

Fwd To the Board of Directors

From: Janice Avery [janiceavery78@hotmail.com]
Sent: Tuesday, January 08, 2002 7:03 AM
To: margaretc@mfsllhou.com
Subject: Fwd: To the Board of Directors

here it is - I am going to work on the WMBE stuff today. Think there is \$\$ with Homeland Security.

jan

>From: "margaret ceconi" <mceconi@houston.rr.com>
>To: <Kenneth.lay@enron.com>
>CC: <rebecca.carter@enron.com>, <colson@enron.com>
>Subject: To the Board of Directors
>Date: Wed, 29 Aug 2001 09:51:05 -0500
>
>Please deliver to:
>
>To the Board of Directors,
>
>One can only surmise that the removal of Jeff Skilling was an action
>taken
>by the board to correct the wrong doings of the various management teams at
>Enron. However, based on my experience at this company, I'm sure the board
>has only scratched the surface of the impending problems that plague Enron
>at the moment. (i.e., EES's management's incapability's of strategic
>planning, hiding losses/SEC violations, fraudulent recruiting practices,
>lack of product, etc).
>
>I was recently laid off as a result of another one of Enron's
>infamous
>restructurings. As a shareholder I feel it is my responsibility to bring
>to the Board's attention the various ongoing that I observed during my
>short tenure (9 months) with the company.
>
>EES Management
>
>Upon joining the company, the first week there was a reorganization, I

Fwd To the Board of Directors

>got
>a new boss. Over the past 9 months there have been 5 major
>restructurings. Management's reason was that Enron is flexible and c
hanges
>to meet the needs of the marketplace. After the first management t
eam
>was ousted (Harold Buchanan, Lou Pai, Tom White), Dave Delaney came
along,
>he started making changes, putting his fingerprints on everything. H
owever
>it became obvious that EES had been doing deals for 2 years and was l
osing
>money on almost all the deals they had booked. (JC Penny being a \$60M
M loss
>alone, then Safeway, Albertson's, GAP, etc.). Some customers threate
ned to
>sue if EES didn't close the deal with a loss (Simon Properties - \$8MM
loss
>day one) So restructurings began.....first to go was the compensation
plan.
> Overnight it was taken away, and the new plan was 100% subjective,
with a
>cap. The former plan was no cap with the potential to make over \$1MM
based
>on a formula on mark. When existing managers raised concerns about t
he
>plan being the main recruiting tool to bring people on board and that
it
>was wrong to change it, Delaney's comments were, trust me, you'll ge
t
>paid. His attitude sounded like "Let them eat cake". After Delaney'
s team
>came on board, he immediately started bringing in his own people. Th
ey
>decided to change the pricing curves, basis went away, and essentiall
y EES
>had no product offerings. Deals I had priced with a \$15MM mark went
down
>to a \$2MM mark. Giving the customer no incentive to do the deal. EE
S was
>also having trouble delivering on the O&M side as well. Overnight th
e
>product offerings evaporated. The only product left is for the hotel
and
>mall customers. Except that Starwood is also mad since EES has not
>invested the \$45MM in equipment under the agreement. Enron was suppos
e to
>invest \$45MM over the first 3 years of the contract. The people who

Fwd To the Board of Directors

>negotiated the contract FORGOT to put in, at Enron's discretion...it turns
>out that it doesn't make financial sense for Enron to put in the Equipment,
> but Starwood wants it. Now you will loose atleast \$45MM on the deal.
>The Crisis was set in motion. You should also check on the Safeway
>contract, Albertson's, IBM and the California contracts that are being
>renegotiated.... It will add up to over \$500MM that EES is loosing and
>trying to hide in Wholesale. Rumor on the 7th floor is that it is closer
>to \$1 Billion.....
>
>This is when they decided to merge the EES risk group with Wholesale to
>hide the \$500MM in losses that EES was experiencing. But somehow EES
, to
>everyone's amazement, reported earnings for the 2nd quarter. According to
>FAS 131 -Statement of Financial Accounting Standards (SFAS) #131,
>"Disclosures about Segments of an Enterprise and related Information"
. EES
>has knowingly misrepresented EES' earnings. This is common knowledge among
>all the EES employees, and is actually joked about. But it should be taken
>seriously. Did you notice the article in the Houston Business Journal
>today. The analyst are continuing to push this very issue very hard,
>because it does exist....Carol Coale with Prudential, and the Simmons
>International Analyst know what's going on, they just can't confirm it. YET
> Delaney has no respect from the EES team. He came in with arrogance and
>is not a leader. No one trusts him. This makes him ineffective.
>
>EES only manages quarter to quarter. They are reactive, not proactive.
>They don't stick with a decision long enough to see if its going to work.
>That's because they are trying to cover up their dumb decisions (like Fast
Fast

Fwd To the Board of Directors

>Track, the PMC, getting rid of AIP, the list goes on). The billing
>problems continue to cost EES approximately \$32MM per year. I even
>introduced the IT/billing group to a company that could solve alot of
the
>billing problems, EEOutlook. A company that Enron has an investment
in,
>as well as you personally Mr. Lay.
>
>There are numerous operational problems with all the accounts. EES i
s
>over
>seeing 31,000 facilities, and it's not going well.
>
>
>Fraudulent Recruitment
>
>I was heavily recruited by EES (Harold Buchanan, Troy Henry) from GE
>Capital. Although now in retrospect, I believe I was Fraudulently
>recruited.
>
>Last summer I was contacted by a head-hunter (Jeff Smith, Leyendecker
&
>Asso) regarding a job opportunity with Enron. I had been at GE for a
bout 5
>years and was very happy, and NOT looking for a job. I was Senior Vi
ce
>President, region leader, and I was on the mentoring program. My ment
or
>being in charge of Quality (Six-Sigma) for all of GE Capital, and hav
e had
>continuous success in deal origination. (Resume attached)
>
>This recruiter has tried to recruit me for several years, and the
>answer
>was always NO. But the opportunity presented by him for Enron was qu
ite
>unique. EES was a new division and per Jeff Smith, was unlike any of
the
>other divisions of Enron. They needed very seasoned, experience deal

>people that could come in and communicate with CEO's, CFO's and senio
r
>managers of prospects. They decided that the best candidates should
have
>financial backgrounds in banking/finance with the ability to effectiv
ely
>sell EES's bundled products. EES had been struggling to close deals
and

Fwd To the Board of Directors

>the deal cycle was 12-18 months at best. They felt people with my
>background, even though we had NO commodity or energy experience, would
>speed up the process and increase deal flow. Additionally, in order
to
>entice us to come over, the compensation plan was very lucrative. There
ere
>was no limit on bonus and it was totally formulaic. I was told repeatedly
>that I could easily be making \$800K to over a \$1MM each year, as several of
>the existing staff had done that year. I confirmed with these employees
>what they made. There were about 15 of us recruited with the same
>background. And all of us were laid off in less than one year!!!
>Long-term planning?????
>
>During my interviews, I repeatedly voiced my concerns about Enron's
>reputation of starting businesses and then shutting them down and laying
ing
>people off. I was told that EES was different, that EES dominated the
e
>market and had essentially no competition, and that the group had support
>from Senior management at the highest levels. EES was to be the next
major
>star in Enron's world. Additionally, if there was a restructuring, someone
>with my skill base could easily be re-deployed, as Enron always gave
>everyone a change to re-deploy.
>
>The other concerns that I brought up were regarding long-term strategy,
>competitive forces, life cycle of the product offerings, etc... I was
very
>thorough in my due diligence. I was told all the right answers to appease
>my concerns. Harold assured me that this product had a life cycle of
a
>minimum of 3-5 years. He also said the market would be strong for this
s
>product for several years. He could make these statements because Enron
>was the largest energy trader in the US. The margins were very strong and
>would stay strong, making everybody a lot of money. The competition didn't
>have the infrastructure, and Enron dominated the market. I still wasn't

Fwd To the Board of Directors

't
>convinced and asked to keep interviewing with as many people in the group
>to hear their interpretations of the business. Everyone said the
>something.
>
>I asked not to relocate right away since most of the Senior managers
>did
>not live in Houston and had been commuting for 2 years. Angela Schwarz,
>Michael Mann, Troy Henry, and about 7 other originators). Do you know
>how
>much money has been spent on letting these employees commute from New
>York,
>New Orleans, Detroit. Plus Enron puts them up in hotels/apartments at the
>Rice Hotel, and Four Seasons. It probably cost Enron \$40,000 per month for
>these people not to live in Houston. Where was their commitment to Enron
>to move to Houston???

>
>I was told I had to move, to show "my commitment to Enron". So I sell
>my
>house in Dallas, and move to Houston, uprooting my whole life. So I
>just
>moved in April, and have not even been reimbursed for all of my moving
>expenses yet. So basically I made career decisions based on your
>management's team ability to predict and manage a business. So after
>getting layed off, I asked to counter offer for only an additional 4
>months of severance and have medical coverage through the end of the
>year. (This is market for the salary and position I held.) I had informed my
>manager that I had medical problems and would be missing some work.
>
>Oh by the way, Delaney had the coffee machines taken off the floors
>because it was too expensive. Maybe if you got rid of the company jets you
>could afford coffee, but then how would Mark Frevert get to the Virgin
>Islands for his vacation, or Cindy and your wife get back from Aspen
>in
>March from their vacation. The cost of the company jets is \$6,000.00

Fwd To the Board of Directors

per
>hour. That would buy alot of coffee. These are the types of things
that
>wear on employee morale.
>
>Cindy Olson was gracious enough to ask Valeria Hope to investigate th
e
>situation. However, Valeria didn't even talk to my managers. It was
all
>lip service. Now Valeria Hope tells me that my counter offer to Enr
on,
>is not being allowed, even though she admitted that she discovered th
at I
>had been heavily recruited, but because management couldn't predict
what
>happened they felt they didn't owe me anything else. So your team th
at
>recruits me says they control and dominate the market and the product
has a
>life cycle of 3-5 years, now Delaney says he couldn't predict it. We
ll I
>guess I wonder who is telling the truth. Was I lied to at the beginn
ing or
>at the end???? Once again, EES management doesn't take responsibili
ty for
>screwing people over, and could care less how they impact peoples liv
es and
>careers. How do you feel about this. How would you feel if this happ
ened
>to you?
>
>In addition to myself, several other people have been treated the sa
me
>way: Jeff Baker, Nate Ellis, Stan Dowell, Mark Peterson, Joel Lowrey
,
>Chuck Randall (age 56), Kevin Kovak, Ken Koye, none were offered
>Redeployment. All having financial backgrounds, and over 40. Chuck R
andall
>who is 56 is being asked to sign a non-compete yet not being paid for
that
>timeframe. The consulting firm Spherion that was hired to assist us o
n
>outplacement actually contacted several employees or their wives befo
re
>they were layed off. Nice surprise!! Some people found out they had
been
>layed off when they came to the office and their badges didn't work
(Lety

Fwd To the Board of Directors

>Smith). Yet everyone in the office was told while they were on vacation.

>This layoff was handled in the most unprofessional way. There is also

>another 8 people that were layed off that were over 40 years old and are

>being replaced by younger cheaper people. New employees (cheaper, younger)

>are being interviewed and hired as we speak.

>

>Additionally Jan Avery (52) was layed off after 7 years, EES would not

>even

>extend her medical coverage. She contracted TB on an assignment for EES in

>Nicaragua. She also was not allowed to be redeployed.

>

> Oh, and your PRC process rated everybody a 5, which prohibited

>redeployment. Troy Henry, my former manager sat in on my PRC and said I

>had a wonderful PRC and he couldn't believe I was getting layed off.

>Chuck

>Randall closed the Sysco deal 2 weeks before the layoff, and he was rated a

>5. I thought the goal of the job was to close deals. Now they are laying

>him off and not willing to pay him his commission. That hardly seems fair.

>

>Additionally, we were replaced with Broadband employees that do not have

>any experience, and David Cook was promoted to manager. He negotiated the

>Blockbuster agreement, which failed and cost Enron alot of money. Troy

>Henry should have been promoted to this position since he had been very

>successful for the past 2 1/2 years. But he is black, and so he didn't get

>promoted so David Cox could be brought in to save his job from Broadband.

>He is touted as being a Skilling boy! Laurie Evans, our admin, who has

>been at Enron for 12 1/2 years also got layed off. She had an excellent

>review for the past several years, but was layed off so David could bring

Fwd To the Board of Directors

>in his 2 secretaries from Board Band who had been with the company less
>than several years. The old adage comes into play. It's who you know....
>Laurie should have never been let go. Her own managers, Troy Henry and
>Michael Mann were never consulted. They didn't know until after she was
>laid off.. What was funny, was that HR didn't know she had a medical
>leave of absence coming up when they laid her off. It is amazing these
>mistakes happen. Now HR is bending over backwards to her because they
>screwed up.....
>
>Other Issues
>
>I have always heard how Enron strives to be like GE. You, Jeff
>Skillling
>and alot of the senior managers quote and reflect on GE and Jack Welch,
>and
>send copies of his memos around. Enron will never be able achieve the
>success of GE because the company doesn't have the skill base or
>accountability that GE demands. You don't understand the culture that
>GE
>has developed. You see, GE trains its managers, employees in strategic
>thinking, leadership, and accountability. When someone at GE makes a
>bad
>decision that costs the company money, or significantly impacts employees,
>they get "shot"!! Their gone. It forces managers to make the right
>decisions the first time, to think things through, and to have skin in
>the
>game. GE managers always consider the consequences of making a bad
>decision, because it will cost them personally. At EES and Enron, you
>get
>promoted or transferred and let the employees pay the price. No
>Accountability for senior managers!!!!
>
>
>There are so many other issues, that I don't have the time to finish
>telling you. Obviously the board has its hands full at the moment.
>You
>have India, and the explosion that happened in England. Portland is

Fwd To the Board of Directors

>loosing money. Some would say the house of cards are falling.....
>
>You are potentially facing Shareholder lawsuits, Employee
>lawsuits...Heat
>from the Analysts and newspapers. The market has lost all confidence
, and
>its obvious why,
>
>
>You, the board have a big task at hand. You have to decide the moral
,
>or
>ethical things to do, to right the wrongs of your various management
teams.
> I wish you luck.
>
>Having worked at Heller when Norm Blake was there, he can tell you h
ow
>important it is to have the employees respect and have them buy into
what
>management needs to do to fix the problem. The employees in EES don'
t
>respect the management team. And based on all the early departures t
his
>year of senior management that has cashed out and left the spoils for
the
>employees, you have a very tough job ahead.
>
>But you first must investigate all these going on's to make sure you
>know
>what is going on.
>Chances are that management will not be forth coming of all the probl
em's,
>so I wish you luck. But all of the problems I have mentioned, they a
re
>very much common knowledge to hundreds of EES employees, past and pre
sent.
>Check out the 7th floor. Delaney never goes down there, maybe you wi
ll
>find the answers, or talk to all the employees you have layed off rec
ently.
> They are very talkative at the moment.
>
>Good luck.....
>
>If you want to know more, feel free to call me 713-██████████