

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

SKILLING	-	JEFF SKILLING
RICE	-	KEN RICE
HANNON	-	KEVIN HANNON
CROWDER	-	JIM CROWDER
BARNARD	-	MARLA BARNARD
CARNEY	-	JULIE CARNEY (Phonetic)
PATRICK	-	PATRICK Last Name Unknown (LNU)
MOSS	-	KEVIN MOSS
CHRISTINE	-	CHRISTINE LNU
DOUG	-	DOUG LNU
JOYCE	-	JOYCE LNU
DAVID	-	DAVID LNU
TED	-	TED LNU
UM	-	UNIDENTIFIED MALE
UF	-	UNIDENTIFIED FEMALE
UI	-	UNINTELLIGIBLE

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 **Beginning of Tape 1 of 2:**

2 RICE - Mike on? Uh, thank you all for uh, for coming out early this morning. I'd  
3 like to uh, welcome the Portland office uh, the people in Pleasanton uh,  
4 and uh, also uh, let the people in Pleasanton know that unfortunately we're  
5 not gonna be able to take questions from you today um, at this meeting but  
6 EVERETT PLANTE and LINDA STRAHM will be coming down uh,  
7 later on this afternoon to uh, to address the things we're gonna talk about  
8 today. Uh, look we just wanted to get uh, the company together. We're  
9 meeting with you today, Pleasanton this afternoon and Houston tomorrow  
10 and we only have an hour because we're on a pretty tight schedule. But, as  
11 you know, we started uh, building this business a couple of years ago at a  
12 time when uh, the telecom space was uh, was really rocking. It was a hot  
13 space and uh, uh, we're really geared up to go after two key business  
14 opportunities. Our intermediation business and our content delivery  
15 business. And uh, what we've seen the last uh, six to eight months is an  
16 absolute meltdown in really both of those businesses. In the  
17 telecommunications space, both in the streaming business, as well as in the  
18 circuits business. Now, we've continued to grow our business and build

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 out and...and develop both of those businesses and we've uh, we've really  
2 been successful in getting the intermediation business up and going,  
3 although it hasn't generated the revenues that we had hoped. Primarily  
4 because the industry in general is...is really depressed today. Um, but what  
5 we're also finding out is that the content delivery business just doesn't have  
6 revenues uh, today. Really, in...in any part of the business. So uh, we've  
7 had to step back like a lot of other companies uh, in this space and uh, and  
8 figure out how to go forward. And what we've gotta do is we have really  
9 got to focus on a couple of areas. One is continuing to build out our Enron  
10 Intelligent Network, but do that the way we've gotta do it to build our  
11 intermediation business. And that's to focus on connectivity and pooling  
12 points, and to begin trading and intermediating business in...in that space.  
13 And as I mentioned, we've had quite a bit of good experience. We've  
14 increased our transactions to o...over 700 in that side of the business, but  
15 we have really got to focus on building that out, because the market isn't  
16 gonna give us any easy wins. On the content delivery business, we have  
17 really gotta retrench. Uh, what we have learned is there, especially in  
18 today's market, there is no real revenue stream on the content delivery side.

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                   We continue to be optimistic about the long term prospects for that  
2                   business, but the way we have to approach it, is we have to focus on one or  
3                   two or...or a handful of very significant high quality content deals. And  
4                   uh, and so, as a result of all these things that are going on, we're gonna  
5                   make some organizational changes uh, in the way we approach the  
6                   business and we wanted to talk to you all about that today. Uh, I do wanna  
7                   address one additional thing uh, just to clarify that for...for everybody. Uh,  
8                   a couple of weeks ago we terminated our BLOCKBUSTER arrangement.  
9                   It really doesn't have anything to do with what we're talking about today.  
10                  Um, it has to do with BLOCKBUSTER's inability to get quality content.  
11                  And as I said, what we're gonna focus on, on the content delivery side is a  
12                  relatively small team talking directly with studios to try and aggregate  
13                  content for our VOD platform. So uh, I'm gonna let KEVIN talk a little bit  
14                  about some of the specific uh, changes that are gonna take place. But in  
15                  general, what we're gonna do is we're really gonna focus on two things.  
16                  One is the intermediation business and building out a switching platform  
17                  to make that business work and kind of get in the trenches and work that  
18                  uh, it's almost like hand-to-hand combat. We've gotta build that business

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
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1 from the ground up. And secondly on the content delivery business, a  
2 handful of people on a team are going to aggregate content from a small  
3 amount of suppliers that have very high quality content. And the rest of  
4 the business, we're gonna have to reorganize and change the way we do  
5 things. Uh, we have about uh, 20 or 30 minutes, I think, of discussion  
6 here. Please, we want this to be an open discussion. We brought JEFF  
7 SKILLING to uh, talk about things from the corporate level and also to  
8 talk about the ENRON commitment to uh, to EBS going forward. Uh, and  
9 so uh, we've got about an hour and then, like I said, we've uh, we've gotta  
10 go to Pleasanton and then on to Houston to have the same discussion in  
11 Houston tomorrow. KEVIN?

12 HANNON - Uh, thank you, KEN. Uh, as KEN was saying uh, what we really need to  
13 do now uh, in addition to bring our expenses uh, under control is uh, focus  
14 on the area we've got the highest probability for success. Uh, the uh,  
15 content delivery platform or platforms for PC and Desktop Streaming are  
16 working great. Uh, we're very happy with that. Um, and a lot of you have  
17 played a...a significant role in that and...and we don't want to...we don't  
18 want for this meeting to overwhelm with what...what's going on you've

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 done a great job with that. But that's largely built out from a technical  
2 standpoint. Uh, we also have uh, commercial resources uh, that we are  
3 gonna tightly focus on traditional origination and uh, risk management  
4 opportunities. And in order to...to accomplish both of those goals on  
5 the...on the revenue side uh, we are going to try to increase our uh, our  
6 chances of success by making sure that people that need to be trained in  
7 the...in the sort of ENRON way of doing business are close to those areas  
8 where we have the greatest level of activity uh, globally. Uh, so we're...we  
9 are gonna be uh, we're looking at commercial groups and trying to identify  
10 um, those resources that should either be uh, either in the centers of  
11 activities for ourselves in Houston, London, Singapore, whatever it may be  
12 uh, as well as, those developing resources that are gonna support us doing  
13 transactions on the commercial side, who also need to be close to those  
14 commercial origination teams. Um, we're...we are not closing the Portland  
15 office. I'm sure we're gonna get that question. Uh, we're gonna have a  
16 presence here. Uh, it probably will not be the same level of presence that  
17 we've had uh, up until this point. Um, but we are gonna be uh, reducing  
18 EBS headcount. The reason I say it's EBS headcount is because there's

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 two aspects of the reduction that are gonna occur from EBS' standpoint.

2 Uh, the reductions um, from the uh, uh, commercial and uh, technical side

3 um, will consist of redeploy...deploying across ENRON. Uh, in terms of

4 the numbers, there's about uh, 140 people that will be affected by it. Uh,

5 everyone will be given the opportunity. We're gonna...we're gonna work

6 with each and every one of you. Uh, and our effect is by this um, to get

7 you redeployment. And uh, MARLA will follow up on some of the

8 specifics to lead into that. Uh, the other 95 or so people who are affected

9 um, will be affected by their function moving to corporate. Uh, that may

10 include some of the technical side, you know, the uh infrastructure IT

11 support side uh, marketing uh, some of the marketing functions and uh,

12 some other smaller functions. Uh, so there's about...about 235 people, 240

13 people roughly who are affected by this change. And uh, and...and again,

14 to sort of stress what...what KEN said uh, you know, we've seen other

15 businesses that have gone through retrenchment. In fact, we have been

16 very successful after they have gone through retrenchment on the gas and

17 power side. And we're seeing that now in this business. No different. We

18 think that increases our long term opportunities for success. But in order

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 to have a long term uh, you have to do what's...what's necessary in the  
2 short term and that means focus on...focus on your cost structure and make  
3 sure you'll be successful and ensure your long term viability. So, those are  
4 the numbers. Um, this is gonna go on uh, starting now until the end...the  
5 end of next week and it's gonna be fairly quick. Uh, one of the reasons  
6 why we're up here today is because we just made this decision late last  
7 week and we wanted to uh, come up here and talk to you face to face and  
8 let you know exactly what was going on and give you the opportunity to  
9 ask questions. Um, uh, this will be um, I think uh, I uh, a quick process  
10 and one that's sort of open in terms of communication. That's all I have to  
11 say. I'm sure there's uh, a bunch of questions and I guess we'll just open up  
12 unless you wanna say anything JEFF.

13 SKILLING - Uh, yeah (clearing his throat) I would like to say one last thing. Uh,  
14 this...this is not easy. We've gotta get our cost down, right? I mean, we  
15 just got...we have got to get the cost structure down and uh, I think it's  
16 hard to...to communicate that so there's been a little bit of hemming and  
17 hawing around. Let...let me...let me articulate it again. Uh, the market is  
18 in absolute meltdown and the telecommunications business, nobody's got



196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 money. Everybody did equity offerings. They're going to be hitting the  
2 wall the next couple of years. They don't have cash. And so the whole  
3 revenue opportunity that we saw in this marketplace is gone or it shrunk  
4 significantly. We have got to get our cost structure down so that we can  
5 survive this. So that we can see it on the other side. So, what we're doing  
6 is we're gonna be uh, redeploying about 240 people in EBS out of EBS.  
7 Okay? And just to give you a sense of how this works out of the 240,  
8 about 20 of 'em are in Pleasanton with Warpspeed. About 150 are in  
9 Houston. I think there's six...five or six in Europe and about 60 uh here in  
10 Portland. Now what we're gonna do with everybody is we're either gonna  
11 try to transfer you into a corporate function, so if the activities that were  
12 housed in EBS will be moved to a corporate function, or we're gonna put  
13 you to the extent we can and we are gonna do everything we can to make  
14 this happen is put you into redeployment. Now we've had a number of  
15 businesses around ENRON as we've gone through this downdraft in the  
16 marketplace this last couple of months. We've had a number of businesses  
17 that have gotten hurt by this. We have redeployed across ENRON about  
18 600 people in the last six months. About 80% of the people that went into

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 redeployment found positions in ENRON somewhere else at the same  
2 level or...or better than what they had before, about 80%. So it's...it's a  
3 good process. And the rest of the company right now, business is pretty  
4 good. So we wanna do this quick so that we...the businesses that need  
5 people are primarily on the energy side, 'cause you know the energy  
6 business is going crazy right now, but on the energy side we have  
7 opportunities. And so we wanna do this quickly so people will have the  
8 chance to get over onto the energy so that...so we don't lose our talent  
9 inside the company. Couple of other places uh, here in Portland the  
10 wholesale business is doing great. I talked to them last night. Uh, they are  
11 gonna be looking for some people. They need some technical support  
12 people and they're just, and I guess they're always looking for good  
13 talented people so uh, if you're notified here of a redeployment, we'll make  
14 sure that you get in touch with the people here. I don't know what the  
15 situation is with PORTLAND GENERAL. My guess is they don't have a  
16 whole lot of openings over at PORTLAND GENERAL, but we'll be  
17 working those traps too uh, so that the people have a chance to get over at  
18 PORTLAND GENERAL. Uh, in Houston uh, there will be opportunities

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 on the wholesale energy side, retail energy side and we're starting up a new  
2 thing, it's called Xcelerator. We're gonna try to build some new businesses  
3 and one of those new businesses, I...I talked with LOU PAI, one of the  
4 ones that they're looking at will be telecommunications oriented. So  
5 people with telecom backgrounds, there will be some need to get some  
6 people involved in that. I think it's kind of startup thing looking at  
7 something closer to the last mile. You know, there might be some  
8 opportunities in the last mile, because there's still a lot of action...a lot of  
9 activity and good economics in the last mile on the telecommunications  
10 side. So that's kind of the net/net of it and to give you a sense for how  
11 significant the numbers are. We're trying to keep headcount reductions to  
12 a minimum. We're trying to cut costs elsewhere. We had a budget total  
13 expense budget this year for EBS of \$705 million. We can get that  
14 number down to about \$345 million with this change. So, it's a, it's a  
15 huge, huge cost reduction. A lot of that is just not building up some things  
16 that we were planning to build up this year. But I think at the 345 kind of  
17 number, I think we can cover that this year. I think there's enough  
18 revenues available in the industry that we can make this thing work. And

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 if we can get everything back into balance, you know, if we can...if we can  
2 last this thing out for a couple of years, 'cause I think it's gonna take a  
3 couple of years to sort out. If we can last this thing out, we're gonna be in  
4 a good position. You know, this business will come back. There's a need  
5 for bandwidth. There always will be. It's gonna be a good business longer  
6 term. We've gotta a couple of bad years here. Uh, gonna be a couple of  
7 rough years here that we've just gotta get through. Uh, but I think we can  
8 get to the 345, I think that's sustainable, I think we can make that work.  
9 Uh, we're not closing the Portland offices as KEVIN said. Uh, we're  
10 gonna do everything we can to get the people redeployed so, they  
11 stay...keep jobs with ENRON. Because we know you guys have been  
12 working hard and we know we've got a lot of talent in the office and we  
13 wanna make sure that talent sticks with ENRON to...to the extent we can.  
14 We're gonna do everything...I commit, that to you, we're gonna do  
15 everything can to get you guys redeployed inside the company. So that's it.  
16 The kind of ballpark numbers again are about 20 in Pleasanton, about 150  
17 uh, in Houston uh, six in Europe and about 60 here uh, in Portland are  
18 gonna be notified within the next week that they're moving into

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 redeployment or that they're moving to a corporate function. And so that's  
2 kind of the... I don't know if that's any clearer, but that's basically  
3 what...what the game plan is from...from here. So with that, you know,  
4 sorry. Any questions or uh, or comments we'll...we'll...we'll take 'em.  
5 HANNON - Uh...one other thing I will say is uh, JIM CROWDER and his team are still  
6 gonna be uh, in Portland and TED SEITZ and his team are gonna be in  
7 Portland. I think uh, some of you know we made some changes uh, to put  
8 some people with uh, some other ENRON experience into those groups.  
9 Uh, we haven't formally made an announcement on that uh, but again,  
10 those...those uh, functions will be up in Portland. Uh, the first question, of  
11 course, is uh does EBS intend to keep the Portland office open. We've  
12 already said we do. Uh, we would like to get uh, those people in Portland  
13 in uh, as sort of a uh, concentrated in an area as we can. That isn't a  
14 necessarily a cost uh, issue, it's more of an issue of getting interaction as a  
15 team, uh, staff in Portland uh, so that we've got sort of a...a tight cohesive  
16 group on a couple of floors and we talked about that. I don't think that's  
17 been finalized in terms of where we are.  
18 RICE - Uh, this question is, is there any current plan to eliminate the Portland

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 NOC and uh, and I think there is. Uh, we're building a NOC in Houston.  
2 I'm not sure when that will be operational uh, but it's part of (clearing his  
3 throat) focusing our efforts uh, we uh, we...we've gotta get um, our  
4 operations center close to the trading center and uh, and sometime over the  
5 next several months uh, we'll transition from the Portland NOC to the  
6 Houston NOC. I think we'll keep a backup in Portland, so the Portland  
7 NOC will become a uh, backup NOC. Uh, another question here is, did  
8 we have to pay BLOCKBUSTER a penalty fee or any sum of money for  
9 cancelling our contract with them. And the answer to that is "no." We had  
10 a right to terminate the contract for their failure to do certain things in the  
11 contract. They were unable to get uh, to get con...uh, content...quality  
12 content, and really any significant amount of content. (Clearing his throat)  
13 So there was a period in which we had the right to terminate the contract  
14 and we did that. Um, and we are uh, we've gotta go forward um, on our  
15 own as I said on a concentrated basis talking to a handful of studios to get  
16 real quality content for our VOD platform.  
17 SKILLING - Anybody else with any questions? Yeah?  
18 UF - (UI).

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 SKILLING - Um...you guys wants to answer?.

2 RICE - Um, not necessarily.

3 (Crowd laughter).

4 RICE - No, no, no what...

5 SKILLING - I...I can tell you.

6 RICE - ...what the...what the redeployment is, is uh, HR and your supervisor will

7 sit down with you and uh, um, go over...go over your skills and what you

8 wanna do, and then look for different opportunities within ENRON. That,

9 hopefully could be in Portland with either PORTLAND GENERAL um, or

10 with the wholesale group in Portland. But other opportunities will be

11 available in Houston um, in other places with ENRON. So I think the way

12 the redeployment plan works is uh, we try and match up skill sets and

13 opportunities across the organization.

14 SKILLING - But uh, just...just in terms of numbers, you know, we're...we're talking

15 about 60 here in Portland, there is no way that uh, the wholesale business

16 or PORTLAND GENERAL can absorb that many people. And so uh,

17 what we'll be doing is we'll be looking for opportunities uh, in Houston, as

18 well. Because there's just more...there's just more activity going on there

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 in the ener...energy business there and it's doing pretty well right now.

2 UF - (UI).

3 HANNON - LINDA's shaking her head "yes." So...

4 SKILLING - Yeah, I think if it's an ENRON company you keep the stock options.

5 Yeah.

6 UF - (UI).

7 SKILLING - If it's PORTLAND GENERAL...no. Okay, yeah, just...just...

8 UM - (UI).

9 SKILLING - ...just...just so...I'll tell you what's going on with PORTLAND GENERAL.

10 You know, we...we had a sales agreement with SIERRA PACIFIC. Uh,

11 that was...the way they were going to finance that, is they were going to

12 sell some generating assets. And the legislature in California passed a law

13 that said that any California utility could not sell generating assets.

14 SIERRA PACIFIC has 10,000 customers across the border and so they

15 qualified as a California utility. They can't sell the generating assets so

16 they don't have the money to do the deal so, my guess is 5% that that deal

17 goes through. So, it's 95% that PORTLAND GENERAL is not going to

18 be sold so uh, that...that's kind of status right now.



196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 HANNON - I had one question here uh, do we have any revenues to report this quarter?  
2 Um, before I answer that, I wanna say that as of this time, we are not  
3 changing our financial guidance on our uh, on our numbers in terms of net  
4 income. Uh, there may be an adjustment to CAPEX. We haven't been  
5 public about that. That may come down. Uh, so as of this time we're not  
6 changing the guidance. In terms of revenues to report this quarter we do  
7 uh, every quarter is, is uh, tough. Uh, this quarter is tough. Um, it's a  
8 stretch number. Uh, we'll have to see how these...how these expense  
9 numbers roll out and how uh, how the deals roll out in terms of booking  
10 deals. But uh, we think we'll make it this quarter uh, in terms of our uh,  
11 gross margin target.

12 SKILLING - Any other questions, you know. Yeah?

13 UM - I have a question for you. Um, what about selling our other assets and I'm  
14 sure you're looking at this across all of ENRON's business. What about  
15 international assets? You've been talking about that for a while.

16 SKILLING - Yeah, the sale of international assets, we're working on that very hard. Uh,  
17 this is...this is almost uh, this is...this is hard to believe, but you...you  
18 know this has been one of the areas of focus. We've gotta get our rates of

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 return up on these assets. Uh, we got about \$7 billion invested in the  
2 international assets and uh, this year we're only gonna earn about \$100  
3 million on that. And so we are trying real hard uh, to sell off those assets.  
4 The problem is, though, with the economy where it is uh, financing is  
5 dried up. Uh, so all the people that would be normally candidates to buy  
6 the stuff can't get financing right now. Interest rates, you know, interest  
7 rates, you look at the feds fund...funds rate or something like that and it  
8 shows interest rates coming down. Nobody borrows at the fed funds rate  
9 except for the federal government. Everybody else has to borrow at a real  
10 interest rate and the gap between government rates and real interest rates  
11 has exploded. So for real people, real companies, the cost of financing has  
12 gone through the roof right now so they can't afford this stuff. And the  
13 only people that can afford it right now are the Europeans that have got a  
14 lot of cash, but the Euro's down so much against the dollar that when they  
15 look at it they say, "man, these things are really, really, expensive." So I  
16 think we've got...we're just gonna have to wait it out. I mean, what we...  
17 (Undetermined loud noise). What we have to do is uh, wait for the dollar  
18 and the Euro to adjust or wait for liquidity to return. Did this thing go off?

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 Wait for liquidity to return in the marketplace to get this stuff unloaded. I  
2 mean, this is...we've talked about this before. We said that, you know, that  
3 we thought this was gonna be a much tougher macro environment this  
4 year, and we felt our businesses were in good shape. This is not a much  
5 tougher macro environment. This is an unbelievably bad macro  
6 environment right now, particularly in the bandwidth business. I mean,  
7 I've never seen anything like this. I mean, we went through the oil crash in  
8 1981 and it was like somebody turned off the light switch. This is worse.  
9 I mean, it's...it's like, you know, at least in the oil business, it was like the  
10 night lights were still on. They turned off the light switch here. The  
11 revenues are gone. I mean, it...it's...it's...it's bad. You know, you look at  
12 the stock performance of Level 3, you know, it's down what 85%, it's  
13 down three points. It was down another 20% yesterday. Uh, 360 is down  
14 uh, I think 75%. Uh, and I think all these guys are...a lot of 'em  
15 are...they're running out of money. Uh, the equity markets are closed. Uh,  
16 they used to be able to borrow in the high yield market. The high yield  
17 market's closed, so there's no more money and they're spending a lot of  
18 money. And uh, I don't think they'll be able to get their cost structure in

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 line as quickly as we can, which will be good for us, longer term. Uh, so  
2 we're in it for long term. We're...we're...we're gonna make this business  
3 work. We've just gotta get through the next couple of years. Uh, and it's  
4 bad. I mean, it...it's a bad situation. Yeah?

5 UM - Yeah, do you expect to uh, maintain the current platform, the MediaCast  
6 platform for the (UI)?

7 HANNON - Um,...I guess we switched this one off (chuckling). Uh, I think, as I was  
8 saying in the in...in the intro. We have a MediaCast platform that I feel  
9 works just fine. The problem is there are no revenues against that  
10 MediaCast platform. So, I guess to be optimistic, I look at it as a real  
11 option, right? The money's been spent. There's a lot of ways we can  
12 probably monetize that...that value. That's now a commercial transaction.  
13 It's not a technical issue. So we are gonna maintain the support level  
14 needed for MediaCast to retain that real option, which is gonna be less than  
15 we had before.

16 SKILLING - Yes? Yeah?

17 UF - Um, are there gonna be guidelines or what are we suppose...what do you  
18 want, what's the message to the clients that we currently have. What do

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                                   you want them to hear from us?

2                                   I mean, as we're terminating some contracts and doing different things like

3                                   that.

4    HANNON       -       From your...to your customers?

5    UF            -       To our customers.

6    HANNON       -       (UI) media cast customers? Uh, I think that we don't see the revenues

7                                   associated with those contracts. I mean, obviously, we're gonna honor

8                                   contracts where we have legal commitments. But to the extent of...of

9                                   growing that business, I mean, you can tell them that we're not bullish

10                                  about that at this point.

11   SKILLING     -       But...

12   UF            -       Yeah, (UI).

13   SKILLING     -       ...I mean, that's a good...we need...we need to give...we need to give you

14                                  specific words to use with the customers and...and I don't...I don't think...

15   UF            -       Well, EVERETT and me are gonna work on that (UI).

16   CROWDER     -       KEVIN, they're...they're in between uh, review what's going on with those

17                                  contracts. (UI). So, there is that customer...that customer review

18                                  occurring.

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 UM - Mm-mmm.

2 CROWDER - And where we can, let me know and Diane Hetzel and try to sustain those

3 contracts and where they may (UI).

4 SKILLING - Hey, JIM, come on...come on up. Yeah.

5 CROWDER - ...where they...where they haven't made payments or...or they're...or

6 basically uh, in violation of their contract, which they made an agreement,

7 so it's a...

8 UF - I just wanna know what we're allowed to tell them and what we're not

9 allowed. I don't wanna tell them something, you know uh, start a rumor

10 and then I don't (UI).

11 CROWDER - Right.

12 SKILLING - So what did...what...what should people say?

13 CROWDER - What people should say is that we are...we're still in business. We

14 have...we have a viable streaming business. Uh, DIANE HETZEL is...is

15 driving that right now, and we should direct as much of that activity

16 through her as we possibly can for those existing contracts.

17 SKILLING - I mean, as far as I'm concerned, there should be, I mean uh, I'm hoping that

18 there's no change in the services we're offering customers. We've just

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                                    gotta make sure we get paid. I mean, if a customer is not paying, they're  
2                                    gonna have to...we're gonna have to sever the relationship. So the people  
3                                    that are paying and they have contracts, we will perform those contracts.  
4        UM                        -        And I think that...  
5        SKILLING                -        If they're not paying...so, I don't think it's any, I mean, the best...I think the  
6                                    best message to the customer is we're committed to the business, we're  
7                                    gonna make it work, we're doing what we need to do to be a long term  
8                                    player in the marketplace, but we can't...we can't give stuff away. You  
9                                    know, we've gotta get paid for it. Yeah, is that okay?  
10       RICE                    -        DAVID?  
11       DAVID                    -        Uh, JEFF uh, ENRON has always been uh, a very strong company and the  
12                                    fact that...  
13       UF                        -        We can't hear you, DAVID.  
14       DAVID                    -        Oh, I'm sorry. ENRON has always been a very strong company and the  
15                                    fact that uh, the market has melted down quite a bit. Uh, do you have  
16                                    anyone looking at specific opportunities to take advantage of these  
17                                    contrarian and uh, (UI)?  
18       SKILLING                -        Yeah uh, that...that's a good question. In fact, we...we had a review uh,

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 we've got our corporate development people looking at this real hard right  
2 now. My...my own feeling is that there is gonna be, I...I call it "road kill."  
3 Uh, in the next couple of months, there are gonna be some people that just  
4 hit the wall and we do have liquidity, you know, we do have money and  
5 we're gonna be looking at those opportunities when they come up. I don't  
6 think we're there yet, though. You know, it's gonna take another six  
7 months, but we'll be looking at it real hard uh, to try to take advantage of it  
8 when...when it happens. The problem is right now, you know,  
9 everybody...everybody in the industry is like massively long capacity. I  
10 mean, it's almost, I mean, what we need is we need someone that...that  
11 needs the service. Uh, I mean, it'd be great to, you know, buy TIME  
12 WARNER, you know (chuckling), you know, somebody that's got a bunch  
13 of content. You know, that you could...you start stuffing it through and so  
14 the problem is there's nobody out there that is...is small enough. You  
15 know, and anybody who's small enough has got the problem we have  
16 times ten. You know, I mean, they're just burning through cash like crazy  
17 and they got no revenue stream and no customers. So the key is we gotta  
18 find some customers and that's what we'll be looking for in...in the "road



196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 kill." See if...see if people have customers.

2 UM - Will there be the uh, possibility in the mid to long term future here in

3 Portland to combine or co-locate efforts between (UI).

4 HANNON - Well, we've uh, we've tried um, working that out. I think you can say

5 medium to longer term there certainly should be and will be. Uh, I think

6 one of the things that happened a couple of months ago, we were under the

7 impression that they had to get out of the building they were in. That

8 changed some months ago. And so, understandably, they didn't want to

9 change uh, you know, a winning game and they were...they were happy

10 where they were. Um, so I think to the extent that, that lease is up and I'm

11 not aware on the specifics on that lease is up. I think we should look at

12 recombining those resources.

13 SKILLING - Yeah, way in the back. Yeah?

14 UM - Um, so would it be fair to say that if you don't work for Mr. SEITZ or Mr.

15 CROWDER that you would be a candidate for redeployment?

16 HANNON - No. First of all, I want to make one other point. Our optical engineering

17 group is gonna be here and uh, I think we're very happy with...with the

18 constitution of that group, so that is one other group that we are just gonna

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                               be remaining in Portland and that's fine. Uh, in terms of JIM and TED, I  
2                               think those three functions that we mentioned are the major functions that  
3                               externally, I don't know if I've forgotten any, that...that I can think of  
4                               that...that are gonna be in Portland for the foreseeable future.

5     RICE               -     But...

6     UM                 -     So (UI)...

7     RICE               -     ...to answer, but to answer the question, I think there's possible  
8                               redeployment even in JIM and TED's group.

9     UM                 -     That's all I wanted to know.

10    RICE               -     So...

11    SKILLING         -     Yeah, definitely.

12    UM                 -     Yeah.

13    SKILLING         -     Everybody, we're...we're just looking across the board to see if there are  
14                               places where we can get the money and cut cost.

15    CROWDER         -     So uh, the balance, I'm not sure what our total head count is up here right  
16                               now. Was it 240, 250, somewhere in that range?

17    UF                 -     248.

18    CROWDER         -     We said we're getting ready to redeploy 60. Uh, 190 people don't reside in

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                                those three groups so, let's be clear about the message that we're not gonna  
2                                redeploy a 100...I mean, the re...I mean, TED and I and...and uh, JOHN  
3                                probably employ, you know, maybe 30, 40 employees...50 employees so,  
4                                there are gonna be other groups that are still here I take it.

5    HANNON        -        Sure.

6    UM                -        Okay.

7    SKILLING       -        Yeah.

8    UM                -        I (UI) sure.

9    HANNON        -        ...and those groups I'm referring to are sort of self contained groups as we  
10                                (UI).

11   UM                -        (Clears his throat). Okay.

12   HANNON        -        There are people who are working for other Houston based staff that are  
13                                gonna be here uh, and remain here.

14   UF                -        When you discuss head count, are you also including (UI)? When you  
15                                discuss head count, are you also including contract positions?

16   SKILLING        -        No, I don't think so, are you?

17   HANNON        -        They're not included in the head count numbers...

18   SKILLING        -        No. No.

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 HANNON - ...although we're looking hard at each of the contract people that we're  
2 deploying.  
3 UF - So does that mean people who are actually employed by ENRON are more  
4 likely to be let go than the contractors?  
5 SKILLING - No.  
6 HANNON - No.  
7 SKILLING - No.  
8 UM - (UD).  
9 SKILLING - No.  
10 RICE - No, the...the...we...we are taking...we're taking a hard look at all of our  
11 costs and that includes contractors, as well as, employees. And I think it is  
12 safe to say that over the last year or so, and even prospectively, it's more  
13 likely that a contractor will get redeployed or...or let go than an EBS  
14 employee.  
15 UM - Okay.  
16 SKILLING - Yeah?  
17 UM - Given our own fairly long position with respect to both fiber and  
18 bandwidth, as well as, the challenges in locating willing and able buyers,

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 do we have any near-term intentions to sell some of those network assets?

2 RICE - Yeah, we're uh, I'll...I'll handle that. A couple of things going on there.

3 Um, in terms of the long haul fiber, we are looking at uh, different ways to

4 um, to restructure that asset base, and one of 'em is to sell that. Um, as I

5 said earlier, we're gonna continue to focus on getting connectivity between

6 networks...between our network and third party networks, so that we can

7 continue to build volume...transaction volume um, on...on the...on the

8 trading and intermediation side of the business. Now, one thing that I

9 think works to our advantage is, as JEFF said, we have liquidity and we

10 have capital and prospective buyers of this long haul fiber network uh,

11 are...are aggressively trying to find ways to...to get revenue. So we're

12 looking at ways that we can uh, we can sell those assets, and we're not

13 talking about selling the network. What we're talking about is selling

14 specific assets, particularly the dark fiber network. Um, and then using

15 that as...as part of a structured arrangement, so um, so we have a number

16 of those initiatives. I don't know, I...we don't feel like we have to sell

17 the...the dark fiber network. We can continue to maintain uh, what we

18 have there. Use it as a real option over time, but we have a window of

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 opportunity here for a year or so, where prospective buyers are really  
2 anxious to do a transaction with ENRON. So if we can get one off that  
3 works for us and works for them, we're gonna look at doing that.

4 HANNON - Uh, I had one question sent up here. Uh, if you don't want to redeploy, can  
5 you take a package instead? Uh, and we did uh, anticipate this question. I  
6 guess the response to that is uh, it's a case-by-case basis. Um, we  
7 have...we have targeted uh, those...those people that we wanna talk to  
8 about a redeployment package. Um, if you are interested in that option  
9 um, my recommendation is get with your supervisor and have a discussion  
10 about that really uh, some of your reasons for wanting to do that. Um,  
11 and...and then we'll take it from there.

12 SKILLING - Any other questions?

13 UF - I have one that's (UI). Who...who put the webcam...whose idea was it to  
14 put the webcams on our floor and how do we get rid of them?  
15 (Crowd laughter).

16 HANNON - Uh, I think it was TED's idea.

17 UM - I think it was TED's idea. (UI).  
18 (Crowd laughter).

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 SKILLING - Come on up, TED. TED, come on up here. TED, come on up here.

2 RICE - Talk about the thought process there, because it's not...it's not to keep an

3 eye on people.

4 TED - (UI), JIM. Uh, no it was my idea. I wanted to get...I've got people in

5 Portland, I've got people in Houston uh, I wanted more transparency and

6 more interaction. So it's not um, to survey what's going on with people,

7 it's simply to be able to look up and kind of see what's going on with our

8 counterparts in Houston and Portland. (UI).

9 UF - Well, I started putting on my makeup yesterday, so it's really embarrassing.

10 TED - Oh, is it? Uh...

11 UM - Yeah, that's (UI).

12 SKILLING - Alright, well let...

13 UM - It was...

14 UM - There's very few people that haven't liked it.

15 SKILLING - Alright.

16 UM - ...a way to handle (UI).

17 UM - That's true.

18 (Crowd laughter).

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 TED - They...they booked a sale and we marked it, you know, it was a good deal.  
2 RICE - This is uh, this is something in...in...in ENRON, we feel it's really  
3 important to be able to communicate on a real time basis and we did this a  
4 couple of years ago between Calgary and Houston and it worked really  
5 well to bring those two offices together and so, TED came up with the idea  
6 of doing it here and I...I think it's only been a few weeks.  
7 TED - Yeah.  
8 RICE - Um, if we can get KELLY and her makeup off of there uh, hopefully that  
9 will uh,...  
10 TED - Yeah.  
11 RICE - But...but it worked great. I mean, it really did and it really helped to bring  
12 the two offices together and I'd like to give it a...a try.  
13 SKILLING - Is it...is it just the location? Can you move it some place. I mean, is it in a  
14 bad place.  
15 TED - There's a few employees that really just don't like it.  
16 SKILLING - Yeah.  
17 TED - And so what we're talking to them about is moving them out of the view of  
18 the camera,...



196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 SKILLING - Yeah.

2 TED - ...and that's fine.

3 SKILLING - Yeah. Is it in...when we...

4 (Crowd laughter).

5 SKILLING - ...where...where is that?

6 UF - (UI). I...I just made a joke. I just said that it's the rest room we have a

7 problem with.

8 (Crowd laughter).

9 SKILLING - Uh, when we did it in Calgary and Houston, it was just out on the trading

10 floor. I mean, it was just kind of in a neutral area and then people could

11 just, you know, walk up to it and if they saw someone in the screen, you

12 know, that's in Canada or something, just wave and say "hi." And...and it

13 actually led to...the people just talking more. You know, they got to know

14 each other better uh...

15 UF - Is that what uh, what you envisioned TED here in Portland is maybe

16 getting a big screen so that (UI) instead of sits on a (UI).

17 TED - Exactly. Yeah. Over time putting up there and if you'll notice, that's just

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 the one that kind of surveys who's...who's where and what they're doing.  
2 But then in the conference room, we put 'em in as well so that without  
3 going through an expensive video conference process, we can actually  
4 have like impromptu conference meetings where...there's a webcam that  
5 costs somewhere around \$800 to put up in the...in the room. Then you just  
6 dial into a number that's in that room, it's like you're having a video  
7 conference. So it creates a lot more transparency and a lot more  
8 interaction and communication. So that's...that's what I was trying to  
9 accomplish. And I...and I felt like that was an issue and a problem we  
10 needed to (UI) so...so you can blame me.

11 UM - Yeah, actually I...I work in a group that's got part of a team in Houston and  
12 part of it in Portland and we've enjoyed being able to see the Houston folks  
13 on there and they can see us and we're talking on the phone and, you  
14 know, you see uh, "oh, okay JOHN's back at his desk. I can call him now."  
15 You know, that kind of thing. It works out well.

16 SKILLING - Yeah?

17 UM - Given the uh, JEFF, your sort of explanation of the meltdown, do you all  
18 see any...do any sort of big market opportunities come to mind that we

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 can...that we're gonna start going after or we have an opportunity to go  
2 after in the next, you know, 10, 12 months that we're...for some home runs  
3 this year?  
4 SKILLING - Yeah, what uh, what I'm hoping uh, and this...this may sound kind of  
5 crazy, but this is like the natural gas business in the mid '80's all over  
6 again. I mean, and that's...that's where we really grew the business. It was  
7 during the meltdown. I mean, everybody was getting killed. There was no  
8 financing available, people were going bankrupt, the price of the  
9 commodity was collapsing. I mean, this...this is this all over again. What  
10 we did then, I mean, where we made money there in...in those days,  
11 we...we started providing financing products for customers, you know,  
12 that...that these guys are desperate right now and, I know they're not quite  
13 desperate yet. Give them another two months when their stock prices are  
14 down another 80% and they're gonna be real desperate. Uh, and I think  
15 there might be those sorts of things. In the...in the gas business, we came  
16 up with production payments, where we basically were giving them cash  
17 in return for capacity and...and we got it at real favorable rates 'cause they  
18 really needed the money, and so we were able to make...make some money

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 on that. Uh, now the problem is we're going long there. We're going  
2 longer. We're giving them cash for more capacity so you gotta be pretty  
3 certain the price isn't dropping anymore. In the gas business, there were  
4 big markets. That's the thing we gotta find here, too, and I don't know if  
5 that's in 10 months, but longer term, you know, people are going to need  
6 bandwidth. Two or three years from now, they're gonna need a lot of  
7 bandwidth. Just...we gotta get through this...this interim stage, so I think  
8 maybe big things are on the...on the sale side probably have to come from  
9 big content people. You know, the studios, the networks where they're  
10 looking forward two or three years when they know they're gonna need  
11 this bandwidth. And that's, I don't know, I'm...you guys know the business  
12 better than I know the business, but that's the kind of stuff I'd be looking  
13 for right now, I think.

14 RICE - Let...let me have one thing to say. That there are...I think there's gonna be  
15 opportunities like we talked about earlier with DAVID...DAVID  
16 LEATHERWOOD's question. Um, but we also...I think it's gonna take  
17 sort of in the trenches, chipping away doing what we do. And we can't  
18 take our eye off the ball. It's things like what we've done with

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 MICROSOFT...you know, I think...think MICROSOFT is going to be our  
2 biggest customer in the next two or three years. What we gotta do is we  
3 gotta start delivering the services that you guys are...are negotiating and  
4 get their confidence and then build it from there. 'Cause I can assure you,  
5 we have a better product offering than anybody else out there. It's more  
6 flexible, it's more reliable and uh, it gives them more control over their  
7 costs, but they, nobody understands it yet and it's just...it's just what you  
8 guys have been doing, you and JIM and TED and everybody, is chipping  
9 away and chipping away and pretty soon a big deal or two will come and  
10 then, and in the meantime, we'll come up with ideas for financing and  
11 maybe, you know, maybe uh, acquisition of "road kill," or something. But  
12 I don't see it out there right now. I think we've gotta focus and we've just  
13 gotta keep chipping away. And uh, get a little bit of traction like we got  
14 with this MICROSOFT deal and uh, and then I think it...I think it'll  
15 explode pretty fast, because it clearly is a better offering than anybody has  
16 out there. We sat down with the guys at MICROSOFT the other day and  
17 they finally understood what we do and how we do it differently than  
18 everybody else and I think they liked it. So, let's...let's just try and...try and

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 keep focused and keep generating the ideas and bring back and we'll  
2 structure deals that work for those customers.  
3 HANNON - I (UI) back to JEFF's analogy. In gas, we were successful in doing  
4 production payments because of two things. We were able to take that  
5 production payment, get security, bankruptcy remote and also be able to  
6 sell it.  
7 UM - Mm-mmm. Mm-mmm.  
8 HANNON - If you can take an IRU on dark fiber, figure out a way to get that even  
9 under bankruptcy and get security for it and sell it,...  
10 UM - Mm-mmm.  
11 HANNON - ...which is the tough thing right now. There's a great business for that.  
12 UM - Some of the other companies in Houston, El Paso, Dynegy that have  
13 gone...gone out and acquired assets in the telecom space and are actively  
14 building a trading (UI). What are your (UI).  
15 SKILLING - Well, the uh, I am absolutely convinced...more convinced than..than ever  
16 from what I've seen you guys accomplish. There's gonna be a big  
17 intermediation trading market for bandwidth. There is no question. I  
18 mean, we're...we're ramping up faster in this business than we did in

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 electricity in 1993. I mean, and so it's...it's looking good and that's what...I  
2 think that's what these people are seeing. So, there's no question that  
3 there's an opportunity there and it's gonna grow pretty fast. But I think we  
4 gotta...we gotta beat 'em, you know, this...this is gonna be just, you know  
5 the same trench warfare it was in gas, same trench warfare it was in  
6 electricity. We have got to get there first and we gotta get there with the  
7 most. We can beat DYNEGY, we can beat EL PASO, we can beat  
8 LEVEL 3, we can beat 360. I mean, we can beat these guys, but we just  
9 gotta...we have to get on it fast to make it happen.

10 UM - (UI).

11 RICE - I don't know what goes on inside there, but I guarantee you, DYNEGY, the  
12 acquisitions they've made. I think EL PASO has made a couple. But they  
13 are dealing with the same issues that we are. (Chuckling) Only they paid a  
14 much bigger premium for some of those assets. I...

15 SKILLING - They (UI).

16 RICE - ...the...the...this...the industry troubles are no secret. They can't have paid  
17 what they paid for (UI) that company in Denver and not be feeling the pain  
18 right now, so...

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 SKILLING - Yeah, I think you...everyone can feel pretty good about our strategy. I  
2 mean, we are getting hurt less than anybody else. We are less long...  
3 UM - Yeah.  
4 SKILLING - ...by a significant margin than anybody else in the industry. We've done a  
5 good job keeping this thing under control. It's just that it's just worse than  
6 what we thought. You know, we thought we'd be okay. Uh, well you take  
7 our total book investment in dark fiber right now, is about \$400 million.  
8 UM - 350.  
9 SKILLING - 350. You look at someone like LEVEL 3, they got probably \$15 billion.  
10 Uh, 360 is investing three-and-a-half billion this year. These guys are, I  
11 mean, these are big, big numbers. So we're...we're in pretty good shape.  
12 We've just got to hunker down so we can get through the next couple of  
13 years.  
14 UF - Um, I guess this is with...  
15 **End of Tape 1 of 2**



196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

**Beginning of Tape 2 of 2 and where corrections start:**

UF - Um, I guess this is with a lot of the shifts that have occurred and um, (UI) we've been successful at some things and not in others. We're selling off the fiber (UI) traders. I guess I would just like to hear what is our primary focus. You know, I mean, are we here to trade? Are we here to sell product and services? Are we going to sell BANDWIDTH? Are we going to get...I guess what is our primary focus.

(Undetermined noises).

UF - What is our primary goal?

HANNON - Yeah. (Chuckles). Can I actually jump on that?

SKILLING - Yeah.

HANNON - Our primary focus is risk management. All right, it's risk management in gas. It's risk management in electricity. It's risk management in BANDWIDTH and storage. Okay? We need that capability. That's central to our capability. We may rely on assets or may not rely on assets. We need liquidity to be able to manage risk. Against that we offer customers products and services that are bundled. And that are bundles of these risk components. And that's...it's as clear as I can state it. That's

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                               how we stated it at the Analyst Conference. I think the problem is that the  
2                               industry has typically talked about things in terms of unique technology  
3                               products. Okay? That's not what we're in...we're in the game to do. We're  
4                               in the game to manage risk and all the aspects of communications business  
5                               and then bundle those risks to customers in terms of products and services.  
6       SKILLING       -       I think, and you know, another way I think of...of stating it, which is  
7                               absolutely identical of what we said for the last couple of years, is we have  
8                               two P & L centers here. Two. One is bandwidth intermediation and the  
9                               objective has not changed. We wanna be the largest buyer and seller of  
10                              bandwidth in the world. That's the objective. And it...and in the  
11                              intermediation business, what we're doing is we're stepping between  
12                              buyers and sellers to provide portfolios all the Risk Management Services  
13                              KEN or that...that KEVIN's talking about. All that sort...that's how we add  
14                              value there. That hasn't changed at all. We should be out there. We  
15                              should be selling commodity bandwidth. We should be buying  
16                              commodity bandwidth. We just gotta remember, okay, this is the main  
17                              rule here is buy low, sell high.  
18                              (Laughter).

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 SKILLING - Sometimes...sometimes it gets twisted around, you know, buy...buy high,  
2 sell low, but it's buy low, sell high. And as long as we can do that, we can  
3 create value in that business and...and we're well on our way. I think  
4 we're...we're doing real well on it. So, that's one P & L Center. Second P  
5 & L Center is content services. We wanna provide turnkey bundled  
6 bandwidth solutions for customers. So when you go into a MICROSOFT,  
7 you say "what do you need?" You know, if it's bandwidth related we'll see  
8 if we can package it, put it together for you so we're providing a turnkey  
9 service in bandwidth. Now, you don't hear me talking about assets. You  
10 don't hear me talking about dark fiber. You don't hear me talking about  
11 anything. If we need that stuff to provide those two P & L Centers with  
12 their support, we'll do it. I think there are a lot of things that we've done  
13 for the last couple of years we probably don't need anymore. There is so  
14 much dark fiber out there, we probably don't need to own any to become  
15 the largest buy and seller of band...of bandwidth and provide turnkey  
16 package solutions for content. So, we gotta jettison the stuff we don't  
17 need. We gotta jettison the activities that don't push us forward in those  
18 two areas so that we can concentrate our resources and get through the

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 next couple of years.

2 CROWDER - If I could add one thing too. Uh, I think traditionally in the  
3 telecommunications and...and the technology space uh, product  
4 development has been something that's been done based on, you know,  
5 market studies and we go off and develop a product and hope like hell that  
6 there's a market for it. And I think that's...that's a distinct, you know,  
7 difference between what's been done in the industry versus what's been  
8 done in the ENRON space. And what we're really doing now, I think is,  
9 focusing on commercial opportunities to drive that development upward.  
10 So, for instance, MSNIA will become a specific opportunity that drives the  
11 ongoing development of our transport solution set that we'll be able to  
12 leverage into other consumers or other...other commercial opportunities.  
13 So, you're not gonna see the "field of dreams" kind of uh, development  
14 opportunity where we go up and develop and hope there's an opportunity.  
15 It's gonna be really...a really driven fundamentally by a commercial  
16 opportunity and that's the way the origination teams are focused, so...

17 SKILLING - And does that make sense, the...?

18 UF - Yeah, but in other words if you go out and talk to a really big customer

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 and if they have something that maybe we don't do today and there's  
2 enough money in it, that would drive like, maybe a new service that we  
3 would do that would drive (UI). So, it's kind of almost a deal driven  
4 mentality. Is that how it is?  
5 SKILLING - Yeah, they're customer driven.  
6 CROWDER - Yeah.  
7 SKILLING - You know, you gotta go out and find out, I mean, we don't want...if a  
8 customer says, "hey look, you know, I need, you know, a pharmaceuticals  
9 plant for my employees." I mean, we probably ought to say not, you  
10 know, that's not really something we're good at. Uh, but if it's bandwidth  
11 oriented, listen to them. Yeah, and if they, "hey look, here's what I really  
12 need." Uh, if we can patch it together and we can sell it to 'em and make a  
13 margin on it, let...let's do it. Let's find a way to do that. But I...I think,  
14 JIM's exactly right. We gotta be careful about these things when we say,  
15 "well, we think there's this product out there. Let's go spend 150, 200  
16 million dollars to develop the product and hope like hell we can sell it."  
17 Because we don't have that luxury right now. We probably had that luxury  
18 a year ago. The whole industry had that luxury a year. We don't have that

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 luxury right now. We got...

2 CROWDER - An exam...an example of that is the IP Net Connect product where we've

3 gone off and developed kind of a core, almost a chassis, you know, that

4 we've been able to take off in the industry and kind of combine it with

5 some transit components and uh, and go off and...and pitch that to various

6 clients and in affect our transport solution that we'll be selling MSNIA

7 could in...in affect be done on top of that chassis. And so, we can continue

8 to kind of develop that, but it's gonna be driven by each commercial

9 opportunity. Okay.

10 UF - I don't mean to hog the floor, but I guess what I'm trying to get behind is

11 when you take that and it is a different approach to this type of industry

12 than most of us have experienced, you know, what do you put yourself

13 behind to...to help with the effort in pushing forward because, you know,

14 typically a company comes around to sell bids, you know, "here's our five

15 products that we're gonna sell." And somehow somebody attaches

16 themselves to those products,...

17 UM - Mm-mmm.

18 UF - ...so if it's...I guess what I'm trying to say is, if it's more of like a deal

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 driven then does everybody within the company trying to attach  
2 themselves somehow to a commercial deal and work this support around  
3 that are do we...  
4 SKILLING - Or set of customers.  
5 UF - (UI).  
6 SKILLING - Set...set of customers. I mean, I think the...the prior...I...I'll speak for you  
7 guys. I'm just stating ev...every other business we're organized by  
8 customer.  
9 RICE - (UI). What...yeah, what we're...what I think is important is...is getting to  
10 know that customer and...and how they use bandwidth or storage and then  
11 try and structure a deal or series of deals based on those customer's needs.  
12 And what we have found is we are a lot more successful in building to a  
13 specific deal or a specific customer problem, than we are kind of creating  
14 the product in advance and then trying to sell that. So, what we're doing is  
15 we're leveraging off of a risk management capability and the creativity of  
16 the people and that's...that's how you create the deal or the solution for that  
17 customer. And that's what we're doing with MICROSOFT. That's what  
18 we did with BLOCKBUSTER. And we've been able to come up with

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                   those ideas and concepts and then go back in the organization and  
2                   structure a specific deal related to the needs of that customer and then that  
3                   helps drive, you know, additional products on top of that. So, it's...it's  
4                   really customer driven but sometimes to galvanize the effort towards  
5                   creating a solution for that customer, you need a specific deal to be able to  
6                   do that. In the case of MICROSOFT, they need an IP product where they  
7                   can get reliability, they can get bandwidth on demand and they can get  
8                   flexibility. Well, I don't know exactly what that looks like, but we can  
9                   help structure a deal around that and then put those pieces together. Now  
10                  the galvanizing thing is we do have, as JIM says, a chassis, which is the IP  
11                  Net Connect, which...which gives us a starting point for that. But I think  
12                  the...the message to the organization ought to be, get with the customer,  
13                  understand what their needs are and then try and conceptualize the deal  
14                  that helps deliver that need. And then the organization will rally around  
15                  that. We do that time and time again. And uh, I know it's a little bit  
16                  different than...than the industry is used to, and we went through this in  
17                  gas and we went through it in electricity and we'll go through it here.  
18                  And...and the organization will come around and we'll be able to...to



196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 deliver it, because these customers, I've, you know, I've seen 'em  
2 (chuckling) over the last few weeks. They are changing and they're really  
3 ready to listen to new ideas uh, partially because they need flexibility and  
4 they need risk management, and partially because their current service  
5 providers are melting down. They don't know if they're going to be there  
6 tomorrow. And that's all an advantage for us. So uh, (chuckling) I don't  
7 know if that answers your question...

8 UM - Yeah.

9 RICE - ...but it's kind of the way I think we need to look at it.

10 CROWDER - Okay, can I add one thing to that to kind of help the other people in the  
11 audience too. This gets to KEVIN's, you know, the reorganization. Part of  
12 what we're doing in origination is we're rationalizing down the number of  
13 originators that we're focusing. We're gonna have a...a...a much more  
14 finite set of targets and it's gonna be organized around industries. So,  
15 we're working on that right now. But they're gonna be deal teams focusing  
16 on a smaller number of opportunities with a pretty well refined approach  
17 and pitch and value proposition around risk, you know, types of  
18 management tools. Uh, I think what...what we're gonna see is close work

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 with product development, with EVERETT PLANTE and organizations  
2 like that. You know, getting them on to things.  
3 SKILLING - (Clears his throat).  
4 UM - There's gonna be some pretty good teams of people that are going to be  
5 focusing on these opportunities and that's how I think how that's gonna get  
6 articulated back. We're gonna go out in the market, figure out, figure out  
7 what people want and if we get a (UI)...  
8 UF - (Coughs).  
9 UM - ...they're gonna gaps in our products. And that's gonna...that's gonna help  
10 us in our negotiation and our pitch. We're gonna have to storyboard some  
11 of these things for clients and say, "Look, this is where we are today. This  
12 is how we can get to what you're asking for." And probably get these  
13 people to make commitments...commercial commitments to us, you know,  
14 before we go out and start developing things. So, I think if I were you or  
15 anyone else in this audience I'd be, you know (clapping his hands)  
16 communicating with the origination teams, communicating with product  
17 development and with EVERETT PLANTE's group to try to figure out  
18 how to get plugged into this process. Because we're gonna be out there

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 very quickly uh, talking to a very select group of...of targeted prospects.  
2 Okay?  
3 UM - I think, JIM, you mentioned that there's a logistic, ENRON 's business  
4 being a logistic (UI).  
5 SKILLING - Yeah, we...we've used that term because you just, you know, whether it's  
6 bandwidth, gas or electricity, you got it one place and you wanna get it  
7 somewhere else. And you gotta find out how you do that. How you patch  
8 that together for the customer.  
9 UM - Okay, the person in the back.  
10 UF - (UI) maybe you said this and I didn't hear it, but what...what's going to  
11 initiate your redeployment process. I mean, check caller ID before you  
12 answer your phone.  
13 (Laughter in the audience).  
14 HANNON - Uh, over the uh...it won't be email.  
15 (Laughter in audience).  
16 UM - Uh, over the next uh, five...five, six days uh, we've targeted a week from  
17 tomorrow to have this process completed. Uh, your manager uh, will  
18 be...will be getting with you or not getting with you uh, to discuss uh,

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 redeployment opportunities. Uh, one thing I will say is when we leave in  
2 five or ten minutes uh, MARLA BARNARD is gonna stay behind to talk  
3 about some of the mechanics to that. MARLA's head of our HR  
4 department (UI).  
5 UF - (UI), five days is a long time...  
6 UM - Right.  
7 UF - ...to...to know whether or not you're gonna be redeployed. Is there any  
8 way you can do that like sooner than five days? I think (UI).  
9 UM - Yeah, I mean our...we're giving ourselves six days, I guess, if you wanna  
10 look at it that way.  
11 UF - Okay, three days is a long time (UI).  
12 UM - I understand, and that's what, and again, this decision was really made  
13 Monday, I guess I think you can say in terms of finalization. Um, so we're  
14 getting here I think as quickly as we possibly could. The process will start  
15 immediately. Uh, I can't promise you it will be done tomorrow. Um, but  
16 we promise that we'll get it done as quickly as possible and Friday is the  
17 outside date.  
18 UF - KEVIN?

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 HANNON - Yeah.

2 BARNARD - I think you can safely say in Portland that the majority of the people will  
3 be notified by Tuesday.

4 HANNON - Tuesday? Okay, that's fine. Other questions? Yeah?

5 UM - I kind of view layoffs and redeployment as kind of exercising sort of the  
6 last among the cost-cutting options. I'm just curious if any more creative  
7 options were explored similar to what SCHWAB rolled out (UI).

8 HANNON - What did SCHWAB roll out?

9 SKILLING - This was the uh,...

10 UM - (UI) and he said, you know, (UI).

11 SKILLING - Yeah, change vacation (UI).

12 HANNON - Oh, vacation.

13 SKILLING - Right.

14 HANNON - Well, two things. Uh, yes, we've explored other options and we're  
15 undertaking those changes. Uh, some of the things relate to depreciation  
16 and how we do that, under what structure. Because depreciation is a big  
17 part of our cost structure here because of the equipment. And we had to  
18 make changes there to reduce cost. Uh, the second aspect is, this isn't just

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 a cost exercise. This is an exercise in making sure we're focused and  
2 making sure we have the highest probability of success and transactions  
3 that...that we know to do. And in order to do that, as I mentioned, we  
4 wanna make sure that those resources to do those transactions are in  
5 communications with both the desk and product development and any  
6 other resources that they need to get those transactions done. Uh, so it...it's  
7 uh, with a mind of really focusing our strategy, as well as, reducing our  
8 costs that we've...we've gone through this and we've taken a couple of  
9 different approaches.

10 RICE - We have...we have implemented a lot of other things in addition to uh,  
11 redeploying some people. As KEVIN said uh, we've reduced capital  
12 expense. Uh, we're reducing and restructuring our depreciation. Uh, we  
13 uh, are moving certain functions to corporate, which we feel fit better there  
14 and help us focus and also manage costs. So you are right, this is...this  
15 is...redeploying people is uh, one of the final steps in the whole process.  
16 Um, and it's...it's a process not only to cut cost, but also to generate better  
17 focus on the two or three opportunities that we think we gotta execute on  
18 and that we can take advantage of over the next year or so. Okay uh, we...I

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 think we need to wrap up. Uh, MARLA, can you step up here so we can  
2 introduce you. Are...are you gonna stay here in this room?  
3 BARNARD - Yeah.  
4 UM - ...and talk some more? Okay.  
5 SKILLING - (UI) just for a second be...before we leave and I know this is a downer and  
6 it's obviously not great. The timing within ENRON is pretty good for the  
7 redeployment because the other businesses, our energy business is strong  
8 right now. It's very strong and so, you know, I'm hoping as this all sorts  
9 out that we can get everybody, you know, get the chairs moved around and  
10 get everybody home. Uh, so that's the intent. I think this is a pretty good  
11 time to do it, because the rest of the business is good. Within this  
12 business, you know, we're gonna be a survivor. We are gonna be in this  
13 business long term. We've just gotta hunker down for the next couple of  
14 years, but this has got tremendous opportunities and upsides as this all  
15 sorts through. It's just we're gonna have bad times for the next couple of  
16 years. Uh, as an industry, maybe we can get past that too, but uh, all I can  
17 say is we're...we're doing our best to make sure that we continue the  
18 opportunity. We are going to do our best to make sure you guys get...get

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 redeployed, those people that are identified into good jobs elsewhere in the  
2 company. And uh, I think there are good things going on inside of  
3 ENRON that I...I hope you'll look at, because there are good...there's good  
4 potential and uh, good jobs, good opportunities, so that's where it's at. But  
5 uh, by the way, th...thank you very much for uh, uh, for your civility.  
6 (Chuckling) I know this is not a uh, it's not a great uh, great thing to talk  
7 about, but thanks...thanks a lot for uh...just stay here and we're gonna do  
8 everything we can to make it work out. Yeah?

9 UM - (UI). Uh, just this one last thing. A lot of us came on board uh, with  
10 something that was technologically exciting. Is there any ENRON  
11 business units right now that are out there that are doing things that are,  
12 you know, can be in the exciting stage of doing something that's  
13 technologically exciting?

14 SKILLING - No, it's...it's basically natural gas and it's boring as hell.  
15 (Laughter in the audience).

16 SKILLING - Yeah, there are...there are a bunch of things going on right now. Uh, you  
17 know, the whole Enron Online uh, which has been a huge success. I  
18 mean, an absolute stunning success. The growth has been phenomenal



196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 over there. They're going through a whole new release, developing a  
2 whole new release for Enron Online. They're going through some  
3 reconfiguration of the equipment uh, to provide that service to customers.  
4 We're putting more equipment on customers' sites. I mean, there's some  
5 very interesting...interesting things going on there.

6 UM - Yeah.

7 SKILLING - This thing, Xcelerator, I want ya'll to remember that...that term and we  
8 haven't...we haven't announced that more broadly through the company  
9 right now, but we've got a lot of new business activities going on across  
10 ENRON. We're trying to kind of rationalize that, too, because people are  
11 turning up, you know, burning up a lot of money and a lot of...a lot of  
12 effort and time in kind of sporadic efforts to start new businesses. What  
13 we're gonna do is we're gonna concentrate that in something we're calling  
14 Xcelerator. We're gonna take the six best new ideas for businesses across  
15 ENRON and we're gonna develop those six new businesses...

16 UF - (Coughs).

17 SKILLING - ...and this Xcelerator thing is we're basically gonna give them a floor and a  
18 building uh, down in Houston and we're just gonna cut up into six pieces,

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 and we're gonna put people in them and we're gonna say "here's the  
2 business opportunity, make it happen." And we'll provide the legal  
3 support, you know, the capital and all the rest to make that happen. I  
4 know at least one of those is related to the telecommunications business, a  
5 different area than what...what EBS is working on, but there's at least one  
6 of those. They're also looking at some energy technology, you know,  
7 the...the kind of the fuel cell, peak shaving sorts of things, which right now  
8 the...the equity markets are very, very interested in and can have a huge  
9 impact on power cost and...and just kind of the, you know, the...the uh,  
10 pattern of...of power uh, consumption. So, and...and they got four others.  
11 I don't know what the four others are. I'm not sure they know yet what  
12 the...what the other four are, but LOU PAI, who ran EES or started EES is  
13 gonna be heading that up. I talked to him on Friday and...and told him  
14 what we were doing. He said, anybody that's got an interest in that stuff,  
15 get in touch with him. He does have needs, you know, for people in that  
16 kind of area, which I think will be technologically uh, I think it'll be a lot  
17 of fun. I think it will be very interesting. In Europe uh, in London, there's  
18 a lot going on in the European markets right now. They're going very fast

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                               uh, for energy. Uh, they're trying to do some things right now on...on uh,  
2                               uh, it...it's basically web based transaction systems for credit products that  
3                               are real sophisticated and it's just lots and lots (UI), like 10,000 different  
4                               companies are tracking prices and all that. So, technologically, it's a pretty  
5                               sophisticated problem uh, that they're struggling with and I know they  
6                               need some people over there to help them solve those sorts of things. So,  
7                               there's lots of stuff going on that...that's interesting and...and...and fun.  
8                               Uh, and then there's also, you know, if you wanna open valves on a pipe.  
9                               You know that.  
10                              (Audience laughs).  
11       SKILLING       -       In Ponca City, Oklahoma (laughing).  
12                              (Audience laughs).  
13       SKILLING       -       There's probably some opportunities there too (laughing). Okay,  
14                              we...we're probably gonna (UI).  
15       RICE            -       Uh, thank you all for your time.  
16       SKILLING       -       Thanks much.  
17                              (Audience claps).  
18       SKILLING       -       (UI). Okay, I'll see you guys.

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1       UM           -       Okay.

2       BARNARD    -       (Coughs). Not yet. Is it working? Okay, here we go. Good morning. As

3                   uh, was said previously, we wanted to share some information with you

4                   that uh, obviously doesn't affect all of you, but to give you a better idea of

5                   sort of a time line and some information about the redeployment or other

6                   options that employees might have that are affected. Again, the...the date

7                   that we're looking at is no later than the 23rd., which is next Friday, that all

8                   employees will be notified what their employment status is going forward.

9                   And uh, again, as LINDA said, we really think that the Portland employees

10                  will know no later than Tuesday. So, we're trying to move that as quickly

11                  as possible knowing that uh, there's a lot of anxiety, so we...we do wanna

12                  move that quickly. Um, you will have a meeting with your manager and

13                  with an HR representative and you will be given a packet of information.

14                  It will include a complete list of Q & A's. We think we've...we've tried to

15                  capture everything possible and so I...there's a lot of detail in that, that I

16                  won't go over today. You will be given an acknowledgment form asking

17                  whether you'd like to um, go into the redeployment program, and I do need

18                  to clarify the redeployment program. Actually, it's for employees who

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                   were rated in the PRC at the year end PRC that are...were satisfactory and  
2                   above. So that's the criteria. We go by the corporate redeployment criteria  
3                   and that's um, that's what...what is required. So um, let me just start with  
4                   the redeployment. If you choose redeployment and we do want people  
5                   to...to really look at that hard, we will look at opportunities here in  
6                   Portland. Uh, LINDA and the team will be looking at...at the other  
7                   companies and see if there's opportunities to match skill sets for openings  
8                   that they might have. The redeployment in uh, obviously there's a lot of  
9                   positions that would be in Houston that you might be eligible for, so it  
10                  would require relocation. The way we will work with you on that is um,  
11                  you'll have a point person here. I think JULIE CARNEY primarily will be  
12                  working with people who are interested in moving and working at another  
13                  ENRON business company. You will have uh, you will work with her  
14                  um, for a period of...of...the 45 days is actually the redeployment time  
15                  frame. It will begin for everyone that's interested, on the 26th of March.  
16                  So, we have a...a clean date that we start with and that actually takes you  
17                  through May 8th. if you decide to take the redeployment. You'll work  
18                  closely with us. You'll look at opportunities through the postings. We

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 have people from the redeployment program here. Uh, JOYCE  
2 BARRETT is here. She'll be here um, and...this afternoon and al...also  
3 tomorrow to ask some more specific questions about how it really works.  
4 So, you'll be getting help from the Houston side, as well as the uh, the  
5 Portland side to look at opportunities. The way we wanna start it out is if  
6 you see opportunities that really fit your skill set and you're interested and  
7 they happen to be in Houston, we will provide transportation uh, flight  
8 transportation uh, obviously round trip to Houston (audience and  
9 BARNARD laugh). Maybe not. Maybe we just need one way. Maybe  
10 it'll go really well. Uh, five days in a...in a hotel would be just for the  
11 employee, a rental car and \$50 a day per diem. If you need more than that,  
12 obviously we'll look at that. If you need to go back and we're hoping that  
13 we get a lot of, you know, get a lot of networking and a lot of interviews  
14 scheduled in the five day time period that can be very, very productive.  
15 So, that's what we're gonna start with. So that's the redeployment. Um,  
16 there is an option if you...you do want to look at a severance package, and  
17 the severance package is based on the business reorganization. The way  
18 that works is one week of pay for every year of service and it's one week

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 for every \$10,000 increment of annual salary. So if you make \$45,000 a  
2 year, it actually bumps up to \$50,000, so it would be 5 weeks pay. Um,  
3 there's also an option if you decide you wanna sign a waiver, which uh, uh,  
4 makes the...the company not liable for um, any wrongful discharge, then  
5 uh, you can double that amount. And it's a maximum of 26 weeks, but  
6 then if you sign the waiver it's...it's double that. So that gives you an idea  
7 of...of the severance package. Um, some of you uh, will be offered  
8 redeployment in Houston in your same positions, just ask...you actually  
9 move to a different location. So, that may be another option for some of  
10 you. Um, just kind of going over the time line again, the 20 uh, let me talk  
11 about the acknowledgment form. When you meet with your manager and  
12 the HR representative, you'll be given an acknowledgment form as to what  
13 you'd like to choose, whether it be redeployment, and again, we wanna  
14 really emphasize we...we hope people take that seriously and really um,  
15 look at other opportunities at...at other EN...ENRON business companies.  
16 But you also do have the option of looking at a...at a severance package  
17 and uh, we want your acknowledgment back by the 23rd of March. Again,  
18 if you don't hear until the 23rd of March, then you have four days after that

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 day to actually give us your decision on the acknowledgment form. Um,  
2 the redeployment starts on the 26th. It would end May 8th. Again,  
3 we...we take that on a case by case basis and if we need to have some  
4 flexibility...if someone's in their last week and they're so close to uh, uh, a  
5 position maybe being...being uh, completed or there are still interviews  
6 that...that may occur, we take that on a case by case basis, as well. Um, oh  
7 one more thing. If you uh, accept the severance, if you...if that's the choice  
8 that you make, we will pay uh, you know, it's up to your manager actually  
9 when you might leave the premises....when your last physical work date  
10 might be. If you turn in your acknowledgement form and say, "you know,  
11 I've decided to accept the severance," that may be, in fact, your last day  
12 and that's up to your manager based on what you have going on and  
13 whether it's just necessary that, or whether it's okay for you to actually  
14 physically leave that day. Um, we will pay all employees through the 31st  
15 of March. Questions?

16 UM - Minimum (UI).  
17 UM - Minimum through the 31st of March.  
18 BARNARD - Mmm, minimum...yeah. Right. (Chuckles).



196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 (Audience chuckles).

2 UM - So, what I'd ask is you stay for another month through...through the 31st.

3 UM - MARLA, I have a question.

4 BARNARD - Uh-huh.

5 UM - Somebody who's been deployed...

6 UM - (UI) fine.

7 UM - ...and say finds (UI) employment somewhere else, does EBS cover the

8 relocation or does the new position?

9 BARNARD - The new hiring company would pick up the relocation.

10 UF - What about (UI) to picking us up on redeployment (UI)?

11 BARNARD - Um, we hope not. We hope that, you know, they're looking for good

12 people and they're looking for people who have um, some ENRON skill

13 sets and...and understand the business. And so, we, you know, they move

14 people all the time and I know the other business...there are other

15 businesses who are...who are looking for people and um, typically the

16 location isn't...isn't much of a detriment, so...

17 UM - Is that typically a standard package?

18 BARNARD - Um, it is. It's...it's standard. It's based on your position. It's based on um,

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                                   you know, whether you own a home or not.

2    UF                       -    Is there um, a...a letter...you said that you signed a letter that um, for

3                                   protection against lawsuit against so it doubles the severance.

4    BARNARD               -    Mm-mmm.

5    UF                       -    Is there also a letter that...that is in there to sign so you won't draw

6                                   unemployment?

7    BARNARD               -    Um...

8    UF                       -    Is there or (UI).

9    BARNARD               -    ...there is. It's act...yeah, there is actually. It just says that um, I can't

10                               remember the...the exact wording, but it does talk about um, we wouldn't

11                               expect...you...you're actually eligible for unemployment, but um, we uh,

12                               I'm trying to think how it works as far as the severance.

13   UM                       -    (UI).

14   BARNARD               -    JULIE?

15   CARNEY                 -    Yeah um, you are eligible for unemployment, but that's based upon the

16                               unemployment law here. We don't really have anything, you know, we

17                               don't really have anything to do with that. You...you can apply for

18                               unemployment if you'd like uh, and you would be eligible based upon the

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 State laws so, you know, you could apply for that. So, the question was, is  
2 there a letter there that if you sign, you'll get a bonus if you **don't** draw  
3 unemployment?  
4 BARNARD - Uh, no.  
5 CARNEY - No.  
6 UF - (UI)?  
7 BARNARD - No.  
8 (Audience laughs).  
9 BARNARD - No. Is there a list of rumors going around?  
10 UM - Yeah, really.  
11 BARNARD - That would be interesting.  
12 CROWDER - (UI) rumors. Yeah, we got a letter of the top ten kind of thing going on.  
13 BARNARD - Yes.  
14 UF - The 60 positions that have been identified as...as deployable, are there  
15 positions that are simply not deployable...that we're...we're gonna layoff?  
16 Remember that was talked about further. Only 60 positions that have been  
17 identified as deployable. Are there positions that are not deployable that  
18 people would be notified that they'll be let go?

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 BARNARD - No.

2 UF - Okay.

3 UM - Are there opportunities for redeployment to...to London?

4 BARNARD - Uh, there might be. (Laughs).

5 UM - Okay.

6 (Audience laughs).

7 SETIZ - It depends on the position, of course.

8 BARNARD - Yeah.

9 SEITZ - Yeah, just look at the openings. If that's somewhere you want to go, you

10 need to talk to your manager and look at the list of openings.

11 UF - So, tell me like uh, on the redeployment package, is it 45 days of window

12 to trying to find something within ENRON? At the end of that 45 days if

13 there isn't a position available then are you eligible for the severance

14 package?

15 BARNARD - Yes, you are. If you're made an offer during the re...redployment process

16 though and you don't accept it, then you're not eligible for the severance.

17 UF - But isn't there a salary situation involved that has to be either equal to or

18 greater than what you are currently earning?

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 BARNARD - Yes. And...and you know, the way that works even when you go into  
2 redeployment, and you obviously want to manage your career and you  
3 wanna look for opportunities where you really would want an offer. So,  
4 it...it doesn't sound as...it's not as bad as it sounds. It, you know, and you  
5 wanna make sure, too, that it's a very...that it's a formal offer, etc. and...and  
6 uh, so.

7 CROWDER - What if...what if uh, management uh, is working, you know, with...with  
8 teams to...to redeploy and it's determined that there's an employee that's  
9 just not even pursuing that...pursuing the redeployment. Do they still have  
10 a 45 day window within which to operate or...

11 BARNARD - Uh,...

12 CROWDER - ...how does that work?

13 BARNARD - ...when you go in the redeployment program, there is a set of criteria that  
14 you're responsible for and JOYCE uh, BARRETT's here. I don't know if  
15 she wants to talk a little bit more about it. She's not miked right now, so it  
16 might not be appropriate, but you really do have a set of criteria. You're  
17 responsible for doing a lot of things and...and really being active in that  
18 process. And if it's identified that you're not, then certainly it's like any

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                                   other, I mean, you're still employed. We still expect certain things from  
2                                   you. If you're not fulfilling that responsibility, you can be terminated.  
3    UM                       -   How stable (UI) position is opposed to the redeployment program? I  
4                                   mean,...  
5                                   (Audience chuckles).  
6    UM                       -   ...you know, once...once you (UI) 60 people, which is ironically close to a  
7                                   (UI) without mass layoff. (UI) mass layoff (UI) uh, how stable are the  
8                                   other positions...  
9    UM                       -   Mm-mmm.  
10   UM                       -   ...after that, for how long a period of time?  
11   BARNARD               -   Well, I...I think that's a tough question to answer. Um, you know, it...I  
12                                   mean, change is inevitable and...and uh, I...I don't know that I can answer  
13                                   that or if anybody can really.  
14   UM                       -   They want us to repeat the questions, too.  
15   BARNARD               -   Oh, I'm sorry. Uh, the question was how...how safe is the...is the position  
16                                   if you secure another position, you know, what are the chances that you  
17                                   could be redeployed again or...or that there could be downsizing?  
18   UM                       -   (UI).

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 BARNARD - No.

2 UM - Of the people that are...

3 UM - No. (UI) not redeployed now and Portland is going to have a presence,

4 then how long is Portland then going to have a presence? How long are

5 you going to be employed post redeployment.

6 BARNARD - Oh. I'm sorry.

7 UM - He did not ask how, when (chuckling).

8 SETIZ - Right, I think you answered that. It's really...really commercially oriented.

9 So, it's to the extent that we have traction and income and revenues

10 through here and then there is no microscope out saying we gotta get rid of

11 it to the extent that it is costing us more than we are making to be here,

12 then that's a business decision. So, that's why we need everybody to kind

13 of step up, galvanize around those commercial efforts and uh, and move

14 'em all forward. We haven't done that effectively today.

15 UM - Right.

16 UM - (UI) here.

17 SEITZ - PATRICK?

18 PATRICK - Are you able to offer uh, any of your...are y'all able to shed any light on the

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 uh, guidelines used in the selection process?

2 UF - Can you repeat? We couldn't hear?

3 SETIZ - Yeah. The question was, can we offer any insight into the guidelines used

4 in the selection process? I don't think I'm the right person to answer it. Do

5 you? I wasn't involved in the selection.

6 CROWDER - I, you know, I'll guess I'll take a stab at it. Um, I think we all were

7 approached um, man...by management over the last couple of weeks um,

8 understanding that the guidelines whether we're gonna need to make pretty

9 significant cuts and maybe more importantly, refocus the organization on

10 very tight, you know goals uh, on a quarter-by-quarter basis. And so, I

11 think what...what happened was with that focus, you know, where are we

12 gonna focus our efforts. You know, what...what commodities, you know,

13 what "product" areas, what customers. You know, from that process

14 we...we went through and each...each group was really effectively

15 accountable for making fairly significant cuts uh, to do that. So, it got

16 driven by customers, opportunities and then the...the underlying support

17 required to...to get to those objectives on a group by group basis.

18 BARNARD - (UI) and the skill sets needed to move the business forward...



196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 HANNON - Correct.

2 BARNARD - ...as the new strategy was laid out. Mm-mmm?

3 UF - It was mentioned that the NOC will remain here in some presence, but

4 they also said it was moving to Houston. Is there a formal deadline or a

5 time frame that you know at this point in time, this is...

6 BARNARD - Is KEVIN MOSS here?

7 UM - Repeat the question.

8 BARNARD - Oh.

9 UF - ...(UI) the way it's really going through the transition and it will change?

10 BARNARD - Asking about the NOC and uh, it's mentioned that it would...would...

11 UM - The Portland NOC.

12 BARNARD - The Portland NOC would stay here, but then it's transitioning to Houston

13 and...and the time frame around that. And uh, KEVIN MOSS is here to...

14 MOSS - There has been no formal date set for that. Um, I think just like the other

15 parts of the business, we are analyzing everything. Um, where people are

16 at uh, where people are at uh, it seems uh, discuss this (UI) before we (UI)

17 where we have change on the operation side (UI).

18 BARNARD - (Sneezes).

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 MOSS - (UI). There are a lot of things being looked at there, but there is no formal  
2 dates saying that this is gonna happen.  
3 BARNARD - Okay?  
4 UM - There were numbers given of 140 people affected for redeployment and 95  
5 moving to corporate. Of the 60 that are affected here, are there...are some  
6 of those 60 moving to corporate or is that another group or are there no  
7 folks here moving to corporate?  
8 BARNARD - I don't think there are...there are some that are...that are moving to  
9 corporate. A few of those 60 are. Actually, there's uh, more...yeah, quite a  
10 few actually.  
11 UM - No, of the 60.  
12 BARNARD - Of the 60.  
13 UM - Some are moving to corporate. That sounds like a different program than  
14 redeployment or are you classifying that as redeployment.  
15 BARNARD - No, I'm...I'm sorry. The 60 is the redeployment. The other number, and I  
16 don't have the exact number for Portland that's moving into corporate, but  
17 that's a different number that's in the...the number outside of the 60.  
18 UM - And those people are notified under the same time frame (UI).

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 BARNARD - Right. They'll be notified under the same time frame.

2 UM - In the back.

3 UM - (Clearing throat) To what extent will material assistance be provided in

4 locating hiring business units in suitable jobs verses the affected employee

5 showing up in Houston and (UI) these type of things.

6 UM - Can you repeat it?

7 UM - Trying to find...so, you wanna repeat it?

8 BARNARD - Yeah, you're asking about what...what assistance is provided to the

9 employee trying to look for a position?

10 UM - Exactly,...

11 BARNARD - Okay.

12 UM - ...from...from the HR standpoint.

13 BARNARD - Right, I think I mentioned earlier, we're gonna have people here. LINDA

14 uh, STRAHM and JULIE CARNEY and that...that team will be working

15 with you very closely uh, as well as, we have someone from the Resource

16 Management Team, JOYCE BARRETT. She's here today and

17 they're...they're in Houston. They'll be working closely together and you'll

18 set appointments. If you're interested in redeployment, set an appointment

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 with our HR staff here, look at opportunities and they'll have the, you  
2 know, the network of what's available, they'll help you match skills sets.  
3 They'll in effect act as a...an in house sort of uh, outplacement firm for the  
4 next, you know, several weeks. And that will be a big focus of theirs.  
5 And then uh, you know, there is a lot too that you will be asked to do. I  
6 mean, your networking. You make calls, but you'll be given a program to  
7 kind of...to remind you if you haven't looked for a position for awhile, you  
8 know, you do have to kind of go back and think, "well, how...how do I  
9 make this work." So, you'll get a lot of information from the resource  
10 management group. A whole packet of things of just ways to go about  
11 finding the right position and networking, etc. I...I...hopefully, and I think  
12 all employees will feel like they'll be given a lot of help in this process.  
13 UM - (UI) some of these packages include walking away from any unvested  
14 options and restricted stock?  
15 BARNARD - Your restricted share supervest, your options um, do not. There is nothing  
16 we can do about that.  
17 UM - Okay, so supervest means (UI)?  
18 UM - Yes.

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 UM - (UI) increase...increase the window to three years though on the exercise  
2 of the options that have vested in that program.  
3 BARNARD - Yes.  
4 UM - Okay.  
5 BARNARD - Yes, you would have three years to exercise...  
6 UM - (UI) exercise...  
7 UM - Options you have three years.  
8 BARNARD - To exercise.  
9 UM - And your restricted shares, the window on those is how long?  
10 BARNARD - Um, I think it's the same amount.  
11 UM - Three years, as well? Where's LINDA? LINDA?  
12 UM - What about the phantom stock?  
13 BARNARD - The phantom stocks?  
14 HANNON - Through the bonus program? Is that what that's for? Are you referring to  
15 the bonus election?  
16 UM - Right.  
17 HANNON - I don't have that.  
18 BARNARD - Those actually, if...if they're options, they don't...they don't vest at the time

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 of uh, of departure, but you still have the three years to exercise.

2 UF - If...if you take the severance package, and you can't find us jobs, I mean,

3 what is the length of time before you can be re employed by ENRON?

4 BARNARD - Um, it has to be no longer...you have to be gone longer than you were

5 employed. So, if you were, let me see if I say this right um, you have to be

6 gone...if you're only employed a year and you're gone from the company

7 um, you know, 18 months, then you could come back and not have to

8 repay the severance. One thing I also want to mention, is we're providing

9 out placements services. So, if you do accept, if you decide not to choose

10 the redeployment, we'll work with a company called uh, CAREER

11 MAKERS, I believe here in Portland and they'll be providing some

12 services to you just as if you would've gotten in the redeployment program.

13 Things like uh, you know, interviewing techniques and tips and uh,

14 working on your resume, things like that.

15 UM - CHRISTINE?

16 CHRISTINE - ...I wanna ask a question. Once you become...you say you want to be

17 redeployed and you see a job that you have, you know, the right education,

18 even the right similar skill set but you don't have the experience, what

196C-HO-59147  
Date: 03/15/2001

Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 level of priority do we get over maybe outside candidates, that would fit  
2 every single criteria?  
3 BARNARD - Well, the...the effort to redeploy ENRON personnel has been very great  
4 since the inception of the program and we...all business units know  
5 and...and EBS has done their part, as well, when people...employees have  
6 been redeployed from other business units. We've all...we all pitch in and  
7 it's a big team effort to really make those employees a priority over outside  
8 candidates. So, I would say that they're...they're...  
9 UF - (UI) employee or whatnot and (UI) have the opportunity to grow (UI).  
10 BARNARD - Exactly.  
11 UF - I mean, the teams that they are using (UI).  
12 BARNARD - Right.  
13 UF - Okay.  
14 UM - Uh, (UI). Uh, if...if you're laid off or redeployed and ultimately let go,  
15 then uh, is the non-compete clause nullified, I mean, with or are you  
16 back...are you available to the industry again uh, in that context?  
17 BARNARD - You are. I mean, we always remind employees of the confidentiality and  
18 not, you know, sharing proprietary information and things like that. But,

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                                   you're really are only under a non compete if you're under an employment  
2                                   agreement. And uh...

3       UM                   -       So your employment agreement is terminated once you are terminated. I  
4                                   mean, really that's an obvious statement...

5       BARNARD       -       Right.

6       UM                   -       ...but (UI) concerning what your (UI).

7       BARNARD       -       JULIE?

8       JULIE               -       Uh, your...the non-compete that you signed is...is...is valid. Uh, it doesn't  
9                                   mean you can't go to work for another company but uh, that non-compete  
10                                  that you signed is...is a valid clause. So, you if you go through  
11                                  redeployment, and it doesn't happen, say you can't go to work for another  
12                                  company or another company in the industry,...

13       BARNARD       -       (Coughs).

14       JULIE               -       ...it is the...when you're (UI) it just (UI).

15       BARNARD       -       (Coughs). Right what we (UI)...

16       UM                   -       (UI) we have the knowledge so, (UI). I mean that would be difficult to  
17                                  pick it our of your brain so (UI).

18       JULIE               -       No, you're...you're asking me. You asked does the contract become null



196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 and void...

2 UM - That's true. I did say that. Right.

3 JULIE - You know, terminated.

4 BARNARD - Oh.

5 JULIE - It does not.

6 BARNARD - Oh, okay. Thanks. I think there's a question over here.

7 UF - Is the severance paid in one lump sum or is it over a pay period basis?

8 BARNARD - Uh, the first portion of your severance is the one that you automatically

9 receive. And that's actually paid over a month...in monthly increments and

10 it's usually paid on the 15th of every month. And then if you sign the

11 waiver and you get the second portion, that's paid in a lump sum.

12 UF - And when is that?

13 UM - About what time?

14 BARNARD - When is it? Um, the uh, if you sign the waiver, we actually ask you to...to

15 uh, take the information and we don't accept the waiver back for 21 days.

16 We want you to review it and even seek outside counsel if you wish. Uh,

17 and then we uh, we...we get it back in, we don't want it any uh, later than

18 45 days. Once we receive it, we wait seven days just to make sure you

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 don't change your mind and then uh, we will process that lump sum and I  
2 think you get it within 10 days of that time frame.  
3 UM - Is that taxed like a bonus?  
4 BARNARD - Pardon?  
5 UM - Taxed like a bonus if you lump sum?  
6 BARNARD - Yes, I believe it is cause it's...it's uh, it's work uh, it's actually pay for time  
7 not worked.  
8 UF - And MARLA, we don't have any control over that. That's by...by law, so  
9 we couldn't just change that even if we wanted to.  
10 BARNARD - And it's...not only that, it's a...it's a...it's an ENRON severance plan  
11 document that's, you know, approved by the board and everyone that's uh,  
12 pretty standard.  
13 UM - If...if you were targeted at...under this redeployment and uh, you said,  
14 March 26th is the start date for the 45 day window.  
15 BARNARD - Mm-mmm.  
16 DOUG - Well, you also have to turn in the acknowledgment by then, correct,  
17 whether you're choosing redeployment or severance?  
18 BARNARD - Right.

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 SEITZ - (UI) what MARLA said was, unless you were approached on the 26th,  
2 DOUG.  
3 BARNARD - Right.  
4 HANNON - Then you get a four day extension or more.  
5 BARNARD - Well, basically, we wanna give people at least four days. So, if you're not  
6 even told until the 22nd., you know, we want you to give, we'll...we'll give  
7 you four days and, you know, everything's a case by case basis. We wanna  
8 make this flexible. We...but we also wanna have some guidelines around  
9 what we're trying to do, so if you need more time, we'll...we'll consider  
10 that, but we...we wanna try to uh, get...get it focused in a time frame  
11 that...that we can...we can all relate to.  
12 UM - If you...if you chose the redeployment, then you would have 45 days from  
13 the 26th if you were notified before (UI)....  
14 BARNARD - That's correct.  
15 UM - Hypothetically...  
16 BARNARD - Mm-mmm.  
17 UM - ...to be transitioned.  
18 BARNARD - (Simultaneously) Right.

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1      UM                -      (Simultaneously) Right.

2      UM                -      Okay, there's...at...at what point, let's say you were not redeployable,...

3      BARNARD        -      Mm-mmm.

4      UM                -      (UI) lapse, you would be given a thing that say that whatever that date is,

5                                45 days from then, that's your termination date.

6      UM                -      Okay.

7      BARNARD        -      Are you saying that after 15 days...

8      UM                -      Yeah.

9      BARNARD        -      ...in the redeployment program, you just...you're not seeing anything at all

10                              and there's just no...

11     UM                -      Right.

12     BARNARD        -      ...match, whatsoever. Um, again, we'll look at that and if we feel that way,

13                              and you do and your management, and we just don't think that the

14                              redeployment's going forward, that there's really not anything uh, we...we

15                              would not pay you out for the 45...well, I don't know. We...we actually

16                              haven't made that decision to be honest with you. Don't know that we

17                              would pay you out for that 45 days. It would depend on the circumstances

18                              whether, you know, how hard you had tried and whether there really just

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                                wasn't anything but uh, we think 45 days, and I think they've experienced  
2                                this enough that, that does seem to be the right amount of time to know,  
3                                and we'd like people to give it the full 45.  
4    UM                        -    Thank you.  
5    UF                        -    Is vacation, unused vacation included in the severance?  
6    BARNARD                -    No, it's paid out separately.  
7    UF                        -    But...but you do get paid out.  
8    BARNARD                -    Yes, you do. Mm-mmm.  
9    UF                        -    Two questions uh, whether or not (UI) that uh, balance payoff.  
10   UM                       -    Oh.  
11   BARNARD                -    Oh, boy I think that's in my Q & A and I haven't...(chuckles).  
12   UF                       -    (UI) project, if you have ordered a computer and not received or even if  
13                                you received it, (UI). Do you have 30 days from receipt of the computers  
14                                you return for a full refund so you don't have to uh, a part that program. If  
15                                you've been in the pilot program or you had your computer for 30 days, as  
16                                far as, (UI) time (UI) uh, so you have to see the website to see what that's  
17                                schedule is.  
18   UM                        -    Jesus!

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 UF - But if uh, if...if it's still in the first month, I believe (UI) \$1100. (UI).  
2 UM - I don't think...  
3 BARNARD - That's a good question. I think we need to add that in our Q & A. I don't  
4 believe it's in here yet.  
5 UF - My second question was about uh, health insurance coverage.  
6 BARNARD - Mm-mmm.  
7 UF - (UI). How long does that last?  
8 BARNARD - It lasts through uh, and again, we're paying employees through the March  
9 31st regardless of their choice. It always goes to the end of the month.  
10 And then you have an option to selection COBRA, and your COBRA's for  
11 18 months. And the COBRA benefit is gives you the same benefits that  
12 you had under your ENRON plan, but at that point you have to pay more  
13 for it.  
14 UF - Yeah, but that...that is not the same insurance for somebody who has a  
15 longer length of employment. Is that correct? If somebody's fully vested...  
16 BARNARD - Mm-mmm.  
17 UF - ...do they fall under a different insurance at that point?  
18 BARNARD - There's a little bit different program um, if for someone who's fully vested.

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1                               It's really the COBRA, but then there's another option you can select. I  
2                               don't see many people select that. I don't think we even mention it in here,  
3                               but we'll be happy to discuss that if someone is interested.  
4       UF               -       You said that uh, that uh, that there's a clause they (UI) review process.  
5                               For some of us who have only been here a few months, how is...how is  
6                               that handled. We haven't been here a year.  
7       BARNARD       -       Right, then you would be eligible for redeployment. I don't see who asked  
8                               that question.  
9       UM               -       Back here. (UI).  
10      BARNARD       -       Okay. Okay.  
11      UF               -       Would we still be eligible for insurance?  
12      BARNARD       -       Yes. Well, ob...ob...obviously, you know, it would be certainly based on  
13                               your um, maybe your manager's idea of...of your performance or some  
14                               input on that, but um, right now you'd certainly be eligible.  
15      UM               -       If you're redeployed and you're offered a job, is the assumption is your  
16                               moving expenses would be paid if you moved to Houston? If you  
17                               weren't...you weren't paid, then what happens?  
18      BARNARD       -       Well, it's up to the Hiring Business Unit whether they wanna pay

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 relocation or not. But, the assumption is that, you know, we wouldn't put  
2 you in this if, and you can actually when you look at the postings, it says  
3 whether they pay relocation or not. And we're, again making an effort  
4 with all the business units. We've already met with a number of them.  
5 The uh, the HR people to get their support. I mean, they're all  
6 rea...anxious and ready to look at resumes and they rec...recognize that a  
7 number of people come from Portland and, you know, relocation has not  
8 even been mentioned as...as a...an issue.

9 CROWDER - But to follow...

10 UM - (Simultaneously) Looking at...

11 CROWDER - ...to follow under that question though, if an employee uh, is pursuing an  
12 opportunity in Houston um, and as we said earlier decline, you know, the  
13 opportunity...

14 BARNARD - Mm-mmm.

15 CROWDER - ...if it was offered to them because of the relocation issue.

16 BARNARD - Right.

17 CROWDER - Is that grounds for termination is the question...without...without the  
18 package.



196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 BARNARD - Um, it...actually you...you...are you saying if you go into the redeployment  
2 program and you're offered...  
3 UM - Another job...  
4 BARNARD - Right.  
5 UM - ...(UI).  
6 UM - Right.  
7 BARNARD - Well, you...you should um...  
8 UM - (UI) an offer that's...  
9 BARNARD - Yeah. Right. Because you're in Portland and you'd be...you're offered a  
10 job that's more than 40 or 50 miles away from your...your home base  
11 location where you work, you are automatically eligible for...for severance.  
12 Uh, I guess what I'm hearing though and I need to clarify, I...I would hope  
13 that...I understand that you wouldn't be willing to move if you would, I  
14 mean, if you wouldn't be interested in the first place if you weren't willing  
15 to move and you wouldn't be pursuing opportunities in Houston. Uh, but I  
16 guess and...and you would wanna know up front when you even start  
17 talking to people if they're willing to pay for relocation. So, I hope we  
18 don't get down the road and, you know, they decide they're not.

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1      UF                -      Is the redeployment straight across or would you be asked to take a cut in  
2                                pay or anything like that?

3      BARNARD       -      Uh, she asked if redeployment is straight acro...across or if you'd be asked  
4                                to take a cut in pay, and we'd...we'd certainly wanna look at positions that  
5                                are at your same level or, you know, maybe above in some cases. But at  
6                                least at your same level and that would be for the same pay. Um, I haven't  
7                                seen many people at all, if any, go into positions where the pay has been  
8                                cut. I don't see that happen.

9      UM                -      I think uh, to what JIM was getting to and I didn't (UI) his answer. You  
10                                opt...opt...opt for a redeployment and look at that um, but based on, you  
11                                know, if you...I heard you say if you get an offer and you decline that then  
12                                the...the severance package goes away. Um, until you see what those job  
13                                opportunities are gonna be, you can't...it's just hard to (UI) juggle whether  
14                                that's...how you make that decision, so...

15      BARNARD       -      Right.

16      UM                -      ...that's not really much (UI) there.

17      BARNARD       -      Well, that's why you need to manage that and, you know, if you're looking  
18                                at different opportunities, you don't really wanna have an offer from

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                                someone until you feel you've really explored all your opportunities. So,  
2                                you're gonna have to manage um, if someone says, you know, "we're really  
3                                interested," and say, "well, I...I'm, you know, I'm still looking so um,  
4                                I'm...I'm glad you're...you're interested, but I...I don't want a formal offer  
5                                yet, because I'm still looking at other opportunities."  
6        UM                       -        (UI)...  
7        UM                       -        Yeah.  
8        UM                       -        ...to have the (UI) options literally to say, you know, if someone throws  
9                                that offer there and it really wasn't (UI) what you're really interested in...  
10       BARNARD               -        Right.  
11       UM                       -        ...losing that package is...is (UI).  
12       BARNARD               -        Right. Right. And we'll help you manage that, as well. (Whispering)  
13                                Anything else? Are there other question?  
14       UM                       -        More questions?  
15       BARNARD               -        Again, they'll be a lot more detail.  
16       UM                       -        (UI).  
17       BARNARD               -        Uh-huh.  
18       UF                        -        When you're talking about equal or greater pay scales, you're talking about

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 equal or greater pay scales for the jobs (UI), do you ever take in account  
2 cost of living.?  
3 UM - Yeah.  
4 UF - Let's say you make 45 a year, but you're saying (UI) lower cost of living  
5 (UI) but you have to work at jobs for less because of that?  
6 BARNARD - Uh, we really use the same ranges...the same pay ranges for Houston and  
7 Portland. Um, we feel like it's...it's been, you know, it's fit both markets  
8 very well and uh, I don't believe pay will be an issue moving at all.  
9 JOYCE - (UI). You're right, we don't expect that you take a cut in pay. We look for  
10 opportunities based on what you're currently making. It is your option if  
11 you decide that because you want an opportunity to relocate and come to  
12 Houston, that is a...a personal decision that you make on your own to do  
13 that. We try to encourage that you always look for opportunities with skill  
14 sets that match what you are currently doing and let's clarify that when you  
15 say greater pay, it's not an opportunity for a promotion under  
16 redeployment. We hope that in time that you capitalize on what you're  
17 doing once you move out of redeployment to a new opportunity that  
18 promotions will come. However, please don't expect that's going to

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1                               happen right away. We want you to find an opportunity to stay within the  
2                               organization and we'll (UI).  
3     BARNARD     -     Thank you, (UI).  
4     UM           -     I got a question about uh, say you go to redeployment and your wife is...is  
5                               also employed, is ENRON doing...do they have any benefits for employees  
6                               and their spouse?  
7     UM           -     Repeat the question. Uh, (UI) spouses who are also employed.  
8     BARNARD     -     Mm-mmm.  
9     UM           -     (UI) redeployment and relocate to another location, does ENRON have  
10                            any programs to assist the uh, our spouses with uh, (UI)  
11                            deployment...employment in that new relocation.  
12     BARNARD     -     We can...we can certainly look at that. We haven't put anything in here yet  
13                            and, I mean, you...you've given us, you know, something else to think  
14                            about. And again, look at it on a case by case basis. I know in the past  
15                            they have in some cases provided spousal assistance for employment and  
16                            that's primarily uh, you know, helping them network in the new  
17                            community, some outplacement services, so we'll certainly take a look at  
18                            that.

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 UF - On a somewhat related question.

2 BARNARD - You wanna get the mike up?

3 UF - Is uh, (UI) say the end of the school year, would they...would the new

4 position be willing to pay for a uh, commute of some sort or would you

5 (UI) without your family for a couple of months or...

6 BARNARD - I'd really have to leave that up to the...the...the hiring company and...and

7 the manager as to how they could...could work with you. You know, you'd

8 like to think they're flexible and they understand those situations and...and,

9 you know, and we believe they are but I couldn't answer that uh, for

10 everyone that...that might be hiring.

11 UM - But it is a possibility.

12 BARNARD - I would think so. I don't know, if you guys wanna ask your managers to

13 respond to that.

14 SEITZ - You know, we kind of went through this last year with EI when we

15 brought in a bunch of people that were redeployed and I don't know.

16 There were I think, a 100 or so people that came in from EI and we had a

17 lot of the same issues. They had to get through school and they had to

18 wait. So, it's just each hiring manager's needs at that time...

196C-HO-59147

Date: 03/15/2001

Tapes: 1 of 2

2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 BARNARD - Mm-mmm.

2 SEITZ - And uh, how you fit into them. But it happens all the time. Anyhow...

3 BARNARD - I mean, we wanna redeploy people and we want good people to stay at

4 ENRON so we...we need to be as flexible as possible and recognize family

5 situations and...and make it, you know, work as...as well as we can.

6 UF - (UI) right now the numbers how many (UI)?

7 CROWDER - So, she wants a re breakdown of the uh, of the numbers.

8 BARNARD - Uh...

9 CROWDER - Redeployment verses...

10 UM - (UI).

11 UF - (UI).

12 UM - Six in London.

13 UF - Oh, six in London.

14 BARNARD - Six in London. Um...

15 CROWDER - Why don't you repeat that.

16 BARNARD - ...60 in Portland.

17 UF - (UI) you said?

18 UM - 60.

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt  
(Transcription completed 08/11/2003)  
(Transcription continued and completed 08/28/2003)  
(Corrected 10/14/2003)

1 BARNARD - (UI) is it?

2 UM - How many is that, 20?

3 BARNARD - Well, and many of those are going into corporate roles, but about

4 120...more like another uh, 60 in Houston. I don't know if they mentioned

5 (UI).

6 SEITZ - No, 60 in Portland, a 100 in Houston. This is the macro numbers...

7 BARNARD - Right.

8 SEITZ - ...and then they gave the breakdown, but I didn't get them from the

9 breakdown.

10 BARNARD - It's...it's really overall around 140 that will be redeployed. And that

11 number, as well.

12 UM - The numbers they said were 150 in Houston, 60 in Portland, 6 in Europe

13 and 20 in Pleasanton.

14 BARNARD - Okay, I forgot about the Pleasanton number.

15 UM - Okay.

16 BARNARD - JOYCE, do you have an idea of the number of uh, open positions right

17 now? Just that are posted even and not, you know, recognizing that some

18 of them aren't posted yet or maybe...



196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1 JOYCE - Let me just say that we do have (UI) for all positions that are available in  
2 Houston or actually all over ENRON uh, globally. Uh, I don't have a  
3 number for you and the reason I don't have a number for you, is that (UI)  
4 has not be (UI) part of our coming here. It's run Monday and I couldn't  
5 give you a true figure and I don't believe in giving information if I can't  
6 give you (UI) picture as what we're looking at. But let me also say that  
7 because we are globally (UI) employment, we get positions that aren't  
8 posted and...and...and we want you to know that those positions that we  
9 hear of, that come our way are positions that we ask people not to post,  
10 that we, of course, extend the redeployment candidates that we're going to  
11 process. So, there are going to be these positions that we may call you and  
12 say, "hey guy, I...I...I have a position for you, seems to meet your skill set,  
13 it's not going to be posted. If you are uh, you're looked at by the hiring  
14 manager and fit for the uh..." We select (UI) and we do that for our  
15 redeployment candidates because you are part of ENRON, you are a part  
16 of...of...of a family of ENRON and we want to make sure that we give you  
17 the first shot of what goes on before you (UI).

18 BARNARD - Any other questions? I know they're obviously people are anxious to...to

196C-HO-59147  
Date: 03/15/2001  
Tapes: 1 of 2  
2 of 2

KLH/sjt

(Transcription completed 08/11/2003)

(Transcription continued and completed 08/28/2003)

(Corrected 10/14/2003)

1                    have their meetings with their managers and I believe there will be some  
2                    starting uh, this afternoon and tomorrow. So uh, specific information will  
3                    be provided there. Um, you've brought up some good points today and we  
4                    probably will be refining our Q & A as we go along. And uh, remember  
5                    your HR resources here. They'll always be available. JOYCE will be  
6                    around this afternoon I think in the HR area, as well as tomorrow, to uh,  
7                    really help you, you know, look at the...the redeployment sort of outlook.  
8                    So, if there's nothing else um, I guess we'll go back to the building and uh,  
9                    good luck to all of you.  
10                    (Music).

11                    **End of Tape 2 of 2**