

EXHIBIT A

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.) Cr. No. H-02-0665
)
 ANDREW S. FASTOW,)
)
 Defendant.)

Exhibit A to Plea Agreement

This statement by defendant Andrew S. Fastow is submitted to provide a factual basis for my plea of guilty to Counts 2 and 5.

1. I was the Chief Financial Officer (“CFO”) of Enron Corporation (“Enron”) from March 1998 until October 24, 2001. While CFO, I and other members of Enron’s senior management fraudulently manipulated Enron’s publicly reported financial results. Our purpose was to mislead investors and others about the true financial position of Enron and, consequently, to inflate artificially the price of Enron’s stock and maintain fraudulently Enron’s credit rating.
2. I also engaged in schemes to enrich myself and others at the expense of Enron’s shareholders and in violation of my duty of honest services to those shareholders.
3. Certain of these fraudulent transactions and schemes, for which I accept responsibility, are detailed below.

Manipulation of Financial Statements - Count Five:

4. I conspired with others at Enron to manipulate the company’s financial statements by, among other things, causing Enron and the LJM entities under my control, including LJM Cayman and LJM2 (collectively “LJM”) to enter into improper transactions. The purpose of certain of these transactions was to improve the appearance of Enron’s financial statements by (1) generating improper earnings and funds flow; (2) enabling Enron to set inflated “market” prices for assets; and (3) improperly protecting Enron’s balance sheet from poorly performing and

volatile assets. Certain LJM transactions lacked economic substance and were improper for accounting purposes, in part because I and others secretly agreed that LJM would not lose money through participation in the transactions.

5. Among the improper Enron-LJM transactions were four special purpose entities (“SPEs”) known as the “Raptors.” The Raptors purported to be independent, unconsolidated entities with which Enron would hedge the value of certain assets. I and others knew that the Raptors were not sufficiently independent from Enron and should not have been deconsolidated. As a result, Enron overstated its earnings. I and other members of Enron’s senior management knew the impact of the Raptors on Enron’s financial statements.
6. The first Raptor vehicle, Talon, was created in April 2000 to protect Enron’s balance sheet from decreases in the value of certain investments. Talon was capitalized mainly by Enron through a promissory note and Enron’s own stock. The remainder of Talon’s capitalization came from LJM2’s payment of \$30 million. The purpose of this \$30 million payment was to provide Talon the “outside equity at risk,” required for accounting purposes, to qualify Talon as an independent third party entity. The structure of Talon was used as the model for two of the remaining three Raptor entities.
7. I and others at Enron, including Enron’s Chief Accounting Officer, had an unwritten agreement that LJM2 would be paid the return of its investment, plus a profit, prior to Talon engaging in any hedging, in exchange for my agreement to allow Enron to flexibly determine what assets would be hedged by Talon and the values at which they were hedged.
8. To fulfill this agreement, I and others arranged for Enron to pay \$41 million to LJM2 before Talon, the first Raptor, would engage in the hedging transactions for which it was created. The \$41 million payment was accomplished by Enron and Talon entering into a “put” agreement, that is, a transaction that purportedly served to hedge Enron against a decline in its own stock value. In September 2000 Enron paid LJM2 the \$41 million¹ and, thereafter, dictated the assets that would be hedged by Talon and their values. The put was designed as an ostensible reason to make a distribution of \$41 million to LJM2, economically providing a return both of and on capital.

¹Approximately \$6 million was placed back into Talon pursuant to an unwritten agreement I had with Enron’s Chief Accounting Officer.

