

Message 15 of 63

Message Summary:

Status: Clean, No Review Required Internet Mail  
 Severity: N/A  
 Direction: In-Bound  
 Processed: 08/21/2001 19:01:47 Configuration at time of processing:

Message ID: B0015489003@psla03.sra.pwj.com

Suspected Violations:

Problem Category	Severity	Word/Phrase	Occurrences
None	N/A	N/A	N/A

Message Header:

Subject: FW: Most recent 10-Q report indicates liquidity problems and decline in trading margin.  
 Date: 08/21/2001 13:17:00  
 From: aaron.brown@enron.com Group: None  
 To: kgrunsfe@ubspainewebber.com Group: Unregistered User Group  
 Cc: patrick.mendenhall@ubspainewebber.com Group: DCO SouthWest, C. Jacobs  
 Bcc: patrick.mendenhall@pcg.xchg.pwj.com Group: DCO SouthWest, C. Jacobs

Message Body: (Message text loading from archive, please wait until message text displays below...)

please handle this situation. I've also forwarded to Pat Mendenhall .

This is extremely disturbing to me.

Thanks,  
Aaron

> —Original Message—

> From: " Joyce Bell " <Joyce\_Bell@pgn.com> @ ENRON   
 > [mailto:IMCEANOTES-+22Joyce+20Bell+22+20+3C.Joyce+5FBell+40pgn+2Ecom+3E  
 > +40ENRON@ENRON.com]  
 > Sent: Tuesday, August 21, 2001 12:56 PM  
 > To: Brown, Aaron (Executive Comp); Pam Butler  
 > Subject : Fwd: Most recent 10-Q report indicates liquidity  
 > problems and decline in trading margin.

>  
 > Aaron and Pam - What do you make of the attached from PaineWebber ????  
 > Received: from pge.enron.com (pgepdx-mimeswpr.pge.enron.com  
 > [172.21.8.198]) by OZ.pge.enron.com; Mon, 20 Aug 2001 22:21:06  
 > -0700

> Received: from mailman.pgn.com (unverified) by pge.enron.com ( Content  
 > Technologies SMTPRS 4.2.1) with ESMTMP id  
 > <T557e78b16aac15e3e06d4@pge.enron.com>; Mon, 20 Aug 2001 22:20:59  
 > -0700

> Received: from mail2.painewebber.com ([161.15.35.114]) by  
 > mailman.pgn.com (8.8.8/8.8.8/corp-1.03) with ESMTMP id AAA00077;

> Tue, 21 Aug 2001 00:30:39 -0500 ( CDT   
 > Received: from ubspainewebber.com ([162.66.165.136]) by  
 > mail2.painewebber.com (8.9.3/8.9.3) with ESMTMP id BAA20290; Tue, 21  
 > Aug 2001 01:20:57 -0400 ( EDT

> Received: from psia02.sra.pwj.com (localhost [127.0.0.1]) by  
 > ubspainewebber.com (8.9.3/8.9.3) with ESMTMP id BAA04198; Tue, 21  
 > Aug 2001 01:20:55 -0400 ( EDT

> Received: from pcglmx01.xchg.pwj.com (unverified) by  
 > psia02.sra.pwj.com ( Content Technologies SMTPRS 2.0.15) with ESMTMP id  
 > <B0017349331@psia02.sra.pwj.com>; Tue, 21 Aug 2001 01:33:18 -0400

http://psla01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=15 3/18/2002

> Received: by pcglmx01-nic2.xchg.pwj.com with > Internet Mail Service <  
 > (5.5.2654.52) id <RJQA8FPQ>; Tue, 21 Aug 2001 01:22:38 -0400  
 > Message-Id:  
 > <8761E01A0901D511AF5B0002B31B3CD9012C7C23@pcglis10.xchg.pwj.com>  
 > From: " > Wu <, > Chung <" <chung.wu@ubspainewebber.com>  
 > > Subject <: Most recent 10-Q report indicates liquidity problems and  
 > decline in trading margin.  
 > Date: Tue, 21 Aug 2001 01:20:28 -0400  
 > Return-Receipt-To: " > Wu <, > Chung <" <chung.wu@ubspainewebber.com>  
 > MIME-Version: 1.0  
 > X-Mailer: > Internet Mail Service < (5.5.2654.52)  
 > > Content <-Type: multipart/mixed;  
 > boundary="====\_NextPart\_000\_01C12A00.> FD <9F80E0"  
 >  
 > Dear Clients,  
 >  
 > Financial situation is deteriorating in > Enron < and price drops another  
 > \$7.00  
 > from last P/E report while most of the others  
 > stay the same or improve. Detail analysis on 10-Q will be ready after  
 > 8/29/01 and will be sent out only on a requested  
 > basis. I would advise you to take some money off the table even at  
 > this  
 > point. For those who still has problems separating themselves from the  
 > stocks or vested options, please think about selling "Call" against  
 > the long  
 > positions or selling "Uncovered Call" against the vested options with  
 > the  
 > consideration of having sufficient assets to satisfy the maintenance  
 > requirement.  
 >  
 > Time is value and waiting to make a decision would cost you a fortune.  
 > For a  
 > capital asset investment we always should know  
 > the price we would sell at. Please let me how can I help you to  
 > execute your  
 > financial plan.  
 >  
 > <<> > Enron <-industrial > PE < compar8-20-01.xls>>  
 >  
 >  
 >  
 > <<...OLE\_Obj...>>  
 > > Chung Wu <  
 > Financial Advisor  
 > Retirement Planning Consultant  
 > Toll Free #: > 800-553-3119 < x 284  
 > Office #: > 713-654-0284 <  
 > Fax #: > 713-427-7508 <  
 > Cellular #: > 281-788-7988 <  
 > e-mail : chung.wu@ubspainewebber.com  
 >  
 >  
 > \*\*\*\*\*  
 > Notice Regarding Entry of Orders and Instructions:  
 > Please do not transmit orders and/or instructions  
 > regarding your UBSPaineWebber account(s) by e-mail.  
 > Orders and/or instructions transmitted by e-mail will  
 > not be accepted by UBSPaineWebber and UBSPaineWebber  
 > will not be responsible for carrying out such orders  
 > and/or instructions.  
 >  
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 > review the content of all e-mail communications sent  
 > and/or received by its employees.

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> - > Enron <- industrial > PE < compar8-20-01.xls << > Enron <- industrial > PE <  
> compar8-20-01.xls>>

\*\*\*\*\*  
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\*\*\*\*\*

### Message Component 1:

---

Enron vs. Industry Average in > P/E < and Earnings 8/20/2001 After Market Close Prepared by > Chung Wu <

Stock  
Price

> P/E < Ratio

Trailing 12-mos Income

Forward 12-mos. Income

Dividend

Yield

> Amer. Elec. Power <- > AEP <

> AGL Resource <- > ATG <

> Atmos Energy <- > ATO <

Duke- > DUK <

Dynegy-DYN

> El Paso <- > EPG <

n/a

> Enbridge Inc. <-ENBR-Int'l

Enron-> ENE <

Equitable > Resource <- > EQT <

KeySpan - KSE

Kinder Morgan-KMI

Mirant- > MIR <

National Fuel Gas-> NFG <

ONEOK-> OKE <

Questar-> STR <

Reliant Energy-REI

Reliant Resources-> RRI <

> Sempra Energy <- SRE

> Southern Co. <- > SO <

UtiliCorp United-> UCU <

> WGL < Holding-> WGL <

Willaims-> WMB <

Average-exclus. > EPG < & > RRI <

If Enron stays @ industrial > P/E < average = \$1.67 x 15.69 = the price should be = \$ 26.20 currently

Base > P/E < estimated price :

10 % premium on mgt. and trading model

Hypo. Value of EBS @ \$ 3.00 /share

with 746.6 M shares/o/s :

Projected New Basement Price

equal to current > P/E < of 19.05

<http://psla01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=15> 3/18/2002

## Message 29 of 63

## Message Summary:

Status:  Clean, No Review Required  Internet Mail

Severity: N/A

Direction: In-Bound

Processed: 08/21/2001 20:43:52 Configuration at time of processing:   

Message ID: B0017393033@psla02.sra.pwj.com

Suspected  
Violations:

Problem Category	Severity	Word/Phrase	Occurrences
None	N/A	N/A	N/A

## Message Header:

Subject: RE: Most recent 10-Q report indicates liquidity problems and decline in trading margin.

Date: 08/21/2001 13:21:01

From: aaron.brown@enron.com 

Group: None

To: aaron.brown@enron.com 

Group: None

To: kgrunsfe@ubspainewebber.com 

Group: Unregistered User Group

Cc: patrick.mendenhall@ubspainewebber.com

Group: DCO SouthWest, C. Jacobs

Bcc: patrick.mendenhall@pcg.xchg.pwj.com

Group: DCO SouthWest, C. Jacobs

Message Body: (Message text loading from archive, please wait until message text displays below...)

Several people at  PGE  received this. I want to see the full distribution list.



&gt; —Original Message—

&gt; From: Brown, Aaron (Executive Comp)

&gt; Sent: Tuesday, August 21, 2001 1:17 PM

&gt; To: 'kgrunsfe@ubspainewebber.com'

&gt; Cc: 'patrick.mendenhall@ubspainewebber.com'

>  Subject : FW: Most recent 10-Q report indicates liquidity problems and decline in trading margin.

&gt;

> please handle this situation. I've also forwarded to  Pat Mendenhall .

&gt;

&gt; This is extremely disturbing to me.

&gt;

&gt; Thanks,

&gt; Aaron


&gt;

&gt; —Original Message—





> From: " Joyce Bell " <Joyce\_Bell@pgn.com>@  ENRON 

&gt; [mailto:IMCÉANOTES+22Joyce+20Bell+22+20+3CJoyce+5FBell+40pgn+2Ecom+3E+40ENRON@ENRON.com]

&gt; Sent: Tuesday, August 21, 2001 12:56 PM

> To: Brown, Aaron (Executive Comp);  Pam Butler> Subject : Fwd: Most recent 10-Q report indicates liquidity problems and decline in trading margin.

&gt;

> Aaron and  Pam  - What do you make of the attached from  PaineWebber  ????

&gt; Received: from pge.enron.com (pgepdx-mimeswpr.pge.enron.com

&gt; [172.21.8.198]) by OZ.pge.enron.com; Mon, 20 Aug 2001 22:21:06

&gt; -0700

> Received: from mailman.pgn.com (unverified) by pge.enron.com ( Content> Technologies  SMTPRS 4.2.1) with ESMTTP id

&gt; &lt;T557e78b16aac15e3e06d4@pge.enron.com&gt;; Mon, 20 Aug 2001 22:20:59

&gt; -0700

<http://psla01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=28> 3/18/2002

> Received: from mail2.painewebber.com ([161.15.35.114]) by  
 > mailman.pgn.com (8.8.8/8.8/corp-1.03) with ESMTP id AAA00077;  
 > Tue, 21 Aug 2001 00:30:39 -0500 (P CDT Q)  
 > Received: from ubspainewebber.com ([162.66.165.136]) by  
 > mail2.painewebber.com (8.9.3/8.9.3) with ESMTP id BAA20290; Tue, 21  
 > Aug 2001 01:20:57 -0400 (P EDT Q)  
 > Received: from psia02.sra.pwj.com (localhost [127.0.0.1]) by  
 > ubspainewebber.com (8.9.3/8.9.3) with ESMTP id BAA04198; Tue, 21  
 > Aug 2001 01:20:55 -0400 (P EDT Q)  
 > Received: from pcglmx01.xchg.pwj.com (unverified) by  
 > psia02.sra.pwj.com (P Content Technologies Q SMTPRS 2.0.15) with ESMTP id  
 > <B0017349331@psia02.sra.pwj.com>; Tue, 21 Aug 2001 01:33:18 -0400  
 > Received: by pcglmx01-nic2.xchg.pwj.com with P Internet Mail Service Q  
 > (5.5.2654.52) id <RJQA8FPQ>; Tue, 21 Aug 2001 01:22:38 -0400  
 > Message-Id:  
 > <8761E01A0901D511AF5B0002B31B3CD9012C7C23@pcglis10.xchg.pwj.com>  
 > From: "P Wu Q, P Chung Q" <chung.wu@ubspainewebber.com>  
 > P Subject Q: Most recent 10-Q report indicates liquidity problems and  
 > decline in trading margin.  
 > Date: Tue, 21 Aug 2001 01:20:28 -0400  
 > Return-Receipt-To: "P Wu Q, P Chung Q" <chung.wu@ubspainewebber.com>  
 > MIME-Version: 1.0  
 > X-Mailer: P Internet Mail Service Q (5.5.2654.52)  
 > P Content Q-Type: multipart/mixed;  
 > boundary="=\_NextPart\_000\_01C12A00.P FD Q9F80E0"  
 >  
 > Dear Clients,  
 >  
 > Financial situation is deteriorating in P Enron Q and price drops another  
 > \$7.00  
 > from last P/E report while most of the others  
 > stay the same or improve. Detail analysis on 10-Q will be ready after  
 > 8/29/01 and will be sent out only on a requested  
 > basis. I would advise you to take some money off the table even at  
 > this  
 > point. For those who still has problems separating themselves from the  
 > stocks or vested options, please think about selling "Call" against  
 > the long  
 > positions or selling "Uncovered Call" against the vested options with  
 > the  
 > consideration of having sufficient assets to satisfy the maintenance  
 > requirement.  
 >  
 > Time is value and waiting to make a decision would cost you a fortune.  
 > For a  
 > capital asset investment we always should know  
 > the price we would sell at. Please let me how can I help you to  
 > execute your  
 > financial plan.  
 >  
 > << P Enron Q-industrial P PE Q compar8-20-01.xls>>  
 >  
 >  
 > <<...OLE\_Obj...>>  
 > P Chung Wu Q  
 > Financial Advisor  
 > Retirement Planning Consultant  
 > Toll Free #: P 800-553-3119 Q x 284  
 > Office #: P 713-654-0284 Q  
 > Fax #: P 713-427-7508 Q  
 > Cellular #: P 281-788-7988 Q  
 > e-mail : chung.wu@ubspainewebber.com  
 >  
 >  
 > \*\*\*\*\*

http://psia01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=28 3/18/2002

- > Notice Regarding Entry of Orders and Instructions:
- > Please do not transmit orders and/or instructions regarding your UBSPaineWebber account(s) by e-mail.
- > Orders and/or instructions transmitted by e-mail will not be accepted by UBSPaineWebber and UBSPaineWebber will not be responsible for carrying out such orders and/or instructions.
- >
- > Notice Regarding Privacy and Confidentiality:
- > UBSPaineWebber reserves the right to monitor and review the content of all e-mail communications sent and/or received by its employees.
- > - > Enron <-industrial > PE < compar8-20-01.xls << File: > Enron <-industrial > PE < compar8-20-01.xls >>

\*\*\*\*\*

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\*\*\*\*\*

Message 19 of 63

Message Summary:

Status: Clean, No Review Required Internet Mail

Severity: N/A

Direction: Out-Bound

Processed: 08/21/2001 19:20:08 Configuration at time of processing:

Message ID: B0015493369@psla03.sra.pwj.com

Suspected Violations:

Problem Category	Severity	Word/Phrase	Occurrences
None	N/A	N/A	N/A

Message Header:

Subject: Apology

Date: 08/21/2001 15:55:05

From: patrick.mendenhall@ubspainewebber.com Group: DCO SouthWest, C. Jacobs

To: mary.joyce@enron.com Group: None

Message Body: (Message text loading from archive, please wait until message text displays below...)

I apologize for how I handled the conversation. I was and still am so upset and frustrated at the e-mail, that I still haven't calmed down. I





should have known that if I was this frustrated, that you, as our client, were more so. It is not my intent to hide behind anyone. I take full responsibility and will remedy the situation. We will get your approval prior to any retraction being sent. The Financial Advisor has been terminated.

Once again I'm sorry.  
Thanks, Pat

Patrick M. Mendenhall  
Senior Vice President  
Branch Manager  
UBS PaineWebber Inc.  
1111 Bagby, Suite 5100  
Houston, TX 77002  
(713) 654-0214  
(713) 654-0213 Fax  
(800) 553-3119  
patrick.mendenhall@ubspainewebber.com

## Message 1 of 2

## Message Summary:

**Status:**  Unanalyzed, No Review Required ,  Ghost Viewed ,  Internet Mail  
**Severity:** 50  
**Direction:** Internal only  
**Processed:** 08/21/2001 19:43:21 Configuration at time of processing:   
**Message ID:** B0015501516@psla03.sra.pwj.com

## Suspected Violations:

Problem Category	Severity	Word/Phrase	Occurrences
None	50	*Unanalyzed*	3

## Message Header:

**Subject:** Re: Recent E-Mail Concerning Enron  
**Date:** 08/21/2001 19:26:04  
**From:** patrick.mendenhall@ubspainewebber.com **Group:** DCO SouthWest, C. Jacobs  
**To:** mary.joyce@enron.com **Group:** None  
**Cc:** aaron.brown@enron.com **Group:** None  
**Bcc:** jfurlong@ubspainewebber.com **Group:** Unregistered User Group

**Message Body:** (Message text loading from archive, please wait until message text displays below...)

I have just learned that former UBS PaineWebber Financial Advisor, Chung Wu, sent an e-mail dated August 21, 2001, to certain Enron employees and former Enron employees concerning Enron. Foremost, I wish to apologize for Mr. Wu's statements. To the fullest extent possible, on behalf of UBS PaineWebber, I hereby retract Mr. Wu's statements.

Please be assured that the e-mail was not approved by UBS PaineWebber management and was sent in violation of UBS PaineWebber policies. Mr. Wu's statements are contrary to UBS PaineWebber's current recommendation concerning Enron stock. Specifically, UBS PaineWebber analyst Ron Barone has a strong buy recommendation on the stock. Attached for your reference is a recent copy of our latest Research Note from August 17, 2001.

<<PA07556020010817D01.pdf>>

Again, I sincerely apologize for Mr. Wu's actions and any inconvenience it has caused.

Very truly yours,

Patrick M. Mendenhall  
 Senior Vice President  
 Branch Manager  
 UBS PaineWebber Inc.  
 1111 Bagby, Suite 5100  
 Houston, TX 77002  
 (713) 654-0214  
 (713) 654-0213 Fax  
 (800) 553-3119  
 patrick.mendenhall@ubspainewebber.com

<http://psla01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=1&> 3/20/2002



**Message Components : 1**

---

The component text is not available because e-mail content analysis was disabled for this message.

<http://psla01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=1&> 3/20/2002

## Message 2 of 2

## Message Summary:

Status: Clean, No Review Required, Ghost Viewed, Internet Mail  
 Severity: N/A  
 Direction: Out-Bound  
 Processed: 08/21/2001 19:43:21 Configuration at time of processing:

Message ID: B0015501517@psla03.sra.pwj.com

## Suspected Violations:

Problem Category	Severity	Word/Phrase	Occurrences
None	N/A	N/A	N/A

## Message Header:

Subject: Re: Recent E-Mail Concerning Enron  
 Date: 08/21/2001 19:26:04  
 From: patrick.mendenhall@ubspainewebber.com Group: DCO SouthWest, C. Jacobs  
 To: mary.joyce@enron.com Group: None  
 Cc: aaron.brown@enron.com Group: None

Message Body: (Message text loading from archive, please wait until message text displays below...)

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statements are contrary to UBS PaineWebber's current recommendation concerning Enron stock. Specifically, UBS PaineWebber analyst Ron Barone has a strong buy recommendation on the stock. Attached for your reference is a recent copy of our latest Research Note from August 17, 2001.

<< PA 07556020010817D01.pdf >>

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Very truly yours,

Patrick M. Mendenhall  
 Senior Vice President  
 Branch Manager  
 UBS PaineWebber Inc.  
 1111 Bagby, Suite 5100  
 Houston, TX 77002  
 (713) 654-0214  
 (713) 654-0213 Fax  
 (800) 553-3119  
 patrick.mendenhall@ubspainewebber.com

<http://psla01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=1& 3/20/2002>

Message Component 1:

---

UBSPaineWebberInc.isanaffiliateofUBSWarburgLLC.  
TheinformationandopinionsinthisreportareprovidedtoUBSPaineWebberInc.byUBSWarburgLLC.  
NATURALGAS/ENERGYMERCHANTS

RonaldBarone  
+12127133848/ronald.barone@ubsw.com

RESEARCHNOTE

JamesYannello,  
CFA,

Analyst  
(+12127133877)

August

17,

2001

JonathanStark,  
AssociateAnalyst

(+12127132875)

▶ EnronCorp ◀.

Rating:

StrongBuy

(▶ ENE ◀ -\$36.85)[2]

ENRON:

DustSettling;LikelyHeadingHigherThanLowerFromHereonOut

KeyData

QuarterlyEarningsPer

Share(fiscalyear

endsDecember)

52-WkRange

\$90-40

2000

A

2001E

Prev

2002E

Prev

Eq.Mkt.Cap.(▶ MM ◀)

\$27,601

1Q

\$0.40

\$0.47A

Sh.Out.(▶ MM ◀)

749.0

2Q

0.34

0.45A

Float

99%

3Q

0.34

Inst.Hldgs.

65.3%

4Q

0.41

Av.Dly.Vol.(K)

4,580

Year

\$1.4

7

\$1.80

\$2.15

Curr.

Div./Yield

[http://psla01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=1& 3/20/2002](http://psla01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=1&3/20/2002)

\$0.50/1.4%  
 FCCons.:  
 \$1.47  
 \$1.82  
 \$2.16  
 Sec.Grwth.Rate  
 18%  
 P/E:  
 25.1x  
 20.5x  
 17.1x  
 12-mo.  
 Tgt  
 Price  
 \$60.00  
 Revs. (MM):  
 NA  
 NA  
 NA  
 12-mo.  
 Ret.  
 Pot'l  
 64.2%  
 Convertible?  
 Yes

## SUMMARY

Wemet  
 withEnron'sseniormanagement  
 teamlast  
 eveninginNewYorkoverdinnerwithsomeof  
 ourpeers.  
 Thecompanytooktheopportunityto reinforceits  
 messagesfromitsTuesdayafternoonconferencecalland  
 earliermeetingwithitsworkforce(whereweretoldKen  
 Layreceivedseveralstandingovations).

More  
 importantly,  
 ourpeersandwetooktheopportunityto  
 providethecompanywithcandidfeedbackonpast  
 and  
 present  
 investorconcerns.

## KEYPOINTS

Inlinewithitsmessageearlierintheweek,  
 management  
 emphasizedthat  
 JeffreySkillings'departurewasvoluntary  
 andforpersonalreasons.  
 Wehavenodoubtsabout  
 this.

Thecompanyalsoemphasizedthat,  
 althoughthereare  
 challengesahead,  
 therearenootershooestodropand  
 that  
 Enronremainspoisedforunprecedentedgrowth.  
 Despitehighprofiledepartures,  
 management  
 emphasized  
 thebreadthanddepthof  
 itsremainingbenchstrength.

It  
 plansonmakingannouncementsonexecutivereshuffling  
 asearlyasnext  
 week,  
 includingthepossibleappointingof  
 anindividual(s)to"Officeof

<http://psla01/QuarantineForm.asp?FormMode=Edit&DataAction=Detail&MessageCount=1&> 3/20/2002

the Chairman".  
 Worth noting is management's decision to provide options  
 to  
 all worldwide employees at  
 current  
 stock price levels,  
 with a concentration on those senior individuals that  
 it  
 perceives as critical to its ongoing success.  
 In response to feedback,  
 management  
 will be working  
 toward a more candid relationship with the Street  
 with a  
 further opening of  
 the lines of  
 communication.  
 In response  
 to several requests,  
 it  
 will be working to provide the  
 financial community with more operating data and  
 explanations of  
 the various ways in which it  
 facilitates its  
 business (in order to better analyze its performance).  
 The company dispelled rumor of  
 credit  
 issues,  
 noting that  
 it  
 has already met  
 with the ratings agencies and has been  
 in contact  
 with all of  
 its global lenders (there are no  
 issues).  
 Despite delays,  
 management  
 is committed to making  
 material international asset  
 divestitures which,  
 combined  
 with the ongoing leverage of  
 its network franchise,  
 should  
 substantially increase its ROI in the years ahead.  
 Noting ongoing solid momentum from Enron Online,  
 the  
 company continues to see tremendous opportunities to  
 expand its network model into other commodities/  
 countries.  
 It  
 also reiterated recent  
 comments of  
 how EES  
 is poised for tremendous growth and increases in earnings  
 contributions.  
 Management  
 is continuing cost  
 cutting  
 measures in the Broadband segment.  
 Though further out  
 than original expectations,  
 it  
 continues to see significant  
 long-term potential in bandwidth marketing/trading.

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Overall,  
management  
sees the FERC as continuing to be  
for open markets (as evidenced by the RTO  
ruling).

It

▶ Enron Corp ◀ is the world's leading natural gas and power company.  
Its operations include the:  
marketing/trading of natural gas, electricity, crude oil, pulp/paper, metals; as well as energy  
financing/services; the transportation of natural gas; and fiber optic based wholesale communications.

Page 2 of 2

UBS Paine Webber Inc.

sees market  
concerns regarding recent  
appointees as well  
overblown.

OUR VIEW

Though the road back to having a neat  
handle will be a

long one,  
we believe the dust  
is officially settling on the  
Skilling departure and that

ENE shares are in fact

nearing

a bottom (if

not

there today).

This is particularly true.

Given our renewed confidence of

Mr.

Lay's overall high

regard and credibility throughout

the financial community

and the company's employee base,

as well as his desire to

rapidly respond to the various issues circling the Street.

With a heightened focus on shareholder desires,

solid

benchmark strength (and its global network franchises soundly in

place),

we believe Enron will be heading back on track to

delivering a cleaner and more openly communicated

financial performance.

This,

combined with its undisputed

position as the dominant

player in this space (and a 20%

projected average annual EPS growth rate) suggests a

security oversold at 17x projected 2002 EPS.

With the dust

settling,

we would be aggressive buyers of

ENE at

current

levels.

This is particularly true for

individuals with a 12-18 month time horizon.

PRICE TARGET REVIEW

Our 18-month price target

on ENE is \$60 per share,

arrived at

by applying an approximate 28x multiple to our

\$2.15 projection of its 2002 EPS.

Price appreciation to

\$60 per share,

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when combined with its \$0.50 annual dividend, suggests an approximate 64% total return potential from current levels.

As with the other names in our universe, this objective assumes no value for Broadband Services.

#### RISKS

Heightened level of competition; unfavorable changes in the regulatory environment and marketing losses beyond value-at-risk limits.

Additional information available upon request.

2. UBS Warburg LLC, UBS Paine Webber Inc. and/or one of their affiliates has acted as a manager/co-manager or placement agent in underwriting securities of this company or one of its subsidiaries in the past three years.

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August 21, 2001

Re: Recent E-Mail Concerning Enron

I have just learned that former UBS PaineWebber Financial Advisor, Chung Wu, sent an e-mail dated August 21, 2001, to certain Enron employees and former Enron employees concerning Enron. Foremost, I wish to apologize for Mr. Wu's statements. To the fullest extent possible, on behalf of UBS PaineWebber, I hereby retract Mr. Wu's statements.

Please be assured that the e-mail was not approved by UBS PaineWebber management and was sent in violation of UBS PaineWebber policies. Mr. Wu's statements are contrary to UBS PaineWebber's current recommendation concerning Enron stock. Specifically, UBS PaineWebber analyst Ron Barone has a strong buy recommendation on the stock. Attached for your reference is a recent copy of our latest Research Note from August 17, 2001.

With Enron's approval, UBS PaineWebber will send copies of this letter to each of the Enron employees and former employees to whom Mr. Wu's e-mail was sent.

Again, I sincerely apologize for Mr. Wu's actions and any inconvenience it has caused.

Very truly yours,

Patrick M. Mendenhall  
Sr. Vice President  
Branch Manager