



And You Thought The Government Was Really Doing Something About Enron!

DAMAGE CONTROL BY DYNCORP - HARM ASSISTED AT HARVARD

by

Catherine Austin Fitts

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[ED. NOTE: On February 1, 2002 the New York Times reported that HarvardWatch, an association of Harvard University students and Alumni had called for an investigation of one of their own in the Enron case. They did so with good and obvious reason.

One man, Herbert S. "Pug" Winokur, who is a director of the Harvard Corporation and Harvard Management Company, seems to be at the center of everything. He was Chairman of Enron's finance committee. His investment firm, Capricorn Holdings, is a lead investor in DynCorp which manages, under contract, much of the financial data and other electronic records for the Securities and Exchange Commission (SEC), the Department of Defense (DoD), the Department of Justice (including the FBI), the Department of Housing and Urban Development (HUD), and other US government agencies. The SEC, the Justice Department, and the FBI are the agencies charged with investigating Enron. Both DoD and HUD had contracts with Enron. What's more, Highfields Capital, an investment firm which manages large portions of the Harvard endowment's \$19 billion portfolio, "profited by acquiring options last year betting that Enron's stock would fall," said the Times. As we have noted in at least six FTW stories since 9/11/01, the purchase of these "put" options is a surefire indicator of insider trading.

The obvious implication, noted by HarvardWatch, is that someone, knowing that Enron was going to crash, tipped off Highfields, which then made \$50-120 million in quick profits.

Wondering who DynCorp's auditor is? -- It's Arthur Andersen, the document-shredding company. And, a DynCorp operation in Bosnia and Kosovo has recently been exposed as being directly involved in a child sex ring that was trading girls as young as eight as sex slaves.

Still worse yet, while most activists are trumpeting the dog and pony show being

given by Congress, the SEC, and the General Accounting Office (GAO), full of blustery rhetoric and convenient outrage, what the government and Congress are really doing is giving the bad guys all the time they need to destroy evidence, transfer assets, and hide the money.

One final point: Just two federal agencies -- whose information systems are managed, in part, by DynCorp and who have sensitive audit contracts with Arthur Andersen, the Pentagon, and HUD -- have "lost" more than \$3 trillion of your money since the fall of 1997. This, while anti-war activists are rightly concerned about a "mere" \$48 billion proposed increase in the Pentagon's next budget. Forty-eight billion is only 1.6% of the \$3 trillion that is missing! That money, once stolen from the government, had to be laundered someplace. Could it have moved through Enron Online, the largest money laundry in the history of man? Could it have moved through any of the 300-plus subsidiaries that Enron operated in the Cayman Islands? Is that why the Cayman Islands expressed willingness to cooperate with any request for cooperation from the US authorities at the same time that it stated that no one from the US, either from Congress or a regulatory agency, had bothered to even ask?

We may never know. Thanks to a Congress asleep at the wheel, all the records have been destroyed or transferred -- along with the key employees whose brains contain the essential knowledge -- to the Union Bank of Switzerland (UBS), which successfully purchased the remnants of Enron at a bankruptcy sale. If there's one thing we know for certain, it's that Swiss bankers never kiss and tell.

Former Assistant Secretary of Housing and Wall Street Banker Catherine Austin Fitts has moved into the street for a showdown. She's not fooled for a second and she's calling the real culprits out in the street for a fight. -- Mike Ruppert]

"The earth is not dying. It is being killed, and the people killing it have names and addresses." -- Utah Phillips

In congressional testimony on February 7, 2002, Herbert S. "Pug" Winokur, Chairman of the Enron Finance Committee, gave an opening statement that he had been "misled" by Enron management, Enron's auditor, Arthur Andersen, and Enron's counsel, Vinson & Elkins.

Every trucker and teacher in my West Tennessee home of Hickory Valley knows that Mr. Winokur's whining is yah-yah.

We are paying \$150,000 a year to our Congressman and two Senators to help Winokur and his pals steal from us. Congress is stalling for time. While Winokur and his pals dish out "yah-yah," their colleagues shred documents, transfer assets, and stolen cash gets tucked away.

As the Assistant Secretary of Housing in the first Bush Administration, I cleaned up the Iran-Contra financial fraud known as the S&L crisis and the HUD scandal. That was another very expensive stink engineered between Houston and Wall Street banks, just like Enron. Later as the head of my own private investment bank, I

helped clean up the major thefts perpetrated by the Bank of Credit and Commerce International, or BCCI. With many years experience dealing with high-stakes-stealing, rest assured you can trust your intuition -- Congress and the Department of Justice have taken the art of cover up and providing "air cover" for white collar criminals to new heights of mendacity. Did your congressional representatives and attorney general press for seizures of records and cash for the last few months while the Enron money was getting away? No siree!

While Mr. Winokur was spinning his yah-yah, the Wall Street law firms of Sullivan & Cromwell and Covington & Burling were quietly closing the transfer of the Enron Online trading operation to UBS, one of the largest Swiss banks. And as Winokur's whining distracted us on C-SPAN, Wall Street got safely away with the family jewels and dirty laundry.

Not a word did we hear on Thursday about getting back cash or holding up any transfers to the secrecy of a Swiss bank until we are sure we have the investigatory control necessary to protect our interests. Everyone here in Tennessee knows the statement, "Possession is 99% of the law." The real deal is that the Swiss now have possession. That this happened without a whimper from Congress begs the question: Why?

Us folks here in West Tennessee are busy. As I drive all over the country, folks say the same thing wherever I go -- "We are pressed for time." Somebody has to do the real work while our leaders are preoccupied with stealing our money and keeping us in the dark. We have more important things to do than to spend hours listening to yah-yah constructed by a team of fancy lawyers whose core competency is lying for money. To buy groceries and health care insurance, we need cash. That takes a lot of time if you do it with honest work.

To help my fellow citizens hold Mr. Winokur and our representatives accountable, I drafted a list of follow up questions for Mr. Winokur. I have sent them to him at his last posted e-mail address.

As I finished the questions, an e-mail came in from Michael Bartell, Chief Information Officer of the SEC. He was responding to an inquiry I made regarding DynCorp's management of the SEC's sensitive information systems. Winokur's firm, Capricorn Investments, is the lead investor in DynCorp, and he is on the DynCorp board. Winokur's involvement in DynCorp, as well as his leadership of the largest private endowment investor in the country, the Harvard Endowment, is integral to his role in the Enron affair and his ability to ensure that no Congressman dare cross him and his pals.

Below are copies of the SEC's letter to me, my response to the SEC, and my questions for Winokur.

My prayer is that these materials will be useful to you in exercising your responsibility as a citizen, or as a shareholder or constituent in any of the organizations and companies in which Winokur has power and influence to manage resources on your behalf. The students at Harvard already have.

Now it's your turn. Do your duty.

--Catherine Austin Fitts

Solari
Hickory Valley, Tennessee
February 9, 2002

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HERBERT S. (PUG) WINOKUR, CHAIRMAN OF ENRON FINANCE and DYNACORP
COMPENSATION COMMITTEES, and MEMBER, HARVARD CORPORATION AND
HARVARD MANAGEMENT

Chairman
Capricorn Holdings
30 East Elm Street
Greenwich, Connecticut 06830

<http://www.capricornholdings.com>

CORRESPONDENCE WITH THE SECURITIES AND EXCHANGE COMMISSION RE:
DYNACORP AND THEIR AUDITOR, ARTHUR ANDERSEN

Ms. Catherine Austin Fitts
Via email
catherine@solari.com

Dear Ms. Fitts,

Thank you for your electronic mail message on January 14, 2001 to our Office of the Inspector General. The message was forwarded to me for response. I appreciate your bringing the DynCorp Inc. article in Insight magazine to our attention.

We have had discussions with senior DynCorp officials and understand that the alleged activities noted in the Insight article were thoroughly investigated by both DynCorp and the Department of the Army, and appropriate action has been taken. In addition, the DynCorp organization that provides the SEC with IT infrastructure support is a completely separate organization (Information & Enterprise Technology subsidiary) from the organization referenced in the article, and none of the personnel assigned to the SEC have had any involvement with the referenced contract.

Again, I appreciate your concern and bringing the article to our attention.

Sincerely,

Michael Bartell
CIO
Securities and Exchange Commission

February 8, 2002

Mr. Bartell:

Thank you very much for your response.

DynCorp's lead investor is Herbert S. Winokur's company, Capricorn Holdings. Mr. Winokur is the former Chairman of DynCorp and currently sits on their board as does his partner, Dudley Mecum. He is currently the chair of DynCorp's compensation committee. That is the person who leads the process to determine how much all the senior management gets paid -- both salary and stock options. DynCorp's most recent proxy lists their auditor as Arthur Andersen.

Mr. Winokur is also the chair of the Finance Committee of Enron. This is the person on the board who is most responsible for the board in ensuring that the company's finances are managed on a sound and prudent basis commensurate with optimizing shareholder's value. Mr. Winokur testified before Congress today on behalf of a special committee of the Enron board. He indicated that he and his fellow board members had been misled by Enron's management, Enron's auditor, Arthur Andersen, and their outside general counsel, Vinson & Elkins.

Under these circumstances, I would like your official position on the internal control issues related to:

1. DynCorp's management of SEC and Department of Justice computer systems used by the enforcement teams currently investigating criminal and civil allegations regarding fraud and obstruction of justice by Enron, Enron's board (including Mr. Winokur) and Arthur Andersen, including their admission of document shredding.
2. Use by the SEC of any information systems contractors that have Arthur Andersen as an auditor or critical joint venture partner or subcontractor and the internal control implications to the SEC of doing so.
3. Accessibility through your website of the SEC contract budget so that investors can understand the potential for conflicts of interest created by government outsourcing critical information systems (and access to internal knowledge) to companies whose investors benefit from changes in SEC policies.

I would also like to know what contracts Arthur Andersen has with the SEC and whether or not -- given their admission of document destruction and Mr. Winokur's testimony regarding their lying to board members -- you plan to continue to use such a company? My understanding is that most government contracts permit an immediate cancellation for convenience.

Thank you very much for your response and attention to this matter. I believe it goes to the heart of the SEC mission of ensuring the transparency of financial

information that is an essential prerequisite for free markets. For the SEC to do that it must have the ability to protect its own privacy and the integrity of its information and information systems and its own financial reporting and management.

Good housekeeping starts at home.

Very Truly Yours,

Catherine Austin Fitts
Solari
Former Assistant Secretary of Housing, First Bush Administration.

REPORT TO SOLARI ACTION NETWORK

February 8, 2002

Questions for:

Mr. Herbert S. "Pug" Winokur

Chairman, Finance Committee, Enron in response to his Congressional testimony today:

Mr. Winokur:

Today in testimony you said that the Enron bankruptcy was a result of Enron management, their auditor Arthur Andersen and outside general counsel Vinson Elkins misleading you and the other directors and not doing their job properly.

Can you explain:

1. Why your company DynCorp uses Arthur Andersen as it auditor? I am assuming that you as a lead investor and member of the DynCorp board would not jeopardize your investment and shareholder's investment by retaining an auditor who had misled you and a board in a manner that would lead to such a collapse?
2. Why as a member of Harvard Corporation's board would you have less foresight than your largest money manager Highfields Capital as well as your fellow board members who had the foresight to make substantial profits from selling or shorting Enron stock while you and your board members were in this state of "unaware" you so well described? How is it that Highfields had access to this information and you did not?
3. As a member of Harvard Corporation's board and a GP of Capricorn Holding's partnerships, are you taking the appropriate action to have Vinson & Elkins and Arthur Andersen removed from any relationship or work for any of the investments of these entities? Under the laws governing your responsibilities, what is the liability to you and your fellow fiduciaries of permitting these firms to continue if --

as you say -- they are responsible for causing the biggest bankruptcy in history and doing so by helping management mislead their own board?

4. Is the timing of the Powers report of the Enron board special committee and your testimony -- after Arthur Andersen and Enron documents have been shredded and Enron Online (with all the large mysterious trading with Citigroup, JP Morgan-Chase, UBS, Deutschebank and the other large banks active with Enron in the offshore derivative and gold markets) already transferred -- more than coincidental?

5. Given the performance of Enron's auditor Arthur Andersen, do you believe that the federal government should continue to outsource large amounts of its most sensitive information systems, procurement and accounting and payments systems and/or advisory work (related to same) to Arthur Andersen? What about other auditors who have participated in significant restatements of earnings and who have significant relationships with companies that can benefit from access to sensitive government information or trading on inside information?

6. Do you believe that it is a conflict of interest for your company, DynCorp, to manage many of the information systems for the people working on criminal and civil investigations (Department of Justice, SEC and FBI) of you and your colleague's role in Enron fraud and shredding of documents/obstruction of justice as well as fraud and obstruction of justice by Enron's auditor Arthur Andersen and attorneys Vinson & Elkins?

7. Would you care to comment on why the Department of Housing and Urban Development (HUD) and Department of Defense (DOD) and some of the other federal agencies for which your company DynCorp manages highly sensitive information systems are reported to be missing so much money; over \$3 trillion since fall of 1997? Do you have any idea where that money is or if it was laundered out of the country into offshore accounts? As a highly experienced financial fiduciary with intimate knowledge of the federal information systems as the former Chairman and current board member of DynCorp, perhaps you could illuminate for us some of the ways that this much money could be fraudulently moved out of the bank accounts held by the NY Fed and its members as depository and trustee for the US Treasury and federal agencies and moved off shore through thousands of off shore subsidiaries and special purpose entities?

8. In light of the fact that the federal government is paying millions to have private contractors manage their accounting and information systems, yet those systems never seem to work, would you care to comment as to whether outsourcing our government's financial systems to private contractors whose investors profit from the same or other companies selling goods and services to these same agencies makes sense?

9. As chairman of the Enron finance committee and a member of the executive committee are you responsible to ensure that the board hires and retains management, auditors and attorneys who do not mislead the board or others? If that is not your responsibility, whose responsibility is it?

10. Under the standards of sound fiduciary management, you, as board member and chair of the Enron Finance Committee, are responsible to ensure that the

company's finances are properly managed. If you are someone who is so easily misled by management, attorneys and auditors do you consider yourself competent to serve on any boards of directors of organizations with large financial and resource responsibilities? Based on the results to shareholders, creditors and taxpayers, do you draw any connection between the performance of Enron or government agencies such as DoD and HUD losing billions of other people's money and your performance as board member or contractor?

10. Do you believe that Enron should continue to serve as a government contractor when its management, auditors and lawyers are people who you believe would mislead their own board?

E-MAIL TO MR. WINOKUR

To: bgrizle@capricornholdings.com
From: catherine@solari.com
On: February 8, 2002 8:08pm EST

Dear Pug:

I have posted the following questions to the Solari Action Network as a suggested follow up to your Congressional testimony.

I would welcome the opportunity to circulate your reply.

Best,

Catherine Austin Fitts
Solari

Attached: Report to Solari Action Network of February 8 Questions for Winokur)

THE HARVARD MILITIA TO THE RESCUE

To read Harvard Watch's excellent report, "Trading Truth at Harvard: A Report on Harvard's Enron Entanglements, " covering (i) Enron and Mr. Winokur's use of Harvard's Kennedy and Business Schools to influence government policy on outsourcing of defense functions to private contractors and energy deregulation, (ii) Highfields Capital's profits on Enron short selling and (iii) various relations between Harvard and Enron, see:

<http://www.harvardwatch.org>

To support their excellent recommendations, call or write

Lawrence Summers
President

Harvard College

NOTES:

-- Mr. Summers is also named in the GATA lawsuit alleging illegal manipulation of gold prices in his capacity as Secretary of the Treasury during the Clinton Administration.

-- From 1992 through 2000, the Harvard Endowment rose from approximately \$4 billion to \$19 billion.

SUGGESTED READING:

DynCorp Disgrace, by Kelly O'Meara

Cover Story, Insight Magazine, February 4, 2002

Employees of the corporation have been buying and selling women and young girls for sex while working under contract for the United States.

<http://insightmag.com/main.cfm/include/detail/storyid/163052.html>

-- Catherine Austin Fitts is a former managing director and member of the board of directors of Dillon Read & Co, Inc, a former Assistant Secretary of Housing-Federal Housing Commissioner in the first Bush Administration, and President of The Hamilton Securities Group, Inc. She is the President of Solari, Inc, an investment advisory firm. Solari provides risk management services to investors through Sanders Research Associates in London.