCAL NOS. 175 and 505 PENSION TRUST FUND, et al.,	§	
Plaintiffs,	§	
vs.	§	
KENNETH L. LAY, et al.,	§	
Defendants.	§	
<hr/> PAMELA M. TITTLE, et al.,	§	
Plaintiffs,	§	
vs.	§	
ENRON CORP., an Oregon corporation, et al.,	§	
Defendants.	§	

NOTICE OF PENDENCY AND PARTIAL SETTLEMENT OF CLASS ACTION

TO: (1) ALL PERSONS WHO PURCHASED PUBLICLY TRADED SECURITIES OF ENRON CORPORATION (OR SECURITIES ISSUED BY ENRON-RELATED ENTITIES THE VALUE OR REPAYMENT OF WHICH WAS DEPENDENT ON THE CREDIT, FINANCIAL CONDITION, OR ABILITY TO PAY OF ENRON) DURING THE PERIOD FROM SEPTEMBER 9, 1997, THROUGH AND INCLUDING NOVEMBER 27, 2001, AND (2) ALL PARTICIPANTS IN THE ENRON CORPORATION SAVINGS PLAN, THE ENRON ESOP PLAN, THE ENRON CASH BALANCE PLAN, AND SUCH PLANS THEMSELVES, AND ALL RECIPIENTS OF ANY "PHANTOM STOCK" THAT EMPLOYEES OF ENRON RECEIVED AS COMPENSATION, DURING THE PERIOD FROM NOVEMBER 27, 1995, THROUGH AND INCLUDING NOVEMBER 26, 2001.

This Notice of Pendency and Partial Settlement of Class Action (the "Notice") is given pursuant to Rule 23 of the Federal Rules of Civil Procedure to inform you of the proposed partial settlement of these Actions (the "Settlement") and the hearing (the "Settlement Hearing") to be held by the United States District Court for the Southern District of Texas (the "Court") to consider the fairness, reasonableness and adequacy of the Settlement as set forth in the Stipulation of Settlement among the Representative Plaintiffs and Andersen Worldwide Societe Cooperative ("AWSC," as further defined below), dated as of August 29, 2002 (the "Stipulation"), on file with the Court. **THIS SETTLEMENT DOES NOT RELEASE OR OTHERWISE COMPROMISE ANY CLAIMS BY ANY PERSONS AGAINST ARTHUR ANDERSEN LLP, WHICH WAS THE AWSC MEMBER FIRM THAT PROVIDED AUDITING AND OTHER PROFESSIONAL SERVICES IN THE UNITED STATES, OR ANY OF ARTHUR ANDERSEN LLP'S PARTNERS.** All capitalized terms not defined prior to their use in this Notice have the meanings set forth in Part IX, below.

I. STATEMENT OF PLAINTIFF RECOVERY

The Settlement will result in the creation of a cash settlement fund in the aggregate principal amount of Forty Million (\$40,000,000) Dollars (the "Gross Settlement Fund"), which, subject to deduction for costs of notice and administration and for attorneys' fees, costs and expenses as approved by the Court, will be available for distribution to Settlement Class Members (as defined below). As described more fully below, the amount of any distribution to Settlement Class Members on a per share basis will depend on future Court proceedings and it is therefore not possible to estimate the amount of any such distribution at the present time. See Part XII.

II. STATEMENT OF POTENTIAL OUTCOME

Representative Plaintiffs and AWSC do not agree on the average amount of damages per share that would have been recoverable from AWSC or the Defendant Member Firms (as defined below) if Representative Plaintiffs were to have prevailed on each claim asserted. The issues on which the parties disagree include (1) whether the Court has jurisdiction over AWSC and the Defendant Member Firms; (2) whether AWSC and the Defendant Member Firms engaged in conduct that would give rise to any liability to the Settlement Class under the federal securities laws, the Employee Retirement Income Security Act ("ERISA"), the Racketeer Influenced and Corrupt Organizations Act ("RICO"), Texas common law, or any other laws; (3) the appropriate economic model for determining the amount by which the publicly traded securities of Enron ("Enron Securities") were allegedly artificially inflated (if at all) during the Settlement Class Period; (4) the amount by which the Enron Securities were allegedly artificially inflated (if at all) during the Settlement Class Period; (5) the

effect of various market forces influencing the trading price of Enron Securities at various times during the Settlement Class Period; (6) the extent to which external factors, such as general market conditions, influenced the trading price of Enron Securities at various times during the Settlement Class Period; (7) the extent to which the various matters that Representative Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Enron Securities at various times during the Settlement Class Period; (8) the extent to which the various allegedly adverse material facts that Representative Plaintiffs alleged were omitted influenced (if at all) the trading price of the Enron Securities at various times during the Settlement Class Period; (9) the extent, if any, to which the actions of AWSC and the Defendant Member Firms caused damages under ERISA, RICO, or Texas common law; (10) the appropriate measure of damages, if any, for violations of ERISA, RICO, and Texas common law; and (11) whether the statements made or facts allegedly omitted were false, material or otherwise actionable under the federal securities or other laws.

III. ALLOCATION OF GROSS SETTLEMENT FUND AMONG THE ACTIONS

The Representative Plaintiffs have agreed that the Gross Settlement Fund, less any amounts approved by the Court for allocation to the Expense Fund, will be allocated between the Newby Action and the WSIB Action, on the one hand, and the Tittle Action, on the other, by confidential, binding, non-appealable arbitration. Promptly after the arbitrator has ruled and upon further notice to the Settlement Class and an opportunity to be heard, the Representative Plaintiffs will present the arbitration decision to the Court for approval. Settlement Class Members, other than the Representative Plaintiffs, will have the right to challenge the decision of the arbitrator in those proceedings.

The arbitration proceedings described in the preceding paragraph are not part of the settlement among the Representative Plaintiffs and AWSC, and will not affect or delay the finality of the settlement among the Representative Plaintiffs and AWSC.

IV. STATEMENT OF ATTORNEYS' FEES AND EXPENSES SOUGHT

At a future date, upon further notice to the Settlement Class, counsel for the Representative Plaintiffs will apply to the Court for an award of attorneys' fees from the Gross Settlement Fund. No attorneys' fees are being sought at this time. However, the Stipulation provides for the allocation of Fifteen Million (\$15,000,000) Dollars of the Gross Settlement Fund for reimbursement of expenses expected to be incurred by Plaintiffs' Settlement Counsel in prosecuting the Actions against the remaining Defendants. The Court will be asked to approve that allocation at the Settlement Hearing, and to divide the total amount allocated for such expenses between the Newby and WSIB Actions, on the one hand, and the Tittle Action, on the other, with the Newby and WSIB Actions receiving 80.5 percent of such total amount and the Tittle Action receiving the remaining 19.5 percent of such total amount.

V. REASONS FOR SETTLEMENT

The parties to this Settlement believe that it is fair, reasonable, and adequate to the Members of the Settlement Class. The parties have reached this conclusion after investigating and considering, among other things, the strengths and weaknesses of the Representative Plaintiffs' claims against AWSC and the Defendant Member Firms, the uncertainties of this complex litigation, and the benefit provided by the Settlement to the Members of the Settlement Class. See Part VIII.

VI. IDENTIFICATION OF ATTORNEYS' REPRESENTATIVES

Any questions regarding the Settlement should be directed to Plaintiffs' Settlement Counsel or their staff:

Rick Nelson	Steve W. Berman	Lynn Lincoln Sarko
Milberg Weiss Bershad Hynes & Lerach LLP	Hagens Berman LLP 1301 Fifth Avenue Suite 2900	Keller Rohrback LLP 1201 Third Avenue Suite 3200
401 B Street, Suite 1700 San Diego, CA 92101-4297 Telephone: (800) 449-4900	Seattle, WA 98101 Telephone: (877) 694-0660	Seattle, WA 98101-3052 Telephone: (866) 560-4043
Counsel for Enron Securities Litigation (Newby Action)	Co-Counsel for Enron ERISA Litigation (Tittle Action)	Co-Counsel for Enron ERISA Litigation (Tittle Action)

PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE RELATES TO A PROPOSED PARTIAL SETTLEMENT OF THESE ACTIONS AND, IF YOU ARE A SETTLEMENT CLASS MEMBER, CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS CONCERNING THE SETTLEMENT AS FURTHER DESCRIBED BELOW.

EXCLUSION DEADLINE: REQUESTS FOR EXCLUSION MUST BE SUBMITTED SO AS TO BE RECEIVED NO LATER THAN SEPTEMBER 24, 2003.

SECURITIES BROKERS AND OTHER NOMINEES: PLEASE SEE THE INSTRUCTIONS ON PAGE 7 BELOW.

VII. BACKGROUND OF THE LITIGATION

AWSC and the Defendant Member Firms have been named as defendants in the Actions (defined below). AWSC and the Defendant Member Firms moved to dismiss the Actions on the following grounds:

1. The Court lacks personal jurisdiction over AWSC and the Defendant Member Firms.
2. The complaints fail to state a claim upon which relief can be granted because plaintiffs failed to allege facts that would sustain a claim that AWSC and the Defendant Member Firms engaged in any actionable conduct or that they should be held liable for the actions of any of the other defendants named in the Actions.

VIII. BACKGROUND OF THE SETTLEMENT

Counsel for the Representative Plaintiffs have conducted an investigation relating to the claims and underlying events alleged in the complaints. Counsel for the Representative Plaintiffs also have conducted considerable informal discovery in the Actions and in related litigation and have analyzed the evidence obtained therein, and have researched the applicable law with respect to the claims alleged in the complaints and the potential defenses thereto.

The Representative Plaintiffs, by their counsel, have conducted arms'-length negotiations with counsel for AWSC with a view toward settling the issues in dispute and achieving the best result possible consistent with the interests of the Settlement Class.

Based upon their investigation, counsel for the Representative Plaintiffs have concluded that the terms of the Settlement as set forth in the Stipulation are fair, reasonable, and adequate to the Representative Plaintiffs and the Settlement Class, and in the best interest of the Representative Plaintiffs and the Settlement Class, and have agreed to settle the Actions as to the Released Entities pursuant to the terms and provisions of the Stipulation, after considering (i) the benefits that the Representative Plaintiffs and the Settlement Class will receive from the Settlement; (ii) the attendant risks of litigation; and (iii) the desirability of permitting the Settlement to be consummated as provided by the terms of the Stipulation.

AWSC denies any and all wrongdoing whatsoever and the Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any party thereto with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that any party thereto has asserted, or any admission that they are subject to the jurisdiction of the Court. AWSC has asserted, and continues to assert, that all claims and contentions raised in the Actions are without merit, and continues to deny all charges of wrongdoing or liability with respect to each and all of the claims and contentions that were alleged or that could have been alleged in the Actions, including without limitation all contentions concerning the conduct of AWSC and the Defendant Member Firms, as well as the contentions that such conduct constitutes wrongdoing or gives rise to legal liability or has caused damage to the Representative Plaintiffs or the Settlement Class. In addition, AWSC has repeatedly asserted and continues to assert alleged defenses to the claims and contentions of the Representative Plaintiffs and the Settlement Class, and notwithstanding the Stipulation, AWSC expressly asserts that it believes that these defenses have merit and that AWSC has no liability to the Representative Plaintiffs or the Settlement Class. Nonetheless, AWSC has concluded that further conduct of the Actions as to these issues would be expensive, and that it is desirable and in the best interests of AWSC fully and finally to settle and terminate the Representative Plaintiffs' and the Settlement Class' claims against the Released Entities so as to limit the inconvenience and distraction of the Released Entities and their present and former personnel, to put to rest any and all claims that were or could have been asserted in this action or that arise out of the matters set forth in the complaints, and to avoid the further expense and burdens of continued litigation, without in any way acknowledging any fault or liability. AWSC also has taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this one. AWSC has, therefore, determined that it is desirable and in its best interests that the Actions be settled upon the terms and conditions set forth in the Stipulation. Neither the Stipulation, nor any document referred to therein, nor any action taken to carry out the Stipulation, is or may be construed or used as an admission by or against any party thereto of any fault, wrongdoing or liability whatsoever. There has been no determination by any court, administrative agency, or other tribunal as to the factual allegations made against AWSC and the Defendant Member Firms.

THE COURT HAS NOT FINALLY DETERMINED THE MERITS OF THE REPRESENTATIVE PLAINTIFFS' CLAIMS IN THE NEWBY AND TITTLE CONSOLIDATED ACTIONS OR THE DEFENSES THERETO. THIS NOTICE IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, AN EXPRESSION OF ANY OPINION BY THE COURT WITH RESPECT TO THE TRUTH OF THE ALLEGATIONS IN THE ACTIONS OR THE MERITS OF THE CLAIMS OR DEFENSES ASSERTED. THIS NOTICE IS SOLELY TO ADVISE YOU OF THE PENDENCY OF THE ACTION AND THE PROPOSED PARTIAL SETTLEMENT THEREOF AND OF YOUR RIGHTS IN CONNECTION THEREWITH.

IX. DEFINITIONS

As used in this Notice, the following terms have the meanings specified below. Any capitalized terms not specifically defined in this Notice shall have the meanings set forth for such terms in the Stipulation. In the event of any inconsistency between any definition set forth below or elsewhere in this Notice and any definition set forth in the Stipulation, the definition set forth in the Stipulation shall control.

1. "Actions" means (i) the Newby Action, (ii) the WSIB Action, and (iii) the Tittle Action.
2. "Arthur Andersen LLP" is an Illinois limited liability partnership that provided auditing and other professional services in the United States.
3. "Authorized Claimant" means any Settlement Class Member who is entitled to a distribution from the Gross Settlement Fund pursuant to the terms of the Stipulation, any Plan of Allocation, or any order of the Court.
4. "AWSC" means Andersen Worldwide Societe Cooperative, a cooperative organization formed under the Swiss Code of Obligations and domiciled in Geneva, Switzerland. AWSC is a limited liability entity under Swiss law. AWSC served as the coordinating entity of the Andersen Worldwide Organization, which had Member Firms (as defined in paragraph 5, below) in countries throughout the world. Each Member Firm was formed under the laws of the country in which it was located. The relationship between each Member Firm and AWSC was a contractual one, governed by a separate Member Firm Interfirm Agreement between each Member Firm and AWSC. AWSC does not provide professional services to any client and does not earn a profit.
5. "AWSC Entity" means:
 - (a) all current and former firms worldwide that have each entered into a "Member Firm Interfirm Agreement" with AWSC (each a "Member Firm"), including without limitation the Defendant Member Firms; Andersen Legal, CV; Accenture LLP (formerly known as Andersen Consulting LLP); Accenture Partners, SC (formerly known as Andersen Consulting Partners, SC); all other firms formerly known as Andersen Consulting; and Accenture Ltd; in each instance, with the exception of Arthur Andersen LLP;
 - (b) the respective past, present, and future subsidiaries, parents, predecessors, Member Firms, affiliates of all types, including without limitation cooperating, representative, affiliate, and related firms, and divisions of AWSC and/or of any entity covered by subparagraph (a) above (in each case, with the exception of Arthur Andersen LLP);
 - (c) all past, present, and future partners, members, officers, directors, principals, shareholders, advisors, agents and employees of AWSC and/or of any entity covered by subparagraphs (a) or (b) above (in each case, with the exception of Arthur Andersen LLP and its partners); provided, however, that no such person shall be deemed to be an "AWSC Entity" with respect to any act performed by that person as a director, officer, or employee of Enron;
 - (d) all heirs, executors, administrators, spouses, assigns, and bankruptcy estates of any person or entity covered by subparagraph (c) above; and
 - (e) all successors to, acquirers of, merger partners of, or entities that have otherwise entered into a contractual arrangement with respect to association, cooperation, coordination, combination or integration of their businesses (now or in the future) with, AWSC or any entity covered by subparagraphs (a), (b), (c), or (d) above (including without limitation successors to, acquirers or merger partners of, or contractual counterparties with

respect to any portions or assets (including personnel and clients) of AWSC or of any entity covered by subparagraphs (a), (b), (c), or (d) above) and all affiliates of any type of any such successor, acquirer, merger partner, or contractual counterparty (including without limitation any worldwide organization with which any such entity may be associated) (in each case, with the exception of Arthur Andersen LLP); provided, however, that such successors, acquirers, merger partners, contractual counterparties, or affiliates of any of them are deemed to be AWSC Entities only with respect to claims against them based on, arising out of, or related to acts or omissions of AWSC, any entity covered by subparagraphs (a), (b), (c), or (d) above, or Arthur Andersen LLP.

6. "Defendant Member Firms" means the current and former Member Firms of AWSC presently named as defendants in the Actions (with the exception of Arthur Andersen LLP).

7. "Effective Date" means the first date by which all of the events and conditions specified in paragraph 7.1 of the Stipulation have occurred and have been met, respectively.

8. "Enron" means Enron Corporation and all of its past and present parents, subsidiaries, divisions, joint ventures, predecessors, successors, assigns, related or affiliated entities, and any entity in which any of them has a controlling interest.

9. "Expense Fund Decision Order" means a future order of the Court approving the allocation of the Expense Fund between the Newby and WSIB Actions, on the one hand, and the Tittle Action, on the other. The Representative Plaintiffs have agreed that, subject to approval by the Court, the Expense Fund shall be allocated in the amounts of Twelve Million and Seventy Five Thousand (\$12,075,000) Dollars, or 80.5 percent of the Expense Fund, to the Newby and WSIB Actions, on the one hand, and Two Million Nine Hundred and Twenty Five Thousand (\$2,925,000) Dollars, or 19.5 percent of the Expense Fund, to the Tittle Action, on the other. That portion of the Expense Fund allocated to the Newby and WSIB Actions shall be deemed the "Newby Expense Fund." That portion of the Expense Fund allocated to the Tittle Action shall be deemed the "Tittle Expense Fund."

10. "Judgment" means a judgment to be rendered by the Court, substantially in the form attached to the Stipulation as Exhibit B.

11. "Lead Securities Plaintiff" means the Regents of the University of California.

12. "Newby Action" means the actions brought on behalf of all purchasers (and their beneficiaries) of any publicly traded securities of Enron Corporation from October 19, 1998, through November 27, 2001, inclusive (excluding Defendants, the officers and directors of Enron, and members of their immediate families or their successors, heirs, and legal representatives), proceeding as a consolidated action captioned *Newby, et al. v. Enron Corp., et al.*, No. H 01-CV-3624 (S.D. Tex.).

13. "Newby Settlement Class" means all purchasers (and their beneficiaries) of any publicly traded securities of Enron Corporation from September 9, 1997 through November 27, 2001, inclusive. Included in the Newby Settlement Class are purchasers of all securities issued by Enron-related entities during the Settlement Class Period, the value or repayment of which was dependent on the credit, financial condition, or ability to pay of Enron. Excluded from the Newby Settlement Class are Defendants, the officers and directors of Enron, and members of their immediate families or their successors, heirs, and legal representatives. Also excluded from the Newby Settlement Class are those Persons who timely and validly request exclusion from the Settlement Class, to the extent that they are able to do so under Rule 23 of the Federal Rules of Civil Procedure, in accordance with the instructions set forth in Part XI, below.

14. "Newby Settlement Class Member" or "Member of the Newby Settlement Class" mean a Person who falls within the definition of the Newby Settlement Class.

15. "Notice and Claims Administrator" means Gilardi & Co. LLC or its successors.

16. "Person" means an individual, corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and any spouses, heirs, predecessors, successors, representatives, or assignees of any of the foregoing.

17. "Plaintiffs' Settlement Counsel" means, collectively, (a) Milberg Weiss Bershad Hynes & Lerach LLP, William S. Lerach, Keith F. Park, 401 B Street, Suite 1700, San Diego, California 92101; (b) Hagens Berman LLP, Steve W. Berman, 1301 Fifth Avenue, Suite 2900, Seattle, Washington 98101; and (c) Keller Rohrbach LLP, Lynn Lincoln Sarko, 1201 Third Avenue, Suite 3200, Seattle, Washington 98101-3052.

18. "Plan of Allocation" means any plan or formula of allocation of the Gross Settlement Fund, to be approved by the Court upon further notice to the Class, whereby the Net Settlement Fund shall in the future, upon or after entry of the Settlement Fund Decision Order, be distributed to Authorized Claimants. Any Plan of Allocation is not part of the Stipulation and the Released Entities shall have no responsibility or liability with respect thereto.

19. "Proof of Claim and Release" means the form to be sent to Newby Settlement Class Members, upon further order(s) of the Court, by which Newby Settlement Class Members (or Persons who are Members of both the Newby Settlement Class and the Tittle Settlement Class) may make claims against the Newby Settlement Fund for damages incurred by reason of their investment(s) in Enron publicly traded securities. At this point it has not been determined whether any such form will be sent to Persons who are Members of the Tittle Settlement Class only.

20. "Released Claims" shall mean any and all claims (including "Unknown Claims" as defined in paragraph 35, below) of any nature whatsoever that any Settlement Class Member has, had, or may have against AWSC and each AWSC Entity (but not against Arthur Andersen LLP or its partners) based on, arising out of, or related to, directly or indirectly, (i) purchases of Enron's publicly traded securities, (ii) the Savings Plans or any "phantom stock" that employees (and their beneficiaries) received as compensation, or (iii) any services (audit, consulting, or otherwise) provided to Enron by Arthur Andersen LLP, AWSC, or any AWSC Entity. For the avoidance of doubt, "Released Claims" includes, but is not limited to, both the Tittle ERISA Claims and the Tittle Non-ERISA Claims.

21. "Released Entities" means AWSC and each AWSC Entity (but not Arthur Andersen LLP or its partners).

22. "Representative Plaintiffs" means the Lead Securities Plaintiff and each of the named plaintiffs in the WSIB Action and the Tittle Action.

23. "Savings Plans" means the Enron Corporation Savings Plan, the Enron ESOP Plan, and the Enron Cash Balance Plan.

24. "Settlement Amount" means the principal amount of Forty Million (\$40,000,000) Dollars.

25. "Settlement Class" means the Newby Settlement Class and the Tittle Settlement Class, collectively. Excluded from the Settlement Class are those Persons who timely and validly request exclusion from the Settlement Class, to the extent that they are able to do so under Rule 23 of the Federal Rules of Civil Procedure, in accordance with the instructions set forth in Part XI, below. For the avoidance of doubt, the Newby Settlement Class and the Tittle Settlement Class are not mutually exclusive of each other, such that any individual Person may at once be a Member of both the Newby Settlement Class and the Tittle Settlement Class.

26. "Settlement Class Member" or "Member of the Settlement Class" mean a Person who falls within the definition of the Settlement Class.

27. "Settlement Class Period" means, collectively, the period commencing on September 9, 1997 through October 18, 1998, inclusive, in the WSIB Action; October 19, 1998 through November 27, 2001, inclusive, in the Newby Action; and November 27, 1995 through November 26, 2001, inclusive, in the Tittle Action.

28. "Settlement Fund Decision Order" means a future order of the Court allocating the Gross Settlement Fund between the Newby Action and the WSIB Action, on the one hand, and the Tittle Action, on the other. That portion of the Gross Settlement Fund allocated by the Court to the Newby and WSIB Actions shall be deemed the "Newby Settlement Fund." That portion of the Gross Settlement Fund allocated to the Tittle Action shall be deemed the "Tittle Settlement Fund." For the avoidance of doubt, the term "Newby Settlement Fund" shall always include the Newby Expense Fund (as defined in paragraph 9, above) and the term "Tittle Settlement Fund" shall always include the Tittle Expense Fund (as defined in paragraph 9, above).

29. "Settling Parties" means, collectively, AWSC and the Representative Plaintiffs (on behalf of themselves and each of their respective Settlement Class Members).

30. "Tittle Action" means the action brought on behalf of all participants (and their beneficiaries), including holders during the relevant period (and their beneficiaries), in the Savings Plans, the recipients of any "phantom stock" that employees (and their beneficiaries) received as compensation, and the Savings Plans themselves during the period from November 27, 1995, through November 26, 2001, inclusive (excluding Defendants, the officers and directors of Enron, and members of their immediate families or their successors, heirs, and legal representatives), proceeding as a consolidated class action captioned *Tittle, et al. v. Enron Corp., et al.*, No. H 01-CV-3913 (S.D. Tex.).

31. "Tittle ERISA Claims" means any claim for relief alleged in Count I, II, III, IV, or V in the First Consolidated and Amended Complaint in the Tittle Action that any Tittle Settlement Class Member has, had, or may have against AWSC and each AWSC Entity (but not against Arthur Andersen LLP or its partners).

32. "Tittle Non-ERISA Claims" means any and all Released Claims that any Tittle Settlement Class Member has, had, or may have other than the Tittle ERISA Claims.

33. "Tittle Settlement Class" means all participants (and their beneficiaries), including holders during the relevant period (and their beneficiaries), in the Savings Plans, the recipients of any "phantom stock" that employees (and their beneficiaries) received as compensation, and the Savings Plans themselves during the period from November 27, 1995, through November 26, 2001, inclusive (excluding Defendants, the officers and directors of Enron, and members of their immediate families or their successors, heirs, and legal representatives). Excluded from the Tittle Settlement Class are those Persons who timely and validly request exclusion from the Settlement Class, to the extent that they are able to do so under Rule 23 of the Federal Rules of Civil Procedure, in accordance with the instructions set forth in Part XI, below.

34. "Tittle Settlement Class Member" or "Member of the Tittle Settlement Class" mean a Person who falls within the definition of the Tittle Settlement Class.

35. "Unknown Claims" means any Released Claim that any Representative Plaintiff or Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Entities that if known by him, her or it, might have affected his, her or its settlement with and release of the Released Entities, or might have affected his, her or its decision not to object to this settlement or not to exclude himself, herself or itself from the Settlement Class. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Representative Plaintiffs shall expressly waive, and each of the Settlement Class Members shall be deemed to have waived and by operation of the Judgment shall have waived, the provisions, rights and benefits of California Civil Code §1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

The Representative Plaintiffs shall expressly waive, and each of the Settlement Class Members shall be deemed to have waived and by operation of the Judgment shall have waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, that is similar, comparable or equivalent to California Civil Code §1542. The Representative Plaintiffs and Settlement Class Members may hereafter discover facts in addition to or different from those that any of them now knows or believes to be true with respect to the subject matter of the Released Claims, but each Representative Plaintiff shall expressly have, and each Settlement Class Member shall be deemed to have and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, that now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Representative Plaintiffs acknowledge, and the Settlement Class Members shall be deemed to have acknowledged and by operation of the Judgment shall have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

36. "WSIB Action" means the action brought on behalf of all purchasers of the publicly traded equity and debt securities of Enron from September 9, 1997 through October 18, 1998, inclusive (excluding Defendants, the officers and directors of Enron, and members of their immediate families or their

successors, heirs, and legal representatives), captioned *Washington State Investment Board, et al. v. Kenneth L. Lay, et al.*, Civil Action No. H-02-3401 (S.D. Tex.).

X. THE SETTLEMENT CLASS

By Order dated July 24, 2003, the Court certified the Settlement Class pursuant to Rules 23(b)(1) and 23(b)(3) of the Federal Rules of Civil Procedure, for the purpose of the Settlement only, and directed that this Notice be given to Members of the Settlement Class. If you are: (1) a purchaser or beneficiary of a purchaser of publicly traded securities of Enron during the period from September 9, 1997 through and including November 27, 2001; or (2) a participant (or beneficiary of a participant) in the Enron Corporation Savings Plan, the Enron ESOP Plan, or the Enron Cash Balance Plan during the period from November 27, 1995, through and including November 26, 2001; or (3) one of those plans yourself; or (4) the recipient of any "phantom stock" that employees (and their beneficiaries) received as compensation during the period from November 27, 1995, through and including November 26, 2001 (in each of the foregoing four instances excluding Defendants, the officers and directors of Enron, and members of their immediate families or their successors, heirs, and legal representatives); then you are a Settlement Class Member.

XI. THE RIGHTS OF SETTLEMENT CLASS MEMBERS

If you are a Settlement Class Member, you may receive the benefit of, and you will be bound by, the terms of the proposed Settlement described in Part XII of this Notice, upon approval of the proposed Settlement by the Court.

If you are a Member of the Newby Settlement Class only and if you do not wish to be included in the Settlement Class and do not wish to participate in the proposed Settlement described in this Notice, you may request to be excluded with respect to all Released Claims. If you are a member of both the Newby Settlement Class and the Tittle Settlement Class, or if you are a Member of the Tittle Settlement Class only, you may request to be excluded with respect to all Released Claims except for the Tittle ERISA Claims. Tittle Settlement Class Members cannot request to be excluded with respect to the Tittle ERISA Claims.

To request to be excluded in accordance with the preceding paragraph, you must send a signed, written request to be excluded, postmarked no later than September 24, 2003, and addressed as follows:

In re Enron Corporation Securities and ERISA Litigations
c/o Gilardi & Co. LLC
P.O. Box 808055
Petaluma, CA 94975-8055

You must set forth the name of this Action (*In re Enron Corporation Securities and ERISA Litigations*, Civil Action No. H-01-3624 (Consolidated)), your name, address and telephone number, and state that you "request exclusion from the Settlement Class in *In re Enron Corporation Securities and ERISA Litigation*, Civil Action No. H-01-3624 (Consolidated)." You must also set forth (i) your telephone number, (ii) whether you believe that you are a member of the Newby Settlement Class or the Tittle Settlement Class, or both, (iii) the number of shares of publicly traded securities of Enron that you purchased and sold during the Settlement Class Period and the prices at which the shares were purchased and sold, along with the name and address of the record owner of such shares if different from your own, and/or (iv) the amounts of any investment losses that you incurred in connection with your participation during the Settlement Class Period in the Enron Corporation Savings Plan, the Enron ESOP Plan, or the Enron Cash Balance Plan, and/or the number of shares of any "phantom stock" that you (or your beneficiaries) received as compensation during the Settlement Class Period and the dates when you received such shares of "phantom stock." NO PERSON OR ENTITY MAY EXCLUDE HIMSELF, HERSELF, OR ITSELF FROM THE SETTLEMENT CLASS AFTER SEPTEMBER 24, 2003.

If you validly request exclusion from the Newby Settlement Class or from the Tittle Settlement Class (except with respect to the Tittle ERISA Claims), (a) you will be excluded from the Newby Settlement Class or from the Tittle Settlement Class (except with respect to the Tittle ERISA Claims), (b) you will not share in the proceeds of the Settlement described herein as allocated to the Newby Action or to the Tittle Action (except with respect to the Tittle ERISA Claims), as appropriate, (c) you will not be bound by any judgment entered in the Actions insofar as such judgment relates to the Newby Action or to the Tittle Action (except with respect to the Tittle ERISA Claims), and (d) you will not be precluded, by reason of your decision to request exclusion from the Settlement Class, from otherwise prosecuting an individual claim, if timely and otherwise valid, against any of the Released Entities based on the matters complained of in the Actions, except that in any event you will be precluded from prosecuting against the Released Entities, on an individual basis, any of the Tittle ERISA Claims. If you are a Settlement Class Member, you may, but are not required to, enter an appearance through counsel of your own choosing at your own expense, provided that such counsel must file an appearance on your behalf on or before September 24, 2003, and must serve copies of such appearance on the attorneys listed in Part XV below. If you do not enter an appearance through counsel of your own choosing, you will be represented by Plaintiffs' Settlement Counsel.

XII. TERMS OF THE PROPOSED SETTLEMENT

A settlement has been reached in the Actions between the Representative Plaintiffs and AWSC, the terms and conditions of which are set forth in the Stipulation and the Exhibits thereto. **THIS SETTLEMENT DOES NOT RELEASE OR OTHERWISE COMPROMISE ANY CLAIMS BY ANY PERSONS AGAINST ARTHUR ANDERSEN LLP, WHICH WAS THE AWSC MEMBER FIRM THAT PROVIDED AUDITING AND OTHER PROFESSIONAL SERVICES IN THE UNITED STATES, OR ANY OF ARTHUR ANDERSEN LLP'S PARTNERS.** The following description of the proposed Settlement is only a summary, and reference is made to the text of the Stipulation, on file with the Court, for a full statement of its provisions.

A. The Settlement Fund

1. The entire settlement fund (the "Gross Settlement Fund") consists of the aggregate principal amount of Forty Million (\$40,000,000) Dollars in cash, plus interest thereon, that has been placed into an interest-bearing account pursuant to the terms of the Stipulation. The Stipulation of Settlement provides for the establishment of an Expense Fund in the amount of Fifteen Million (\$15,000,000) Dollars, which shall be paid from, and not in addition to, the Gross Settlement Fund. At the Settlement Hearing, the Court will be asked to approve the establishment of the Expense Fund. The Expense Fund will be used, subject to the Court's future approvals, to reimburse Plaintiffs' Settlement Counsel for the expenses that they have incurred and

expect to incur in the prosecution of the Actions against the remaining Defendants. A portion of the Gross Settlement Fund will also be used to pay for this Notice as well as taxes and tax return preparation expenses regarding the interest earned on the Gross Settlement Fund.

After further notice to the Settlement Class and an opportunity to be heard, the Gross Settlement Fund will be allocated by an order of the Court (the "Settlement Fund Decision Order") to the Newby and WSIB Actions on the one hand and the Tittle Action on the other. Also after further notice to the Settlement Class and an opportunity to be heard, Plaintiffs' Settlement Counsel will seek approval by the Court of a Plan of Allocation that will govern the calculation of Settlement Class Members' claims against the Gross Settlement Fund. Finally, in the future Newby Settlement Class Members (which include members of the class alleged in the WSIB Action) will be sent a Proof of Claim and Release form to establish their claims against the portion of the Gross Settlement Fund that is allocated to the Newby and WSIB Actions. At this point it has not been determined if Persons who are only Members of the Tittle Settlement Class, or certain subgroups of the Tittle Settlement Class, will be required to submit an individual Proof of Claim and Release form in order to receive their respective shares of the portion of the Gross Settlement Fund that is allocated to the Tittle Action.

Because of the aggregate amount of damages that Plaintiffs' Settlement Counsel assert were suffered by Settlement Class Members, it is not economically feasible to distribute the Gross Settlement Fund to Settlement Class Members at this time. Plaintiffs' Settlement Counsel anticipate that such distributions will occur in connection with additional recoveries against the remaining Defendants in the Actions.

B. Additional Consideration For The Settlement

In addition to the establishment of the Gross Settlement Fund, AWSC and the Defendant Member Firms have agreed voluntarily to provide documents and other information to Plaintiffs' Settlement Counsel that Plaintiffs' Settlement Counsel believe are related to the allegations of the complaints in the Actions. Plaintiffs' Settlement Counsel believe that this information may significantly assist them in the continued prosecution of the Actions against the remaining Defendants.

C. Releases

If the proposed Settlement is approved by the Court, the Court will enter an order (the "Order of Final Judgment and Dismissal") that will dismiss the Action with prejudice as to AWSC and the Defendant Member Firms. In addition, upon the Effective Date, all Settlement Class Members, on behalf of themselves, their successors and assigns, and any other Person claiming (now or in the future) through or on behalf of them, and regardless of whether any such Representative Plaintiff or Settlement Class Member ever seeks or obtains by any means, including without limitation by submitting a Proof of Claim and Release, any distribution from the Gross Settlement Fund, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged all Released Claims against all Released Entities and shall have covenanted not to sue all such Released Entities with respect to all such Released Claims, and shall be permanently barred and enjoined from instituting, commencing, or prosecuting any such Released Claim against any Released Entity. In addition, subject to certain limitations set forth in the Stipulation, AWSC and the Defendant Member Firms will release the Representative Plaintiffs, the Settlement Class Members and Plaintiffs' Settlement Counsel from any claims relating to the prosecution of the Actions. **THIS SETTLEMENT DOES NOT RELEASE OR OTHERWISE COMPROMISE ANY CLAIMS BY ANY PERSONS AGAINST ARTHUR ANDERSEN LLP, WHICH WAS THE AWSC MEMBER FIRM THAT PROVIDED AUDITING AND OTHER PROFESSIONAL SERVICES IN THE UNITED STATES, OR ANY OF ARTHUR ANDERSEN LLP'S PARTNERS.** The Court shall retain jurisdiction over the Actions, including without limitation all matters with respect to implementation and enforcement of the terms of the Stipulation.

XIII. NOTICE TO BANKS, BROKERS AND OTHER NOMINEES

Banks, brokerage firms, institutions, and other persons who are nominees that purchased publicly traded securities of Enron for the beneficial interest of other persons as of any date from September 9, 1997 through and including November 27, 2001 are requested to, within ten (10) calendar days of receipt of this Notice, (1) provide the Notice and Claims Administrator with the names and addresses of such beneficial purchasers, or (2) forward a copy of this Notice to each such beneficial purchaser and provide Plaintiffs' Settlement Counsel with written confirmation that the Notice has been so forwarded. Upon submission of appropriate documentation, Plaintiffs' Settlement Counsel will reimburse your reasonable costs and expenses of complying with this provision. Additional copies of this Notice may be obtained from the Notice and Claims Administrator by writing to:

In re Enron Corporation Securities and ERISA Litigations
c/o GILARDI & CO. LLC
P.O. Box 808055
Petaluma, CA 94975-8055

Correspondence to Plaintiffs' Settlement Counsel should be addressed as follows:

William S. Lerach
Keith F. Park
MILBERG WEISS BERSHAD
HYNES & LERACH LLP
401 B Street, Suite 1700
San Diego, CA 92101-4297

Steve W. Berman
HAGENS BERMAN LLP
1301 Fifth Avenue
Suite 2900
Seattle, WA 98101

Lynn Lincoln Sarko
KELLER ROHRBACK LLP
1201 Third Avenue
Suite 3200
Seattle, WA 98101-3052

XIV. APPLICATION FOR ATTORNEYS' FEES, COSTS AND EXPENSES

Plaintiffs' Settlement Counsel do not intend to apply for an award of attorneys' fees at this time. As noted above, Plaintiffs' Settlement Counsel will ask the Court at the Settlement Hearing to approve the establishment of the Expense Fund. Any application for attorneys' fees and reimbursement of expenses not otherwise recovered from the Expense Fund will only occur after notice of that application to the Settlement Class and an opportunity to be heard. Any such sums as awarded by the Court will be paid from the Gross Settlement Fund.

XV. THE SETTLEMENT HEARING

A hearing (the "Settlement Hearing") will be held on October 23, 2003 at 10:00 a.m., before the Honorable Melinda Harmon, United States District Judge, at the United States District Court for the Southern District of Texas, Bob Casey United States Courthouse, 515 Rusk Avenue, Houston, Texas

77002, for the purpose of determining (a) whether the proposed Settlement as set forth in the Stipulation is fair, reasonable and adequate and should be approved by the Court; (b) whether an Order of Final Judgment and Dismissal, substantially in the form of Exhibit B to the Stipulation, should be entered herein; (c) whether the establishment of the Expense Fund should be approved; and (d) whether the procedures agreed upon among the Representative Plaintiffs for the allocation of the Gross Settlement Fund between the Newby Action and the WSIB Action, on the one hand, and the Tittle Action, on the other, should be approved. The Court may adjourn the Settlement Hearing from time to time and without further notice to the Settlement Class.

Any Settlement Class Member who has not requested exclusion may appear at the Settlement Hearing and be heard on any of the foregoing matters (except that Tittle Settlement Class Members who requested to be excluded from the Settlement Class may be heard only with respect to the Tittle ERISA Claims); provided, however, that no such person shall be heard unless his, her or its objection is made in writing and is filed, together with proof of membership in the Settlement Class and copies of all other papers and briefs to be submitted by him, her or it to the Court at the Settlement Hearing, with the Court no later than September 24, 2003, and showing due proof of service on each of Plaintiffs' Settlement Counsel:

William S. Lerach
Keith F. Park
MILBERG WEISS BERSHAD
HYNES & LERACH LLP
401 B Street, Suite 1700
San Diego, CA 92101-4297

Steve W. Berman
Clyde A. Platt
HAGENS BERMAN LLP
1301 Fifth Avenue
Suite 2900
Seattle, WA 98101

Lynn Lincoln Sarko
Britt L. Tinglum
KELLER ROHRBACK LLP
1201 Third Avenue
Suite 3200
Seattle, WA 98101-3052

and upon the following counsel for AWSC:

William F. Lloyd
SIDLEY AUSTIN BROWN & WOOD
Bank One Plaza
10 South Dearborn Street
Chicago, IL 60603

William E. Matthews
GARDERE WYNNE SEWELL LLP
1000 Louisiana
Suite 3400
Houston, TX 77002-5007

Unless otherwise ordered by the Court, any Settlement Class Member who does not make his, her or its objection in the manner provided shall be deemed to have waived all objections to the foregoing matters.

XVI. EXAMINATION OF PAPERS AND INQUIRIES

This Notice contains only a summary of the terms of the proposed Settlement. For a more detailed statement of the matters involved in the Actions, reference is made to the pleadings, to the Stipulation of Settlement and to other papers filed in this action, which may be inspected at the Office of the Clerk of the United States District Court, 515 Rusk Avenue, Houston, Texas 77002, during business hours of any business day.

Inquiries regarding the Actions should be addressed to Plaintiffs' Settlement Counsel at the address set forth above.

DO NOT CONTACT THE COURT REGARDING THIS NOTICE.

DATED: July 24, 2003

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS