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January 12, 2002

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INDEPENDENT

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

Dear Mr. Lay:

Since December 4, 2001, my staff has been investigating the collapse of Enron Corporation. An important component of this investigation is reaching out to current and former employees who might have relevant information. I have done this through the establishment of an Internet tip line, as well as through other means.

As a result of this investigation, I have obtained some e-mails that you purportedly sent out to Enron employees about Enron's financial condition and stock price in August 2001. Copies of these e-mails are enclosed. If it is true that you sent these e-mails, then it appears that you misled your employees into believing that Enron was prospering and that its stock price would rise:

- In an e-mail apparently sent to all employees on August 14, 2001, the day that Jeffrey Skilling resigned as CEO, you stated: "**I want to assure you that I have never felt better about the prospects for the company.** All of you know that our stock price has suffered substantially over the last few months. One of my top priorities will be to restore a significant amount of the stock value we have lost as soon as possible." You concluded: "**Our performance has never been stronger; our business model has never been more robust; our growth has never been more certain. . . . We have the finest organization in American business today.**"¹
- In an e-mail on August 27, 2001, to employees who received a grant of stock options, you apparently said that "one of my highest priorities is to restore investor confidence in

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

Enron. **This should result in a significantly higher stock price.**²

By the time of the second e-mail, when the stock price was \$37, you had already sold \$40 million of Enron stock during 2001 and over \$100 million since October 1998.³ The price of Enron stock eventually fell to a low of 26 cents a share on November 30, 2001.

If these e-mails are genuine, your pronouncements about Enron's financial condition and stock price stand in stark contrast to what is now known about Enron's precarious situation. They also stand in stark contrast to the statements you made to Secretary of the Treasury Paul H. O'Neill nine weeks later about Enron's dire financial condition. At a minimum, they create the appearance that you misled Enron employees about the value of their investments in Enron and the security of their jobs. If this were accurate, it would be a gross betrayal of your employees' trust, as well as possibly illegal conduct.

Clearly, the statements in these e-mail messages require further investigation. For this reason, I request that you:

- (1) Please verify whether you sent the enclosed e-mails;
- (2) If the e-mails are genuine, please explain whether you were aware when you sent them of Enron's financial vulnerabilities. If you were not aware of this, please explain whether this was because Jeffrey Skilling or other executives withheld that information from you;
- (3) Please provide me with all records of internal Enron communications, including e-mails and videotapes, between August 14, 2001, and December 2, 2001, assessing the value of Enron's stock price or Enron's financial condition; and
- (4) Please provide me with copies of all public statements by Enron executives between August 14, 2001, and December 2, 2001, regarding the value of Enron's stock price or Enron's financial condition.

I would also like to know about your decision to prevent participants in Enron's 401(k) plan from accessing their retirement accounts and selling their plummeting Enron stock. For this reason, I request that you provide all information relating to Enron's decision to establish the 401(k) lock-down. According to the *Wall Street Journal*, this lock-down began on October 17,

²E-mail from Ken Lay to Unnamed Employee (Aug. 27, 2001) (emphasis added).

³Class Action Complaint for Violations of the Federal Securities Laws, *Amalgamated Bank, et al., v. Kenneth Lay, et al.* (S.D. Tex. 2000).

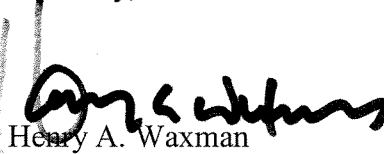
Mr. Kenneth L. Lay
January 12, 2002
Page 3

2001, the day after Enron first revealed its financial difficulties.⁴

Finally, I would like you to explain why, after you allegedly sent the e-mails and subsequently spoke to Secretary O'Neill -- and as the company's stock continued to fall -- you still sought a \$60-million severance package from Enron. As you will remember, when Enron employees objected to this, you proposed reducing your package to \$40 million.⁵ When Enron employees objected to that proposal, you finally decided in mid-November not to accept this compensation.⁶

I think 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. Accordingly, I would appreciate your providing this information by the close of business, January 18, 2002.

Sincerely,

A handwritten signature in black ink, appearing to read "Henry A. Waxman", is written over a faint circular stamp or watermark.

Henry A. Waxman
Ranking Minority Member

Attachments

⁴*Fair Shares? Why Company Stock is a Burden for Many*, Wall Street Journal (Nov. 27, 2001).

⁵*Enron CEO Says No to \$60.6 Million*, Washington Post (Nov. 14, 2001).

⁶*See id.*; *Lay To Forgo \$60M Severance*, Gas Daily (Nov. 15, 2001); *Enron Chief Nixes \$60 Million; Lay Decides Against Accepting Severance Package*, San Antonio Express-News (Nov. 14, 2001).