

DAN BURTON, INDIANA,  
CHAIRMAN

BENJAMIN A. GILMAN, NEW YORK  
CONSTANCE A. MORELLA, MARYLAND  
CHRISTOPHER SHAYS, CONNECTICUT  
ILEANA ROS-LEHTINEN, FLORIDA  
JOHN M. McHUGH, NEW YORK  
STEPHEN HORN, CALIFORNIA  
JOHN L. MICA, FLORIDA  
THOMAS M. DAVIS, VIRGINIA  
MARK E. SOUDER, INDIANA  
STEVEN C. LATOURETTE, OHIO  
BOB BARR, GEORGIA  
DAN MILLER, FLORIDA  
DOUG OSE, CALIFORNIA  
RON LEWIS, KENTUCKY  
JO ANN DAVIS, VIRGINIA  
TODD RUSSELL PLATTTS, PENNSYLVANIA  
DAVE WELDON, FLORIDA  
CHRIS CANNON, UTAH  
ADAM H. PUTNAM, FLORIDA  
C.L. "BUTCH" OTTER, IDAHO  
EDWARD L. SCHROCK, VIRGINIA  
JOHN J. DUNCAN, JR., TENNESSEE

ONE HUNDRED SEVENTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074  
FACSIMILE (202) 225-3974  
MINORITY (202) 225-5051  
TTY (202) 225-6852

[www.house.gov/reform](http://www.house.gov/reform)

HENRY A. WAXMAN, CALIFORNIA,  
RANKING MINORITY MEMBER

TOM LANTOS, CALIFORNIA  
MAJOR R. OWENS, NEW YORK  
EDOLPHUS TOWNS, NEW YORK  
PAUL E. KANJORSKI, PENNSYLVANIA  
PATSY T. MINK, HAWAII  
CAROLYN B. MALONEY, NEW YORK  
ELEANOR HOLMES NORTON,  
DISTRICT OF COLUMBIA  
ELIJAH E. CUMMINGS, MARYLAND  
DENNIS J. KUCINICH, OHIO  
ROD R. BLAGOJEVICH, ILLINOIS  
DANNY K. DAVIS, ILLINOIS  
JOHN F. TIERNEY, MASSACHUSETTS  
JIM TURNER, TEXAS  
THOMAS H. ALLEN, MAINE  
JANICE D. SCHAKOWSKY, ILLINOIS  
WM. LACY CLAY, MISSOURI  
DIANE E. WATSON, CALIFORNIA  
STEPHEN F. LYNCH, MASSACHUSETTS

BERNARD SANDERS, VERMONT,  
INDEPENDENT

February 21, 2002

The Honorable Joseph I. Lieberman  
Chairman  
Senate Governmental Affairs Committee  
340 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Lieberman:

I am writing regarding testimony you received recently from Cindy Olson, Enron's executive vice president for human resources and community relations. I have received evidence which seems to contradict testimony that Ms. Olson gave the Committee about her own role in encouraging Enron employees to invest their 401(k) savings in company stock.

As you are aware, many Enron employees invested large portions of their 401(k) savings in company stock. As of the end of 2000, over \$1.3 billion of the company's 401(k) retirement plan was invested in Enron stock -- an investment which is now virtually worthless.<sup>1</sup>

During Ms. Olson's appearance before the Governmental Affairs Committee on February 5, 2002, she was asked why Enron did not encourage employees to diversify their 401(k) savings. She attempted to excuse the company and herself by saying that they were legally prevented from providing investment advice to employees. However, a videotape of a 1999 Enron employee meeting that I have obtained shows a woman who appears to be Ms. Olson telling employees that they should "absolutely" invest all of their 401(k) savings in company stock.

### Ms. Olson's Testimony

During Ms. Olson's appearance before the Committee, you asked her why no one at Enron -- including the administrative committee on which she sat -- advised employees to diversify their 401(k) holdings. She replied:

When you get financial advice, though, it's so individualized. It's hard for the administrative committee to say that, blanket, we should do something with people's

---

<sup>1</sup>See Enron Corporation Savings Plan, *11-K Statement of Net Assets Available for Benefits* (June 25, 2001).

retirement accounts because you've really got to look at how they individually are diversified.<sup>2</sup>

Ms. Olson also testified that Enron would have encouraged employees to diversify their holdings had it not been legally prevented from giving investment advice:

We tried to talk about diversification with respect to choice in the 401(k). We gave, through benefit fairs and we gave some investment -- what we call -- "brown bags" that employees could come and hear financial advisors talk. But there's a fine line that employers have with respect to giving investment advice. And so we were concerned about stepping over that line.

...  
I'd also like to see the laws relaxed in that employers can help give their employees investment advice because I do think that would have helped in the Enron situation. We gave them a lot of choice, which our employees wanted. But they didn't have the information they needed to be able to make smart choices.<sup>3</sup>

#### The 1999 Enron Employee Meeting

In response to a request I made in January, lawyers for Enron recently provided me with nine videotapes of Enron's all-employee meetings. These meetings consisted of presentations by Enron's management, who also responded to questions submitted by the company's employees.

One of the videotapes Enron provided is of a meeting that apparently took place in December 1999.<sup>4</sup> At this meeting, a woman identified as "Cindy" who appears to be Ms. Olson was asked to respond to the following question: "Should we invest all of our 401(k) in Enron stock?" She responded: "Absolutely."

The woman then asked the three men accompanying her on the podium -- then-Chairman and CEO Kenneth Lay, then-President and COO Jeffrey Skilling, and then-Vice Chairman Joseph Sutton -- "Don't you guys agree?" Mr. Skilling -- the only one of the three men visible on the tape at that point -- nodded his head in agreement.

---

<sup>2</sup>Senate Committee on Governmental Affairs, *Retirement Insecurity: 401(k) Crisis at Enron* (Feb. 5, 2002) (FDCH Political Transcripts).

<sup>3</sup>Senate Committee on Governmental Affairs, *Retirement Insecurity: 401(k) Crisis at Enron* (Feb. 5, 2002) (FDCH Political Transcripts).

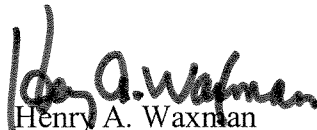
<sup>4</sup>The videotape is labeled "2/1/99" but the meeting refers to events that took place well after February 1999. It appears that the meeting probably took place in early December 1999.

The Honorable Joseph I. Lieberman  
February 21, 2002  
Page 3

This videotape provides evidence that seems to conflict with Ms. Olson's testimony that she would have advised Enron employees to diversify if the law permitted such advice. It also appears to cast Ms. Olson's personal financial transactions in a new light. Ms. Olson admitted in her testimony that she sold 83,000 shares of Enron stock for a total of over \$6.5 million. She sold over \$1 million of Enron stock on February 16, 2000 -- less than three months after the employee meeting apparently took place. She further testified that her decision to sell the stock was partly based on advice she received from a financial advisor that she diversify her portfolio. If the woman on the videotape is indeed Ms. Olson, Ms. Olson's personal transactions would contrast sharply with her advice to Enron employees that they should "absolutely" invest all of their retirement savings in Enron stock.

I have enclosed a copy of the videotape for your review. I commend you for your investigation into Enron and hope this information is helpful to you.

Sincerely,

  
Henry A. Waxman  
Ranking Minority Member

Enclosure