

Congress of the United States

Washington, DC 20515

August 5, 2002

The Honorable Thomas E. White
Secretary of the Army
The Pentagon
Washington, D.C. 20310

Dear Secretary White:

We are writing to follow up on two points that you raised during your testimony before the Senate Commerce Committee on July 18, 2002.

Stock Sales – You were appointed Army Secretary on May 24, 2001, and agreed that you would divest your Enron holdings within 90 days of your appointment.¹ However, you were not able to complete your divestment before the 90-day period expired on August 22, 2001, and were forced to seek an extension. When Senator Nelson asked you at the hearing to explain the delay in divesting your Enron holdings, you stated that some of your Enron stock was in “private equity funds that couldn’t be liquidated within the 90-day period.”

However, other information you have provided about your stock sales does not appear to mention illiquid, private equity funds:

- In your January 22, 2002 letter to Rep. Waxman, you stated that you sold a total of 71,000 shares of Enron stock on three days in 2001 – September 7, September 24, and October 24 – that were held in a PaineWebber account.² These shares do not appear to have been held in a private equity fund. In fact, in a letter you wrote to the Office of Government Ethics (OGE) on February 7, 2002, you indicated that these 71,000 shares were “Personal Stock.”³
- On October 24, 2001, you sold 18,663 shares that were held in a “CSFB Personal” account. These shares do not appear to have been held in a private equity fund.
- On October 24 and October 30, 2001, you sold 146,709 shares that were held in a “CSFB family partnership.” Your February 7, 2002, letter to OGE indicated that these shares were held by the “White Family Ltd. Partnership.” Again, this family partnership does not appear to be a private equity fund.

¹Letter from Thomas E. White to Tom Taylor (acting Army general counsel) (May 4, 2001).

²Letter from Thomas E. White to Rep. Henry A. Waxman (Jan. 22, 2002).

³Letter from Thomas E. White to Amy L. Comstock (Director, Office of Government Ethics) (Feb. 7, 2002).

- In addition, you did not disavow your Enron stock options totaling 665,342 shares until January 17, 2002.⁴ These options appeared to have been held by you personally and could have been disavowed at any time.

Moreover, you represented to the Senate Armed Services Committee in February that the only Enron stock you had in a private equity fund was 609 shares held by WSW 1996 Exchange Fund.⁵

Accordingly, we ask you to respond to the following questions:

- (1) For each Enron holding that you divested or disavowed after August 22, 2001, was the holding in a private equity fund?
- (2) If your answer to question (1) is no, why did you wait until after August 22, 2001, to divest the holding?

Fake Trading Floor – During the July 18 hearing, Sen. Boxer asked you about news accounts that Enron Energy Services (EES) – where you were vice chairman for three years – set up a fake trading floor to mislead analysts visiting the company in January 1998. In response to these questions, you stated that you did not join EES until April 1998, and thus you were not involved in planning or implementing the fake trading floor. However, former EES employees have told investigators on Rep. Waxman’s staff that a fake trading floor was also set up in January 1999 to coincide with the yearly analyst meeting.

Accordingly, we ask you to respond to the following questions:

- (1) Did EES set up a fake trading floor in January 1999?
- (2) If your answer to question (1) is yes, did you give approval to the fake trading floor that was established in January 1999?
- (3) If your answer to question (1) is yes, were you involved in any way in the planning or implementation of the fake trading floor that was established in January 1999?

⁴Letter from Thomas E. White to Rex Rogers (Enron), attached to Letter from Thomas E. White to Amy L. Comstock (Director, Office of Government Ethics) (Jan. 17, 2002).

⁵See Letter from Thomas E. White to Sen. Carl Levin (Feb. 27, 2002); Letter from Steven J. Morello (Army General Counsel) to David J. Lyles (Staff Director, Senate Armed Services Committee) (Jan. 28, 2002).

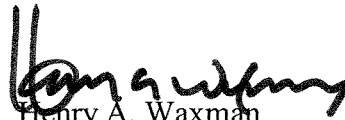
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Very shortly, Senator Boxer will be submitting a more lengthy set of followup questions on other issues relating to your work at Enron. However, we would appreciate a prompt response to the questions raised in this letter. Thank you.

Sincerely,



Barbara Boxer
United States Senator



Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
U.S. House of Representatives