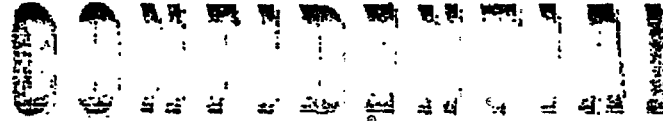




ENRON EMPLOYEE  
SURVEY

LAY IT ON THE LINE

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*Final Results*

*Enron Management Committee Comments*

*September 6, 2001*

EC2 000046235

GOVERNMENT  
EXHIBIT  
4126

Crim. No. H-04-25 (S-2)

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Greg Whalley                    6  
Janet Dietrich                   1  
Jeff Shankman                   1  
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Ray Bowen                        0  
Michael Brown                   0  
Jim Derrick                       0  
Ben Glisan                        0  
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# Andy Fastow

## Response

1) The historic compensation for commercial management and origination encouraged taking undue risks while at the same time allowing them the ability to approve their own transactions. This was truly a self serving environment with no accountability. Many of these managers have left/fired from Enron, (but much wealthier at Enron's current employees and shareholders loss). The centralized Risk Assessment and Control process was and is still a joke compared to other financial institutions with similar risk profiles. Senior Management held /holds this group out to Wall Street as an empowered separate control function. It is still not empowered or separate from the influence of the commercial side of the Company. If you go back to 1996, 1997, 1998, 1999, and part of 2000 RAC was not able to turn a deal down nor was it given the appropriate time to even review a transaction. Fair value accounting and aggressive mark-to-market treatment has put Enron in the position its in today (E.I. assets, merchant portfolio, EES problems). Enron should separate and further empower RAC's impact on transactions. If RAC turns a deal down it should not go through an ENE Office of the Chairman for approval. It should go to a broader management committee for approval. Again, if executive management can not say no to a transaction for what ever reasons (immediate earnings needs, then the process is self serving). I believe if you address this area coupled with the incentive compensation of the company, you will make inroads in establishing credibility with Wall Street and the financial institutions. They are knowledgeable of our problems more than we think.

2) I believe internal employee morale and the PRC are directly linked. The PRC process has been a negative particularly when mid year feedback is given on August 31 (this year) and year-end PRC starts in November. Last year my Mid year review was two weeks after my year end PRC review process started. What a joke. I also believe there is a class/benefit issue of commercial-commercial support that exists. Front line commercial winners receive the benefit of supporting personal and systems that provide a franchise to transact around. There needs to be balance in recognising who creates value for Enron. Moving people around is healthy but what has occurred over the last 2 years is a big negative. We have lost alot of good people and lost credibility on campus.

3) I still do not understand what sr. management and the board was thinking when allowed Andy Fastow to establish LJM. Do we think we are beyond approach? This was clearly a conflict of interest! I'm concerned that the Board, Sr. Management and Andy did not think this was a conflict, anticipate the disclosures and resulting fall out. This was another example of Enron's self serving environment.

4) At some point Enron will need to focus on quality earnings and not 125 transactions or aggressive long dated commodity deals which we hold all the controls on. This type of activity should not be encouraged. It should be an extreme event.

5) If Enron is going to invest capital in companies or buy companies it should be done with experienced investment people with years of real successful experience. Not in experienced people that have never made an investment or run a company before. Also hold them accountable and compensate them when the value is realized.

6) This organization has no idea on cost cutting or the concept of prudent spending. We talk about it but do little about it. Unless of course we need to terminate an entire company or group. Healthy operating groups are not challenged to be efficient or cost focused. Offsites, daily catered breakfast, redundant groups, moves, remodeling the list can go on and on. Every dollar we save from excessive spending can go to the bottom line!

I don't think we have really had a forum for employees to share their ideas with management on different topics- like the committees we had at one time. Cindy Olson was always listening to what employees are saying and asking people to serve on committees to enhance change. We haven't done much of this lately.

I don't think we really embrace the vision and values at Enron - we talk a great game, but we don't walk the walk. We reward and promote people based on the risks they take and the money they make for Enron, but we consistently promote people to high levels within Enron who treat others like trash. Several of them are on the management committee- Whalley, Kitchen, Koenig (& Rieker), Lavorato, Shankman. It really sends a loud and clear signal to the rest of us. It is not that the aforementioned aren't extremely smart, talented and great for this company, but they aren't the "whole package". Ken Lay has never treated any employee disrespectfully, but he continues to promote people who do. I think this says something to everyone about how differently this company will be run following his departure.

I also question many of our business ethics and it makes it very hard to work for this company and defend us to

# *Andy Fastow*

## *Response*

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others. I think we play too much in the gray areas. I don't think we are wrong in the California situation, but it certainly makes me wonder what I don't know. I can't defend us when I know we pride ourselves on bending the rules to meet our needs. I question Fastow and the LJM deal. I realize that it is legal, but I think it walks an ethical line when our CFO personally profits from an Enron deal like that. It warrants external attention.

I think we need to take a look at the way IR has handled our stock price drop. I don't think our "logistics company" message has worked AT ALL. None of us even understand it, so I don't know how anyone else can not customers, not analysts, not the media.

We really have some good guys here at Enron too- Frevert, Sherriff, Kean, McConnell, Horton... they work hard and follow the vision and values.

I think the issue is that if we aren't ALL going to follow the V&V, then just get rid of them and quit touting them. Be clear with what the rules are to move ahead in this company.

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# Dave Delainey

## Response

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- Compensation needs to be linked to longer term performance where appropriate (originators get some of origination up front, but the bulk of it based on the performance of the transaction they originated over a couple years)

Need at least a rudimentary risk system built and functional for all new businesses. Make sure there is a real check and balance (EES had a risk group on paper before Delainey, but due to management make-up of origination skills, it was not functional)

Inside morale and outside confidence will easily follow if other improvements happen.

- Of my many years of service at Enron, 2001 has been the most challenging and disappointing. After the announcement of the new vision and reorganization, the EES organization was held hostage for over six months while management decided how to deploy this new organization. All past history and good ideas and work are regarded as "the spawn of the devil child". I want to state that I know that Dave Delainey has the right idea for the company, but the execution of his vision has been tortuous and inhumane. Rather than determining in March that we needed to make reductions and taking immediate action, management hid behind the PRC system and dismissed employees for performance.

The PRC was nothing but a good old boy system at it's worst. It was nothing more than a rubber stamp of the perception of our abilities by the new organization. My review stated nothing of my feedback or accomplishments but rather made vague statements that provided neither guidance nor objectives. It appears that the people who have nothing better to do than showcase themselves to their management succeeded while those who actually kept their heads down and worked were pushed into the lower categories. I believe in meritocracy but it should be based upon actual results not someone's perception of personalities.

Senior management, specifically Evan Hughes, has been extremely unprofessional and insensitive to the major changes that have occurred. Evan stood up in a meeting of over eighty people and said verbatim: "If you don't like it, leave." I do not believe that this reflects Enron's vision or values.

In January 2001, I was one of Enron's biggest cheerleaders. I could not say enough positive words about our vision, our employees and my job. In August 2001, I am contemplating how high the stock has to go before I can exit. This change in attitude saddens me.

- In light of our published "values" respect is one of the major challenges our management team should concentrate on. While I did not select the disparity between commercial and non-commercial as a top 5 challenge, some of our lower level commercial managers (Director thru VP) could utilize a bit of humility. Those who have excelled and are excellent role models include Mark Frevert, Dave Delainey, Mike McConnell and Janet Dietrich.

Our employee benefits implementors could use improvement, it's difficult to get the right answers at the right time when one needs to make changes outside of open enrollment.

- After seven years at Enron, I am saddened to share that I have been contemplating leaving Enron after the hellish EES reorganization. Enronians were treated with little to no respect during the redeployment/reorganization process. While I strongly agree with Dave Delainey's vision for the future, I believe that the treatment people have received has been unacceptable and counter to the Vision and Values Enron proudly displays in the lobby. The morale here is at an all time low and it's become an incredibly depressing place to work.

My hope is that Ken and the new management team will rescue us from the abyss. Save us!

EC2 000046239

# Greg Whalley

## Response

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- 1. I think Jeff Skilling's biggest problem was that, despite all the media blitz, he was not a charismatic leader, like Ken Lay, Lee Iacocca, Herb Kelleman. Enron used to have VERY charismatic leaders that the employees loved like Ron Burns and Rich Kinder. There are no longer leaders of that ilk here in Enron. External customers would hear Ron Burns speak at industry functions and call to say "I want to work for that man!" Jeff Skilling could not engage that charisma with the media or with the employees. Greg Whalley is even worse. I've worked with that man for six years. He is mean-spirited and hateful to employees. I have seen him be mean just for sheer enjoyment. He has no charisma, in fact, outside peers have commented on his nastiness to customers and employees alike. I think you're moving in the wrong direction by selecting him.

Furthermore, something must be done about PRC. It does nothing but demoralize and produce the aggressive, nasty environment that makes most employees leave. First, it undermines the first line manager, who may feel the employee is doing a great job. Second, while it may produce the competitiveness that Enron strives to gain, it also produces an aggressive, back-slapping, unconstructive environment that is too difficult for most people to exist in. (In short, only the nasty survive!)

Finally, I work in risk management. I have seen VP's and trading directors make up a number, call down to the risk managers and say, this is what I want to report today. Move the curves to make it that way. I have seen directors tell traders to move curves in outmonths to generate income that the traders did not believe was real. I have seen traders leave Enron because Enron tampered with the "ethics" of the curves, and I have seen the trading directors deride traders who tried to stand up to his ethics. I have seen trading directors instruct book personnel to boost volumes on long term deals that aren't there to generate quarter earnings, only to have to reduce those actuals later down the road. It's unethical, and as a stock holder, I can understand industry skepticism.

- 1. Stop rewarding people for doing HORRIBLE deals (Pai-EES, Rice-Broadband, Whalley-Metals, Sutton-Dabhol, Mark-Azurix, etc.), and spread that compensation around the company to lower level employees.
  - 2. Be more straight forward with our earnings to the analyst community.
  - 3. Give the pipeline group some credit for what they've built, maintained and grown through the years.
  - I believe the biggest problem we have at Enron -- and one of the top reasons why morale is so low -- is the lack of values in our management. I think Ken Lay lives the values, but I don't see the same commitment in other management members. For example, some of the worst abusers of our values are on the Culture Committee -- like Beth Tilney and Dennis Vegas. How can we trust management when the very people that are positioned to live our values are the worst offenders? I have to also say that Greg Whalley scares me for the company. While I'll give it to him that he's brilliant, I can understand why the stock went down after that announcement. I am, however, thrilled to have Ken back at the helm again.
  - First, I think selecting Greg Whalley as a replacement is a terrible mistake. He's a mean-spirited, foul-mouthed man. Enron employees hate working with him and I can't imagine that he would improve Enron's reputation of being overly-aggressive. In fact, he is the poster-boy for all the bad things said about Enron. This needs to be rethought. I know he is a brilliant man - he just is not a leader. He had no personal charisma that inspires leadership.
- Second, the PRC needs to be eliminated. There HAS to be a better way to award bonuses that demoralizing employees and undermining first line managers. PRC just creates a hostile, mean-spirited environment by overly-aggressive employees who step on nice, ethical people. (It's alot like the elevators. Aggressive people will walk up from the back and step in front of people who'd been waiting a long time. Most polite people don't object but they end up standing in the lobby. It's symbolic of what the PRC is like. Are the aggressors that push past everyone better workers and deserving of more bonus money?) Like President Bush said, "We need a kinder and gentler Enron". People no longer want to work here because of the aggressive, hostile environment and the only people who stay (and thrive in this environment) are mean-spirited people.
- Some people in senior management positions may be good at the deal, but have little leadership ability (e.g., Jim Fallon, Greg Whalley, Kevin Hannon) while the true leaders go unnoticed (e.g., Stan Horton, Rob Walls,

# Greg Whalley

## Response

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Mary Joyce).

- I don't think we have really had a forum for employees to share their ideas with management on different topics-like the committees we had at one time. Cindy Olson was always listening to what employees are saying and asking people to serve on committees to enhance change. We haven't done much of this lately.

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EC2 000046241

# *Janet Dietrich*

## *Response*

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# Jeff Shankman

## Response

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# *Jim Fallon*

## *Response*

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*Thursday, September 06, 2001*

