

*

From: Barone, Ronald
Sent: Thursday, October 18, 2001 2:27 PM
To: Samson, Sol
Subject: RE: Enron

you betcha

Ronald M. Barone

Managing Director

Utilities, Energy, & Project Finance Ratings

Standard & Poor's
55 Water St, 38th Fl
New York, N.Y. 10041-0003
Phone: 212.438.7662
Fax: 212.438.2154

ronald_barone@sandp.com <mailto:ronald_barone@sandp.com>

<<http://www.standardandpoors.com/Forum/MarketAnalysis/Energy/index.html>>

-----Original Message-----

From: Samson, Sol
Sent: Thursday, October 18, 2001 2:11 PM
To: Barone, Ronald
Subject: RE: Enron

Thanks. Keep them on a short leash!

-----Original Message-----

From: Barone, Ronald
Sent: Thursday, October 18, 2001 1:38 PM
To: Samson, Sol
Cc: Bilardello, John
Subject: RE: Enron

We affirmed, stable outlook; some negative wording in our press release.

When Shipman presented to committee (the one you were at), he indicated/included about \$1B in write-downs for Broadband, water assets, etc. So, that came as no surprise.

The other ~\$1B in "equity reclassification" (a nice way to say an investment vehicle was going nowhere!) was surprising. They told us about it 2 weeks ago. We were ticked off, to say the least. We had another pow-wow with most of the original committee, and informed JB too. While the write-downs impede their financing flexibility and do not help their case in terms of their ability to manage newer business lines, they are taking steps to counter some of this. They are selling more assets (ones that did not have great near-term cash flow, but which some sucker might like in the long-run); they have cut down on capex (less need for borrowing or equity financing); cash flow from their normal ops is very strong; etc.

I spoke directly to the chairman, Ken Lay. He noted that their auditors scrubbed the books and no additional substantive write-downs would be coming (we'll see how they deal with Dabhol in India and Wessex in the UK, although neither should result in a write-down of much magnitude or possibly at all). Told him that we would view any further write-downs of substance to be "an event" and reason to downgrade the company, without going to negative outlook first! He said he understood (for whatever that is worth). I also asked him whether we should expect additional "funky" financing structures to be put in place. He noted that they would be more transparent, but that he still wanted his financial staff to be creative.....so his answer was really, YES!

Anyways, that's the short answer/analysis.

SP 077882

Ronald M. Barone

Managing Director

Utilities, Energy, & Project Finance Ratings

Standard & Poor's

55 Water St, 38th Fl

New York, N.Y. 10041-0003

Phone: 212.438.7662

Fax: 212.438.2154

ronald_barone@sandp.com <mailto:ronald_barone@sandp.com>

<<http://www.standardandpoors.com/Forum/MarketAnalysis/Energy/index.html>>

-----Original Message-----

From: Samirson, Sol

Sent: Thursday, October 18, 2001 12:38 PM

To: Barone, Ronald

Subject: Enron

I presume that the company's recent actions merely formalize the reality we already were aware of --namely, that its investments in new businesses had soured.

Is that right?

In any event, where do we stand now regarding Enron. When last we met, you indicated misgivings about the ccr.

Sol

SP 077883