

Enron workers' case may reach U.S. high court

By **DON McINTOSH**
Associate Editor

Oregon U.S. Sen. Gordon Smith called on the Bush Administration Aug. 10 to take the side of Enron's victims in a lawsuit that may end up in the U.S. Supreme Court. Smith made the call after learning that New York-based Center for Justice and Democracy and Oregon Attorney General Hardy Myers would be staging a press conference near his Portland office, along with two Oregon PGE/Enron workers. The workers were among many who lost their life savings when their 401(k)s, chock full of Enron stock, were frozen as the stock plummeted.

The stock price fell when it became clear that Enron had committed fraud by reporting fictitious earnings. Enron founder Kenneth Lay was found guilty of 10 counts of securities fraud, but died in July 2006 three months before he was scheduled to be sentenced.

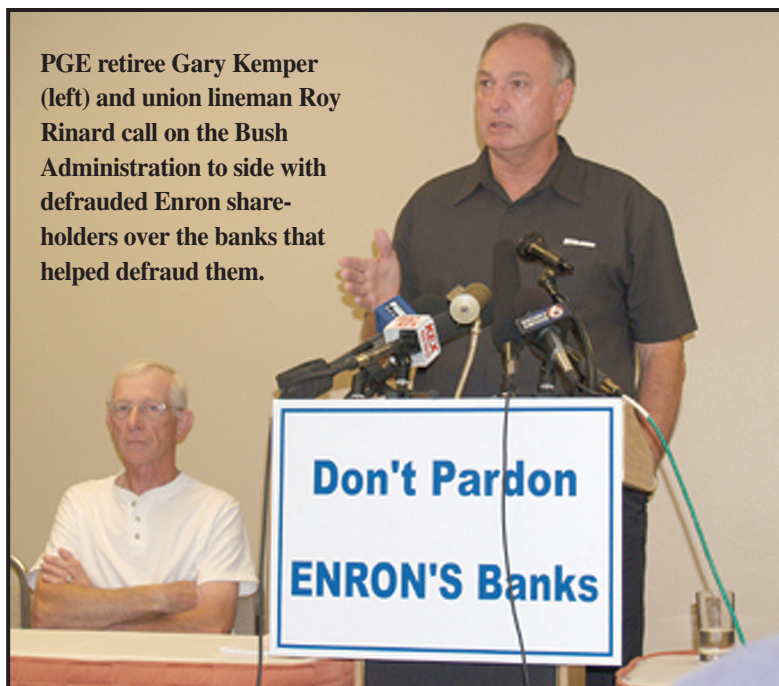
CEO Jeffrey Skilling was convicted in 2006 of securities fraud, conspiracy, and insider trading, and sentenced to 28 months in prison.

Cooperating with federal prosecutors, Chief Financial Officer Andrew Fastow pled guilty in January 2004 of wire and securities fraud, and was sentenced to six years in prison.

Arthur Anderson, the accounting firm that signed off on the web of improper transactions, voluntarily dissolved in 2002 after it was convicted of obstruction of justice for shredding documents related to its audit of Enron.

But other companies were involved, including large investment banks that knowingly participated in the fraud. In Fastow's words, the banks "would come up with structures and transactions that would help Enron creatively solve its financial reporting problems." In other words, they loaned money to sham companies they helped create in order that Enron could pretend debt was revenue in reports to shareholders.

"Enron by itself was a shell," said



PGE retiree Gary Kemper (left) and union lineman Roy Rinard call on the Bush Administration to side with defrauded Enron shareholders over the banks that helped defraud them.

retired PGE lineman Gary Kemper at the Aug. 10 press conference in Portland. "They needed the banks' money to do what they did."

Shareholders, including Kemper and other PGE workers who owned Enron stock in their 401(k)s, sued the investment banks in 2002 to recover losses, estimated at over \$40 billion.

Bank of America, Citigroup, JP Morgan Chase, Lehman Brothers, and Canadian Imperial Bank of Commerce settled out of court for \$7 billion. But other banks — including Merrill Lynch, Credit Suisse First Boston, and Barclays Bank — refused to settle. In March 2007, the Fifth Circuit Court, based in Houston, ruled that the banks weren't liable to the victims. So it will be up to the Supreme Court to decide, by setting the legal principle in a related case, *Stoneridge Investment Partners v. Scientific-Atlanta, Inc.*

Myers was among 33 state attorneys general who submitted briefs in support of investors.

Normally, the Securities and Ex-

change Commission (SEC) would also intervene on the side of stockholders in such a case, filing an "amicus brief" with the Supreme Court. And the SEC voted to do so. But the Bush Administration has refused to allow the SEC to file a brief in support of investors.

Kemper, who retired for medical reasons, said he and his wife had wanted to go to the Holy Land when they retired. "Now we'll have to see it on the History Channel. I'm sure many of those bankers didn't go through that," Kemper said, "yet somehow the Bush Administration can side with the banks."

"If I work until I'm 67, I won't have the money in my 401(k) that I had in 2001," said PGE worker Roy Rinard, 59. Rinard, a member of International Brotherhood of Electrical Workers Local 125, estimates he lost close to \$500,000 when Enron collapsed. "All we're asking is to have our day in court."

Briefs in the Supreme Court case were due Aug. 15, after this issue went to press.

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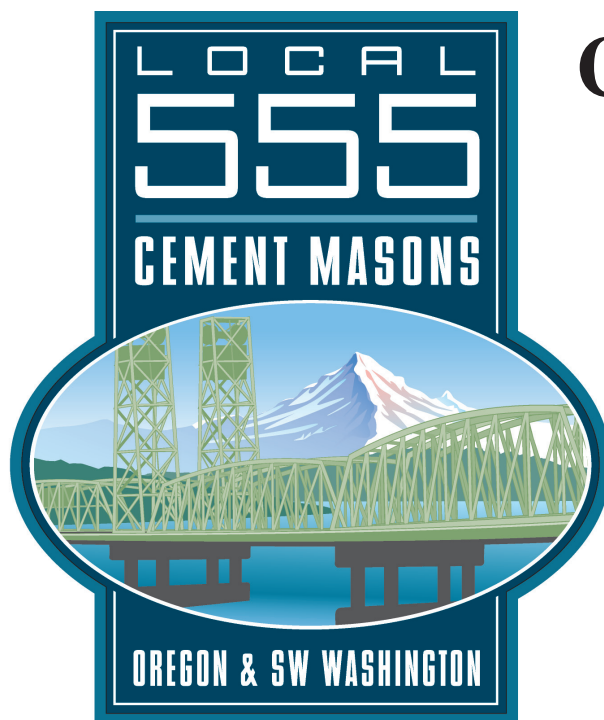
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