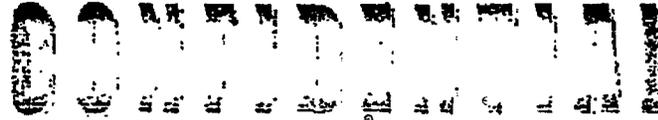




ENRON EMPLOYEE  
SURVEY

LAY IT ON THE LINE

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*Final Results*

*Enron Management Committee Comments*

*September 6, 2001*

EC2 000046235

GOVERNMENT  
EXHIBIT  
4126

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

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# Andy Fastow

## Response

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

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

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

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

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

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

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

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

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

# *Andy Fastow*

## *Response*

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

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

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Thursday, September 06, 2001

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Page

# Dave Delainey

## Response

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

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

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

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

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

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

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

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

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

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

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

EC2 000046239

# Greg Whalley

## Response

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

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

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

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

# Greg Whalley

## Response

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Mary Joyce).

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

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

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EC2 000046241

# *Janet Dietrich*

## *Response*

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# Jeff Shankman

## Response

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EC2 000046243

# *Jim Fallon*

## *Response*

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EC2 000046244

*Thursday, September 06, 2001*

# John Lavorato

## Response

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● I am currently in redeployment and have felt like I have been able to get an interesting view of the company currently, having had discussions at all levels of the the company and most every major group. What I will lay out is the current view of Enron which was assembled over the last month. The conclusion I came to may be obvious to many, but was a learning experience for me. The discussions were had under the auspices of looking for a senior origination position for a person with a 17 year background in the gas power business from the trading and finance side. All I have talked with feel that we are a very different company than we were two years ago (which was when I started at Azurix). The thought right or wrong is that the original core group that made Enron what it is today made their money and have left one way or another. The new group is very bright, but currently doesn't have the strategic capabilities that others had before them and there has been a large gap left by Jeff leaving. Related to skill sets it is felt that trading is very much the earnings driver for the company albeit traditional and structured trades, and no one can equal our market information. Although for this reason, in Enron North America originators have had to take a distant back seat to the traders based on the relative earnings each has made and will make this year which is supported by Kitchen and Lavorato and isn't surprising based on their trading backgrounds. If you want to do origination the groups to look at are EES and EGM, and the need for origination still exists although it is hard to compete with the big profits trading is making on a corporate wide basis. We also preach being entre/intrapreneurial and taking risk, but the time from for how much risk one can take doing that has shrunk to the length between PRC reviews e.g. 6 months. The message is if you don't have a long history with the company, but like building businesses stick to startups you can make money for within months or you are at risk. In PRC reviews the more senior you get it is all about dollars brought in and all else has minimal impact. It reminds me of my Marine Corps day when the success of the mission (e.g. MTM value obtained) was all that matter and casualties suffered along the way were expected. I don't feel that any of this is necessarily bad, but rather is the state of where we are today compiled from one persons perspective. I very much feel that Enron is a great place to work for those who thrive in the environment we have established, and I expect to be in a new group within the next few weeks. I am optimistic about the companies future and our ability to overcome this down period. In general it appears we have gotten a little more Darwinistic at least in the front office over the past few years, and therefore if that was the intention then we should embrace it and recruit accordingly. If not then change will come by design or by default. Either way I think we are all happy to have Mr. Lay back. I would be happy to expand further if helpful David Pruner 713-646-8329.

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*John Lavorato*

*Response*

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EC2 000046246

*Thursday, September 06, 2001*

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# John Sherriff

## Response

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- 2 things I don't like about Enron 1. There is a lack of 'doers.' From my view the company is full of talkers and salesmen - these are important, but we are overrun with them. 2. John Sherriff talks about being both 'loose' and 'tight' to allow flexibility and yet retain control. I don't see enough of the tight. Systems and procedures are not bad things when applied appropriately.

EC2 000046247

# Ken Lay

## Response

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- I am very please that Mr. Lay is back.
- I came from a Big 5 environment where evaluations were also key to the organization for promotion, compensation and work assignment reasons. I participated in our evaluation committees every year and also was part of an executive team involved in the redesign of the program. Following are areas where I clearly believe that our system was superior:
  - We also had a 1 to 5 rating; however, our bell curve did not require forced rankings for 4 and 5. The thought was that underperformers would be coached out so they should not be included in the bell curve. Many of Enron's 4's are good performers that just got forced into that rating because we had to meet the curve.
  - Also, we had 2 different bell curves at my former company; 1 for managers and above and the other for staff below that level; the thought was that for managers and above we would expect more 1's and 2's as they had generally been with the company awhile and had developed into very strong performers (others had been weeded out along the way)
  - The other system also had skill sets laid out for each level in the organization broken out by 5 main areas (communication, technical, industry expertise, people development, and client service). For each of the 5 main areas, there were a number of skill sets that the employee had to acquire before he/she could advance. Using this system, we were able to help coach people on what skills they needed to advance to the next level.
  - Enron's system goes through full evaluation twice a year however there doesn't appear to be any value add from the mid year review, my former company's mid year review was used to identify poor performers and help get them back on track and to identify superstars to help ensure they were given the opportunities needed to get promoted to the next level by year end (this process is a lot less time consuming but does have the value add because we were not as interested in rating each individual at mid year)
  - the "class system" (commercial vs commercial support) makes the PRC function less meaningful because even those in commercial support who are closest to the commercial group fare best in the PRC
  - finally, I was discouraged by the most recent PRC process because after the process was over I heard that the VPs in our group had met prior to any of the PRC meetings and preranked everyone in their 3 groups; there was even a spreadsheet that one of my peers had that showed where everyone fell out; why go through having all the meetings if there are going to be prerankings?

- Over the past year or so, I have had much less autonomy in performing my work and feel that management and peers are attempting to micromanage the work that I have been doing, successfully and more or less without much oversight, for 14 years. It wastes resources, time and money, when I have to explain to a half dozen people why we should do things I used to just be able to do, and I don't see that it has helped the process. And while I have been pressed to communicate my activities to our group and to others outside the group, it seems to be a one-way street. Those asking for the information are not sharing any with me!  
And on the subject of communication, one thing that makes it very difficult for me to share information (I am in government affairs) is the impossible task of keeping up with the commercial folks, who they are and who supports them. There are no notices when folks change responsibilities and no org chart to see who might be interested in events in a certain region or on a certain utility system. I have to put tags on all my emails "please send to others who might be interested" because I have no way of keeping track of who they might be.

I would check the staffing levels in government affairs. I think the recent movement to less autonomy is a result of having perhaps too many people deployed with not enough to keep them all busy. There seems to be more and more overlap of responsibilities, with confusion and internal politics becoming more prevalent. And we should review our use of outside resources in this group, and reward folks who find ways to accomplish things without heavy reliance on outside counsel and experts.

And in gov affairs, we seem to have a hard time setting priorities. One day, a particular state may be taken off the list of states we are active in, and the next day I will get an urgent phone call asking what is happening there because we have some big project we want to do there. We need much better coordination in deploying our resources and setting our priorities and goals. It is very hard to respond to requests for information about states that we have stopped following, or to jump back into the fray in a state we had abandoned. Decisionmakers tend to discount your position if they don't think you are a long-term player in that arena.

Finally, on the PRC, I have seen this system destroy morale, my own and that of my colleagues, even when a

# Ken Lay

## Response

fairly decent review is given. I think we all welcome feedback, the problem is the forced ranking of people against one another. Particularly in gov affairs, your ranking is often the result of how "sexy" and visible the projects you are working on are. Not everyone can be involved in California, and those who were working on other assignments that are more mundane seemed to suffer for lack of visibility or blowing their own horns. Some of us are attorneys, others more like lobbyists and others "number crunchers." Our skill sets and assignments are so different that comparing us and ranking us against one another is meaningless. Keep reviewing us but lose the forced rankings.

We have also seen promotions of folks who are not team players, and the message we clearly have received is that self promotion is effective, team playing is not.

- 1. Upper management within my business unit is constantly changing their mind on how they want to have information presented. Because of this, my group spends a lot of valuable time "rearranging" the same old information instead of analyzing data and improving processes.
  2. One way to increase internal cost savings would be to plan better for costly employee moves. I know of several groups who have moved three or four times within the last six months. If a little more thought were put into these changes, we could probably reduce the number of times employees move and save a lot of money on churns.
  3. Glad Mr. Lay is back!!
- Enron has lost it's spirit. That comes from the heartbeat of the employees. The employees are confused and frustrated. They work hard and then are crushed by a true casting system with the PRC process which is not a true evaluation of their work product. It can't be when you are not comparing like job responsibilities and duties. Enron computer systems are fragmented. There is too much emphasis put on find your answers on line. What happened to people talking to each other? There is no consistency in policy and procedures. There is a mentality that you must work late hours and weekends to be perceived as doing a good job. Managers and Supervisors are confused about giving good feedback to their employees prior to PRC. The reality is that employees can be doing good work and right on target with what they are supposed to be doing but when they are compared to other departments and different job responsibilities they become lower ranked. Performance Management is important and a necessity. Here at Enron it creates conflict, jealousy, distrust and a host of other work environment issues. Someone with really big arms needs to reach out all around Enron and bring it back home to a good place to work with values and integrity in tact.
  - Realignment of Incentives (noted above as my #1 concern) The tremendous pressure to generate earnings has created a culture that rewards commercial people for closing deals where immediate earnings can be marked. Once the income is taken there is little incentive for the commercial people to diligently stay with the transaction through successful execution. We have seen many examples of this in the international asset portfolio as well as our domestic investment portfolio. We have also seen examples of this in the commodity side of the business where income has been marked without appropriate followup to execute proper contracts. The solution is to change the compensation structure to pay commercial people the majority of their bonus upon successful execution or monetization of the transaction not just closing the transaction and taking a MTM write-up.
  - 1. A number of years ago, I remember you (Mr. Lay) addressed, at an all employee meeting, the criticism of the "oil industry" of our use of Mark-to-Market accounting. I was very impressed with your answer, you said that there were three important points: (a) we are not an oil company, (b) other industries use M-to-M accounting, so we are not alone, and most importantly (c) there is very little risk because our average contract M-to-M'ed is only 18 months duration. Being a PHD in Economics I am sure that you are aware that the EES 10, 15 year, or more, contracts that were M-to-M'ed are a huge risk for Enron and that sort of accounting needs to stop with respect to all future long-term contracts. M-to-M accounting is fine for short-term trading contracts but results in an inappropriate risk for both the long-term power sales contracts and EES deals.
  2. I applaud the diversity of your selections for the office of the chairman. But you need to also add someone with a true technical background. Enron was about to become a Harvard MBA playground. A May/June 1995 Journal of Management in Engineering article: HARVARD HINDSIGHT stated the following: "...people with...MBAs have a penchant for hot, high-paying careers that...turn into the next investment Titanic. They rushed into investment banking in the mid-80s & pharmaceuticals in the early 90's. Both... soon suffered

# Ken Lay

## Response

declines. Industries...winning the high-priced bidding war for today's Harvard MBA should be viewed with caution. At the top of this list, attracting 30.9% of Harvard MBA 1993 graduates is management consulting. Entertainment and media are also in the midst of MBA hiring spikes. Thus, if tradition holds true, those sectors will begin to decline... It was also reported that the fewer MBA holders attracted to an industry, the better its performance. Computer systems, for example, have seen a decline in MBA hiring matched with an increase in return (well, remember this was a 1995 article and no one prevent business cycles). The energy sector hit a high when their MBA hiring bottomed out."

3. I am sure that you (Mr. Lay) and the Enron Board know that Enron senior management compensation in a number of circumstances has been far beyond the contribution of that senior management to the earnings growth of Enron. Even though Skilling brought a lot to Enron, he was a classic example of a person promoted beyond their level of competence as his personality was clearly not suited to CEO or Chairman (where stockholder interests are important). I have never seen a brighter more destructive personality. We do not resent your compensation Mr. Lay, nor even Skilling's past compensation. We assume that neither of you got individual project bonuses. But L. Pai, J. Sutton, Rebecca Mark, Ken. Rice, and others received compensation in 2000 that far exceeded any earnings directly attributable to their performance. It has been a huge embarrassment to see persons like those being hugely compensated due to position and/or for bringing in bad deals. Some received huge bonuses for their ability to hide the facts from upper Management and the Board until it was too late. That is the principle reason that we have \$billions in international assets invested in projects that are returning 0%. Too many upper management people have been working for too many years within Enron for their huge personal project bonus and, therefore, not working for the good of Enron's earnings. The compensation of the Enron's business unit leaders must be based on solid contributions to earnings growth (and not greater than that earnings growth for example L. Pai), not risky, one-off M-to-M'd contracts. Business unit leaders should not get project a bonus.

4. Mr. Lay, you certainly must be aware that the current accounting practices make asset ownership worse over time. If not, you need to look into it because returns on assets get worse over time if they are not allowed to normally depreciate. There has been too much bending over backward to create quarterly earnings while sacrificing longer-term earnings. I am sure that you recognize that a balance of trading and quality assets will regain our credibility with the analysts. Achieving quarterly earnings targets, with one-off asset sales was not as big an issue with the analysts when we were constantly developing new assets to replace them. Clearly Kinder Morgan demonstrates with their 11% return on KMI equity that you can get good returns with good assets, if we could get there (11%) with assets and add trading earnings on top of that, we could blow the competition out of the water. Have you and Rich Kinder talked about merging and then being co-chairmen for a year. That would be the quickest fix I can imagine for our credibility with the analysts.

5. Mr. Lay, you need to modify the compensation of traders. I know someone who has done trades with Enron. When it came time for the trade to be rolled over or expire, that person would have been happy to roll over the deal but the trader let it expire. The new deal was worse for Enron, when asked why the trader did that, the answer was, I get compensated for new deals not maximizing the benefit to Enron.

6. You must be aware of the devastating impact that a 15% forced ranking system has on moral. In addition to the 15% devastated by their mid-term rating of 5, there has to be at least another 15% who feel that but for the grace of god I would have been ranked a 5, what does that do to their moral. Yes, we need to get ride of some persons but the arbitrary and capricious method of ranking 2 or 3 actual performers a 5 to meet the quota is the craziest scheme I have ever heard. Walk-the-talk about the quality of the employees that we have here at Enron and take quick decisive action to change this system before it is too late.

Ah, Mr. Lay, you have many challenges, but I know that you are up to it. You are well on the road to diversity of Enron's upper management (experience/background) which will help you open communication, improve integrity, enhance respect and bring us back to excellence.

- This can be the best of companies and the most cannibalistic of companies... It a titanic-sized airplane that attempts rapid course changes and movements at every hourly weather report. The pilots,(managers) ARE then THE "lifeline" to everyone, and they simply have not even attempted to advise their "valuable" (consensus - inside and outside Enron is really "VERY EXPENDABLE") employees of a course change, etc. So,... the corporate reality is that the injured and dying "passengers" are "collateral damage". Lipservice or ambivalence ("aid" by HR) may be "aired" (ONLY), and the "healthy soldiers" are ordered to stay focused on the "war" - no time for other team members - there is a WAR ON! And, the "Enron Army" is further established with our glorification of "The Weakest Link" PRC model reaching new heights yearly. Frankly, it is to a new level of

# Ken Lay

## Response

company sickness that "The Devil's Advocate" would admire... The clock is ticking here... We're an example of ruthlessness... The new term out "Enron: Heartless Possibilities" is earned and out!

I think you'd get about 70-85% agreement on the above analogy.

Personally,... we're hoping this really is "Return of the Jedi" that people are calling Ken's return (vs. Empire Strikes Back - under \$killing)... We not truly need to hear it vs. spend wasted time discussing which class action suit was listed in the Chronicle this month regarding Enron's PRC injustices (and should we consider it - or be forced to think about it based on today's PRC fear management result)... I'll finish by saying that I've never been at a company where so many people worked so hard and felt equally devalued...

- Its not fair to not receive a merit or a bonus, after you have jumped thru all the hoops and someone else has taken credit for your work.
- As background, my name is John Carlson and I work for EES in the Midwest Region out of Kansas City.

In short, I feel I am not being given a fair opportunity in regards to education assistance and tuition reimbursement. I was recently accepted to the University of Chicago part-time MBA program (same exact curriculum as the full-time programs except we have two classes every Saturday). I chose the weekend program so it would not affect my work at Enron, to hopefully add more value to my work at Enron, and because I live in Kansas City and have to travel to Chicago. To clarify, this is NOT an accelerated or executive MBA program. This is the standard MBA that the University of Chicago offers.

Senior management has since denied my request for reimbursement. Here are some of my concerns:

1. EES policy states that "immediate supervisor, in conjunction with Human Resources, is responsible for approving course application and ensuring compliance with this policy." I, however, was told I had to have senior management approval for tuition reimbursement.
2. EES policy states that programs for reimbursement "must either qualify an employee for present duties or prepare an employee for future placement within the company". As one reason for denial, I was told the MBA is not a prerequisite for the next two levels of promotion above my current level. I am not pursuing this degree to further my current position, but rather to open other avenues within Enron and add more value to Enron.
3. Given Enron's track record for having one of the best talent pools in corporate America I was surprised and very disappointed with the decision not to help. I think EES and Enron, given the opportunity, would want to help a current, high-performing, employee improve their business skills, leadership potential, and job performance.

I would appreciate anything you can do to help out with this and am willing to discuss this further.

Thank you for your time and consideration.

Sincerely,

John Carlson  
816-880-3571  
jcarlson@enron.com

- 1. Figure out how VP level people can help the company - there are a lot of us and many of us have turnaround experience.
- 2. The external view of Enron has to change. The last six months of Skilling have damaged severely the previous 15 years of Ken Lay.
- 3. Please don't recreate the "mutual admiration society" mentality that pervaded a significant majority of the group of senior execs that recently cashed out at \$80 a share and left the rest of us holding the bag.

# Ken Lay

## Response

- I Love working for Enron but I feel that the direction that EES has taken is not good as compared to our past model. I've worked in this industry for 10+ years and EES's original business model on bundled deals in my opinion was un-beatable. I feel that we could have done a better job as a company controlling internal cost. But since we've changed models and broken up development and construction I feel that we have lost our advantage and direction. I have no confidence in EES executive management and the course they have chosen. I'm concerned since we have been re-aligned into EFS we will no longer be the leader in Energy Services related EAM arena. Staff morale is low due to slashing of peers even though we know it was necessary. I have accepted a position with EFS and the benefits for management such as myself and my partners is significantly less such as: no options, pension plan in lieu of savings plan, out of pocket insurance cost are higher, no vision plan etc. It is a variety of things that has attacked morale. Our construction arm of EES has been moved to EFS and that did not sit well with staff and peers, many of us feel it was a step down. I do however work with some of the most dynamic people that I have ever worked with in my 20+ years of work experience. I'm afraid that we will lose some of these key players to the competition due to the direction of EES's present and recently changed business model. I feel that if the old model was fine tuned and internal cost and procedures refined there is not a competitor out there that could touch or beat us! We need to evaluate the direction of the EES ship. At the field level there is so much demand for what we do, if we combine commodity with construction and services it is unbeatable. yes construction does not carry the higher margins but it is a necessary element in our offering to client request.
- The accounting department needs alot of help. They never answer the phone, no matter who you call and they never call you back. The xms system has really got some problems. We have been having so many problems with entering an expense report and one or two months later, it still isn't payed because the system just lets it sit there. Every invoice we send to accounting takes way to long to get put into the system and then get processed, which in turn, our vendors are not getting payed for months. This causes major problems and as a result, our employees are getting their cell phones turned off and their Amex. payments are being turned in late with fees. Our end is taken care of right when we receive the bills (they are immediatly turned in). Can something be done to take care of any of these situations?
- I would like to mimic volunteer activity here in California to that of Houston. This is difficult because there is no community relation staff here that I am aware of. I currently have an idea to refurbish a Girl Scout Camp in the San Bernardino Mountains as part of the grant program and to physically implement some of the repairs as Enron Involved.  
Since Safety was transferred to EFS, the impression I currently hold is that safety has taken a step back. I do not know the policy of EFS and whether this policy is any different than the previous EES safety. Is there a national safety meeting scheduled for the safety group like last year?  
We do conceptual work for Enron depicting a proposed central plant or co-gen plant at various locations and never recieve any feedback as to the outcome of the proposal. Feedback is important from EES to assist in future conceptual designs.
- I agree with Ken when he said that Enron needs to get back to "vision and values". I feel respect for each other has gone way down. The Sr. Admins seem to me either to be under to much stress or they have just gotten all rude, abrupt and down right disrespectful, mainly the ones in Houston when they call here in Portland. Power trips are getting old and do not help anyone.
- 1. Rumour has it there are lay-offs planned for December. Is that still true now that you are back or are we going to use PRC's to get rid of people again.
  2. I find it surprising that 45% of Enron is considered a 4 or 5. I thought Enron was to hire the best. Is HR wrong 20 - 25% of the time?
  3. If you need to decrease the wrk force, lay people off rather than use PRC. That would have more integrity. The stock price can't get too much worse.
  4. Support functions are expected to 'do what ever it takes' to get a project done. That is fine once in a while, but we try to have lives too. It would be nice if we were given a day off here and there for all the nights and weekends we have spent here.

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# Ken Lay

## Response

- 1. We are very strong at developing new markets. However, in my view, we are very weak in the fundamentals - the blocking and tackling of business. We are a deal shop and value getting a deal done. Little value is placed on the execution and follow-up. Fundamental economic flaws in transactions are often ignored or not realized because of the emphasis on getting the deal done.
- 2. We must develop a deep bench of senior executives. These executives must be schooled in public appearance. They must be sensitive to the overall nature of business and the political implications. Outside of Ken Lay, right now, it appears that we have senior executives that are seasoned traders who have very little appreciation for things outside of live besides trading. They do not appear to be a well read bunch - i.e., no appreciation for history, economics, politics, etc. Further, outside of Ken Lay, our senior executives have limited "presence." The perception of their character and leadership is lacking. In addition to Ken Lay, we need to develop leaders that are well respected because of their character, leadership abilities, public image, etc.
- The employee morale has suffered because of such a huge drop in stock price. I'm glad to see Mr. Lay put bringing up the stock price back up. As employees we're looking down the road at retirement. Thanks for coming back and bringing integrity back to the top job.
- 1. Little or no respect given to people who did not pass through the Associate program. 2. Less value is given to people with business experience and more value is put on expertise in financial modeling. 3. Great technical people are promoted into management positions and these in most instances are bad managers. Have a different growth plan for these people other than management. 4. Enron has a lot of young management with no diversified experience. 5. I think Enron has had great successes in getting to the top but in order to stay on the top it may need to change some of its tactics. What gets you to the top is not what necessarily keeps you there. We need to learn from the Walmarts or GEs who have been there for a long time. 6. Diversity at all levels all the way through management, not just 'tokens' here and there. Diversity meaning white, black, Asian, young, old, married, not married etc. 7. Support people are not rewarded, only commercial even though the support are the ones in most cases who clean up the mess the commercials made and which earned them huge bonuses and promotions. 8. Comparing commercials with support in the PRC where as the two have different emphasis. One is on making money the other is on containing costs or controlling risk.
- Mr. Lay: I'm so glad you're back!!! It warms my heart to know that you will be there for us. Thanks to Linda as well. She is a great lady.
- Another Issue:  
Examine departmental promotion criteria and practices...exactly what criteria is being used to promote certain individuals as opposed to others. What are the practices/criteria/conditions? Is it longevity, i.e., an employee has been in service for numerous years & now they are entitled to move to a new job level? Is it judgment-based criteria? Is it on performance as it is being touted?...How important is innovation and creativity?...Management has often times stated during a PRC process session...."perception is reality", yet when promotions have occurred ...the 'majority' of the employees remain perplexed as to what criteria/accomplishment (those) promoted employees actually attained/fulfilled. Would not even some small part of the reasons as to "why" that promotion was granted (or a ranking of one given)...be 'apparent' to those promoted employees and those receiving a rank of one as well as to their co-workers in addition to management? ( even some of those receiving promotions or rankings of one, though thrilled, have independently & honestly expressed that they had no clear idea as to the exact reason )...As for the others not promoted..(or ranked below a one) & who would just simply like to know in order to perhaps use those "metrics" for their own future goal setting, asking why? or what?...is met by management with "an air of no justification needed..." I was once told ....promotion coming....keep up the hard work...meet this next goal being set for you.....& that I could just.....and I quote...."consider that your banana on a string." Such a statement brings many thoughts to mind...including ringing true to tales of times of not so long ago...however, after a statement like that who would have ever guessed....that the string would get even longer & that the "banana" even further from reach? I do not know whether this is occurring across Enron as a whole but if one small part...is a reflection of the "whole"....then this needs to be looked into & addressed.

Additional comments (re) The PRC process. A 360 degree process should also involve an employee's ability to

# Ken Lay

## Response

access or secure privileges to view/hear "source-identified comments" as submitted during the employee's review. An employee is being required to select their list of reviewers (by name)...why then is any feedback from that group then kept "anonymous" during the employee's review. Asking the origins of statements made during reviews is not an option but should be. Anonymous comments are not acceptable in most every format imaginable including this one...so why should an employee be expected to accept anonymous comments during a review. Yes, I know...I know.....& it is understood the overall HR reasons and concerns for revealing such... but as for keeping with the concept of...open and honest feedback... perhaps it might help if comments submitted during reviews can be subject to "source identification" upon the request of an employee. Also, "mutual reviews" should take place not just amongst immediate team members but across departments where necessary. For instance, if Person A selects Person B as a reviewer then Person B by default is reviewed likewise by Person A. This is extremely important in cases where they have worked closely on a project together. Should there be any justifiable reasons why Person B would elect (or be allowed) to not select (in like turn) Person A to review them especially when they have worked closely together?

Throughout the corporate world these types of surveys have been known as "Sensing Sessions". Most often taken to get a better feel of the workplace environment with no resulting resolution to items addressed. Perhaps because (as expressed) the response represents only one response amongst many &, as a result, its significance is undervalued. And they, also, do come with assurances of respondent confidentiality granted... but somehow though are revealed...Is that okay?...Most often times not....but sometimes to effectively see the direction in which to go...you have to turn on a few lights...& only then can the actual revelation of that that occurs in the darkness be seen.

In conclusion, there is much that should be reviewed. I would also like to think that this will be read not by some consultancy firm...and turned into a statistician's dream and a 'lay' person's nightmare. Do I believe that Enron has a vision that expects & sets a direction that encourages the opportunity for management to fully utilize the talents and skills of its employees and encourages risk-taking, creativity and innovation....Yes!... Yet, somewhere along the way it begins to fall short. Why? I don't know why, but...  
'...the reaching hands through blinking screen, ...In counted numbers many. With hope deferred and just a word, to each other we give reassurance.'

- Enron senior management must provide oversight of business units to prevent the looting of the company as has happened with Broadband and EES's. Lu Pi and Ken Rice should have been fired long ago and managers need to be held to the same standards as the rest of the company who are actually providing value. Bonus's aren't being paid to the people on the front lines actually making deals and bringing in value because idiots like these who lose millions get huge bonus's and promotions.
- We need to get a handle on growth. We are growing faster than we can change. Soon we will start to decline because of overextension and burnout. The infrastructure is under extreme stress. Although work is being done in this area, what is needed is not patches but an overall redesign of systems and hardware. Capacity planning is not being taken seriously.
- Keep these kinds of 'back to basics' activities going...it's great to be energetic and entrepreneurial and successful--it's also great to be 'nice'..I don't think the groups of concepts are mutually exclusive. I was first attracted to working for Enron 11 years ago when I heard about Enron and Ken Lay donating bicycles to the 'street police'--I thought it sounded 'nice' that an up and coming, exciting company could spend time thinking about the community it shared. In fact, at that time, I had a fairly successful private law practice. Based on that bicycle event, I decided, if the opportunity presented itself, the only company I would go to work for in house was Enron. When I started in 1990, Enron proved to be even 'nicer' than I could have imagined...AND energetic, successful, innovative, etc... As time went on, there seemed to be a palpable exchange of the latter descriptors (energetic, etc) at the sacrifice of being 'nice'--in fact, I believe in 1997, the scales tipped completely opposite--'nice' was all but gone. I was extremely fortunate to have been offered an exPat assignment at that time: perfect timing, as I was becoming completely disenchanted with what seemed to me to be a radical declination of values--and the business leaders demonstrating the declination were being rewarded more and more..I felt Enron had turned completely upsidedown and had lost any sense of balance. Upon returning to the US in 1999, it seemed some of the harshness had at least leveled off, yet extreme arrogance and cockyness continued to prevail. If there is a single good thing about the crumbling of Azurix and the broadband business,

# Ken Lay

## Response

It's that we started taking a few steps in the direction of humility--these business missteps forced a few spoonfuls of human frailty to be added to the 'niceness' side of the scale. In the past 2 weeks, I've actually had momentary flashbacks of some of the 'kinder, caring' Enron I became so completely and passionately dedicated to 11 years ago. I completely attribute this to Ken Lay and his clear and personal dedication to integrity and all of our other values. Enron is still strong, exciting, energetic, successful and all of these great things--it will be stronger, more exciting, more energetic, and more successful overall when it re-introduces a balanced emphasis, internally and externally, on integrity, all of our values, and generally being 'nicer'.

- Upper level management needs to be held to the same performance standards as lower level management. It is sinful that Ken Rice and Lou Pai milked the company for so long.
- Enron is a terrific company and I enjoy working here. I do however think that we have gotten a little bit arrogant over the past couple of years, and need to get down to the basics of making good business decisions as opposed to the self-serving needs of some highly paid executives, (and I'm not referring to you Mr. Lay.)
- I have noticed a substantial increase in morale even with the stock being down at an all time low. I sense this is because of Ken Lay taking the helm again.

My staff are looking for top management to show clear examples of ethical behaviour, fairness and diversity and supporting the original values that Enron used to set forth.

- Much of IT upper management does not appear competent. They need to run the IT department as a business. Decisions need to be made economically. We simply cannot build what the business wants simply because some high up business executive request something. If it takes one million dollars to build some software that will be obsolete in three years and two admin. can handle the same task with no additional benefits to the business, it does not make economic sense to do this project. Just this year IT management finally started capturing project costs. How can you make decisions on valuing projects without having an accurate accounting of costs. The fact that it has taken this long to begin capturing cost information should show their competency. IT management should be promoted and compensated based on what they deliver on time and budget. Only then will you have accurate accounting and realistic project estimates. They should not be promoted based on who they know or who they are able to get along with. There is a vast amount of money being wasted in IT on projects that because of poor management will end up costing three times (or more) as much as they are worth. The IT department will finally be viewed professionally when management finally CANCELS a project because it has cost more than it is worth or redeploys the management of a project to get competent people in place. This is not happening since management cannot politically afford to let a high exposure project fail. Since they are not held accountable on costs, they can spend three times what the project is worth just to get it done. The business also needs to become much more involved in IT's projects and demand value for the money being spent and appropriated to them.
- I think that Mr. Lay was correct in saying things have gone down hill at Enron as far as "RICE" is concerned. Communication is my biggest issue. I have not been with the company that long, but my family has, and I always thought that communication was very important here. It does not seem to be the case anymore. I believe that is something that really needs to be worked on. I am not concerned with the higher offices, but the managers and directors that do not communicate with their employees. I think that is critical and it is not being done well at all.
- Employee comments and suggestion site gives Enron employees no excuses. If Enron employees want to be the best, or number one Mr. Lay. Each employee should prove it! The web site gives Enron employees no room to complain.
- PRC: While I believe that a ranking system is appropriate, a "forced" ranking is not reasonable and does not achieve appropriate results because it often results in individuals being forced into categories in which they truly do not belong, thereby giving them inappropriate feedback and ultimately resulting in morale issues among all employees.

Executive Leadership: I really appreciate Mr. Lay's decision to do the right thing for the company after Mr. Skilling's recent and untimely departure. Thank you!

# Ken Lay

## Response

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- I think that Enrons innovativeness is outstanding and is one of things tht I like best about working here. However, I think we have taken it to far, things like xcelerate and just how much Enron focuses on everyone being creative and what not is taking our focus away from the REAL ways that Enron makes money. I do agree that Enron being innovative has been good as it has gotten us a lot of attention and produced a lot of cashflow, but I don't think it should be a major focus of our business. Just my opinion.
- I believe that the employee morale has deteriorated considerably since I first came to Enron in 1997. The first year and a half of my employment I just loved coming to work. I was fortunate enough to work for a EI and was under the management and leadership of two incredible VP's. There was respect among all in the group and everyone was super busy. Everyone in the department and within Enron appeared happy with their jobs. You would walk around Enron and employees would openly comment on how proud they were to work for such a great company. I had never seen such company loyalty in all of my 20 plus year career. I soon became one of those many loyal and dedicated employees. However, in my view Enron start to go down hill after the re-org of July 1999 and all the other re-orgs that have followed. From the 4 different re-orgs that I have survived I have witness the following: management level VPs treat their employees with total disrespect; supervisors or other co-workers trying to destroy the reputation of well respected, dedicated employees with strong work ethics just to make themselves look better; arrogant employees that think of themselves to be indispensable and pretend to be productive, yet spend most of their time "cruising" off the expense of others work product and performance; people in management or supervisors roles that do not have a clue what it is to be a good manager - not only knowing their role but the treatment of the people that work for them; employees being recommend for promotions or put in supervisory roles that are undeserving of such positons. Further the many re-orgs and "redeployments" at Enron have created a very "back stabbing" atmosphere, along with building envy and jealousy among co-workers in the work place. The redeployment issue has become a joke - it is like playing musical chairs, when the music stops you better have land in a chair. I think that it would be best to be upfront about the supurios redployment and have one major lay off. Enron would be doing the employee a big favor as well as to the company. I also think that Enron needs to re-examine the people they have in management, not just high level management, but across the board. Some really need management training. Enron's motto of respect, integrity, communication and execellence has totally gone out of the window. In all fairness, Skilling had some business innovations and raised our earnings yet he lacked the ability to connect with the employees and communicate with the public. In my view, Mr. Lay is a great example of what a COB, President, CEO, COO, VP, Manager should be. I think that it was demonstrated at the employee meeting when Mr. Lay received a standing ovation from the employees. In my view Mr. Lay is a true leader, a well rounded business man, and he is a Communicator - a people person. He has my respect, as well as the respect of many other Enron employees. I think that one of the things Mr. Lay believes in is that that the employees make the company. Its not only about making money and having innovative ideas, etc., its about respect, creating a positive productive work environment. I think that Mr. Lay is definikely on the right track. He has demonstrated this in taking immediate action. Hopefully Mr. Lay will restore what has been lost, and make Enron once again the best company to work for. I hope that Mr. Lay will address the PRC issue immediately, and hopefully there will be fair changes made to the process. As for the stock, I have faith that by middle of next year it will regain its true value. Ten months ago, I was redeployed from ECB, 3 weeks later, one of my ex bosses fortunately recommended me to a SVP in ESA. I was offered a position as well as a promotion. Since then I have been working for a great SVP in EGAS-SA. He is a smart, has a strong work ethic, is a fair and objective individual, a great manager, respected by his entire team. He has a great group of people working for him - all very hard working, highly dedicated and respectful individuals. He has restored my faith that there are still good VPs at Enron. The only problem now is the future of EGAS. All I can say is that we are working our hardest to improve our earnings, etc. I only hope that if Enron does not foresee a future for EGAS-SA, that it will provide positions for many of those hard working EGAS-SA employees who have been putting so much effort and dedication in their jobs. I am very impressed with the EGAS-SA group. Despite some of the negative encounters and observations I encountered from July 1999 to September 2000, my loyalty to Enron has not waived. I will certainly do my part in helping Enron regain its position in being the best company to work. I know that with Mr. Lay back in the helm that we will come out of the dark and that his successor will reflect Mr. Lays values and future visions of Enron.
- There is a view, both outside and inside, that Enron has some magic ability to "Enronize" markets and reshape them effortlessly. Indeed EOL has been a very rapid success but it would be worth pausing to consider how

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long it has taken for other markets to fully commoditize. Not everything can be accomplished quickly. For example, in my team we are trying to trade with a commodity new to Enron (and arguably very different to the traditional energy commodities). I was asked to put together a PowerPoint slide indicating that we would "Enronize" this commodity. This was done without any serious consideration of the nature of our commodity or the steps we would take to realize this outcome. Enron PR is very good but I think sometimes we risk falling into the trap of believing our own publicity too much. Hence a bit of humility would be a good idea.

- 1. Constant reorganizations without any apparent or disclosed goal are a drain on time, budget, and other scarce resources. They result in lost time and productivity due to constant rumors, distractions, and the need to reestablish relationships and lines of communication that are constantly being broken as responsibilities are changed and moved from one person and/or group to others. Once in place, experience and knowledge is lost resulting in little to no progress on important issues and constantly reinventing the wheel as the new group identifies the problem and tries to reinstate solutions already tried and rejected or abandoned rather than making real progress. Further, the constant reorganizations result in the need to continuously monitor processes to ensure that they are not broken by incomplete knowledge transfers to new persons. Also, the high turnover from burn out and frustration is resulting in the same problems.
- 2. While quality of life is stressed and advertised, those who live it are penalized in the PRC process and work loads mean choosing between making your boss and customers happy or making your spouse happy with little room for both.

- The integrity of management needs to improve;

The attitude of short-term gains without regard for future consequences needs to be addressed;

We need to rely less on accounting trickery and more on solid operations to meet our earnings and cash flow targets;

The PRC process needs to be fixed - we are turning our employees into self-serving people who rush to take credit for things and spend enormous efforts blaming other for failures. The PRC process gives no credit for people doing their every-day jobs that are essential to Enron running smoothly. PRC meetings are very negative. Each manager takes about 2 minutes presenting his/her employees. The remaining time is taken up with bringing to light every negative aspect of other managers' employees in an effort to satisfy the required distribution.

- I work in EES. I have not worked with a more unethical, ruthless group in my career. Every time I see a deal close, I am confident that the customer was taken advantage of.

Although people here are smart, aggressive and working towards making deals close, I am never at ease that I will have a job tomorrow. There is no direction and we are thrown into different structures every three months.

We are telling customers that we want to be in the retail business of energy outsourcing, but our actions clearly show how we are only interested in commodity. We are telling customers we are interested in doing DSM type projects and once the deal closes we drag our feet to never do projects. Our competition will eventually get us.

- Please take a good look at management. They're so busy trying to create their own kingdom that they seldom make time to greet anyone, much less new hires that this is left up to the Admins., which is okay but management need to realize that they are the leaders and a representation of Enron as we Admins. are a representation of our groups, esp. of our leaders. Management in general are very "as a matter of fact". We need classes/seminars mandated for supervisors and above regarding their management skills as they are giving Enron an awful reputation. Ken, it is sad that Enron is no longer "the company to work". People actually FEAR working at Enron, that's just not right. I'm in a group where 10 + employees have left to work outside of Enron all because of management's inability to "manage" what you've built - they're bringing your company down Ken. Please address this issue.

- Our group, URM, recently got hammered in the PRC review process because the group lost money. The thing

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is, the deals we lost money on were signed before 90% of us even got here. I have heard the low rankings were to encourage people to leave. This may make business sense, but it is completely lacking in respect and integrity since the rankings are supposed to give the employee a gauge of how they performed, not be used as a cheap downsizing tool. This may be naive of me, but I want to work somewhere that is honest with their employees.

To further the theme of the lack of respect, we were moved from EES to EWS about a month ago (could be more), and our new VP has STILL not spoken to us. This is INEXCUSABLE. He may be busy, but we are busting our butts for him and he has not even had the decency to acknowledge us - much less give us a vision. The morale in this group is very low, and without major change, there will likely be an exodus of people.

I am not alone when I say this is the most poorly managed group I have ever been around. I don't know if the rest of Enron is like this, but if it is, I want out.

- We've lost our way. Some of our executive leaders have forgotten what got them to where they are. Call it youth, inexperience or just plain arrogance; we have moved some of our talent too quickly too far. They lack the discipline and maturity to lead a world class organization such as Enron. Much of this has been taken care of with the recent executive exits but we have more to address. We need leaders that believe in people not just themselves. The company is full of such leaders, but somewhere along the way we lost our way...we became brash. We need leaders who inspire, care and bring out the collective best in our people.

Thank you for asking for my views.

- Overall, I think Enron, and especially my group, (Jenny Rub's group) is doing exceptionally well. There are too many bright people here at Enron that love this place (and you Ken...) for Enron to fail. Now if there was a thing that I could do, it would be to get rid of all the slackers that don't work as hard as I do. I swear there is a LOT of lollygaggin' goin' on. But that would probably exist in every company.
- Until I posted out into my new position, I tho't Enron stunk as a company that didn't at all walk the talk of Values and Visions. I had a horrible situation with a department that was completely dysfunctional and it started at the top with the Managing Director. I even enlisted the help of HR and they were as intimidated as everyone else. I nearly lost my job over going to HR. I hung in there because I wanted to work for a company that could give me a solid opportunity to prepare for my retirement and I was proud to say I worked at Enron with only the "best." Now, I'm in a terrific place with terrific bosses and coworkers. Not perfect, but so much better, I no longer have chest pains. My former experience sent me into therapy and the use of antidepressants. Our Values and Visions need to be enforced. I received a very good review with no significant problems from my current supervisors.

The open concept of work stations is quite frankly, not a good idea for all departments. I think that more tho't should go into determining that employees in some departments need more space, quieter space, private space. It is way too distracting. No offense Mr. Lay, but would you really like to sit in an open stadium and try to have phone conversations or compose documents, letters, presentations in an area the size of a table top with very little room for files or desktop necessities. The open concept leads to inefficiency in many areas.

The PRC is absolutely dreadful. I understand that we need some type of measurement to weed out the employees who are not up to par, but twice a year. We spend way too much time on the process. Also to force rank individuals is hateful. You lose really good employees that way. Also, the process truly does not work in many situations. If a supervisor is out to get someone fired, he has total and complete power of the person, whether or not the person in question received good feedback from others. Many times I've seen supervisors completely disregard any feedback from others while reviewing the person in question entirely on their own. Not at all fair.

United Way - if you would offer the employees an additional day off if they contribute to the United Way - everyone would. We do it in our department and we are always 100%.

We have too many website and too many ids and passwords. Can't we discover a way to reduce these to

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make gathering information more efficient? I have about 15 passwords and ids at this time.

This company has so many awards, plaques, trips, etc. for people in management positions. What about the ones that are supporting all of these managers. They like recognition as well. We all make Enron great. If I didn't get my mail efficiently, or my copies completed or my phone answered friendly, my performance would suffer. Let's develop something for the support staff to strive toward.

Thank you for this opportunity to "vent." I'm very pleased that you are once again at the helm. Enron truly needs you as we have slipped dreadfully from grace.

- Mr. Lay I am a employe with florida gas transmission company for 23 years out of my 23 year with this pipeline company I do not know of any blacks that has ben hire with this company in my region in the last 20 years I feel like this sure be a concern to the company because is a concern to me by being one of the black employe on this pipeline . thank you for giving me this lime to express my feeling.
- 1) Throw out the forced rankings in the PRC. If someone is doing an adequate job they shouldn't been penalized because of forced rankings. It is also a deterrent to hiring and a demoralizer.  
2) The company (Executives) are communicating. Managers need to communicate better with their staff. My boss promoted one of my employees without telling me. He also has her report to him, also without telling me. He never communicates details about deals we need to know. He couldn't even tell me how I could improve my performance. I am not even sure he knows what I do on a more detailed level. I don't even think HR can do anything about it. I could give unsolicited feedback in the PRC, but I have no faith that his boss would handle it properly.  
3) More IT help at a reasonable price. There are several good projects going on or that should go on, but it's "not in the budget" to have them done or there is not enough personnel. "My" programmer may be working on multiple projects at once and it's taken two years to get two of my projects nearing completion. I have several more ideas but not enough IT to get them done.
- Primary issue at this point concerns messages being sent by management to employees through evaluation process. Rankings often do not align with messages delivered, leaving individuals at a loss concerning what actions need to be taken to improve their position within the company. If you want to reward or penalize behaviour, make sure the individuals understand WHAT is being rewarded or penalized.
- In the past few months the morale has gone from upbeat by the employees to a snarling mass. There is no room in some areas to move, let alone work, the noise level is hideous and without the ability to focus, mistakes are made and, as we all know, mistakes are costly.  
The IBUYIT system is a joke. Approvals are being sent to people that have nothing to do with payments, and this delays the payments. I have heard that Enron can not get a check to the vendors on time so everyone is now using the wire system, it seems that the Enron Treasury department can work faster than IBUYIT...This issue needs to be addressed before the public starts complaining that we can not pay our bills and Enron becomes a credit risk....  
The PRC system is okay in some ways, however to get dumped into a group of others because they are also "clerks", "Specialists" or whatever grade to be rated is an insult. There are people in this building that are here for 8 hours a day and they work maybe one. However, they are rated the same as the person that is here from 6 am to 10 pm and works all those hours. Also, people are reviewing others that know nothing of all their job duties. They may only interact in certain situations.  
Since Ken left and Jeff took over the position the morale and ethics in alot of areas have gone to pot. I am hopeful that with Ken back the situation will correct itself and people will take pride in being an Enron employee and that the "outside" will see again how great Enron is.
- 1) The PRC process needs to be corrected. A fundamental issue affecting everyone's view of the situation is that for any one employee to win another must lose. We all agree with a need to judge performance on a regular basis, but it would be so much better if all of the categories on the PRC process were taken into account in the

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ranking. For example, I as well none of my friends here can identify either of the following scenarios (i) someone who was ranked highly (2 or better), but had relatively little P&L impact counterbalanced with being a team player in getting the work done and more importantly (ii) someone who was ranked (3 or below), but had a tremendous P&L impact with an attitude not in line with Enron's values. Boiled down to its core, I think the general attitude is that there is no reward for following the values and/or contributing in the other ways outlined in the PRC process (i.e. nice guys finish last or conversely toot your horn the loudest).

Our senior management is too filled with ex-traders at the moment. You can not escape the trading company paradigm unless there is more diversity of experience given to other talents in the company.

Find a way to reduce the arrogance in management as well as the troops (i.e. pride cometh before the fall). This attitude in the troops results in complacency also.

One final comment is that everyone complains about where the stock price is and I can be counted among those, but let's take an objective view of the situation. Enron in 2000 was cash flow negative (taking into account operations, investment and financing) except for the saving grace of our working capital position contributing \$1.77 billion to the positive. So if one were to focus on the quality of our earnings, you would from an outsider point of view conclude that there was no quality especially in light of \$400MM+ being poured into broadband and the low likelihood of ever receiving a return on the money. Wall Street has taken notice of all of these factors and has awarded a trading company's multiple of between 15 and 20 times earnings. So all in all, although I do not like it, we are probably trading at or close to fair value. The unfortunate thing is that for this company to change its stripes will require both or one of the following things: (i) EES being cash flow positive or (ii) our origination activities completing some large score. Unfortunately, capital is key to origination achieving success and that seems to be in extremely short supply today given our cash and cash flow position.

I am sure there is a way around the confidentiality of this response. If you find these comments interesting enough, please feel free to track me down and I would be willing to discuss personally these or other topics of concern whether or not we ultimately agree because I believe open communication is key as you expressed at the all-employee meeting.

- Employees and stockholders want ethical investment. We want issues such as human rights, corruption, and political freedoms to be taken into account in business decision-making. These affect Enron's global reputation, the soul of the company, and profits in the long run. We must question our business in places such as communist China and Nicaragua, for example.
- The PRC process needs to be based on true work performance, innovativeness, etc. not on a popularity contest. I realize that it is important to build relationships but many times the difference between one person's ranking and another's is their popularity with one outspoken decision maker in the PRC meeting.

Have consistent and clear criteria for the various rankings. What does it take to get to the top level? Some groups believe everyone starts at the top and gets pushed down compared to others. Some groups believe that everyone starts at the second level and only those who have maxed out in their current position and should be promoted get the top ranking. I see employees doing a good job but nothing outstanding and getting the top ranking while others who take risks and do something new only get the second or third ranking.

I know many contractors who love working at Enron but who would never consider converting to an employee because of the brutality of the PRC process. You would think they would base this kind of decision on something like compensation or benefits instead.

- While I don't know all that is going on in the company, or what information might be being withheld (if any and for whatever reason), I feel that the Office of the Chair is doing a good job of communicating its reactions and goals in light of the significant events that have occurred in the past month. I am confident in the future of our company, primarily because of the high level of confidence exuded by Ken Lay.
- Although I am a contractor, I bring a lot of potential to the table. I have an MBA in Finance with a GPA of 3.842, experience in management, marketing, budgeting, etc., yet I am in EES just continually churning out copies of

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## Response

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bills -- sometimes the same ones over and over. I feel like I have a lot of energy and potential, yet I am locked in a box. The politics of the EES organization has become quite ludicrous in the past couple of months. The constant re-orgs and re-deployments have created an underlying paranoia that encourages employees to stretch the truth and ad lib about what they really know. I also believe that this significantly affects the ratings of the PRC as supervisors constantly change and people are fearful of losing their jobs. I have read "Who Moved My Cheese," and am definitely an advocate for change, however I went on vacation recently for 4 days only to come back and learn that we had undergone 2 re-orgs. I am finding that constant re-orgs allow people to dodge accountability. I often find a number of costly mistakes made by the so-ranked "ones" and "twos" of our organization. Employee morale has taken a beating in this department, especially when it comes back to not what you know, but who you know. Overall, I really like Enron and know that other departments and organizations are not as chaotic. However, I am probably about to leave Enron to be hired directly by a competitor. It is sad to think of the investment that Enron has made in me only to be lost as a sunk cost. Thanks for the training!!

- There has been a serious talent drain in the so-called "back office" functions at Enron, particularly accounting and tax. In my opinion, this is attributable to three factors: Below market pay, lack of appreciation for contributions of the back office, and general employee morale.

The below market pay factor is being addressed to a symbolic and one-off extent by the new stock option issuance. A more concrete measure was taken in response to market studies that indicated that tax professionals were significantly undercompensated relative to their peers in the industry. This measure should also be taken with respect to accounting, particularly at entry and mid-levels.

The second factor, lack of appreciation of the contributions of these areas of the back office is far more difficult because it seems to be endemic. Despite all our efforts to portray Enron as something more than a trading company, traders and originators get the respect, the compensation, and the credit for Enron's successes, without regard to how much back office talent, know-how, and creativity went into those successes. On the other hand, the back office is held strictly accountable (as it should be) when things go awry. In this regard, Enron needs to make a concerted effort to understand and recognize the contributions of the back office. Even more importantly, Enron should broaden the accountability of its commercial side to cover not just the closing of the deal but its implementation to give incentive to the commercial side to involve commercial support on a timely basis.

Finally, on general morale, the PRC process needs to be improved and quick. Get the stock price back up. And keep the faith.

- I believe one of the biggest challenge we all faced this year was the constant changes in management. Based on these changes, it was difficult to gain traction on deals and initiatives. As a result, individuals were penalized at PRC for not closing these transactions. Management took no responsibility for their lack of direction in this instance. I realize there will always be changes, but this should be taken into account as "Barriers" in the PRC. Regarding PRC process, we should do away with the company-wide cross calibration. It does not make sense to compare individuals in a peer group to one another just because they have the same title. Individuals do not all do the same jobs and therefore should only be compared against others in the same job functions. Also, management uses the PRC process to "get rid of" people they view as performance issue instead of addressing these issues as they arise. In this instance, management should be trained to deal with performance issues and evaluated on these skills. Regarding the issue of respect and integrity, I believe there is very little team work at Enron. It seems people are encouraged and rewarded on closing deals, regardless of how it gets done, and even if it means jeopardizing what someone else is working on. The ideal approach is to identify the synergies and opportunities to support one another. One of the characteristics that makes GE the leading company in the world is its "boundaryless" approach to business within the company. It really promotes team work. We have worked with GE for over 12 months on a transaction and have seen instances of individuals in one GE company help someone else in another part of the company with a transaction. In light of Enron's new vision, this might be something to emulate. A particular legal group has been an issue this year. Is the role of legal to dictate commercial terms and

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prevent deals from being done, or support the commercial groups by advising on how to mitigate risks so a deal can be done? Also, the level of service is atrocious; phone calls and emails are very seldom returned, and the only way to get an answer is to physically show up unannounced at the lawyer's door. I believe the business units are legal's customers and should be treated with respect and a certain level of responsiveness. Do we treat our external customers like that?

Human Resources remains a disappointment. They have shown no empathy or respect to those who are on re-deployment or being severed from the company. I have knowledge of instances in which HR knowingly provided inaccurate information to re-deployment candidates and had security escort out individuals who were severed. Additionally, HR is supposed to be facilitators of the PRC meetings to ensure all guidelines are adhered to and fairness prevails. However, I have observed instances in which they allow old tapes and irrelevant information be discussed, adversely affecting an individual's rating. While most individuals in business units are cost conscious, HR seems to believe this does not apply to them. There are instances in which they have allowed company-sponsored cell phones, corporate credit cards, laptops, Palm Pilots, and other company property leave the building with an individual who has severed from the company.

Overall, I believe most of these issues stem from lack of maturity and leadership ability in our Senior and General Management pool. It seems our management was promoted and rewarded on the dollars they make for the company with total disregard for management skills and values. It is time to see leadership that can balance business acumen, fairness and values.

Overall,

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

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

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

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

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

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

- I think it is a shame that there is only one(1) job opening for Portland, Oregon. Enron has made it very difficult for me to keep my job. I love this company probably more than any VP, Sr. VP, Director, COO, even more than KEN LAY himself. I want to stay with this company not just because I get good stock or the pay is good. I want to stay because I believe in what Enron is doing. This makes me very sad to see such a beautiful thing disappear into thin air. I started out in Telecommunications with Enron and now I am in Physical Security, why the change of jobs because I will do whatever it takes to stay with Enron. Mr. Lay, I hope you are reading this and not just

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some Assistance whom will look at it and say "whatever" and hit the delete button. If you do by chance get to read this I would for you to reply to me that you actually got to read this. My e-mail is reginald\_howell@enron.net. Thank-you

- About 5% of the EES sales force that created EES remains. Pinnacle award winners, chairman award winners, and lead sales people have all been put into sideline jobs or released.

We built EES, saying we would treat our customers as clients, not counterparties (as they were treated in ENA). With the severance of a large part of the former sales force and the importation of a large number of ENA sales into EES, that is changing.

Letters to management should not be routed to human-resource people for tepid responses. In thirteen years with Enron, I delivered a lot and received varying levels of response back from the company. On the one time when I felt I was completely abused, I wrote to Ken Lay about the incident. Six weeks later, I received a tepid letter from the head of EES HR stating that the company was happy things worked out (they didn't) and that they were glad that I found something in the company. My assessment of the company's commitment to integrity and respect changed dramatically that day.

- Enron is a great place to work. I am committed to it's success as are the vast majority of the people that are part of our Enron "team". I believe that we have taken a hit in the last year as it applies to public opinion, largely due to issues that were/are out of our control (Dahbøl, California, etc.). If we work hard to change the direction of public opinion, and continue to strive towards our goal of being the World's Leading company, I believe that the other issues (stock price, employee retention, etc.) will be positively effected.
- 1) The PRC 'suggested' percentages do not support the fact that Enron hires and maintains the best forwork in the world. To say that 15% of the employees are performance issues and need a probation plan is contrary to the message that we have the top talent. Additionally, we have more that 5% of our staff that is truly outstanding. Why does PRC 'suggest' a distribution? Managers, with input from others, should address only the TRUE performance issues and not be 'encouraged' to rank a fixed percentage as unsatisfactory.

I love our values. We need to add teamwork to the list. If everyone pulled together, Enron would be even MORE successful. I would like to see more rewards for team efforts and self sacrifice for the benefit of the whole (Enron).

Some people (myself included) are excellent at mentoring staff and making them more successful....which makes Enron more successful. I can accomplish more by being a good manager of people than by being an individual hero. I do not feel that Enron currently recognizes that skill set. Some people add the most value by being a coach, but our reward systems do not recognize that skill.

I am sooooo glad Ken Lay is back!! We need to have someone in the CEO chair that is personable, warm and that enlists the trust of others. Jeff is brilliant and a terrific 'second'.

- I think there is a "hidden business" at Enron, simply from identifying opportunities to leverage business contacts between business units. We're so competitive, I think the businesses could care less about helping one another. To have a true Network effect, this has to change.

I think the PRC system is great. If I could suggest one change, it would either be that we be more open about what happens inside the room or just not communicate about it at all. That's what most companies do about their ranking systems. If anything, we've been too open, and only up to a very tantillizng point.

I think the fact that so many people ask benefits, work space and other personal questions at Mr. Lay's all-employee meetings is indicative of the fact that we have created a real "me" focused culture. You can't argue with success (the company is doing great), but it bugs the heck out of me when people do that. I came from a manufacturing company where even factory workers would never even think about asking the CEO those kinds of questions. I have no idea what can be done about this -- nor am I even sure that it matters given that we are, in fact, in an intellectual capital business where we have to take care of the people -- but it's just an observation.

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## Response

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- 1. Until recently, I was proud to say I was an Enron employee. Lately, several things have damaged Enron's reputation—for example, California, Dabhol, constant flipfopping by management re. our business strategies, Skilling's imprudent public remarks, and publicity regarding PRC. I am hopeful that Mr. Lay's return will help restore Enron's reputation and stock price.
- 2. The risk assessment and control process seems to be at the same time both too stringent and too lax. The process can be gruelling, yet transactions are approved that everyone except the commercial person and top management believes should be killed.
- 3. I see a need for greater management oversight over activities of one of the co-managers for the business group that I work with. He is taking off much more than allowed vacation, I believe without proper reporting of his absences. He has provided for extremely generous compensation (generally to be paid by the other party to the transaction with the result that those terms are not reported in a DASH) to a consultant to his group that happens to be a friend of his. The terms of the compensation are such that it causes one to wonder if something unethical might be involved. The terms are known generally within the group, and other employees wonder aloud how he manages to "get away with it." In addition, his treatment of employees in the group is disrespectful. He frequently harrasses, embarrasses, belittles, or humiliates employees in staff meetings.
- There needs to be a better work/life balance. For example, I want to go on vacation and not feel compelled to check voicemail, email or take my cell phone. The downside about this job is that it is all-consuming -- I work nights, weekends, vacations. There is never an Enron-free break. This is a surefire recipe for burnout -- and resentment.

I do not have complete confidence in upper management -- I truly believe that Jeff Skilling's resignation left us with an enormous void -- we do not have a strong "second string" management team, with the exception of Steve Kean. It would help externally if Ken Lay made a commitment to stay for a set period of time -- i.e. he will remain as chairman and CEO for at least two or three years. At this point, if Ken left, I would leave, and our stock would plummet.

I am concerned with our ethics and integrity. While I believe that we are always within the bounds of the law, I think we straddle the line consistently. An example of this is LJM -- while there may not be anything illegal, the appearance that our CFO personally profited -- and that the board had knowledge of the situation -- could send our stock into a tailspin. The "Lavo" situation in Canada is another example where we were within the bounds of the law, but had the appearance of impropriety. Analysts and shareholders do not trust Enron to provide the "straight story." I do not have confidence in our investor relations team.

I am also concerned that credit is not given to good managers. They are not held accountable for providing feedback, and their management abilities are not taken into account in the PRC. The only emphasis is on results -- not on interpersonal or management skills.

The stock price is the single most important issue. Morale is low because the stock price is so low.

- The stock grant of 2000 is horrendous at an \$86 strike price. We realize the difficulty involved in undoing this, but employees who started in 2001 have a very significant gain over employees hired in 2000 - clearly and very unfair. Our stock option program, going forward, should be 'restruck' for unvested options! This is on every employee's mind. The grant made by Ken probably saved the day for many, but we're still worried about the remainder of the options. At this point, it looks better to many (somewhat whimsically) to quit and come back in a few months to get the better option grant!
- 1. The PRC process is generally a good thing, but I have personally observed the following: a) forced ratings to fit a normal curve is wrong, b) managers and directors have changed the ratings of employees from their peer/client ratings, c) frequency should be changed to annual only, d) My job classification was changed for the PRC process rankings only (From IT Consultant to manager) which caused my ranking to suffer.
- 2. I would hope that Sr. management will not rest until you can convince the analysts and trade press that Enron has significant value that they are not currently recognizing. They have taken out the value of EBS, but they have gone further. Our positive financials should convince anyone that Enron is a great company to invest in.
- 3. Mr. Lay is doing an outstanding job. Most people I talk to feel more comfortable with him at the helm than

# Ken Lay

## Response

Jeff because there was a perception that Jeff did not value our assets as highly as Ken does.

- 1. It is criminal the way Lou Pai and Ken Rice were compensated given the dilapidated condition of EES and EBS.
- 2. It really ticks me off when I see my group making a tremendous amount of money, and then hear about EES losing a tremendous amount of money because of their lack of internal controls. The lack of leadership and management within that unit has been astounding, and the fact that nobody seems to be held accountable is criminal.
- 3. My group is in a satellite office that has done extremely well. Only once has the leadership in Houston visited, and not once did anyone say "good job" or "well done". It is simply unsatisfactory leadership. You need to see the troops.
- 4. Compensation is a true concern. Enron claims to be a meritocracy and to let the market determine price. However, as a company we generally have no idea where the market is for people who work here, and are surprised when people leave after being "low-balled" on salary. On the positive side, my direct manager is very conscientious and has made dramatic efforts to improve this situation in my office. However, despite his efforts, my group has recently lost 2 very talented people.
- I have full confidence in all officers in the Office of the Chairman and am very pleased with the recent announcements. I believe that there is a serious problem at lower level management. Our business unit has lost some very capable and talented employees due to the management style of our business unit's President. He has absolutely no people skills and encourages negative reviews to increase productivity and limit pay increases rather than rewarding behavior that that would benefit Enron. My immediate supervisor has had no management education, skill, or training and the vision being cascaded down through the ranks is primarily negative. I appreciate the confidential aspect of this survey but fear that my responses may be taken as just those of a disgruntled employee, therefore I am including my ext. (3-5368) in the event that anyone should want to discuss my responses.
- I think in EES particularly, advanced too many people at too young of an age. They may be smart innovative people, but have no management experience. Too many sales reps received huge bonuses for closing bad deals and now they are VPs. People tend to get promoted who are undeserving. GE has four types of individuals. 1. Individuals with character and close deals. They stay. 2. Individuals who have good character but aren't adding enough value. They get another chance. 3. Individuals with neither, they are gone. 4. Individuals who bring in a lot of value but no have no values. They are gone also. Enron, unfortunately has too many of these individuals in management positions. They are self serving and only looking out for themselves. This is going to kill Enron in the long run. Too many managers (ie. managers, directors vp's and up) who have their butt in one job and their head in the next. This is a huge problem. The PRC process has put fear in all employees causing backstabbing, withholding information, horse trading etc. Only to find out that the majority of the employees received a 4 or 5. If everyone is so bad, then fire HR and the managers that hired the employees. Every Manager should do everything possible to make sure their employees are learning, contributing etc. If they aren't, then they fail as managers as well. I use to find Enron as a great place to work. AS you can see by the above things I like, those are the wrong reasons to stay with a company. They aren't satisfiers. I do however, like that Ken is back. I do trust him.
- Mr. Lay,

I believe that you sincerely have a heart for the good will and the success of everyone at Enron. Thank you for that, it shows! I have been proud to tell people that I am with Enron when they ask. I do believe, however, that most of the excitement has left our employees. I have had the privilege to be here since 1985 and enjoy the interesting but FUN development of this energy giant we call Enron. I know that we will continue to grow and change, but we need to find a way to return the excitement and make it fun. This would improve morale, which would carry across to the following: productivity, growth, risk taking, new businesses, better public relations, and ultimately the NEW old Enron Corp that this nation and the world will respect even more than they do now.

Thanks Again,  
Steve Perry

EC2 000046265

Thursday, September 16, 2001

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# Ken Lay

## Response

- I've been with Enron almost 14 years. I always believed as long as Ken Lay stays in charge it would be a great place to work. I still believe that. However, I can't help be a little nervous about the departure of a lot of top executives. Is there a reason we don't know about?
- AS AN INVESTOR AND AN EMPLOYEE, I AM RELIEVED THAT ENRON IS ON THE RIGHT TRACK NOW. MY PRAYERS ARE WITH MR. LAY, THE BOARD, AND THE NEW MANAGEMENT TEAM. WELCOME BACK MR. LAY, YOU WERE MISSED MORE THAN YOU KNOW!!!

- Mr. Lay,

I believe that in general the PRC is a good system. I would like to point out several things that may have not been considered.

A little history: I am an employee that had moved up the "chain" quickly until my current boss came into the picture. The flaw in the PRC system is this: If you have a personality issue with your boss, you do not stand a chance for a descent review. If he says nothing in the PRC meetings, you naturally move to the lower end of the scale. This has been the case with me. Regardless of any positive feedback from my reviewers, if he chooses not bring to light your positive attributes, you are not seen as having a positive impact for Enron. I'm the only one in the group that does not go have beers, etc. with my boss on a regular basis and I was the only one in his group rated this low. Every stated example in my review, that to my boss was a failure, was in my eyes positive. Example: He said that during our ENW PRC, I did not "sacrifice" any of my people to be moved to a lower category for the sake of the "whole" group. This was the example he cited as me not being a team player; hence ranked me very low in Teamwork (he put this on my review). I ranked my people the way I saw fit, and "went to bat" for them, now I'm a bad team player in his eyes because I did not "sacrifice" someone. Is this a valid issue? I can give you several documented examples of this type behavior.

Realistically, once you have a bad review, your career at Enron is finished. I was/am extremely dedicated to Enron and have given numerous extra hours not saying a word but with nothing to be proud of anymore. The majority of my peers used to see me as respectable until my boss undermined my credibility. I know that it is not just me because a few of his direct reports have come to me saying the same thing is happening to them. Mr. Lay, I have spoken to several good, intelligent ex-employees that have left Enron because of this issue. I have resigned myself to the fact that as much as I think Enron is a great company, I will have to leave.

The way I see to correct this is to have ALL feedback given in the PRC's in a timely manner so as not to make the process much slower than it is today.

Please take this as a neutral observation and not a complaint. If you want Enron to do well. (I have a lot of stock still in my 401K.)

Thanks for your attention  
ENW It Infrastructure employee

Ps. I'm not sure if my name is associated with this. If kept completely confidential, I will talk to someone about this. Cell phone 713-503-1730.

- We must strive to repair our image both internally and externally. I believe Ken has a tough job, without Jeff, because they were seen as a team with a shared vision. However, if anyone within the current organization can put things back to "the way they were", I am certain Ken is the one.

In addition, I have seen many occasions where Enron promotes based on the status of "friendship" and not based on who is the most qualified to do the job. This concerns me greatly as a shareholder. FYI... I do not say this from personal animosity. I have not been passed over for any job I wanted. I have just scratched my head many times over some of the individuals being promoted to traders. Quite often there are much more qualified individuals within the organization, yet they aren't "connected". This needs to change. It is critical that we utilize the brightest people in the most effective way.

- The forced ranking part of the PRC must be eliminated! You may (1) rate me because I need to know my strengths and weaknesses, (2) rank me with my peers if you need to know how to split up the compensation

Thursday, September 06, 2001

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# Ken Lay

## Response

pie, BUT DO NOT FORCE RANK ME BECAUSE WHEN YOU PLACE PERFORMANCE TAGS BESIDE NAMES BASED SOLELY ON A PREDETERMINED CURVE THEN THE TAGS RELATE TO THE CURVE AND NOT TO THE INDIVIDUAL! It is poor management

to wake up one day and say, "Well, it's February so we must fire 15% of our work force this month." Forced Ranking means that one can never be satisfied with the department. Management should be required to rate employees, determine those that are unacceptable, and fire them....that is managing the work force.

Simplify the explanation about Enron's business plans. Mr. Skilling's last (and Mr. Lay's first) was that Enron is a logistics company not a trading company. This is a silly distinction without a difference. What products do we move around? We must focus!!!! Plus, a logistics company is not exciting to an investor. I think that we are an energy company that is an experienced market maker. Now we could just tout Enron as able to create a market in anything and everything, but that gives absolutely no security to an investor. What will Enron do next???? The prudent investor wants to know. It was ok not knowing during Enron's hot streak, but after Broadband investors will not blindly trust Enron to make money without a focused business plan.

Enron needs to return to "RICE". Pull down the signs in the lobby that equate "Open Markets" on one side of a sign with "Respect". That sends a terrible message.

Upper management must be Honest with investors and employees. We were insulted by Mr. Skilling's non-explanation that our stock price drop was due to the fact that "we got caught up in a compression of P/E ratios". He attempted to blame an unknown force instead of pointing out that about \$35/share of the \$85/share price had been Broadband and now that value was gone. BE HONEST.

Furthermore, show RESPECT the last few years Enron has become an arrogant bully in the market. The attitude demonstrated in our commercials that "Enron is brilliant enough to unuddle the markets around the world" is unbridled arrogance. Our commercials stating that without Enron all markets consist of traders blindly buying and selling without any idea of the proper pricing offends everyone. It tells the world to please just hold out long enough and then father Enron will make it around to your particular market and clean it up for you. We must show some RESPECT for customers, markets, other traders, governments (i.e. Enron should not promise the world and then sell down and leave the foreign country with another entity performing), HUMILITY at least internally.

I applaud aggressive, hard nosed negotiation, and making money for shareholders...and Enron has made money...but...I have the feeling that investors were "holding their collective noses" when they invested because Enron was not (1) enjoyable to pull for nor (2) understandable (i.e. how do they make money?).

- Ken is inheriting back a company that is experiencing low moral. But if anyone can pull it back up, he can—because he truly cares and he shows that, evident by this survey. One used to have pride in working for Enron, but I think that has slipped the last six months.  
I do think that the PRC is not a fair process and have real problems with it. It definitely needs to be looked at and re-evaluated.  
My faith in Enron is back at the top with Ken at the top! I trust him to surround himself with good people.
- I'm glad Ken Lay is back!
- I see weakness in mid-management levels, and a general lack of people organizational management skills. The emphasis is on a lot of bright number crunchers, with no importance on the skills to implement. A lot of importance on raw intelligence (as there should be) but little importance placed on experience and knowledge. Company rewards activity over performance—many who will work 24/7 are rewarded even when they cost the company money. No tolerance for those who try to warn of possible weaknesses in strategies. Tech staff are treated as second class citizens (obviously, I am Tech Staff), and often the rewards are given to the guys that inked a deal with little consideration of the people who made it possible for him to do it, often in spite of the "leader".

# Ken Lay

## Response

- I am concerned about the treatment of workers by immediate supervisors  
I would like concerns to be addressed without having words twisted and being viewed as a trouble maker  
Employees should be treated with the respect and integrity that Ken Lay talks about  
Personal opinions and office gossip do not belong on evaluations  
Immediate supervisors should not have the ability to keep employees from moving to another department
- I've been with the firm for 15 years. My title is Sr. Director. I've enjoyed working with Enron every year until this year. I never had to face such abuse and disrespect in our PRC process before. This year the process was used to place people in positions of fear. It was mis-used by inexperienced and untrained managers. The unwritten rule was if you wanted someone out of the company rate them as a 5. If the job performance did not fit the rating make it fit. Mr. Lay, take a survey of how many people left this company this year with more than 5 years of service, and check into the reasons why they left or why they were redeployed.

After layoffs and redeployment, people are treated like items Enron owns and want to dispose of. I can not tell you the number of meetings I've attended and new employees make a joke about how they can redeploy people. It is the mind set Enron has set and these managers and directors feel Enron will not take any action against them, and this is accepted by Enron's management.

- The PRC does not work. Bad concept. There are too many ways to game the PRC, and numerous chances of being unfairly rated.

The Enron Building and other offices need to be updated - The building floors are looking horrid. Is it that expensive to replace the cheap carpet every year or so???

Enron needs to review its hiring policies. There is too much emphasis on hiring the MBAs. Enron appears to have lost its middle level professional staff, and has replaced them with the MBAs with few skills, and no corporate or industry experience.

Why was the Dabhol project allowed to become mis-managed? I find it incredulous that the Indians were not aware of the costs and rates. Does Enron not communicate with its partners?

One more comment - I am very pleased that Ken Lay is again the CEO. Ken has the respect of the Enron employees and the investment community.

- Welcome back Mr. Lay. I did not like the Skilling era, however brief it was. Please learn from what went wrong in that time so that we don't repeat it later.
- We must attack diversity, Re-emphasize our Values, and retain assets that make money. See email to Ken Lay dated 8/15 entitled "Going Forward Jeff will be missed but not forgotten"

Instead of easels on every floor, put up pixie glass on walls and allow for poster to slide in it slots for display

PRC remove forced ranking for advancement but maintain it for bonus purposes. Educate people on the PRC process and train supervisors regarding giving feedback. Move from evaluating talent to managing talent

Select a minority for the policy committee

- I truly liked Mr. Skilling.....and have much admiration for him...but I have that comfortable feeling about working at Enron again since Mr. Lay is back in charge.
- The culture of Enron has changed, which is a good thing. However, I have seen some things change along the way that are not so good. I have spoken to several people outside of Enron that would like to work here, but they have a family and they say they cannot put in all the hours that are required. I believe on the street, Enron

# Ken Lay

## Response

has the reputation that it is a "sweat shop". I believe some of this is attributable to Middle Management. They like you to be here for long hours, whether you are productive or not. It is their perception that if you are here for long hours you are more productive. It makes it hard for those of us with a long commute (2 hours a day) to work those long hours which is required at many jobs at Enron.

I also believe that many leads and managers are not qualified with the proper people skills to motivate and coach others. Some just want to give orders and take all the credit. It would be nice if they would get input or opinions from their employees rather than making demands. This definitely lowers morale.

I have been working for this company for 20 years and have been rated a Superior employee over the past five years. However, since my commute is getting worse due to traffic and I cannot keep up the pace of working these hours, I feel I am required to look for employment outside of Enron.

- this place has gone to hell in the past year.

you're an economist, ken. read "the tragedy of the commons."

you made record profits then you, in effect, stole them with the bonuses. my bosses boss made more in bonus than the ENTIRETY of people who worked for him

you republicans are worse than the feudal barons.

you're a smart guy, lay, and you have some good personal traits. rise above the sleaze.

- Enron needs to REALLY support balance between work and personal life, as Jeff has now done. Most of us are in the "99.9% of the population" that don't have that luxury to balance it the way he has, as Jeff said in Business Week. Some years back in an ECT employee meeting, a question was asked about the lack of balance between work and family. The response was, "If you put your family first, then Enron is not the place for you." People still quote that statement.

The PRC has gotten out of hand. Some years back Ken supported the position that it was not needed in all business units due to the nature of the businesses. When Jeff moved to the Office of the Chairman, Ken decided that it was needed across the entire organization. I was on an employee task force in ENA charged coming up with improvements. We came up with a number of excellent suggestions that were provided to management. Not one was ever implemented. Far too much time is spent on the process. I have a number of reviews to do and in an effort to give meaningful feedback, I spend at least a full week working on the process twice a year. That is a lot of time allocated to a process that breeds contempt. I have been rated all over the board, from 1 to 4. I have found that ratings are too dependent upon who represents, what your political standing is with that individual, what that person's political standing is with the other committee members, and what your political standing is with the members of the committee. That is a lot of pollicking to do!

- I feel that lower management from Director on down needs some serious training in personal management, time management and a better understanding of how to switch roles from that of a technical position to a management position. I believe, more so in the Information Technology field than any other at Enron, that the Peter Principle is at play and to some extent, favoritism. I see some managers who clearly do not want to be manager's yet they have been forced into that role. Other Managers have displayed the inability to drop the technical aspects and grasp the people management focal point of their position. They struggle in their position simply because they do not embrace the responsibilities that they have been entrusted with or perhaps have poor role models as leaders themselves.

We need more checks and balances in place. Many at the bottom of the chain feel cornered when they attempt to address issues yet their ideas are either ignored or simply forgotten about. Currently, I just went through a transition and now have a new director. The transition took place several weeks yet our new Director and even our new Manager has taken the time to sit down with us and get to know us. I feel as a leader, they should be proactive in getting to know who works for them and discuss their visions for where they want their group or teams to go and what steps they feel are necessary to achieve those goals. I also feel as a leader, they should

# Ken Lay

## Response

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tap the best resource they have when facing difficult decisions -- the people who work for them.

- increase in dividends to shareholders, will this cause more investment?  
the direction of the company is fantastic, how do we as a company and its' employees convince investors to BUY Enron?  
communicating to employee's how to convince our neighbors, bussiness contacts, friends to invest in Enron, the future looks bright everything Ken said at the all employee meeting has a positive note to it. Knowing just how "WE SHOOT OURSELVES IN THE FOOT" so we DO NOT compound the problems with our stock prices.
- WELCOME BACK, MR. LAY!

The PEP and PRC are good tools, but forced ranking is completely detrimental to the work unit and Enron as a whole. In addition, having to go through the whole PEP system twice a year is a waste of manhours-about 4 weeks per year. Since Enron's work force is barely large enough to handle the work load, these four weeks could be better utilized.

- I honestly think that contractors and temps should have more of a break in a opportunity to become full time employess. There as been temps/contractors working at Enron for as long as 4 years.

I dont think that this issue has been taken seriously.

- 1) I hope this is really anonymous. We are having huge problems with ibuyit payables or ipayit as it is called today. These problems are not user errors as Rick Causey said they were. We have met many times with the ipayit chain of command and have showed them huge errors. This system has taken a process that my assistant used to spend two to three hours a week doing into a system that takes twenty or more hours if we do it right. What I mean by doing it right is checking our invoices before we code and approve one to make sure it has not already been paid. The system is very slow to use just to pull up the invoice to view it can take between 15 and 45 seconds, when you have 60 or 70 invoices a week this alone adds an hours time to everyone that has to touch this many invoices.  
2) Global Strategic Sourcing is a good idea but they have way too many people and too much time on their hands, they are all working hard to justify their existence (we all should) but they are playing a numbers game with the savings they claim. Two examples of this are:  
#1 They negotiate a deal with a vendor this year and it saves us 1 million dollars, the next year we double our business with that company. They have done nothing on the contract but this year they claim another 2 million in savings based on what they did last year. Could they rest of us base our performance on what we did last year?  
#2 They meet with a business unit to negotiate a price on a product we need. They ask for information on the deal. We give them budget numbers, let's say 1 million dollars, we give them retail price and our present Enron discount price. They come in and negotiate a price 2% below our present Enron price which is great, but when they want you to sign their deal sheet at the end they will try to claim the saving from the retail numbers or even the budget number. They should be claiming the delta between the present Enron price and the final negotiated price. This is the real value they have added, not some inflated number.
- I have been with Enron for 16 years and I would NEVER leave, I say for better or worse with you Ken! The stock price isn't doing good right now but so what?!!! I KNOW it will come back and I am no less committed to Enron now than when the stock was at \$90. I am so glad that you are back, you give us hope (thanks).
- If I am evaluated on NPV, NPV, and NPV, who controls how projects are assigned? For example, who gets the sites with high power rates and non-union labor vs low lower rates and union labor? Is this distribution taken into account during PRC?
- I think it is great that we profess "vision's and values" however, I think it is silly to profess these as most people do not follow them at all, including many of the folks at senior management levels.

I truly believe that not enough people have intergrity. People are constantly dishonest in their communications with one another. You never know who to believe and who not to. I've also seen on countless occasions

# Ken Lay

## Response

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vendors being treated unfairly. If I were an outside vendor knowing what I know now, I would seriously consider not doing business with Enron.

As far as communication and respect are concerned, I can't count the times I've been in meetings with MD level people who shout and use the "F" word. I'm no prude, but this is completely unprofessional and 180 degrees opposite of the V&V statement.

I am in one of the "service" business units and we are constantly harassed and criticized by admins whose attitudes are less than cooperative and team oriented. These admins have way too much power in this company. It is unlike any other corporation I've ever been associated with.

The business unit that I work for is notorious for not promoting people, giving small (if any) raises and running "lean" (being cheap in my opinion). While I am supposedly a star performer according to my peers, management and customers, I have little hope that I will be promoted or even recognized for my contributions. Had I known about this "lean" reputation, I probably would not have accepted this position.

Recently we were told that HR was doing a compensation survey for our area. We were also told that several people may get salary adjustments because of this. The next "communication" was that 4 people got demoted (Re-classed as some would say). The only way these people knew that they got demoted was by accident. One got a phone call from a peer in Portland saying "I thought you were a manager, but People Finder shows you as a Senior Specialist". Another was filling out her timesheet and just happened to notice that her title had changed. Our management blamed this blunder on HR and claimed to know nothing about it. I find that hard to believe. Instead of handling the situation immediately, our management didn't address it with the involved people until probably at least 1 month later and never addressed it with those of us who were not involved. Morale in this group remains extremely low because of this incident.

This being said, I am very pleased that Mr. Lay is back in the saddle. I hope that changes are made and that Enron again becomes a great place to work. I've only been here 3 years, but the change in that time has been shocking. The reason that I've been so candid in this survey is that I truly believe in Mr. Lay's ability to turn things around. Without honesty this survey is useless.

- In EBS, the huge uncertainty about the future is deviating attention of many from the challenge. Perception of another round of significant redundancy is highly distracting.

Perception of much of previous management "moving on" creates a perception of significantly less exciting growth going forward, of the past few years. If growth opportunities are slowing, then job becomes less exciting, and one begins to look for better paid jobs outside.

Redundancies at banks doesn't look so bad when they get 6 months pay on notice - Enron overall package is slipping badly, especially given share price fall.

There appears to have been an imbalance between number of and skill of senior commercial employees (Directors, etc...) including well-compensated "US expats" living comfortably on an overseas posting and lower level employees. I see too many "questionably qualified" directors overcrowding some teams. US expats issue seems to have been addressed recently - going in the right direction.

Enron has great potential and great ideas - Ken Lay admired widely and appears approachable - more than Jeff Skilling was - more open communication is, however, needed at all levels underneath Ken Lay to address real concerns which have been bubbling away under the surface through 2001 and were obvious to so many but appeared to be ignored by all levels of management.

This survey is evidence of it starting to be addressed properly and is welcome.

I am hoping management can address the challenge to retain talent at all levels - this is the chief reason for failure recently. People could

# Ken Lay

## Response

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- prc is a positive process taken to extreme, too much time wasted. the employee who performs a vital function who has little potential to grow is not tolerated, which is stupid. some people simply are role players, period and they have a lot of value! enron's way or the highway, we shall see if that works in our business, but, it appears arrogant. not sure front, middle, and back office structure works in all applications. need to polish image, post skilling (who did project an image of cocky self assuredness, not to say he wasn't good but the public and the market are fickle.
- While I trust Ken Lay and I trust my immediate Director I sometimes wonder about the management layers in between. Their methods of management seem erratic and sometimes even antagonistic, which definitely does not fit with our values (respect). I also worry about our accounting methodology (e.g. the Wall Street articles regarding our company and talk of "pro forma" results). I'm in one of the old "boring" departments that have steadily performed over the years helping support all of the new ventures that have come into existence. I would like to think that ALL the layers of management would share your desire for integrity and respect, both for customers and for employees (your survey would not necessarily show that because of the way the questions are worded).
- I believe that the management changes that have taken place in the last month are good for our company. Jeff, Ken, Kevin, and Cliff were very intelligent guys, but were extremely arrogant. Let's check the attitude at the door and go make some money. I felt like were spending too much talking about making money instead of going and doing it! I am excited about our new management team!
- I was offended with the recent communication stating the departure of Ken Rice and Kevin Hannon. Specifically, the part that gave them a very nice pat on the back for a job well done. Maybe I'm naive, but I think many of us know what contribution they really made and personally I would have appreciated the communication stating...Ken and Kevin have decided to leave Enron and we wish them the very best -- and leave it there... as this communication doesn't have any fluff that might not necessarily be true.
- With Ken Lay at the helm Enron will be restored to its former glory with a little time - confidence by all in-house and client base will be renewed. We ALL will have to give that little extra hump to reach these goals. We all should pitch in because only WE as Enron will benefit from these goals, but we ALL must try a bit harder and not succumb to too much gossip.
- Keep up with the surveys they are good for employee morale, I'm glad Ken is back - think it will be all right from now on.
- There should be more Enron and Enron contractor days or weekends so that we can meet more people that we work with. Maybe having a bar-b-que or something where we can introduce and meet others that work in the same building as we do.
- During Tom Whites heading of EES a lot of former retired ARMY personnel were hired. The problem is, these people have not "left the Army". They still "bark" orders and expect their demands be carried out without question. I worked for a retired 2 star major general in EES up until the end of July when I moved to another position - he WAS/IS degrading to employees under him, uses foul language, and has absolutely no respect for people with titles lower than him (he is COO). This was brought to the attention of my HR person but he is completely under the "thumb" of this person and has no backbone to stand up to him. Of course I suffered retaliation and now I am back with Enron Corp and enjoying it very much. This is not the kind of management that Enron should embrace!!  
RETIREMENT - I have been with Enron for 23 years and will be retiring in 6-7 years. The horror stories I am hearing about people taking retirement are unbelievable. There is NO ONE to talk to anymore. Everything has been outsourced. I called the 800 number last week to inquire about some benefits and the person I talked to was very nice but didn't understand a thing about Enron. Every question I asked I could hear her typing in the question and then reading the answer off the screen. Then all of a sudden she said - by the way how old are you. I told her and she said, well that changes everything, I guess I should have asked that at the beginning. For us who have been dedicated and loyal to Enron with our years of service deserve better treatment than this. We have questions and need answers, not some automated pick 1 for this and pick 2 for that, we need informed people to talk to that can answer our questions.  
I am pleased that Jeff Skilling resigned. He is without doubt a very brilliant man but has absolutely no people

# Ken Lay

## Response

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skills! If you ever asked the question about how to balance your life between work and family his answer was if you don't like working long hours and weekends - get out and find something else. This attitude has done a lot of damage to Enron morale. The layoffs with Broadband seemed to be handled in a very uncaring way. The day the layoffs were announced Enron ran a contest asking people to submit reasons why Enron reorganizes all the time. Poor poor timing!!!

I am very proud to be an Enron employee and the work we do in our community. I am very happy Ken is "hands on" again and will help to get people in the top positions that not only can bring our stock back and take Enron to the top but will also have people who care about the employees again.

If anyone would like to discuss any of the above comments I can be reached at 3-6107. I would appreciate the promised two-way communication.

- Not that it will make any difference; but I will tell you that the perception and daily discussion among the privates and corporals is that the Generals lost the battle and were paid EXTREAMLY well anyway. The ground troops now have to cut back and cut back and suck it up to make up for the Millions and Millions and Millions that walked away.

You know, when you win the powerball irrespective of your success or failure there's really not very much motivation to make sound cost effective judgments. Every single employee knows that Broadband was allowed to spend money like a drunken sailor on shore leave.

The people responsible for that failure and others (Dabhol, EEC) left here never having to work another day in their lives if they choose.

If I fail at my job I don't get millions, I just get shown the door.

People talk about senior executives being risk takers and thus justifying their compensation.

It seems to me that the only people really taking risks are those of us who don't win the Executive Compensation Lottery we just get laid off.

That's my comment; not that it will make any difference.

You know, having said all that, I still find Enron the finest company I've ever worked for (and I'm a fair amount older than the Enron average).

Ken, if you read this, there is a reason YOU received a standing ovation. PLEASE take care that your ultimate replacement earns and values the respect you elicit. The employees of this company find you an honorable man. Many of your senior managers recently would be found wanting in that category.

- Our company just joined Enron in April. It was a very welcome change for most of the regular employees. However, we are finding our area of the country is sadly lacking getting attached to the values and rewards of Enron. We are anxiously awaiting the heard about system of employees being allowed to pick people to evaluate them. Mainly, getting anyone in management to sit down and LISTEN to concerns and ideas the employees have. I understand Enron has taken over several companies and is much slower at the present in getting their values in place with these companies. Enron needs a way to get these promised systems into place.
- I strongly suggest that upper management throughout the company read an article called "The Human Side of Enterprise" by Douglas Murray McGregor, paying particular attention to the section on the Conventional View and Theory X. The ego and self-fulfillment needs of Enron employees (as outlined in the article) are not being met. I feel this has deteriorated in the recent past and needs to be rebuilt. I am very excited to have Ken back as CEO. It gives me hope that things will get back to the way they once were and management all across Enron will once again be united and in communication with each other rather than divided and only worrying about themselves and on a rare occasion, their own departments.
- Enron has moved away from being an employee sensitive company. All of our Visions are about being the largest, most profitable company in the world. All focus is on the bottom line - return to stockholders and no(limited focus) on employees. All we hear about is earnings, return on invested capital, cash flow, PRC process with forced rankings. What about employee morale? It used to be a great & fun place to work, but

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# Ken Lay

## Response

management has lost its focus on the employee satisfaction. All of the ex-management committee members have left the company with huge bags of money and the base work force is still left to carry on the work of the company. Bottom line focus is necessary, but there is a balance. It would be amazing to see how truly dissatisfied employees are and how they can hardly wait for 5:00 each day and for Fridays. It never used to be that way. Management must get the employees back into their strategies and make Enron once again a fun place to work. Also, management must truly walk the talk on respect - with the extraordinary focus on numbers, respect has taken on a false pretence. Not many employees really believe that Respect is truly practiced - you must meet the numbers and respect is trashed. Look at the compensation -- the big bonuses go to the #1 & #2 performers (Pay for performance!!!), but there is little recognition on the value side of the evaluations in determining the rankings. Bring in the numbers and you are rated high - despite how you rated on Respect, Integrity, Communications, and Excellence. We have been told Values don't impact ratings - only making the numbers does!! The balance has swayed a lot away from the employee and to just a bottom line to make Enron the world's largest company. What good is that Vision if the employees don't buy into it?????

- I would like to take this time to welcome Ken back and to say that I have the utmost confidence in his ability to bring Enron's reputation (and stock) back where it belongs.
- I am a contractor, so I don't really know if I am suppose to fill this out. I just wanted to comment because I do work in your offices and hope possibly to become Enron. I just wanted to say good luck to Ken, everyone seems to be pleased with your determination. I believe you can make Enron better.
- There needs to be a decision made and communicated about what is to ultimately be done with EES and the former EES employees moved to EWS and Networks. EES has failed. This needs to be accepted and action taken to only offer wholesale products. These products could be offered to customers which are considered retail. There is certainly money to be made in this regard. However, there is no money to be made in citygate/burner/tp transactions. Furthermore, any margin EES can get can not be completely hedged. EES systems are so primitive and fragmented, any value gained in origination is lost by EES's inability to properly book, contract, bill or properly represent it's trading positions. In other words, operational risk is huge. EES has been booking fraudulent revenues for years to meet it's goals. Even then, wholesale has been forced to bail EES out to the tune of several hundred million dollars. EES should be entirely swallowed up by wholesale. For the most part, the current EES employees will support and accept this decision. Most employees just want closure. An "in-limbo" situation has been in effect for over 6 months now. At this point bad news is better than no news.
- Thank you, Mr. Lay, for stepping back up to the plate!!!!!!!
- Please make restoring investor confidence the number one priority! We need to explain our infamous black box as much as we can. Too many people/writers/analysts just don't understand what we do and it's hurting our stock price. Please investigate what's going on at EPSC. It's the most miserable, inefficient company at Enron. (I don't work there but I deal with them.) Bill Donovan does not live the values. With the new building, we MUST have an efficient facilities management function. I don't care how small my cube is, I just want a facilities function that works. Innovation has passed up EPSC. Thanks for asking and good luck, Mr. Lay!
- Now let me tell you the major issue I have. Stan Horton in the process of saving dollars is allowing Phil Lowery to run our pipeline company to ruin. We are not allowed a budget that enables us to properly run this pipeline. We ask for O&M monies to paint and treat corroded engines and pipe. Is it there? NO! They say, "take it out of your existing O&M budget which is already so flat that it won't meet our day to day operational requirements. We ask for monies to mow our right of way so that we do not have 40 foot trees growing over our pipe. Do they give us the money? No again! "Take it out of your existing O&M budget" they say, knowing it hardly will support our failing forty year old equipment. The real sad part of this story is that people like Phil Lowery make promises to turn back 33 million to Stan so that he (Phil) looks good and prospers; you know personal gain without regard to others. Well we would like our operations to look good too and were not expecting great big personal bonuses in return. We just want a safe place to work, one that looks good, and something we can be proud of and tell others good things about. Oh, one more thing. Relieving the stress of trying to manage a billion dollar operation on a hundred dollar budget would help feelings around here. This is my opinion and I know that those in control will only say that I don't have all the facts. Well this is true, but this one fact I do know, we better get more monies to operate this pipe or we are in for hard times. Thank You for your time Mr. Lay and may we all

# Ken Lay

## Response

genuinely make this a better place to live and work. From a concerned Florida Gas Transmission Company employee.

PS. My intentions were not to do harm to Mr. Horton or Mr. Lowery because I do realize they don't have all the facts either.

- I am glad the you are back Mr. Lay because your present in the for-front makes a difference for Enron.
- I believe that we need to spend more time focusing on our values with an attitude of 0 tolerance. I have seen a lot of employees mistreated and shown absolutely no RESPECT. The most disturbing thing concerning the RESPECT issue is that when an employee speaks up and voices their concerns they are told they are being too sensitive or taking things the wrong way. They are not taken seriously. I would suggest that we focus on our values to the point that they are understood at all levels....from clerk to VP.
- 1. Reevaluate our aggressive mark to market approach to booking earnings. While it makes sense to work within the letter of the accounting law, I've become uncomfortable that we are pushing the limits within illiquid transactions to recognize income today at the expense of carrying forward risks that will hit earnings in the future. For example, using insurance to guarantee the mark to market value of a business unit's spread in a 10 year deal so it can be taken into earnings. By by insurance, they satisfy accounting requirements, but they are paying away a significant part of the economic value of the transaction to gain the upfront accounting treatment I believe this aggressive approach has hurt our credibility on Wall Street and contributed to the quality of earnings question being discussed by many.  
  
2. Over the past 6 months, my interviews of associates/analysts and managers has been disappointing. There is a clear trend away from taking career risk by getting involved with new business ventures. Several have liked the job opportunity, seen the upside potential and yet have decided against taking the job because they wanted a safer more secure business area to work in. I believe this is more than a reaction to the failure of EBS. It reflects a commonly held belief that the people who take risk and try to start up new businesses within Enron don't get compensated in the early days for taking that risk. The PRC process and bonus allocation at year-end reinforce this. The message coming across seems to be encouraging a large pool of people to want the security of mature businesses and a certain path to making money. How can Enron stay innovative if this attitude becomes prevalent in the ranks of very talent we're looking to for the next new business idea? Our greatest strength has been and needs to continue to be pushing the envelope and taking risk on new ideas, without the fear of failure getting in the way.
- I strongly recommend looking at removing the preferred distribution from the PRC process....it has caused great problems in our area, and caused morale to drop significantly. Thank you for asking!  
  
Also, surveys such as this are great. The fact that Enron (Ken Lay) solicits our input means a lot to me, and I truly believe he has every employee's best interests very much at heart. This is the reason I stay here and that we can weather the stormy times here.
- The Performance Evaluation Process must be fixed. It is the most demoralizing thing happening in the company. The PEP forms and process of direct supervisors sitting down with their reports and discussing performance is great, but this is blown away by the PRC committee meeting later and producing Forced Rankings that are unfairly penalizing employees with lower ratings than they deserve. It would be much more fair to give the supervisors an allocated pool of bonus money and let them apportion it to their direct reports on the basis of their own evaluation reports. This whole process should be done only once a year. It's currently killing morale and is setting the stage for potential lawsuits if not changed.

I am appalled at the money being spent with 3rd party engineering support by the developers. The company needs to consolidate engineering into one central source, which will reduce overheads and development costs.

I would also suggest a different CEO for EEOS. This is our third leader since Izzo left. Our current CEO has no stated vision or direction, hardly ever attends any of his own staff meetings, is not involved in the details, and

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# Ken Lay

## Response

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does not carry out regular monthly financial performance reviews. He recently commented that at the end of each day he wasn't sure what he had actually accomplished. I'd say that sums it up. The first action taken by the new CEO/COO when they took over EEOS was to eliminate \$1 million for the EEOS oversight functions of NEPCO. This may have looked good in reducing overhead costs, but now NEPCO is in financial trouble on six of the fourteen projects it has under construction, with two of these projects alone suddenly losing about \$17 million, with no warning, and more losses to follow. This is not good executive management.

- Enron will continue on its downward spiral until it starts to treat people fairly. The PRC process is demoralizing, and it brings out the very worst in people, as the management scratches for position and places its buddies in the top slots while ignoring the peer reviews of an individual. As these individuals cannibalize themselves, distrust builds to the point where I have a strong disgust and disrespect for the managers here. Also, the youth culture here, while it brings talents and energy, also contributes to the heartlessness, as the younger people seem to have an arrogance and lack of compassion that comes with maturity and having the experience to manage people correctly. There is no regard for engineering talent here. That being the case, we should never have started EES, as these projects are based on engineering principles. Our obvious lack of competency in performing these projects is the result of not hiring people with engineering and construction background. The incentive system for the field people causes them to focus on their personal bonus instead of doing what is best for the customer or what is the most sound solution. I wouldn't want EES touching my facilities if I were a potential customer because I see Enron as incompetent in managing projects. Enron is awash with too many MBAs and PhDs with no practicality or common sense. A lot of our difficulty in EES has been brought about by outlandish ideas on how projects are to be handled, again ignoring the value of engineering. After the layoffs, the current staff is left stunned and with no direction. Managers are being inserted between the real workers and their previous management, and no decision making ability of any seems apparent. I have worked for two utilities, and Enron has become the embodiment of what gives utilities the inertia in trying to carry out initiatives. Nobody is empowered to accomplish their task, and everything seems to go to committee at my level. I no longer have the drive to accomplish, because someone will tell me why I can't do it.

One positive: Ken Lay is a great guy worthy of everyone's respect, and I believe he can turn it around. He's one of the few gems around this war zone. I finally bought some stock on August 14 knowing he wouldn't let this company go to ground.

- No good public PR related to CA problems, friends in CA think Enron is a "bad" company that has taken unfair advantage of them.

The PRC is a joke and needs a complete revision.

The PBS program of the CA problem did not present ENE in a good light, ENE looked like a big self serving, arrogant bunch of big wigs.

Why not propose to CA that Enron provide the power trading service on a "free" basis, with our only cost recovery a 10% share of a savings below the average power price for the day and some kind of a cap price. Maybe there is a way that we could make this issue a positive rather than a negative.

We need a major PR effort from top management, lets see you and the new mgt team on TV being proactive in resolving the problems, not just saying we did not do it.

- The current stock price is definitely an issue at the moment. It's disheartening to see some executive management (Ken Rice being an example) cashing in large quantities stock options - at very low strike prices. This is public information and makes the rest of the employees wonder what's going on with the company. A moratorium on executive management from selling stock options given until the stock reaches a certain point - perhaps 80 to 90 would be very appropriate. At the same time, this would be a good time to have some executives put their money where their mouth is and buy Enron stock for the long term.

There needs to be more value placed on technical expertise, rather than financial engineering and theoretical mumbo-jumbo.

The politics and back stabbing in EES needs to end to keep and attract talented people.

# Ken Lay

## Response

I used to think that this was a place where you were rewarded for what you know and how you applied it rather than who you know and how dazzling your powerpoints appeared. Hopefully, Mr. Lay can rid Enron of the mean spirited sneaky attitudes that seem to be encouraged.

- I think Mr. Lay is TOP. He is the greatest and I am SUPER happy that he is back as our leader. May God Bless him.

My other comment is that this company had always been THE greatest company to work for up until a year ago when the monetization of assets began, leaders started resigning, other were "redeployed" and everything went haywire. I know we should not put all our eggs in one basket, so I believe we should not rid ourselves of the assets but instead we need to distribute our workforce and give it our best efforts to continue being diversified and productive in all areas. I liked very much preparing bids for pipelines, power plants, etc. You might be losing all your best people that feel the same way to a pipeline company in town.

I really like the phrase "LAY it on the line!!!

- Would be nice to have quieter work environment (less interruptions of work flow and thought process). I believe my balance of work and home life would be improved if I did not have to work weekends to make up for time lost during the week due to interruptions.
- With the SAP system, several promised options were untrue. System is too cumbersome & bandaged. Too much outsourcing has taken place w/no procedures in place. With Ibuyit, we cannot purchase pipeline supplies at some locations because vendors are not being paid. PRC is not fair. Employees are being rated by mgmt who do not know them or who have not even spoken w/them during the year. Thank you for this opportunity to comment.
- We have gone from a company that had pursued growth aggressively to a company that wanting to protect what we have. The result has been a gradual downfall of an empire. Instead of leading the pack and being the envy of the industry, we have become just another company. My admiration for Enron and the reasons I came to work for Enron were the forward view that Enron took on all aspects of the business and risk management capabilities that have become legendary in the industry. We have walked away from that and trying to protect (not grow) the business, through commodity only.

### Suggestions:

Confirm our commitment to the businesses we have undertaken - EES, New Power, Broadband, etc. Show the market by action and not by words that we are serious about our businesses. Stop bleeding the talent pools (layoffs).

With EES bring in new deals and accounts to continue to grow the business. We have not had any major contracts closed since Feb. 2001.

With New Power pursue, acquire and advertise the customer growth. No news in this industry is considered bad news.

With Broadband put together a vision of where we want this company to be. Consider acquiring/merging with other broadband companies to strengthen our position.

With Commodity advertise our successes. California is only a side issue now; Let's move past that.

- 1) Issue/Comment: Companies under consideration for asset sales are looked upon as "ugly stepchildren" by Enron Corp. through no fault of the individuals employed within those companies. This is illustrated most recently where indications are that employees of these companies have not been made eligible for Ken Lay's special 5% option incentive, despite being current employees (and not in redeployment), and no purchase sale agreement yet signed.

This is both morally and unethically wrong given that if no PSA is signed than no sale has taken place, and all remain as current employees working the assets for the continued financial benefit of Enron Corp. This has taken place without any explanation given by Enron Corp as to why? to affected personnel.

# Ken Lay

## Response

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2) Issue/Comment: Enron Corp puts extremely high value on MBA's and their related associates program. This is understandable. Still, at the same time, highly educated / qualified individuals with other degrees such as in the engineering fields are treated as second class employees, with their career opportunities somewhat "restricted" because of the over emphasis on MBA's. This has become even more evident as the efforts have been directed toward selling assets and focusing even more on the trading side of the business.

3) Comment: Enron Corp seems to consistently go out of the way to "avoid" commenting on the financial contributions made by some particular companies to Corp. Our company made over a \$100 million in net profit in Year-2000, but not once during the past couple of years did our company even receive a footnote in any presentation by Enron Corp management (Lay / Sutton / Skilling) at employee meetings, presumable most recently because we are an asset up for sale. By comparison, Broadband got lots of press (all positive early on) despite not making a single penny profit during Year 2000. Our company wasn't even acknowledged during "new employee" orientation. Same for many other of the smaller companies. Seems if you are not "Broadband" or "Trading" you aren't of much use to Corp.

- 1) Internal competition (i.e. driven by the fact that each unit has to provide -survive based on- its own profits) is NEEDED/REQUIRED but not "sufficient" to ensure Enron's success as a whole. The sum of "local optimums" ONLY give "the global optimum" in a market environment, when markets are "perfect". Therefore, we need a better set of internal contractual agreements that allows us (Enron) to reach a "global optimum" on each deal/business opportunity we identify/pursue making each business unit to be as focus on the size of the pie as it is on the chunk it is going to get. There has been various business opportunities and deals not taken/successful because of units being too much focus on what they are going to get from the deal over what Enron is going to get from the deal. (Having stock options is a good first step to make us think "globally" but it is too diffuse compared to the effort/reward on an individual basis...) We need an additional step that better ties individual performance/reward to the overall performance of the company, internal "flexible and opportunistic" deal/business based contractual agreements among business units could be the way to go.

2) Need more internal control over origination and investments, specially overseas. To really understand what a product is about and when it is best to be sold, is as important as to sell it. Rewards should be tied not only to the "selling event" but also to the "performance over time" of the deal itself. We need to make the deal people accountable for the overall impact of the deal on Enron, of course, to the extent that it was up to them to affect such outcome.

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

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

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

# Ken Lay

## Response

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reduce those actuals later down the road. It's unethical, and as a stock holder, I can understand industry skepticism.

- I have been through quite a few changes at Enron over the years. The best change was Ken Lay coming back this month!! There was a definite change in air at Enron when he stepped aside. I'm excited that he is back. Enron is a premier company to work for.
- The PRC process should be changed so that it does not demoralize and crater the self-esteem of good workers. A look should be taken at age and sex discrimination. Our HR groups seem to be focused on just keeping the wheels on the processes rather than being a resource for employees and management. I asked about a payroll problem and the HR rep said she didn't even know who to call. I didn't get a bonus or a pay raise this year after being a top performer most of my career; my boss gave me a "reimbursement" in lieu of bonus which I attribute to her sacrificing my rating to others in the ranking process. I was being rated against management who had huge staffs while I was leading change projects with little staff but utilizing many employees on implementation teams. In short, I feel the criteria for success is skewed toward high profile jobs who get lots of attention. Success for Enron depends on lots of successes in many different avenues.
- I commend Mr. Lay for stepping back in his original position. I and others feel EXTREMELY confident that Enron will become a better company to invest in and a better company to work for in the future. I for one was thinking of leaving Enron, but have reconsidered since Mr. Lay is back in charge.

I also commend Mr. Lay for admitting that there are great morale problems and he is ACTING on it! It is so important to have a leader that wants what's best for his employees...just like the way it was when I started here 5 years ago. Employees with high morale will perform better and exert a positive image for Enron. For the public to have a positive image of Enron, the employees must do so first.

Lastly, I have a concern about the Later Move Policy. In my recent search to move to another position within Enron, I have been told by several HR representatives in various business units that an unwritten policy (an understanding between business units, so to speak) has been put in place that employees moving internally within Enron will be strictly lateral moves. I find this somewhat unsettling and unmotivating.

I've been with Enron over five and a half years and have held four very different positions. This has allowed me to see and learn different areas of Enron and I feel that I am a more knowledgeable and marketable employee because of this. In the meantime, I have earned both a BBA and MBA hoping to increase my chances of advancement. The lateral move policy will no longer motivate me to experience other areas of Enron. I also find it unsettling that employees leave Enron only to come back two months later for more money and a higher position that they could not achieve had they stayed (I have seen this for a fact).

Will this policy ever be removed or relaxed??

- Enron Stock price dropping is something that has changed the attitudes of the people I work with locally. The desire to retire somewhat early is being rethought. The idea of re-verifying to meet the DOT operation qualification rules may be a deciding factor in whether to stay with Enron or not. There are at least 3 people in our field team of 12 that probably will base the decision to leave the company on how cumbersome the testing process will be. Filling the gap when they decide to leave is a concern. We have one person with 2 years, 10, 15, 20, and the rest have over 20 years of service and experience. Where do we get the expertise to operate these facilities SAFELY and efficiently when these people leave?

I like the fact that Ken Lay is back in the driver's seat. Mr. Skilling's persona portrayed an image of a spoiled, arrogant yuppie. I do not know the man personally but the image portrayed in the business publications did not give Enron an image of integrity and respect. I am proud to work for Northern Natural Gas Company, of the history that exists in the field locations, the coming together when an obstacle needs overcome. But I don't think the public and the financial community always sees that side.

# Ken Lay

## Response

- Ken, the new stock option is certainly a good step, thanks. However, some of us were caught believing Jeff's \$108 price prediction and are now faced with stock options expiring in January and May. It could help us a lot if Enron could add an additional year to the original term of stock options that expire in 2002. This still keeps the employees' goals aligned with stockholders. Is this possible?
- If stock price can return to highs of the last year, the stock options would be really great. As it is, we have to hold and hope for the best. More telecommuting and flexibility in work schedules would increase employee productivity, especially with cramped work space and many hours spent commuting through traffic and construction. With regards to PRC, I'm uncertain how well the relative ranking aspect is working out. Individuals do not feel valued in spite of improved performance, experience, good work ethics and contributions. In the IT areas, it is common practice for employees to work long hours, weekends and holidays all year long, year in and year out. It has become an expectation, even though we encourage our employees to take care of their families and personal lives. The practice and expectations do not match what we say.
- We must learn how to handle customers. We are acquiring customers daily and we must do much better at servicing them and retaining them. Ken, we must really do something about PRC. The morale this time around was awful. I agree totally with the peer evaluation system. However, it is the committee and ranking process that turns everything sour. I have had to review people who receive great feedback, however their overall ranking from the committee was low due to reasons beyond my comprehension. Then, I had to provide the one on one review and I really couldn't correlate the evaluation with the ranking. This is definitely not fair and is demoralizing. We must find a better way.
- Ken, we need you to restate the importance of the team concept. Drive it home! Our directors and VP ain't walken it or talken it. I realize the importance of our international presence, but we need to step back and take a look at what makes people want to invest in our company. If we can't resolve India, let's get out. I know deregulation is tremendously important to our future but we need to give investors some confidence in our California (financial) position. Just exactly what is our exposure? Finally, employees need a clear and supporting position on self evaluations. The 2001 mandate that XX % of the people are to be rated substandard was not only wrong, it destroyed moral. We have the best damned pipeliners in the world working at Enron and there ain't a one of them that is substandard. Ken, you need to tell us that. Thanks. Jim Sanford Omaha
- My unhappiness with my stint in Enron has little to do with the more macro issues that the company faces, but the more micro issue of favoritism shown to analysts that come from Wharton. Most of the high profile work within my group has been systematically given to Wharton analysts as a first choice, and only spill overs are given to analyst from less prestigious schools. In addition, I have seen a fellow employee, with 2 years experience with Enron, being told that he was to be given a stint in London, only to have the promise of the stint broken, and given to a new hire analyst from Wharton. These are just a few examples of the gross unfairness that goes on in my group that makes me want to leave the company. Part of the problem, as I see it, is due to the fact that being a foreigner is a slight disadvantage in the company because my sense of humor is different, and that hurts my ability to make an impression. I feel that there might be a remote possibility that form might just be as important as substance, if not more. I guess I am in Enron's pond now, and I should try my best to play by its rules, my only fear is that form might truly be more important than substance, in which case, my PRC won't be what I expect.
- Enron has become what they are by the leadership from within all the levels of the organization. While under Mr. Lay's moral leadership the organization has attracted like kind of investors and employees. When Mr. Lay left it was my fear that without the Godly type of leadership provided by him that this Company would go down hill. Moral and sound leadership is by far more important than sheer abilities. The Key to the stock price is the value that the company places the employees and the values of thier leaders at all levels especially the man at the top.. Yes it does roll down hill..
- Given the recent layoffs, redeployment and voluntary leaves, the overall work atmosphere at Enron appears to be severely damaged and people have lost motivation. Enron's executive management is exercising millions worth of options, either forced to by expiration or voluntary. Departing executive managers also show a signal that either something is going to hit the fence ugly regarding Enron's earnings, cash flow or balance sheet, or individual challenges or opportunities may simply have dried up. (Or personal lives have been forgotten for a decade in the quest for more and more money) My impression is that the decrease in motivation is partly due

to the fact that there has been a significant decrease in opportunities for interesting assignments and responsibilities that provide personal development opportunities with the increased focus on the trading business. It does not require a whole lot of intellectual skills and medium to long term vision to sell commodity structures and trade commodities. So I'm wondering why we need MBA's for that (naturally because of the networks). Simultaneously, profit margins on trades are decreasing rapidly and trading volumes will soon see or already see a decreased growth rate due to increased competition and market limits. These items clearly tell me that the current trading business is unsustainable in the longer term when relying on less assets. Nothing against trading as it is merely the more effective utilization of our existing and new networks. However, with trading margins decreasing and less reliance on the productive assets, the end result could be a financial bubble. To me, and to Wall Street, quarterly figures are important but by not having a sustainable long term vision and strategy, combined with limited productivity (and economists have to agree that trading in its essence does not add real production to the economy), the future of the company could be at stake. In addition, change, trying new ideas and being a first player in the market is good but only to the extent that there really is a market (lessons can be learnt from Philips Electronics' experiences). Rupturing up group structures each six months with a change or restructuring is probably not too beneficial for people's motivation either, just as having 3 feet of office space and a PRC process that probably takes up half a year of our HR-departments time, and ranks people not only for their performance (should be) but also for the level of conformity. This conformity severely limits the creativity of Enron's employees. Simultaneously, Enron recently seems to have taken a typical 'U.S. foreign policy approach' towards the outside world by acting arrogantly and confrontational and sometimes even avoiding negotiations with mutual benefits or intent of sharing long term interests. Perhaps this works in the U.S. (maybe not in California), but certainly not in Europe and the rest of the world where lack of integrity, arrogance and a short term look at business relations will be punished, certainly in a slow economy. Although attention has recently increased on cost savings and rightly so, I think it is more important to look at more effective execution of projects, one of the main reasons why our international assets are performing so badly. Again, this could also have to do with the confrontational or military approach that we'd do things no matter what, without understanding the real values of other cultures. Despite globalization, people in the world will continue to behave differently and limits to (a company's) growth will be reached sooner when taking the wrong approaches. Looking at deal execution will also include analyzing our bonus structure to be more compatible with the long-term prospects and execution of deals instead of solely based on the closing of deals, including bad ones. It is not too hard to figure out that, in the case of Azurix, water is never going to be traded as gas or electricity, certainly with a foreseeable global shortage of fresh water. Populations have and will claim a basic right to water, although some countries use it to hold other countries hostage. Summarizing, a lot of attention at Enron is being spent at watching our stock price on an hourly basis, while, to my opinion, more attention should be paid to rational investment decisions and productivity in real economic terms! As a result of the latter, nobody should have to worry daily about the stock price. Recognizing the challenges in identifying the productive opportunities, and realizing the difficulties with billions of dollars in international assets on the balance sheet with minimal returns, fact is that Enron will have to determine a long term strategy with some degree of sustainability in order to regain investor's confidence.

- The push on United Way is getting out of hand. I understand the importance of the campaign, but had other people that I know spoken to about their lack of contribution. Even though she had logged into the system and chose not to contribute, her boss was spoken to about making sure she contributed at least \$25. I thought that information was confidential.
- I am really glad Ken is back!
- Force Ranking needs to go.  
Need to get back our core businesses, then go forward.  
Establish a corporate vision and direction and goals, and tell us to roll up our sleeves and get to work. Give us the opportunity to participate. Ken's a good leader, and the people will follow.
- Ken Lay seems so trustworthy and intelligent, and I think employees and potential investors want to believe in him. As for the new COO/Vice-Chairman, they're fine operationally, but no evidence of vision. And reality is Ken was on watch when Enron made billion dollar mistake after billion dollar mistake (Azurix, EI, EES, EBS, now maybe even New Power, etc.). And compounding this, the top management who directly made these bad decisions were compensated in the tens to hundreds of millions of dollars, leaving the line employees to deal

# Ken Lay

## Response

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with the aftermath, and a feeling that the proper management incentives do not appear to be in place to make sure that risk-taking is encouraged, but that billion dollar mistakes do not continue – the feeling is that this time the company cannot afford any more.

- The hardest thing for me about working for EBS was the ability to respect that Enron is a Fortune 100 company, when I saw so much money being wasted on a daily basis. EBS did not set the standard correctly when they started hiring people and the result was a lot of overpaid, underqualified people doing nothing but spending Enron's money on travel, food and entertainment. I have never been at a company whose spending was so out of control. The other thing that really bothered me was the lack of respect other Enron entities gave to EBS. I was in charge of making sure Enron's Analyst Conference was webcast and was told on that day, when we were having network difficulties, that there were people at Enron that hoped EBS would fail. Even if that is the case, I don't think it was appropriate to be told to me. On that same day when we were having network issues, I told Ken Rice and Kevin Hannon that Mark Koenig had been very upset at about 5 am and that I just wanted to let them know what happened so they would be prepared. The response I received from Mr. Rice was, I don't care about the Analyst Conference, I just want the CNN test to work later today. Again, I don't believe that anything like that should ever come out of a CEO's mouth, but then again it is the same CEO who drank too much at the Portland Christmas party and told me I was beautiful. These incidents reflect very negatively on me, even though I did enjoy what I did and my co-workers. I am just shocked that these type of things aren't better controlled.
- Comment: I believe Enron has professional and able executive management, and I feel confident that Enron will succeed if that is what the executive management deems best for the bottom line. I am pleased that Mr. Lay is back. He emulates a sincerely positive attitude. I don't have any serious complaints.  
Suggestions: Affordable seminars and on site self-improvement classes.  
Issue: More equitable treatment for all department members, not just a chosen few.
- PRC - we were all graded on criteria that we didn't know about - there was no communication of what we were graded on. e.g. the #1 ranked employee doesn't even do the core competency of our dept (URM in EWS, formerly in EES); the ranking of all of us was up to a single person. No communication on our status - URM has been reorganized 3 times in 2001; each time our directors are unable to tell us what's happening because their mgmt won't 'let' them - e.g. we are operating in a re-organized group now, and we still haven't officially been told how we were reorganized. This treatment of 'intellectual capital' is disrespectful. It is also poor business practice - the employees are left unmotivated and resentful. Values - RICE - R - lack of respect (see item above), especially with respect to government affairs. I - lack of integrity, we were accused of price fixing in the Pac NW - did we or didn't we? didn't we earn a tremendous amount of money? doesn't 'mark to market' accounting (of the EES variety) push the limits? C - communication - (see items above) E - excellence - when the PRC process rewards people we see as incompetent in anything but claiming credit, it's hard to see where excellence gets rewarded. Doing the right thing as opposed to the self-serving thing only gets one penalized. I relocated here from Canada. I have found excellence, especially in the calibre of some associates and analysts. What I have mostly noticed is the self-serving, 'what's in it for me' attitude of people at the VP level, this attitude is then propagated. In URM, a lot of systems were broken or developed poorly in the first place. It's frustrating for those trying to improve them (in order to meet goals of scalability and growth) when they're given no support by people focused on signing the next deal. I would like to know what the engine of EES growth really is. It seems to me that it should be the opportunity to sell wholesale generation into deregulated markets. DSM seems like small potatoes to me. This suggests that the tariff curves are not really part of the picture. Please be honest with us and tell us what you're thinking. Most of us are experienced professionals who won't be devastated - we want to be treated honestly and with respect. We seem to be a unique group within our area - this group is made of us industry experts - why does Enron not want to hear our opinions? Our previous mgmt (VP level) seemed to dismiss the complexity that goes with electricity tariffs and act quickly without regard for the advice of others. Most of us came here to learn - by isolating us, Enron doesn't learn from us and we don't learn from Enron. Given the self-interest atmosphere that's promoted here I wasn't surprised to hear that United Way contributions were slim.
- It is wonderful having Mr. Lay back at the helm.

# Ken Lay

## Response

I miss having someone I trusted to discuss benefits issues with. The help line provide 4 different answers to the same ESOP question 4 different times. I even conferenced my financial advisor in on one occasion to try to obtain some clarity.

There are so many systems and so many passwords.

- Starting with you Mr. Lay down to the Director level you need to clearly communicate ENRON's goals and direction and how we plan to meet these objectives for each Division and that they our humanly possible and not a pipe dream!
- Over the last year we have lost respect in the investor community with some of the comments that have been made and the disclosure of our financials. I support Ken's abilities and believe and can help restore the respect, but with the bad ventures that have failed recently and the job loss associated it has taken the steam out of people willing to take risk and move around the company. Employees own stock and like to take pride in the company but it has been difficult lately with all the bad press. I think by meeting our financial earnings targets and changing our disclosure we will again reclaim the investor community. I hope to be at Enron for the long haul. I do expect the executive leadership to go out and positively promote Enron as a great company with high expectations.
- There is a pervasive theme throughout Enron from associates to vice-presidents and managing directors that if something is "NPV positive by a buck" then it is a sound decision and worth doing. I disagree and fear that Enron will not accomplish its value to capital objectives until you Ken send out a clear message to all levels that a quantifiable metric for return on capital is to be managed to. The theory works if capital is infinite. I am confident that a dose or reality to theoretical personnel would go a long way in assisting you to accomplishing the next 5 year vision.

Since there are a variety of my colleagues who have not opted to participate in this poll because of fear of reprisal, the notion of confidentiality is something to be sensitive to. Just six days ago a broadcast message was sent out advising that no electronic, telephony or physical information is to be considered as confidential. Three days later... "Lay it on the Line" promised electronic confidentiality which is mutually exclusive with the prior broadcast message. I thought you should know this; possibly reinforce confidentiality and soliceit additional feedback.

At the recent all employee meeting Ken, you were wonderful. I sense a disconnect however between EES upper management and your vision. You need to rectify it. Your overview communicated the truth... EES does manage physical properties, EES does do facilities maintenance and EES does leverage virtual utility value from its sites. Unfortunately, current EES upper management seems to be commodity driven and seems to be allowing origination to starve Asset Operations (AOPS) and DSM out of the action. Two years ago bundled outsources were the origination theme. Last year origination found it difficult to close deals with Asset operations so origination left that to "upsell". This year AOPS was cut to the bone and stigmatised as low value. In addition, this year DSM has been viewed as difficult for originators to close; thus originators have been adopting a close the commodity now approach and leave the DSM as upsell. One could forecast that next year at this time DSM will be people heavy and deal light. The imbalance - due largely to origination focus on the easy quick sale - will cause EES to cut many talented people who could deliver physical value to Enron. This is a headsup to align EES to your people doing business with people phylosophy.

When the upper management at EES was asked if personnel would be cut a few months ago the answer was no. Within weeks redeployment and dismissals occurred.

When EES management was asked if EES would reconsider the click at home policy of full payment becoming due upon departure from the company - no click at home participant would expect to be layed off or redeployed within a few months of enrolling in click at home - the reaction was one of confusion by management. People without jobs are less likely to want to pay for a brand new computer and upper management didn't get the message. This was analagous to Marie Antoinette saying to the starving masses... if they don't have bread... let them eat cake.

Ken Lay

Response

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The EES meritocracy is more of a popularity contest and very political. As Enron redeploys or removes talent new personnel are hired. Many of those positions would be very appealing to EES personnel. The Directorship for Load Curtailment is one such an example of a new hire (and friend of a EES VP) coming into EES filling a newly created position which was not posted. EES can not place the very best individuals in the most appropriate vacancy without internal competition, needs and credentials based scoring etc.

On the above point, HR is failing the system for neither setting leadership nor gate keeping the matter from happening.

Middle and upper management within the operating group is conducting very expensive "on the job training". The shareholders deserve better from your support or executive committee on down.

The number of re-orgs are professionally embarrassing. In the beginning it played well that EES was tacking like a sailboat making course corrections. Now it is clear to the marketplace (and hopefully to you Ken) that re-orgs are a confirmation that EES management can not execute on vision because it does not understand the business.

EES management is well rewarded. The rank and file are not. We live from paycheck to paycheck and are often very experienced in this industry with no desire to be "just passing through". We want to be heard and offer the kind of value to the share holders that you expect from us. Management has admitted in open forum (floor meeting) that it does not know how to get the job done, that is for us to figure out; then they will deliver our work up stairs.

This creates a frustrating workplace and it demoralises the team because the management admits it is not on top of its game.

EES is a very viable cornerstone for Enron. This is a fabulous business model. The execution of it is not the "high level" 50,000 foot approach any longer. The value is in the details. The commodity product is price sensitive four places to the right of the decimal point. There is nothing high level about that. Management in a vacuum with, managers surrounded by yes man awaiting their turn to be rewarded with VP titles in exchange for phantom value creation over the past six month PRC cycle ought to be contained. High Level presentations should raise a red flag for you Ken that the messenger is not up on the details and likely neither is his or her staff.

Far to many personnel tolerate and adopt an 80/20 rule of acceptance. 20% inaccuracy is huge error and since we are a team handing off models, data and perspective; 20% errors compound into huge risk!

We need a robust fast accurate Rate Engine. EES has been operating with stale rates for two years. Rates are blended (energy and demand) so demand is not valued. This is the wrong signal to send the team. The point is that if the matter were corrected then lots of latent value in our portfolio deals would become deep in the money and mark value (shareholder value) would rise!

I wish there were more time. Task forces for each operating group, leveraging managers - not VP's and senior directors - should be given a chance to rebuild Enron with you and for you!

Thanks for asking!!!!

Yours in -kai-

- I believe that the intent of the PRC is appropriate for Enron. I understand that there must be a manner to 'evaluate' and 'rate' the company's employees. I believe that the 360 Review in the PRC is good way to 'evaluate' employee performance. However, I believe that the PRC process has recently faltered in its ability to

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# Ken Lay

## Response

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'rate' the company's employees. While I am not privy to the proceedings of the PRC, I do believe that an employee that is characterized by his peers or supervisor as having "outstanding potential for a leadership role in Enron" ought not be categorized as a 3 or 4.

This PRC process is the greatest threat to Enron's intellectual capital. What can be done to mitigate this risk? This is a tough balancing act as the high performing employees must be evaluated and rated to promote a meritocracy. I would like to think that as integrity is restored to the company via the leadership of the office of the chairman, the integrity of the PRC process would be restored.

I am confident that the leadership at the top of the organization can accomplish the issue of restoring the integrity, respect, and morale of the Enron workplace. We are on our way to achieving the above mentioned items as a result of Ken Lay returning to the company in a more involved role. The experience, integrity, and dedication of Ken and those recently promoted to the Office of the Chairman has gone a long way to re-install my confidence in the company.

I believe that the employees of the company are good people that may act in a manner that is not representative of their character as a result of the Enron environment. With the recent advent of the "get yours now" mentality, not only are individuals being harmed, but also the good of the company is being harmed. I believe that some ventures that Enron enters are doomed financially from the on-set as a result of conflicting deal and employee compensation structures. While this phenomena is part of an evolving organization that is attempting to mature with the business, we must evolve more effectively and efficiently. I believe this will come with a greater emphasis on aligning the internal reward systems while increasing the levels of communication and teamwork amongst the various groups within the company. Again, I believe this must trickle down from the top to be more widely accepted in the company.

- There seems to be a lack of leadership at this time. It seems that the way to move up in this company is to run over fellow employees and butter up to management. It seems to be very political at this point. I am very excited about Ken Lay's recent decision to come back. He is more genuine and concerned about every employee and not just himself.
- 1) I would like to see Mr. Lay take the management team to task for some disturbing comments which have arisen in the past. I am sick of the derogatory remarks that are still being made by some of the executives regarding Azurix. I feel it is in poor taste and extremely unprofessional. I am also tired of attending a meeting by upper management where I've left the meeting with the feeling that I'm a pledgee at a Frat brothers gathering. The arrogance that is projected by some of middle management is uncalled for. Whatever happened to manners and dignity? I have never heard such remarks from Mr. Lay. With Mr. Lay behind the wheel, I feel that Enron can now look forward to climbing the ladder to the number one company. Mr. Lay has recognized there are problems within Enron and has taken the necessary steps to correct these ailments. I have respect for an executive who "owns up" when management "messes up" rather than trying to sweep problems under the carpet and pretending they don't exist. Mr. Lay talks to the employees, not at them. Thank you Mr. Lay. 2) Another area I would like to address is the recent PRC's. I too feel Enron needs to have a method to gauge the value of each employee. We don't need employees who are in for the ride and not contributing to the benefit of the company. However, my observations of the last PRC have shaken my confidence in the program. There has to be safe stops against management abusing the system. 3) I would like to see Enron get away from the "no assets" mode. We need to be diversified. We need both assets and trading elements in our organization. We need to give time to building good customer relations and not use a "hit and run" attitude. You may not make a quick profit today, but over the long haul you have a steady profit that gets you through the lean times. 4) Give the employees the confidence that they can plan on working here for a career. It's hard to focus entirely on your job if you are constantly looking over your shoulder for the next hit in the lay offs. 5) Also, redeployment needs a little work. If you are going to advertise redeployment, at least interview those in the program before you go outside the company and hire off the street.
- I feel it is very important for you, Mr. Lay to remain in your current leadership position. Your respect within the company and outside the company is what we need to move us forward and regain our financial position we had a year ago.

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The PRC process has degenerated into an often inaccurate rating system of an individual's worth to Enron. Supervisors with little or no direct knowledge of an individual are voting on an individual's rating. The process is both political and demoralizing to those who participate. The fixed percentages are pushing people into slots that are often undeserved. Evaluating our performance and receiving feedback are essential, but we must find a better way. If we don't I think we'll find it very hard to attract and retain the best talent. To read press reports that liken our PRC process to the "Survivor" TV series is not very flattering to Enron. Unfortunately, it may not be too far from the truth.

I am currently in redeployment and have felt like I have been able to get an interesting view of the company currently, having had discussions at all levels of the the company and most every major group. What I will lay out is the current view of Enron which was assembled over the last month. The conclusion I came to may be obvious to many, but was a learning experience for me. The discussions were had under the auspices of looking for a senior origination position for a person with a 17 year background in the gas power business from the trading and finance side. All I have talked with feel that we are a very different company than we were two years ago (which was when I started at Azurix). The thought right or wrong is that the original core group that made Enron what it is today made their money and have left one way or another. The new group is very bright, but currently doesn't have the strategic capabilities that others had before them and there has been a large gap left by Jeff leaving. Related to skill sets it is felt that trading is very much the earnings driver for the company albeit traditional and structured trades, and no one can equal our market information. Although for this reason, in Enron North America originators have had to take a distant back seat to the traders based on the relative earnings each has made and will make this year which is supported by Kithcen and Lavorato and isn't surprising based on their trading backgrounds. If you want to do origination the groups to look at are EES and EGM, and the need for origination still exists although it is hard to compete with the big profits trading is making on a corporate wide basis. We also preach being entre/intrapreneurial and taking risk, but the time from for how much risk one can take doing that has shrunk to the length between PRC reviews e.g. 6 months . The message is if you don't have a long history with the company, but like building businesses stick to startups you can make money for within months or you are at risk. In PRC reviews the more senior you get it is all about dollars brought in and all else has minimal impact. It reminds me of my Marine Corps day when the success of the mission (e.g. MTM value obtained) was all that matter and casualties suffered along the way were expected. I don't feel that any of this is necessarily bad, but rather is the state of where we are today compiled from one persons perspective. I very much feel that Enron is a great place to work for those who thrive in the environment we have established, and I expect to be in a new group within the next few weeks. I am optimistic about the companies future and our ability to overcome this down period. In general it appears we have gotten a little more Darwinistic at least in the front office over the past few years, and therefore if that was the intention then we should embrace it and recruit accordingly. If not then change will come by design or by default. Either way I think we are all happy to have Mr. Lay back. I would be happy to expand further if helpful David Pruner 713-646-8329.

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

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

- 1) My thoughts may be slightly emotional, but here it goes:

I have been very disappointed in the direction Enron Networks has taken in the past twelve months. I work within Enron Networks, and have for over two years now.

Today, most of Enron Networks is a disaster. Things seemed to go bad when we moved into the new working desks. These desks are way too small, and the environment is too noisy. The bathrooms are disgustingly dirty and crowded, the elevators are hot and crowded, it is a real chore to get meeting space, and it is very difficult

# Ken Lay

## Response

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to concentrate or invest in this setting. It was obvious at that time that the upper management felt they could afford to lose some people with this decision. Unfortunately, they did not realize that the people they would lose would be the best skilled. Also, the place has become much less attractive and we are much less competitive in the hiring market. The HR department is a huge bureaucracy. It is very difficult to get a job and interview at Enron, even though we are desperate for people. As a result, we now have mission critical systems that are being managed by very inexperienced people.

There is a VP that is abusing the PRC process by ordering her direct subordinates to review certain people in the department certain ways, regardless of peer reviews and achievements, in what appears to be a political popularity contest. Others are being appointed at the director level without the skills or ability to fulfill their duties. Projects are being forced in particular directions using specific technologies to fulfill political agendas even though it is against the wishes, visions, and needs of those responsible for driving the projects. People in this department are not allowed to choose new opportunities for growth, even though they have served the department for years. So they eventually leave the company. Meanwhile, management at the director and senior director levels change projects every 3-5 months, in many cases just weeks before important deliverables are due. I have seen directors make promises of rewards to subordinates that are never kept. Most projects are never delivered and those that are consist of poor quality solutions. In the end, our customer, (the traders), are being poorly served. In short, none of the values that Enron professes are sustained in this department.

- I work in technical support for EBS. The now defunct office of the chair for EBS (Rice/Hannon) was the worst executive leadership I have experienced in my 13 years as a software system developer. There was NO leadership - no communication, no direction, no decisions, no email, nothing. Strong, decisive decisions about the role of the network and its relationship to trading (i.e. world's best network vs a commodity to trade like any other network) was needed but never materialized and contributed greatly to the financial problems of EBS. In the last three weeks, I have already received more information from Ken than in the entire tenure of Rice and Hannon. Keep it up and keep providing direction.

The most serious issue at my level is the "prima donna vs peon" attitude of Commercial to Commercial Support. I understand that traders are busy - we all are. They are also the money makers for the company. I would assume they are compensated accordingly. It is very difficult to provide support to people who regularly don't show up at meetings, don't reply to emails/phone messages, and don't review requirements. This seems to be a common problem throughout the company which tells me that this behavior is at least tacitly acceptable at the highest levels or it would stop. Cooperation between Commercial and Commercial Support is the key to success, not competition.

The trading floor layout IS NOT an appropriate layout for software development. This layout is conducive to conversations, spontaneous meetings, and interruptions - in other words - making trades. It IS NOT conducive to creating systems. Software development requires individual, clear thinking - an efficient software development floor is one where you can "hear a pin drop". Different jobs require different layouts. I think the attitude that the trading layout is fine for everyone is another symptom of the "prima donna" attitude found in Commercial.

Finally, currently an employee's bonus is based on how much perceived value their work provided for the company in the last year. This makes sense. The employee's rating is also based on this perceived value - this is unethical and lacks integrity. If an employee is assigned to a high risk project, does excellent work, but the project fails to meet its objectives, the employee should not be ranked as "average" or "needs improvement" because of this. Obviously, their bonus will be affected - their ranking should still be "excellent". The current pressures of the PRC to "fit the curve" almost guarantees that the employee will be ranked lower than is ethical.

- Now that Ken is back, I feel that I might be able to think about the possibility of retiring from this company. Before - - it was, "Where am I going to tomorrow?"
- With Ken Lay back, I am confident the stock price will go back up. I have heard so many horror stories from employees regarding the PRC process -- I sincerely hope that

# Ken Lay

## Response

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process will be looked at closely.

- PRC. Get rid of it!!!

Too much change too fast. People are not accountable when they only last 3 months on any given job!  
Ken: You need to act, and act now!!! I trust you... I really do. Welcome back!

- I think that Enron should quit worrying so much about being a 'fun' place to work. We are going to spend money putting a rock climbing wall in the new building (or some such silly thing) but we cancelled the Employee picnic this year. To me it seems like the 'fun' things keep being taken away like the Christmas play from a few years back and the Employee picnic. Enron only wants us to have fun if while we are working. I come to work to work. I like to leave work for my fun. (With or without my coworkers.) I understand that people need to enjoy their work environment, but I don't like seeing initiatives that imply that I should be at work 24/7. It seems as if some values are getting lost...family, home, etc.

- Politics are incredible, we have been managed by fear. The policy of speaking when you are spoken to only. We are all afraid of losing our job if we turn in our manager; he constantly brings up your (Ken Lay's) name and how good of a friend he is to you and other board members and how he can get anyone fired at any time. Gossip and lies are his way of managing, he has talked to each one in his group individually about other team members, and how he has saved their 'ass,' and how he doesn't understand what is 'f...' wrong with such and such. I am scared to death about writing this, but I understand this is confidential, and hopefully I will not lose my job over this. Mr. Lay, I have hopes on you. I have only been with the company for a short period of time, and have friends in other Enron companies and all have told me that we should report him, but all of my coworkers are afraid of doing so, just like I am; we are afraid that because he is your friend, and is well acquainted with other executives in the company, reporting him will back fire, and we will be the only losers. His name: Edward Hamb

- With innovation, comes risk. If the company makes a business decision to not pursue a certain direction, every possible venue should be taken to keep those people in the designated group employed at Enron. Not force them out because management made a mistake. It seems like the management stays and the people they hired have to leave. How many strikes before Management is OUT.

- I am glad Mr. Lay is back. I have been with the company for almost 16 years. Mr. Lay shows a great confidence with himself and the company. This is very important for others inside and outside the company to see. When Mr. Lay speaks, you know he truly believes in Enron.

- In terms of compensation, there does not appear to be ANY accountability post-transaction. In other words, people have been highly compensated for transactions that 'blow up' soon thereafter (next 12-18 months). The people that closed these deals have moved on to the next 'big deal' without any accountability for the prior deal. Compensation should come over time as the transaction progresses, not all at once. The current compensation structure for commercial people gives them incentive to close the deal at all costs, not to manage the deal after closing. The incentives given to commercial people for transactions have, at times, exceeded the value of the deals! I am deeply disturbed at where our company has come over the past 6-12 months. I am a 14 year employee of the company and have always believed in our vision and values - the same cannot be said for the vast majority of the company. When we had as our vision to become the World's First Natural Gas Major, EVERYONE believed in this. In addition, they could recite each of our values. Again, the same cannot be said for the vast majority of the people today. A lot of people in this company truly value those executive managers who demonstrate integrity and respect (not just talking about it). Those people who are arrogant, self-serving and disrespectful should be removed - they are a virus that should be stopped. I am strongly encouraged by Mr. Lay's ability to turn this around.

- When we have no assets & we claim intellectual capital is what moves us forward, how can we retain good people would seem to be a good question. With recent stock price deflation what is the incentive to stay here. If things keep on going South, all of your good people will leave & the company will never get out of the cellar. Seems to be a poor strategy to run a trading only business if you can lose your human capital so easily. What is wrong with good assets that make you \$\$\$'s day in & day out. Others can do it, why can't ENE? Was India a bad business decision that we got into with our eyes open or was management asleep at the switch? I worked for a competitor of ENE at the time & we got out of India in '92. We had a development in country with very

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good connections, but Bechtel & Fluor senior management told us they had lost Millions of \$\$\$'s there in the past, (major facilities built that were never paid for), they would be happy to go to India & do work for us, but not for the Indian's again. Did our Harvard MBA team have the experience to assess this potential problem at the time? What happened? I guess 1st mover advantage can hurt us really big time. It seems that ENE has a military approach to things. Start up a new business, throw a lot of people at it, re-evaluate the situation every 6 months. Cut back to 1/3 of the initial staff & hope to build the business. I've seen this happen at Azurix, Broadband, & EES. I guess when the military goes out to take a hill or win a war you have to do some of this. But is this the way to make a profitable business? I don't think so. The military is a big bureaucracy. That is what the military develops, bureaucrats! That is what happened to EE&CC & EI. How could it be expected that bureaucrats could make solid profits? Do we really need such a big conceptual engineering & performance group? Why did 2 people in this group spend 4 to 6 months on a project that never went anywhere in Florida? Why can't indicative performance information be enough for the analyst so they can determine a go-no go decision for the project. Too much time & effort is spent trying to revive 'dead dogs' around here. Besides the costs being spent, there is the opportunity cost of missing out on other potential deals. The question should be asked in every meeting being held: Is the meeting necessary? Are all the people there needed for the meeting? Are they all adding value? There was a lot of unnecessary travel in EI. Do we really have to travel so much? Wouldn't a phone call or conference call have sufficed. It never seemed that ENE was conscious of the money it was spending. EI had a lot of young MBA's who had no business seasoning. How could they go out & make good business decisions & good deals for us? They were not being managed properly. Now I note Calpine's Energy Services has 6 former ENE people who are listed as part of their 14 key executives. Thank ENE for the 3 year associate/analyst program & getting seasoning so I can move on. Does this really make sense for us? These young MBA's initially are 'spreadsheet jockey's' here for 3 years. This work can be done just as well by analysts who do not have MBA's for significantly less. Do we really need to spend so much money to bring in 175 to 200 a year? Does it payout? Is our growth so much that we need this many every year or is our turnover such that it is needed. The traders bonus structure has to be revised so that it supports our shareholders goals. When you hear stories of traders who let deals expire so they can do a new deal when the existing deal could have been extended, but wasn't & ENE lost 4 cents per unit on the new deal, & the customer could have been required to stay with the old deal, you know the trader was not properly motivated. In this case the trader was asked by the customer why didn't you extend the original deal, & he said he got no bonus to extend existing deals, but did get bonuses for doing deals, even if they were poorer than extending a deal, he was going to take care of himself & forget about ENE. What a shame. Ken, you have a big job ahead of you. But I am sure you are the man for the job. It was a great company when I joined back in '96. I am sure you will lead it back to its former greatness. We were all so glad to see you come back. Get Enron back on track, I am sure you can do it!

- The PRC process is the most damaging action our Management has ever taken. Management presumes the employees are morons as they continue to maintain the need to force a curve of performance criteria, but rely on such blatant political agendas to establish rankings. Management needs to quit lying to the employees and simply say 'I want to give my friends the better opportunities'. At least you could respect that.
- The PRC is a motivational killer. During the All Employee meeting, Mr. Lay said that Enron needs to be a 'Meritocracy' and I agree. Mr. Lay also said that Enron has a deep talent pool. How can we know that if we don't measure ourselves? The PRC is a SUBJECTIVE ranking weapon (notice I didn't say tool.) The PRC promotes networking and in-fighting. Each employee is ranked against their peers. The worse you can make your peer look, the better for you. The more face time one gets with upper management, the higher the ranking one achieves. Is this really what we want? Do we want more people who talk and socialize and 'rub elbows' than people who have goals and accomplishments that are met and exceeded? During my review process, I was never told that I did not meet my goals. That would be because I did not have any defined goals. How can a person be measured without goals? I was told that I was 'crucial to the success..' of our department. Yet I was ranked a 4. Last year I was ranked a 2. The year before that a 2. How can someone who ranks 1 above the bottom of the barrel, be 'crucial'? Why should I strive and achieve? I did that and look what it got me! My supervisor was new to my department, didn't know me, and spent most of his time in meetings. How does that make him qualified to rate me? He didn't even ask for input from my previous supervisor. The 360 feedback is a good opportunity to have people tell your supervisor how they perceive your attitude and abilities. UNSOLICITED feedback is a great weapon to destroy your opponents and anyone else who has decided they don't like you. I don't know if anyone provided unsolicited feedback on my review, but I have spoken to many

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- other employees who have found out what kind of damage it did to their review. Employees need to be measured against predetermined goals. Defining these goals can be difficult for a supervisor. TOO BAD! If you don't like to manage, get out of management. A meritocracy is DEFINITELY what Enron needs. We need to put quality back into our jobs. We need to reward people who have shown commitment, dedication, and who have set goals by which they can be measured. I have always been so proud to be an Enron employee. I have personally invested my own money into stock (that's hurting now) and will hold on to that stock. I have recommended Enron stock to other people including family because I believe in the company. I have always had to work hard, and put in a few more hours than my wife would like, but until recently I have never felt that my time was wasted. I've always felt that I was making a difference. I hope that THAT Enron comes back.
- There are concerns at all levels of the organization about PEP. The approach seems destined to identify a certain percentage of poor performers, no matter how well they do their jobs. Early in the survey, I was asked if I would invest my money in this company. I HAVE A SIGNIFICANT FINANCIAL INVESTMENT IN THE COMPANY. Obviously, I am disappointed in the recent devaluation of our stock price. Some stock price could be attributed to normal market fluctuations. I am concerned that other portions of the devaluation may be tied to misunderstood comments, actions and behaviors by former key management. I am very pleased Ken Lay is back in more of what I understand to be a day to day leadership role.
  - Whoever came up with the PRC idea was not thinking of employees growth, morale, ethics, and integrity. How can it be that you have to compete against your peers? Why can there be 2 people at the same level in all aspects? YOU are teaching us to be betray and backstab in this matter. Where does this fit in our vision & values? Integrity? I think not. My other concern is who will be replacing Skilling? Not that I ever thought highly of him. I guess we can rest assured that it will be somebody better, since chances may be scarce that there are two headbitching-calculating, selfish leaders. Skilling had a Trading mentality and that's all he cared about. If I'm wrong, why have all the leaders of our formerly EI company jumped off the ship? I believe Joe Sulton was one of the best leaders Enron ever had and will ever have. If I may say so, he only comes second to Mr. Lay. I am relieved that Mr. Lay will be taking charge again, at least for a while. He is the only leader that cares truly about his employees and the general wellbeing of the company. He has been the one that pulled Enron through in the late 80's and made it what Enron is now. Skilling, I'm sure, is the one that came up with the idea of 'trading environment'; thus, we are now set up as traders. Why? It does not work for everyone. People in the legal, PR, communications, HR departments cannot possibly operate that way when we get 0 privacy. I think it's just a way of making us work more. As if we do not work hard enough as it is. Enron is a great company to work for, but it's no longer a much enjoyable one. We have sacrificed the pleasant work environment. Our personal life has been sacrificed because we have downsized and now we are doing the work of 2 or more people. I've seen people's marriages and health being jeopardized. I don't think that in order to make this company a success, we have to come to such extremes. Furthermore, some of our leaders have taken over the International assets where the former recent leaders have left off and have handled the issues with little tact. Thus, I believe the message has gotten across with a negative impact; therefore, becoming a factor that has affected our stock.
  - I work for Broadband, Commercial Support. I recently began graduate school to better myself and make myself more marketable in Broadband's ever changing environment. I was shocked to learn that my tuition would not be reimbursed by Enron. I was told 'I have a lot of nerve asking for tuition reimbursement right after all the layoffs'. I was surprised to learn this was my Dept. philosophy. I was told to wait a month and see how Q3 shakes out. I was confused due to the fact I had just heard you (Ken Lay) speak in the all employee meeting and discuss how your employees are your biggest asset..... Mean while I am continuing with my studies at my own expense. I am sure you are asking why didn't I go to HR. I am afraid of being too vocal which may result in my name coming up in the next round of layoffs. If tuition reimbursement is being put on hold in Broadband why do I hear from my peers their supervisor encourage any form of continuing education. I feel my pursuit of an MBA will benefit myself as well as Enron as I have enjoyed working for Enron and plan grow with the company. I would appreciate some clarification concerning tuition reimbursement program. Thank you
  - People have become a commodity to use and throw away when it no longer suits the powers that be. I understand that companies need to be flexible with all resources, but everything can be taken to the extreme. By treating people purely as a commodity, loyalty, enthusiasm, and morale all decline which does not bode well for the company.

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## Response

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- Thank you Ken Lay for getting the company where it is today, and thank you for bringing integrity back to Enron. I always believed that when you left the CEO position the company might take a nose dive. With you at the helm, I believe we will see a turn around. The employees are behind you and support you.
- In the past 12-18 months, Skilling et al have managed to destroy most of what is good about Enron, the things Ken Lay and many others spent the better part of 15 years building. No doubt that Jeff is a smart guy, but he just 'didn't get it' when it came to people. Internally, we need more people with experience and common sense and fewer kindergarten MBA types. Externally, we need to work to change Enron's reputation from an arrogant 'assholes r us' exploiter of the masses to a leading company that truly provides win-win solutions to the energy needs of the world. Thanks for coming back Ken.
- My biggest concerns are our accounting and financial reporting practices. I believe they are deliberately misleading to investors, and I am often ashamed to be a part of it. I think it is a disgrace that, while our management is busy making bold statements about the changes in our reporting practices, I am working on multiple transactions involving complex financial and tax structures that are designed to deceive the investing public and nothing more. If our management really cared about long-term value, it would stop these practices immediately and clean house. Nothing is more frustrating than listening to outright lies from none other than our Chief Executive. I never thought I would say that about Ken Lay.
- PRC is a dreadful mess. How a CEO like Ken Rice can receive over a \$1 million bonus for driving a business into the ground is ridiculous.

Compensation as a whole has been entirely based not upon merit, but upon stock appreciation. Without a solid stock price, our merit system is broken.

Management has grossly forgotten how to reward solid employees.

We need a true sign that employees at Enron are valued and that management wants good people to stay. Almost everyone I know at the company has resumes on the street. To me, that is very sad.

- ▶ The stock price is obviously significantly less than it should be. I'm not a financial expert but I would guess the value should be at least 70 dollars a share, even with 'business as usual' issues in India, California, and EBS. Human resources here at Enron are our second most important asset, next to the leadership, vision, integrity, and reputation of Ken Lay. We must continue to recruit and keep the 'best and the brightest' and unleash them in the right direction. It's worth repeating that I'm not a financial expert but I have an idea for the financial experts to consider. What if Enron bought back shares of stock and based the next four years of employee stock option grants on prices of \$39, \$42, \$45, and \$48 respectively... with the original vesting dates, i.e., 2001, 2002, 2003, and 2004. This suggestion may not be financially feasible and please delete it if it's not, but I think this would significantly improve employee morale by creating long term incentives. The employees feel strongly that the stock price will return to the 80s someday soon and their stock options will represent a positive value. And it could help minimize the disappointment of employees that received stock options with grant prices in the 80s that have a current value less than \$40 a share. I think it would demonstrate to the financial community that Enron believes in its human resources, that success will continue, that the stock prices will go up, and they can share in the success or risk not being part of it. My perception is that we've been trying to talk the stock price up because we know it's worth much more. I'm sure it's been as challenging as pushing a wagon uphill with a rope. Instead of asking everyone to help us paint the fence, it's time to get the white wash out, start painting... and demonstrate how much fun we're having. As far as EBS goes, my take is it's an investment in the future... don't give up on it so soon. The possibilities really are endless. I think the best strategy is to engage the first curve while building the second curve rather than jumping on the second curve right out of the gate. Invest in a carefully planned global infrastructure or consider building a strategic partnership that could provide the solid foundation for future bandwidth trading. Thank you for asking for my ideas, comments, and suggestions and for your time.
- ▶ More emphasis on risk reward ratios rather than just large risk and some reward. Compensation to commercial groups should be more structured to include; 1) deferment of payment for deals that are long term, 2) compensation should reflect the risks taken and capital used 3) Some desks need better organisation and

structure so they work as a unit rather than a group of individuals

- 1) We need to balance the need/desire to be innovative and aggressive with some business planning. For example, there are many times when an idea/concept is thought of and we start running down the road without first stepping back and thinking through the real business value in proceeding. In other words, people focus on what 'can' be done more than they focus on what 'should' be done. This may be due to a lot of credit being given for the 'origination' of an idea/concept before it has been shown to produce business value. Enron is a fantastic company and you can already feel the change/impact with Ken Lay coming back.
- 2) Too many automated administrative systems have been introduced too soon. Global systems should be introduced. Europe and Houston work on various different administrative systems e.g. expenses. Some of these systems have created red tape that is hard to overcome. Not everything is black and white and exceptions should be taken into consideration. This is not happening. Some people are not willing to go above and beyond their role to assist others.

Stick with it Ken!

Enron needs to align strategy with 'essence of what it is'. Credability to gain analysts and staff. Further development of a history for 'Enron' needs to be undertaken to develop a sense of ethos for the company and link ethos to strategy so that all actors, rather than just senior management. This may make us better positioned to find 'waves of market change' that can increase revenue. To become the world's leading company, focus needs to be longer term rather than the next deal and managing reputation is key. This should be integrated into enterprise risk management from a DASH point of view, rather than a PR post deal re-building exercise.

I think one of the main issues is the working hours, everybody expects to put in additional hours it is part of the job. However with the constant programme of moves every weekend people's personal and home environment are becoming severely affected and I think this contributes greatly to staff leaving Enron certainly within the IT environment. This also causes problems with morale. It also causes a problem with sickness as people are so tired and worn down. Why do we have to continually move people around in London one month we moved an individual 6 times within that month. This must cost Enron an extreme amount of money.

Mr. Lay I am extremely disturbed by the lack of direction/leadership that has been given to India. The whole concept of 'just get the deal signed' (DPC) without sufficient due diligence for the capital outlay is appalling. India has been around thousands of years and therefore Enron should not have been surprised with the political/culture difficulties required to be successful in this 'developing country'. The very idea of Enron coming in and thinking that we can be the white knight and help with the development of this country is absurd. We built a Town Car in a country that travels its roads with oxen drawn carts. And to add insult, Enron rewarded those who were responsible for this mess (deal makers) with tens of millions of dollars of options. The key personnel responsible are now departed (richly I might add) and the stock holders and employees are left holding the bag. Somebody was not watching the navigation of this ship, unfortunately you were at the helm. It's not to say we can't be successful in India. EOGIL is a prime example. We (yes I work for EOGIL) have been very profitable to Enron, our partners, and the Indian government. Our efforts are not flawless and I assure you this has not been an easy road, but throughout the developing process we first assured ourselves that what we have will work and we took every necessary step required to keep our partners in focus. DPC on the other hand is a total disaster in this regard. The perception of Enron India to the local public has gone from Hero to Zero. So what do we need to do to improve? We need to clean up the mess in India, be more proactive in settling the dispute with California (stop sitting on the sidelines waiting to see what's coming at us), and give this company some direction with the new 'light assets' philosophy so we can re-build a strong image to the public. Right now Enron looks like a fish out of water. Welcome back and sincerely 'Best of Luck'.

- 1) Arrogance of commercial / trading. This is not a blanket statement - most are professional and respectful. Problem is that key, usually leadership, personnel with exceptionally bad respect and leadership skills are tolerated (taken as part of the personality of success, \$).
- 2) Focus on individual or project success is a little too heavily weighted. Some corporate 'good' and efficiencies are being lost. Balance is in the right ballpark, but we are pushing the line a bit.
- 3) Lay's communications on turning the company around need to be toned down

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a bit and focus more on growth and improvement. e.g., At employee meeting he said we had slipped and needed to regain mastery of corporate code of conduct. In his phone message about this survey he wanted to re-establish trust. Those comments clearly sound like scape-goating and are disrespectful to Skilling. Enron says there was not pressure to leave and he did a great job... these messages say it went in the toilet doing his tenure. The message should be we can improve internally... we need to build Wall Street confidence in the future. 4) In general...good job. Some context to answers: a) While I think we need to focus on stock price, that will be taken care of as an after effect of improving core attributes. b) My low rating on loyalty to Enron (intent to stay) is directly related to how I see Enron views its relationship with employees... it's merely a business deal until conditions change or there's a better offer. I'll stay as long as it's in my interest and the work environment is good... there's no intention to use-and-leave. However, I'm not sure I would stay to my disadvantage to help Enron through tough times (as I would have with my old employer). It's a two-way street. c) There has been a lot of focus on employee moral and bad press on the PRC process... I haven't seen anything worrisome on my end. The PRC process is good... just needs better positioning and a clearer message. Internal bitching about management is significantly less here than at other employers I've been associated with.

- My biggest concern is the poor grounding we are providing to the talented, promising, and impressionable young people working at Enron. They are being conditioned to think and behave such that the only way to get ahead is to politically badmouth others, lay blame on others, or to even take credit for the work of others. It is getting so bad that workers in the rank-and-file joke about how Enron is just like communist China ... utilizing the PRC process to weed out the dissidents. People are afraid to speak out because senior mgmt knows that this goes on, but looks the other way. How different is this from the injustices during WWII when people suspected injustices going on with the holocaust, but chose not to take action? Given the tremendously talented young people we have at Enron, we have an obligation to these people and to the greater business population to groom these people with the proper business and moral ethics to become the leaders that they are capable of being. With the Enron lustre having dimmed in 2001, many people who came to Enron as mercenaries will choose to go elsewhere because the void of real ethical management and leadership make the risk-reward ratio no longer worth staying at Enron. It is very disappointing to see this happening. I hope that Mr. Lay can right this ship before we lose too many of the right kind of people.
- We as a company are at a crossroads where we have seen great successes juxtaposed with disappointing setbacks. The stock price has had an adverse effect on employee morale, and the drastic changes in the company organizational structure have left most confused and in a general state of malaise. We need to continue and expand upon our current efforts to bring our varied business units back under a single corporate umbrella. This move toward unification will allow us to operate more efficiently and inexpensively as we consolidate similar groups and functions and should help with our next step of recreating Enron's sense of purpose. Each group must then be given specific targets; each set up in a way to convey how these goals benefit the particular business unit and then Enron as a whole. As our employees gain greater understanding of how their productivity translates into success for Enron, our current stock value then becomes an implied challenge. Once each employee's function and potential company value becomes defined, then any dissatisfaction with the stock price simply becomes a question of increasing productivity at the individual level. As this commitment grows, Enron can then redouble these efforts by reinforcing and reciprocating the same dedication to its employees. To show how we might progress from our current state through the stages described above, here are some examples of internal marketing that could be used to foster the desired feelings: Step 1: Unification. In the most realistic sense, as we reach what we hope is the turning point in our recent downward turn, now is time for consolidation and streamlining which sadly often takes the form of redeployment and reduction of assets. During this time we must show that it really the goal is an integration of assets working toward a common goal, separate entities becoming cogs in a great machine. This initial marketing strategy should emphasize the Dr. Lay's and company's role in getting our groups on the same page, making intelligent and profitable moves towards a common goal. Step 2: Definition of functions and goals from the individual level to the corporate level. Once we can foster a spirit of camaraderie, it is now time to ask back of the workforce. The company has banded together, and now it is time to identify the specific targets and goals that will deliver us into greatness. Planning of this type has to come from the top down. Corporate has to establish a high, yet realistic goal for the end of the next reporting period. From that, each specific business unit beneath the corporate umbrella has to identify both a goal of its own that help in achieving those

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ends, as well as seeing how its performance can positively impact those other business units around them. This can then be taken down the line until each group has certain objectives from which they can create metrics and maximize performance. This will allow each employee to see where their individual efforts benefit their department, business unit and Corp as a whole. The marketing campaign shifts its focus to the employees: 'What can I do to make the stock go higher?' This takes the stock from being a independent component of company worth to a value based on the level of all of our applied efforts. Step 3: Commitment to each other. As goals become realized and the bar is raised, the last step is tie the company and individual fortunes alongside one another. Employees at this point see that they are the masters of Enron's worth, but these efforts only reach their highest potential when they feel that as Enron prospers, the company brings that prosperity back to its workforce. The marketing now focuses on both elements working to further the interests of one another: 'You work to make Enron's vision a reality; Enron works to make your dreams come true.' I am willing to make this commitment to our organization. I know that my hard work makes a positive difference in the destiny of our company, and I feel that my company will recognize my efforts and make the same impact on my destiny. I know that as I can instill this mindset on my colleagues, our potential will grow exponentially. Enron's growth has always been a result of the astute management of commodities and resources. The most valuable resources that Enron has at its disposal are talent, intelligence and dedication. At this moment, we have the tools to succeed. If we can instill this mindset and renew confidence in ourselves and our company, there is no limit to what we can achieve.

- keep ken in the drivers seat
- Ken Lay is going in the right direction. This company pretends to be horizontal but instead is pretty vertical and information does not flow. The management and the employees need to build better ways to communicate with each other. It's urgent to work on the morale, I'm personally very dissatisfied of the management. I have not seen clear direction, we need leaders at all levels..managers, directors VPs. The PRC effect was devastating, it's urgent to work on better ways to evaluate individuals based on clear goals and criteria. Current system is surrounded with secrecy and lack of transparency. My point is, recover the trust of the shareholders but don't forget the employees.
- I am glad to see Ken Lay back in charge. He is respectful of people at all levels and has the success of the employees and company as a top priority. Instills my confidence back in Enron.
- I believe the biggest problem we have at Enron -- and one of the top reasons why morale is so low -- is the lack of values in our management. I think Ken Lay lives the values, but I don't see the same commitment in other management members. For example, some of the worst abusers of our values are on the Culture Committee -- like Beth Tilney and Dennis Vegas. How can we trust management when the very people that are positioned to live our values are the worst offenders? I have to also say that Greg Whalley scares me for the company. While I'll give it to him that he's brilliant, I can understand why the stock went down after that announcement. I am, however, thrilled to have Ken back at the helm again.
- Ken,  
We need to show the world that we are still the BIG E!
- Enron has a huge problem with skewed financial incentives at the upper reaches of management. I think that compensation in the form of options help align management interests with shareholders', but at some point I think it encourages excess risk aversion. I believe this has been a big part of the management failures over the last two years. In one case, we agreed to pay an executive over \$40mm in options to run an unproven business for a number of years. This executive literally sat on his hands the entire time, hoping against hope to get out intact. He did not and has recently left the company; I'm keeping my eyes on the SEC filings to see if he got his options "repriced" in the form of a package.  
  
I'm not advocating repricing our options - the stock has tanked, and we need to take our lumps with our shareholders. But there comes a point when an executive is so rich that he no longer cares about growing the business; he wants to preserve the value of his portfolio. We should join private partnerships in recognizing this change from risk seekers to risk averters and force people who reach some substantial economic scale in the form of our stock to leave the company.

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The thing that confuses me is you, Mr. Lay. Of all employees, you seem to be the "longest" in terms of Enron exposure, but I don't notice the same kinds of risk avoidance, or sitting back on their laurels, that I did with the other executives. If a policy described above resulted in your leaving the company, it would be extremely negative for us. However, I believe that what happened with Mr. Skilling is a symptom - he finally felt he "had enough" and no longer put the interests of shareholders first.

It's important to compensate middle tiers of management well to keep them at the company. But one substantial issue with morale deals with the wealth of these executives and the fact that they prevent younger managers from moving up. By enforcing this "senior partner" system, I think you'd solve more problems than you'd expect.

- I think Enron is very flexible and that is worth so much when balancing work vs. personal life. I have heard of several companies going to a 4 day work week every other week, always having coverage on Friday but alternating with a fellow employee and working the same hours just in 4 days instead of 5. I feel this would give employees time to make needed appointments during the operation of business hours. Reducing time taken off for personal reasons, such as doctor or dentist appt., personal business, ect.
- 1. Accountability/Executive Compensation -- Even though I am a VP, I feel that executive compensation has gotten way out of control. We seem to have been paying executives astronomical amounts of money with very mediocre, if not poor, results. Lou Pai may have deserved lots of money during the glory ECT years, but apparently he totally mismanaged EES during the last several years. And what about all the money paid to Rebecca Mark, and the ridiculous results she gave us. We, the employees and shareholders deserve better accountability than this. The same goes for several other execs. who were wonder-boys for several years, but then got "fat and slow" and lost their edge. Every executive should be paid for results, not just for closing deals. If they won't stick around, then just let them go. We need "professionally hungry" people who will work their tails off for the bottom line.  
2. The PRC needs major reworking! I support all the concepts of the PRC as a way to weed out people who are not the best. But the comparison of people across business lines does not work. I work for a small group in corporate staff, and I am compared to commercial VP's. So, even though I get rave reviews from the people I work with and for, I continually get blanked on some parts of incentive compensation because my group and my work is not perceived as being as essential to the company. That conflicts with what Ken Lay said about every person counting here. It just doesn't translate. Also, having forced percentage into the lowest category of PRC is inhuman. It has greatly demoralized our work force, and I just don't believe that there are that many losers still here. There has to be a better way. I say that you should get rid of PRC as we know it and come up with a newly named and better system for evaluating people. PRC has done great damage to this company!!!  
3. Please focus on what we do best and stop spending money on goofy ideas, all in the name of innovation and other buzz words. Tried and true business models and people with a little gray hair still have a place around here. As a matter of fact, I wish we had had a little more gray hair on the 50th floor in recent months! Don't let the Madison Avenue consultants give you this new age hog-wash about everything that is different being better. The Management Conference agenda last year, especially the outside speakers, made me feel like an old lady, and I'm not!! Let's get REAL and do what we do best!
- Ken, will you stay as President & CEO? Things were better when you were there.
- Top three (3) worst things about working at Enron
  - 1) Lack of experience of VPs and above (some are too young and only know trading - nothing else). People cycle through the ENA Office of the Chairman so quickly that I doubt anyone has had the time to really understand the job and add value to the company. Executives move up the learning curve and then leave.
  - 2) "Boon-doggles" are sometimes quite excessive, especially for groups that are not adding to earnings (example: article came out blasting Enron for Project Timber and accusing Enron of manipulating earnings, while the deal team was spending a long weekend in Sonoma on the company dime!)
  - 3) No communication between the trading side and everyone else (asset origination groups, finance groups, etc..)
- I believe our stock price has taken a beating because I do not feel that we have effectively countered the publicity over California and the Dabhol project. For the company to be as healthy as it is, there is simply no

# Ken Lay

## Response

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reason for our stock to have fallen over 50% in one year. We must launch a tactful PR campaign to counter this.

- Ken I work in HR at a Business Unit and think we have come a long way since Cindy Olson was put in charge. She really challenges the status quo. Now that you are back, I think she is too!!! Why was the HR leadership/responsibility split? We need one HR leader to provide a central focus. Like you Ken!!!

Now there are some things that do need fixing in HR. I hate it when HR get's called out at an all employee meeting. It is embarrassing because I, and others, work very hard to do the best job possible. I realize we need to take care of management, but we also need to take care and focus on employees. We need to get back to the basics!!!

I think we need to reevaluate the HR Senior leadership to ensure we have the right people in place. It is SO political. You do well if you are in good graces with certain people. And of course you can fall in and out of good graces! What happened to doing well if you do your job and do it well... I will not name names but think about it. Who manages by intimidation? We have really good people but can you honestly say there are no Americans who can lead key functions like Head of HR, Recruiting and OD&T? Believe me I have nothing against non-Americans. This has got to be costing us a ton of unnecessary money to have expats in these key roles.

I am a Director and at this last PRC period, the HR Leadership evaluated the Directors and Sr. Directors together. Why? I assume this was not done in any other function at Enron. IT IS NOT FAIR. There was no communication as to the logic of doing this. What has been communicated to employees, is that you will be evaluated with your PEERS. A Sr. Director is NOT my PEER. Let's look at it from the Sr. Director's view. Are they now really considered Directors? Have they been demoted and not been told? I thought COMMUNICATION was one of our core values. Ken I have no idea where I stand relative to my Peers and it looks like my Peer is a group of people who have greater responsibility than myself. I may have done ok, but how would I know? I'm thinking I don't have a chance. This has created unnecessary paranoia, not only with me but with others. We all recognize PRC drives compensation and promotions. The HR Leadership does not have the balls to even communicate PRC ratings. Ken, let me repeat, THIS IS NOT FAIR. At least communicate the PRC ratings. How do I know what to do to do a better job, or am I doing ok? Who knows? Am I eligible to be promoted to Sr. Director?

Enough complaining. My recommendation would be 1) Put Cindy Olson back in charge, reporting directly to you. We need one leader, reporting to the Office of the Chair. HR has been shifted around too much and this role is too critical. Sign her up for at least the amount of time you have committed. 2) Evaluate the HR Leadership: Manager through VP and put the right people in place. Make the hard calls!!! For those who deserve it, promote the right people to Director, Sr. Director and VP (these people have worked very hard and they do exist!!!) 3) Communicate PRC ratings, especially if people want to know. 4) Have HR focus on employees more. 5) Talk to the HR management and understand what is really happening in this group. They will tell you if you ask. But you have to be willing to do something about it. HR will be critical in bringing us back, like you Ken...

Thanks for the opportunity to tell you how I feel without any threat of being discovered. I hope we can get to the point where we can speak to you, or Cindy face-to-face in addition to this type of survey. This is a cool tool, especially the speed of getting it out to employees. I hope you communicate results just as quickly.

- Mr. Lay

Welcome back and thank you for asking us to respond. There are some issues, I feel, that are impacting our performance and public image and I hope I can convey my thoughts and feelings without offending anyone.

I am disturbed by the lack of direction/leadership that has been given to India. The whole concept of "just get the deal signed" (DPC) without sufficient due diligence for the capital outlay is appalling. India has been around thousands of years and therefore Enron should not have been surprised of the political/culture difficulties

# Ken Lay

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required to be successful in this "developing country".

And yet throughout the whole DPC ordeal, Enron was jerked around because of our lack of understanding of 1. The PSA (we can power up from a cold start in 4 hours? the person that signed this should have been decapitated) and 2. The lack of commitment from a frail and weak government that changes with the monsoon. And yet we come in and build a first class Town Car in a country that travels its roads with oxen drawn carts. And to add insult, Enron rewarded those who were responsible for this mess (deal makers) with millions of dollars of options. And now, the key personnel responsible are departed (richly I might add) and the stock holders and employees are left holding the bag. Somebody was not watching the navigation of this ship, unfortunately you were at the helm.

It's not to say we can't be successful in India. EOGIL is a prime example. We have been very profitable to Enron, our partners, and the Indian government. Our efforts are not flawless and I assure you this has not been easy road, but throughout the developing process we first assured ourselves that what we have will work and we took every necessary step required to keep our partners in focus. DPC on the other hand is a total disaster in this regard. The perception of Enron India to the local public has gone from Hero to Zero.

So what do we need to do to improve? We need to clean up the mess in India, be more proactive in settling the dispute with California (stop sitting on the sidelines waiting to see what's coming at us), and give this company some direction with the new "light assets" philosophy so we can re-build a strong image to the public. Right now Enron looks like a fish out of water. Welcome back and sincerely "Best of Luck".

M.A.Garred  
EOGIL

- There are too many employees who view themselves as self created managers, and are very adept at creating situations which accomplish one goal.. self preservation. Almost without exception, each one of these "managers" envisions their sole purpose to micro-manage and then delegate their management directives to their subordinates. The only problem is these subordinates use the same mentality as their superiors, they micro-manage the directives from above, rubberstamp the decisions they make and delegate the next step to others and the cycle continues.... where does the buck stop? Nobody it seems has the guts to take ownership of the issues and see them through to resolution. Admitted ownership means responsibility, and with that accountability. Total deniability seems to be the norm here. If something is a success, everyone wants credit. If there are problems or even failure usually the only people willing to take the blame are the ones that were doing all the work that was delegated to them by the managers that can claim total deniability. What is wrong with this picture? Too many Chiefs and not enough indians that's what.

PRC is a farce. Clearly a method of measuring performance is required, however when the current system is wrongly used as a tool to determine which employees should be terminated due to an impending layoff, and the employees deemed as 5's were clearly higher performers than some of the employees rated 4's and above something is wrong with the system. This happened within EES to co-workers of mine and I was never more ashamed to be associated with a company that condones such actions than I was the day these terminations took place. This must be corrected or it will be as fatal to this company as cancer is to any living creature.

I am looking to you Mr. Lay to return this company back to what it was just a few years back; a respected, admired and successful company whose employees are proud to work for, not just be employed by.

- The fact that high level executives in high paying positions (i.e., Beth Tilney) perform jobs that could be done by a manager and the fact that such executives have such jobs because they are friends of Ken Lay. Furthermore, the pay and benefits are not commensurate with the amount of work executed. Then, too, for a company of

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Enron's stature, the pay and benefits are very poor.

- Change is great....but there is a difference between change and chaos. When PRC time comes, how will we be able to be judged fairly when we have changed roles so many times due to re-orgs. This affects our pocket book and feeling of self worth and contribution.

Quit having so many chiefs with ideas (each talking and interpreting the message slightly different),...and let the "do-ers" get to doing something! And don't change that every 15 minutes.

Continue to invest time/money into having one world class system in which our customers up to date contract and billing information can be housed!! Amen.....can't wait for that!!!

Divide the work more appropriately. I think there are people doing nothing and people running around crazy. Let's have a happy medium.

The all employee meeting was AWESOME!! Gave me the goose bumps!! Thanks Ken!!

Looking forward to a fun, top notch Christmas party again this year!! Can't wait!!

- Communication has taken a nose-dive. Decisions are being made at the top (where they should be), but put into action prior to anyone taking the time to look at the impact or how the end result will be achieved. Morale is at an all time low in the field.
- I've been at Enron for five years, and I am extremely concerned about the number of high-quality people I have seen leaving the company in the past year. Every one of these people was an asset to Enron, and now they are almost without exception all working for our competitors. I attribute many of these departures to political vendettas that have been allowed to take place within the framework of the PRC. If Enron is to continue attracting and, perhaps more importantly, retaining the best and brightest, it should seriously consider a total overhaul of the PRC process. A key first step should be the cessation of forced ranking; if we pride ourselves on the quality of our employees, then how do we reconcile that belief with being forced to designate a certain percentage of employees as 4s and 5s every six months? I say this not as someone who is disgruntled, but as someone who has enjoyed high rankings during every performance review I've had during my tenure at Enron.

I also feel that Enron has strayed somewhat from its vision and values, particularly when it comes to respect and communication, and am hopeful that with the return of Mr. Lay to the daily leadership of the company, this is an issue that will be addressed in a decisive manner.

- I previously worked in the Associate and Analyst recruiting department and decided to transfer to a commercial role. When I told my supervisor that I would like to make an internally transfer she treated me like a terminated employee. I was not allowed to check my phone messages because they changed my id code and made me pack my own belongings/files, etc to take home for the weekend. I do not feel this encompasses the Vision and Values of the company especially RESPECT! Now I see why there are so many disgruntled AA members. I see that the management in that department carries that attitude over to them as well. Also, being a recruiter in that department I feel Enron is over hiring. In the past Enron had a reputation of only hiring the cream of the crop. Last semester we went to campus and made as many offers as possible without really screening candidates. Because of this attitude we have become a joke on many campuses and a fall back to students who do not get offers from the company they really want to work with.
- I have been here slightly over three years. In those three years Enron has changed considerably and not all for the better. While we pride ourselves on the ability to change, which is generally perceived as being good, we must change for a reason. Currently we seem to be making changes for the sake of making changes. We appear to change and re-organize around objectives. I feel that no work (or very little) has been completed over the last six months because most of the effort has been spent by management jockeying for positions. There are way too many egos at the upper management level. This, combined with the relative young age of upper management, is having an effect on morale and the Enron culture.

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The culture at Enron has changed significantly, even just over the last year. We currently do not have a real champion for Enron. When Joe Sutton was here, like him or hate him, in public he was great at convincing others that Enron was the best. He always conveyed this message to new hires and during guest appearances at offsites for existing employees. You used to walk with a spring in your step knowing that you worked for Enron. You worked hard but you were treated right. A lot of that luster has dulled recently. I feel that the morale is very low, and while job security is a thing of the past with most companies, it seems even more so here. It is very difficult to plan your personal life when you never know from day to day if you will still have a job tomorrow, even though you are a hard worker and have the performance reviews to prove it.

This brings me to my last item - the PRC. As it is used at Enron, I feel it is very counter productive. When I first hired on, I thought that the process was great - selecting peers to review your performance - this was better than most other companies that I had worked for. However, the forced ranking system currently being employed is difficult to accept. If I am going to be given a performance review, it should be just that - a review of my performance and not some rating given to me by someone who does not know me or the type of worker I am. Instead of being an incentive it is actually demoralizing.

Even with all this said, Enron is still a great company and can return to it's glory days. I just feel we have taken one step forward and two steps back recently. Management should realize that not all of us can be traders. We need to stop treating people like commodities, focus on a direction, give it a chance, stop selling goods that we don't really have, and work as a team. There seems to be too many silos and politics involved which prevent us from successfully getting around to the business of doing business.

- Glad Mr. Lay is back at the helm. He is the role model of our visions and values.

Employees may not take advantage of new opportunities close to a mid-year or year end PRC because they may suffer in their rankings with the new group. This keeps Enron from maximizing their talent.

- 1. Employee morale is a major issue now. Factors such as the PRC process, the sinking stock price, and layoffs / redeployment have had a significant impact on employee morale. I think this needs to be addressed before we have an even larger loss of talent. Many talented people have left or are considering leaving Enron.
- 2. The PRC system is broken. I find myself unable to explain rankings to those I supervise. I often disagree with the rankings and don't know how they were determined. I don't have a voice in the final ranking determination. The rankings don't even necessarily reflect the written input from the people chosen to review employees. In addition, this system is stifling cooperation. It is a zero sum game that encourages people to withhold information to gain "PRC points". It also encourages withholding feedback in order to have "ammunition" to use at PRC meetings.
- 3. Working space and meeting space is becoming an issue. It is often difficult to find a place to meet and to share ideas. Elevators are amazingly crowded. Hopefully this will be helped by the new building.
- PRC this year was a disaster. The relative ranking system might be useful for the company because it forces employees to work harder and harder to get a better score than the neighbor, but it does no good to the employee. The system has been abused: a manager would give a departing employee a poor ranking in order to allow another employee to receive a good ranking.

I'm glad to see Mr. Lay back at the helm. Please never leave the CEO post again.

It's very discouraging to see so many top executives leave the company. All of EES last year's top management is gone.

- Ken, it comes down to this. I am not empowered as an employee. I have an MBA from UH-CL, which is not enough to get me hired to a position where I can really do something to help this company - I have a great passion for finance but training and other opportunities in the company are limited for me. I have a couple of ideas that I think could make this company's stock go back through the roof but without a fancy title, I can't pull it together. I'm going back and get a second Masters (in Finance), this time from a top business school like

London Business School or Haas at Berkeley, and then I'm going to work for Goldman Sachs, where I can get the training I want. I'd love to stay here but if I do I would never get a chance to do anything great. Best of luck.

My biggest complaint about Enron has been the application of "the curves", as it pertains to the PRC.

I can see where having goals of having so many 1's, so many 2's and so on makes sense for a work area that 1) has a large number of staff and 2) sees a lot of turnover. The odds say that there will be a bad apple or so in every box. And the PRC approach forces a supervisor with those bad apples to deal with the situation quickly. However, for the department I oversee where the opportunities to fill a vacancy are rare (10 direct reports /low turnover), I make sure that I hire the right person for the job at such time. I have a pretty darn good track record over the past 20 years - one of my direct reports was a Chairman's Award winner. But when something did not work out as planned prior to the PRC, I rapidly dealt with the situation, knowing that you can't get too far in this day and age with a bad wheel.

Being asked to label someone a poor performer in the PRC process just to fit a curve does not make any sense in my situation. In fact, assuming that there will always be pressure on me to have a poor performer, my innovative mind says that I need to fill my next vacancy with someone that I purposely know won't work out as a way to shield an existing staff member from an artificially low ranking. Is that Visions and Values in action; to purposely hiring a token sacrificial lamb? I don't think so.

I also know of one case where the PRC ranking process is currently being used to literally "blackmail" an employee. In this case, the employee (J. Doe) is a functional manager currently assigned to provide system support for Company A. Others within Enron would like to have access to J. Doe's talents and have attempted many times to attract this person to their area. However, J. Doe is extremely happy with his role supporting Company A and Company A is very pleased with J. Doe's work.

With no success in winning J. Doe over to their side using the more traditional means (promotion, salary increase, increased responsibility,...), those who would like to have J. Doe under their wing have given this person a four ranking in the most recent PRC to "motivate" J. Doe to reconsider. This is not what the PRC is designed to do. The PRC is designed to identify performance problems, not as a means to influence someone to do something that is against their will. What if this employee decides to leave Enron? So much for finding ways to retain intellectual capital that has made this company so great.

This "blackmail" example points out another shortfall of the curves approach - everyone has to fight to get that good ranking. What ever happened to doing things as a team? Forget teamwork, hell it is every person for themselves (especially now where most stock options are underwater).

If I run over someone to be the first in line, tough, they should have seen me coming. This type of attitude may work when we are competing outside of the walls of Enron. But is this truly the environment that we want inside?

While my tenure with Enron has been relatively short, I came to this company with extensive experience in leading and managing the personnel and assets of large organizations. Consequently, although I would be the first to admit that my comments should be appreciated in that light, I can say unabashedly that thirty years in the military, commanding units with as much as 3500 personnel at one time, does offer me a unique and somewhat informed perspective on what I think is Enron's trenchant weakness - - the quality of management practiced by its leaders. We can debate the virtues of the pros and cons of this issue ad nauseum. Nevertheless, if, as I suspect, you hear a consistent theme of employee morale being at issue, or concern about where the company is headed, or questions about management communications, then these need to be taken as red flags warning us that there is a problem at the core of this organization's leadership. And, if anything reinforces this, I would call attention to the almost two minute standing ovation that Mr. Lay received at the last All-Employees meeting. That wasn't contrived nor was it uncalled for. It came as a result of what I would offer is a crisis of confidence in the leadership and management of the company - - something that is not solely the fault of Mr. Skilling (although as the senior executive of this company the buck certainly stopped with him). And, if left unchecked, this crisis will fester and its deleterious effects will have both internal as well as external

# Ken Lay

## Response

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consequences beyond the bounds of the market value of our stock. This confidence has to be restored quickly and, interestingly enough, some of the remedies are not all that complex -- candidly, this survey is a step in the right direction -- as long as it is used and not perceived as a bandaid to display the "obligatory" show of concern. It continues with the selection of right-minded executives to take the company forward after Mr. Lay retires (selections which have already occurred hence somewhat questioning the efficacy of this survey). You see, there appears to be a fundamental flaw in the selection criteria for the corporations and subsidiary companies leadership. Success in very narrowly focused venues (trading, sales) would seem to be mistaken for ability to run large organizations -- hence the selection of people who, while earning vast sums of money for this company, may not really have the basis or personality to run large organizations and orchestrate the actions of many employees over a diverse spectrum of requirements. In fact, one could argue that the type of people who have been successful as traders and/or sales types, are the antithesis of what good leader/managers are all about. The latter knowing how to mobilize the talents and energies of many people and use others to maintain the company's momentum while staying focused on a myriad of issues and sustaining all of our efforts towards the long term vision put in place. It's this type of leader/manager that somehow, of late, is not being nurtured and culled from the pack to lead us forward. Rather, we appear bent on selecting those who have garnered success in a mostly individualistic endeavor where teamwork and motivating others may not be the recipe for success. If this is too harsh and a generalization, then understand that it is unfettered by any emotional baggage (I am happy with my immediate employment circumstance and superiors) and based exclusively on many many years of leadership under the stressful circumstance of combat and within the context of many different leadership environments above me. Furthermore, I came to Enron because it exuded the qualities and virtues I didn't think I could possibly find anywhere than in the military. Until this last January it continued to be that way. However, the change since then is almost palpable and it will need to dramatic and forceful leadership to change it if that is the company's intent. Frankly, I really believe your sounding of the situation doesn't go far enough. Would fervently recommend you take a sensing of what key customers (especially retail customers) think as well as middle management. I do not wish to be rude or disrespectful, however, if this process doesn't drill down into the deep-seeded issues barely scratched on the surface by this survey, and, if left to the sole interpretation of the current executive leadership, it will never have the complete airing it needs. In closing would just add that something that clearly is absent in the whole equation is a leader/manager development program. Some say that leadership can't be trained. Others insist that there are skills that can be taught. I believe it's a little of both. But I can tell you that it is neither serendipitous nor purely mechanical. But it is something that is thought out and it is a nurturing process that requires employees being groomed and developed early on in their employment at Enron.

### ● EMPLOYEE MORALE/WORK ENVIRONMENT

I don't need an office with a great view of downtown Houston to feel wanted, but I do need a working environment that will help me produce in a way that is expected of me. I work in ETS engineering and we are being forced to work as a "paperless" society. Moreover, our work stations are being drastically reduced in area while the same level of production, efficiency and accuracy is being expected from us. The upper management people who are making these decisions (sounds like people with IT or Trader backgrounds) obviously have no idea how engineers must function to do their job. The effective message is that the price of real estate is more valuable to Enron than our product or the morale of our people. They ask, "Why retain books, binders and drawings with data when you can call it up on the net?" This logic must be fostered by lack of understanding.

### HUMAN RESOURCES

If Enron wants to save considerable resources, try deleting about 90% of HR. These people passive, not proactive. They rarely are of much help in almost every situation I or others have experienced. They offer no help whatsoever when someone calls about employment (they say go to our web page I) or when an employee is redeployed. Regardless what HR people or Mr. Lay may say, redeployed employees are on their own. That does little to boost employee morale

### ● Dear Mr. Lay,

Today is my last day of working for Enron. I am going to back school next month. I was a summer intern in Enron in 1998. I decided to come back to work for Enron because I really enjoyed my working relationship with my boss and co-workers during the summer. I felt respected for not only my skills but also my ideas.

# Ken Lay

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But things have been changed since I came back from school in 1999. I was promised by the HR department to get a sponsorship of Green Card. But that promise was denied since I became a permanent Enron employee in 1999. Celeste Roberts told I have to wait for three years in Enron in order to get a sponsorship. I felt Enron cheated me. But I still stayed with Enron because I believed Enron still had something I appreciated.

Things were getting worse. My current supervisor never shows me any respect. I never felt I was respected but like a tool for working. I am a CPA graduated from UT-Austin. I developed very solid finance and accounting skills but I felt my potential and skills are not recognized. My supervisor thinks the person who can make her happy is the good employee. I don't like politics and that is the reason she does not have a favorite opinion on me. But eventually I still had to be judged and represent by her in the stupid PRC system. I did not get a fair PRC review since I started working for her. My morale sank to the lowest point in my life. That is the real reason why I decided to leave Enron. I could have found another rotation and leave the group but all the unpleasant experiences make me feel upset and disappointed. Comparing to Enron of 3 years ago when I was a summer intern, I found Enron has changed a lot. Respect has only become some slogan instead of the really spirit. If all the employees keep leaving Enron, how can Enron maintain its expertise and stability? Like the A&A program's PRC system, all the analysts and Associates have to fight to death in order to excel each other. Why we have to go through such a brutal war to success. Where is the respect? I felt I am a gladiator who has to kill his peers to survive.

I have great respect for your leadership. I hope you are going to save Enron one more time. I don't know whether my voice can reach you or not but I do hope Enron keeps moving forward. I want to see the company really become a world leading company.

- We must do something to restore much of our stock value!! I realize that \$90. may have inflated, but \$35. will lead us to being absorbed into another Company, which probably won't be beneficial to the employees as a whole.

It may not be the most palatable game in town, but Enron Mgmt. is going to have to start treating the investment analysts a little better, so we can negate some of our negative publicity. It's too bad that this is necessary, rather than just being able to "make money" and call it good, but it seems like those who don't bow to the "Street", come out the worse for the wear.

Something needs to be done about the PRC system, especially in ETS. Having to rank people, even though H.R. won't call it forced ranking, is completely unproductive in a Division with a high average years of service like ETS. The PRC system is too labor intensive and produces very little except confusion, hard feelings and extra expense.

I for one, am very glad to see you (Ken Lay) back at the helm!! There are very few of us who do not have full faith in you to return OUR COMPANY to a position of respect, profitability and prosperity.

- I was appalled by the statement Jeff Skilling made regarding Enron and pornography. I read it in one of the internal publications and I can't believe that it was included. I cannot imagine Mr. Lay ever making a statement like that. I am very relieved that Mr. Lay is once again CEO of Enron.

- Several points should be made:

(a) The so-called managers at Enron have rarely managed. They have usually been traders or developers or others who were very good at what they do individually, but leadership is rarely their forte. Someone at Enron has to make sure that people at all levels are taken care of (and Human Resources has done a miserable job of that to date).

(2) The PRC is counterproductive. Sitting in PRC review meetings is an exercise in defensiveness, destructiveness and humiliation when it should be a celebration of what is good about the employees of the company and an analysis of how to make those who are less driven, less skilled or less capable more productive members of the Enron community.

# Ken Lay

## Response

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(3) There are many of us who have known for years that certain members of the executive team were driven more by self-interest than company concern. It is good to see some of them leaving the fold.

- We talk a lot about R.I.C.E. (respect, integrity, communication and excellence) and I see all of that in Ken Lay. However, there exist many areas in the company where staff ideas are not really welcomed, changes are made in people's lives without even asking for their input. Change is good but management should involve (ask for input) from all levels before making sweeping changes that may or may not be the best thing for Enron but they are the best thing for management.
- The back office infrastructure has been totally ignored and this will continue to cause heartburn for a long time unless steps are taken to fix the problems.
- This may sound crazy but when I heard that Ken Lay was leaving I was so sad it was like losing a Father, after asking around and talking with others they felt the same way. During our all employee meeting as I sit there observing all the tears that came to peoples eyes when Mr. Lay announced he was back!!!

I do want to thank the redeployment team effort and I thank God and the people I mentioned above but if it wasn't for Stan Horton and H.R. I may not be here today. I think there could be some improvements to redeployment.

- I truly believe the fundamental success of Enron is based on the talent of our people. This is mainly accomplished by having the right leadership at all levels focused on coaching and motivating their staff. I have been at Enron for over 5 years and have held close to my heart the Vision and Values of this company. Im currently a Director and manage a large team. I have witnessed leaders at higher levels not portraying the Vision and Values of this company, this hurts Enron more than any single item. Happy motivated people work harder, its not rocket science. All of our management should be held accountable for adhering to Enron's Vision and Value system. Ken's return has been instrumental in the morale of myself and my team. People truly believe in his character. Even as CEO he treats everyone equally. I have personally witnessed Mr. Lay on the elevators talking to folks as if he knows them personally, this is awesome. Imagine if all of our top leaders portrayed this type of behavior.
- Question: There was an article in the Aug 17 Wall Street Journal about five Hollywood studios (Sony, Warner Bros, Universal, Paramount and MGM) forming a joint venture to deliver feature films on demand to consumers via the internet. I can't find the specific article announcing Enron Broadband's termination of agreement with Blockbuster Video (which would have delivered movies over the EBS network). However, I seem to remember Ken Rice saying something to the effect that EBS didn't want to work with a distributor such as Blockbuster, but rather, intended to work directly with the movie studios. Seeing that these five major studios are joining together to provide a product that Rice seemed to be referring to, I was wondering whether EBS was involved at all in these talks? Also, are we still pursuing the direction (of working with the studios) that Rice referred to, amongst other strategies?
- Issues to be addressed:

EES Customers are receiving SHUT OFF NOTICES at an alarming rate. Recommend a root cause analysis be done to determine why this continues to happen.

#### Probable causes:

Customer wants EES to pay bill that is not covered in contract.

Incomplete TPAs resulting from de-DASR/re-DASR fiasco earlier in year.

Customers not set up in billing system.

Customer 'missing bills' issues not readily addressed by CSC or EES Billing Management. Bills are now past-due and start shut off notices.

20/20 Double Discount Effect - CSC taking 20% rebate on amount invoiced by Utility (SCE & PGE) not knowing 20% rebate was already taken into consideration in invoice. These under-pays will also trigger past-due & Shut off notices.

EC2 000046303

Thursday, September 06, 2001

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**Payables Due Date Issue.** When entering due date for past due and/or shut off notice payments into SAP, payment due date being entered is the date of the shut off and APs disburses funds based upon this already past-due date which compounds the problem.

**EDI Lag Issue.** Add in an alledged delay (2 days) of EDI payments in August (due to an IT virus), and you will have created hundreds of shut off notices.

Long term resolution of this is necessary.

- I believe this survey will uncover tremendous discontent with the PRC process. Performance review is necessary and important to a company and to employees -- both the reviews from superiors/peers is vital, as well as self-assessment. However, this PRC process in particular engenders a battle mentality, and I believe may very well be the cause of losing top performers rather than 'deadwood.' The arbitrariness of fitting within the scale to best serve your group's overall rating needs, and the capriciousness of having people review you and/or block your ability to 'score well' who have NO familiarity with your skills, performance, OR job responsibilities, is counterintuitive to getting the best from employees over the course of the year. It's all about positioning rather than client service and innovativeness. And this, coupled with a very poor external image at this time, is causing the quick disintegration of employee morale. The current leadership (in Ken Lay) is certainly able to turn things around, and I am optimistic that it will.
- We are so blessed to have you back Mr. Lay.
- My credibility and reputation of integrity and service is at many times jeopardized with my customers in the marketplace. Previous to Enron I promised and delivered professional services to customers. I was known for my integrity in service delivery. Now, with Enron, in instances where I am merely attempting to deliver what we promised in a contract my efforts are thwarted by lack of internal resources that are overwhelmed, or broken promises to deliver. It seems like I am a shield or a front to make customers believe there is someone servicing there account. Without Enron's support their shield will fall and someone will have to stand tall not just before the customer, but possibly the customer's legal council as well.
- 1. Reevaluate the Associate/Analyst program - it is so poorly managed. The Associate class of 2000 submitted to Billy Lemons our comments about the program. These should be viewed by upper management (including Ken Lay) and taken seriously.  
2. Salaries should be level with our competitors (rumor has it that El Paso and others pay more)
- Unfortunately, over that past year employees have lost the sense that Enron operated as a meritocracy. Nothing can erode the morale of a company than this type of malaise. The movements and maneuvers at the higher levels were viewed with scepticism given that there often was no corresponding reference to an initiative or endeavor that the particular individual was responsible for.

Secondly, the disparity in the amounts of money that many were making did not reconcile very well with what others earned. The integrity of the bonus plan and PRC process is under attack. To your average employee the critical component appears to be who you know or who you work for and not how well one performs their job.

Finally, there is a glaring underrepresentation of women and people of color in upper level management. I am suprised that Enron has not been taken to task for this earlier given their high profile. A serious, committed and sustained should be undertaken by you and the Board immediately to rectify this imbalance. The individuals should have a commercial platform to quantify their contributions to the company and managers should be rewarded for promoting and grooming for leadership individuals from these underrepresented groups.

- Mr. Lay, it used to be that we wanted to get our name out and known to the public, but somehow we went backwards. How about supporting something at Yellowstone National Park to get our name recognized by the millions of people that pass thru the park. You know there are alot of both Americans and foreign visitors from all walks of life. the exposure would represent us as being not only enviromentally friendly, but also reputable and on the move once again.  
A lot of employees have more than just their jobs at stake with this company, many have their retirement

# Ken Lay

## Response

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dreams. Make believers out of us once again.

- The person who follows Ken Lay as CEO must have most of his personal attributes (caring, people-oriented, great manager of people, visionary, personal integrity, community and civic minded, great communicator), in addition to his strong business capabilities.

We want to hear the good and the bad news from this survey and what Ken and the management committee will do fix the problems. The Pulse results were not communicated to employees well at all, and there was no follow-up or follow-through on the proposed solutions to identified problems that happened to be identified. If you take the time to ask us, then tell us and then do what you say you will do.

I liked the format of this survey. It went right to the core of what is brewing under the surface at our company.

- Listen to your people and take care of those who want to grow within the company. For example I worked full time and went to school full time. I graduated, received my engineering degree, and thought I can contribute even more to Enron. Didn't happen. Yes, Mr. Lay read my email and forwarded it on to Cindy Olsen, but there was no follow up and frankly it becomes tiresome. What am I doing to take care of this? Unfortunately, I'm looking for a job outside of Enron. Hopefully someone else will appreciate my skills and what I can bring to the table.

- Dear Ken Lay,

You sought "honest feedback," "confidentiality," "responsive action steps," and "two-way communication." I share the following commentary because I still believe that you personally hold Enron's vision and values seriously. I am holding on to the edge of the tier, so to speak, about the negative issues I have seen in Enron. If what I say will sound like something from a bitter employee or a troublemaker, I have not succeeded in communicating with you about my issues with Enron. Please understand that I feel I am making a big risk by disclosing my concerns in this medium even though "confidentiality" is assured. There are things that I like very much about Enron and I carry a lot of hope in you personally in giving Enron closer attention to its long-ignored problems and ultimately a healthier work environment. I admire strongly and share the visions and goals of Enron – and want to see them in practice in this company. I hope you can communicate your thoughts and reaction with me directly soon.

Sincerely,  
Hector Avlar

1) Human Resources have very serious problems. In my two years in Enron, I became increasingly disappointed with how little integrity and respect this area of Enron carried with me and other employees. Not only have worked with HR but also have worked in HR as part of a year-long rotation. I observed irresponsibility in HR handling personal and corporate information, resulting in perhaps politically convenient but nevertheless unsatisfactory excuses. An example of irresponsibility and suspicion was the recent discovery of my highly confidential employee file on the desk of a non-Enron person, which was somewhat unsatisfactorily excused as a courier mistake when I asked for an explanation. Another example of neglect was the failure to manage the human resource budget and identify variances in an out-of-control spending process primarily due to poor communications between management when I worked in my rotation (HR Analysis and Reporting). In contrast to supervisors I had in other Enron companies, my directors in HR were, with all due respect, political machines, not problem solvers. They appeared to come across as thinking and acting it was more prudent to play a blame game or a turf war than to resolve or communicate serious business problems with the executives or with their Enron counterparts. Their conduct and lack of team commitment and involvement in our work shocked and ultimately hugely disappointed me in 2000. I have tried repeatedly to communicate directly and indirectly with them in different levels with very little success and instead I felt punished for pointing that out honestly and trying to communicate. Far from being a simple case of personality conflict or unfortunate or accidental misunderstandings, the problem was sourced in people who took Enron's values and visions very cynically. Subsequently, I documented and wrote down specific grievances about this experience among others, and since they involved violations of the company's policy and values and visions, I submitted those concerns to Enron Fair Employment. I requested a written response to my 4-page paper involving specific

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complaints and issues -- I was refused and given a very empty explanation in a one-hour verbal meeting. Rick Johnson, the person who refused a written explanation went further and admonished me what I believed were urgent and involved serious communication problems for reasonable accommodations critical for my job. The fair employment director did not show acknowledgement of my concerns.

2) In the summer of 2000, after my internship, Celeste Roberts, the director of the Analyst & Associate program made a very clear promise that I would be a full-time associate when I came into the program but failed to live up to it. I have a hearing problem, but I heard her very clearly and specifically on her assurance with a revised offer. I followed through several phone conversations and emails with her staff (i.e. Shelly Jones) when Celeste Roberts was "unable" to return my calls for at least 3 months and did not get an indication of any contradiction to that promise until December 2000 when, with shocking disappointment, I received a revised offer as analyst, not associate. Given almost a literally last minute notice and not much alternative to wait out and look for another more fair alternative, I trusted the program in good faith that they rightly placed me and in what they gave me as a carrot of soon-to-be promotion. My chances in Enron has been damaged because of my work in "commercial support" work in HR -- despite its requirement to Enron in analytical ability, the program did not esteem my role as important or critical as the "commercial" roles by other analysts and associates. My good faith has been deteriorated after seeing how promotion opportunities have been closed to me (out of procedural changes) and making side-by-side work and background comparisons to associates and analysts that made the program quite inconsistent with what they said in public. Bottom line, the program failed to live to its expectations in regard to promotion and mentorship and communicated misleading signals and distrust with me and other analysts. Later on, I have heard similar attractive but broken promises Celeste Roberts made with other analysts and associates. The last time I heard from her, she still maintained that she never made such promises; this greatly disappoints me to why Enron would put someone with low integrity in such an important position in the first place -- especially when these concerns were made known a while ago when she held the job. Although she is out of the program (and Enron?) and there seems to be more honest management on behalf of Billy Lemmons, the damage has been done. Instead of a cover-up or a convenient "let's move on" attitude, there should be some investigation in the conduct of the previous leadership of the Analyst Associate program. If there was, it should be revealed to the recipients of the program. I would appreciate some acknowledgement and justice in this problem.

3) Increase diversity and affirmative action in the direction of people with disabilities. I have tried to be a mover in this, but, while the spirit and words are there, I have faced some friction and apathy. I have received very positive lip service but not enough action (actually, nothing at all). My vision may be a high call, but one of Enron's goals is to improve diversity -- and this is a good area to improve diversity and find a lot of untapped talent. I keep hoping that this will move in a faster direction in which I could play a bigger role.

4) The PRC process is not a 180 degree process between management and employees. It is very unidirectional, going from supervisor to employee. There is also very insufficient communication about how the process should be and is done. The PRC committee appears to be pulled by many ropes and pulleys by a few over many and is not understood by many. The PRC is also a highly political process -- hugely advertised by key people who carry very conflicting views about process -- producing a lot of anxiety and conflict for most employees. Please understand that I am a BIG believer in meritocracy and in employee performance systems -- and the theory behind the PRC is very attractive to me. However, in practice, the PRC so far seems to have pushed us in the other direction. Sometimes, something can be worse than nothing -- but we need something better than what we have now in the PRC. Despite good things advertised by key individuals, I have heard and seen very little that indicates a fair and objective PRC process. Perhaps I ask for the impossible, but when PRC is communicated as a healthy system and contradicts my experience, it only produces a cynical result.

5) I did not understand really why Jeff Skilling resigned after 6 months on the CEO job. A short-term drop in the stock price in an adverse market environment does not justify his resignation. I understand there could be "personal reasons" to his resignation, but I don't understand why it should be so private for a man so public in Enron. I respect his decision though and have good faith for his unexplained reasons, but it left me a slightly unny taste in my mouth. I was a little surprised how some employees were glad to see him go.

3) I understood there were issues of "respect" and "integrity" in Enron brought up when you (Ken Lay) spoke in the all employee meeting. What did they involve specifically? Were they issues like the ones I brought up? What "responsive actions steps" will be taken? In the spirit of "two-way communication," will there be a response specifically to my commentary, issues, and questions?

Although EES has recently started to speak of the importance of the customer, focus on meeting our

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contractual obligations has not received much attention in recent months. Recent change seems to have taken on the feel of change for change's sake, not because there is a specific goal in mind.

- I am making a suggestion which I think will be very good for all of us and it is simple.

- Have an environment in the workplace where the unwritten code is to "constantly train and improve one another on the job".

I can elaborate on this, but it will take a very long elaboration. First, the benefits. Everyone will have a chance to be knowledgeable in the work place, thereby eliminating only a few people knowing everything. It eliminates crab mentality where only a few people will know all the skills and use it as job security. What if that person gets sick, what if that person leaves the company. If all knowledge and skills are spread out and shared, then all of us will know what to do and making everyone important.

This atmosphere should start from the top management. The idea of helping one another should be emphasized by upper management. The ideal way is drip system of training. Like the drip system of farm irrigation. A pipe has holes directly on top of a plant and when water flows in, there will be a constant drop of water. A little at a time. It is better than pouring a lot of water once a day.

Case in point. If an employee has some things to learn, he can read and study for it, but it takes time. If he thinks a co-worker knows the answer, he can just go to that person and ask. The other worker should help by explaining and sharing his knowledge. This might be just a few minutes. They could always do the knowledge transfer anytime, everyday. It must be a mutual learning process for everyone. Everyone will know something, either big or small.

This is so simple, but in every company you go, there is that environment of non-sharing and the saying "you're on your own". If we want to be ahead of other companies and become number one...I believe we should have this practice. This will also help in the PRS. Instead of seeing more people in the low level, it will minimize this problem. Also, why wait for six months before you try to improve an employee when he can be given training on a daily, drip system type training in a non formal, flexible manner.

Another perspective...why is there a "Special Forces" in the Military? Why is it that the "Marines and Airborne" are always saying they are the best. Simply because, they are constantly training and improving. They got knowledge transfers from people who have more experience. They won't say to the new recruit that "They have to go to war and get experience". No...they are being taught almost on a daily basis about combat based on real-life experiences.

In American War History. In World War II the Japanese have taken the lands occupied by America and Britain in Asia, simply because they are more experienced with previous combats in China and Manchuria. Also because all their knowledge in combat was shared to new recruits.

Again it happened in Vietnam. Where America sent troops who have little or no experience. During the Gulf War, it is different because the soldiers sent there are "well trained" and the outcome is a real victory for us.

If we want to be number one...then we should build up one another and make the chain link stronger than ever. Many companies are saying that they are empowering their people...only in words, not in actions.

The whole world will look up to us in envy when we say "we at Enron is making sure everyone will be a better person in life and at work." and then we can truly be number one.

- 1) I have been with EES for almost 3 years and I would like to continue working with EES. I like the idea that even though we are a large company, we still have an opportunity to make a difference.
- 2) As a professional, I have a difficult time when an Executive leader

gets up in front of his department and says that if they want to leave then they should leave the company and he would help. He based this on the fact that he understood that the job they were originally hired to do was now different. This was just after half of the Svc. Mgmt. dept. had been redeployed. This is not what I expect from a Leader at Enron. At Enron you expect your role to change, you expect to be challenged in different ways. I do Not expect a leader to say this. The personnel asked themselves if this was said because more redeployments were coming and he wanted them to leave. This is Not the motivation our employees need. Mr. Lay, I have Tremendous respect for you and the Enron organization. I hope to be able to continue making a difference and living the values that you stress at Enron. However, I feel we are going to lose good people when we have this type of management. Thank You for allowing me to voice my opinion.

I think that each person who is not in a true commercial role should be considered valuable to the overall objectives of the corporation, and should be treated fairly in the PRC process, although they have no margin targets per se. Many times in the past I think individuals were highly compensated for taking risks that ultimately dragged down Enron's stock performance or business viability, which was a serious mistake that senior management appears to have missed. Many of those individuals are no longer with Enron, and have taken their fat packages with them. IT's time Enron became a place where you can trust your neighbor, you can be judged based on a job well done with objectives met/exceeded, and not solely on whether you closed a deal at ANY cost. This, in my view, is the core dilemma of Enron, how to treat its people fairly within PRC while encouraging sustainable growth within the various busiensses.

Mr. Lay, I'm glad you're back. Can we please build something that will last?

I am concerned about what seems to be an overly short-term and "unfocused" focus of our company. From getting rid of personnel who were focused on monitoring/analyzing the future and our competition (e.g the Mgr., Competitive Intelligence and Futura Foresight for EES) to endlessly re-organizing, re-deploying and having bunches of people in the lobby for the new-hire orientation, it just seems like we're trading water and churning staff. Further, it seems that since everyone thinks he/she won't be around/doing the same job in six months time, they don't take ownership of decisions and others are left to live with and/or fix the consequences.

In the big world of city attitudes, striking the balance between pay and work is crucial - people don't stay in their jobs just because they like the work and their colleagues.... everyone will move for money and security. In a weakening market, this balance will become more difficult to achieve, for both employer and employee. If Enron wants to be the next 'bank', the split between 'commercial' and 'support' will require lots of attention - or the support professionals will be deeply unsatisfied - as today's professional support teams provide heaps of guidance and ideas to the commercial originators.

I am disappointed that all the founding executives such as Jeff Skilling, Ken Rice, Cliff Baxter, John Echols, Kevin Hannon has left the company. It seems as they lost their inspiration and drive by working long hours and weakened travel and what else? These gentleman were an asset to Enron and I enjoyed working with them and contributing to a team effort.

The PRC needs serious review. It may function at the MDVP level but, not at the lower levels. The salary and titles are not consistent among the business units. I am experiencing this issue and having been trying to resolve for a year. The unbalance affects my compensation and bonus and earning potential, coupled with the stock price, it has not been a financial stellar year.

1. SAP and downstream processing.

Our SAP install and design was one of the very best I have heard of. We developed a single enterprise system for all of Enron with a flexible design in a minimum amount of time and at less cost than most large SAP installations. Our support of SAP is terrible. There has been no knowledge transfer to our Enron employees or

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super users. In fact, most of our Enron talent has left the company either due to frustration or inability to be effective in carrying out the design and application of the system. This was not our original plan. It was to keep our super-users and their expertise for the benefit of Enron. At this time, two plus years after initial go-live, there are still no user groups defining the future and current priorities of system enhancement - no user involvement what-so-ever.

No system communications of any type from ISC except for system outages. Our support is too heavy on the external, expensive analyst side and made up of people who do not understand our business, nor our requirement to change things fast. Most of our top level Enron people who were involved in the project have abandoned in disgust, the enthusiasm displayed with a successful implementation, turned to frustration. There are major training, data monitoring, and support issues that need to be fixed NOW. We have people entering data who have no knowledge of what they are entering - just trying to make system work. Reporting and data accuracy coming out is consequentially unreliable. We need to upgrade to current SAP version before too much Enron enhancement is applied to SAP design thus making it much more difficult to upgrade generically. Entering data correctly should become part of performance and monitored.

iPayit - there is nothing wrong with SAP or it's processes. It is the caliber of people entering invoices. They are uneducated, untrained. Cannot make decisions regarding tax, commodity judgement etc. They simply punch numbers. This will not work at Enron. We need knowledgeable people paying our invoices. They have to know if the Company is correct, if the tax rate is correct for the delivery location, what the final destination was for the materials, etc. The system will process data as entered, it cannot make those decisions, only the human mind can ask questions. Can Source Net process invoices faster - perhaps yes, but if tax liability is wrong, and GL information is wrong and accountants spend hours journaling amounts to correct accounts, and we have greater liability for tax audits, did we really buy cost savings? Also, the time it takes to process an invoice is much greater and involves many more people handling the document. Enron requires many paths for invoice processing. Contract invoices must be checked for rates, time sheet verification, approval of work done. Use tax is not getting correctly processed when included in the contract amount. Retainage processing is a major issue. Purchase Order invoices must be matched to the receipt and PO. We are skirting our normal matching procedures in many cases just to get an invoice paid. We have duplicate payments. We have many more people tied to their computer and desk top for invoice approval. Many of our managers are working in the field, and this type of work requirement is time consuming and unproductive. Most of all, we have vendors that are not getting paid according to terms because of our internal processes. This is really causing havoc for Enron in the business relationship area. We should have tried iPayit in a small trial environment rather than trusting all invoice processing to an external company. Our former AP clerks in retrospect had many years of working with Enron AP processing and could catch blatant errors in most instances. iPayit processors cannot do this....and the assembly line processing feature will miss most of the thought processes that are required to catch this type of error. Computerization is great, but as always, the data is only as good and correct as the employee that enters it. Enron because of it's diversity in business processes has many, many tax issues. Some of our business are exempt due to resale, some due to export, some commodities are exempt due to usage. A good AP clerk will know our different business and recognize some of the processing requirements for each business type. To succeed, SourceNet must commit to high level training of their people on both base tax processing, Vertex data handling and requirements, SAP data requirements, etc....and to paying those people well enough to keep that expertise. The cost savings gained in AP processing will be spent in expanded general accounting babysitting and error correcting, tax department expansion, internal and tax audit expansion etc. Let's look at the whole picture before making these snap decisions on what is best for Enron AP processing. Sometimes what seems good on the surface is not really what is best for us as a whole.

2. Change and re-organization are required at Enron, but they should only be for the better. We should plan a little more and not make such hasty decisions. We should include some of the employee experts in our decisions - more of a team effort to design the change. Our management tends to come from outside Enron and they are not always familiar with our historical knowledge and make some of the same mistakes that were made before. No lessons learned. Hasty, uninformed judgement calls.

3. We put a good deal of effort into our Analyst program and mentoring program, but I have seen very little training or encouragement for middle and bottom level management and supervisors in the last few years. These are the people who make the top decisions work, the ones in the trenches. They are also a valuable

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asset to Enron, and therefore worth some equity investment. On site training would be most cost effective and schedule beneficial. It would also help us have happier employees due to better management skills. Perhaps if we spent more equity dollars on our current employees, we would not have to rely on Arthur Andersen, Coopers, McKenzie etc. for our top managers and could rely more on Enron employees who also have some of the business knowledge and lessons learned experience.

4. We develop expertise and then tend to cast it aside. Example: We had a top notch international procurement group at EECG with expertise in international procurement, expediting and logistics. With the reorganization, the skills developed in this group are left under utilized while we develop new procurement skills in the ETS group with under-experienced people, in the EES group with ineffective procurement practices. With iBuyit, we allow anyone to become a Buyer - no professional procurement training required. We have Global Sourcing involved, but very little professional communication from that group to all the professional "Buyers" at Enron. No interaction between all the Procurement departments at Enron. SAP makes a lot of procurement functionality previously unavailable because of system constraints available. We are under-utilizing our investment. We are still using system same way as on go-live date. We should be involved in expanding usage of SAP to give us better information for cash flow, commodity expenditure etc. Correctly used, the system can provide multitudes of information to planners, project management etc.

Procurement is a big area - a professional area - that could save Enron lots of dollars. In this day and age, we would do better to have expert commodity buyers - we are as close as an e-mail or WEB request away - to handle any kind of large purchase for Enron. Expert procurement personnel have knowledge of material availability, new product development, best sources etc. Instead, we tend to farm the procurement function out to job site personnel, contract buyers, and others who are not true professionals and usually have other, more important work to do. Most think of "buying" as a "pick up the phone and call Joe" requirement. It truly is not. It requires much experience to negotiate Terms and Conditions, Payment terms, progress payments, bonus-penalty, correct material handling etc. With the level of communication effectiveness that exists at Enron, we do not need the procurement function spread all over many positions. Many of our professional Purchasing Agents are Engineers, or have some type of field experience. They work with engineers and project developers as team members and in many cases have saved project costs and caught errors in equipment design or requirements. These people are skilled in vendor negotiations, price negotiation, contract language, commercial code requirements, and can help us avoid unnecessary litigation. They are professionals, just like our traders, tax accounts etc. With our expanding international involvement, it should be a requirement to have an experienced, top notch procurement group to handle our material requirements for our global business requirements.

iBuyit is a great idea for everyday commodity purchases from the desk top, but it is not a great idea for pipeline, power or facility procurement except for operational items. And, it is very time consuming. There are safety issues in the material manufacturer and sourcing. Engineering standards to be aware of, substitution issues, logistics issues, material handling procedures, documentation requirements etc.

5. Record storage. We are continually fighting for electronic storage space. IT policies of 1 year data might be good for traders, but not good for pipeline, power, engineering functions. Paper storage is expensive. Online storage, not so. If we don't want to keep this information on-line, why not help the business units develop good methods of downloading information for record storage. E-mail has become the communication tool of the time - just as paper memos used to be. A project can run for two, three years....and to lose data after one year can be detrimental to project success. Each of our business units has different requirements, perhaps some flexibility could be justified in some requirements for different business types.

We generally do not see tax audits until 4,5, or more years after a project has reached completion. If we cannot produce the correct information, we can owe money. If we cannot produce material certifications, testing information etc. on materials ordered for a site that had a spillage or explosion, we could be liable for extra dollars. Contract language and info can be important long after the contract was completed, due to warranty requirements, etc. We want to avoid this type of liability, and loss of records can be very costly. It is difficult to export large files to vendors through our fire-walls. Engineering statistics, equipment drawings, large spread sheets etc. that are exchanged with contractors, vendors, partners and others become a liability and in some

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cases we must resort to paper to get the data to the destination. I would like to see IT help us solve our problems rather than tell us our limitations and enforce them without regard to consequences.

6. Mr. Lay, extraordinarily happy you're back. It's going to take a lot of hard work from all employees to turn us around, but it will be a lot easier with someone at the top who listens and cares.

● I'm glad Ken Lay is back.

● Enron has taken risks to gain the high returns for our investors (stock price). Unfortunately these investments have not flourished as expected. There have been other issues, such as California and India that have also occurred untimely. This has driven investor confidence very low. There seems to be a reoccurring issue of "unclear financial reporting"?

The employees have been the "bedrock" of Enron. Keep employees clearly informed of our situation. Keep moral high, but do not shelter employees from the facts (good or bad).

● One issue I have is better treatment between employees with degrees compared to employees with yrs of experience.

For experience: I have 9yrs of Corporate experience, and was promoted end of yr 2000, based on my experience, performance and my ability to out perform my peers, and handle multi-functions, and was told my pay could be better, if I had a degree, the only further education I have is Business School certification. It is hard to attend any schooling when we work long hrs, and even sometimes on weekends, and yet take care of our personal life and family. I attend courses that are offered by Enron when they are available. I was told for my review end Aug. that I would be competing with employees with degrees in other departments, since I'm the only one in my group that has the I have.

● 1/ I find the operations reporting capability amazingly inept for a large computer savvy organization.  
2/ Initial Impression is that people get promoted for trading profitably which can result in both weakening trading and having managers who aren't necessarily good at managing.  
3/ There is still too much internal battling over accounts - natgas should not have liquids business and vice-versa now that EGM is fully staffed.

● Really appreciate Mr. Lay doing this survey. Employees want to feel as though they have a say. It is our company too.

One of the most unsettling things at Enron is the time spent on PRC. Is it really necessary twice a year??? Why if are ranked SUPERIOR by people who know you - then in the PRC meeting you come out a ranking lower by people who have never worked with you and may not even know who you are.

I also feel assistants who have spent years in there careers doing a top notch job should receive compensation and not be told they are paid top dollar in the industry. What incentive do we have to continue doing the top notch job??? How many years will Enron be able to keep the "BEST" if they don't show we are appreciated with raises. We are not working for the rating - we are working for the almighty dollar. Many of us are the sole support of our families and the cost of living continues going up so should our salaries. If you can't do raises then how about higher bonuses?

● Remember the days when EDC would develop projects like Hainan, Dabhol, Dominican Republic, Brazil, etc.? Remember how Enron Power, EOC or other operations groups would have to live with the bad deals while the developers were buying houses on fairways at the Woodlands? Seems to me like EES was set up on the same model. Originators signing JC Penney, Starwood, Lilly, etc. with no concept of how we can possibly deliver on the promises made. And worse, marking profits that will NEVER come to pass. So, they get promotions, or leave rich, flaunt their Porches and Ferraris, and us poor working folks have to deal with the mess. These same people dominate the PRC, rewarding their buddies, and arbitrarily getting rid of the companies

# Ken Lay

## Response

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backbone - the average working guy in the trenches.

Ken, THIS HAS TO CHANGE TO RESTORE MORAL AND GET THE COMPANY MOVING FORWARD AGAIN. Thank you for the opportunity to do this survey.

- 1. I do not understand why (in the face of \$83/share ESOP) options issued at year end 2000 for 5 years, why we do not allow employees to trade those options for an equal number of shares priced at today's stock price -- no change of date when the option expires -- trade share for share for options that have not been exercised. I do not see this as violating external share holder rights because these options were issues to employees not to non-employees, and because they were issued as part of the salary compensation package to employees. My way of looking at this is to say to the external shareholders, "Hey if you want to see the Enron stock increase in value in the future, that will take talented employees like those we have on board, keeping them is more important than worrying about what others outside the company may think because to do so will improve the odds that our stock price will improve and sooner, rather than later by having that talent on board. What about the saying, "our employees are our most important asset", well if they are, then let's give them a hand in this situation -- one that they did not create, but are the ones suffering.
- 2. I do not understand why, if we expect to be the "World's Leading Company" we are not doing more "leading" in the face of all the negatives about Enron and the deregulated electricity market in California and the western US. Has Ken Lay considered taking a more aggressive "industry leadership" role by mobilizing the energy companies and the state governments to work together to solve the issues rather than stand behind the banner of "it was legal free competition and we did nothing wrong". Whether we did or did not do anything wrong, we are getting blamed for something the California and Western US governors "think" we did, and that sentiment will be harder to overcome than anything in improving our stock price and getting "Wall Street" to respect the stock again. Wall Street cannot solve our low stock price.....the situation is the general public does not love us as a company.....why not turn the tables ever so subtly and get people thinking that we are not only the bad guys, but also that we are working to solve the issues they see as causing us to be seen as the bad guys.....by leading other energy companies to the negotiation table, we benefit by in the eyes of the general public by demonstrating "industry leadership" and our stock price benefits by having shareholders who appreciate that leadership. Something akin to the colitation of business leaders in Houston that Ken led to get Enron Field funded and built.
- I am a Director at EES. I have been here five years. The edge has been taken off of this company by the way the recent redeployments have been handled. Many employees have lost faith and confidence in this company to deliver the goods. The company appears to have lost its concern about the employee while expecting a greater level of loyalty to it.
- The PRC system pits workers against workers. Best thing to do with it is TRASH IT. Obviously employees need to be evaluated and those thoughts need to be communicated. However they don't need to be in competition with one another. Enron needs the "steady Eddies" along with the superstars. One may stay at the same level while the other rises through the ranks, but they're both needed.

I'd love to see us go to a 4 day work week. All of us work really hard when we're here. You just don't see people goofing off at all, and I guess that means employees are really committed to the company and to their roles here. Sometimes it's hard to relax and really take a weekend "off" and I think having 3 days off would really help with that.

# Kevin Hannon

## Response

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- - We need to retain our talent, including at senior management levels. The recent leakage in talent has not been limited to EI-people like Mark and Sutton, now Skilling leaves and is followed by Rice and Hannon. If the 'top dogs' are leaving the boat, is it a sign that it's sinking?
  - What does being 'The World Leading' company means? Leading in what? We need to know what we are about, the previous vision of being the 'World Leading Energy Company' was clear and led to a strategy. Change is good when it leads to something, but it looks like we're starting to change just for the sake of it.
  - We need to generate recurring earnings and CASH. Mark to market earnings are great, but the street is probably right in being weary that we'd incur major charges if the accounting rules were to change. Cash generating assets are a good thing, world-class companies prove that every day, and we badly need a couple of them. It was our asset strategy that was probably wrong in that it was too aggressive and overly reliant on deregulation at emerging markets, in addition to an incentive system that created agency problems.
- Some people in senior management positions may be good at the deal, but have little leadership ability (e.g., Jim Fallon, Greg Whalley, Kevin Hannon) while the true leaders go unnoticed (e.g., Stan Horton, Rob Walls, Mary Joyce).
- The hardest thing for me about working for EBS was the ability to respect that Enron is a Fortune 100 company, when I saw so much money being wasted on a daily basis. EBS did not set the standard correctly when they started hiring people and the result was a lot of overpaid, underqualified people doing nothing but spending Enron's money on travel, food and entertainment. I have never been at a company whose spending was so out of control. The other thing that really bothered me was the lack of respect other Enron entities gave to EBS. I was in charge of making sure Enron's Analyst Conference was webcast and was told on that day, when we were having network difficulties, that there were people at Enron that hoped EBS would fail. Even if that is the case, I don't think it was appropriate to be told to me. On that same day when we were having network issues, I told Ken Rice and Kevin Hannon that Mark Koenig had been very upset at about 5 am and that I just wanted to let them know what happened so they would be prepared. The response I received from Mr. Rice was, I don't care about the Analyst Conference, I just want the CNN test to work later today. Again, I don't believe that anything like that should ever come out of a CEO's mouth, but then again it is the same CEO who drank too much at the Portland Christmas party and told me I was beautiful. These incidents reflect very negatively on me, even though I did enjoy what I did and my co-workers. I am just shocked that these type of things aren't better controlled.
- I work in technical support for EBS. The now defunct office of the chair for EBS (Rice/Hannon) was the worst executive leadership I have experienced in my 13 years as a software system developer. There was NO leadership - no communication, no direction, no decisions, no email, nothing. Strong, decisive decisions about the role of the network and its relationship to trading (i.e. world's best network vs a commodity to trade like any other network) was needed but never materialized and contributed greatly to the financial problems of EBS. In the last three weeks, I have already received more information from Ken than in the entire tenure of Rice and Hannon. Keep it up and keep providing direction.

The most serious issue at my level is the "prima donna vs peon" attitude of Commercial to Commercial Support. I understand that traders are busy - we all are. They are also the money makers for the company. I would assume they are compensated accordingly. It is very difficult to provide support to people who regularly don't show up at meetings, don't reply to emails/phone messages, and don't review requirements. This seems to be a common problem throughout the company which tells me that this behavior is at least tacitly acceptable at the highest levels or it would stop. Cooperation between Commercial and Commercial Support is the key to success, not competition.

The trading floor layout IS NOT an appropriate layout for software development. This layout is conducive to conversations, spontaneous meetings, and interruptions - in other words - making trades. IT IS NOT conducive to creating systems. Software development requires individual, clear thinking - an efficient software development floor is one where you can "hear a pin drop". Different jobs require different layouts. I think the attitude that the trading layout is fine for everyone is another symptom of the "prima donna" attitude found in Commercial.

# Kevin Hannon

## Response

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Finally, currently an employee's bonus is based on how much perceived value their work provided for the company in the last year. This makes sense. The employee's rating is also based on this perceived value - this is unethical and lacks integrity. If an employee is assigned to a high risk project, does excellent work, but the project fails to meet its objectives, the employee should not be ranked as "average" or "needs improvement" because of this. Obviously, their bonus will be affected - their ranking should still be "excellent". The current pressures of the PRC to "fit the curve" almost guarantees that the employee will be ranked lower than is ethical.

- My main issues with Enron today are that I cannot get a good feeling about where we stand today and the degree of promise that our future holds.

I can weather the Enron bashing in the external analyst community if I can firmly say that their writings are misplaced and points unfounded. However, with the state of EBS and the stories of how major EES deals are missing key variables and requiring major clean-up leaves me uncertain as to where future revenue (besides Wholesale and ETS) are going to come from.

Additionally, from a personnel front, the following have left me with lower morale and (unfortunately) positivity about working at Enron:-

- a lot of really talented and super individuals have left Enron for various reasons in the last year
- unexplained removal of those individuals whom I thought to be most deserving and skilled to make a successful business of trading advertising (in the Media Services group) by arrogant and unproven individuals.
- apparent lack of interest and caring by ex-EBS and now ex-Enron executives Rice and Hannon. I feel that they fooled me as much as the market in the prospects of EBS (aside from the telecomm meltdown).

- I am disappointed that all the founding executives such as Jeff Skilling, Ken Rice, Cliff Baxter, John Echols, Kevin Hannon has left the company. It seems as they lost their inspiration and drive by working long hours and weakened travel and what else? These gentlemen were an asset to Enron and I enjoyed working with them and contributing to a team effort.

The PRC needs serious review. It may function at the MDVP level but, not at the lower levels. The salary and titles are not consistent among the business units. I am experiencing this issue and having been trying to resolve for a year. The unbalance affects my compensation and bonus and earning potential, coupled with the stock price, it has not been a financial stellar year.

- Would basically want full disclosure from management if there is some storm brewing in the background that others are not aware about...seems very odd that Skilling, Hannon, & Rice all departed the company within a month....is there something going to where they don't want to be around to have egg on their face when whatever arises??

- This is my last day, as the Portland office is being shut down. While I had no illusions the Portland office would stay open forever, it was discouraging to hear one thing ("we're committed to a strong Portland presence") and see something else (jobs and departments being moved to Houston). As a shareholder, I applaud the move to cut expenses. As a (very-soon-to-be-former) employee, I can't help but think that this whole experience over the last six months could have been handled more openly. I find it ironic that the three people (Skilling/Rice/Hannon) who stood on the podium at the Marriott in Portland five months ago to announce layoffs at EBS are now "pursuing other interests"...

- We need to stem the flow of executive leadership departures. This cannot be good for the company in the long run. We have lost Sutton, Baxter, Hunicke, Pai, White, Rice, Hannon, Sunde. A tremendous amount of talent that is not easily replaced. We have smart people who know how to make money, but do not necessarily know how to run a business with talented employees.

- I was offended with the recent communication stating the departure of Ken Rice and Kevin Hannon. Specifically, the part that gave them a very nice pat on the back for a job well done. Maybe I'm naive, but I think many of us know what contribution they really made and personally I would have appreciated the communication stating...Ken and Kevin have decided to leave Enron and we wish them the very best -- and

# *Kevin Hannon*

## *Response*

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leave it there... as this communication doesn't have any fluff that might not necessarily be true.

- Glad Hannon is gone. He was filthy-mouthed, arrogant, and did not respect others. We don't need that type of person in a key leadership position, or in any position for that matter, at Enron. The message needs to be sent that that type of attitude/behavior will not be tolerated here.

Regarding United Way, I am grateful for the financial benefits that Enron provides to me and I was glad to be able to give to support the United Way. I anticipate, however, that there might have been some hesitancy on the part of other Enron employees to give as a result of the stock's decline. So we didn't raise as much this year or have as high of a participation rate. That's OK. Let's just say we did our best and move on. No more lime extensions or emails!!!

- Too many executives are leaving Enron with too much money after accomplishing too little. Bhatnagar, Rice, Hannon - the list goes on. And EBS, while moving towards a streamlined company, is still retaining overpaid underperformers.

In general, however, I am proud of Enron and hope we can pull out of the slide.

# *Louise Kitchen*

## *Response*

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

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

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

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

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

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

EC2 000046316

# Mark Frevert

## Response

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- In light of our published "values" respect is one of the major challenges our management team should concentrate on. While I did not select the disparity between commercial and non-commercial as a top 5 challenge, some of our lower level commercial managers (Director thru VP) could utilize a bit of humility. Those who have excelled and are excellent role models include Mark Frevert, Dave Delainey, Mike McConnell and Janet Dietrich. Our employee benefits implementors could use improvement, it's difficult to get the right answers at the right time when one needs to make changes outside of open enrollment.
- My business unit has decided to allow only 50 hours of FWP; why can't policies be unilateral across Enron Corp, rather than by business unit? This was never an issue in my 14 years in GPG.

When I have asked about the long-term sabbaticals as described in "Work Perks" I was told, it too, would be decided on by business unit.

This is very disappointing to me.

I feel that the Old Enron that was fun and exciting to work for, that I was proud to work for, has gone away.

I must say that I was jubilant upon hearing of Mr. Lay's return to CEO. I am also very impressed with the selection of Mark Frevert; an excellent choice, in my opinion.

EC2 000046317

# Mark Haedicke

## Response

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- Because we've gotten so used to change, I fear many of us have stopped caring about the "big picture" of the company. This causes us to lose our sense of direction. I like it when we are told about the company's plans and strategies.

The work atmosphere in many departments make employees feel isolated. I'm a legal specialist (paralegal) in EWS Legal, and even though our department is fairly small, I don't know more than half of the people in it. Now, legal specialists were just "un-invited" to the EWS Legal Conference due to cost reasons, we were told. I feel diminished and less important (and thus more isolated), since all legal specialists heretofore have been included in these types of offsite meetings.

A regrettable situation in EWS Legal is that many well-qualified and highly regarded administrative assistants, including my own, have been "run-off" by the group's administrative coordinator. I believe that nobody speaks up because the coordinator is Mark Haedicke's assistant, so people figure he must want things this way. As a consequence, the (Enron) experience base of the administrative assistants is not very deep, and morale is low. This has affected a large portion of our group because there's little "esprit de corps."

EC2 000046318

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# Mark Koenig

## Response

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EC2 000046319

Thursday, September 06, 2001

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# Mike McConnell

## Response

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EC2 000046320

# *ick Causey*

*ponse*

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1) I hope this is really anonymous. We are having huge problems with ibuyit payables or ipayit as it is called today. These problems are not user errors as Rick Causey said they were. We have met many times with the ipayit chain of command and have showed them huge errors. This system has taken a process that my assistant used to spend two to three hours a week doing into a system that takes twenty or more hours if we do it right. What I mean by doing it right is checking our invoices before we code and approve one to make sure it has not already been paid. The system is very slow to use just to pull up the invoice to view it can take between 15 and 45 seconds, when you have 60 or 70 invoices a week this alone adds an hours time to everyone that has to touch this many invoices.

2) Global Strategic Sourcing is a good idea but they have way too many people and too much time on their hands, they are all working hard to justify their existence (we all should) but they are playing a numbers game with the savings they claim. Two examples of this are:

#1 They negotiate a deal with a vendor this year and it saves us 1 million dollars, the next year we double our business with that company. They have done nothing on the contract but this year they claim another 2 million in savings based on what they did last year. Could they rest of us base our performance on what we did last year?

#2 They meet with a business unit to negotiate a price on a product we need. They ask for information on the deal. We give them budget numbers, let's say 1 million dollars, we give them retail price and our present Enron discount price. They come in and negotiate a price 2% below our present Enron price which is great, but when they want you to sign their deal sheet at the end they will try to claim the saving from the retail numbers or even the budget number. They should be claiming the delta between the present Enron price and the final negotiated price. This is the real value they have added, not some inflated number.

EC2 000046321

# Stan Horton

## Response

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- Some people in senior management positions may be good at the deal, but have little leadership ability (e.g., Jim Fallon, Greg Whalley, Kevin Hannon) while the true leaders go unnoticed (e.g., Stan Horton, Rob Walls, Mary Joyce).
- Now let me tell you the major issue I have. Stan Horton in the process of saving dollars is allowing Phil Lowery to run our pipeline company to ruin. We are not allowed a budget that enables us to properly run this pipeline. We ask for O&M monies to paint and treat corroded engines and pipe. Is it there? NO! They say, "take it out of your existing O&M budget which is already so flat that it won't meet our day to day operational requirements. We ask for monies to mow our right of way so that we do not have 40 foot trees growing over our pipe. Do they give us the money? No again! "Take it out of your existing O&M budget" they say, knowing it hardly will support our falling forty year old equipment. The real sad part of this story is that people like Phil Lowery make promises to turn back 33 million to Stan so that he (Phil) looks good and prospers; you know personal gain without regard to others. Well we would like our operations to look good too and were not expecting great big personal bonuses in return. We just want a safe place to work, one that looks good, and something we can be proud of and tell others good things about. Oh, one more thing. Relieving the stress of trying to manage a billion dollar operation on a hundred dollar budget would help feelings around here. This is my opinion and I know that those in control will only say that I don't have all the facts. Well this is true, but this one fact I do know, we better get more monies to operate this pipe or we are in for hard times. Thank You for your time Mr. Lay and may we all genuinely make this a better place to live and work. From a concerned Florida Gas Transmission Company employee.  
PS. My intentions were not to do harm to Mr.Horton or Mr. Lowery because I do realize they don't have all the facts either.
- I don't think we have really had a forum for employees to share their ideas with management on different topics-like the committees we had at one time. Cindy Olson was always listening to what employees are saying and asking people to serve on committees to enhance change. We haven't done much of this lately.

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

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

- Upper management needs to publicly recognize those employees who have done something significant for the company. Maybe quarterly, recognize 1 or 2 individuals from the various companies who have gone above and beyond to either reduce costs, help a customer, or make Enron money. If Stan Horton called me and said, hey, I like your project, keep up the good work, I'd probably fall off my chair.

# Stan Horton

## Response

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- This may sound crazy but when I heard that Ken Lay was leaving I was so sad it was like losing a Father, after asking around and talking with others they felt the same way. During our all employee meeting as I sit there observing all the tears that came to peoples eyes when Mr. Lay announced he was back!!!

I do want to thank the redeployment team effort and I thank God and the people I mentioned above but if it wasn't for Stan Horton and H.R. I may not be here today. I think there could be some improvements to redeployment.

- I believe the single greatest challenge faced by Enron today is in operating profitable businesses. We have an outstanding team of originators who are highly incented to create and sell our ideas. However, we have a great deal of difficulty in profitably delivering on those ideas. The ideas are excellent, the opportunities to profit from them are outstanding, the execution has been less than stellar. Examples include Enron Energy Services, Azurix, and Broadband. There have been great rewards for those creating the ideas and initiating these businesses and those same individuals, in some cases, have been given the opportunity to run the business they created. Unfortunately, the skills necessary to create and sell the idea are very different from those necessary to manage and grow an operating business. I strongly believe in the Enron approach to creating new and innovative businesses, to driving greater efficiencies into markets and to monetizing businesses and assets when doing so provides the greatest value to Enron. At the same time I believe that greater value could be realized from those assets if they were better managed. The rewards at Enron are greater in origination than in managing an operation. Perhaps a greater balance could be struck between rewarding origination and operations. There may be value in creating a strong team of general managers who demonstrate skill in delivering value to the enterprise through the management and growth of new businesses. Stan Horton stands out in my mind as an example of an Enron business leader who has demonstrated the ability to manage operations with excellence. While we have the best traders and originators in business today, the skills of those individuals do not necessarily translate into great general management skill needed to grow a new business. I appreciate the opportunity to provide my thoughts. I believe Enron has the opportunity to capitalize on our strengths, to improve on our weaknesses and to restore investor confidence as we work through this time of change. Thanks for your leadership.
- 1. Enron needs to lower the cost of doing business. EES and International, in particular, have been notorious in the past for unchecked spending. One immediate way to save Enron several million dollars per year of expense would be to put the operations of the EBS fiber lines under Stan Horton. Another suggestion would be to benchmark Managing Directors against their counterparts to determine if the MD's are focused on cost effective management and then include the results in the PRC process. 2. Originators in EWS should not be leading projects to build jurisdictional facilities. Originators typically do not understand jurisdictional processes and are unwilling to work within the parameters to make a project successful. After giving Enron a bad reputation with the general public, regulators or special interest groups, an originator can move on to another deal, however for the rest of the organization who manage those relationships on an ongoing basis, the job has been made much more difficult and Enron assets and future development opportunities have been put in jeopardy because Enron has fallen out of favor or received a black mark on its record.

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# Steve Kean

## Response

- There needs to be a better work/life balance. For example, I want to go on vacation and not feel compelled to check voicemail, email or take my cell phone. The downside about this job is that it is all-consuming -- I work nights, weekends, vacations. There is never an Enron-free break. This is a surefire recipe for burnout -- and resentment.

I do not have complete confidence in upper management -- I truly believe that Jeff Skilling's resignation left us with an enormous void -- we do not have a strong "second string" management team, with the exception of Steve Kean. It would help externally if Ken Lay made a commitment to stay for a set period of time -- i.e. he will remain as chairman and CEO for at least two or three years. At this point, if Ken left, I would leave, and our stock would plummet.

I am concerned with our ethics and integrity. While I believe that we are always within the bounds of the law, I think we straddle the line consistently. An example of this is LJM -- while there may not be anything illegal, the appearance that our CFO personally profited -- and that the board had knowledge of the situation -- could send our stock into a tailspin. The "Lavo" situation in Canada is another example where we were within the bounds of the law, but had the appearance of impropriety. Analysts and shareholders do not trust Enron to provide the "straight story." I do not have confidence in our investor relations team.

I am also concerned that credit is not given to good managers. They are not held accountable for providing feedback, and their management abilities are not taken into account in the PRC. The only emphasis is on results -- not on interpersonal or management skills.

The stock price is the single most important issue. Morale is low because the stock price is so low.

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

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

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