

UNITED STATES SECURITIES AND EXCHANGE  
COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report: November 8, 2001

Commission File Number 1-13159

ENRON CORP.

(Exact name of registrant as specified in its charter)

Oregon

47-0255140

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(State or other jurisdiction of  
incorporation or organization)

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(I.R.S. Employer Identification  
Number)

Enron Building  
1400 Smith Street  
Houston, Texas

77002

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(Address of principal executive  
Offices)

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(Zip Code)

(713) 853-6161

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(Registrant's telephone number, including area code)

ENRON CORP.

Item 5. Other Events.

Enron Corp. (NYSE: ENE) is providing information to investors concerning several important matters:

- o A required restatement of prior period financial statements to reflect: (1) recording the previously announced \$1.2 billion reduction to shareholders' equity reported by Enron in the third quarter of 2001; and (2) various income statement and balance sheet adjustments required as the result of a determination by Enron and its auditors (which resulted from information made available from further review of certain related-party transactions) that three unconsolidated entities should have been consolidated in the financial statements pursuant to generally accepted accounting principles. The restatement is outlined in TABLE 1;
- o Enron intends to restate its financial statements for the years ended December 31, 1997 through 2000 and the quarters ended March 31 and June 30, 2001. As a result, the previously-issued financial statements for these periods and the audit reports covering the year-end financial statements for 1997 to 2000 should not be relied upon;
- o The accounting basis for the \$1.2 billion reduction to shareholders' equity mentioned above;
- o The Special Committee appointed by Enron's Board of Directors to review transactions between Enron and related parties;

- o Information regarding the LJM1 and LJM2 limited partnerships formed by Enron's then Chief Financial Officer, the former CFO's role in the partnerships, the business relationships and transactions between Enron and the partnerships, and the economic results of those transactions as known thus far to Enron, which are outlined in TABLE 2; and
- o Transactions between Enron and other Enron employees.

The restatements discussed below affect prior periods. After taking into account Enron's previously disclosed \$1.2 billion adjustment to shareholders' equity in the third quarter of 2001, these restatements have no effect on Enron's current financial position.

As used herein, "Enron" means Enron Corp. or one or more of its subsidiaries or affiliates. The dollar amounts and percentages set forth herein are rounded amounts and percentages.

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#### 1. Background on Special Purpose Entities and Related-Party Transactions

Enron, like many other companies, utilizes a variety of structured financings in the ordinary course of its business to access capital or hedge risk. Many of these transactions involve "special purpose entities," or "SPEs." Accounting guidelines allow for the non-consolidation of SPEs from the sponsoring company's financial statements in certain circumstances. Accordingly, certain transactions

between the sponsoring company and the SPE may result in gain or loss and/or cash flow being recognized by the sponsor, commonly referred to by financial institutions as "monetizations."

LJM Cayman, L.P. ("LJM1") and LJM2 Co-Investment, L.P. ("LJM2") (collectively "LJM") are private investment limited partnerships that were formed in 1999. Andrew S. Fastow, then Executive Vice President and Chief Financial Officer of Enron, was (from inception through July 2001) the managing member of the general partners of LJM1 and LJM2. Enron believes that the LJM partnerships have as limited partners a significant number of institutions and other investors that are not related parties to Enron. These partnerships are a subject of the Special Committee's investigation and it is possible that the Committee's review will identify additional or different information concerning matters described herein.

## 2. Restatement of Prior Period Financial Statements

Enron will restate its financial statements from 1997 to 2000 and the first and second quarters of 2001 to: (1) reflect its conclusion that three entities did not meet certain accounting requirements and should have been consolidated, (2) reflect the adjustment to shareholders' equity described below, and (3) include prior-year proposed audit adjustments and reclassifications (which were previously determined to be immaterial in the year originally proposed). Specifically, Enron has concluded that based on current information:

- o The financial activities of Chewco Investments, L.P. ("Chewco"), a related party which was an investor in Joint Energy Development Investments Limited Partnership ("JEDI"), should have been consolidated beginning in November 1997;
- o The financial activities of JEDI, in which Enron was an investor and which was consolidated into Enron's financial statements during the first quarter of 2001, should have been consolidated beginning in November 1997; and
- o The financial activities of a wholly-owned subsidiary of LJMI, which engaged in derivative transactions with Enron to permit Enron to hedge market risks of an equity investment in Rhythms NetConnections, Inc., should have been consolidated into Enron's financial statements beginning in 1999.

The effects of the restatements are outlined in Table 1. A description of the restatements follows the table.

TABLE 1  
ENRON CORP.  
RESTATEMENTS  
DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS  
UNAUDITED

	1997	1998	1999	2000	1ST QTR 2001	2ND QTR 2001	3RD QTR 2001
Net income as reported	\$ 105(a)	\$ 703	\$ 893	\$ 979	\$ 425	\$ 404	\$ (618)
Restatements:							
Consolidation of JEDI and Chewco	(45)	(107)	(153)	(91)	--	--	--
Consolidation of LJMI subsidiary	--	--	(95)	(8)	--	--	--
Raptor equity adjustment	--	--	--	--	--	--	--
Prior year proposed audit adjustments and reclassifications	(51)	(6)	(2)	(33)	17	5	(17)
<b>NET INCOME RESTATED</b>	<b>9</b>	<b>590</b>	<b>643</b>	<b>847</b>	<b>442</b>	<b>409</b>	<b>(635)</b>
Diluted EPS as reported	0.16	1.01	1.10	1.12	0.49	0.45	(0.84)
DILUTED EPS RESTATED	(0.01)	0.86	0.79	0.97	0.51	0.46	(0.86)
Recurring net income as reported	515	698	957	1,266	406	404	393
Restatements:							
Consolidation of JEDI and Chewco	(45)	(107)	(153)	(91)	--	--	--
Consolidation of LJMI subsidiary	--	--	(95)	(8)	--	--	--
Raptor equity adjustment	--	--	--	--	--	--	--
Prior year proposed audit adjustments and reclassifications	(51)	(6)	(2)	(33)	17	5	(17)
<b>RECURRING NET INCOME RESTATED</b>	<b>419</b>	<b>585</b>	<b>707</b>	<b>1,134</b>	<b>423</b>	<b>409</b>	<b>376</b>
Diluted recurring EPS as reported	0.87	1.00	1.18	1.47	0.47	0.45	0.43
DILUTED RECURRING EPS RESTATED	0.71	0.85	0.87	1.33	0.49	0.46	0.41
Total assets as reported	22,552	29,350	33,381	65,503	67,260	63,392	
Restatements:							
Consolidation of JEDI and Chewco	447	160	187	(192)	--	--	
Consolidation of LJMI subsidiary	--	--	(222)	--	--	--	
Raptor equity adjustment	--	--	--	(172)	(1,000)	(1,000)	
Prior year proposed audit adjustments and reclassifications	(79)	(87)	(147)	(364)	(1,249)	247	
<b>TOTAL ASSETS RESTATED</b>	<b>22,920</b>	<b>29,423</b>	<b>33,199</b>	<b>64,775</b>	<b>65,011</b>	<b>62,639</b>	<b>61,177 (b)</b>
Debt as reported	6,254	7,357	8,152	10,229	11,922	12,812	
Restatements:							
Consolidation of JEDI and Chewco	711	561	685	628	--	--	
Consolidation of LJMI Subsidiary	--	--	--	--	--	--	
Raptor equity adjustment	--	--	--	--	--	--	
Prior year proposed audit adjustments and reclassifications	--	--	--	--	--	--	
<b>DEBT RESTATED</b>	<b>6,965</b>	<b>7,918</b>	<b>8,837</b>	<b>10,857</b>	<b>11,922</b>	<b>12,812</b>	<b>12,978 (b)</b>
Equity as reported	5,618	7,048	9,570	11,470	11,727	11,740	
Restatements:							