

Audit

10/8

①

3:00

Called to Order

Minutes

✓ Paulo

✓ Mend

Earnings Update - Rich

43 Recovery

[See pros]

✓ Non-recovery

✓ A2X

✓ EBS

✓ Strategy

• NPW - lack of liquidity

8X in final stage

- More impairment of NPW possible;

Watchful of liquidity

• Reptor - Previously discussed

- Judges important in certain vehicles

- Primary cell = ENE stock. 2 IN's

inadequate coll. Ed: Reptor

³²⁰ NPW, AVEI & Catalysts - 3 key inv. &

- Lost equity; shut down Reptor.

- Losses from

Day - 2nd (and to LTM) most contentious vehicle

LTM = eq holder in LTM

confusion over Auditing

inv. losses

GOVERNMENT
EXHIBIT

4609

Crim No. H 04-0025

EC37349A0031478

Respect

Integrity

Communication

Excellence



(2)

Paulo -

Rich C. Underlying coll. = ENR sth.

Raptor purpose = hedge illiquid inv.

Set up 1 1/2 yrs ago

Highly structured, successful venture.

Pressure from ENR sth. ↓

Combo of minor noise & credit
shortfall = shutting down Raptor

Buy - analogy to bank & TRS

Value to bank = ENR sth. Bank had
no credit capacity.

Conway - AA review of Raptor acctg. conclusions.

Confident in conclusions?

2-3 wks to look @ acctg. - all pt. to same

conclusion - Proper statement of income & equity.

Duncan - Highly structured. Approp acctg. Recent
Review. Confidence in Raptor

1) #'s correct? YES

2) Timing correct? YES

Subj. to impairment.

Jedlicki - will review 4 Bd this evening. No action req'd

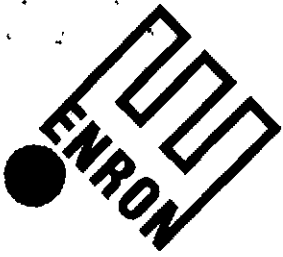
Conway - (73) reported EPS 50.

*FW Blek - Wants discussion of lesson learned in Raptor.

[See p 2 - 30 earnings]

[See p 3 - Reserve discussion]

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3

Blake - 2 in EES reserve

- Rick - Close scrutiny; some adj. needed;
reserving heavily for potential Fleet-to-
actual adj.

F-to-A? When book liquidates

Wholesale - Refined process

Retail - Less refined lot of work to
properly capture deals

Blake - Was comp. adjusted for EES structure of
↑ reserve? Lay - Yes

Paulo - Were earning 50% reserve earned?

Rick - Above 1/3

\$290 MM - So Cal basis valuation / pricing.

ENA 6M #1.3 billion, v. NI of \$1.46 MM

Whalley - Incremental business

↑ reserve for direct access is Calif ↓ econ.
uncertainty. Very

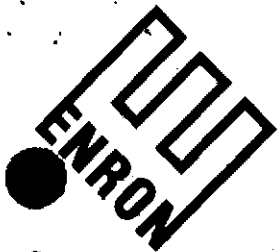
Canoy

- Need better EES infrastructure to improve

- New business 4 heavy reserve

Bauer - 2Q - Co has effort underway to improve infrastructure
1/4 by monitoring, improvement; ways to go

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4

3) Duncan

- Substantial review of special/non-rec. items
- Audit work to be completed this next wk.
- Duncan/Conway to confirm 4 Chain of ⁸⁰Fluorine area
- Not aware of issues in 1/4 or audit subj.

4) Gordhill

- o Adoption early 2002
- # 5.8 bil. goodwill
- 4.3 com.
- 1.5 uncom.

o PGE

800 MVA allocated to Americas (wholesale power)
600 MVA " " sale

o Elektro " " Americas (5 em wholesale power)

o FV of ~~ETA~~ Americas > BV w/ goodwill
No more amort.

Continue to eval for impairment
Don't expect problem

o $64 + 13 + 12 + 55 = \$ 144$ writeoff w/ new std.

o GW - E.g.

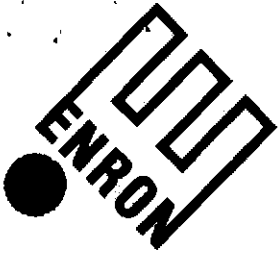
TGS - fire

Excluded

CEG/Ki

} Considered in related sales
prior to adoption.
Value fire if not sold.

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5

Goodwill. Unrecorded

(Wessex - Eval. to be completed this wk. A699 m/s
Wessex - Wessex has 47 value. AA running, outside firm running.

Debt - Losses before adoption

Jardicke - Will run w/ BOD

Paula - \$ 223 - 30 in A21 & 310

144 - 1002; no early adoption

3) Internal Control

Andrew Parsons - Audits 80% complete. 100% by mid-4

50. proj. to integrate whole / Retail

[Le Maître enters]

Data recovery Center

Shane - Cum validation process imp. RMyt group -

[Ken / Bandler is] program in min state. AA & EAS
will work to evaluate.

- R Myt pol'y - Op. Risk. Guidelines in process

- new limits & new sig. syst.

Change

1) New EOL and/or - +

2) cum valid

cum OK

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Consistency of process stamped

Bus. continuity & wholesale / retail integration

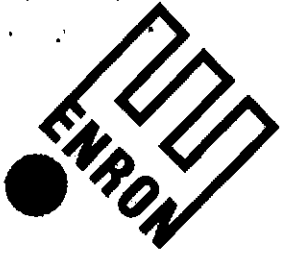
100 people

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6

Jared/Duncan - Do not foresee any problems
issuing adequacy letter/opinion
More detail in Sec.

6) Physical Security
Elmaitre/Mat, gen. disbursements - good progress

Keen introduced

Brindle - Head of Corp Sec.

- Sec 9/11, emphasis on terrorist threats. Seeking balance
to deter/prevent/increase sense of security & not
balance flow of workload (in Xray in lobby)

- Approach

[See para. in book]

[Jared called for ?'s]

FU* [Advise B of A in crisis response]
Distribute

Maam - Updated empl. contact lists

[When did Whalley leave?]

Duncan - Stand-by website for check-in?

[Whalley let'd]

Keen - And more

Chen - Help attack energy/Houston

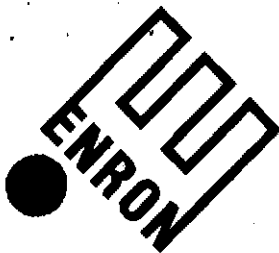
Brindle - FBI issued advisement

[Duncan left]

Sag - Ship channel - JB - Heightened guards

Matheson & MTBC - list of remediation tasks

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(7)

FU # 24 Ac. # 113 345 2804 Business Contracts

[Duncan et'd.] [Kear/Brindle left]

7) ~~Good~~

7) Goodrich - Rich B. Cause, Good. & Pay confirmed

Buy - RAC - Day-to-day working of policy / violations

- Finance - Oversight of major parameters Reporting in record of Policy

Good - Post-Trans. Review

Good
No

8) Review of RM Policy

✓ - Buy informed call was post-printing

✓ - Reporting per Policy framework - how risk is mg'd.

✓ - Policy likely to allow to focus on limit violat

[Duncan et'd.]
exhibits

✓ 1 - Risk Concentration

✓ 2 - B. Unit

✓ 3 Backtest
Purple - E/Loss

[Sharon In] [Duncan et'd.]

4 -

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Omits day-to-day bounces & Shows avg.
Set to limits after.

5 - Too many limit violations. A function of switch over
to new

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(8)

- Go margin. Prevention plan underway. It will reduce
Graham - Maturity gap story

Buy - Albert PPA & overall US gas position

Long / sh.

Long, long, long & sh, sh, sh - immediate w/1
specific time frame

Whalley - Better within Mkt. Gap would ↑
portfolio risk.

Albert - for long power position.

High ~~if~~ correlation b LIT power & gas.

Hedged worked well.

Isolating gas (from power) showed ↑

in Ve R, when there was effect in power

Decision - it was a violation, but switch's
would ↑ risk

Scenario Analysis

Buy - within acceptable ranges of losses

Porter - Very sensitive to duration of event.

Whalley - Signif. Δ's in mkt in short time.

May not be indicative.

How far we are (lip.) is.

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Top - P99 graph

Num = Quick Cash on demand → 1.5 goal

Asm What's at risk

PSO - find what could liquidate in orderly period > 3.0 goal

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③

Close to 1.5 lunds. ~~After~~ (which defined safe)

Region, but ↓ from recent past.

1st cut. Expect to turn.

? Bleke - scenarios

RB Portf's margin up to diff. comfort lunds
~~Not~~ Good idea to run scenarios

Buy - FX / Brazil

- Not big earnings impact

- (TA impact) Reports ended USD value
Impossible to judge

Jued - What reported pursuant to Policy?

Buy - Yes

9) Arrived -

Background

- 193 sentences of compliance guidelines

- Annual opinion from V&E as sufficiency

[See Notes]

Contains no suggestions of change

Caution continued review

Very clear opinion.

1 KLL letter

2 Cost of corp - wage

3 O2 prog

4 Tip

5) Tracking log - Every report
of alleged violation, substance
of resolution

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Introduced S. Butcher.

Good - Report is very complete (let record show)

- Why ↑ level of reports?

SB - 1) Spike in Feb '01

Changed banner page to highlight policy location
Increased reports

2) Worldwide message on energy rep Apr 1

3) E-Speak Code of Ethics Times

153 employees in Mexico

143 later

4) Empl. mtg - Ken solicited concerns Aug 16
be ^{bus} ~~best~~ to

5) IT sent 2nd worldwide note on energy rep.

6) Enam Risk Assessment in 4Q 00
work BU

Forster - Get Reporting more? Or more events?

- Seriousness level? Comp to '00

No other Business

4:20 - Exec Sess

Joshua + AA

EC37349A0031487

And

7/11/02

Background & Intro

Raptor
Condor

Conflicts of Int
Proper
Accty & Disclosure

Anonymous

Subsequent mtg w/ attorney
" " " " " Lay

Engaged K&L to conduct invst. & allegations

[Lay external invst]

Chen - specific allegation

[wholly external]

Joe Acty

Order -

Raptor - Hedging which LTM exists/re

• Counsel or Encom. Inquiry only to atty / Client priv.

4 basic issues set forth by employee

1) Apparent conflict of int

AF w/ int

2) Accty. Trustworthiness for

3) Adeq. of disc. in SEC

4) Overall concern on Encom's accty. due to abn
in nature of ENR & inv.

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Interviewed

- 9 sr. mgt - identified by empl as those knowledgeable
- 2 Ennis lawyers
- V+E
- AA

Concl.

No new facts

- 1) CFO int in LTN
 - Special procedures reviewed trans followed
 - Int sold to m Kapp - no long exp
 - Special int no long
 - Sr. officers did not feel Ennis' interest prejudicial
- 2) Accty
 - AA works closely on
 - Yach. issues / pain reviewed w/ sr Chicago
 - Practice issues w/ sr pract mgr in South
 - AA comfortable
 - 2 other allegations / assumptions / no spec. facts
 - Best for pd
 - JKS / AF agreement not to lose B.
 - L L Deny; No evidence
- 3) Disclosure
 - V+E ✓ Res Rogers - delinquent disclosure on last 2 yrs.
- 4) Potential impact w Enn financials
 - Q Causey ✓ who cause

No add'l facts not well-known to mgmt or
No further detailed investigation necessary.
Open for questions

Chen - Good for empl. to raise concern

Joe - Misunderstanding of acct. treatment

& " of prior approvals

Good to
have open
environment

Chen - Need for judgment on motives?

Investigative

Joe - Author had 8yrs acct. experience - ~~strong~~ -
Unfamiliar w/ structures, ~~strong~~ support
experience

Recently moved to CFO

May - No indication of outside influence

On prior's cynical view

Joe - Informed post JKS resignation

Say - Asked if any other motives? Actively
Shared concern w/ former AA colleague,
Incomplete file if presented to reporter.

Joe - Missing some elements/details

Say - Real risk of wrong interpretation

Wendy - Risk exists. Likely not malicious

Wakana - Is she aware she did not have all facts?

Joe - After Comm. mtg., planned to visit w/
employee.

Wendy - Empl. response will be key.

Any other aspect of concern?

(ie, special deal w/ JKS/AF?)

Joe - Preconceived factors could be made to look bad

Wendy - Any other motives?

Joe - Preconceived animosity w/ AF;

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Wendy - Empl. likely to be satisfied w/ complete co.
response & review.

Imp. for her to be satisfied
all issues to be met

- LTM not effil.
- Reptor closed

Jim D. - Empl. proposed AA & V&E not to
be involved in review / investigation since
they were both involved in deal.

- V&E - ^{determined} no conflict w/ their participation
- new acct. & new law firm presents other issues / things
- Empl. may see intrinsic shortfall in process

Ray - Empl. likely would not be satisfied
Mendelsohn - Imp to talk to empl

Ray - ^{Adaptability &} Fully disclosed

Mendelsohn - Susan learned: "We did it right but we'll
think differently about it in future."

Ray - Lots of concern within Enron.
during ^{review} approval by Audit / BoD, AF said "it might
not read well in WSJ."

Chen - Fully disclosed ^{input ~} Andy's comp.

- Should Audit chair talk to empl? EC37349A0031476
- Review of rep / disclosure

Ray - he did. Accty & legal approval. Disclosed for 2yr
sch full / shorts in sch / RF withdrawn / ugly
ent environment.

- JKS departure spawned rumors. Some rumors coming from employees disapp 4 stb or disgruntled ex employees write off next wk will be tough

Gardick - No new info in AA / Chicago recent review

Ditz - Employee proposed termination of which should help employee.

Wetzel - Process is planned 4 empl.

~~Use~~ Keep Gardick as back-up.

Ditz - Gardick would not maintain A/Client privilege if he detailed process

Jay - Same to meet w/ her 1st. Then maybe Ken.

Empl. has great respect for co.

Wendy - Ken should show appreciation
Encourage

Mondel - Room needed?

Gardick - FBI. Audit Comm. should be informed.
- Audit Comm. has monitored internal procedures followed properly

Paulo - discussed at length.

(Wendy) Ken - Set uppt. up for line write off can be discussed.

Wetzel - Need to satisfy employee.

Gardick - Report to B/D
- Fully approved
- Direct approval