

Phillip Lord

01/30/2001 10:04 AM

To: Steve Elliott/Enron Communications@Enron Communications
cc:
Subject: Re: Quarter 1 - Gross Margin & EBIT Targets

Yeah, that's Barry for you. Part of the problem is that Fallon is all over him like a cheap suit. Barry has a habit of trying to do everyone else's job. Having said that, I think the point he is trying to make to everyone (he sent this one to you an Marcello directly, but he also sent it to every unit head) is that we are sinking fast and the quarter is 1/3 over. We have been pushing the news upward to try to get some dialogue going, but the direction we are headed is not pretty. I don't see how we will meet the target for Q1 we set ourselves and Corp. wants us to beat that by about \$35 million! I don't think they are being particularly difficult there -- they are just concerned about the message a \$70 million Q1 loss sends to the Street. I'll keep Todd apprised of any developments.

Things are busy around here as you can imagine. I'll give you a call to catch up. Hope things are well in London.

P
Steve Elliott

Steve Elliott

01/30/01 05:12 AM

To: Phillip Lord/Enron Communications@Enron Communications
cc:
Subject: Quarter 1 - Gross Margin & EBIT Targets

Phillip, so who is the earnings cop around here? It is obviously more productive if we keep the discussions around budgets, targets, revisions, etc. between you and Todd on behalf of the whole business unit P&L. I answered Barry's e-mail before I could remember to copy you, but I basically said we are still working very hard to hit the budgeted numbers that were placed on us for this first quarter and that at this point, that would be a major stretch. So we are not changing our estimates.

On a more happier note, how has your transition been? I hope the family is happy being back in Houston. Are you having any fun yet? I would love to hear an update from you about the happenings in Houston.

Thanks

Steve

----- Forwarded by Steve Elliott/Enron Communications on 30/01/01 11:08 -----



Barry Pearce

29/01/01 21:37

To: Steve Elliott/Enron Communications@Enron Communications, Marcello Romano/Enron Communications@Enron Communications
cc: Jim Fallon/Enron Communications@Enron Communications
Subject: Quarter 1 - Gross Margin & EBIT Targets

Steve/Marcello,

We are obviously about 1 month through Q1, with only around 45 business days left until March 31st.

Our Q1 EBIT Target is **\$(35)m**. The Green Sheet currently shows less than \$12m in Gross Margin from identified deals with > 25% chance of completion.

Assuming we run at the 'forecast' expense out-turn of **\$(157)m** - we would need a Gross Margin of **\$122** positive to hit the target.

Can you please submit your current best estimate of the Gross Margin you intend/hope to deliver in Q1 to cover the potential shortfall.

**GOVERNMENT
EXHIBIT
3021**

Crim. No. H-04-25 (S-2)

Your prompt attention to this matter is appreciated.

Thanks.

Barry.