OKLAHOMA ACCOUNTANCY BOARD

MINUTES OF HEARING

November 15, 2002

The Oklahoma Accountancy Board convened in a special session on Friday, November 15, 2002 in Suite 165, 4545 N. Lincoln Boulevard, Oklahoma City, Oklahoma. Notice of the meeting was filed with the Secretary of State and the agenda for the meeting was posted in the reception area of the Board's office in compliance with the Open Meeting Act. A tape recording of the meeting is on file in the Board office. Members present at the meeting:

Archer M. Honea, Chairman
Tom Dugger, Vice Chairman
James A. Nickles, Secretary
Carlos E. Johnson, Member
E.B. St. John, Member
J.H. Jay Engelbach, Member
Jeanette C. Timmons, Public Member

In attendance at the meeting: Edith Steele, Deputy Director; John Crittenden, Assistant Attorney General and legal counsel to the Board; David Kinney, Assistant Attorney General and Prosecutor for the Board, Jim Shepherd and Donita Graves, Board staff members. Rusty Hale represented the Oklahoma Society of CPAs. Jim Nolen represented the Oklahoma Society of Accountants. Rick Chamberlain, Special Prosecutor; Lewis Carter and Richard Hix, Attorneys, Allen M. Hart, CPA and Randy Smith, CPA were also present for the meeting.

Call To Order: At 8:55 a.m. Chairman Honea called the meeting to order and declared a quorum present.

Hearing in Case No. 1520 – Arthur Andersen, LLP: This matter came on for hearing at 8:55 a.m. The members of the Board present were seated on the hearing panel. Assistant Attorney General John Crittenden represented the Board. Special Prosecutor Rick Chamberlain represented the State. Respondent was represented by counsel, Lewis Carter and Richard Hix. The purpose of the hearing was to determine whether (1) the Respondent violated Section 15:16(B)(7) of the Oklahoma Accountancy Act, OAC 10:15-39-6(b) and/or (d), OAC 10:15-39-8(a) and/or OAC 10:15-39-9(3) and/or (7) by failing to comply with GAAS, the Texas Public Accountancy Act and the Texas Board's rules in connection with its audit of Randalls Food Markets, Inc.; (2) the Respondent violated Section 15.16(B)(7) of the Oklahoma Accountancy Act, OAC 10:15-39-6(b) and/or (d), OAC 10:15-39-8(a) and/or OAC 10:15-39-9(3) and/or (7) by failing to comply with GAAS, the Texas Public Accountancy Act and the Texas Board's rules in connection with its audit of World Cycle Corp.; (3) the Respondent violated Section 15.16(B)(7) of the Oklahoma Accountancy Act, OAC 10:15-39-8(a) and/or OAC 10:15-39-9(2), (3), and/or (4) by participating in the destruction of documents and other

information related to Enron in anticipation of regulatory and criminal investigations and proceedings, as established by the jury verdict in *United States of America v. Arthur Andersen, LLP*, Case No. CR-H-02-121, United States District Court, Southern District, Texas; and (4) the Respondent violated Section 15.16(B)(7) of the Oklahoma Accountancy Act, OAC 10:15-39-6(b), (c) and/or (d) OAC 10:15-39-8(a) and/or OAC 10:15-39-9(3), (4) and/or (7) by virtue of its actions surrounding the audits of Enron's financial statements for the fiscal years ended December 31, 1997 through December 31, 2000, and its audit opinions thereon.

No witnesses were called by either the Respondent or the Special Prosecutor.

> Nickles moved to go into Executive Session; Johnson second. Affirmative votes: Johnson, Timmons, Honea, Dugger, Nickles, Engelbach, and St. John.
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> Johnson moved to come out of Executive Session; Engelbach second. Affirmative votes: Johnson, Timmons, Honea, Dugger, Nickles, Engelbach, and St. John.

Mr. Crittenden noted for the record that the Board deliberated Case No. 1520 and that during deliberation the Board took no votes or other official action as that term is defined in the Open Meeting Act.

> Nickles moved that Respondent violated the Oklahoma Accountancy Act and the Oklahoma Administrative Code as stated in Counts 1 and 2 by clear and convincing evidence; Johnson second. Affirmative votes: Johnson, Timmons, Honea, Dugger, Nickles, Engelbach, and St. John.
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> Nickles moved that based on the preceding motion Respondent or any successor entity may not apply for a permit to practice in the State of Oklahoma for a period of five years beginning this date; Johnson second. Affirmative votes: Johnson, Timmons, Honea, Dugger, Nickles, Engelbach, and St. John.
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> Nickles moved that the Board stay Count 3 depending on the outcome of the appeals process; Johnson second. Affirmative votes: Johnson, Timmons, Honea, Dugger, Nickles, Engelbach, and St. John.
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> Nickles moved that Count 4 be dismissed due to insufficient evidence presented in the Texas Consent Order upon which the count was predicated; Johnson second. Affirmative votes: Johnson, Timmons, Honea, Dugger, Nickles, Engelbach, and St. John.

Nickles moved to adjourn the hearing; Johnson second. Unanimous affirmative vote.

The proceedings and the individual votes of the members were conducted in open session and were recorded by a court reporting service. The evidence is contained in Docket File No. 1520.

Adjournment: There being no further business to come before the Board, at 12:28 p.m. Chairman Honea called for a motion to adjourn.

Johnson moved to adjourn the meeting; Nickles second. Unanimous affirmative vote.

Archer M. Honea, Chairman

ATTEST:

James A. Nickles, Secretary

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