

MEMORANDUM

TO: Enron File

FROM: Lowry A. Crook

DATE: January 31, 2002

RE: Interview of Richard Causey (by telephone)

On January 31, 2002, Reed Brodsky and Lowry Crook of Wilmer, Cutler & Pickering ("WCP") spoke with Richard Causey, Enron's Executive Vice-President and Chief Accounting Officer, by telephone conference call, to gather information from him in order to allow WCP to provide legal advice to the Special Investigative Committee of Enron's Board of Directors. J.C. Nickens and Amy Carpenter-Holmes participated on the call and represented Causey.

This memorandum has been prepared by counsel in anticipation of possible litigation arising from a Securities and Exchange Commission ("SEC") investigation and any parallel or related proceedings. This memorandum incorporates the mental impressions, analyses, and opinions of counsel. As such, this memorandum is intended solely to assist counsel in providing legal representation and advice to the Special Investigative Committee, and is not intended to provide a substantially verbatim recital of Causey's statements. The interview is based on WCP's understanding of the facts and review of documents as of the date of the interview. Furthermore, Causey has not reviewed this memorandum. Therefore, this memorandum may contain inaccuracies and the following discussion of certain events may be incomplete or lack context.

I. Causey's Role in Disclosure Process

By signing the public filings, Causey had ultimate responsibility for them. However, Causey relied on the financial reporting group, the transaction support groups, and the lawyers (both in-house and outside counsel) for the disclosures. Many participants in the disclosure process offered their comments, and decisions had to be made regarding any differences. Under Enron's normal process, Causey received each draft 10-Q or 10-K in its entirety. From time-to-time, Causey would receive disclosures with particular issues broken out separately. While Causey did not have any specific recollection, he stated that he may have received a related-party footnote or a problematic litigation risk footnote separately. Causey was involved in any residual accounting or financial disclosure issues, and he would meet with David Duncan to discuss and negotiate them. Causey did not recall and was not aware of any disputes among different groups over disclosures relating to the Raptors. He only recalled commenting on the disclosures to make them more readable and understandable.

II. Disclosure Policies

Enron did not have a policy or practice of disclosing as little as possible, or as little as the law permitted, about the related-party transactions. Enron and Causey endeavored to disclose what was required by law. Causey tried to be succinct, but he tried to describe the transactions accurately.

Enron did not have a general policy of not disclosing transactions between LJM and unconsolidated affiliates in their 10-Qs. Causey did not recall any specific discussions regarding this issue. Causey was not sure he would make any distinction between 10-Qs and 10-Ks when deciding whether to disclose LJM-related transactions. Causey could not think of any reason why a transaction between LJM and an unconsolidated affiliate would not be disclosed in Enron's quarterly or annual filings.

Enron had a policy of not disclosing names of counter-parties in transactions. Causey believed it was not necessary or appropriate to disclose their names. Causey believed that Enron's customers or counter-parties would not want to see their names in Enron's filings. Causey believed that most companies did not disclose counter-party names.

Causey did not recall any policies or discussions regarding the disclosure of Enron's repurchases of interests that had been sold previously to LJM1 or LJM2. Causey could not think of any reason why Enron's repurchases from LJM1 or LJM2 would not be disclosed in quarterly or annual filings.

III. Arthur Andersen

Issues regarding the related-party disclosures were typically resolved between Enron and Andersen employees without Causey's knowledge. At the end of the process, if there were any residual issues between Enron and Andersen, Causey would resolve them in discussions with Duncan. Before meeting with Duncan, however, Gary Peng and Bob Butts would usually give Causey a "heads up" regarding those unresolved issues. Causey did not recall Andersen expressing any concern regarding the related-party transactions. Causey was sure that Andersen had comments on the disclosures, but he could not recall any of them. Andersen ultimately certified all the disclosures. Andersen always had the option of refusing to sign a financial statement if Andersen disagreed with a disclosure.

IV. 2000 10-K (March 30, 2000)

1. Disclosure of \$500 Million Revenue Recognition from Raptor Derivative Trades

No one raised concerns to Causey about disclosing the \$500 million revenue recognition from Raptor derivatives. Causey knew it was a large number, and he felt certain he pointed the disclosure out to Jeff Skilling. Causey's normal practice was to point out to Skilling disclosures that would receive focused attention, including related-party disclosures. Causey did not recall any specific reaction from Skilling to this disclosure. Skilling typically would ask Causey if the disclosure was required, to which Causey would say yes, and then Skilling would agree on the disclosures.

2. Management Representation

Causey may have tinkered with the management representation language, but Causey did not recall making any specific changes. Causey did not recall any proposed language, discussions, or issues concerning a representation that the related-party transactions allow Enron to execute on a more timely basis.

V. 1st Quarter 2001 10-Q (May 14, 2001)

1. Raptor Restructuring

Causey did not recall any discussions about disclosing the purpose or significance of the Raptor restructuring that occurred in the first quarter of 2001. Causey also did not recall any discussions about disclosing the potential losses if the restructuring had not occurred.

2. "Senior Risk Officers"

Causey's attention was directed to footnote 8 regarding related-party transactions in the 10-Q for the first quarter of 2001, and the statement in the first paragraph that "[a]ll transactions with the Related-party are approved by Enron's senior risk officers as well as reviewed annually by the Board of Directors." Causey had no specific recollection of that statement; it was likely written before Causey saw the draft. Causey had no recollection of seeing or having an opinion on this statement. Based on his reading of the words "senior risk officers" on the day of the interview, Causey said that this statement was referring to Rick Buy. Causey found it unusual that it referred to "officers" in the plural, but he did not recall thinking about or considering the meaning of these terms when he reviewed the 10-Q before it was filed. Causey did not think that he was considered or would have been considered a "senior risk officer" within the meaning of the disclosure based on Enron's nomenclature. Causey checked for risk as part of his job, but he would not have thought that this term referred to him.

VI. 2d Quarter 2001 10-Q (August 14, 2001)

1. ENA CLO Repurchase

Causey's attention was directed to the last sentence in the fourth paragraph of footnote 8 regarding related-party transactions in the 10-Q for the second quarter of 2001, stating "Enron acquired investments from the Partnerships for approximately \$36.6 million." Causey stated that this statement referred to the ENA CLO Trust transaction. Causey did not recall any discussion of or consideration given to disclosing that this transaction was a repurchase by Enron of an interest that it had previously sold to LJM2.

2. Sale of Fastow's Interest in LJM1 and LJM2 to Kopper

Causey's attention was directed to the second sentence in the first paragraph of footnote 8, stating that "the senior officer . . . sold all of his financial interest as of July 31, 2001, and no longer has any management responsibilities for these entities. Accordingly, such partnerships are no longer related parties to Enron." Causey stated that there were no discussions regarding

whether to disclose that the sale was to a former Enron employee. Moreover, Causey today is not sure whether disclosure of that fact is necessary. From an accounting standpoint, Kopper's status as a former employee is not important.