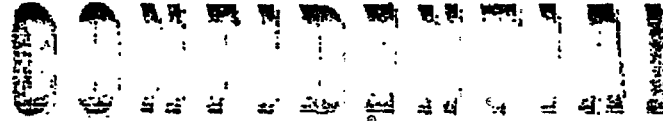




ENRON EMPLOYEE  
SURVEY

LAY IT ON THE LINE

\*\*\*



\*\*\*

*Final Results*

*Enron Management Committee Comments*

*September 6, 2001*

EC2 000046235

**Management                      Comments**

Andy Fastow                      2  
Dave Delainey                    4  
Greg Whalley                    6  
Janet Dietrich                   1  
Jeff Shankman                   1  
Jim Fallon                        1  
John Lavorato                    2  
John Sherriff                    2  
Ken Lay                            251  
Kevin Hannon                    12  
Louise Kitchen                   1  
Mark Frevert                    3  
Mark Haedicke                   1  
Mark Koenig                     2  
Mike McConnel                  2  
Rick Causey                     1  
Stan Horton                      7  
Steve Kean                        2

Ray Bowen                        0  
Michael Brown                   0  
Jim Derrick                       0  
Ben Glisan                        0  
Jim Hughes                       0  
Jeff McMahon                    0

# 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*

---

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.

Thursday, September 06, 2001

EC2 000046238

Page

# Dave Delainey

## Response

---

- 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

---

- 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

---

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.

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- Frévert, 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 000046241

# *Janet Dietrich*

## *Response*

---

- 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 Delaney, 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.

EC2 000046242

Thursday, September 06, 2001

Page 6 of 88

# Jeff Shankman

## Response

---

- 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.

EC2 000046243

# *Jim Fallon*

## *Response*

---

- 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).

EC2 000046244

*Thursday, September 06, 2001*

# John Lavorato

## Response

---

● 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.

● 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- Fravert, Sherriff, Kean, McConnell, Horton... they work hard and follow the vision and values.

*John Lavorato*

*Response*

---

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 000046246

*Thursday, September 06, 2001*

*Page 10 of 1*

# John Sherriff

## Response

---

- 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.

- 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

---

- 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.

EC2 000046252

# 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

---

- 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 excecence 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

# Ken Lay

## Response

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

Thursday, September 06, 2001

EC2 000046257

Page 21 of 38

# Ken Lay

## Response

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 loose 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

# Ken Lay

## Response

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

# Ken Lay

## Response

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

# Ken Lay

## Response

---

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

# Ken Lay

## Response

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

# Ken Lay

## Response

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.

