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January 15, 2002

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INDEPENDENT

Mr. Kenneth L. Lay
Chairman
Enron Corporation
1400 Smith St.
Houston, TX 77002

Dear Mr. Lay:

As I indicated to you in my letter of January 12, my staff has been in contact with current and former Enron employees during its investigation of Enron's collapse and has obtained relevant information as a result. As part of this investigation, I am writing to ask you about one category of information that these employees have told us about: videotapes that apparently record senior Enron executives overstating the financial health of Enron in all-employee meetings held in 2001.

It is my understanding that Enron periodically organized all-employee meetings, and that you and other senior Enron executives appeared, answered questions, and provided information about the state of the company. All of these meetings were apparently recorded on videotape. Some were broadcast live to Enron offices around the world, and some were broadcast regionally. My staff has been told that videotaped recordings of such meetings have been archived in Houston and are in the custody of Enron's web operations manager.

I have attached a copy of one such video, which I have been informed was recorded for live European broadcast on January 30, 2001. It purports to show John Sherriff, the former President and CEO of Enron Europe, predicting when the share price of Enron will break \$100 per share. Mr. Sherriff tells the Enron employees that then-Enron CEO Jeff Skilling predicted the year-end price of Enron stock would be \$116 per share. Asked when he thought the per share price would break the \$100 barrier, Mr. Sherriff says it will reach that mark by the second week of August 2001. On the day of the broadcast, the Enron share price opened at \$79.77 per share.

These predictions turned out to be dramatically wrong. During the second week of August -- the date that Mr. Sherriff told employees that Enron stock would hit \$100 -- Mr. Skilling resigned as CEO and the share price was just \$37 per share. At the time, you told Enron employees that the stock

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would rise because "our performance has never been stronger; our business model has never been more robust; and our growth has never been more certain."¹ But in fact, the opposite again occurred, with Enron stock dropping to 26 cents per share on November 30, 2001.

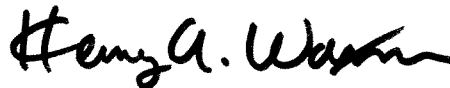
One of the sad ironies of these predictions is that while they were relied upon by thousands of Enron employees, the company's senior executives were dumping their own shares. In total, you and other senior Enron executives and board members sold \$229.2 million of Enron stock in the year before Enron's collapse, netting \$181.8 million, while at the same time assuring Enron employees that the price was going to go up.

The videotapes of all-employee or similar meetings are important in assessing what Enron executives told their employees in the months and weeks leading up to the Enron bankruptcy. I therefore request that you provide the following information by close of business on January 22, 2001:

- (1) Please confirm the identity of the speaker on the attached videotape and the date of this European all-employee meeting;
- (2) Please identify the dates of each all-employee meeting or similar meeting that took place during 2000-2001;
- (3) Please identify the custodian of all videotapes recording all-employee meetings or similar meetings held in 2000-2001; and
- (4) Please provide copies of all videotapes recording all-employee meetings or similar meetings held in 2000-2001.

As I wrote to you on January 12, it is essential that this information be provided so that there is a clear public accounting of this matter. We all owe that to the thousands of families that are facing financial ruin from the Enron bankruptcy.

Sincerely,



Henry A. Waxman
Ranking Minority Member

Attachment

¹E-mail from Ken Lay to Enron Employees Worldwide (Aug. 14, 2001).