

ENRON CORPORATION
October 23, 2001
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LAY: KENNETH LAY
FASTOW: ANDREW FASTOW
BOONE: KEVIN BOONE
GLISAN: BEN GLISAN
LAUNER: CURT LAUNER
RIEKER: PAULA RIEKER
KNOTT: DAVID KNOTT
NILES: RAYMOND NILES
SMITH: ROSE EILAND-SMITH
GRUBMAN: RICHARD GRUBMAN
CAUSEY: RICHARD CAUSEY
KAMINSKY: HOWARD KAMINSKY
NORDBY: DAN NORDBY
FLEISCHER: DAVID FLEISCHER
DIETERT: JEFF DIETERT
OLSON: JOHN OLSON
UF: UNIDENTIFIED FEMALE
UM: UNIDENTIFIED MALE
UI: UNINTELLIGIBLE

1 UF: Good morning, everyone and welcome to the Enron conference call. This call
2 is being recorded. At this time, I would like to turn the call over to Chairman
3 and Chief Executive of Officer, Mr. Kenneth Lay. Please go ahead, sir.

4 LAY: Good morning. This is Ken Lay. Thank you for joining us today. I have with
5 me in the room here Mark Frevert, the Vice Chairman; Greg Whalley,
6 President and Chief Operating Officer of Enron; Rick Causey, Executive VP
7 and Chief Accounting Officer; Andy Fastow, Executive Vice President and
8 Chief Financial Officer; Steve Kean, Executive Vice President and Chief of
9 Staff; Mark Koenig, of course, Executive Vice President of Investor Relations;
10 and Ben Glisan, Managing Director and Treasurer. We decided yesterday to
11 set this call to address questions and concerns raised over the last few days.
12 To say the least, we are very, even extremely disappointed with our stock
13 price, particularly since our businesses are performing very well, and we are
14 continuing to conduct business as usual. We recognize, however, that these
15 are uncertain times in the capital markets and we will continue to hold
16 additional investor calls, as needed to pro-actively communicate essential
17 information to all of our stakeholders. There has been a lot of recent attention
18 to transactions Enron previously entered into with LJM, a private equity
19 partnership. Let me reiterate a couple of things. We clearly heard investor
20 concerns earlier this year, and Andy Fastow, Enron's Chief Financial Officer,
21 ceased all affiliations with LJM. And as reported in our second quarter 10-Q
22 filing, LJM is no longer a related party instrument. During the third quarter,
23 we took additional steps and terminated the finance arrangements with LJM.

1 We announced yesterday that we had received a request for information from
2 the SEC regarding certain related party transactions. As we said yesterday, we
3 welcome this request and the opportunity it provides us to put these matters to
4 rest. We are cooperating fully with the SEC, and we believe everything that
5 needed to be considered and done in connection with these transactions was
6 considered and done. They were reviewed by internal and external auditors
7 and lawyers, approved by Enron's Board of Directors, and appropriately
8 disclosed. As you can appreciate, while this matter is pending, we cannot say
9 much more about it, at least now. However, a number of other unrelated
10 questions have been raised, and we will do our best to address those here.
11 First on the equity reduction. Our third quarter earnings conference call last
12 Tuesday included information associated with a \$1.2 billion reduction in
13 shareholders' equity that would ordinarily have been disclosed in our 10-Q to
14 be filed in mid-November. There have been a number of questions
15 surrounding the equity adjustments since the call. So we want to take the
16 opportunity to clearly spell out the basis of that adjustment. A structured
17 finance vehicle in which LJM was an investor, was established to mitigate
18 volatility associated with certain of Enron's merchant investments, including
19 investments in The New Power Company, technology and other investments
20 of Enron. In conjunction with the recent termination of these vehicles, Enron
21 recorded a \$1.2 billion reduction in shareholders' equity and a corresponding
22 reduction in notes receivable. These adjustments were the result of Enron's
23 termination of obligations to deliver Enron shares in future periods. Although

1 this obligation equated to 62 million shares, and this was reflected in our fully
2 diluted shares outstanding, the obligation to issue shares in the future no
3 longer exists. And as such, the shares will no longer be factored into the, our
4 EPS calculation. The 10-Q will reflect the final, proper reduction of 62
5 million shares, as calculated, using Enron's actual share prices during the third
6 quarter. If you have additional questions on these adjustments, I will address
7 them at the end of the call. I now would like to turn the discussion over to our
8 CFO, Andy Fastow, to discuss our current liquidity position and credit rating.
9 I might add that I and Enron's Board of Directors continue to have the highest
10 faith and confidence in Andy, and believe he is doing an outstanding job as
11 CFO. Andy?

12 FASTOW: Thank you very much, Ken, and thank you for those last comments. And we
13 have, in fact, received questions recently about both our liquidity and the
14 outlook for the Enron Corp. credit. I'd like to briefly address both of these
15 issues now. First, regarding liquidity. Enron expects to continue to have
16 sufficient liquidity to conduct normal operations and to meet all of its
17 projected capital requirements. We have committed credit facilities with
18 domestic and foreign banks, which provide for an aggregate of \$3.35 billion in
19 credit. These bank lines are undrawn, but act as the backstop for the
20 company's issuance of commercial paper. Additionally, the company utilizes
21 on a consistent basis, uncommitted lines in excess of \$500 million. With
22 respect to commercial paper, currently our commercial paper balance is
23 approximately 1.85 billion, and that's net after consideration of cash balances

