



Barclays Reinstated as Defendant in Enron Fraud Suit (Update4)

By Laurel Brubaker Calkins and Jef Feeley

Dec. 5 (Bloomberg) -- Barclays PLC was reinstated as a defendant in an Enron Corp. investor fraud suit after a judge gave shareholders another chance to detail the bank's role in the company's collapse.

U.S. District Judge Melinda Harmon in Houston said she put the bank back into the case because the law governing bank liability in securities-fraud cases changed after investors' lawyers made their original arguments about Barclays' Enron- related activities. The judge said she wanted to give shareholders another shot at persuading her to keep the U.K.'s third-biggest bank in the case.

``It's obviously not a positive thing for Barclays, but how negative it is remains to be seen," said James Ellman, who helps manage more than \$100 million, including shares in Barclays, at San Francisco-based Seacliff Capital LLC. ``While investors like to see book value grow as rapidly as possible, they expect lawsuits, and even large lawsuits, as the cost of doing business."

Enron, once the world's largest energy trading firm, had more than \$68 billion in market value before its December 2001 bankruptcy filing wiped out thousands of jobs and at least \$1 billion in retirement funds. Investors who claim they lost \$40 billion in the company's collapse have recovered \$7.3 billion so far in settlements with the company's former lenders.

More Details

``This could mean that we may be able to recover about \$2 billion more for victims in the case," said William Lerach, lead attorney for the investors. The plaintiffs provided more details to Harmon about alleged practices involving Enron by the London- based bank, he said. Investors claimed Barclays played a role in accounting wrongdoing at Houston-based Enron, which filed the second-biggest U.S. bankruptcy in 2001.

``Of course he's going to say \$2 billion, he's not going to say a lowball number," Ellman said of Lerach.

Ellman declined to speculate on Barclays' potential liability as a result of yesterday's ruling. The trial in the case, which includes as defendants Merrill Lynch & Co., Credit Suisse Group and Barclays, is scheduled to begin in April in Houston federal court.

``This is a ruling based on the plaintiff's procedural objection," said David Braff, a lawyer for the bank at New York- based Sullivan & Cromwell. ``The judge has allowed the plaintiffs an opportunity to re-plead. In so doing, she has strongly confirmed the legal analysis and reasoning that supported her dismissal of Barclays in July."

Merrill is a passive minority investor in Bloomberg LP, the parent company of Bloomberg News.

The lawsuit is *Newby v. Enron Corp.*, 01-cv-3624, U.S. District Court, Southern District of Texas (Houston).

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