

Memo

ANDERSEN

To The Files

From David B. Duncan

Date October 15, 2001

Subject Enron Press Release Discussions

Draft

On Friday evening, October 12, 2001, I received a draft of Enron's anticipated press release regarding third quarter 2001 results which indicated Enron's intentions to record numerous charges against income for the quarter totaling approximately \$1 billion on an after-tax basis. The charges were described as "non-recurring" in the draft.

Enron had sometimes used this description in past press releases. In such cases, we had always informed management that, although we understood that press releases were the Company's responsibility, we did not advise the use of "non-recurring" as a description and were concerned it could potentially be misunderstood by investors. We pointed out that such items are, more often than not, included in normal operating earnings in the GAAP financial statements. We also insisted that the Company not use such a description in public filings with which we may have some association (i.e., in 10-Q and 10-K MD&A information). Whether because of our views or otherwise, management has generally described these or similar items as "Items Impacting Comparability in such public filings".

Because of the magnitude of the anticipated third quarter 2001 charges and because they were being described as "non-recurring" in the draft release, I shared excerpts of the draft with Mike Odom, Rich Corgel and Gary Goolsby of our practice risk management group.

After discussion with the above individuals, on Sunday, October 14, I spoke with Rick Cansey, Enron's Chief Accounting Officer, about the company's presentation approach. I told Rick that, while we recognized that press releases are solely the Company's responsibility, we had strong concerns that the presentation of the charges as non-recurring could be misconstrued or misunderstood by investors. Our advice was that the Company should consider changing the presentation or should otherwise undertake whatever procedures they might deem necessary, including the involvement of counsel. Rick acknowledged my advice.

On Monday, October 15, 2001, the night before the release, I inquired of Rick what procedures may have been performed. He responded that he had raised the issue internally and that the press release had gone through "normal legal review".

The release was issued early Tuesday, October 16, 2001, with essentially the original presentation.

cc: Mike Odom
Rich Corgel
Gary Goolsby

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