



Kenneth L. Lay
*Chairman and
Chief Executive Officer*

Enron Corp.
P. O. Box 1188
Houston, TX 77251-1188
(713) 853-6773
Fax (713) 853-5313
klay@enron.com

December 3, 1998

The Honorable Robert E. Rubin
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Rubin:

The City of Houston was designated as an Enhanced Enterprise Community in 1994 with an emphasis on delivering social services and affordable housing. We have done a good job with this designation and now we would like to be named as an Empowerment Zone.

With the increase in business in the Central Business District (CBD), Houston is making progress in improving its unemployment rates and raising its education levels. Enron has been very active in helping to create jobs in our inner city and we have worked to improve our educational system. We strongly supported the construction of a new baseball stadium and the bond election for our local school district for badly needed facilities. As one of the largest employers in Houston, we support the City's efforts to provide job creation, capital formation, and business assistance.

An Empowerment Zone would be extremely helpful in our efforts to diversify our economic base and to recover from a decline in oil and energy-related industries.

I urge you to approve Houston's application for an Empowerment Zone.

Sincerely,

A handwritten signature in black ink that reads "Ken Lay". The signature is written in a cursive, slightly slanted style.

Natural gas. Electricity. Endless possibilities.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

March 9, 1999

Mr. Kenneth L. Lay
Chairman and Chief Executive Officer
Enron Corporation
P. O. Box 1188
Houston, TX 77251

Dear Ken:

Thank you for your letter endorsing the City of Houston's Empowerment Zone application. I am pleased to see that private sector businesses are taking such an active role in their community's economic health. Participation of companies such as yours is critical for the economic vitality of our cities.

Once again, thank you for taking the time to write.

Sincerely,



Robert E. Rubin

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Kenneth L. Lay
Chairman and
Chief Executive Officer

Enron Corp.
P. O. Box 1188
Houston, TX 77251-1188
(713) 853-6773
Fax (713) 853-5313
klay@enron.com

July 16, 1999

The Honorable Charlene Barshefsky
US Trade Representative
Office of United States Trade Representative
600 17th Street, NW
Room 209
Washington, DC 20508

Dear Charlene:

We are actively involved with 28 other companies and associations in promoting energy services as a significant trade service deserving to be included in the GATTs 2000 negotiations. I am attaching the list of members.

The Energy Services Coalition was recently established on May 26, 1999. At that time we forwarded our letter to you announcing its organization, recognizing the key role that the office of the USTR has played and continues to play in promoting energy services liberalization in APEC, and the desire of the growing group in the United States for the United States government to include energy services on the WTO negotiations agenda.

I have agreed to deliver a speech at the WTO Ministerial Business Forum in Seattle on December 2, 1999, and will address the broad horizon that energy services covers. Energy services also includes energy equipment as a significant part of our energy services market.

The United States energy industry because of our continuing liberalization of market opportunities has helped create new enterprises which stimulate investment, improve overall competitiveness and bring to all consumers beneficial choices. This can be done globally with many WTO members using their entrepreneurial skills to developed and developing economies. Energy services offers unlimited opportunities for you and benefit to all WTO members.

To assist you in preparing for the Seattle Ministerial, and beyond that in negotiations of the GATS Round itself, we look forward as an industry grouping to providing you with definitions of the scope and breadth of energy services, its impact on the US economy, and barriers faced by US energy and energy service companies in foreign markets.

Sincerely,

A handwritten signature in dark ink that reads "Ken".

Encl. (Matrix)

cc: The Honorable William Daley
The Honorable Bill Richardson
The Honorable Robert Rubin

Natural gas. Electricity. Endless possibilities.

bcc: Carol Browner
William A. Nitze

The Honorable Max Baucus
The Honorable Jeff Bingaman
The Honorable Phil Gramm
The Honorable Chuck Hagel
The Honorable Kay Bailey Hutchison
The Honorable Gordon Smith
The Honorable Frank Murkowski

The Honorable Bill Archer
The Honorable Joe Barton
The Honorable Tom Bliley
The Honorable John Dingell
The Honorable Kolbe

The Energy Services Coalition Members

1775 Eye Street, N.W., Suite 800
Washington, D.C. 20006



The Honorable Robert E. Rubin
Secretary of the Treasury
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Room 3330
Washington, DC 20220

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Harvey, Reavie

From: Nancy Lazar [nlazar@isigrp.com]
Sent: Friday, December 28, 2001 9:10 AM
To: ISI Reader
Subject: ISI Morning Political Report with Audio

Importance: High



12-28mjr.pdf

In today's POLITICAL REPORT:

- The Fed And Productivity Growth
- Presidential Cycle Says Next Year Should Be Good For Stocks
- Enron Update
- India-Pakistan Step Back, For Now

Please let us know if you have any questions.

All the best,

Nancy Lazar
212/446-5633

ISI INTERNATIONAL STRATEGY & INVESTMENT
MORNING POLITICAL REPORT

Click
For
Audio
Summary



Tom Gallagher
202/872-5260
tgallagher@isigrp.com

Andy Laperriere
202/872-5261
alaperriere@isigrp.com

Fax: 202/530-5804

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[OUTSIDE SCOPE]

[OUTSIDE SCOPE]

12/28/01

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ENRON UPDATE

While most of Congress' attention (and our own) was focused on the stimulus and terrorism insurance bills earlier this month, the House Financial Services and the Senate Commerce committees held hearings on the collapse of Enron. While it is too early to tell if any new laws will be passed as a result of the Enron fiasco, below we highlight the issues on which members of Congress have so far focused.

Congress will return to the Enron issue in early February, when Ken Lay is expected to testify. You can be sure Democrats will be pointing out that Lay was a major fundraiser for President Bush and congressional Republicans.

- **Wall Street Research.** The House Financial Services Committee had already been holding hearings on this issue, but it was a major focus of key Republican and Democratic members of the committee. The Chairman of the Committee, Mike Oxley (R-OH), observed in his opening statement that when Enron's stock dropped below a \$1, half of Wall Street analysts still had a "buy" rating on the company.
- **Employee Retirement Plans.** Enron employees, many of whom had a significant amount of their 401(k) retirement plans in Enron stock, were prohibited from selling it during several critical weeks. In addition to this limitation on selling, there is congressional interest in prohibiting employee retirement plans from being concentrated in the stock of their employer. Senators John Corzine (D-NJ) and Barbara Boxer (D-CA) have introduced legislation requiring that employee retirement plans be diversified.
- **Regulation of Energy Trading.** Senator Byron Dorgan (D-ND) suggested at the Commerce Committee hearing that more regulation of energy trading may be required, although we think this has little chance of passing Congress. Oxley pointedly stated in his opening remarks at the House hearing that he wouldn't let Enron's collapse be used "as a vehicle to make big-government arguments against electricity markets."
- **Restrictions on Special-Purpose Entities.** Special-purpose entities (SPEs) are the partnerships and other off-balance sheet financing entities created by Enron and other companies. Senator Hollings, the Chairman of the Senate Commerce Committee, suggested that Congress should consider prohibiting SPEs. We think that is a very unlikely outcome. More likely would be accounting rule changes (by FASB, not Congress) that would require more disclosure of the details of these financing tools.

12/28/01

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[OUTSIDE SCOPE]

Harvey, Reavie

From: Nancy Lazar [nlazar@isigrp.com]
Sent: Monday, December 03, 2001 10:40 AM
To: ISI Reader
Subject: ISI Morning Political Report with Audio
Importance: High



12-03mjr.pdf

In today's POLITICAL REPORT:

- Terrorism Insurance Bills Introduced in Senate
- Enron Likely to Engage Washington on Many Fronts
- Pivotal House Trade Vote Set for Thursday
- Central Bank Watch
- This Week in Congress
- Senate Confirms Fed Governors

Please let us know if you have any questions.

All the best,

Nancy Lazar
212/446-5633

ISI INTERNATIONAL STRATEGY & INVESTMENT
MORNING POLITICAL REPORT

Click For Audio Summary



**MON
 DEC
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Tom Gallagher 202/872-5260 tgallagher@isigrp.com	Andy Laperriere 202/872-5261 alaperriere@isigrp.com
Fax: 202/530-5804	

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**TERRORISM INSURANCE BILLS INTRODUCED IN SENATE;
 CHANCE OF PASSAGE LESS THAN 50/50**

Three key players in the Senate introduced terrorism insurance bills last week, but none of the bills apparently has the support of Senate Majority Leader Tom Daschle (D-SD), who has indicated he won't bring up legislation in the Senate until there is a consensus bill. The big problem: liability reforms. The GOP insists that taxpayers not be liable for punitive damages awards resulting from a terrorist attack and Democrats insist there be no changes to liability laws. **While it is a close call, at this point we believe it is more likely the terrorism insurance bill will die in the Senate over the liability issue than become law.**

Terrorism Insurance Bills

Sponsor	Summary	Deductible	Repayment to Taxpayers	Liability Reforms
Gramm (bill number not available)	Based on original agreement between Administration, Sarbanes (D-MD) and himself. Government would pay 90% of damages above industry-wide deductible.	\$10 billion.	No.	Bans punitive damages.
Hollings (S. 1743)	Creates a national fund paid for by assessments on industry. Also creates a temporary fund for next three years similar to other bills. Government pays 90% of losses in first year, 80% in years 2 and 3.	Once losses equal 10% of premiums for an individual company.	No, but industry pays a premium equal to 3% of gross premiums.	None.
McCain (S. 1744)	Would pay 80% of damages that exceed individual companies' reserves.	NA.	Yes.	Caps punitive damages.
House-passed bill (H.R. 3210)	Government would pay 90% of damages once industry-wide deductible reached.	\$100 million.	Yes.	Bans punitive damages, limits non-economic damages and caps lawyer fees.

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CENTRAL BANK WATCH

Central Bank – Key Rate	Next 2 Meetings	Outlook
Federal Reserve – 2.00% target Fed funds (½ point cut on 11/6)	12/11 1/30-31	We think the Fed will cut rates by a quarter-point cut in December. The Fed's calculation of the real fed funds rate (using core PCE deflator) and Japan's experience lead us to think the Fed will cut rates next week. A January rate cut is possible if the data come in weaker than we expect.
Bank of Japan – above ¥6 trillion in bank reserves (approx. 0% overnight call rate)	12/18-19 1/15-16	The outlook for an improvement in the policy mix in Japan is poor. BOJ meets again this week. There is increased pressure on BOJ to ease further, either by buying more JGBs or by buying foreign-currency denominated bonds. Neither option is likely soon, and BOJ wants to wait for a stronger bad debt approach by the government.
European Central Bank – 3.25% refinancing rate (½ point cut on 11/8)	12/6 12/20	The ECB is done for the year, but we expect more easing early next year. Weaker data in France and Germany point to more easing, but probably next year, not next month.

CENTRAL BANK CALENDAR

Mon (3 rd)	Greenspan speaks on "The Challenges of Globalization" in Washington. Fed — Moskow speaks in Chicago. ECB — Padoa-Schioppa speaks in Rome. ECB — Liebscher speaks in Vienna. ECB — Welteke speaks in Frankfurt. BOJ releases minutes from the Oct 29 monetary policy meeting.
Tue (4 th)	BOE meets.
Wed (5 th)	Fed — Meyer speaks in Swarthmore, Pennsylvania. ECB — Council member Welteke speaks in Frankfurt. ECB — Domingo Solans speaks in Frankfurt. BOE announces interest rate decision.
Thu (6 th)	Fed — McDonough speaks in New York. ECB meets. ECB President Duisenberg briefs the press after interest rate decision.
Fri (7 th)	ECB and the Bundesbank hold a press conference about EU accession in Berlin.

12/3/01

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From: ex.mail.*Jmazur@worldbank.org*
To: ex.mail("torawford@worldbank.org"),Dom13.DOPO8(SIL...
Date: 11/19/99 11:44am
Subject: Re: DR Power Project

Enron's Washington rep (John Hardy) called this office this morning to say that the 10 day notice they gave the DR for a shut down of operations at their plant takes effect today. He expects there to be big problems and reminded me that the last time the police attempted to take over the plant. Evidently the DR is \$40 million in arrears to Enron and the total debt to all the IPPs is about \$130 million. Payment has always been a problem but this summer, after the privatization, the government told CDU it would no longer make the subsidy payments which had kept things afloat. He wanted us to know about the shut down and to discuss the efforts Enron is making to attempt to bring about a cessation of energy investments in the DR by both the World Bank and the IDB. I told him that policy matters like that are handled at Treasury and he indicated that he would be making calls and setting up meetings.

Janice L. Mazur
Executive Director's Assistant
Office of the United States Executive Director
(202) 458-0118
(202) 477-2967

CC: ex.mail("Bruce_Juba%iadb@worldbank.org","William_S...

Davis, Michele

From: Lee, Sharon
Sent: Monday, January 14, 2002 3:00 PM
To: Davis, Michele
Cc: Lee, Sharon
Subject: FW: LexisNexis(TM) Email Request (948:0:43732062)

Michelle,

I've consolidated my initial search using the terms enron and treasury as you requested and came up with 33 articles (located below). I hope this helps you. However, let me know if there was something more specific I should have searched for. Thanks.

-----Original Message-----

From: LexisNexis Print Delivery [mailto:lexisnexis@prod.lexisnexis.com]
Sent: Monday, January 14, 2002 2:53 PM
To: sharon.lee@do.treas.gov
Subject: LexisNexis(TM) Email Request (948:0:43732062)

110K08

Print Request: Selected Document(s): 1,2,3,4,5,6,7,8,9,10,11,12,13,15,16
17,18,19,20,21,22,23,24,25,26,27,28,29,30,31,32,33
Time of Request: January 14, 2002 02:52 pm EST
Number of Lines: 3664
Job Number: 948:0:43732062
Client ID/Project Name:

1 of 33 DOCUMENTS

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The New York Times

January 14, 2002, Monday, Late Edition - Final

SECTION: Section C; Page 1; Column 1; Business/Financial Desk

LENGTH: 563 words

HEADLINE: BUSINESS DIGEST

BODY:

Wall Street Role Examined In the Rise and Fall of Enron
The collapse of the Enron Corporation promises to keep investors, lawmakers and corporate executives mesmerized for months to come.

While the spotlight is now trained on the nation's capitol, the story of Enron's rise and almost instantaneous fall inevitably leads back to Wall Street and the obsession with stock market gains that characterized the late 1990's.
News Analysis. Section A.

A Vision of the Office of the Future
I.B.M. and Steelcase, the furniture company, will introduce today their model "smart office." Called BlueSpace, the office features BlueScreen, left, a touch screen that controls the office environment and some communications. The

prototype shows how technology might solve frustrations of daily work life, from uncomfortable temperatures to cramped meeting space. New Economy. C4.

Key Vote for New Switzerland Airline

The effort to organize a new national airline for Switzerland passed a crucial test when voters in Zurich agreed to invest \$181 million in Crossair, the company set to absorb the bankrupt flag carrier Swissair. The vote is part of the country's ambitious plan to reclaim its aviation prestige. C6.

Time's Exclusive Deal With Apple

When timecanada.com published Time's account of the new iMac computer a week ago Sunday night, and then pulled the article a few hours later, the site made it excruciatingly clear that there was indeed an exclusive deal between Apple Computer and the magazine. By the time Steven P. Jobs put his new iMac on display last Monday, the magazine and Josh Quittner, the author of a feverishly positive article, were the villains of the moment for journalists and Mac fans. Media. C2.

Teenagers' Online Spending Habits

A majority of teenagers use the Internet, but not to buy things. Of the \$155 billion a year they spend in the United States, only \$1 billion goes for online purchases, a consulting firm says. Bob Tedeschi: E-Commerce Report. C6.

Dominating the Documentaries

Of the 16 documentaries competing at the Sundance Film Festival, five were produced by HBO, including "The Execution of Wanda Jean," about a woman on death row, left; five by the Independent Television Service for PBS; and one by "The American Experience" for PBS. The remaining five were produced independently -- but they, too, may end up on PBS or HBO. C7.

Robust Holiday Book Sales at Chains

Barnes & Noble and Borders reported unexpectedly strong sales during the holiday season, after months of dismal book sales. But their reports also suggested that the rising tide might not have lifted the biggest ships as high as it did the smallest. C7.

Newspapers Turn to Paid Obituaries

The notion of selling obituaries, often while keeping them typographically indistinguishable from regular news, was first adopted by a few small newspapers nearly two decades ago. Now larger newspapers have adopted the practice as paid obituaries accelerated last year, while advertising revenue fell and newsprint prices increased. C7.

ABC Executives Concede Missteps

A few days after the departure of Stu Bloomberg, the ABC co-chairman, network executives acknowledged that they made some major miscalculations the last two years that resulted in a surprisingly weak performance this television season. C8.

<http://www.nytimes.com>

GRAPHIC: Photos

Chart: "LAST WEEK"

Dow industrials -- 9,987.53 DOWN 272.21
Nasdaq composite -- 2,022.46 DOWN 36.92
10-yr. Treasury yield -- 4.86% DOWN 0.26
The euro -- \$0.8925 DOWN 0.0026
The dollar -- 132.24 yen UP 1.33

LOAD-DATE: January 14, 2002

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January 14, 2002, Monday, Late Edition - Final

SECTION: Section A; Page 15; Column 1; Editorial Desk

LENGTH: 741 words

HEADLINE: Silencing The Alarm

BYLINE: By BOB HERBERT

BODY:

The e-mails are chilling.

Last Aug. 14, the day Jeffrey Skilling mysteriously resigned after just six months as Enron's chief executive, the company's chairman, Kenneth L. Lay, sent an e-mail to all employees in which he said, "I want to assure you that I have never felt better about the prospects for the company."

By then Enron's prospects were as hopeless as those of a sand castle at high tide. Mr. Skilling and Mr. Lay had already cashed in more than \$160 million worth of Enron stock. On Dec. 2 Enron would go into the record books as the largest corporate collapse in the nation's history.

But unsuspecting Enron employees -- who, by the thousands, were about to lose their jobs, their retirement nest eggs, their entire life savings -- could read in Mr. Lay's e-mail: "Our performance has never been stronger; our business model has never been more robust; our growth has never been more certain."

On Aug. 27 Mr. Lay sent employees another e-mail, this time asserting, "One of my highest priorities is to restore investor confidence in Enron. This should result in a significantly higher stock price."

The e-mails were released over the weekend by Representative Henry Waxman, a California Democrat whose office is investigating the Enron collapse. In a letter to Mr. Lay, Mr. Waxman noted, "By the time of the second e-mail, when the stock price was \$37, you had already sold \$40 million of Enron stock during 2001 and over \$100 million since October 1998."

Two months after his encouraging e-mails to employees, Mr. Lay was on the phone with the secretary of the Treasury, Paul O'Neill, telling him about the perilous state of Enron's affairs. He also called Commerce Secretary Donald Evans. And he was in frequent touch with a Treasury undersecretary, Peter Fisher. So the Bush administration knew that Enron's situation was dire.

But did anyone sound the alarm with the company's employees, or with the millions of Enron shareholders from coast to coast? Not only were the employees deliberately left in the dark, but Enron had many of them locked into rules that prohibited them from selling their stakes in the company, thus assuring their financial ruin.

If any of this was a matter of concern to the Bush administration, we haven't heard about it. Treasury Secretary O'Neill was on television yesterday blithely stating, "I didn't think this was worthy of me running across the street and telling the president."

Enron's collapse may have been a devastating financial blow to tens of thousands of hard-working families, but Mr. O'Neill, during an appearance on "Fox News Sunday," made it clear that he was unperturbed. "Companies come and go," he said.

He added that "part of the genius of capitalism" is that "people get to make good decisions or bad decisions. And they get to pay the consequences or to enjoy the fruits of their decisions. That's the way the system works."

I guess it was Mr. Lay, Mr. Skilling and other top Enron executives who made the good decisions, because they sure reaped the benefits. You might say they made out like bandits. And it must have been the rank-and-file employees and the ordinary investors who made the bad decisions, because they're the ones paying the consequences.

Bush administration officials are making a big deal out of the fact that calls from Mr. Lay did not result in a bailout or, presumably, any other assistance to Enron. The truth is that Enron had already gotten just about everything it wanted from the federal government. It walked right into the heart of the Bush administration and helped shape its national energy policy, even as consumer representatives and environmental advocates were largely frozen out.

And by systematically flooding public officials -- Republicans and Democrats alike -- with enormous quantities of campaign cash and lots of other booty, it got the people who should have been looking out for the public's interest to look the other way.

The amount of looting at Enron was astonishing, maybe unprecedented. "It's so huge it's hard to get your arms around it," said Philip Schilliro, Representative Waxman's chief of staff.

Enron was the best-connected company in Washington, not just with the White House but also with the movers and shakers on Capitol Hill. What it wanted was to be able to operate in the dark, and it got what it wanted. And that's how the few at the top were able to milk the company of so much cash.

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The New York Times

January 14, 2002, Monday, Late Edition - Final

SECTION: Section A; Page 12; Column 6; National Desk

LENGTH: 761 words

HEADLINE: ENRON'S COLLAPSE: THE ADMINISTRATION;
Aides Deny Any Duty To Tell Bush Of Enron Calls

BYLINE: By DON VAN NATTA Jr.

DATELINE: WASHINGTON, Jan. 13

BODY:

Two cabinet members said today that they were not obligated to inform President Bush or the public about telephone calls from executives of the Enron Corporation last fall as it hurtled toward bankruptcy.

The officials, Treasury Secretary Paul H. O'Neill and Commerce Secretary Donald L. Evans, said they had done nothing to help Enron, the Houston energy trading conglomerate with ties to the administration.

Mr. O'Neill said the Treasury Department had offered no assistance to Enron after its president asked a senior Treasury official to help arrange bank loans in late October and early November. Mr. O'Neill said he received two calls -- one at his home on Sunday, Oct. 28, the other at his office on Nov. 8 or 9 -- from Kenneth L. Lay, Enron's chairman and chief executive. Mr. Lay provided "a heads up" about the corporation's worsening health but asked for nothing, Mr. O'Neill said.

"I didn't think this was worthy of me running across the street and telling the president," Mr. O'Neill said in an interview on "Fox News Sunday." "I frankly think what Ken told me over the phone was not new news."

In late October, Enron was borrowing heavily in an effort to shore up investors' confidence. On Oct. 25, it announced that it had drawn \$1 billion from banks against its existing unsecured credit lines. And on Nov. 1, it announced that J. P. Morgan and Solomon Smith Barney had agreed to lend it another \$1 billion in secured credit.

On Oct. 29, as Enron scrambled to find new financing and its stock price continued to plummet, Mr. Lay called Mr. Evans to ask about reviews of Enron's business by credit agencies and to see if Mr. Evans might be able to help. Mr. Evans said he did nothing to assist Mr. Lay.

"When I was talking to Ken I wasn't thinking about bankruptcy," Mr. Evans said in an interview on the NBC News program "Meet the Press." "I was thinking maybe their credit rating would be dropped some. It wasn't the crisis yet that ensued some 30 days later."

Mr. Evans said he later told Andrew H. Card Jr., the White House chief of staff, about Mr. Lay's request, but Mr. Card did not inform Mr. Bush of the call. Mr. Evans said he discussed Enron's problems with the president at several meetings in November and December, telling Mr. Bush "how sad it was to see what was happening to that once great company" but not mentioning Mr. Lay's calls.

Mr. Evans said he had never considered doing a favor for Mr. Lay. "If I had stepped in, I think it would have been an egregious abuse of the office of secretary of commerce," he said on "Meet the Press."

Congressional Democrats argued today that Mr. O'Neill and Mr. Evans had a responsibility to tell the public about Enron's problems.

Both Mr. Evans and Mr. O'Neill said it would have been inappropriate for them to discuss the issue publicly. "It's not the role of government officials to call attention to the things that are already being recorded in the media in a very strong way," Mr. O'Neill said on the ABC News program "This Week".

Mr. O'Neill said he was not surprised by the sudden collapse of Enron. "Companies come and go," he said today. "It's part of the genius of capitalism."

Senator Joseph I. Lieberman, the Connecticut Democrat, called that comment "cold-blooded." Senator Jon Corzine, the New Jersey Democrat, said the remarks were "unfortunate" and showed "an insensitivity to those who have lost so much."

Mr. Lieberman and Senator John McCain, the Arizona Republican, said on the CBS News program "Face the Nation" that the government's response to news of Enron's troubles might have been shaped by its concern that the Bush-Cheney campaign and inaugural committee had received hundreds of thousands of dollars from Enron and Mr. Lay.

"We're all tainted by the millions and millions of dollars that were contributed by Enron executives," Mr. McCain said. He acknowledged receiving \$9,500 in donations from Enron in two campaigns.

Nearly half of the current members of the House of Representatives and almost three-quarters of the Senate have received contributions from Enron, according to campaign finance records.

Enron has contributed a total of \$5.7 million to both political parties since 1989, 73 percent of it to Republicans, according to the Center for Responsive Politics. Mr. Lay and other Enron employees are Mr. Bush's largest political benefactors, having contributed \$623,000 over the course of his political career, according to another group that favors an overhaul of campaign finance, the Center for Public Integrity.

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January 14, 2002, Monday, Late Edition - Final

SECTION: Section A; Page 2; Column 6; Metropolitan Desk

LENGTH: 23 words

HEADLINE: QUOTATION OF THE DAY

BODY:

"Companies come and go. It's part of the genius of capitalism."

PAUL O'NEILL, Treasury secretary, on the collapse of Enron. A12

<http://www.nytimes.com>

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The New York Times

January 14, 2002, Monday, Late Edition - Final

SECTION: Section A; Page 15; Column 5; Editorial Desk

LENGTH: 732 words

HEADLINE: Andersengate

BYLINE: By WILLIAM SAFIRE

DATELINE: WASHINGTON

BODY:

Fed Chairman Arthur Burns, worried that the impending collapse of Penn Central would roil the capital markets, suggested that the Pentagon arrange a loan to prevent bankruptcy. George Shultz, then the Nixon budget director, argued that government intervention would send the wrong message about risk-reward to our economic system.

The dispute was resolved when Bryce Harlow, the sage speechwriter-adviser, entered the Oval Office and said to President Nixon: "The board of Penn Central, in its infinite wisdom, has just hired your old law firm to help you decide. Mr. President, you can't touch this with a ten-foot pole."

Nixon took the advice not to meddle. The huge company went bankrupt -- and the markets quietly absorbed the shock. No scandal touched the White House (until later).

We had another non-intervention in the Enron collapse. Kenneth Lay, chairman of the nation's seventh-largest company and a longtime political contributor, called a couple of Bush cabinet secretaries to reveal his rapid unraveling. He was surely hoping for some government succor. The Bush Treasury and Commerce

secretaries, without even consulting the president, decided not to mix in.

Then Robert Rubin, now a head of Citigroup, called a high official at Treasury. It was consistent for the man who, as Clinton Treasury secretary, arranged the bailout of Mexico to ask for government help in shoring up the credit rating of a customer that owed his bank \$600 million.

Again, nothing was done by the Bush administration to intervene. Enron went down the drain -- but the capital markets survived. Many investors and employees learned the hard way that capitalism is a risky business, but if the taxpayer were to assume all such risk there would be no market punishment for any management inefficiency or corruption.

As a card-carrying scandalmonger, I am moved to ask: Where's the scandal? Democratic Representative Henry Waxman, after eight years with his eyes tightly shut, apparently thinks it scandalous that Bush's men -- at the first call from Mr. Lay -- did not promptly step in to save the company from the consequences of the greed or predations of its managers. Bush is thus damned for what he did not do.

But at the same time, other scandalmongers are damning Bush for what he may possibly have done -- such as getting briefed by anybody on his staff and thereby "knowing," or by having taken political contributions from today's villain back when Lay was a Houston hero.

The dozen or so investigations may turn up something to embarrass the White House, especially if Bush pulls another "executive privilege" when Congress wants facts. But the scandal I see in this corporate debacle is non-political: it's professional.

This affair shows the accounting profession all too often to be in bed with the oldest profession. Accounting standards have been frequently prostituted by the new Uriah Heeps: these are executives in ever-merging firms afraid to challenge their clients' phony numbers and secret self-dealing because they might lose fees in the lucrative consulting business they run on the side.

These no-account accountants seem to forget that the "p" in C.P.A. means "public." The Big Five are silent about Andersengate because they are eager to become the Big Four by carving up their competitor's carcass. That's why it's harder to find a major bean-counter willing to condemn publicly the failures of Arthur Andersen & Co. than to find a top Muslim cleric willing to criticize Osama bin Laden.

Although Andersen executives may try to cop a plea by ratting on the client they so supinely and profitably enabled, they must explain why, as the biggest bankruptcy in history loomed, their supervisors were so eager to remind those working on the Enron account to destroy records.

Self-dealing; asset-hiding; insider stock-dumping -- all these were supposedly beyond the ken of an audit committee and legal counsel blindly reliant on the ethics and standards of "professional" accountants. It's a scandal, all right, and wrongdoers should pay in heavy civil damages if not jail time.

But based on what we now know, it's not a political scandal. Bush's people, including former employees or consultants of Enron, did right by refusing to bail a campaign contributor out of its mess at public expense or by misleading investors. Taxpayers should be grateful.

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January 14, 2002, Monday, Late Edition - Final

SECTION: Section A; Page 2; Column 3; Metropolitan Desk

LENGTH: 1321 words

HEADLINE: NEWS SUMMARY

BODY:

INTERNATIONAL A2-7

India Welcomes Terror Ban But Seeks Proof in Action

Indian officials embraced a commitment by Gen. Pervez Musharraf, Pakistan's military ruler, not to allow his country to be used as a base for terrorist attacks, but said that India would not scale back its military buildup unless Pakistan followed the promise with deeds. A1

President Bush telephoned the leaders of both nations to urge them to seek a peaceful resolution, and both agreed to try, officials said. A6

Colombia Rebels to Withdraw

The Revolutionary Armed Forces of Colombia, Colombia's largest rebel group, announced it would peacefully withdraw from five towns the government handed over in 1998 as a safe haven for peace talks, signaling a probable end to negotiations. A3

Israelis Criticize Bulldozing

Members of the coalition government criticized the army for sending armored bulldozers to destroy a neighborhood of Palestinian refugees in the Gaza Strip. The army said that it acted to stop gunmen from using houses as cover. A7

Two Arrests in Belfast Shooting

The police arrested two men in the slaying of a Catholic mailman in the outskirts of Belfast. A5

Turkey Seeks Aid

Prime Minister Bulent Ecevit of Turkey plans to visit Washington this week to ask for help for his economy, bringing a last-minute offering: a \$5 billion bank bailout. A3

NATION CHALLENGED A8-9

Crackdown on Kabul Crime Begins With a Tough Task

Starting today, authorities in Kabul will require that owners register their guns in a crackdown on the aftermath of Taliban rule. But with as many as 700,000 armed, civilian disarmament is a huge task. A1

A Different Sort of Detainee

Jury selection is to begin today in the trial of Wael Abdel Rahman Kishk, an Egyptian man detained on charges of falsifying documents and making a false statement. Though prosecutors have no evidence connecting him to any terrorist acts, strong suspicions are a driving force behind the government's case. A9

Trial Lawyers' Motives

Since Sept. 11, trial lawyers have been confounding their critics, offering free services and declaring a national moratorium on terrorism-related liability suits. But some of their traditional allies are asking whether what seems to be public service is really just public relations. A9

Castro's Nod on Prisoners

Over its own longstanding objections to an American presence, the government of Fidel Castro has publicly signaled its acceptance of the Bush administration's imprisonment of suspected Al Qaeda members at the Guantanamo Bay base. A8

NATIONAL A10-13

Democrats Weigh Changes To Better Challenge Bush

The Democratic Party is expected to approve a complete overhaul of the presidential primary schedule in 2004 that party officials say will ensure that Democrats are more competitive with President Bush. A1

Bush Chokes on Pretzel

The president fainted and fell off a couch after choking on a pretzel while watching football on television, the White House physician said. A11

Enron's Cabinet Calls

Two cabinet members said they were not obligated to inform President Bush or the public about requests for assistance from the Enron Corporation last fall as it hurtled toward bankruptcy. Treasury Secretary Paul O'Neill and Commerce Secretary Donald L. Evans said they did nothing to help Enron, the bankrupt energy trading conglomerate with ties to the administration. A12

The collapse of Enron is rippling slowly through its stunned hometown of Houston, where 4,000 local employees lost their jobs. The company had been a vital civic dynamo. A1

A Common Denominator

Amador Anchondo-Rascon, a grocery owner in Shelbyville, Tenn., pleaded guilty in federal court in Chattanooga to acting as a middleman in what prosecutors describe as a conspiracy to supply Tyson Foods with more than 2,000 illegal workers and to provide the new arrivals with counterfeit documents. His story is a familiar one to those who have studied the influx of Hispanics to small towns in the South and Midwest. A13

SCIENCE/HEALTH

Money Crisis for Medicaid

The insurance program for 44 million low-income people is in a fiscal crisis, prompting state legislatures to look for ways to cut benefits and reduce payments. A1

Lactose Intolerance Advance

Researchers have identified the genetic basis of lactose intolerance, the inability of most adults in the world to digest the principal sugar in milk. More than 30 million Americans are prone to lactose intolerance. The finding may lead to a more accurate test for the condition. A10

NEW YORK/REGION B1-5, 8

Tax Assessors Are Accused Of Taking Millions in Bribes

A grand jury is investigating accusations that assessors cut property tax bills for the owners of skyscrapers, apartment houses, factories and warehouses in Manhattan in return for millions of dollars in bribes. B1

Fighting Police Attrition

In an effort to stem the exodus of officers from the New York Police Department, Commissioner Raymond W. Kelly is preparing to ask the Legislature to allow officers retirement benefits while on the job. A1

Lawsuit Roils Church

A legal dispute between a priest and a bishop has roiled the congregation at Grace Church in Manhattan and discomfited Episcopal clergy members. More broadly, it has raised the issue of where the line between religious and secular authority lies. B1

Neediest Cases B4

ARTS E1-10

Watching Ellie, Nervously

The success of "Seinfeld" has not been auspicious for its co-stars who have tried their own sitcoms. "The Michael Richards Show" died after nine episodes and Jason Alexander's "Bob Patterson" lasted five. Next up is "Watching Ellie," starring Julia Louis-Dreyfus as a lounge singer. But even before its premiere, some NBC executives are nervous about negative reactions and about its cost, estimated to be as much as \$1.5 million an episode. E1

OBITUARIES 36-7

Cyrus R. Vance

The secretary of state who resigned in protest over President Jimmy Carter's decision to try a military rescue of hostages in Iran, an action that he considered ill advised and futile, was 84. B6

Burton I. Edelson

The leader in satellite communications who helped start and oversee some of NASA's most popular science programs was 75. B7

BUSINESS DAY C1-10

Raytheon Deal Expected

L-3 Communications plans to announce that it has agreed to acquire a military equipment subsidiary of Raytheon for \$1.13 billion, beating out bigger rivals like Northrop Grumman and British Aerospace. C1

Surge Reported in Book Sales

Authors, editors and literary agents breathed a sigh of relief as Barnes & Noble and Borders reported unexpectedly strong sales in the holiday season, a sign of recovery after months of dismal book sales. C7

Who Wants to Be Mistaken

ABC executives acknowledged that they made major miscalculations in the last two years that resulted in a surprisingly weak performance this television season. The network's main mistake, an executive said, was developing an over-reliance on "Who Wants to Be a Millionaire," which has lost much of its popularity. C8

Business Digest C1

SPORTSMONDAY D1-8

Redskins Reach for New Coach

The Washington Redskins fired Coach Marty Schottenheimer and offered Steve Spurrier, the former University of Florida coach, a multiyear contract worth \$4 million to \$5 million a year, National Football League executives said. D1

EDITORIAL A14-15

Editorials: A failure to account; Spencer Abraham's dream car; billion-dollar gimmick.

Columns: William Safire and Bob Herbert.

Bridge E6

TV Listings E10

Crossword E8

Weather B10

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GRAPHIC: Photos

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January 14, 2002, Monday, Final Edition

SECTION: A SECTION: Pg. A04

LENGTH: 703 words

HEADLINE: Bush Aide Was Told of Enron's Plea

BYLINE: Dana Milbank, Washington Post Staff Writer

BODY:

President Bush's chief of staff was told last fall of Enron Corp.'s request for government help before the giant energy company collapsed in the largest bankruptcy case ever in the United States, the administration said yesterday.

Commerce Secretary Donald L. Evans said he told White House Chief of Staff Andrew H. Card Jr. about a call he received from Enron Chairman Kenneth L. Lay. In the call, Lay expressed hopes that the government would intervene with a private credit agency that was threatening to lower its rating on Enron's debt, seriously jeopardizing the company's financial viability. Evans said the government did not intervene.

It was the first indication that, at the time, officials in the White House had been informed of Enron's desire for government intervention. White House spokesmen had said Bush and Vice President Cheney did not learn of the conversations until last week. White House press secretary Ari Fleischer had said on Thursday that "there's nobody here that I'm aware of" who was consulted.

Evans said he informed Card of the Oct. 29 conversation "several weeks" later, when Enron was negotiating a merger with Dynegy Inc.

"With all the ongoing and continuing activity at Enron and Dynegy, I thought the White House ought to know," Evans said yesterday on NBC's "Meet the Press." "I was over there one day, and I stepped into Andy Card's office and told him I'd received this call. He simply listened to me and said, 'Thank you very much.'"

Evans said Card did not pass the information on to Bush. Although Evans said he talked to Bush in November about Enron's plight, the commerce secretary said he "never talked to him about the fact that I had received a phone call."

Evans and Treasury Secretary Paul H. O'Neill both spoke with Lay last fall about Enron's dire financial condition. Lay had "six to eight" conversations with Treasury Undersecretary Peter Fisher, who was asked to call Enron's lenders about extending the firm's credit.

Treasury officials said they talked to lenders about the likely impact of an Enron collapse but did not request any action. Former Clinton treasury secretary Robert E. Rubin telephoned Fisher about intervening with the bond-rating agency.

Enron's collapse and Dec. 2 bankruptcy filing wiped out the pensions and savings of thousands of workers. The Justice Department opened a criminal investigation into the collapse, and several congressional committees are investigating. The company's auditor, Arthur Andersen, is under investigation for destroying thousands of records related to Enron.

Time magazine reported yesterday that Andersen ordered employees in an Oct. 12 memo to destroy all Enron audit material except the most basic "work papers."

Evans also said that he has talked about Enron with Lawrence B. Lindsey, Bush's top economic adviser and a former Enron consultant, and with Card deputy Joshua Bolten "from time to time." But Commerce spokesman Jim Dyke said Evans

did not mention Lay's phone call to them.

Sen. Joseph I. Lieberman (D-Conn.), chairman of the Governmental Affairs Committee, said his panel's investigation into Enron's collapse would also look at the administration's actions.

"We know that Mr. Lay and other executives of Enron were right in the middle of the formulation of the Bush administration energy policy and energy appointments that were made," Lieberman said on CBS's "Face the Nation." "But we don't know enough to know whether any of that influence in any way stopped the administration or agencies of our federal government from protecting average shareholders who lost their life savings when Enron collapsed."

But Evans said it would have been an "egregious abuse of the office" for him to have acted.

O'Neill, appearing on "Fox News Sunday," said it was Enron's duty to alert shareholders and employees to the condition of the company and "not a federal government responsibility." O'Neill said the collapse was not surprising.

"Companies come and go," he said. "Part of the genius of capitalism is people get to make good decisions or bad decisions, and they get to pay the consequences or to enjoy the fruits of their decisions."

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January 14, 2002, Monday, Final Edition

SECTION: A SECTION; Pg. A15; IN THE LOOP AL KAMEN

LENGTH: 852 words

HEADLINE: The SOS That Bounced

BYLINE: Al Kamen

BODY:

An important lesson for mega-contributors seems to be emerging from the still-developing affaire Enron: Money can't buy you love.

The unfortunate company, though merrily shafting its loyal employees, was nothing if not generous to politicians, especially to the Bush folks. In the 2000 election cycle, Enron gave \$ 2.44 million in all, \$ 1.76 million to President Bush and his fellow Republicans.

Sure, the company was said to have gotten its friends placed in key government places. But when push came to shove, when the great shell of Enron was sinking, when a lifeline was desperately needed, where were their friends in the Bush administration?

Chairman Kenneth L. Lay, whom the president himself had honored with the nickname "Kenny Boy," called Commerce Secretary Donald L. Evans and Treasury Secretary Paul H. O'Neill and got, as far as we know, nothing.

All that money, all those fundraisers, all that tedious hobnobbing, and for what? The money made sure Lay could pick up the phone and Cabinet people would be on the other end. But so what?

It's Lay as Shakespeare's Owen Glendower in "Henry IV, Part I." "I can summon spirits from the vasty deep," Glendower brags to young Hotspur.

"Well, so can I, or so can any man," the unimpressed Hotspur cracks. "But do they come when you do call them?"

Alas.

Next time someone from the Bush administration yammers about the huge financial hit he is taking because of government service, point out the number of top officials who have done well by doing good. As is often reported, there were several top officials who were forced by ethics rules to sell Enron stock back when it was still worth something.

And Vice President Cheney, a former head of Halliburton Co., was forced to sell his shares of stock in that company. He finished the sell-off in December 2000, during the transition. That was when it traded for about \$ 40 a share. Friday it closed at \$ 10.95.

Last week was a pretty good one for Washington attorney John G. Roberts Jr., Bush's nominee for a seat on the U.S. Court of Appeals here. No, neither he nor fellow D.C. federal appeals court nominee Miguel A. Estrada got a green light from the Senate Judiciary Committee for a hearing on their nominations pending since spring.

But Roberts, a former deputy solicitor general, did win a big Supreme Court ruling for Toyota that reduced the scope of the Americans With Disabilities Act.

Working to undercut workers' rights likely won't win organized labor votes, but the fact that it was a 9 to 0 ruling written by Justice Sandra Day O'Connor may take out some of the sting.

Much more helpfully, Roberts, a former clerk for Chief Justice William H. Rehnquist, last week argued a high court case for the enviros. The case pitted homeowners and developers against Lake Tahoe planning authorities, who wanted to put a moratorium on development in the lake area.

The usual suspects took up sides: the property rights folks, the National Association of Home Builders, the American Farm Bureau, the Pacific Legal Foundation and the Washington Legal Foundation against the moratorium; the National Audubon Society, the Natural Resources Defense Council, the National Wildlife Federation and the Sierra Club for the halt to development.

Roberts was joined by Solicitor General Theodore B. Olson in arguing for the moratorium.

But Roberts, according to those present, missed a key opportunity: He failed to point out the similarities between Lake Tahoe and the even more beautiful, more spectacular, Lake Champlain, conveniently located in Vermont, home of Senate Judiciary Committee Chairman Patrick J. Leahy (D).

Meanwhile, wags have taken to calling Estrada the "Sonia Sotomayor of his generation," reminding people of the GOP-controlled Senate's stall of then-President Bill Clinton's nomination of federal Judge Sonia Sotomayor to an appeals court.

Republicans feared the Hispanic Sotomayor would then be on a fast-track to the Supremes. Now some Democrats worry about putting the staunchly conservative

Estrada, also Hispanic, on to a similar launching court.

Paul Hoffman, former Wyoming state director for then-Rep. Richard B. Cheney and more recently executive director of the Cody County Chamber of Commerce in Cody, Wyo., has been named deputy assistant secretary of the interior for fish, wildlife and parks.

At the Securities and Exchange Commission, Chairman Harvey L. Pitt last week beefed up and reorganized his public affairs and legislative operations. Casey Carter, who had been acting director of the Office of Congressional and Intergovernmental Affairs, will head the renamed Office of Legislative Affairs.

Christi Karlan, longtime reporter, former Senate banking committee spokeswoman and, more recently, director of external affairs at the Federal Emergency Management Agency, has been named director of the SEC's Office of Public Affairs, formerly known as the Office of Public Affairs, Policy Evaluation and Research. Michael W. Rogers was named three months ago to head that office.

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The New York Times

January 13, 2002, Sunday, Late Edition - Final

SECTION: Section 1; Page 1; Column 1; National Desk

LENGTH: 3891 words

HEADLINE: ENRON'S COLLAPSE;
Audacious Climb to Success Ended in a Dizzying Plunge

BYLINE: By KURT EICHENWALD

BODY:

Not long ago, the Enron Corporation's name was part of the lexicon of corporate and political power. The company's contacts and influence in the White House and Congress bred envy among competitors. It was a driving force behind a radical shift in the nation's energy policy, and its fortune seemed guaranteed for years.

But in a matter of weeks, Enron has been transformed into shorthand for a corporate scandal, one that has engulfed company executives and Wall Street accountants, raised questions for politicians and regulators in Washington, and cost employees and other shareholders tens of billions of dollars as the company tumbled into bankruptcy protection.

Yet much about Enron -- how the business operated and how it failed -- has remained largely unknown. How could America's seventh-biggest corporation, run and staffed by so many smart people, evaporate virtually overnight? Who got rich off the deals that eventually crippled the company, leaving thousands suffering? Was this downfall the result of crime or spectacular blunders?

And finally, who in industry and government knew what, and when?

Competitors and analysts said the ultimate cause of Enron's brutal collapse

was a culture of greed and arrogance that bred excessive secrecy. As some of the company's secrets began to be revealed last fall -- stunning Wall Street with tales of mysterious partnerships that had been used to pretty up Enron's books -- the stage was set for disaster.

Whispers in the energy markets and the company's growing financial weakness set off a swift loss of confidence among traders and bankers. Sources of financing evaporated, a merger deal collapsed and, finally, Enron hobbled into bankruptcy court. As creditors quarrel over its remains, investigators in Congress, the Justice Department and the Securities and Exchange Commission are demanding answers.

Enron executives had hoped to make the company a new model for American industry. And indeed, the tale of the company's rapid rise and astonishing collapse will be studied for years -- but as an object lesson in the dangers of relying on financial juggling for big profits, and the hazards of a business that corporate executives and directors, Wall Street analysts and government regulators barely understood.

"The woods were filled with smart people at Enron, but there were really no wise people, or people who could say 'this is enough,'" said John Olson, a veteran energy industry analyst with the investment firm Sanders Morris Harris. "Given an adrenaline-driven culture, given an obsession with 15 percent a year or better earnings growth, you had this situation develop where Enron was set to metastasize."

Transforming Itself

A Company Thrives, Then Pays the Price

It started in the heady takeover days of the 1980's.

After his pipeline company, Houston Natural Gas, successfully fended off a hostile takeover, Kenneth L. Lay, a onetime naval officer with a doctorate in economics, realized that the key to the company's survival was to make itself too big to devour.

So in 1985 Mr. Lay orchestrated the sale of his company to one of the largest pipeline companies in the world, Internorth of Nebraska. The merged company, with Mr. Lay in charge, announced plans to change its name to Enteron -- until company executives learned that this was also another word for the digestive tract. Someone struck a few letters out of the new name, and Enron was born.

The company, with headquarters in Houston, faced enormous challenges. Beyond being saddled with huge debts brought on by the merger, Enron was in a rougher, deregulated marketplace.

Enron decided to transform itself. No longer would it simply be in the business of moving and selling gas; instead, it would become part of the commodities-trading world, buying and selling electricity and natural gas as if they were pork belly futures.

To accomplish the transformation, Mr. Lay had as his protege Jeffrey K. Skilling, a consultant with McKinsey & Company. Mr. Skilling brought a new dynamic to the once-staid business. Mr. Skilling was able to understand how the markets could be used to liberate Enron from its reliance on the old world of hard assets.

Business boomed, and in 1990 Mr. Skilling left McKinsey to run the Enron Finance Corporation, a division that the growing company had created just for him.

By 1995, Enron had become the biggest participant in the natural gas business, controlling one-fifth of the North American market. In 1997, Mr. Skilling was named president and chief operating officer of Enron.

Things took off from there. Ideas that made millions in one commodity, the Enron executives reasoned, could work equally well with any other. Electricity,

wood pulp, steel, advertising time on television, insurance against credit defaults -- all became fodder for the rapidly growing Enron finance and trading empire. Shifting the bulk of its trading to the Internet, Enron was widely recognized as the biggest e-commerce company in the world -- and carried a bubble-era stock price to match. At its peak, Enron had annual revenues of more than \$100 billion, and employed more than 20,000 people.

Mr. Skilling, dizzy with the profits that accrued as Enron moved into one new trading market after another, wanted to rid the company of all its hard assets. But other executives pressed forward with plans to give Enron a global reach. It built power plants around the globe. It decided to become a force in the global water business. On the trading side, it splashed its way into the trendy market for high-speed data and Internet capacity.

All told, these efforts represented a collective investment of more than \$10 billion, but they were producing next to nothing in returns.

But few of Enron's problems were evident to the company's supporters on Wall Street. Through Enron's chief financial officer, Andrew S. Fastow, the company set up a series of limited partnerships, organized in such a way that, by company executives' reckoning, they could be treated as separate entities. It was like a magic financial elixir that provided the answers to many of Enron's growing problems: if there were any assets or debts on the books that the company did not want, they could simply be shed to the partnerships.

But the partnerships were the poison that would finally be the company's undoing. Last fall, as Enron's stock was falling, its auditors, Arthur Andersen, said that some of the partnerships had to be treated as part of Enron; combining them with the company wiped out more than \$1 billion in stockholders' equity and contributed to a \$618 million third-quarter loss.

Wall Street, long complacent, by now was demanding answers about the partnerships. The Securities and Exchange Commission opened a formal investigation. Each time Enron seemed to have provided every answer, a new surprise popped out. The markets for the company's stocks and bonds plummeted, triggering even more financial demands on Enron, including the acceleration of payment terms on some debt.

By mid-November, the company had revised its third-quarter earnings downward again, this time adding that, because of the debt terms, it might have to make a \$690 million payment in the coming week. The next day, the company disclosed that the financial problems might trigger a requirement to immediately repay \$4 billion. A delicate dance to sell itself to an archcompetitor, Dynegy, fell apart amid accusations of deceit.

With the market shaken, other energy traders began to shun Enron, for fear of being caught up in the company's collapse.

On Dec. 2, Enron filed for bankruptcy protection. Its dreams of greatness were over.

A Changed Market

An Energy Middleman Creates Its Own Niche

Enron was not merely the largest player in the nation's deregulated energy markets. It helped create them.

The trading of natural gas and electricity used to be tightly regulated. Utilities built power plants under the guidance of state officials and charged rates that allowed them to recover their costs plus a profit. It was a monopoly system that promoted stability but also inefficiency. On the natural gas side, interstate pipelines, including those owned by Enron, transported gas from producers to utilities and other consumers at set prices along fixed delivery routes.

But after oil prices collapsed in the mid-1980's, many users of natural gas switched to cheaper fuel oil, and Enron, led by Mr. Lay, helped convince federal

regulators that pipelines would falter unless they were freed to shop for customers and for the best deals from producers. Once the market began to open up, gas prices began to fluctuate wildly. Enron stepped in with new products that allowed customers to lock up long-term gas supplies at stable prices -- with Enron taking a cut.

By the 1990's, the federal government was similarly speeding the deregulation of wholesale electricity markets, an effort strongly backed by Enron and other energy companies. New, independent power producers were free to build plants and sell power, and an ever-growing amount of electricity was traded among utilities, unregulated power generators and power marketing companies.

Enron moved aggressively, seeking to gain the biggest shares of trading in these new and fast-growing markets -- lining up supply contracts to buy power and gas while at the same time cutting deals to sell the energy to customers, often over the long term.

Analysts estimate that at its peak Enron accounted for about one-quarter of the nation's energy trading -- not producing much energy itself, but serving mostly as a middleman.

More significantly, Enron dominated the trading of financial contracts, or derivatives, based on the value of gas and electricity traded at physical "hubs" around the nation. At some hubs, rival energy traders say, Enron accounted for a much higher percentage of trading of some products, giving it enormous influence in the marketplace.

What remains a point of contention is how Enron used its power. The company always maintained that it took only small profits on individual trades, and instead made money by packaging and arranging complex deals for customers.

But in the wake of its collapse, to many investors Enron appeared more like a giant energy hedge fund, making bets on energy prices. Last year California officials went further, accusing Enron, and other power traders, of profiting by manipulating prices there and driving up electricity costs by billions of dollars in late 2000 and early 2001. (California's deeply flawed deregulation scheme played a large role in the price spikes, as the state had not built a major power plant in a decade.)

Enron denied any wrongdoing in California. But in securities filings last year, the company acknowledged that its enormous gains in energy-trading profits were partly due to overall higher natural gas prices -- which had soared along with the price of electricity, as gas is an important fuel used for generating power -- and price volatility.

The company's critics observe that while energy prices were rising, Enron was riding high, but that it began to falter this summer -- when prices for electricity and gas collapsed. It may not be a coincidence, they say, that Enron's house of cards tumbled at the same time energy costs sharply retreated, and those profits were no longer able to mask severe problems at the company.

Alarms Unraised Limited Oversight And a 'Black Hole'

Flying high after being unshackled from regulation, Enron crashed quickly last fall after a series of revelations about its bookkeeping practices -- in particular, concealing huge chunks of debt by transferring them into still-murky partnerships.

By reducing the debt on its books, the company looked healthier and its profits looked more robust, even as the results of its trading operations and energy sales were flagging. Stock analysts and shareholders could breathe easier, as could credit rating agencies like Standard & Poor's and Moody's Investors Service, which assess a company's health for lenders.

But within weeks, the company found itself in bankruptcy, under investigation and the target of lawsuits from burned investors and former trading partners.

Many questions remain unanswered, but one thing is certain: As a result of Enron's successful lobbying, Washington was largely out of the business of regulating those products the company sold.

If the regulators in Washington were asleep, it was because the company had made their beds and turned off the lights. The company's financial successes were in no small part the byproduct of its political and regulatory campaigns to deregulate the marketplace. It created what one executive last year referred to as a "regulatory black hole."

But there were still traditional corporate mechanisms and institutions in place that should have raised alarms and kept executives in check.

"The fact that things declined so fast strongly suggests a breakdown of basic corporate governance," said David Ruder, a former chairman of the Securities and Exchange Commission who teaches at Northwestern University School of Law.

Auditors who had multiple and potentially conflicting roles did not raise alarms about improper financial statements. Directors did not closely question management and the accountants and thus failed to ferret out the accounting irregularities. Lawyers set up partnerships that concealed the true financial plight of the company. Ratings agencies yielded to the entreaties of management and only reluctantly downgraded credit ratings. And some Wall Street analysts like David Fleischer of Goldman Sachs continually recommended the stock, even as it plummeted.

Experts said the newness of Enron's trading products and techniques might have ultimately confounded executives and auditors who were supposed to supervise the enterprise.

"This appears to be a board that, like other companies that have gotten into trouble, was composed of people interested in solidifying relationships rather than meaningful review and oversight," said James D. Cox, an authority on corporate law and accounting at Duke University School of Law.

For all the blame now being assigned, Professor Cox and other experts say the biggest failure -- at least based on what has become public so far -- appears to rest with the company's auditors, Arthur Andersen.

"It appeared that the accounting firm was reviewing a financial product which they didn't understand," Professor Cox said.

While Andersen executives have said that they were misled by their client, Mr. Cox and other experts said that auditors had to be aggressive in questioning management.

"The job of the auditors is to ask tough questions and not to just blithely rely on what they hear from the executives," said Joel Seligman, dean of the Washington University School of Law.

With the disclosure last week that Andersen employees had destroyed large numbers of documents related to the firm's audits of Enron, investigators will be aiming many of their toughest questions at the accountants.

A Bush Connection Financial Bonds And New Questions

Beginning in the early 1990's, Enron pursued its campaigns for energy deregulation by hiring dozens of Washington's most influential lobbyists and showering Democrats and Republicans on Capitol Hill with large campaign contributions.

But Enron and its chairman, Mr. Lay, forged their deepest financial bonds with two presidents: George H. W. Bush and, more recently, his son George W. Bush.

Mr. Lay was one of the leading contributors and fund-raisers for the elder Mr. Bush. In 1992, he served as chairman of the Republican National Convention, which was held in Houston, and he sat with Mr. Bush in the presidential box that week.

When Mr. Bush's son ran for president, Mr. Lay was one of his 214 so-called Pioneers, who each raised at least \$100,000 for the campaign. Mr. Lay was also a transition adviser to Mr. Bush after the disputed election in 2000.

By the time Mr. Bush was inaugurated in January 2001, Enron and a number of its executives, including Mr. Lay, had contributed more money to Mr. Bush over his political career than anyone else, an amount exceeding \$550,000. Enron then wrote a check for \$100,000 for Mr. Bush's inaugural committee, and Mr. Lay added another \$100,000.

Last winter, the perennial questions about access given to large campaign contributors were asked about Enron. Mr. Lay had weighed in on nominees to the Federal Energy Regulatory Commission, supplying Mr. Bush's chief personnel adviser with a list of preferred candidates.

And Curtis L. Hebert Jr., chairman of the commission until last August, said he had an unsettling conversation with Mr. Lay last winter in which Mr. Lay offered him a deal: If he changed his views on electricity deregulation, Enron would continue to support him in his job. "I was offended," Mr. Hebert said.

Mr. Lay said at the time that he had no sway over Mr. Hebert's job prospects, and that "the final decision on this was going to be the president's, certainly not ours."

After the terrorist attacks of Sept. 11, there was almost no discussion in Washington about Enron's connections to the White House. Even in the weeks before the company filed for bankruptcy in December, Democrats stood by the president in the war on terrorism and said little about the company's ties to the Bush administration.

But four Congressional inquiries were begun after it was revealed that many employees lost their life savings when Enron's stock collapsed, but executives were able to cash out millions of dollars in stock.

The Enron issue finally hit the White House last week after the administration acknowledged that Enron executives had six meetings last year with administration officials, including Vice President Dick Cheney.

The Justice Department announced that it was opening a criminal investigation of the energy company's collapse, including whether it had defrauded investors by deliberately concealing information about its finances. Attorney General John Ashcroft and his chief of staff recused themselves from the inquiry because Mr. Lay and Enron had contributed more than \$50,000 to Mr. Ashcroft's 2000 senatorial campaign.

More disclosures followed. On Thursday, the White House disclosed that Mr. Lay had called two of Mr. Bush's cabinet officers -- Treasury Secretary Paul H. O'Neill and Commerce Secretary Donald L. Evans -- before the company filed for bankruptcy. Mr. Evans said Mr. Lay had sought government help with its dire financial condition. And on Friday, the administration said that Peter R. Fisher, an under secretary of the Treasury, was contacted repeatedly last fall by Enron's president, Greg Whalley, for help arranging bank loans. President Bill Clinton's treasury secretary, Robert E. Rubin, now a top executive at Citicorp, one of Enron's chief lenders, also called Mr. Fisher.

Ari Fleischer, the White House press secretary, described the contacts with the two cabinet officers as "a case where a contributor called up and asked for something but did not get it." Mr. Fisher also did not intervene on the company's behalf. Mr. Bush himself has said he never discussed Enron's troubles with the cabinet members or Mr. Lay.

Democrats are eager to question Mr. Lay at Congressional hearings this month

and turn up the heat on the White House. Republican strategists are worried that there might be more revelations.

"I'm very worried that we have not gotten to the end of the onion skin here, there's more to peel back," a longtime Republican strategist said. "I'm concerned this will distract the White House from its domestic agenda."

The Human Cost Losses Abroad, Devastation at Home

Enron's collapse has been felt far from Washington as well. In Japan, the company's woes triggered billions of dollars of withdrawals from money market funds that had invested heavily in Enron stock. In India, a deal to sell a huge power plant that was built as part of the company's expanding overseas empire has fallen apart. Enron's energy customers in the United States have had to scramble to find new suppliers.

But it is the lost jobs and lost retirement savings that have put a human face on the collapse.

In Houston, more than 4,000 Enron workers were set adrift in a local job market that has also experienced layoffs by two of the city's other largest employers, Continental Airlines and Compaq Computer.

Out of a job or still working, many Enron employees -- and many retirees -- have seen their retirement savings plans, which were overinvested in Enron stock, plummet in value as the stock price has plunged to near nothing.

Charles Prestwood, an Enron retiree from Conroe, Tex., told the Senate Commerce Committee last month that he lost nearly \$1.3 million in savings.

"We, the rank and file, got burned," Mr. Prestwood said. "I thought that people had to treat us honestly and deal fairly with us. In my neck of the woods, what happened is not right."

Though the employees' and retirees' situation bears some comparison to that of the investors who chased other kinds of Internet fairy dust -- no one complained about retirement funds being overinvested in Enron stock when it was at \$90 a share -- it has prompted calls for legislation to change the rules governing retirement plans. On Thursday, President Bush instructed his economic team to develop a plan to protect retirement accounts from similar corporate failures.

Steve Berman, a lawyer in Seattle who has filed a class-action suit against Enron representing many employees and other investors, said he knew of at least 14,000 employees who participated in the company's 401(k) stock plan. Many thousands of others will also probably be affected, he said, as public investors in Enron stock.

Mr. Berman said many of his clients worked for, or invested in, old energy companies that were then bought by Enron. "They thought they had a safe, secure, boring investment that they could retire on or pass on to their kids," he said.

He has clients who have lost \$400,000 to \$3 million in the collapse, he said. "That's significant because it tells you that these are people who were earning a lot of cash, thus probably at the midpoint or near the end of their careers. Now, on the verge of retirement, they're left with nothing."

Lara Leibman, 31, of Houston who lost her job in governmental affairs at Enron after four and a half years, said today she was wavering between sorrow and anger.

"It was a dynamic, exciting place to work, and people there would let you try new things," she said. "People can complain about the corporate culture at Enron, but that doesn't represent the employee culture, the thousands of wonderful people who worked there."

"There's an overwhelming sadness about the way Enron has destroyed so many lives," Ms. Leibman said. "I know people who worked there 20 years and they've lost everything."

Ms. Leibman said she was particularly troubled by recent disclosures about the destruction of records by the firm's accountants, and retention bonuses of up to \$5 million paid to high-ranking executives shortly before the company went bankrupt.

"It's beginning to sound like a John Grisham novel," she said.

<http://www.nytimes.com>

GRAPHIC: Photo: Kenneth L. Lay, the chairman and chief executive of the Enron Corporation. (Agence France-Presse) (pg. 27)

Chart: "How Enron Fell"

For a decade, Enron and its chief executive, Kenneth L. Lay, were powerful forces behind Washington's deregulation of the nation's energy markets. But as problems began to surface at the company, it was unable to use its influence to save itself. As investigators delve into Enron's collapse, questions are being raised about what senior executives, directors and government officials knew of the company's woes.

1 -- Growing Influence

EARLY AUGUST 2000

California energy shortage causes sporadic blackouts; prices soar. Enron is ultimately accused of being one of the culprits in the energy crisis.

JAN. 20, 2001

George W. Bush is sworn in as president. Enron and Kenneth L. Lay, Enron's chief executive, each contribute \$100,000 to help pay for the inaugural events.

FEB. 22

Mr. Lay and other Enron officials meet with Vice President Dick Cheney's energy task force at the White House.

MARCH 7

Mr. Lay and other Enron officials meet again with the energy task force staff.

APRIL 17

Mr. Lay and other Enron officials meet with Mr. Cheney.

MAY 17

The energy task force issues its report, which endorses many but not all proposals favored by Enron.

2 -- Insider Trading

Kenneth L. Lay

Chief executive

Sold: 627,000 shares in small blocks

Dates: Nov. 1, 2000, to July 31, 2001

Jeffrey K. Skilling

Former chief executive

Sold: 500,000

Date: Sept. 17, 2001

Jim Derrick

General counsel

Sold: 160,000

Dates: June 6 to June 15, 2001

Lou Pai

Chief executive of NewPower holdings, an Enron unit
Sold: 1.1 million
Dates: May 18 to June 7, 2001

Ken Rice
Chief executive of Broadband Services
Sold: 366,000
Date: July 13, 2001

3 -- Appeals for Help and a White Knight

AUG. 14, 2001

Only six months after becoming chief executive, Jeffrey K. Skilling resigns. He is succeeded by Mr. Lay.

OCT. 16

Enron reports a third-quarter loss of \$618 million.

OCT. 17

Enron reduces shareholder equity by \$1.2 billion to account for transactions involving limited partnerships controlled by Andrew S. Fastow, the company's chief financial officer.

The company freezes the assets in its 401(k) retirement plan to allow for administrative changes. By the time employees can sell shares, the stock has collapsed.

OCT. 22

Enron discloses that the Securities and Exchange Commission has opened an inquiry into the limited partnerships.

OCT. 23

Mr. Lay reassures investors in a conference call.

OCT. 24

Mr. Fastow is forced out.

OCT. 26

Mr. Lay calls the Federal Reserve chairman, Alan Greenspan, about Enron's problems.

OCT. 28

Mr. Lay talks to Paul H. O'Neill, the Treasury secretary. Secretary O'Neill asks Under Secretary Peter R. Fisher to look into the condition of Enron. Mr. Fisher talks with Greg Whalley, Enron's president, six to eight times over the next few days. According to Mr. Fisher, Mr. Whalley hints that he would like Mr. Fisher to call Enron's creditors and ask them to extend Enron's credit. Mr. Fisher said he made no such calls.

OCT. 29

According to Commerce Secretary Donald L. Evans, Mr. Lay calls to request help, particularly with an impending credit rating review by Moody's Investors Service. Secretary Evans said he did nothing. Moody's downgrades Enron's rating.

NOV. 8

According to Secretary O'Neill, Mr. Lay in a phone call draws a parallel between Enron's problems and those of Long Term Capital, the giant hedge fund the government helped rescue in 1998.

Enron admits that it overstated profits for the previous five years by \$566 million.

NOV. 9

Dynegy agrees to buy Enron for about \$9 billion.

4 -- The Merger Fails, Enron Collapses

NOV. 28

The merger with Dynegy collapses.

LATE NOV.

Just days before it files for bankruptcy and lays off 4,000 employees, Enron pays \$55 million in retention bonuses to about 500 employees, with 11 executives receiving between \$500,000 to \$5 million each.

NOV. 29

The S.E.C. investigation expands to include Arthur Andersen, Enron's auditing firm.

DEC. 2

Enron declares bankruptcy, but its stock continues to be traded.

DEC. 12

Joseph F. Berardino, chief executive of Arthur Andersen, testifies before Congress, saying Enron might have violated securities laws.

JAN. 10, 2002

Arthur Andersen discloses that it destroyed Enron documents in September, October and November.

(Sources: Bloomberg Financial Markets; Court Documents) (pg. 26)

Graph tracking Enron's stock price and when insiders sold some of their shares of stock, since August 2000. (pg. 26)

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January 13, 2002, Sunday, Late Edition - Final

SECTION: Section 1; Page 27; Column 4; National Desk

LENGTH: 595 words

HEADLINE: ENRON'S COLLAPSE;

Treasury Official's Ties Led to Calls About Problems Involving Enron

BYLINE: By RICHARD W. STEVENSON

DATELINE: WASHINGTON, Jan. 12

BODY:

As a Democrat, Peter R. Fisher, the undersecretary of the Treasury for domestic finance, is a rarity in the Bush administration. But in an administration that is noticeably light on connections to and expertise in the financial markets, he is perhaps even more notable for having extensive and long-standing ties to Wall Street and the banking system.

It was Mr. Fisher's ability to gather facts, analysis and rumor from within the financial system, drawn from his years of experience in a similar position at the Federal Reserve Bank of New York, that led Treasury Secretary Paul H. O'Neill to ask him last fall to check on how big a problem it would be if the Enron Corporation were to go bankrupt.

It was his role as the administration's liaison to the markets that led Robert E. Rubin, the former Treasury secretary who is now chairman of the executive committee at Citigroup, one of Enron's two main lenders, to call him about the situation.

It also made Mr. Fisher a natural point of contact for Enron itself. Whether simply to keep the government informed of financial problems at the dominant player in the burgeoning business of trading energy, as Enron says it was doing, or seeking assistance as it fought to survive, as the administration has suggested twice in recent days was the case, Mr. Fisher was clearly the go-to guy.

Mr. Fisher's job entails several duties, including managing the government's debt and overseeing regulation of the banking industry. During the weeks in late October and early November when he was called six to eight times by Greg Whalley, Enron's president, Mr. Fisher was enacting a plan to suspend issuance of the 30-year Treasury bond, perhaps the best-known security in the financial markets and long the benchmark for investment safety.

But as much as anything, Mr. Fisher, who declined a request for an interview, is an intelligence gatherer who can pick up the phone and talk to just about any Wall Street or banking executive.

Mr. Fisher's role in dealing with Enron started when Kenneth L. Lay, the energy company's chairman, called Mr. O'Neill on Oct. 28. Mr. Lay, administration officials said, drew an analogy between Enron's deteriorating financial condition and the crisis set off in 1998 by the fall of Long Term Capital Management, a giant hedge fund. Because Long Term Capital owed money to so many banks and investment firms, regulators were concerned that its collapse could set off a chain reaction that could endanger the entire financial system.

Enron had similar entanglements throughout Wall Street. But it was far from clear that its problems were a threat to anyone else, or the financial system as a whole. In turning to Mr. Fisher for an opinion, Mr. O'Neill was able to draw on someone who was almost uniquely qualified to render a judgment.

As an executive vice president of the New York Fed, Mr. Fisher had played a critical role in dealing with Long Term Capital's troubles.

When asked to look into Enron's situation by Mr. O'Neill, Mr. Fisher was able to call on people he had been calling for years. They included his successor at the New York Fed, Dino Kos. He was also able to canvass executives at most of the major investment firms. Mr. Fisher's verdict was that Enron did not present the same type of threat to the financial system that Long Term Capital had.

Michele Davis, the spokeswoman for the Treasury department, said the information passed to Mr. O'Neill and Mr. Fisher was of the same sort that was appearing in the newspapers about Enron during that period.

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January 13, 2002, Sunday, Final Edition

SECTION: A SECTION: Pg. A03

LENGTH: 1267 words

HEADLINE: Enron Executive Sought Help Fr ...

BODY:

Administration officials said the chief executive of Enron Corp., one of President Bush's top campaign donors, sought help from the administration to avoid a bankruptcy filing before the giant energy concern collapsed last year, wiping out the pensions of thousands of workers.

The revelation came after the Justice Department began a criminal investigation of Enron that sources said is focusing on whether the company defrauded investors by deliberately concealing crucial information about its finances.

The Justice action marks a new escalation in a many-sided investigation of Enron, which made the largest corporate bankruptcy filing in U.S. history on Dec. 2. Four congressional committees, the Securities and Exchange Commission and the Labor Department have begun investigations. Additionally, civil suits have been filed against current and former Enron executives and directors and its accounting firm, Arthur Andersen LLP, by Enron employees, investors and retirees who lost billions of dollars when Enron's stock price collapsed.

Andersen informed the government that employees at the accounting firm had destroyed a "significant" number of Enron-related documents. The SEC said it is widening its investigation of Enron to include the destruction of records by Arthur Andersen staffers.

After other Enron executives talked to lower-ranking Treasury officials, Enron CEO Kenneth L. Lay had conversations about Enron's dire finances with Treasury Secretary Paul H. O'Neill and Commerce Secretary Donald L. Evans. Lay told Evans, Bush's former campaign manager, that he would welcome help stopping Moody's Investors Service, a private credit rating agency, from downgrading Enron debt. Administration officials said Evans did not intervene, and a Moody's downgrade precipitated Enron's bankruptcy filing.

The administration said that Clinton Treasury secretary Robert Rubin -- now chairman of the executive committee at Citigroup, a major Enron creditor -- called Treasury Undersecretary Peter Fisher to explore whether the administration might intervene with rating agencies. The Treasury said Fisher declined to do so.

-- Peter Behr, Dana Milbank

and Dan Eggen

The Supreme Court narrowed the scope of the Americans With Disabilities Act, ruling that an impairment must have a substantial effect on a person's daily life to qualify as a disability under the law.

Conditions that prevent a worker from performing only a specific job-related task are not legal disabilities, the court said. "Merely having an impairment does not make one disabled for purposes of the ADA," the court declared. "Claimants also need to demonstrate that the impairment limits a major life activity."

The unanimous ruling written by Justice Sandra Day O'Connor could affect millions of workers who suffer from repetitive-strain injuries or other impairments that affect their jobs. Both sides -- labor and management -- in the long-running dispute over the scope of the ADA agreed that the ruling will make it more difficult for workers to prove that they are disabled and therefore entitled under the law to an accommodation by their employers.

The ruling was the latest in a series of high court decisions that have generally narrowed the scope of the ADA. Last week's case centered on one

worker's inability to perform certain manual tasks at an automobile assembly plant because of carpal tunnel syndrome. The court ruled that the impairment alone did not qualify the worker as disabled under the ADA.

"To be substantially limited in performing manual tasks, an individual must have an impairment that prevents or severely restricts the individual from doing activities that are of central importance to most people's daily lives," O'Connor wrote. "The impairment's impact must also be permanent or long-term."

-- Edward Walsh

The number of people being treated for depression has increased dramatically in the United States in the past decade, marking a profound shift in how Americans cope with the common emotional disorder, the most comprehensive study to date shows.

Drugs such as Prozac have become the mainstay for most of those being treated, even as doctors spend less time with patients and offer comparatively less psychotherapy, researchers said in reporting the results of the study.

The sea change probably does not stem from an increase in depression, experts said. Instead, it is most likely connected to the destigmatization of mental health problems in general and depression in particular, the rise of managed-care insurance plans, and the arrival of powerful drugs, including Prozac, accompanied by multimillion-dollar marketing campaigns.

Between 1987 and 1997, the percentage of Americans being treated for depression more than tripled nationwide, from 0.7 percent to 2.3 percent.

Medicines, which were prescribed to about a third of patients in 1987, were given to almost three-quarters a decade later.

Simultaneously, patient visits to doctors for depression fell by a third, from about 12 visits per patient to eight, with large numbers being treated by primary care physicians and others outside the field of mental health.

-- Shankar Vedantam

A federal appeals court tossed out the convictions of two black men in the 1991 slaying of a Jewish rabbinical student in the Crown Heights neighborhood in Brooklyn, criticizing the trial judge's "improper and race-conscious" attempt to create a racially balanced jury.

The 2nd U.S. Circuit Court of Appeals ordered a new trial for Lemrick Nelson Jr. and Charles Price, who were convicted in 1997 of violating the victim's civil rights. It was one of the most explosive and racially charged cases in recent New York history.

The neighborhood is predominantly black and West Indian but has a sizable Orthodox Jewish community. Rioting started after a black child was killed by a car being driven by a member of the ultra-Orthodox Lubavitch community. The rabbinical student was stabbed during the rioting.

U.S. District Judge David Trager had tried to balance the jury between blacks and Jews, declaring his intent at the time to pick "a moral jury that renders a verdict that has moral integrity."

Specifically, when a black juror was excused before the trial, Trager chose not to replace him, as required, with the first alternate, who was white.

Instead, Trager removed a white juror from the panel and filled the two new vacancies with a black and a Jew.

The appeals court said Trager's actions, however well intended, ignored a foundation stone of the U.S. legal system: the commitment to a colorblind process.

No new trial date was set. Nelson, 27, and Price, 47, were sentenced in 1998.

-- Michael Powell

Archbishop of Canterbury George Carey, who struggled successfully to hold the official Church of England together after the first female priests were ordained in 1994, said he will step down Oct. 31 as head of the church and spiritual leader of 70 million Anglicans worldwide.

The genial 66-year-old, who turned from Royal Air Force radio operator to assistant curate in 1962, has served 11 years in the post, in which he is a guiding figure for independent Anglican churches in 160 countries. They include the United States' Episcopal Church, with about 2.3 million members.

It has been a trying decade for Carey, marked by declining church membership in England and gloomy parish finances. But the Anglican church has grown significantly in Africa during his tenure.

-- T.R. Reid

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January 13, 2002, Sunday, Final Edition

SECTION: A SECTION; Pg. A01

LENGTH: 1466 words

HEADLINE: Enron Also Courted Democrats; Chairman Pushed Firm's Agenda With Clinton White House

BYLINE: Dan Morgan, Washington Post Staff Writer

BODY:

Democrats are savoring the chance to use embattled Enron Corp.'s Republican ties to embarrass the Bush administration at upcoming congressional hearings. But Republicans might turn the tables, to some extent at least, because Enron has courted and supported prominent Democrats as well.

According to internal Enron documents and the recollections of former employees, Chairman Kenneth L. Lay had the ear of top Democrats in the 1980s and '90s. He and his colleagues used that access to promote the company's interests with the Clinton administration and key congressional Democrats.

In a White House meeting in August 1997, for example, Lay urged President

Clinton and Vice President Gore to back a "market-based" approach to the problem of global warming -- a strategy that a later Enron memo makes clear would be "good for Enron stock."

The following February, Lay met with Energy Secretary Federico Peña to urge White House action on electricity legislation favored by Enron. Peña "suggested that President Clinton might be motivated [to act] by some key contacts from important constituents," according to another Enron memo.

Taking the cue, Lay, one of 25 business executives on Clinton's Council on Sustainable Development, wrote to the president the same day.

Lay and other Enron executives showed a clear preference for Republicans in their political giving. Lay personally gave GOP organizations \$ 325,000 during the 2000 campaign. But the company itself was often more evenhanded.

The corporation contributed \$ 532,000 in unregulated "soft money" to Democratic coffers during the 2000 election, only slightly less than the \$ 623,000 that went to GOP groups, according to PoliticalMoneyLine, a Washington research group. Enron's political action committee also gave \$ 10,000 to the New Democrat Network, which was co-founded by Sen. Joseph I. Lieberman (D-Conn.). Lieberman, the Democratic vice presidential nominee that year, now chairs the Senate Government Affairs Committee, which is leading an inquiry into Enron's collapse.

Several senior Enron officials spent election night at Vice President Gore's headquarters in Nashville.

The Center for Responsive Politics estimates that Republicans received 73 percent of total donations from Enron, its executives and its employees over the past 12 years. Still, many of the congressional members soon to investigate Enron -- Democrats as well as Republicans -- have enjoyed the company's largess. Enron or its executives have given money to nearly half of all current House members, and to almost three-quarters of the senators, according to groups monitoring political donations.

The company backed Charles E. Schumer (D-N.Y.) in his successful 1998 campaign to oust Republican Sen. Alfonse D'Amato. Schumer's views on electricity deregulation dovetailed closely with Enron's. Two years later Schumer, who has advocated deregulation as a way of reducing New York state's high power costs, co-authored a bill to restructure electricity markets along lines favored by Enron.

Enron also has supported Senate Energy Committee Chairman Jeff Bingaman (D-N.M.), whose state is traversed by a major east-west Enron gas pipeline.

Former employees say Lay's friendships with other Democrats were based as much on rapport as pragmatism. This group includes former senator Bob Kerrey (D-Nebr.), whose brief 1992 presidential bid had Lay's backing, and Sen. Evan Bayh (D-Ind.), with whom Lay served on the Eli Lilly Co. board of directors in the 1990s.

He donated to the 1994 campaign of Texas Gov. Ann Richards, a Democrat, and served on her business council. And it was a Democrat, former treasury secretary Robert E. Rubin, who called a Treasury official last Nov. 8 to inquire about Enron's situation shortly before it collapsed.

As Enron transformed itself from an old-line gas pipeline company into an innovative, risk-taking trader of gas, electricity and more exotic derivatives in the early 1990s, it needed both Democrats and Republicans to help remove regulatory obstacles.

"Ken Lay would write letters and pick up the phone to call whoever was needed, and the party didn't matter that much," said one former employee.

In 1992, a Democratic-controlled Congress approved a major energy bill that set the stage for a new wholesale electricity marketplace. Trading companies

such as Enron could use the transmission lines of regulated utility companies to sell blocs of electricity to private customers.

In 1994, the Washington-based Export-Import Bank approved a \$ 302 million loan to promote Enron's investment in a power plant in Dabhol, India. According to a 1997 article in Time magazine, Clinton took a personal interest in the project, deputizing his chief of staff, Thomas "Mack" McLarty III, to monitor it. McLarty later became a paid adviser to Enron.

A McLarty aide explained yesterday that the White House involvement was part of a broader administration effort to help U.S. companies take advantage of new opportunities abroad.

In 1996, the Federal Energy Regulatory Commission, stocked with Clinton appointees, helped Enron with a series of orders that weakened the monopoly of nuclear and coal-burning utilities. In July of that year, Enron gave \$ 100,000 to the Democratic Party.

The Clinton administration's interest in an international agreement to combat global warming also dovetailed with Enron's business plans. Enron officials envisioned the company at the center of a new trading system, in which industries worldwide could buy and sell credits to emit carbon dioxide as part of a strategy to reduce greenhouse gases. Such a system would curtail the use of inefficient coal-fired power plants that emitted large amounts of carbon dioxide, while encouraging new investments in gas-fired plants and pipelines -- precisely Enron's line of business.

But the effort faced powerful opposition from automakers, oil companies and utilities. In early 1997 the Senate unanimously instructed the administration not to agree to any carbon-reducing strategy that would harm the U.S. economy.

On Aug. 4, 1997, Lay and seven other energy executives met with Clinton, Gore, Rubin and other top officials at the White House to discuss the U.S. position at the upcoming conference on global warming in Kyoto, Japan. Lay, in a memo to Enron employees, said there was broad consensus in favor of an emissions-trading system.

Enron officials later expressed elation at the results of the Kyoto conference. An internal memo said the Kyoto agreement, if implemented, would "do more to promote Enron's business than almost any other regulatory initiative outside of restructuring the energy and natural gas industries in Europe and the United States."

At Lay's meeting with Pen a on Feb. 20, 1998, he spoke of restructuring the U.S. electricity market in ways that would benefit Enron. Lay pressed the administration to propose legislation that would assert federal authority over a national electricity market.

According to a company version of the meeting, Lay and Pen a agreed that a go-slow approach to deregulation, advocated by Senate Energy Committee Chairman Frank H. Murkowski (R-Alaska), was unacceptable. Pen a asked Enron officials to keep Energy Department staffers posted on developments in Congress, and solicited comments on the administration's draft of its Comprehensive National Energy Strategy, an Enron document said. Lay felt the draft was "headed in the right direction" except for a few points, the document said.

The 2000 presidential election posed a dilemma for the company, sources say. While Lay supported George W. Bush, some officials in Enron's Houston and Washington offices backed Gore and Lieberman. Lay personally contributed \$ 325,000 in soft money to GOP campaign organizations that year, and gave no soft money to Democratic groups. After the election, Lay chipped in \$ 100,000 to the Bush inaugural festivities.

On the eve of the 2000 election, Enron hired a Democratic official from the Treasury Department to run the company's Washington office. Sources say the move infuriated GOP House leaders, who retaliated by shutting Enron representatives out of several key strategy meetings on electricity legislation.

Hoping to return to the GOP's good graces, the company in April 2001 hired the Washington lobbying firm of Quinn & Gillespie. Its senior partner, Ed Gillespie, had been a top campaign adviser to the new president, Bush.

For the first half of the year, the firm collected \$ 525,000 in fees from Enron, a hefty sum but well worth it, according to a former Enron employee.

"It was Eddie [Gillespie], not Ken Lay, who got us to people in the White House and Congress," the employee said.

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January 13, 2002, Sunday, Final Edition

SECTION: A SECTION; Pg. A01

LENGTH: 1505 words

HEADLINE: Economic Collapse, Political Fallout; Critics Zero In on Administration Silence on Contacts

BYLINE: Glenn Kessler and Mike Allen, Washington Post Staff Writers

BODY:

On Oct. 29, as the Bush administration's economic brain trust gathered for its weekly luncheon, Commerce Secretary Donald L. Evans pulled Treasury Secretary Paul H. O'Neill aside. Evans related a phone call he had received that day from Kenneth L. Lay, chairman of Enron Corp., the once highflying Texas energy firm that was suddenly in deep financial trouble.

Lay and other executives had been among President Bush's biggest financial backers over his political career, and Evans was chairman of Bush's presidential campaign. Lay wanted help, Evans said. It turned out that O'Neill had received a similar call the day before. In a brief conversation, O'Neill and Evans decided there was "no way" they were going to do anything to help Enron.

Then they sat down for lunch, not saying a word to the other attendees, even though one -- Lawrence B. Lindsey, head of the National Economic Council -- had been a \$ 50,000-a-year consultant to Enron. And they waited 73 days to tell Bush about the calls.

That was the chronology presented by the administration last week as part of a cascade of disclosures about the extent of the administration's contact with Enron executives in the weeks before the energy giant filed for bankruptcy court protection on Dec. 2. As the revelations of contacts between Bush Cabinet officials and Enron executives reverberated in the nation's capital, the country's largest corporate bankruptcy spread from a major economic debacle to a full-fledged political skirmish between the White House and Capitol Hill.

In the coming months, as Justice Department and congressional investigators swarm over Enron's corporate wreckage, the credibility of the administration's account will come under scrutiny. Investigators also will press Enron executives for their version of events, sometimes under oath and the threat of criminal prosecution.

Congressional investigators said the speed of the collapse is one reason

they are so interested in exactly what Enron executives said to administration officials. Lay "does not believe he asked for anything -- he wanted to provide information," Enron spokeswoman Karen Denne said.

Robert Bennett, a prominent lawyer hired by Enron, said Lay believed he had an obligation to tell government officials about Enron's plummeting financial condition. But, according to Bennett, Lay added, "If they concluded they wanted to give help to me and my company, I was not going to turn them down."

Was Enron -- a brash, aggressive company that nearly rewrote the nation's rules on energy distribution -- really so reserved when it came to seeking help from the White House? Did O'Neill and Evans really give no sign to their lunchroom colleagues, let alone the president, about the phone calls from a politically active company headed for a spectacular implosion?

Some Democratic lawmakers believe they can attack the White House coming and going: If anything was done to help a political intimate, Bush can be filleted for breaking his promise to restore honor and integrity to the White House. If nothing was done in response to the calls, some Democrats plan to argue the administration should have done something to protect shareholders and employees.

One of the most sensitive questions for the administration is the role Enron played in developing the administration's energy policy. After refusing last year to reveal whom Vice President Cheney and his energy task force had met with in developing the policy, the administration disclosed in a Jan. 3 letter to Congress that Cheney had met with Lay and that his staff had met with Enron representatives five times.

"It is now clear the White House had knowledge that Enron was likely to collapse but did nothing to protect innocent employees and shareholders who ultimately lost their life savings," said Rep. Henry A. Waxman (D-Calif.), ranking minority member of the House Committee on Government Reform. "I am deeply troubled that the White House stood by and let this happen to thousands of families."

In response, the White House pointed to a Dec. 5 news release from the Labor Department, announcing "an investigation into questions raised by Enron's handling of its workers' retirement benefit plans." Labor Secretary Elaine L. Chao said Enron's employees "have gotten the short end of the stick in the sudden collapse of this company, and we are committed to doing everything we can to help them."

On Friday, Waxman sent a five-page letter to Evans and O'Neill asking each to respond to 10 questions, including, "Why did it take so long for the public to learn about your contacts with Enron prior to its bankruptcy filing?"

Waxman also has asked the White House to "immediately make a full disclosure of all contacts administration officials have had with Enron representatives."

A senior administration official said the White House "will fully cooperate with all requests that are relevant and specific," but added, "If people are asking for every contact that anyone may have had with anyone for any reason, that's a fishing expedition."

The revelation Friday that former Clinton treasury secretary Robert E. Rubin -- now an executive at Citigroup, one of Enron's main creditors -- also sought to interest the Bush administration in intervening may broaden the spotlight from the links between Bush and Enron. Rubin, according to a source, contacted the Treasury Department on Nov. 8 because he thought "an Enron bankruptcy was an economic event of national importance." Bush officials say they saw few national ramifications.

"In no other country in the world would you have the seventh-largest company fail, one with these alleged political connections, and the government would simply let it happen," Lindsey said last week on "Fox News Sunday." "This is a tribute to American capitalism."

The Bush administration has rebuffed some bailout requests but in one case rushed to aid key businesses. Immediately after the Sept. 11 attacks, Lindsey received a call from the chief executive of a major airline that was in danger of losing its line of credit, according to administration officials. Lindsey called a major bank and suggested it not take any drastic steps, noting that Congress would likely come to the aid of the airline industry. The officials would not name the airline.

But the administration has treated Enron -- which, along with its executives, contributed more than \$ 220,000 to Bush's campaign -- as radioactive since the firm disclosed in October that it had overstated profits by \$ 586 million over the past four years because of what it called accounting errors. Lay was one of the Bush "pioneers" who raised at least \$ 100,000 for the presidential campaign, but the president and his aides have played down any close friendship.

From 1999 to 2001, Enron made \$ 1.9 million in unregulated "soft money" contributions to Democrats and Republicans, but nearly three-quarters of its political giving went to GOP candidates, according to the Center for Public Integrity, a watchdog group.

Enron's bankruptcy filing not only led to layoffs but also eviscerated the retirement nest eggs of thousands of employees and cost shareholders millions of dollars in stock losses. Plaintiffs in civil suits contend that senior Enron executives and directors took advantage of the company's high stock price a year ago to sell hundreds of millions of dollars in stock before share prices began to slide.

Administration officials and Enron executives have been increasingly at odds over the substance of their conversations in October and November. According to the administration, Lay told O'Neill on Oct. 28 that Enron's problems were similar to the near-collapse in 1998 of the Long-Term Capital Management hedge fund, which required a private-sector rescue organized by the Federal Reserve Bank of New York.

In the conversation with Evans, the administration says, Lay asked Evans if he could do anything to influence a decision by Moody's Investors Service to downgrade Enron's credit rating. Evans, according to the Commerce Department, rejected the idea as "a no-brainer," and then confirmed his decision with the general counsel and deputy commerce secretary before mentioning it to O'Neill at lunch.

White House officials said Bush was in the dark about the conversations for more than two months, until Evans and O'Neill mentioned them about 9:30 a.m. Thursday, toward the end of an Oval Office meeting with his economic team.

Reporters were about to be ushered in for a photo opportunity. Before such sessions, White House press secretary Ari Fleischer tells Bush what he is likely to be asked. "They're going to ask you about meetings you had with Ken Lay," Fleischer said, according to two sources.

Evans and O'Neill then volunteered that they each had received a call from Lay, and said they had not taken any action in response.

"You did the right thing," Bush replied, according to the sources.

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The Washington Post

January 13, 2002, Sunday, Final Edition

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0080000000219

SECTION: EDITORIAL; Pg. B07

LENGTH: 859 words

HEADLINE: Nothing Doing

BYLINE: David Ignatius

BODY:

The Bush administration got mauled last week for its ties to Enron Corp., the imploding death star of corporate America. But while it makes for juicy headlines, the Bush-Enron "scandal" strikes me, at least so far, as a bum rap.

In fact, rather than intervene to help their pals at Enron avoid bankruptcy, the Bushies seem to have adopted the same tactic they have used in many other matters affecting the financial markets -- namely, do nothing.

This reluctance to intervene in financial crises -- even ones involving their campaign contributors -- is becoming a hallmark of the Bush Treasury Department. You can see the same studied indifference in the administration's response to recent financial debacles in Argentina and Japan. And you can certainly argue that inaction has been the best policy: Bailing out Argentina's bondholders would have made no more sense than rescuing Enron's management and stockholders.

The surprising fact is that the Bush Republicans have been much less sympathetic to financial worries than the Clinton administration -- which in retrospect seems one of the most ardently pro-Wall Street administrations in the nation's history.

White House spokesman Ari Fleischer made the Clinton comparison in discussing the Enron case Thursday. He noted that as Enron was beginning its final swan dive, CEO Kenneth Lay had called Treasury Secretary Paul O'Neill and warned that his company might be heading the way of Long-Term Capital Management, which averted a dangerous bankruptcy in 1998 with assistance from the Clinton Treasury and the Fed.

Enron pleaded for similar help to O'Neill and his aides at Treasury, to Commerce Secretary Don Evans and to Fed Chairman Alan Greenspan. But so far as we know, they took no action to avert the looming disaster. Indeed, the Bush administration basically stood on the sidelines and watched as the biggest bankruptcy in American history ensued. Over the past year, the company's stock fell from a high of \$ 83 to 67 cents as of Friday.

Doing nothing was also the correct response in the case of Argentina. The Bush administration did support an extra \$ 5 billion for Argentina last August. But after that -- as it became clear that Argentina would default on its bonds -- the administration ignored warnings about financial "contagion" and let Argentina collapse.

And it turned out to be right. Despite the fact that it was the largest sovereign debt default in history, Argentina's collapse has had little effect on the bond prices of emerging-market countries.

"I'm glad to see there is less 'contagion' than many people had thought," said John Taylor, the undersecretary for international affairs at Treasury, in a telephone interview Friday. The reason, he said, is that "the markets are paying greater attention to the differences between countries."

The markets have indeed been taught a lesson -- though less by the Bush administration's policies than by the brutal experience of the past few years, which burned investors and made them far more careful. A look at bond spreads shows that during the run-up to the Argentine default, this "contagion factor" was about half what it had been during the 1997 Asian crisis and the 1998

Russian default.

The danger is that the Bush Treasury will conclude that nonintervention is always the best policy. It isn't.

You can make a case, for example, that now that Argentina has taken the hit, the United States should help put the pieces of a sound market economy back together. Otherwise, there's a danger of what might be called "political contagion," as the populist anger of ordinary Argentinians spreads to other countries in Latin America. Those countries may decide to default on their debts, too.

The real black hole in global finance right now is Japan. Despite hopes for reform and revival under Prime Minister Junichiro Koizumi, things in Japan have gone from bad to worse to disastrous. That's why the Japanese finance ministry halted its yen devaluation last week -- things were beginning to spin out of control.

In Japan as elsewhere the Bush Treasury has tended to show disdain for the sort of aggressive financial intervention the Clinton team favored. But that's beginning to look misguided. Japan needs help now, badly. Most of all, it needs an orderly way for its financial sector to, in effect, declare bankruptcy -- a process something like the savings-and-loan cleanup in the United States a decade ago. The Japanese could use U.S. help in restructuring, but the Bush administration is mostly sitting on its hands.

The Bush administration paradox is that it is wildly interventionist in its foreign military policy but almost passive in international economic policy. That imbalance is a mistake. One lesson of the war against terrorism is that the United States needs to be involved in the welfare of ordinary people around the world -- sharing the fruits of the global economy so that more people have a stake in its success.

Nonintervention was the right choice with Enron and Argentina, but the Bush administration shouldn't make a fetish of it.

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January 13, 2002, Sunday, Final Edition

SECTION: FINANCIAL; Pg. H01

LENGTH: 897 words

HEADLINE: Revisiting Pension Regulations; Lawmakers, With Enron on Their Minds, Face Sensitive Issues

BYLINE: Albert B. Crenshaw, Washington Post Staff Writer

BODY:

Under pressure from President Bush to keep future corporate bankruptcies from wiping out the retirement savings of thousands of employees, as in the recent collapse of Enron Corp., members of the administration's economic team said last week that they intend to do just that.

Treasury Secretary Paul H. O'Neill, Labor Secretary Elaine L. Chao and Commerce Secretary Donald L. Evans spoke with assurance, but those who design and operate pensions and retirement plans were left wondering: Exactly what are they going to do?

Policymakers "really have to be careful. They can do good, and they can do harm. It is a very sensitive system. It's not a system that responds to punches very well," said Eric Lofgren, a benefits consultant with Watson Wyatt Worldwide in Philadelphia.

As it seeks to insulate workers from catastrophes like the Enron collapse, the administration will confront several long-running tensions of the retirement world.

First, there is the tension between the government's desire to protect workers and the employers' desire to have retirement plans that are cheap and easy to operate. When policy veers too far to the cheap-and-easy side, workers may risk losing their savings; when it veers too far to the side of regulated protection, workers risk losing the retirement plans themselves.

Other than Social Security, the U.S. retirement system remains voluntary, and employers that find providing retirement benefits too onerous are free to drop them or switch to some less-regulated alternative.

Second, in today's world of 401(k) plans, there is the tension between the advice that workers should diversify their investments and the apparent desire of many workers to make a big bet on their employer. Again, when workers place all their bets on their employer, they risk disaster. But if workers are forced to diversify, the plans may become more complicated and less attractive to them, and the risk is a decline in plan participation.

Finally, there is the tension between allowing employers to make contributions to 401(k) plans in company stock -- which may be cheaper for the company -- and restricting or forbidding it, perhaps discouraging any employer contribution at all.

The last time policymakers faced this sort of crisis was in the early 1970s, when bankruptcies of the time revealed that many major corporations had not adequately funded their pension plans. When the companies foundered, the pensions evaporated.

That led to the 1974 Employee Retirement Income Security Act, which created government insurance for traditional retirement plans, along with a host of rules designed to ensure that the plans would be properly funded and administered.

More than a quarter-century later, workers and retirees with traditional pensions, called defined-benefit plans, are very well protected. But two-thirds of all traditional plans have vanished.

Fundamental changes in today's retirement plans would require legislation, several experts said, and it's not clear whether Congress could agree on that. Even minor changes would be contentious.

For example, Enron used its own stock to match employee contributions to its 401(k) plan. It further forbade workers to sell those shares until age 50, though they could sell whatever they purchased with their own contributions. One possible change would be to bar employers from restricting the sale of such shares.

But companies use these restrictions to ease the dilutive effect their matches have on their stock. "A lot of companies wouldn't want to contribute stock if they knew the employees would just turn around and sell it," said one pension expert.

Another area of focus is likely to be Enron's "lockdown" of worker retirement accounts last fall. For a period -- whose length is in dispute -- the company barred any transfers by workers. Enron says it was simply changing plan administrators and the restrictions had nothing to do with the fact that Enron stock was sinking fast.

But while there is widespread suspicion about Enron's motives, pension experts said brief freezes are common and necessary when companies change administrators.

"To move from one perfectly competent administrator to another perfectly competent administrator, you do need a period to make sure you've got everything integrated right and running," Lofgren said.

Finally, there is the question of what to do about employee stock ownership plans (ESOPs), which are by their nature invested entirely in company stock. ESOPs are meant both as retirement savings and to encourage employee ownership. A question for policymakers will be whether those goals are incompatible.

One avenue that may appeal to many lawmakers is an easing of the barriers that make many employers reluctant to provide advice to workers about managing their 401(k) accounts.

The Labor Department recently ruled that a company could give advice to workers, but some firms say they are still fearful of what the courts might do.

A bill by Rep. John A. Boehner (R-Ohio) that would allow companies to pay for advisers for their workers has passed the House and is awaiting Senate action.

"Wealthy Americans can afford to hire an investment adviser to warn them that they've got too many eggs in one basket. Most working families can't afford such a luxury," Boehner said Friday.

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The New York Times

January 12, 2002, Saturday, Late Edition - Final

SECTION: Section C; Page 1; Column 1; Business/Financial Desk

LENGTH: 580 words

HEADLINE: BUSINESS DIGEST

BODY:

Enron Official Sought Help From Government Last Fall

The president of the Enron Corporation repeatedly called a senior Treasury Department official last fall and sought help arranging bank loans for the energy company as it scrambled to avoid collapse, the Bush administration said.

The official, Peter R. Fisher, the under secretary of the Treasury for domestic finance, spoke six or eight times during late October and early November with Greg Whalley, Enron's president, a Treasury Department spokeswoman said. Page A1.

Ford Motor Plans to Restructure

Ford announced its most sweeping cutbacks in two decades, cutting 35,000 workers, closing five plants and dropping four models. A1.

Ford's plan to eliminate 15,000 hourly jobs in the United States and Canada may revive an old partnership between the unions and Ford to compete with foreign rivals. C3.

The four vehicles being dropped by Ford include some storied names, but none of them have sold well lately. They are the Lincoln Continental, the Ford Escort, the Mercury Villager minivan and the Mercury Cougar. C3.

Kmart's Credit Rating Is Cut Again

Moody's Investors Service downgraded Kmart's credit rating for the second time in less than a month, citing concerns about the operating performance of the retailer and uncertainty about the success of its business strategy. C2.

Stocks Dip After Greenspan Talk

The major stock indexes dropped after Federal Reserve Chairman Alan Greenspan warned that the economy still faced some significant risks. The Standard & Poor's 500-stock index fell 10.95 points, or 1 percent, to 1,145.60; the Nasdaq composite index lost 24.78 points, or 1.2 percent, to 2,022.46; and the Dow Jones industrial average declined 80.33 points, or 0.8 percent, to 9,987.53. C6.

Japan's Leader Visits His Neighbors

Prime Minister Junichiro Koizumi, who winds up a tour of Southeast Asia on Monday, is finding that Japan is no longer greeted as a leader. Mr. Koizumi had hoped to promote regional cooperation and trade liberalization, but instead has been confronted with questions about Japan's attempts to contain its troubles by letting the yen fall in value. C2.

Wholesale Prices Fell in December

Producer prices declined an unexpected 0.7 percent last month, resulting in a drop of 1.8 percent for the year. C16.

DaimlerChrysler Raises Some Cash

DaimlerChrysler has forced Deutsche Telekom to buy out its interest in Debit Systemhaus, a software joint venture, for 4.6 billion euros (\$4.1 billion) in cash, two years earlier than planned. C2.

AngloGold Extends Tender Offer

One of the most drawn-out takeover battles in the mining industry was extended after the board of AngloGold gave shareholders of Normandy Mining, Australia's largest gold producer, another week to consider its plan. C2.

Regulators Close a Miami Bank

Federal regulators have closed Hamilton Bank, a Miami-based bank with roots among Cuban-Americans, citing worries about its financial soundness. Hamilton, with about \$1.3 billion in assets and \$1.2 billion in deposits, specializes in financing trade deals among companies in the United States, Central America, the Caribbean and South America. C6.

Polaroid Withdraws Pay Plan

Polaroid has withdrawn a controversial executive compensation plan from the agenda of a bankruptcy hearing next week and says it is reworking the plan after criticism from retirees and workers. C6.

<http://www.nytimes.com>

GRAPHIC: Photo

Chart: "YESTERDAY"

Dow industrials -- 9,987.53 down 80.33
Nasdaq composite -- 2,022.46 down 24.78
10-yr. Treasury yield -- 4.86% down 0.11
The euro -- \$0.8925 up 0.0008
The dollar -- 132.24 yen down 0.45

Graph shows daily closing share prices of Ford from January-December 2001.
(Source: Bloomberg Financial Markets)

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January 12, 2002, Saturday, Late Edition - Final

SECTION: Section A: Page 2; Column 3; Metropolitan Desk

LENGTH: 1190 words

HEADLINE: NEWS SUMMARY

BODY:

INTERNATIONAL A3-6

Military Chief Says India Is Ready to Fight Pakistan

Gen. S. Padmanabhan said the military was prepared for a large-scale conventional war with Pakistan and could deliver a devastating nuclear blow if Pakistan struck first. A senior official said the remarks had not been cleared by the prime minister. A1

Palestinians Hold 3

The Palestinian Authority detained three officials accused by Israel of overseeing the smuggling of arms into the West Bank and Gaza. Yasir Arafat again denied any knowledge of the smuggling attempt. A5

The runway of Gaza International Airport -- a potent symbol of Palestinian aspirations for statehood -- was blocked with piles of broken concrete after Israeli tanks and bulldozers dug trenches in the tarmac. A5

Argentine Peso Falters

Freed from its link to the American dollar, the peso dropped sharply on foreign exchange markets. A4

World Briefing A5

NATION CHALLENGED A7-8

First Flight of Captives Arrives at Guantanamo

Twenty prisoners from the Afghanistan war -- including an Australian -- arrived at the American naval base at Guantanamo Bay, Cuba. A7

Iran Obtained U.S. Missiles

Iran bought American-built Stinger antiaircraft missiles in Afghanistan in 1994 and passed them to a Lebanese-based terror group, but the missiles proved defective, American intelligence reports say. A7

Gauging Actions in Crackdowns

Some reports submitted to the United Nations on what members are doing to combat terrorism underscored warnings from human rights groups that some governments could use the campaign to settle scores. A7

Singapore Plot Detailed

Terror suspects arrested in Singapore last month are linked to Al Qaeda and planned to bomb Western targets, Singapore said. A8

Border-Control Proposal

The White House Office of Homeland Security set off a storm in the Bush administration with a proposal to create an agency to consolidate border security efforts now spread across the federal government. A8

Charges Tied to Aviation Radio

An Egyptian student, Abdallah Higazy, 30, who was staying in a hotel room with a view of the World Trade Center on Sept. 11, was charged with lying to federal investigators about an aviation radio in the room's safe. A8

NATIONAL A9-11

Man Guilty in Fatal Beating At Son's Hockey Practice

A jury in Cambridge, Mass., convicted Thomas Junta, 44, of involuntary manslaughter in the beating death of Michael Costin after an argument about rough play at a summer youth hockey practice game. He is expected to receive three to five years. A1

Weighing Capital Punishment

The Supreme Court agreed to decide a potentially far-reaching challenge to the constitutionality of death penalty laws in nine states where judges rather than juries determine whether a killer is sentenced to death. A10

Inmate Tells of Bomb Plot

A Florida inmate told the authorities that there was a plot to bomb Gov. Jeb Bush, but law enforcement officials said none of the inmate's information had been substantiated. A9

Antibiotic Sales Prompt Suit

Florida and Washington State have sued the Aprescribe.com online pharmacy and a Florida physician who prescribed Cipro, a prescription antibiotic that can be used to treat anthrax, without examining or speaking with the patients. A9

Bush Recess Appointments

President Bush used a backdoor procedure to appoint two nominees to high-ranking positions in the State and Labor Departments without Senate approval. Over the objections of some Senate Democrats, Mr. Bush appointed Otto J. Reich as assistant secretary of state for Western Hemisphere affairs and Eugene Scalia as Labor Department solicitor. A10

Religion Journal A16

NEW YORK/REGION B1-5

Ground Zero Tape Becomes Training Tool and Memorial

Firehouses have been showing a 90-minute videotape that captures some of the most striking images and sounds of the chaos at the World Trade Center on Sept. 11. The tape was made by a French filmmaker who happened to be recording firemen in Lower Manhattan when the first plane struck the north tower. The filmmaker says he wants to turn the tape into a documentary and give it to the families of the dead. A1

Pataki Health Spending Plan

The governor wants lawmakers on Monday to approve a wide array of new health care spending, program cuts and taxes that include money for doctors' malpractice bills, lower payments to pharmacists and a higher cigarette tax. Parts of the package are already meeting resistance both inside and outside the State Legislature. B1

New Jersey Trooper Chief

Governor-elect McGreevey chose Joseph Santiago, 56, who gained a reputation as a tough, strong-willed leader as director of the Newark Police Department, to lead the state police. B1

Neediest Cases B2

ARTS & IDEAS B7-20

New Repository for Film Photos

The Museum of Modern Art, rejecting protests from the New York film community, will move its rich collection of four million still photographs from films -- a rare record of cinema history -- to a Pennsylvania storage center for an indefinite period. B7

SPORTS D1-7

OBITUARIES C18

W. A. Criswell

A minister who led the conservative movement now in control of the Southern Baptists and a former pastor of the First Baptist Church of Dallas, one of the denomination's first megachurches, he was 92. C18

BUSINESS DAY C1-16

Enron's Calls to Treasury

Enron's president, Greg Whalley, repeatedly called a senior Treasury Department official, Peter R. Fisher, to seek help last fall in arranging bank loans for the energy company as it scrambled to avoid collapse. A1

Concern that the escalating Enron inquiry could ensnare the White House has rattled some Republicans in Congress, who nonetheless are warning Democrats against trying to use the case for partisan advantage. A1

Sweeping Cutbacks at Ford

Ford cut 35,000 workers, closed five plants, including one in Edison, N.J., and dropped four models, including the Lincoln Continental and the Ford Escort, as it scaled back North American production by a million cars and trucks a year. A1

Caution From Greenspan

Alan Greenspan, the Federal Reserve chairman, said the economy was not yet out of danger, injecting a powerful voice of caution into a growing consensus on Wall Street that a recovery was imminent or already under way. C1

Setback for Microsoft

A federal judge in Baltimore rejected a settlement of more than 100 private class-action suits against Microsoft involving the contention that the company had overcharged for Windows, the operating system on 95 percent of all PC's sold. C1

Business Digest C1

EDITORIAL A14-15

Editorials: Minimizing the Enron taint; nuclear weapons subtraction; the Crown Heights saga, cont'd.

Column: Bill Keller.

Bridge B13

TV listings B20

Crossword B17

Weather D8

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The New York Times

January 12, 2002, Saturday, Late Edition - Final

SECTION: Section A; Page 14; Column 1; Editorial Desk

LENGTH: 369 words

HEADLINE: Minimizing the Enron Taint

BODY:

As he tries to figure out how to handle the backwash from the collapse of Enron, George W. Bush has a great advantage. Having watched what happened to his predecessor, he should understand the importance of simply making everyone tell the truth right away.

It is going too far at the moment to call the collapse of Enron a scandal for the Bush administration. The head of Enron was one of the president's biggest campaign donors, and we now know that he called two cabinet officers last fall to warn them that the company was in terrible trouble. But none of that was necessarily improper, and there is no indication that those calls or other conversations between Enron executives and administration officials led to any action by the government.

That has not stopped Mr. Bush from trying to sidestep the Enron connections to his administration. He implausibly claimed this week that Enron's chief executive, Kenneth Lay, a longtime friend and financial supporter, was actually an associate he had somehow inherited from his Democratic predecessor as governor of Texas, Ann Richards. Treasury Secretary Paul O'Neill's assertion that Mr. Lay never asked for federal help sounds peculiar now that a top aide to Mr. O'Neill has reported getting many such requests from Enron.

There are plenty of things Mr. Bush can do to inoculate himself against any taint from the Enron disaster. He should embrace campaign finance reform, demand a severing of ties between Enron and those around him and cooperate with all Congressional investigations on the issue.

Enron might seem less threatening to Mr. Bush if his presidential campaign had not received huge contributions from the company and its top officials. The best way for Mr. Bush to minimize such taint is to work with Congress to ban unregulated party donations by corporations, unions and rich individuals, known as soft money.

Mr. Bush should follow the example of a predecessor he admires. After 1904 President Theodore Roosevelt discovered that corporations had been squeezed for donations to his campaign by his former commerce secretary, and he responded by calling for a ban on corporate donations. It was enacted in 1907.

Mr. Bush can take other steps on his own. He should ask his hand-picked choice for chairman of the Republican National Committee, former Gov. Marc Racicot of Montana, to withdraw from the party job or resign from a law firm that has lobbied on behalf of Enron and other clients.

The president can also prevent any taint from spreading by ordering administration members to cooperate with all relevant investigations into Enron and the extent to which it has influenced administration energy policies. Enron officials were frequently consulted by Vice President Dick Cheney's energy task force in crafting an administration policy and an energy bill that conformed with Enron's financial interests, particularly on energy regulation. Mr. Cheney should immediately turn over all records on those consultations to Congressional committees and the General Accounting Office.

The president should recognize that secret consultations on energy have undercut the legislation that the administration backs in Congress. That is the nature of secrecy and campaign money. Mr. Bush can get rid of the problem if he acts boldly to disclose everything and place tight restrictions on the influence of money in politics.

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SECTION: Section A; Page 1; Column 5; Business/Financial Desk

LENGTH: 1602 words

HEADLINE: ENRON'S COLLAPSE: THE OVERVIEW;
ENRON SOUGHT AID OF TREASURY DEPT. TO GET BANK LOANS

BYLINE: By RICHARD W. STEVENSON

DATELINE: WASHINGTON, Jan. 11

BODY:

The president of the Enron Corporation repeatedly called a senior Treasury Department official last fall and sought help arranging bank loans for the energy company as it scrambled to avoid collapse, the Bush administration said today.

The official, Peter R. Fisher, the under secretary of the Treasury for domestic finance, spoke six or eight times during late October and early November with Greg Whalley, Enron's president, said Michele Davis, the department's spokeswoman.

Ms. Davis said that as Enron reached the point where its lenders had to decide whether to advance it more money, Mr. Whalley asked Mr. Fisher to call the company's banks.

Mr. Fisher "inferred he was being asked to encourage the banks to extend credit," Ms. Davis said.

She said that Mr. Fisher did not intervene on Enron's behalf. "He made no such calls," she said. Mr. Fisher declined to comment.

A spokeswoman for Enron, Karen Denne, said Mr. Whalley's conversations with Mr. Fisher were "informational." She said she was "not aware" of Mr. Whalley's seeking help from Mr. Fisher.

"We always felt it was appropriate to keep the Treasury Department informed of the Enron situation," Ms. Denne said. "Enron was the seventh-largest company in the country, and the largest energy player."

The Treasury Department also disclosed tonight that Robert E. Rubin, who was the secretary in the Clinton administration and is now chairman of the executive committee at Citigroup, the banking company, had called Mr. Fisher on Nov. 8 about the situation.

According to the account provided by the Treasury Department, Mr. Rubin asked Mr. Fisher what he thought of Mr. Fisher's calling the credit-rating agencies to encourage them to work with Enron's bankers to avert an immediate downgrade in Enron's debt. A downgrade would make it difficult for Enron to borrow more money.

Mr. Fisher, according to the department's account, responded that he did not think making such a call would be a good idea, and Mr. Rubin then agreed that his position was reasonable.

Analysts say Citigroup has lent at least \$750 million to Enron, and may also have additional liability through insurance policies that its Travelers subsidiary issued on Enron oil and gas contracts.

A person close to Mr. Rubin said the Treasury Department's account was largely accurate, emphasizing that Mr. Rubin had agreed in the end that it would not be appropriate for Mr. Fisher to make the call.

The disclosures came a day after the administration said that Enron's

chairman, Kenneth L. Lay, a major campaign contributor to President Bush, had contacted Treasury Secretary Paul H. O'Neill and Commerce Secretary Donald L. Evans, and had sought Mr. Evans's help in dealing with a possible downgrading of the company's credit ratings. Mr. Evans said he decided that it would be inappropriate to help.

The company's bankruptcy filing in December was a high-profile bookend to the go-go years of the 1990's. It has set off criminal investigations into both Enron and its auditor, Arthur Andersen & Company, inquiries into how regulators did not expose the problems in Enron's elaborate financial structure, and government reviews of how Enron employees lost much of their retirement savings by loading their 401(k) accounts with company stock.

But over the last few days, Enron's contacts with administration officials as it sought to avert bankruptcy have also become a case study in whether big campaign contributors get preferential treatment.

Administration officials said Enron did not get any special help from them. But Democrats in Congress are gearing up for hearings into the close ties between Enron and Mr. Bush's administration.

In a letter sent to Mr. O'Neill and Mr. Evans today, Representative Henry A. Waxman of California, the senior Democrat on the House Committee on Government Reform, asked whether the administration's contacts with Enron had given them early warnings of the company's financial trouble that could have helped avert big losses for shareholders and employees.

"The purpose of the request," Mr. Waxman's letter said, "is to determine why the administration apparently did nothing to mitigate the harm of the Enron bankruptcy to thousands of its employees and shareholders."

Administration officials said Enron had not provided Mr. O'Neill, Mr. Fisher or Mr. Evans any information that was not already in the newspapers. Asked about the political implications of the case, Ari Fleischer, the White House spokesman, said today, "This dog won't hunt."

Mr. Fleischer said the president's focus was on "getting to the bottom of this fully, through a criminal investigation and a thorough policy review."

But today's disclosure of additional contacts between the company and administration officials suggested the depth and complexity of Enron's dealings with the federal government and the scrutiny the company's failure could bring to both parties.

Even before its financial problems started to become apparent last summer, Enron was widely viewed as having considerable influence in Washington, and with the Bush administration in particular. Mr. Lay had been one of Mr. Bush's biggest contributors and had worked closely with Mr. Evans in raising money from business executives.

In one example of Enron's influence, Mr. Lay went to the Federal Energy Regulatory Commission's new chairman, Curtis Hebert Jr., earlier this year. According to an account Mr. Hebert gave to The New York Times and the PBS series Frontline, Mr. Lay offered to continue to support him in his new job if he would change his views on electricity deregulation.

Mr. Hebert said he refused the offer. He was later replaced. Mr. Lay recalled the conversation differently, saying that Mr. Hebert had sought Enron's support at the White House.

In contacting Mr. Fisher in the fall, Enron was in touch with an official who knew as well as any the sensitivity of government involvement in bailing out a company in difficulty. In 1998, while a top official of the Federal Reserve Bank of New York, Mr. Fisher had played a major role in organizing a rescue by the investment industry of Long Term Capital Management, whose collapse was threatening to ripple through the entire financial system.

According to the White House, Mr. Lay had specifically raised the comparison to Long Term Capital when he spoke to Mr. O'Neill on Oct. 28. Mr. O'Neill then raised the issue with Mr. Fisher, who responded that the comparison was "not apt," Mr. Fleischer said.

As under secretary for domestic finance, Mr. Fisher has the responsibility of keeping tabs on the financial markets and on developments that might create problems for banks. During the period that Mr. Whalley was calling him about Enron's condition, Mr. Fisher was in regular contact with investment firms about whether Enron's problems would affect the financial system, administration officials and Wall Street executives said.

Enron's credit rating was downgraded on Oct. 29. The Securities and Exchange Commission announced on Oct. 31 that it had opened a full-fledged investigation into whether it had misled investors. Enron was trying to arrange a merger and a line of credit from banks to keep it solvent in the meantime.

Goldman Sachs Group and Morgan Stanley were among the firms contacted by Treasury Department officials weighing the potential implications of Enron's troubles, people at those firms said. Mr. Fisher spoke regularly throughout Enron's disintegration to Lloyd C. Blankfein, a senior executive who oversees Goldman's trading of bonds and commodities, including energy.

Other Treasury officials checked in with credit and trading managers at Morgan Stanley.

But people familiar with those conversations described them as fairly routine and informal and said they did not involve Morgan Stanley's chief executive, Philip Purcell, or Goldman's co-president John A. Thain. The discussions were about the firms' trading positions and financial exposure to Enron, not about a bailout of the company, these people said.

Mr. Blankfein declined to comment.

Mr. Fisher was also in contact with Dino Kos, the executive vice president and manager of the Federal Open Market Desk at the Federal Reserve Bank of New York, who serves as the Fed's eyes and ears on Wall Street.

"Every day Peter Fisher is in touch with people in the market gauging their concerns about what is happening in the world," Ms. Davis said. "It's a routine function of his job."

But Mr. Fisher's role in the affair is sure to come under additional scrutiny. According to his financial disclosure form and Treasury officials, Mr. Fisher has a small, indirect investment in Enron through a trust set up by his parents. Ms. Davis said the Enron stock in the trust was worth less than \$5,000 at the beginning of the fourth quarter, putting it below the level at which it would subject Mr. Fisher to government conflict of interest regulations.

The administration disclosed a number of other contacts with Mr. Lay today. Energy Secretary Spencer Abraham called Mr. Lay on Nov. 2 to ask about the situation. And Mr. Evans said through his spokesman, James Dyke, that he had spoken to Mr. Lay in mid-November to discuss a power plant that Enron operates in India.

But the administration also continued its efforts to play down its ties to Enron. In an interview with The Associated Press, Karl Rove, Mr. Bush's political adviser, said of Mr. Lay: "The president knows him. He is a friend. But the idea that he is a friend in the sense that this is a guy who's a close intimate is just ludicrous."

<http://www.nytimes.com>

GRAPHIC: Photo: Peter R. Fisher, an under secretary of the Treasury, was contacted by Enron before its collapse. (Bloomberg News) (pg. C4)

Chart: "DOLLARS AND CENTS: Enron's Political Giving"

Enron has been a generous political contributor to both political parties, to the Bush presidential campaign and to members of Congress.

Soft money contributions
FROM ENRON CORP.

To Republicans
ELECTION CYCLE
1999-2000: \$643,175\$
2001-2002: 67,252

To Democrats
ELECTION CYCLE
1999-2000: \$532,065
2001-2002: \$102,050*

FROM ENRON EXECUTIVES
(All to Republicans)

Kenneth L. Lay
Chairman, Enron Corp.
ELECTION CYCLE
1999-2000: \$325,200
2001-2002: \$7,710

Jeffrey M. Skilling
Former chief executive, Enron Corp.
ELECTION CYCLE
1999-2000: \$50,000
2001-2002: --

Forrest E. Hoeglund
Former chairman and chief executive, Enron Oil & Gas Co.
ELECTION CYCLE
1999-2000: \$125,000
2001-2002: \$34,572

Other contributions
To Bush presidential campaign by Enron Corp. PAC and employees: \$94,875
To the Bush-Cheney inaugural gala by Enron, Mr. Lay and his wife, and Mr. Skilling: \$100,000 each, for a total of \$300,000
Mr. Lay was one of the Bush campaign's Pioneers, people who raised at least \$100,000 for the campaign.

Contributions to current members of Congress (Top 12, 1989-2001)

SENATORS

Kay Bailey Hutchison R, Tex. \$99,500
Phil Gramm R, Tex. 97,350
Conrad Burns R, Mont. 23,200
Charles E. Schumer D, N.Y. 21,933
Michael D. Crapo R, Idaho 18,689
Christopher S. Bond R, Mo. 18,500
Gordon H. Smith R, Ore. 18,000
Jeff Bingaman D, N.M. 14,124
Chuck Hagel R, Neb. 13,331
Pete V. Domenici R, N.M. 12,000
John B. Breaux D, La. 11,100
John McCain R, Ariz. 9,500

REPRESENTATIVES

Ken Bentsen D, Tex. \$42,750
Sheila Jackson-Lee D, Tex. 38,000
Joe L. Barton R, Tex. 28,909
Tom DeLay R, Tex. 28,900
Martin Frost D, Tex. 24,250

Charles W. Stenholm D, Tex. 14,439
Chet Edwards D, Tex. 10,000
Doug Bereuter R, Neb. 10,000
Larry Combest R, Tex. 9,820
John D. Dingell D, Mich. 9,000
Earl Blumenauer D, Ore. 8,500
Kevin Brady R, Tex. 8,000

*Includes a \$100,000 contribution to the Democratic Senatorial Campaign Committee made in the fall of 2001. The committee is considering giving the contribution to charity.
(Sources: Political Money Line soft money contributions and contributions to Bush presidential campaign ; Center for Responsive Politics top Congressional recipients, inaugural gala donations)
(pg. C4)

LOAD-DATE: January 12, 2002

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The New York Times

January 12, 2002, Saturday, Late Edition - Final

SECTION: Section A; Page 1; Column 6; Business/Financial Desk

LENGTH: 1352 words

HEADLINE: ENRON'S COLLAPSE: THE POLITICS;
Parties Weigh Political Price Of Enron's Fall

BYLINE: By RICHARD L. BERKE

DATELINE: WASHINGTON, Jan. 11

BODY:

Concern that the escalating Enron inquiry could ensnare the White House has rattled some Republicans in Congress, who said they were not yet willing to defend the administration while so many facts were still unknown but who warned Democrats against trying to use the case for partisan advantage.

In interviews, many Republicans said they were hopeful that the investigations would conclude that administration officials had done nothing wrong. But they were approaching the matter warily because so many questions remained unanswered.

"The danger here is if somebody acted in a capacity for the administration and the administration cut them a special favor," said Representative Thomas M. Davis III of Virginia, chairman of the National Republican Congressional Committee. "Then you have an issue. So far, there's no evidence of that. But we have a responsibility to take a look."

Representative Mark Foley, Republican of Florida, said that while he would be surprised if there was a finding of wrongdoing by the White House: "I don't think this goes away. We have to go to where this leads us. It doesn't matter if it's a cabinet secretary or a line worker in the White House."

Mr. Foley added, "When the front page described a presidential link, it's not helpful."

Already, the publicity over Enron has unnerved Republican politicians as Mr. Bush tries to keep the public rallied behind the war and his plans for the economy, and his party is gearing up for midterm elections. With the prospect of Congressional hearings, the distraction is likely to continue for some time.

"This is counterproductive to us keeping focused on what we need to keep focused on," said Mike McDaniel, chairman of the Republican Party in Indiana. "We still have men and women out there putting their lives on the line. But the Democrats are ramping it up to make it an issue in the campaign."

Indeed, Democrats are savoring what some describe as the biggest opening they have had to portray Mr. Bush and his party as pawns of special interests. Several party leaders said their strategy was to not appear crassly political by attacking the White House. Instead, they intend to sit back quietly, expressing sympathy for workers and investors hurt by Enron's collapse as Republicans face a cascade of questions.

"The strategy is going to be to let the investigation take its course and not to dial it up politically," said one Democratic Party official. "If your enemy is shooting themselves in the foot, you let them."

Terry McAuliffe, the Democratic Party chairman, followed just that course in an interview, saying, "This issue does not need any fuel from Terry McAuliffe. It has enough on its own. So I'm going to stay right out of it."

The Democrats also could be restrained by the disclosure today that Robert E. Rubin, the Treasury secretary under President Bill Clinton and now a top executive at Citigroup, had called a senior Treasury official to ask whether he would consider asking a bond-rating firm to hold off on downgrading Enron's debt, a move that could cost Citigroup millions of dollars. The Treasury official, Peter Fisher, a Democrat, said he would not intercede.

Another reason Democrats said they were treading carefully is that Enron was also a generous donor to Democrats, including Senators Charles E. Schumer of New York, Jeff Bingaman of New Mexico and John B. Breaux of Louisiana and Representative John D. Dingell of Michigan. In fact, Republicans plan to portray the Enron collapse as a bipartisan disaster.

"It's a little difficult for the Democrats to point their fingers," said former Representative Bill Paxon, a New York Republican who is close to the White House.

Tad Devine, a top strategist for Al Gore in the 2000 presidential campaign, conceded: "Our party has to be careful in the way we pursue it. The Republicans demonstrated in the 90's that if you are overzealous in political persecution, you'll pay a price."

But Mr. Devine asserted that Enron's donations to Democrats would not deter his party from making it a campaign issue. "Sure, Democrats received money from Enron," Mr. Devine said. "But the locus of support Bush had, with Enron being out of his home state, could make this a very big problem for him."

The White House is clearly on the defensive. Today, for perhaps the first time in her tenure as Vice President Dick Cheney's counselor, Mary Matalin was in full political tilt. She and other Republicans invoked Clinton scandals -- including his affair with a White House intern -- as they defended their own president.

Appearing this morning on the Don Imus radio program, Ms. Matalin said critics "act like there's some billing records or some cattle scam or some faked travel aides or some blue dress."

The president himself has also been on the defensive, putting some distance between himself and Kenneth L. Lay, the chairman of Enron, by saying that Mr. Lay had supported Ann Richards, the former Democratic governor of Texas, over him in the 1994 campaign.

Besides trying to stoke questions about the Democrats, the White House approach is to make the point that the president has nothing to hide.

"If anybody else wants to focus on politics, that's their prerogative," said

Arl Fleischer, the White House press secretary. "But the president's focus is on getting to the bottom of this fully" by supporting a thorough criminal investigation and policy review.

Asked if the Enron affair and the resulting investigations could dog the president throughout the year, Mr. Fleischer said: "This dog won't hunt. That's a reference to the politics of it."

Yet the unfolding Enron case has already set off a frenzy of finger-pointing among Republicans, some of whom have raised questions about the role of Paul H. O'Neill, the Treasury secretary, and Donald L. Evans, the Commerce secretary.

One senior adviser to the White House said: "The administration wanted this to be the week of the president's bipartisan education bill and continued success in the war in Afghanistan and beginning of a pivot to the State of the Union. I don't think the Sunday shows are going to spend a lot of time talking about the education bill. Do you? It's all Enron all the time now."

Another adviser to the White House said that while the accusations from some Democrats were overheated, he feared that "nothing is going to keep people from frothing about this, and it gets the president off message and makes him reactive."

Some Democrats who worked in the Clinton administration and endured years of scandals were privately celebrating the latest turn for Mr. Bush.

Geoffrey Garin, a Democratic pollster, said the Enron case could be beneficial as his party's candidates make the case this fall that Republicans are a party of special interests and big business.

"This is a story about a powerful and well-connected corporation hurting average people and it goes to the heart of how voters see the differences between Republicans and Democrats," Mr. Garin said. He conducted a nationwide poll last week, he said, which found that "already over 60 percent of the electorate know about the Enron situation."

An element of the Democrats' strategy is to depict the Democrats as the only party willing to pass laws to protect workers at companies like Enron.

Gov. Jeanne Shaheen of New Hampshire, a Democrat, framed it as an economic matter. "It's a potentially big issue," she said. "Everyone who has watched what's happened to the employees of Enron who have lost all their retirement savings while management cashed out is very concerned."

Tom Cole, a former chief of staff for the Republican Party, put forth his concern: "The real question is, was there something given to Enron that was inappropriate? I don't have the answer to that."

But, Mr. Cole added, "If Whitewater didn't help us, I don't think Enron's going to help them. The politics of scandal have not been successful in tipping the partisan balance of power in Washington during the Clinton administration. And particularly in the wake of Sept. 11, this stuff seems pretty trivial."

<http://www.nytimes.com>

GRAPHIC: Photos: Many Democrats see Enron's ties to the Bush administration as a potent political weapon to use against the Republican Party in midterm elections this year. But Enron also contributed heavily to the campaigns of many Democrats, including, from left, Senator Jeff Bingaman of New Mexico, Senator Charles E. Schumer of New York and Representative John D. Dingell of Michigan. As a result, some Republicans said they would portray the company's influence as bipartisan. (Susana Raab for The New York Times); (Associated Press); (Associated Press)(pg. C5)

LOAD-DATE: January 12, 2002

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The Washington Post

January 12, 2002, Saturday, Final Edition

SECTION: A SECTION; Pg. A01

LENGTH: 1718 words

HEADLINE: Rubin Asked Treasury About Aid to Enron

BYLINE: Dana Milbank and Susan Schmidt, Washington Post Staff Writers

BODY:

Former Clinton Treasury secretary Robert E. Rubin telephoned a top Treasury official last fall to explore whether the Bush administration could intervene on behalf of Enron Corp. as the giant energy company neared collapse, officials said yesterday.

Rubin, chairman of the executive committee at Citigroup, one of Enron's main creditors, called Peter Fisher, Treasury undersecretary for domestic finance, and asked "what he thought of the idea" of calling bond-rating agencies to help forestall a crippling reduction in Enron's credit rating, according to a statement released by the Treasury Department.

Fisher told Rubin that he didn't think it was advisable, and did not make a call, Treasury said.

The news of Rubin's efforts concluded another day of disclosures at the Treasury Department, on Capitol Hill and elsewhere about the extent of government contact with Enron executives in the weeks before the company's filing for bankruptcy court protection.

Yesterday's developments included the Treasury Department's disclosure that Enron President Lawrence "Greg" Whalley had "six to eight" conversations last fall with Fisher, including one in which he asked Fisher to call Enron's lenders as they decided whether to extend credit to the company.

Also yesterday, Congress moved closer to filing a lawsuit against Vice President Cheney to force the release of information on administration meetings with energy industry executives last spring. Congressional Democrats want to know how much influence the executives may have had on administration energy policy.

Enron's Dec. 2 filing for bankruptcy law protection was the largest in U.S. history, wiping out the pensions of thousands of workers. The Justice Department opened a criminal investigation into the collapse, and President Bush on Thursday created task forces to examine changes to the law to protect pensioners in bankruptcies.

That same day, Enron's auditor acknowledged it had destroyed thousands of documents; two Bush Cabinet secretaries said they had received calls from Enron's chief executive, Kenneth L. Lay, as the company neared collapse; and Attorney General John D. Ashcroft recused himself from the government's criminal probe because he had received contributions from Enron for his 2000 senatorial campaign.

As lawmakers and the administration tried to sort out the legal and political consequences of the growing controversy, the administration argued forcefully that there was no wrongdoing because its officials did not intervene

to aid Enron. But some Democrats, including Rep. Henry Waxman (D-Calif.), said the administration should have tried to protect Enron workers and pensioners after learning the company was about to declare bankruptcy.

The Treasury Department's statements about Rubin showed Enron's political reach and the administration's determination to point out that the company had contacts with prominent Democrats as well as Republicans.

According to the Treasury statement, Rubin inquired Nov. 8 whether the government could encourage the bond agencies to work with Enron's lenders to "see if there is an alternative to an immediate downgrade" of Enron's credit rating. The downgrade likely would have forced the company into bankruptcy.

A source close to Rubin said the Treasury statement was "largely accurate," but that Rubin prefaced the call by telling Fisher, "This is probably not a good idea." The source said that a potential merger between Enron and its Houston neighbor, Dynegy Inc., was in trouble and that Rubin was "trying to hold it all together."

Citigroup is one of Enron's two principal bankers, along with J.P. Morgan. The banks were side by side with Enron in November as it struggled to keep alive the Dynegy deal. The banks have taken the lead in trying to raise as much as \$ 1.5 billion to help Enron through its bankruptcy reorganization effort.

The Treasury Department also said that in one of his telephone calls to Fisher during late October and early November, Whalley suggested Fisher help Enron secure a credit extension. Enron yesterday suggested the comment was made in jest. Fisher declined to ask for the extension, Treasury spokeswoman Michele Davis said, but he did talk to banks about whether Enron's collapse would so rattle the banking system or capital markets that the government would be forced to intervene. The answer Fisher received, Davis said, was that the banks and markets could absorb the loss.

The disclosures portray more intensive contact between the administration and Enron than the White House had indicated on Thursday. The administration said then that Lay had two conversations with Treasury Secretary Paul H. O'Neill and one with Commerce Secretary Donald L. Evans.

Lay suggested to Evans that it would be helpful for Evans to try to persuade a private credit-rating agency not to downgrade Enron's debt, and Evans declined, according to the Commerce Department.

The administration said nobody intervened to aid Enron. White House spokesman Ari Fleischer and Mary Matalin, senior aide to Cheney, said they do not believe any White House officials, including Bush and Cheney, heard of the approaches from Enron officials until Thursday.

Congressional aides said yesterday that senior Democratic senators were preparing a letter to the investigative arm of Congress, the General Accounting Office, encouraging it to proceed with efforts to obtain records of meetings by Cheney's energy task force, which drew up the administration's energy policy last spring. The GAO has said it would decide within a month whether to file a lawsuit to obtain the records, which the White House has said it would not provide. Congressional officials said GAO action is likely to come soon, but the agency is waiting for a guarantee of support from lawmakers. Senate aides said Sen. Byron Dorgan (D-N.D.), who heads a Commerce subcommittee examining Enron, has been working on a letter of support to the GAO, possibly to be joined by others.

A spokeswoman for Sen. Joseph I. Lieberman (D-Conn.), chairman of the Senate Governmental Affairs Committee, said he believes "Congress has a right to the information" and hopes the administration will turn it over without a lawsuit.

Some Republican lawmakers have also called on the White House to provide the records of its energy task force. "It is just basic information that should be provided and isn't a big deal," said one source. "The fact that the administration doesn't

Christopher Shays (R-Conn.), who called on the GAO to proceed. Earlier this month, the White House disclosed that its energy task force met six times with Enron officials but said the company's finances were not discussed.

Natalin said the administration position on releasing the information was unchanged. "If they want to know what we discussed, read the first energy policy in a generation," she said. The House Energy and Commerce Committee asked yesterday for hundreds of new records from Enron's auditor, Arthur Andersen LLP, including the personal files of David Duncan and five other Andersen partners involved in the audit of the company. The committee believes many of the destroyed documents were e-mails sent to and from executives, committee spokesman Ken Johnson said.

The Senate's Permanent Subcommittee on Investigations issued 51 subpoenas to Enron and Andersen yesterday. Its chairman, Sen. Carl Levin (D-Mich.), said, "We are going to be looking into the circumstances surrounding the board members' Enron stock and option trades, the conduct of the board's audit committee, the conduct of the board with respect to both internal and external audits."

While congressional committees pursued their investigations, political party officials tried to taint each other with donations received from the company. Since 1989, Enron has made \$ 5.8 million in campaign donations -- 73 percent to Republicans and 27 percent to Democrats.

The Republican National Committee pointed out that a large number of top Democrats received Enron contributions, including Lieberman, Senate Majority Leader Thomas A. Daschle (S.D.) and House Minority Leader Richard A. Gephardt (Mo.). The RNC also pointed out that the Democratic National Committee had received \$ 285,000 in Enron contributions in 2000. But Rep. Thomas M. Davis III (R-Va.) said yesterday the National Republican Congressional Committee will return \$ 100,000 donated by Enron last year and called for bipartisan investigation into the company's bankruptcy and requests for government help.

"If anybody else wants to focus on politics, that's their prerogative, but the president's focus is on getting to the bottom of this fully," Fleischer said. As a political issue, he said, "this dog won't hunt."

Fisher, the Treasury official asked to intervene with Enron's lenders, is a Democrat. He was previously with the Federal Reserve Bank of New York and helped orchestrate a private-sector bailout for Long-Term Capital Management, a \$ 4 billion hedge fund.

His current job is to monitor the financial markets. He kept in contact with the big players on Wall Street, constantly asking if they sensed any fallout from Enron's market condition. Michelle Davis said Fisher "politely demurred" when he sensed he was being asked to contact the banks. Robert Bennett, an attorney for Enron, said Whalley called Fisher whenever there was bad news to report, but suggested his comments were less sinister than the Treasury Department indicated. According to Bennett, Whalley told Fisher, "It would be nice if you could get these banks to lend us some money. But I should tell you, our credit is not good." Bennett said Whalley then laughed.

In addition to calling O'Neill and Evans, Lay called Federal Reserve Chairman Alan Greenspan on Oct. 26. "We will not characterize the conversation," a Fed spokeswoman said. "The chairman did nothing in response to the call because it would have been inappropriate."

Karen Denne, spokeswoman for Enron, said: "Mr. Lay does not believe he asked for anything. He wanted to provide information."

Staff writers John M. Berry, Glenn Kessler and Spencer Hsu contributed to this report.

LOAD-DATE: January 12, 2002

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The New York Times

January 11, 2002, Friday, Late Edition - Final

SECTION: Section C; Page 4; Column 1; Business/Financial Desk

LENGTH: 927 words

HEADLINE: ENRON'S COLLAPSE: THE PENSIONS;

Bush Promises a Look at Employee Risks, but Experts Say Solutions Won't Be Easy

BYLINE: By DANIEL ALTMAN

BODY:

Reacting to the destruction of the retirement savings of thousands of employees of the Enron Corporation, President Bush said yesterday that the administration would start looking at ways "to make sure that people are not exposed to losing their life savings as a result of a bankruptcy."

But without changes in law and corporate behavior, the White House may have a hard time reaching that goal.

Many Enron employees lost their retirement savings because the savings were tied up almost exclusively in company securities. Over half the funds in Enron's 401(k) plans for employees were invested in Enron's own shares.

That situation is by no means unique, said J. Mark Iwry, a former benefits tax counsel at the Treasury Department. Survey data suggest that more than 30 percent of assets are invested in company stock at those companies that allow their stock to be included in their 401(k) plans. And in companies like Enron, where management has some influence over how employee savings are invested, slightly over half the assets on average are in company stock.

Why, given the seemingly obvious benefits of diversification, would workers still end up putting so many nest eggs in the same basket?

By law, companies must offer several options for 401(k) plans. But unlike traditional pension plans, which cannot put more than 10 percent of their assets in any one company, the rules governing 401(k) plans do not set limits. And many companies give their employees big incentives to buy shares with their 401(k) contributions. Companies often match employee contributions only with stock and impose limits on how soon the shares can be sold.

Secretary of the Treasury Paul H. O'Neill said yesterday that he would consider ways to give American workers, more than 40 million of whom have money in 401(k) plans, more freedom to make investment decisions.

But Brigitte Madrian, a professor of economics at the University of Chicago, said holders of 401(k) plans generally show little initiative. Most people stick with the default 401(k) plan set up by their company, even if that plan invests solely in the company's shares. And employees are unlikely to keep close tabs on their retirement savings, despite the possibility of a sudden collapse like Enron's. "Most people aren't in the habit of tracking their 401(k) investments on a daily basis," she said.

The reasons employees buy their own companies' shares may go beyond company rules. People may simply be more confident in their employers than in the rest of the market. James Delaplaine, vice president for retirement policy at the

American Benefits Council, said that even though Enron employees had opportunities at certain times to diversify their savings, many still chose to invest heavily in the company's stock because of their loyalty to Enron and its past success.

Sometimes, colleagues' confidence is enough. "Some employees felt social pressures to put even their own money into company stock," Ms. Madrian said. Those workers, she said, suffered the most when Enron's value crumbled.

Legislation has intensified such trends, according to Mr. Iwry. He cited tax deductions on dividend payments for shares bought through employee stock ownership plans. Such

McGivern, Tom

From: Denise.C.Dittrich@frb.gov
Sent: Monday, December 03, 2001 12:56 PM
To: Tom.McGivern@do.treas.gov
Subject: Re:

I found the filings on Enron's website. Thanks anyway.

Tom.McGivern@do .treas.gov	To: denise.c.dittrich@Frb.GOV cc:
12/03/01 11:47 AM	Subject:

I haven't found the filing anywhere yet, but the best place to look may be the following web sites:

<http://www.nysb.uscourts.gov/> - this is the bankruptcy court for the Southern District of NY, where the case was filed, but it may be that you get nothing from this site because it looks like you have to be registered on the PACER system to get access. The Fed probably could make a pretty decent argument that it should be registered. See the privacy statement on the site.

<http://www.abiworld.org> - the American Bankruptcy Institute site generally is very good about getting info before others

Fisher, Peter

From: Gross, Jared
Sent: Thursday, January 10, 2002 11:53 AM
To: Fisher, Peter
Subject: POTUS Remarks (less Middle East Q&A)

REMARKS BY THE PRESIDENT IN MEETING WITH HIS ECONOMIC TEAM

The Oval Office

9:42 A.M. EST

THE PRESIDENT: Thank you all for coming. I met with my economic security team last week to talk about ways to create jobs. We're meeting again with the components of the team to talk about one part of economic security, and that's pension security.

One of the things we're deeply concerned about is that there have been a wave of bankruptcies that have caused many workers to lose their pensions, and that's deeply troubling to me. And so I've asked the Secretary of Treasury, Secretary of Labor and Secretary of Commerce to convene a working group to analyze pensions, rules and regulations, to look into the effects of the current law on hard-working Americans, and to come up with recommendations how to reform the system to make sure that people are not exposed to losing their life savings as a result of a bankruptcy, for example.

As well, Secretary of Treasury, along with the SEC, the Fed, and the CFTC, are going to convene a working group to analyze corporate disclosure rules and regulations. In light of the most recent bankruptcy, Enron, there needs to be a full review of disclosure rules, to make sure that the American stockholder, or any stockholder, is protected.

And so, I think this is an important part of, obviously, other investigations that are ongoing. The Justice Department announced and informed us late yesterday that they're in the process of investigating aspects of the Enron bankruptcy. The administration is deeply concerned about its effects on the economy. We're also deeply concerned about its effects on the lives of our citizenry.

I'll be glad to answer a few questions.

Q When was the last time you talked to either Mr. Lay or any other Enron official, about the -- about anything? And did discussions involve the financial problems of the company?

THE PRESIDENT: I have never discussed, with Mr. Lay, the financial problems of the company. The last time that I saw Mr. Lay was at my mother's fundraising event to -- for literacy, in Houston. That would have been last spring. I do know that Mr. Lay came to the White House in -- early in my administration, along with, I think 20 other business leaders, to discuss the state of the economy. It was just kind of a general discussion. I have not met with him personally.

Q -- to inoculate and your administration politically from the fallout?

THE PRESIDENT: Well, first of all, Ken Lay is a supporter. And I got to know Ken Lay when he was the head of the -- what they call the Governor's Business Council in Texas. He was a supporter of Ann Richards in my run in 1994. And she had named him the head of the Governor's Business Council. And I decided to leave him in place, just for the sake of continuity. And that's when I first got to know Ken, and worked with Ken, and he supported my candidacy.

This is -- what anybody's going to find, if -- is that this administration will fully investigate issues such as the

Enron bankruptcy, to make sure we can learn from the past, and make sure that workers are protected.

Q What can you do about pensioners -- what can you do about pensioners now? Isn't that horse already out of the barn at Enron?

THE PRESIDENT: Our group is meeting, and they will bring recommendations here. They'll look at -- fully investigate what went on. My concern, of course, is for the shareholders of Enron. But my -- I have great concern for the stories -- for those I read about in the stories who put their life savings aside, and for whatever reason, based upon some rule or regulation, got trapped in this awful bankruptcy and have lost life savings.

And one of the things this group is going to do is take a good hard look at it.

Thank you all.



March 14, 2000

Norman K. Carleton
Policy Director
Office of Federal Finance
U.S. Department of the Treasury
Room 2034
Washington, DC 20220

Dear Mr. Carleton:

Norm

The Bond Market Association very much appreciates the important work of the U.S. Department of the Treasury and the President's Working Group regarding cross-product netting and asset-backed securitization reforms.

I would like to clarify the Association's position regarding a memo sent to you by Enron on March 1. The characterization of our Association's position concerning changes favored by Enron is inaccurate. Specifically, the memo states that "we expect ISDA and The Bond Market Association to agree to these provisions, as they had approved the earlier draft." As my staff communicated to you last fall when we were asked to review an earlier version of these proposals, the Association does not support the Enron proposals and Enron has no reason to imply or anticipate our approval of their proposed changes. We deferred entirely to the President's Working Group on these provisions and endorsed only the weather-derivatives amendment once it was accepted by the Working Group. We continue to defer to the President's Working Group on these proposals.

Enron did not discuss their March 1 memo with us prior to sending it to you, nor have they responded to numerous inquiries my staff has made with them since they sent it. Unfortunately, I therefore find it necessary to burden you with this clarification.

Thank you again for your leadership and support.

Sincerely,

John R. Vogt
Executive Vice President

01956