

**SOAH DOCKET NO. 457-02-3095
BOARD FILE NO. 01-11-08L**

**TEXAS STATE BOARD OF
PUBLIC ACCOUNTANCY**

V.

ARTHUR ANDERSEN, L.L.P.

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BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

AGREED CONSENT ORDER

The Enforcement Division of the Texas State Board of Public Accountancy (“Board”) and Arthur Andersen, L.L.P. (“Andersen”) jointly request the full Board to adopt and ratify this Agreed Consent Order.

I.

References to “Rules” are to the Board’s Rules. References to the “Act” are to the Public Accountancy Act, Texas Occupations Code, Chapter 901.

II.

FINDINGS OF FACT

- 1 Andersen holds firm license number P04508 issued by the Board on September 7, 1994. Andersen and its predecessor entities have held a firm license to practice public accountancy in Texas since January 29, 1946.
2. On June 15, 2002, Andersen was found guilty by jury verdict of felony obstruction of justice associated with its Enron Corporation engagement in the United States District Court for the Southern District of Texas - Houston Division, Case No. 02-CR-121-ALL (“criminal case”).
3. Andersen notes that the above-referenced United States District Court has not yet rendered an adjudication of guilt nor assessed punishment. Andersen has filed a motion to set aside

the jury verdict and to enter judgment of acquittal, which has not been ruled upon. The time for appeal of the criminal case has not yet begun.

4. The Board and Andersen desire and agree to finally compromise and resolve this Board enforcement action with respect to all claims asserted in the Board's Notice of Hearing and Complaint, notwithstanding the currently indeterminate final outcome of the criminal case.
5. Andersen has, with the assistance and counsel of its attorneys, read and understood the entirety of this Agreed Consent Order.

III.

CONCLUSIONS OF LAW

The Board has jurisdiction over the subject matter of the complaint and over Andersen pursuant to Sections 901.151 and 901.501 of the Act.

2. The jury verdict against Andersen, as set forth in Finding of Fact 2 would, upon rendition of a guilty verdict, assessment of punishment, and exhaustion of appeals, constitute a violation of Board Rule 501.90(4) regarding conviction of a felony offense under the laws of the United States. Such violation would constitute grounds for disciplinary action under Section 901.502(6) of the Act.
3. The jury verdict against Andersen, as set forth in Finding of Fact 2 would, upon rendition of a guilty verdict, assessment of punishment, and exhaustion of appeals, constitute a violation of the following Sections of the Act: 901.502(6) regarding violation of the Board's Rules of Professional Conduct and 901.502(10)(A) regarding conviction of a felony under the laws of the United States; and 901.502(11) regarding conduct indicating lack of fitness to serve the public as a professional accountant. Pursuant to Section 901.502, such violations,

collectively and independently, would constitute grounds for discipline under Section 901.501 of the Act.

4. A final conviction of Andersen upon the jury verdict set forth in Finding of Fact 2 would constitute a single violation of the Act and as such would be grounds for imposition of an administrative penalty not to exceed \$1,000, pursuant to Sections 901.551 and 901.552 of the Act.
5. Based upon the agreement contained in Finding of Fact 4, this Agreed Consent Order, upon final Board adoption, compromises and resolves this Board enforcement action, notwithstanding the currently indeterminate final outcome of the criminal case; and the Board's adoption of this Agreed Consent Order shall be a final order which fully, finally, and entirely resolves all matters described in the Notice of Hearing and Complaint filed in this matter.

IV.

ORDER

1. Andersen's firm license to practice public accountancy within the State of Texas shall be revoked upon final adoption of this Agreed Consent Order by the Texas State Board of Public Accountancy, which shall be no sooner than August 16, 2002.
2. Andersen shall pay the Texas State Board of Public Accountancy the maximum administrative penalty allowed by Section 901.552 of the Act in the amount of \$1,000. Such payment will be made by check payable to the Texas State Board of Public Accountancy immediately upon adoption of this Agreed Consent Order.
3. All audit workpapers and other documents in the possession of Andersen related to services provided to Enron Corporation and any and all entities related to Enron Corporation shall

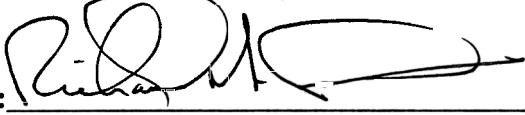
continue to be securely maintained by Andersen for a period of 7 years from the date of adoption of this Agreed Consent Order. However, should Andersen be required by court order or other legal authority, or otherwise propose to place workpapers or other Enron-related documents in custody or control of a third party, or to otherwise cease document retention, Andersen will provide written notice to the Board at least thirty days prior, or as soon as practical if prior notice to Andersen is less than thirty days, of intent to turn custody over to a third party, or otherwise cease document retention. Such workpapers and documents shall be accessible to the Board and the Texas Attorney General during normal business hours on reasonable notice during Andersen's direct custodial possession. Andersen waives, for itself only, claims of confidentiality with respect to such workpapers and documents solely for use in Board investigations and proceedings. This provision shall not constitute a waiver of the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege. The Board will maintain the confidentiality of the workpapers and documents and not disclose them to third parties other than respondents in relevant Board proceedings or as properly presented in other public proceedings. For purposes of this Agreed Consent Order, "documents" as used herein includes all writings, recordings, and electronically stored material in its possession, custody or control concerning Enron Corporation, including but not limited to, documents, correspondence, e-mails, or other communications or evidence related to audit examinations, quarterly reviews, tax-related services, or consulting engagements on behalf of Enron Corporation, or any Enron-related entities. Enron-related entities shall include Special Purpose Entities and any affiliates, subsidiaries, partnerships, or joint ventures in which, to Arthur Andersen's knowledge, Enron Corporation or any Enron-related entity participated.

4. Consistent with Andersen's professional obligations to its clients while it was licensed, Andersen shall conserve and make reasonable provisions for the preservation and maintenance of records of its professional services, including but not limited to those records concerning matters as to which Andersen may have received an investigation letter from the Board, if any.
- 5 Andersen understands that it has a right to hearing on this matter and to judicial review, including appeal, under the laws of the United States and the State of Texas. Andersen knowingly and willingly waives these rights with respect to all claims asserted in the Board's Notice of Hearing and Complaint in consideration of the Board's agreement to accept the terms of this Agreed Consent Order. Andersen has consulted with counsel concerning this waiver.
6. Andersen consents to the adoption of this Agreed Consent Order by final Board order and expressly agrees to be bound by the terms herein.
- 7 Should this Agreed Consent Order not be adopted by the Board, the payment for administrative penalty and the original of this Agreed Consent Order shall be returned to Andersen and it is agreed that neither the presentation of this Agreed Consent Order to the Board nor the Board's consideration of this Agreed Consent Order will be deemed to have unfairly or illegally prejudiced the Board or any individual members of the Board from further participation in proceedings related to the matter set forth in this Agreed Consent Order. Likewise, should this Agreed Consent Order not be adopted by the Board, neither the presentation of this Agreed Consent Order to the Board nor the Board's consideration of this Agreed Consent Order will be deemed to prejudice Andersen.

8. In accordance with Finding of Fact 4, this Agreed Consent Order constitutes an offer to compromise and, if adopted by the Board a compromise of a disputed claim. Neither the offer by Andersen or by the Board, nor the adoption of this compromise Agreed Consent Order by the Board, nor the revocation ordered herein, shall prejudice or be used as a basis for discipline in any Board proceeding or SOAH proceeding against any individual currently or formerly a partner or employee of Andersen.
9. Nothing herein shall be construed to require Andersen to undertake any action that is inconsistent with or will interfere with or impede any governmental investigation.
10. This Agreed Consent Order is subject to mandatory disclosure. The Board will disclose the terms of this Agreed Consent Order. This Agreed Consent Order and Andersen's name will be published, at a minimum, in the Board's official publication pursuant to Board Rule 519.12.
11. The Board reserves any rights and remedies at law it may have for enforcement of this Agreed Consent Order should Andersen fail to comply with the terms of this Agreed Consent Order.

ACCEPTED AND AGREED:

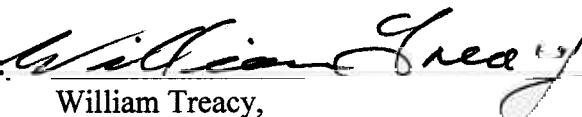
ARTHUR ANDERSEN, L.L.P.

By: 

Richard M. Forrest, Attorney-in-fact

Date: August 14, 2002

TEXAS STATE BOARD OF PUBLIC ACCOUNTANCY

By: 

William Treacy,
Executive Director

Date: August 15, 2002