

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

RG

JUN 28 2004

Michael N. Milby, Clerk

MARK NEWBY, )  
 )  
 Plaintiff, )  
 )  
 VS. )  
 )  
 ENRON CORP., et al., )  
 )  
 Defendants, )

**UN-SEALED PER 2235**

CIVIL ACTION NO.H-01-3624  
(Consolidated)

**Sealed**  
Public and unofficial staff access  
to this instrument are  
prohibited by court order.

**Certain Officer Defendants' Opposition to Enron Task Force's Third Motion to Stay Depositions and Request for Expedited Consideration**

Certain former officers of Enron ("Officer Defendants")<sup>1</sup> file this opposition to the United States' Motion for a Limited Stay of Selected Depositions (filed June 23, 2004) ("Task Force's Third Motion").

**I. Preliminary Statement**

Whether the Enron Task Force should receive an indefinite stay of civil discovery depositions of its choosing has now been briefed by the Task Force three times.<sup>2</sup> The Task Force's latest motion

---

<sup>1</sup> The Officer Defendants joining in this opposition include: Richard B. Buy, Richard A. Causey, Mark A. Frevert, Steven J. Kean, Mark E. Koenig, Jeffrey McMahon, Cindy K. Olson, Kenneth D. Rice, Jeffrey K. Skilling, Joseph Sutton, and Lawrence Greg Whalley. The Officer Defendants understand that the Outside Directors represented by Gibbs & Bruns, LLP likewise oppose the relief sought by the Task Force and will be filing a separate pleading to that effect shortly. Because of the need to file this opposition within five days of the Task Force's motion, the Officer Defendants have not yet been able to determine whether other Insured Defendants who joined in Certain Insured Defendants' Opposition to Enron Task Force's Second Motion to Stay Depositions and Request for Expedited Consideration ("Opposition to Task Force's Second Motion") will be joining in this opposition. If appropriate, the Officer Defendants will notify the Court of any additional parties who join this motion.

<sup>2</sup>The Officer Defendants incorporate the arguments in Certain Officers' Opposition to Enron Task Force's Motion and Memorandum of Law for a Limited Stay of Selected Depositions ("Officers' Opposition") and the Opposition to Task Force's Second Motion.

2231

adds nothing of substance to the unavailing arguments in its prior motions. The depositions taken thus far belie the Task Force's vague claim that it will suffer some prejudice from the discovery of evidence in this civil case. The record to date also demonstrates that the Task Force will oppose the deposition of any witness from Enron, Arthur Andersen's Enron team, or the lead plaintiff in this case.

In its June 1, 2004 Order this Court recognized three concerns raised by the Task Force:

[T]he Task force maintains that the taking of these depositions will (1) unduly risk disruption of the criminal prosecutions; (2) raise the danger of disclosing sensitive information from the ongoing grand jury investigation; and (3) accord to the defendants in the criminal cases, who are also defendants in the putative class action cases, discovery to which they would not be entitled under the rules and procedures governing criminal cases.

(Order on United States' Motion and Memorandum of Law in Support of Its Request To Intervene and for a Limited Stay of Selected Depositions ("6/1/04 Order") at 2). The Court noted in its June 1, 2004, Order that scheduling could be worked out to avoid disruption of the criminal trials and the Task Force has not disputed that. Thus, the Task Force's first concern was satisfied. The Court also included a provision in that order that the civil discovery could not inquire about grand jury testimony, expected criminal trial testimony, or meetings with the government. So, the Task Force's second concern was also satisfied. The Court then noted that the Task Force's third concern, that criminal defendants might obtain discovery they would not get in the criminal case, "may not be avoidable," but also noted, "[I]t is well to remember that the Discovery Protocol Order was not negotiated in order to provide an end-run around criminal procedure rules." (6/1/04 Order at 3). As defendants explained in their prior brief, this case is not like the cases relied upon by the Task Force. Most of the defendants in this case are not criminal defendants, they did not bring this case, and they

moved to have it dismissed before discovery commenced. (Opposition to Task Force’s Second Motion at 4-5). The Task Force cannot contest those facts which put to rest any claim that this case is a sham to evade the criminal discovery rules.

This leaves the Task Force to argue only that it will suffer some undefined prejudice from the depositions at issue. But despite now having had three opportunities to do so, the Department of Justice has still not explained how the search for truth in the criminal cases will be impaired by depositions in this case. To the contrary, the two depositions taken over the Task Force’s objection demonstrate that the witnesses were unlikely to be called by the Task Force in any criminal case and that the Task Force has suffered and will suffer no prejudice from this civil discovery. The legitimate desire of the plaintiffs, the defendants (most of whom are not charged with any crime) and this Court to conclude this case expeditiously cannot be outweighed by an undefined, unstated, and unsupported claim of prejudice to the Enron Task Force.

**II. The Task Force’s Third Motion to Stay Should be Denied.**

**A. The Indefinite Stay for an Unidentified Group of Witnesses Will Destroy This Court’s Schedule.**

**1. The Task Force Seeks an Indefinite Stay.**

In its June 1, 2004 Order, this Court recognized, “[t]he stay sought by the Task Force would seem to be one of infinite duration.” (6/1/04 Order at 1). The Task Force continues to argue that this is not the case<sup>3</sup>, but the Task Force continues to request a stay “until these specific witnesses have concluded their testimony in the Criminal Cases.” (Task Force’s Third Motion at 3). The Task Force defines “Criminal Cases” to include not only the Bayly case, the Rice case, and the Skilling

---

<sup>3</sup> Task Force’s Third Motion at 7 (“Contrary to the parties’ assertion that the government is seeking a delay of ‘infinite duration’ . . .”).

case (that has yet to see even its first trial setting), but also other cases “related to the United States’ investigation of the collapse of Enron Corp.” (Task Forces Third Motion at 2). The Task Force admits that its investigation is “ongoing and is examining other acts and individuals” some of whom are “not yet charged.” (Task Force’s Third Motion at 2 and 6). Thus the Task Force seeks to stay depositions until the conclusion of trials in cases it has not yet even initiated. Even if indictments in those unnamed cases were issued today, those cases likely could not be tried before the end of the discovery period in this case. The Task Force’s stay is indeed one of “infinite duration.”<sup>4</sup> The “extremely tight” schedule in this case (6/1/04 Order at 2) cannot accommodate any delay of these central depositions, let alone one of undefined duration as requested by the Task Force.

**2. The Task Force Seeks to Stay Critical Depositions of Former Officers of Enron, Arthur Andersen’s Enron Engagement Team, and the Lead Plaintiff.**

Despite repeated requests, the Task Force has refused to provide a list of the witnesses whose depositions it seeks to indefinitely postpone. The Task Force has now sought to stay eleven depositions in this case, including the depositions of witnesses who worked in the Enron business

---

<sup>4</sup>While the Task Force seeks to delay most of the depositions to which it has objected until after all of the Criminal Cases are tried, it hints that it might seek to delay the three at issue in its third motion only until the conclusion of the trial of the Rice case. The Task Force states in a footnote that “once these individuals have completed their testimony in the Rice matter, which the government *anticipates* will conclude in the Fall of 2004, *it is unlikely* that the United States will seek to further stay their depositions in this case.” (Task Force’s Third Motion at 3 n.4 (emphasis supplied)). The original defendants in the Rice case were first set for trial in June of last year, but that case will now go to trial in October of this year, at the earliest. Recently the trial in the Bayly case was reset on the day it was supposed to begin and the Task Force superseded the indictment in that case again just last week. The Task Force cannot assure the Court that the trial in the Rice case will begin this Fall and even if it begins as scheduled in October, it may not conclude until sometime after the first of next year. And even after that trial is completed, the Task Force only states that “it is unlikely” that it will seek a further stay. This Court’s “extremely tight” schedule cannot accommodate even the delay envisioned by the Task Force’s most optimistic scenario.

units at the heart of the plaintiffs' allegations in this case, the members of Arthur Andersen's Enron Engagement Team, and the Lead Plaintiff. This is not a case of tangential witnesses being postponed until later in the discovery period. The Task Force is attempting to delay indefinitely the depositions of some of the most critical witnesses in this case.<sup>5</sup> The testimony being prevented by the Task Force's objections is not only critical to the defense of this case, it is also critical to the identification of other important witnesses. As explained in the Insured Defendants' prior brief, these witnesses' testimony will provide the jumping off point for a series of sequenced discovery that will follow up on, amplify, and explore the issues identified by these crucial early witnesses. (Opposition to Task Force's Second Motion at 9). The ambitious schedule the parties and the Court have in this case cannot be met if the parties are denied timely access to critical witnesses.

**a. John Bloomer and Bill Collins**

In its current motion, the Task Force seeks to delay the depositions of two former senior Enron Broadband Services officers, John Bloomer and Bill Collins. The Task Force argues that these witnesses will give testimony regarding "the circumstances surrounding this unit's failed development." (Task Force's Third Motion at 4). Messrs. Collins and Bloomer are two of the most relevant witnesses on the technical feasibility of EBS's business plan. Their depositions are essential to identifying witnesses and topics for further discovery.

---

<sup>5</sup>The Task Force points out that "it is no longer seeking to stay the deposition of Gary Peng or Margaret Ceconi." (Task Force's Third Motion at 2). The Task Force apparently allowed Mr. Peng to be deposed because he had already given testimony to the Enron Bankruptcy Examiner and that testimony has been produced in this case. Ms. Ceconi is reportedly out of the country, so obtaining her testimony in the civil case will be difficult and it appears unlikely that she will be testifying in any criminal trials anytime soon.

**b. Arild Holm**

The third witness the Task Force seeks to delay is Arild Holm, a former investment analyst for lead plaintiff, the Regents of the University of California. (Task Force's Third Motion at 4). Mr. Holm may be the most important representative of the plaintiff in this case. While Mr. Holm is critical to this case because, *inter alia*, he was employed by the lead plaintiff, he is only one of many analysts who examined Enron and EBS. Because he never worked at EBS, it is likely that Arild Holm has not appeared before the Enron Grand Jury.<sup>6</sup> In fact, it is likely that Arild Holm has never even met Mr. Rice or any of the other defendants in the Rice case. It is difficult to imagine how one of many analysts who had little or no contact with the defendants could "figure prominently in the Rice trial" or why any witness who will supposedly "figure prominently" in the Rice trial would never have appeared before the grand jury. Whatever role Arild Holm might have in the Rice trial could not be sufficient to outweigh the civil defendants' right to depose a former employee of the lead plaintiff that is accusing them of fraud.

**B. Contrary to the Task Force's Alleged Fears, the Depositions Have Not Unfairly Prejudiced the Task Force.**

In its First Motion for Stay the Task Force sought to stay, among others, the depositions of Ronald Hulme and Claudia Johnson. The Task Force argued that "all three witnesses [Ronald Hulme, Claudia Johnson, and Roger Willard<sup>7</sup>] have testified before the Enron Grand Jury. The United States expects to call all three to testify in the Rice matter and at least one, if not more, to testify in the Skilling trial once it is scheduled." (Task Force's First Motion at 5). The Task force

---

<sup>6</sup>The Task Force says that only "two of the three witnesses have testified before the Enron Grand Jury and all three figure prominently in the Rice trial." (Task Force's Motion at 4).

<sup>7</sup>Mr. Willard is scheduled to be deposed on July 19, 2004.

warned of dire consequences if these depositions were allowed to proceed. “If these depositions are permitted to take place it will undermine the Government’s position in the Criminal Cases and the criminal discovery process in those matters. Through these depositions the witnesses will be questioned regarding their expected testimony in the Criminal Cases and about meetings with the government and their testimony before the Enron Grand Jury, information the criminal defendants cannot obtain through the criminal discovery rules. . . . Such discovery could seriously impede, impair, and prejudice the criminal prosecution and related investigation.” (Task Force’s First Motion at 5-6). Ronald Hulme was deposed on June 3 and 4, 2004, and Ms. Johnson was deposed on June 22, 2004. None of the Task Force’s dire predictions came to pass. To the contrary, the depositions raise serious questions regarding whether the Task Force even intended to call either witness at any criminal trial.

**1. The Depositions Did Not Reveal Expected Criminal or Grand Jury Testimony or Meetings with the Government.**

The Task Force had warned that “the witnesses will be questioned regarding their expected testimony in the Criminal Cases and about meetings with the government and their testimony before the Enron Grand Jury.” As this Court will recall, the defendants stated in their briefs opposing the Task Force’s motion for stay that they would not ask about expected criminal trial testimony, grand jury testimony, or meetings with the government. This Court also entered an order prohibiting such

questioning. (6/1/04 Order at 4).<sup>8</sup> The parties complied with the Court's order and the Task Force suffered no prejudice.

**2. The Depositions Demonstrate that the Discovery in the Civil Case Has Not Interfered with any Prosecution Witnesses.**

The Task Force argued in its first motion that it “expects to call all three [Ronald Hulme, Claudia Johnson, and Roger Willard] to testify in the Rice matter and at least one, if not more, to testify in the Skilling trial once it is scheduled.” (Task Force's First Motion at 5). The Task Force never identified how deposing these witnesses would “interfere” with their testifying in any criminal cases and, in fact, there is no reason to believe that any civil deposition would cause any such interference. But in this case, there has not been any interference with any prosecution witness for an additional reason - - Ms. Johnson and Mr. Hulme's testimony demonstrates that neither of them was likely to be called by the prosecution at any criminal trial.

**a. Claudia Johnson's Testimony Does Not Support the Task Force's Allegations.**

Claudia Johnson was a Vice President of Public Relations for Enron Broadband Services and was involved in coordinating the issuance of press releases that the Task Force and the Plaintiffs claim were issued by Enron executives with intent to defraud. But Ms. Johnson testified that for each press release, “in order for me and my team to feel comfortable with the release before we sent it to the executives we would walk it through the technicians – . . . – and the product development individuals so that I was accurate and not embarrassing myself, you know, that these were definitely

---

<sup>8</sup>In its Second Motion the Task Force argued that the Court's order prohibited asking the witness about any topic that might also be the subject of the witness's anticipated trial testimony. (Task Force's Second Motion at 7-8). The Task Force no longer appears to be pressing its strained reading of this Court's order. (Task Force's Third Motion at 8-9 (“This distinction [between the Task Force's reading and the defendants'] - if there is one at all - is of no moment.”)).

how the words should be drafted.” (Johnson Tr. (excerpts attached as Ex. 1) at 107-08). Before she sent a press release to Enron corporate for approval she made sure, “with help from [her] technology support” that “everyone in Enron Broadband Services [was] comfortable with it.” (Johnson Tr. 36). Ms. Johnson also dispelled any possibility that the final press releases were inaccurate or not in accordance with the understanding of EBS’s technical staff. “Do you recall anyone bringing to your attention – . . . – any mistakes or inaccuracies [in any final issue press releases]? No.” (Johnson Tr. 90). Ms. Johnson also testified to broad circulation of press releases within Enron Broadband Services and the broad consensus on their contents. (*See, e.g.*, Ex. 50086 (attached as Ex. 2) and Johnson Tr. 154 (“Did anyone [of the scores of ECI<sup>9</sup>] employees state that any of these releases were false or misleading? No.”). Specifically with reference to two of the press releases that the government contends were fraudulent, Ms. Johnson did not recall any disagreement within Enron regarding those press releases. (Johnson Tr. 136). With regard to the now-famous 2000 analyst conference, Ms. Johnson said that no one said anything that she believed to be inaccurate, false, or misleading. (Johnson Tr. 212). Ms. Johnson could not recall “anyone at any meeting [of the people she worked with] suggesting that any public statements issued by Enron were false” or that “the company’s network was not functioning in a manner consistent with its public statements.” (Johnson Tr. 216-17). Ms. Johnson said that in the time she was at Enron she did not perceive any conduct that she believed to be fraudulent or criminal. (Johnson Tr. 222).

Ms. Johnson testified to no wrongdoing of any kind by any defendant. It is difficult to see any purpose for which the Task Force could have expected to call her in any criminal trial.

---

<sup>9</sup>ECI was a precursor to EBS.

**b. Ronald Hulme's Testimony Does Not Support the Task Force's Allegations.**

Ronald Hulme is a consultant at McKinsey & Company who worked on analyses of Enron Broadband Services. Mr. Hulme testified to McKinsey's access to Enron, which included attending a board meeting and having access to management, mid-level, and lower-level Enron employees. He also testified to the multiple McKinsey teams that worked on Enron engagements. (Hulme Tr. (excerpts attached as Ex. 3) 20-21, and 36). Mr. Hulme's testimony could not support any allegation of fraudulent or criminal conduct. The closest Mr. Hulme came to any allegation of wrongdoing was to say that at times some people within Enron Broadband Services were more optimistic about the company's prospects than he was. When asked about some challenges Mr. Hulme felt EBS faced and his discussion of them with Mr. Rice, Mr. Hulme testified to Mr. Rice's sincere optimism borne of overcoming similar challenges in the past.

Q. And although there clearly was a disagreement between you, on behalf of McKinsey, and Mr. Rice, did you believe it to be an honest disagreement?

A. I wouldn't even have described it as a disagreement at the time.

\* \* \*

A. He did not factually disagree.

Q. Did he disagree on the consequences of what you were pointing out?

A. **He was simply optimistic.** I recall him expressing the view that these were minor problems; we've been through more difficult things before, and, therefore, this is normal, and we'll persevere.

Q. When the gas marketing business was first developed, were there problems getting it off the ground?

A. I wasn't present for much of that time, but I believe that there were. **And I believe it was his impression that this was similar to those types of experiences.**

Q. Mr. Rice had lived through those battles in the gas arena, right?

A. Yes, he had.

Q. When the electric power business, the trading business was first developed, there were challenges at initiation?

A. I believe there were.

Q. And had Mr. Rice lived through those challenges, as well?

A. I think he had.

(Hulme Tr. 147-49 (emphasis supplied)). Mr. Hulme said that he "had no thought at the time that there was anything that was not honest about the reaction" he received from Mr. Rice and the rest of Enron's people. (Hulme Tr. 159-60). Despite all he has heard since that time, he is of the same view today.

Q. Sitting here today, do you have any evidence that any of the Enron officers were somehow engaged in fraudulent or criminal behavior with respect to Enron Broadband?

[objection omitted]

A. I – I do not.

(Hulme Tr. 162).

Like Ms. Johnson's, Mr. Hulme's testimony could not support any allegation of any crime. One hopes that the Task Force has just been overbroad in designating witnesses to be covered by its requested stay, because it would be disturbing to conclude that the Task Force is trying to prevent, or even delay any defendant, criminal or civil, from discovering exculpatory evidence in any case.

In any event, whatever interest the Task Force could possibly have in delaying the testimony of such witnesses, it could not possibly outweigh the interest that the defendants in this case, most of whom are not even accused in any criminal case, have in discovering this critical testimony in a timely fashion.

**c. There is No Danger of Witness Intimidation or Perjured Testimony.**

The Task Force acknowledges that “the concerns that usually merit a stay” are “perjured testimony and witness intimidation.” (Task Force’s Third Motion at 8 n.7).<sup>10</sup> The Task Force also acknowledges that “the government does not contend that such actions have taken place.” (Task Force’s Third Motion at 8 n.7). However, the Task Force argues that “the danger of such activities is never removed from a criminal matter such as this where the defendants, if convicted, stand to receive significant periods of incarceration and to incur substantial financial penalties.” (Task Force’s Third Motion at 8 n.7). The criminal case at issue here does not involve drug dealers or mobsters. Neither of the witnesses deposed to date were intimidated and neither of them perjured themselves and the Task Force knows that none of the defendants and none of the counsel in either case will be intimidating any witnesses or suborning any perjury. If the Task Force wants to derail the discovery in this case, it should come forward with more than unfounded speculation about improper conduct that it admits has never happened in any Enron-related case.

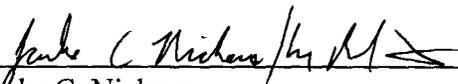
---

<sup>10</sup>The Task Force previously argued that it could suffer from some sort of unfair surprise (Task Force’s First Motion at 16), but it has apparently abandoned this claim in light of the Insured Defendants’ offer to allow them to have transcripts of the depositions. (Opposition to Second Motion at 6 n.5). The Task Force also pointed to the danger that witnesses’ identities would be revealed (Task Force’s First Motion at 16), but it has apparently also abandoned that argument, since the identities of the persons involved is generally known to all involved. (Opposition to Second Motion at 6).

### III. Conclusion

A stay in this case is not appropriate. Unlike in the cases cited by the Task Force, there can be no serious claim that this case brought *against* the defendants, most of whom are not criminal defendants, is a sham to obtain criminal discovery. Unlike in the cases relied upon by the Task Force, this is not a case where there is any danger of witness intimidation or perjury. Most importantly, unlike in the cases cited by the Task Force, and more so than almost any other case, this is a large case on an ambitious and “extremely tight” schedule. The now-disproved claims of some undefined prejudice to the Task Force cannot justify throwing the discovery in this case into a “cocked hat.”

Respectfully submitted,

  
\_\_\_\_\_  
Jacks C. Nickens  
State Bar No. 15013800  
NICKENS KEETON LAWLESS FARRELL & FLACK LLP  
600 Travis, Suite 7500  
Houston, Texas 77002  
(713) 571-9191  
(713) 571-9652 (fax)

Attorney-in-Charge for Defendants Richard B. Buy,  
Richard A. Causey, Mark A. Frevert, Steven J. Kean,  
Mark E. Koenig, Jeffrey McMahon, Cindy K. Olson,  
Kenneth D. Rice, and Lawrence Greg Whalley

OF COUNSEL:

Paul D. Flack  
Joanna V. Hamrick  
State Bar No. 00786930  
NICKENS KEETON LAWLESS FARRELL & FLACK LLP  
600 Travis, Suite 7500  
Houston, Texas 77002  
(713) 571-9191  
(713) 571-9652 (fax)

  
\_\_\_\_\_  
Jack O'Neill  
State Bar No. 15288500  
Federal ID No. 3696  
CLEMENTS, O'NEILL, PIERCE, WILSON &  
FULKERSON, LLP  
Wells Fargo Plaza  
1000 Louisiana, Suite 1800  
Houston, Texas 77002  
(713) 654-7607  
(713) 654-7690 (fax)

Attorney in charge for Defendant  
Joseph W. Sutton

OF COUNSEL:

Jason C. Norwood  
State Bar No. 24027579  
CLEMENTS, O'NEILL, PIERCE,  
WILSON & FULKERSON, LLP  
1000 Louisiana, Suite 1800  
Houston, Texas 77002-5009  
(713) 654-7664  
(713) 654-7690 (fax)



Ronald G. Woods  
RONALD G. WOODS, ATTORNEY AT LAW  
5300 Memorial, Suite 1000  
Houston, Texas 77007  
(713) 862-9600

Attorneys for Defendant Jeffrey K. Skilling

OF COUNSEL:

Bruce A. Hiler  
Jeffrey W. Kilduff  
Robert M. Stern  
O'MELVENY & MYERS LLP  
1625 Eye Street, N.W.  
Washington, D. C. 20006  
(202) 383-5300  
(202) 383-5414

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing instrument was served by electronic posting to [www.ESL3624.com](http://www.ESL3624.com) on June 28, 2004.



Paul D. Flack



00001

1 UNITED STATES DISTRICT COURT  
2 FOR THE SOUTHERN DISTRICT OF TEXAS  
3 HOUSTON DIVISION  
4  
5 In re ENRON CORPORATION SECURITIES  
6 LITIGATION. MDL Docket No. 1466

7 -----

8 MARK NEWBY, et al., Individually and  
9 on Behalf of All Others Similarly  
10 Situated,  
11 Plaintiffs, Civil Action No. H-01-3624  
12 v. (Consolidated)  
13 ENRON CORP., et al., CLASS ACTION  
14 Defendants.

15 -----

16 THE REGENTS OF THE UNIVERSITY OF  
17 CALIFORNIA, et al., Individually and  
18 On behalf of All Others Similarly  
19 Situated,  
20 Plaintiffs,  
21 v.  
22 KENNETH L. LAY, et al.,  
23 Defendants.

24 -----

25 (Caption continued on next page)

00002

1 PAMELA M. TITTLE, et al.,  
2 Plaintiffs, Civil Action No. H-01-3913

3 v.

4 ENRON CORP., et al.,  
5 Defendants.

6 -----

7 OFFICIAL COMMITTEE OF UNSECURED  
8 CREDITORS OF ENRON CORP., Civil Action No. H-04-0091  
9 Plaintiffs,

10 v.

11 ANDREW S. FASTOW, MICHAEL J. KOPPER,  
12 BEN GLISAN, JR., RICHARD B. BUY,  
13 RICHARD A. CAUSEY, JEFFREY K. SKILLING,  
14 KENNETH L. LAY, JEFFREY McMAHON, JAMES V.  
15 DERRICK, JR., KRISTINA M. MORDAUNT, KATHY LYNN,  
16 ANNE YAEGER-PATEL, ARTHUR ANDERSEN, LLP, AND CARL  
17 FASTOW, AS ADMINISTRATOR OF THE FASTOW FAMILY  
18 FOUNDATION,  
19 Defendants.

20 -----

21 ELAINE L. CHAO, SECRETARY OF THE UNITED STATES  
22 DEPARTMENT OF LABOR,  
23 Plaintiff Civil Action No. H-03-2257  
24 v. (Consolidated with H-01-3913)  
25 ENRON CORP., et al.,

00003

1 Defendants.

2 -----

3 UNITED STATES BANKRUPTCY COURT

4 SOUTHERN DISTRICT OF NEW YORK

5 -----

6 In re Chapter 11

7 ENRON CORP., et al., No. 01-16034 (AJG)

8 Debtors. Jointly Administered

9 -----

10 ENRON CORP., et al.,

11 Plaintiffs,

12 v. Adversary Proceedings

13 No. 03-09266 (AJG)

14 CITIGROUP INC., et al.,

15 Defendants.

16

17 -----

18

19 DEPOSITION OF CLAUDIA JOHNSON

20 TAKEN ON BEHALF OF DEFENDANTS

21 JUNE 22, 2004

22

23 - - -

24

25

00004

1 BE IT REMEMBERED THAT, pursuant to the Oregon Rules  
2 of Civil Procedure, the deposition of CLAUDIA JOHNSON  
3 was taken before Laurie A. Volker, Registered  
4 Professional Reporter, on June 22, 2004, commencing  
5 at the hour of 9:26 a.m., the proceedings being  
6 reported at 506 SW Washington, 2nd Floor, Portland,  
7 Oregon.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

00005

1 APPEARANCES

2

3 R. MICHAEL PETERSON

4 Peterson Law Offices, PC

5 600 Travis, Suite 7500

6 Houston, Texas 77002

7 713.353.6666

8 Appearing on behalf of the Directors of Enron

9

10 RONALD H. HOEVET

11 Hoevet & Boise, P.C.

12 1000 SW Broadway, Suite 1500

13 Portland, Oregon 97205

14 503.228.0497

15 Appearing on behalf of the witness

16

17 JEFFREY M. DINE

18 Seward & Kissell, LLP

19 One Battery Park Plaza

20 New York, New York 10004

21 212.574.1547

22 Appearing on behalf of Royal Bank of Canada

23

24 MARCIE KOWLOWITZ

25 Cadwalader, Wickersham & Taft, LLP

00006

1 100 Maiden Lane  
2 New York, New York 10038  
3 212.504.6448  
4 Appearing on behalf of Bank of America

5

6 MATTHEW L. TUCCILLO  
7 Shapiro Haber & Urmy, LLP  
8 53 State Street  
9 Boston,Massachusetts 02109

10 617.439.3939

11 Appearing on behalf of Conseco Annuity Assurance  
12 Company

13

14 JONATHAN K. YOUNGWOOD  
15 Simpson Thacher & Bartlett, LLP  
16 425 Lexington Avenue  
17 New York, New York 10017-3954

18 212.455.3539

19 Appearing on behalf of J.P. Morgan, Chase & Co.

20

21 DANIEL H.R. LAGUARDIA  
22 Sullivan & Cromwell, LLP

23 125 Broad Street

24 New York, New York 10004-2498

25 Appearing on behalf of Barclays Bank

00007

1 ALLISA BELKIN  
2 Paul, Weiss, Rifkind, Wharton & Garrison, LLP  
3 1285 Avenue of the Americas  
4 New York, New York 10019-6064  
5 212.373.3004

6 Appearing on behalf of Citigroup, Inc.

7

8 JEFFREY B. KORN  
9 Cravath, Swaine & Moore, LLP

10 825 Eighth Avenue  
11 New York, New York 10019-7475  
12 212.474.1378

13 Appearing on behalf of Credit Swiss & First Boston

14

15 LEE A. ARMSTRONG  
16 Jones Day  
17 222 East 41st Street  
18 New York, New York 10017-6702  
19 212.326.3939

20 Appearing on behalf of RBS and Affiliates.

21

22 PER A. RAMFJORD  
23 Stoel Rives, LLP  
24 900 SW Fifth Avenue,  
25 Suite 2600

00008

1 Portland, Oregon 97204  
2 503.294.9257  
3 Appearing on behalf of Joseph Hirko  
4  
5 ROBYN E. RIDLER  
6 Tonkon Torp, LLP  
7 1600 Pioneer Tower  
8 888 SW Fifth Avenue  
9 Portland, Oregon 97204  
10 503.802.2158  
11 Appearing on behalf of Ken L. Harrison  
12  
13 SUSAN A. KIM  
14 Sullivan & Cromwell, LLP  
15 1888 Century Park East  
16 Los Angeles, California 90067-1725  
17 310.712.6664  
18 Appearing on behalf of UBS  
19  
20 ROBERT RIVERA, JR.  
21 Susman Godfrey, LLP  
22 1000 Louisiana Street, Suite 5100  
23 Houston, Texas 77002-5096  
24 713.653.7809  
25 Appearing on behalf of Enron

00009

1

2 MICHAEL G. MORGAN

3 Jones Day

4 555 West Fifth Street, Suite 4600

5 Los Angeles, California 90013-1025

6 213.489.3939

7 Appearing on behalf of Lehman Brothers

8

9 AYA KOBORI

10 White & Case, LLP

11 1155 Avenue of the Americas

12 New York, New York 10036-2787

13 212.819.8932

14 Appearing on behalf of Deutsch Bank

15

16 MARK HOLSCHER

17 O'Melveny & Myers, LLP

18 400 South Hope Street

19 Los Angeles, California 90071-2899

20 213.430.6000

21 Appearing on behalf of Jeffrey Skilling

22

23 WILLIAM T. BURKE

24 Williams & Connolly, LLP

25 725 Twelfth Street NW

00010

1 Washington, D.C. 20005

2 202.434.5299

3 Appearing on behalf of Vinson & Elkins

4

5 DONALD A. WALL

6 Squire, Sanders & Dempsey, LLP

7 Two Renaissance Square, Suite 2700

8 40 North Central Avenue

9 Phoenix, Arizona 85004-4498

10 602.528.4000

11 Appearing on behalf of the Official Committee of

12 Unsecured Creditors

13

14 PHILLIP S. REED

15 Mayes Brown Rowe & Maw, LLP

16 190 South LaSalle Street

17 Chicago, Illinois 60603

18 312.701-7361

19 Appearing on behalf of the Canadian Imperial Bank of

20 Commerce

21

22

23

24

25

00011

1

2

S T I P U L A T I O N S

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Upon completion of the transcription of today's session, the original transcript shall be sent to counsel for the witness by the court reporter. Counsel shall promptly forward it to the witness for review, correction, and signature under penalty of perjury. The witness shall have 30 days from the day of receipt within which to review, make any corrections, sign the deposition transcript under penalty of perjury, and return it to counsel. The witness's counsel shall then forward the original transcript plus corrections to the court reporter, who will promptly notify all counsel of its receipt and any changes to testimony made by the witness.

If the witness is not represented by counsel the original transcript will be sent to the witness by the court reporter. After review, correction, and signature within 30 days from the date of receipt, the witness shall return the original transcript

00012

1

2 to the court reporter, who will notify all  
3 counsel of its receipt and any changes to  
4 testimony by the witness.

5                   The court reporter will deposit  
6 the original transcript in the Document  
7 Depository. If, for any reason, the  
8 original is lost, misplaced, not returned,  
9 not signed, or unavailable, a certified copy  
10 may be used in its place for all purposes.  
11 The court reporter is otherwise relieved of  
12 any statutory duties.

13

14

15

16

17

18

19

20

21

22

23

24

25

00013

1 Portland, Oregon  
2 Tuesday, June 22, 2004  
3 9:26 a.m.

4

5 THE VIDEOGRAPHER: We are on the record.  
6 This is a statement for a video deposition. I'm the  
7 videographer. My name is Michael Gramza for Naegeli  
8 Reporting Corporation, 111 SW 5th Avenue, Suite 2020,  
9 Portland, Oregon. This videotaped deposition is  
10 being held on Tuesday, June 22, 2004, at 9:26 a.m.  
11 Pacific Daylight Time.

12 The location is the 5th Avenue Suites, 506  
13 Southwest Washington, Portland, Oregon.

14 The case caption is Enron Corporation  
15 Securities Litigation, Mark Newby, et al., versus  
16 Enron Corporation, et al., United States District  
17 Courts of the Southern District of Texas, Houston  
18 Division, Case No. MDL Docket No. 1446, Civil Action  
19 No. H-01-3624. The deponent today is Claudia  
20 Johnson.

21 Would counsel and all present please  
22 identify yourselves and state whom you represent.

23 MR. PETERSON: My name is Mike Peterson.  
24 I'm from the Peterson Law Offices in Houston. I'm  
25 co-counsel with the Nickens Keeton firm for Rick Buy,

00014

1 Rick Causey, Mark Frevert, Steve Kean, Mark Koenig,  
2 Jeff McMahon, Cindy Olson, Ken Rice, Greg Whalley.  
3 If I left anyone out, I apologize. With me today is  
4 Ann Bui.

5 MR. HOEVET: Ron Hoebet for Claudia  
6 Johnson.

7 THE VIDEOGRAPHER: The deposition is being  
8 taken before Laurie Volker, court reporter, who will  
9 now swear in the witness.

10 COURT REPORTER: Would you raise your right  
11 hand, please.

12 You do solemnly state that the testimony  
13 you are about to give shall be the truth, the whole  
14 truth, and nothing but the truth, so help you God?

15 THE WITNESS: I do.

16

17 Claudia Johnson,  
18 having been first duly sworn, was examined  
19 and testifies as follows:

20

21 EXAMINATION

22 BY MR. PETERSON:

23 Q. As I said, my name is Mike Peterson, and  
24 I'm with other lawyers in Houston, and I represent a  
25 number of the former officers of Enron who are the

00036

1 charge of how that -- they were written.

2 Q. And when you say directs and manages, is  
3 that what you mean?

4 A. Yeah.

5 Q. And when you say they were disseminated  
6 through corporate, does that include -- by that do  
7 you mean to say that that included the actual placing  
8 them with the wire services and getting them out to  
9 the public?

10 A. And approving final copy.

11 Q. Okay.

12 Now, when you say "approving final copy,"  
13 this may be an oversimplification and if it is we'll  
14 explore how it is an oversimplification, but did you,  
15 working with Enron broadband people, work up a copy  
16 and then send it on to corporate for approval?

17 A. Yes.

18 Q. And when -- before you sent it on to  
19 corporate for approval, were you -- I mean, you,  
20 everyone in Enron Broadband Services -- comfortable  
21 with it?

22 A. Yes. With help from my technology support,  
23 absolutely.

24 Q. Now, going back to this e-mail, picking up  
25 where I left off, you write, "Corporate marketing

00090

1 mistakes in press releases and bring them to your  
2 attention?

3 A. I wouldn't call them problems or mistakes.  
4 I might call them wording issues, like is this really  
5 how you define this technology and what it does, that  
6 type of thing.

7 Q. And what would you do then if you got such  
8 questions?

9 A. I would make the changes.

10 Q. Okay. So you're talking about drafts?

11 A. Right.

12 Q. I'm talking about final issue press  
13 release.

14 A. Oh, no.

15 Q. Do you recall anyone bringing to your  
16 attention --

17 A. No.

18 Q. -- any mistakes or inaccuracies?

19 A. No.

20 Q. Let me show you Exhibit 340. It's in the  
21 stack. It's one of the press releases. This one is  
22 from May 20, 1999. Actually the first one that has  
23 your name on it, along with Karen Denne.

24 A. Uh-huh.

25 Q. If you look down to the fourth paragraph,

00107

1 approval?

2 A. Yes.

3 Q. Regarding a DSG acquisition announcement?

4 A. Yes. Can I add that also after drafts got  
5 to even more final phases they would go to even more  
6 people, so this was initial.

7 Q. That's what I want to try to go through.

8 When you say even after drafts got initial  
9 approval, are you talking within the Enron broadband?

10 A. No. They were never finally approved until  
11 more people had seen them.

12 Q. Back at corporate?

13 A. Right.

14 Q. I thought I understood you there, but --  
15 let me see. The first stage was for, I guess, you  
16 and your --

17 A. Uh-huh.

18 Q. -- public relations group to feel  
19 comfortable with a first draft. Am I right?

20 A. Right. Right.

21 Q. And then you would send it to the proper  
22 people within Enron --

23 A. Right.

24 Q. -- Communications?

25 A. Let me add that in order for me and my team

00108

1 to feel comfortable with the release before we sent  
2 it to the executives we would walk it through the  
3 technicians --

4 Q. Ah.

5 A. -- and the product development individuals  
6 so that I was accurate and not embarrassing myself,  
7 you know, that these were definitely how the words  
8 should be drafted.

9 Q. Okay. So let me see if I have this  
10 straight.

11 In general there were, what, three stages  
12 of a review process?

13 A. Yes.

14 Q. First with the relevant technical people?

15 A. Yeah.

16 Q. And then with the executives within  
17 broadband?

18 A. Right.

19 Q. Or ECI?

20 A. Correct.

21 Q. And then finally on to Houston and reviewed  
22 by people at the central corporate office?

23 A. Yes. Now, on occasion if there was a  
24 really tight time frame to turn around, Enron  
25 executives -- broadband executives would see it

00136

1 four press releases would have gone through the same  
2 process?

3 A. Yes.

4 Q. Okay.

5 Now, do you recall any disagreements  
6 internally about the contents of any of these four  
7 press releases?

8 A. I do not recall any disagreements.

9 Q. Any -- are you aware that the Department Of  
10 Justice contends that at least two of them are false  
11 and misleading?

12 A. No.

13 Q. Specifically Exhibits 325 and 327. And  
14 we'll return to them in due course, but now I'd like  
15 you to look at the next exhibit that we have, which  
16 is Exhibit 50077.

17 (Whereupon Exhibit-50077, an 8-page e-mail  
18 from C. Johnson dated 3-30-1999, was marked for  
19 identification.)

20 BY MR. PETERSON:

21 Q. Do you have that in front of you?

22 A. Yes.

23 Q. The Bates number is 1B1040e000064148  
24 through 55. And can you confirm for me, Ms. Johnson,  
25 that it is an e-mail from you dated March 30th, 1999,

00154

1 A. Yeah.

2 Q. I mean of press releases?

3 A. Yes.

4 Q. And you have circulated or internally the  
5 four press releases dated April 19, 1999, the four  
6 NAB press releases to a broad range of people;  
7 correct?

8 A. Yes.

9 Q. Similar to what we'd seen earlier this  
10 morning?

11 A. Correct.

12 Q. Now, do you recall receiving any comments  
13 from any of these scores of ECI employees?

14 A. After this e-mail?

15 Q. Yes.

16 A. I don't recall.

17 Q. Do you recall receiving any corrections?

18 A. I don't recall.

19 Q. Did anyone state that any of these releases  
20 were false or misleading?

21 A. No.

22 Q. Now, before you actually -- before ECI  
23 actually released these four releases at the NAB,  
24 under standard practice would Mr. Hirko have approved  
25 them?

00212

1 A. At the analyst meeting?

2 Q. At the analyst meeting, yes.

3 A. Yes.

4 Q. And did you pay attention throughout the  
5 broadband segment or were you distracted or  
6 preoccupied by other responsibilities?

7 A. I had no other responsibilities but to  
8 observe.

9 Q. Okay.

10 Did anyone say anything that you believed  
11 to be inaccurate?

12 A. No.

13 Q. To be false?

14 A. No.

15 Q. Misleading?

16 A. No.

17 Q. In any of the discussions or the meetings  
18 in which you participated leading up to the 2000  
19 analyst conference, did you hear any comments about  
20 the potential affect of the conference on the Enron  
21 stock price?

22 A. Yes.

23 Q. Of what nature?

24 A. Just there was excitement about what this  
25 kind of announcement might do for stock price, I mean

00216

1 and Jim Williams on the redesign of the ISP PoPs, and  
2 then a presentation by April Hodgson on a sales  
3 pipeline, back to Kenny Burroughs on network and  
4 service implementation and finally yourself on public  
5 relations.

6 Now, did you throughout the 1999, 2000,  
7 attend similar meetings?

8 A. The meetings I recall attending after this  
9 one were like the VP retreats, not necessarily  
10 planning strategy.

11 Q. These are more for all the senior  
12 management?

13 A. Yes.

14 Q. As opposed to developing a business plan or  
15 commenting on a business plan?

16 A. Well, I recall updates. There was one  
17 meeting in the first quarter I think of 2000 in  
18 Scottsdale.

19 Q. Okay. I actually will ask you about that  
20 one in a minute.

21 A. And I was there but I didn't participate.

22 Q. Would you call that one more of a VP  
23 management meeting?

24 A. It was a VP management meeting, talking  
25 about updates, where we are, where we're going. That

00217

1 type of thing.

2 Q. Aside from that one and this particular one  
3 you can't think of any similar meetings in the 1999,  
4 2000 era?

5 A. I mean, there was like that meeting I  
6 attended -- that first meeting where Jeff Skilling  
7 was in town.

8 Q. Leading up to the analyst meeting?

9 A. But other than that it was just kind of per  
10 my own work at Enron meeting with the people I needed  
11 to work with.

12 Q. Well, at this meeting August 5, 1999, do  
13 you recall anyone suggesting that any public  
14 statements issued by the company were false?

15 A. No.

16 Q. Do you recall anyone at any similar meeting  
17 ever suggesting that any public statements issued by  
18 Enron were false?

19 A. I don't recall that.

20 Q. Do you recall anyone suggesting that the  
21 company's network was not functioning in a manner  
22 consistent with its public statements?

23 A. I don't recall that.

24 Q. Do you recall anyone suggesting that the  
25 company's software was not functioning in a manner

00222

1                   From 1998 through 2000 when you left Enron,  
2 did you perceive any conduct by Enron personnel that  
3 at the time you believed to be fraudulent?

4                   MR. YOUNGWOOD: Objection to form.

5                   A. I wouldn't know the actions to be  
6 fraudulent.

7 BY MR. PETERSON:

8                   Q. Well, again, I don't mean to ask you to a  
9 precise legal standard.

10                  A. Yeah.

11                  Q. I'm asking you as a layperson, but rather a  
12 sophisticated layperson, did you perceive any conduct  
13 that you believed to be fraudulent?

14                  A. No.

15                  MR. ARMSTRONG: Object to form.

16 BY MR. PETERSON:

17                  Q. Did you perceive any conduct that you  
18 believed to be criminal?

19                  A. No.

20                  MR. YOUNGWOOD: Objection to form.

21                  MR. ARMSTRONG: Objection.

22                  MR. PETERSON: I will reserve some time for  
23 redirect, if necessary, but right now I pass the  
24 witness and I thank you for your time, Ms. Johnson.

25                  Again, I guess we -- yeah. Off the record.

1 I, Laurie A. Volker, do hereby certify that  
 2 pursuant to the Rules of Civil Procedure, the  
 3 witness named herein appeared before me at the  
 4 time and place set forth in the caption herein;  
 5 that at the said time and place, I reported in  
 6 stenotype all testimony adduced and other oral  
 7 proceedings had in the foregoing matter; and that  
 8 the foregoing transcript pages constitute a full,  
 9 true and correct record of such testimony adduced  
 10 and oral proceeding had and of the whole thereof.

11

12 IN WITNESS HEREOF, I have hereunto set  
 13 my hand this 23rd day of June, 2004.

14

15

16

\_\_\_\_\_  
 17 Signature

\_\_\_\_\_  
 Expiration Date

18

19

20

21

22

23

24

25



From: Claudia Johnson on 04/18/1999 07:03 AM PDT

To: Meral Bagha/Enron Communications@Enron Communications; Michael Baker/Enron Communications@Enron Communications; Bamie Beroid/Enron Communications@Enron Communications; David Beberich/Enron Communications@Enron Communications; Scott Bolton/Enron Communications@Enron Communications; Michel Boyd/Enron Communications@Enron Communications; Greg Brantz/Enron Communications@Enron Communications; Justin Brown/Enron Communications@Enron Communications; Victor Bullock/Enron Communications@Enron Communications; Brad Cheney/Enron Communications@Enron Communications; Larry Ciscon/Enron Communications@Enron Communications; Donna Claysor/Enron Communications@Enron Communications; Cynthia Coffelt/Enron Communications@Enron Communications; Bill Collins/Enron Communications@Enron Communications; Robert Cooper/Enron Communications@Enron Communications; Michael Costanzo/Enron Communications@Enron Communications; Jim Crowder/Enron Communications@Enron Communications; Patsy Deas/Enron Communications@Enron Communications; Wilson Dietrich/Enron Communications@Enron Communications; Stephanie Dixon/Enron Communications@Enron Communications; Tom Duff/Enron Communications@Enron Communications; Gary Egan/Enron Communications@Enron Communications; Steve E Jinty/Enron Communications@Enron Communications; Jeff Foster/Enron Communications@Enron Communications; Lin Franke/Enron Communications@Enron Communications; Heidi Freitag/Enron Communications@Enron Communications; Marian Gordon/Enron Communications@Enron Communications; David Gregory/Enron Communications@Enron Communications; Ervin Grzes/Enron Communications@Enron Communications; Star Hanks/Enron Communications@Enron Communications; Todd Hanco/Enron Communications@Enron Communications; Joe Hirko/Enron Communications@Enron Communications; Ron Holtz/Enron Communications@Enron Communications; Debra Horvath/Enron Communications@Enron Communications; Peter Jain/Enron Communications@Enron Communications; Claudia Johnson/Enron Communications@Enron Communications; Ron Johnson/Enron Communications@Enron Communications; Mark Kayser/Enron Communications@Enron Communications; Dorcas Kosorek/Enron Communications@Enron Communications; Kevin Kohstamm/Enron Communications@Enron Communications; Shaouessi Lammi/Enron Communications@Enron Communications; Barry Lavine/Enron Communications@Enron Communications; David Lenthawood/Enron Communications@Enron Communications; Denise Marjosek/Enron Communications@Enron Communications; Bob Masiak/Enron Communications@Enron Communications; Hosi Matczuk/Enron Communications@Enron Communications; Steve McCabe/Enron Communications@Enron Communications; Maria McKay/Enron Communications@Enron Communications; Duong Minh/Enron Communications@Enron Communications; Byron O'Dner/Enron Communications@Enron Communications; Mitch Olson/Enron Communications@Enron Communications; Dawn Palumbo/Enron Communications@Enron Communications; Les Porten/Enron Communications@Enron Communications; Jennifer Rahn/Enron Communications@Enron Communications; Dwayne Reisher/Enron Communications@Enron Communications; Jim Reyes/Enron Communications@Enron Communications; Ted Satz/Enron Communications@Enron Communications; Rex Shelby/Enron Communications@Enron Communications; Scott Shelton/Enron Communications@Enron Communications; Tracy Smith/Enron Communications@Enron Communications; Al Stacy/Enron Communications@Enron Communications; Linda Strain/Enron Communications@Enron Communications; Dana Stutz/Enron Communications@Enron Communications; Jon Thomson/Enron Communications@Enron Communications; Jacy Timeon/Enron Communications@Enron Communications; Bob VarOrcer/Enron Communications@Enron Communications; Ana Wilson/Enron Communications@Enron Communications; Del Walters/Enron Communications@Enron Communications; Brett Watson/Enron Communications@Enron Communications; Linda Weisling/Enron Communications@Enron Communications; Jim Wilford/Enron Communications@Enron Communications; Scott Yeager/Enron Communications@Enron Communications; Nancy Young/Enron Communications@Enron Communications; Robert Delp/Enron Communications@Enron Communications; Kirk Zander/Enron Communications@Enron Communications; Sandy Johnson/Enron Communications@Enron Communications; Scott Kirevell/Enron Communications@Enron Communications; Patty Poringland/Enron Communications@Enron Communications; Jim Rawn/Enron Communications@Enron Communications; Lorraine Simmons/Enron Communications@Enron Communications; Scott Thompson/Enron Communications@Enron Communications; Patrick Topping/Enron Communications@Enron Communications; Agnes Aden/Enron Communications@Enron Communications; Kris Amundson/Enron Communications@Enron Communications; Scott Bailmann/Enron Communications@Enron Communications; Geoffrey Boll/Enron Communications@Enron Communications; Leonard Burdick/Enron Communications@Enron Communications; Mike Bosc/Enron Communications@Enron Communications; Matt Brooks/Enron Communications@Enron Communications; Steve Burnett/Enron Communications@Enron Communications; Gary Bushman/Enron Communications@Enron Communications; Gina Cargile/Enron Communications@Enron Communications; Rodney Clayton/Enron Communications@Enron Communications; Ryan Clay/Enron Communications@Enron Communications; Brian Cox/Enron Communications@Enron Communications; Ryan Dev/Enron Communications@Enron Communications; Mike Craft/Enron Communications@Enron Communications; Bob Davis/Enron Communications@Enron Communications; Michael Davis/Enron Communications@Enron Communications; Bob Dickstein/Enron Communications@Enron Communications; Ron Fragnino/Enron Communications@Enron Communications; Jerry Finckle/Enron Communications@Enron Communications; Gary Fliedinger/Enron Communications@Enron Communications; Scott Francis/Enron Communications@Enron Communications; Randy Garity/Enron Communications@Enron Communications; Jerry Gavigan/Enron Communications@Enron Communications; Nick George/Enron Communications@Enron Communications; Joel Giese/Enron Communications@Enron Communications; Howard Givens/Enron Communications@Enron Communications; Chris Gorman/Enron Communications@Enron Communications; Kelly Hughes/Enron Communications@Enron Communications; Trevor Hughes/Enron Communications@Enron Communications; Preston Jenau/Enron Communications@Enron Communications; Jack J. Kanavich/Enron Communications@Enron Communications; Mark Kaczmarek/Enron Communications@Enron Communications; Forrest Kelly/Enron Communications@Enron Communications; Steve Kelly/Enron Communications@Enron Communications; Dave King/Enron Communications@Enron Communications; Jill Leggett/Enron Communications@Enron Communications; Gavin Leabeig/Enron Communications@Enron Communications; Fred MacLeod/Enron Communications@Enron Communications; Gene Martin/Enron Communications@Enron Communications; Greg Maxwell/Muir/Enron Communications@Enron Communications; Florida McGregor/Enron Communications@Enron Communications; Michele Michelson/Enron Communications@Enron Communications; Russa Mura/Enron Communications@Enron Communications; John Neresis/Enron Communications@Enron Communications; Darren Olson/Enron Communications@Enron Communications; Heather Perrini/Enron Communications@Enron Communications; Bill Petersen/Enron Communications@Enron Communications; Greg Puckett/Enron Communications@Enron Communications; Mimi Radzaro/Enron Communications@Enron Communications; Tom Rayevich/Enron Communications@Enron Communications; Scott Reed/Enron Communications@Enron Communications; Jackie Reeder/Enron Communications@Enron Communications; Andy Riley/Enron Communications@Enron Communications; Derrick Roeker/Enron Communications@Enron Communications; Julie Saiter/Enron Communications@Enron Communications; Shelly Schroedl/Enron Communications@Enron Communications; Bill Stanfill/Enron Communications@Enron Communications; Chris Williams/Enron Communications@Enron Communications; David Taylor/Enron Communications@Enron Communications; Louise Thomas/Enron Communications@Enron Communications; Stephen Thompson/Enron Communications@Enron Communications; Kevin Tobey/Enron Communications@Enron Communications; Darcy Tucker/Enron Communications@Enron Communications; Eileen Tusa/Enron Communications@Enron Communications; Brett Uberg/Enron Communications@Enron Communications; Robert Libbers/Enron Communications@Enron Communications; Barbara van Beyers/Enron Communications@Enron Communications; Jan Vining/Enron Communications@Enron Communications; Steve Winkelman/Enron Communications@Enron Communications; Keith Wislicki/Enron Communications@Enron Communications; Josh Young/Enron Communications@Enron Communications; David Zilk/Enron Communications@Enron Communications

Subject: NAB Press Release

Good morning. Attached are all of the press releases that will be issued today over the wire services and the NAB Trade Media List. Please refer all media calls to Judy Timson to coordinate for Tracy Smith and me to respond. Thanks! Claudia Johnson



1-nrmediastc release final.doc



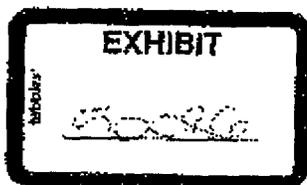
2-nrmediatransport release final.doc



3-nr1 release final.doc



4-nrunchpartnr release final.doc



1B1040e000065474

Tracy Smith  
(503) 464-7837  
tracy\_smith@enron.net

**ENRON COMMUNICATIONS LAUNCHES ePOWERED MEDIA CAST™ AT NAB**

FOR IMMEDIATE RELEASE: Monday, April 19, 1999

**PORTLAND, Ore.** - Enron Communications, Inc., a leader in the delivery of high bandwidth business information and applications, announced today it has launched its first application service for the Internet industry: ePowered Media Cast™. ePowered Media Cast delivers streaming video to the desktop at an average bit-rate speed of 200 kbps - 10 times faster than what is currently available on the public Internet.

Taking advantage of the Internet Protocol (IP)-based Enron Intelligent Network™ (EIN) -- an application delivery platform enabled with intelligent messaging software -- ePowered Media Cast provides streaming media to the desktop, delivering a high quality and high speed video and audio experience. ePowered Media Cast, which was unveiled at the National Association of Broadcasters (NAB) annual conference in Las Vegas, will be commercially available on May 1, 1999.

"Enron Communications is all about improving the experience of the Internet - for the end user, the content distributor, and the content provider," said Joe Tirko, president and CEO of Enron Communications, Inc. "We are not just developing new technologies, we are enabling the development of the innovative applications that will ultimately deliver a bold new 'infrastructure' for the 21<sup>st</sup> century, changing the way people conduct business."

Enron Communications is initially targeting ePowered Media Cast for the enterprise desktop and is currently negotiating with business-related multimedia content providers. Vertical industry-related content, such as real estate, gaming, sports, medical and corporate intranets, will follow.

"Network-based applications such as ePowered Media Cast enhance the capability of the Internet," Hirko said. "Content providers can create 'power user' content and distribute 30 frames per second streams to their customers. Content distributors like ISPs can differentiate their service by offering rich media to their subscribers without having to make large investments in a private network, WAN or servers. End users can then watch live events or view on-demand rich multimedia as they choose. It paves the way for further new world application developments by Enron Communications and other third party developers."

The development of ePowered Media Cast builds on the strategic alliance that Enron Communications announced in January with RealNetworks (Nasdaq: RNWK), the recognized leader in streaming media. As part of this strategic agreement, Enron Communications is deploying RealSystem™ G2 technology over the EFN to deliver broadband streaming media services. A number of Real Broadcast Networks content providers are participating in the demonstration of ePowered Media Cast at NAB including C-SPAN, ZDTV, Bloomberg Financial, CMP Tech, America's Health Network, NextVenue and Forbes Digital Media.

"We're pleased that Enron Communications has aggressively developed the capabilities that will enable their high bandwidth backbone to provide the infrastructure on which the next wave of rich media businesses and applications will emerge," said Len Jordan, senior vice president, Media Systems, RealNetworks, Inc. "The combination of the Enron Intelligent Network and RealSystem G2 will accelerate the adoption of broadband programming in a new generation of broadcast-quality, high bit-rate end-user experiences."

By design, ePowered application services are delivered to the EFN point of presence (POP) in the customer's city. Connection management is seamlessly handed off to the service provider who delivers the service to the customer's desktop. Enron Communications' ePowered applications will be distributed by a growing list of ePowered channel partners. The first pioneering channel partners include GTE Internetworking, Verio, Epoch Internet, NorthPoint Communications, InterNAP Network Services, EasyStreet Online Services, Electric Lightwave, and TeleCommure Solutions.

*The Enron Intelligent Network:* The EFN is an application delivery platform enabled with InterAgent®, an intelligent messaging software that enhances Enron Communications' existing pure Internet Protocol (IP) fiber-optic network to create next generation application services. With a distributed server architecture in alliance with Sun Microsystems, the EFN is designed to

keep information and application services just one hop away from end-users. The metalink to the EIN is transparent to the user. This allows ePowered Media Cast to dramatically build upon the current capabilities of streaming rich media to the desktop over the Internet, delivering a superior multimedia experience

Network expansion will continue through December 2000. The EIN currently covers Portland, San Francisco/San Jose, Los Angeles, Houston, Dallas, Chicago, Washington, DC and New York.

**About Enron Communications, Inc.:** Enron Communications, a wholly owned subsidiary of Enron Corp. (NYSE: ENE), is a leader in the delivery of high-quality, high-bandwidth business information and applications. Enron Communications is building a long-haul fiber-optic network on strategic routes throughout the United States to create a data-centric national Pure IP backbone known as the Enron Intelligent Network. It is extending the capabilities of that network through agreements with ISPs and carriers seeking to generate new revenue sources and improved services.

Enron Corp. is one of the world's leading integrated natural gas and electricity companies. The company, which owns approximately \$30 billion in assets, produces electricity and natural gas, develops, constructs and operates energy and water facilities worldwide and delivers physical commodities and risk management and financial services to customers around the world. Enron's internet address is [www.enron.com](http://www.enron.com), the stock is traded under the ticker symbol, "ENR."

##

Trey Smith  
503-484-7537  
trey\_smith@enron.com

ENRON COMMUNICATIONS LAUNCHES ePOWERED MEDIA  
TRANSPORT AT NAB FOR NEW METHODS OF BROADBAND VIDEO  
MEDIA TRANSFER

FOR IMMEDIATE RELEASE: Monday, April 15, 1999

PORTLAND, Ore. - Enron Communications, Inc. (Enron) today announced the delivery of high bandwidth information applications and services on its new ePower Media Transport service for the broadcast industry, ePower Media Transport. The announcement was made at the National Association of Broadcasters (NAB) annual conference in Las Vegas. ePower Media Transport creates a new set of options for content producers and video distributors to move their broadcast video content from city to city with unparalleled performance, flexibility, affordability and user control.

ePower Media Transport is the first fully on-demand video transfer service that allows users to view MPEG content and other broadband video data types at speeds from 10 to 200kbs, while paying only for the amount of data actually transferred. The application offers a wide range of real-time and on-demand-forward options and is accessed via a browser interface from the desktop.

ePower Media Transport demonstrates the many capabilities of the Enron Intelligent Network and video is one of the most demanding, real-time services into a packet-switched network. However, the Enron Intelligent Network has proven it can handle user-oriented data streams providing real video content on the desktop," said Alex Shelby, Enron Communications, Inc. senior vice president of engineering and operations. "The Enron Intelligent Network can deliver content types with any quality of service requirements - in essence, it can deliver

potential of coupling gigabit Ethernet with an intelligent network to address real-world consumer needs. The result is a reduction of costs, an increase of end user control, and a step towards realizing the potential of broadband and IP network convergence.

**Powered Media Transport** allows content producers and creators to deliver content in a variety of formats including G270, MPEG-1, MPEG-2 (2-24 Mbps) and compressed digital film (270 Mbps). Users select video quality from their web browser local loop in switch and repeat operations. Similar operations across content stream signals directly into routers within the entire Intelligent Network. Videos streamed or downloaded as files over the network to a remote player (facility or customer location). Bandwidth reservations, delivery intervals, selection of cost and quality variations, billing and correlation are conventionally handled over the Internet.

**Powered Media Transport** uses advanced technology including **Frame Agent**, **Core Agent**, **Core Agent 3**, **Service Systems**, **Service**, **Technix** video encoding and decoding, **Core Agent**, and **Core Agent**.

"Combined with **Powered Media** Core service, we represent the first commercially available end-to-end IP platform able to meet every need for video production and distribution and webcasting, in a seamless," Steiner adds.

**Powered Media Transport** will be commercially available by July 1, 2000.

**The Core Intelligent Network**. The **Core Intelligent Network** is an application delivery platform enabled with **Frame Agent 3**, an intelligent messaging server that will allow **Frame Agent 3** and **Core Agent 3** to be used for video production and distribution. **Core Agent 3** is a next-generation network application services. IP is the optimal network protocol for digital communications. Using a distributed server architecture, developed in concert with **Service Systems**, the **Core Intelligent Network** is designed to store, transmit and application services just one hop away from end-users. By limiting the number of routers each transmission passes through, the network is reliable, fast and efficient.

**Network expansion will continue through December 2000.** The **Core Intelligent Network** currently covers Portland, San Francisco, San Jose, Los Angeles, Houston, Dallas, Chicago, Washington, DC and New York.

**Powered Media Applications**. Applications that have been optimized to take advantage of the IP-based **Core Intelligent Network** are called **Powered**. By

design, enhanced application services are delivered to the User Intelligent Network point of presence (POP) in the customer's city, just one hop away from the end user, to assure the highest quality of service possible.

About **Exxon Communications, Inc.** (**Exxon Communications**), a wholly owned subsidiary of Exxon Corp. (NYSE:EXX), is a leader in the delivery of high-quality, high-bandwidth business information and applications. Exxon Communications is building a long-haul, fiber-optic network on strategic routes throughout the United States to create a multi-continental, full-IP backbone known as the Exxon Intelligent Network. It's extending the capabilities of this network through agreements with ISPs and content providers to generate new, integrated services and improved services.

Exxon Corp. is one of the world's leading integrated natural gas and electricity companies. The company, which owns approximately 20 billion in assets, produces electricity and natural gas, develops, constructs and operates energy and water facilities worldwide and delivers physical commodities, risk management and financial services to businesses across the world. Exxon's headquarters is in Irving, Texas, and the stock is traded under the ticker symbol "EXX."

Tracy Smith  
(503) 464-7837  
tracy\_smith@enron.net

**ENRON INTELLIGENT NETWORK LIT, TESTED AND READY  
TO DELIVER NEW WORLD INTERNET APPLICATIONS**

FOR IMMEDIATE RELEASE: Monday, April 19, 1999

**PORTLAND, Ore.** – Enron Communications, Inc. announced today that the Enron Intelligent Network (EIN), a new Internet application delivery platform, is lit and ready to deliver the first in a suite of new world network applications developed by the company, including ePowered Media Cast™ and ePowered Media Transport™. The first applications are targeted at the broadcast and content provider markets.

Enron Communications, Inc. earlier this year announced the development of the Enron Intelligent Network, a highly reliable, self-managing, self-restoring network of networks that overlays the public Internet to deliver bandwidth-intensive applications to the enterprise desktop.

“With virtually unlimited bandwidth and built-in intelligence, the Enron Intelligent Network bridges the chasm between expensive dedicated networks and the public Internet,” said Joe Hirko, president and CEO of Enron Communications. “The EIN, which was developed to improve the experience of the Internet, allows businesses – from the largest enterprise to the smallest start-up – to have flexible access to a powerful new breed of Internet services we call ePowered™ applications.”

The EIN is based on a unique infrastructure that utilizes Pure IP™ technology, patented InterAgent® middleware and a distributed server architecture developed in alliance with Sun Microsystems. Unlike the current Internet model, the EIN is a collection of software routers operating at the application layer. It extends far beyond the classic definitions of static infrastructure, fiber, switches and billing systems.

"This radical new approach provides a highly reliable pay-for-what-you-need, bandwidth-on-demand way to deliver data, streaming multimedia and other applications initially to business users," Hirko said.

**Pure IP™** The EFN is the only backbone network utilizing Pure IP (Internet Protocol) technology, which is acknowledged as the optimal network protocol for digital communications such as ePowered Media Cast. This architecture is most accurately characterized as "IP on glass," which means that IP bits are placed directly on fiber for high speed communication to their ultimate destination, thereby eliminating intermediate protocols, simplifying the architecture, lowering costs, increasing reliability and reducing errors.

**InterAgent®** Riding on top of this Pure IP network is a control layer enabled by Enron Communications' standards-based InterAgent technology. InterAgent is intelligent messaging and monitoring software that delivers a number of new property-based routing possibilities. By facilitating intelligent communications between servers, InterAgent ensures that digital content is routed efficiently and with absolute reliability. InterAgent is embedded on every server in the EFN and on the servers of Enron Communications' distribution channels allowing for event messaging, usage-based metering and billing, directory services, bandwidth scheduling, and user-defined quality of service (QoS) to the desktop. In essence, InterAgent is the glue that ties the network hardware infrastructure and higher layer applications together.

**Distributed Server Architecture:** A key differentiator of the EFN is that it was designed to store or house information and application services just one hop away from end-users. Sun Microsystems servers are deployed throughout the EFN as well as in the points of presence (POPs) of distribution channel partners, all controlled by the InterAgent software. Reducing the number of links to the content being accessed maintains a fast response rate, prevents data degradation and offers access to tiered QoS levels to ensure a better user experience. The EFN supports application and content delivery at selected QoS levels by directing users to the appropriate server containing cached content.

"The rapid introduction and development of Enron's Intelligent Network is a significant milestone in the availability of IP-based networked services," said Bill Correll, worldwide market development manager for digital media and e-commerce, Sun Microsystems, Inc. "Media streaming, broadcast, e-commerce, and other mission critical, bandwidth intensive applications

and services can now be effectively deployed by Enron Communications to bring unprecedented levels of value and utility to the Internet."

Added Hirko, "In a very short time, Enron Communications has created strategic alliances with many of the world's leading technology companies like Sun Microsystems, RealNetworks and Cisco Systems to design and deploy a Pure IP intelligent network architecture, develop and bring to market the initial offerings in a suite of applications, and recruit service provider, channel and content partners."

**See the Latest Enron Intelligent Network Optimized Applications:** The first of Enron Communications' EIN optimized network-based applications, ePowered Media Cast and ePowered Media Transport, will be on display at the National Association of Broadcasters (NAB) annual conference in Las Vegas, April 18-21, 1999. ePowered Media Cast delivers streaming video to the desktop at an average bit-rate speed of 200 kbps - 10 times faster than what is currently available on the public Internet, and ePowered Media Transport enables video content producers and video distributors to securely move their media from city to city in real time without loss to picture quality.

**About Enron Communications, Inc.:** Enron Communications, a wholly owned subsidiary of Enron Corp. (NYSE: ENE), is a leader in the delivery of high-quality, high-bandwidth business information and applications. Enron Communications is building a long-haul fiber-optic network on strategic routes throughout the United States to create a data-centric national Pure IP backbone known as the Enron Intelligent Network. It is extending the capabilities of that network through agreements with ISPs and carriers seeking to generate new revenue sources and improved services.

Enron Corp. is one of the world's leading integrated natural gas and electricity companies. The company, which owns approximately \$30 billion in assets, produces electricity and natural gas, develops, constructs and operates energy and water facilities worldwide and delivers physical commodities and risk management and financial services to customers around the world. Enron's Internet address is [www.enron.com](http://www.enron.com), the stock is traded under the ticker symbol, "ENE."

##

Tracy Smith  
(503) 464-7837  
tracy\_smith@enron.net

**ENRON COMMUNICATIONS ANNOUNCES DISTRIBUTION LAUNCH PARTNERS  
FOR INTERNET APPLICATION SERVICES ON THE ENRON INTELLIGENT  
NETWORK**

**Strategic Launch Partners Include GTE Internetworking, Verio, Epoch Internet,  
NorthPoint Communications, InterNAP Network Services, EasyStreet Online Services,  
Electric Lightwave, and TeleCommute Solutions**

FOR IMMEDIATE RELEASE: Monday, April 19, 1999

**PORTLAND, Ore.** - Enron Communications, Inc., a leader in the delivery of high bandwidth application services, announced today eight pioneering distribution partners that will deploy Enron's ePowered™ Application Services to users of the World Wide Web.

These launch distribution partners -- GTE Internetworking, Verio, Epoch Internet, NorthPoint Communications, InterNAP Network Services, EasyStreet Online Services, Electric Lightwave, and TeleCommute Solutions -- are connecting to the Enron Intelligent Network and will be capable of delivering Enron Communications' first application service, ePowered Media Cast™, to users on the World Wide Web. ePowered Media Cast delivers streaming video to the desktop at an average bit-rate speed of 200 kbps -- 10 times faster than what is currently available on the public Internet.

"Enron Communications has developed a unique business model that is very beneficial to ISPs, CLECs and other Network Service Providers with high-speed connections to their customers," said Joe Hirko, president and CEO of Enron Communications, Inc. "Not only do we offer our distribution partners end-to-end quality of service for streaming rich media over the Enron Intelligent Network, but we provide new revenue streams and a significantly differentiated product offering that Internet users want and need. Our distribution partners play a vital role in our vision of enhancing the end-user's experience of the Internet."

The Enron Intelligent Network is an application delivery platform enabled with InterAgent<sup>SM</sup>, an intelligent messaging software that enables Enron Communications' existing pure Internet Protocol (IP) fiber-optic network to create next generation application services. IP is the optimal network protocol for digital communications. Using a distributed server architecture, developed in alliance with Sun Microsystems, the Enron Intelligent Network is designed to store information and application services just one hop away from end-users. By limiting the number of routers each transaction passes through, the network is reliable, fast and efficient.

Applications that have been optimized to take advantage of the Enron Intelligent Network are called "ePowered." By design, ePowered application services are delivered to Enron Communications' point of presence (POP) in distribution partners' cities. By connecting to the Enron Intelligent Network, distribution partners can offer ePowered application services to their business customers. This service model allows distribution partners to immediately differentiate their service by offering broadband optimized streaming multimedia content and applications to users of the World Wide Web. Enron Communications' first ePowered application service -- ePowered Media Cast<sup>SM</sup> -- will dramatically improve the experience of the Internet by delivering up to broadcast quality streaming rich media to the desktop.

Network expansion will continue through December 2000. The Enron Intelligent Network currently covers Portland, San Francisco/San Jose, Los Angeles, Houston, Dallas, Chicago, Washington, DC and New York.

**About Enron Communications, Inc.:** Enron Communications, a wholly owned subsidiary of Enron Corp. (NYSE: ENE), is a leader in the delivery of high quality, high bandwidth business information and applications. Enron Communications is building a long-haul fiber-optic network on strategic routes throughout the United States to create a data-centric national Pure IP backbone known as the Enron Intelligent Network. It is extending the capabilities of that network through agreements with ISPs and carriers seeking to generate new revenue sources and improved services.

Enron Corp. is one of the world's leading integrated natural gas and electricity companies. The company, which owns approximately \$30 billion in assets, produces electricity and natural gas, develops, constructs and operates energy and water facilities worldwide and delivers physical commodities and risk management and financial services to customers around

the world. Enron's Internet address is [www.enron.com](http://www.enron.com). The stock is traded under the ticker symbol, "ENE."

#### **About Enron Communications' ePowered Distribution Partners**

**About GTE Internetworking:** GTE Internetworking offers customers, from consumers to Fortune 500 companies, a full spectrum of Internet services and solutions including dial-up and dedicated Internet access, end-to-end network management, high-performance distributed hosting and applications solutions, managed security, and systems integration, for customers migrating their mission-critical business applications to the Internet. GTE Internetworking draws upon BDN's expertise in funded research and development of advanced technologies, including satellites, digital radio, multi-gigabit routers, security, and speech, and GTE's strong existing telecommunications services, including local and long distance, wireless, paging, video, research and Internet. The address for the GTE Internetworking's home page is <http://www.bbn.com>. Additional information can be found at <http://www.gte.com>.

"GTE Internetworking is committed to providing leading infrastructure and services to our business customers. This relationship reflects that commitment -- enabling high-speed media and content delivery for business-to-business and business-to-consumer applications. This is what we all want out of the World Wide Web," said Chuck Gibney, president, business services, GTE Internetworking.

**About Verio:** Verio Inc. (NASDAQ:VRTO) is the world's largest domain-based (e.g. [yourcompany.com](http://yourcompany.com)) Web-hosting company and a leading provider of comprehensive business Internet services, with an emphasis on serving the small and mid-sized business market. The company offers customers a broad range of Internet solutions, including high-speed access, Web hosting, e-commerce, virtual private networks and other enhanced services. Verio supports its operations with highly reliable and scalable national infrastructure and systems including a facilities-based Tier One national network. Verio delivers locally based sales and engineering support in 41 of the top 50 U.S. markets under the Verio brand name and provides Web-hosting services to customers in more than 170 countries.

"Our new relationship with Enron will provide yet another outstanding value-added service to our business customers," said Sean Brophy, vice president of corporate development for Verio. "Together, we will enable our high-bandwidth customers to access TV-quality

streaming media applications over the Internet through DSL, T1 and T3 connections from Verio."

**About Epoch Internet:** Founded in 1994, Epoch Internet is one of the nation's largest privately-held Internet services company, providing complete turnkey systems and total business solutions. As part of the Internet backbone, Epoch Internet is a premier first-tier provider with a powerful fully redundant network and connections at every Network Access Point (NAP) in the United States. Additionally, Epoch maintains over 40 hubs and more than 220 points of presence connecting the rest of the country.

"As one of Enron Communications' initial ePowered applications partners, Epoch will offer their customers a richer set of media intensive applications and services, such as live streaming video, while making sure they get the optimal amount of bandwidth and quality of service for each transmission," said Brian Scholte, director of product management, Epoch Internet.

**About NorthPoint Communications:** NorthPoint is a national, facilities-based provider of high speed, local data network services. NorthPoint's networks use digital subscriber line, or DSL, technology to transport data at guaranteed speeds up to 25 times faster than common dial-up modems. NorthPoint markets its network and data transport services to Internet service providers, broadband data service providers, and long-distance and local telephone companies. The company is currently providing services in 17 metropolitan areas in the United States and intends to offer service in a total of 28 metropolitan areas by the end of this year. The company has obtained required regulatory approvals to offer services in each of those markets.

**About InterNAP Network Services:** Founded in 1996 and headquartered in Seattle, InterNAP is a privately held company that supplies the world's fastest, most secure and most reliable Internet connectivity to businesses and Internet service providers nationwide. InterNAP has developed the industry's first routing and route management technology specifically designed to deliver data directly to and from destinations across the Internet, eliminating the packet loss and latency caused by increased over-capacity.

"Recent attempts to stream major events on the Internet have demonstrated a need for both better streaming technology and more advanced connectivity," said Tony Naughtin, CEO of Seattle-based InterNAP. "Our partnership with Enron will bring both to our current and future customers."

**About EasyStreet Online Services:** EasyStreet Online Services is Oregon's largest independent Internet service provider focused on meeting the needs of business. With state-of-the-art facilities delivering high reliability and high performance, the company offers a range of services from individual Web access to powerful Web hosting. Founded in 1995 by a team of seasoned industry professionals, EasyStreet has more than 20 employees and is one of the top ten fastest growing technology companies in the region. For additional information visit [www.EasyStreet.com](http://www.EasyStreet.com)

"A lot of organizations rely on information they receive through costly subscription services and television to quickly react to market conditions and competitive news," said Rich Bader, president of EasyStreet. "Now businesses can get the same information on their desktop, right over the Internet, for a fraction of the cost. The Euron Intelligent Network is a great addition to our high-speed Internet services; we're proud to be the first to bring it to Portland."

**About Electric Lightwave:** Electric Lightwave Inc. is a leading integrated communications provider of enhanced data services, frame relay, ATM and Internet access solutions to bandwidth intensive businesses and the growing e-commerce market. The company offers long distance, data and prepaid services nationwide, with points of presence in Atlanta, Chicago, Cleveland, Dallas, Denver, Las Vegas, Los Angeles, New York, Palo Alto, Philadelphia, San Diego, San Francisco, San Jose and Washington, D.C. As a full-service provider, the company offers local, long distance, videoconferencing and high-speed broadband transport via an expanding fiber optic network that interconnects major markets in the West. Headquartered in Vancouver, Wash., the company employs 1,200 and earned revenue of \$101 million in 1998, up 65 percent from 1997. Electric Lightwave Inc. is on the World Wide Web at [www.eli.net](http://www.eli.net) and <http://data.eli.net>

"As a distribution partner of Euron Communications, we are excited to be able to offer ePowered™ application services to our business customers," said Jim Berthot, vice president of marketing and new product development at Electric Lightwave, Inc. "The addition of these unique services allows us to continue our leading role as an integrated communications provider and to offer total system solutions to our customers."

**About TeleCommute Solutions:** TeleCommute Solutions provides turnkey solutions to allow large companies to profit from telecommuting programs. Their TeleWorX family of solutions delivers everything a company needs to deploy, connect, manage and support a

telecommuting workforce. Headquartered in Atlanta, Georgia, TCS has regional service centers throughout the United States and is currently supporting telecommuting programs in over 20 states. Company and product information can be found by visiting TeleCommute Solutions' Website at [www.telecommuter.com](http://www.telecommuter.com).

"Enron Communications Intelligent Network (EN) adds the applications and rich media content that we designed our telecommuting NetWork X private IP network to deliver," said Stephen L. Schilling, president of TeleCommute Solutions, Inc. "The Enron Intelligent Network fulfills the next step of our vision to enhance our network offering by imbedding applications and communication tools into our network and making them available to our customers' office workers and telecommuters alike. By enhancing our network with these tools we now can deliver capabilities to our enterprise clients that were never before available."

###



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

In Re: ENRON CORPORATION \* MDL Docket No. 1446  
SECURITIES LITIGATION \*  
\* Civil Action No. H-01-3624  
MARK NEWBY, ET AL., \* (Consolidated)  
INDIVIDUALLY AND ON BEHALF\*  
OF ALL OTHERS SIMILARLY \* CLASS ACTION  
SITUATED, \*

PLAINTIFFS, \*

VS. \*

ENRON CORP., ET AL \*

DEFENDANTS. \*

THE REGENTS OF THE \*  
UNIVERSITY OF CALIFORNIA, \*  
ET AL., INDIVIDUALLY AND \*  
ON BEHALF OF ALL OTHERS \*  
SIMILARLY SITUATED, \*

PLAINTIFFS, \*

VS. \*

KENNETH L. LAY, ET AL., \*

DEFENDANTS. \*

-----  
VIDEOTAPED ORAL DEPOSITION  
OF RONALD C. HULME  
VOLUME 1  
JUNE 3, 2004  
-----

1	PAMELA M. TITTLE, ET AL.,	*	Civil Action No. H-01-3913
2		*	
3	PLAINTIFFS,	*	
4		*	
5	VS.	*	
6		*	
7	ANDREW S. FASTOW,	*	
8	MICHAEL J. KOPPER,	*	
9	BEN GLISAN, JR. RICHARD B.	*	
10	BUY, RICHARD A. CAUSEY,	*	
11	JEFFREY K. SKILLING,	*	
12	KENNETH L. LAY, JEFFREY	*	
13	MCMAHON, JAMES V. DERRICK,	*	
14	JR., KRISTINA M. MORDAUNT,	*	
15	KATHY LYNN, ANNE YAEGER-	*	
16	PATEL, ARTHUR ANDERSEN,	*	
17	LLP, AND CARL FASTOW,	*	
18	AS ADMINISTRATOR OF THE	*	
19	FASTOW FAMILY FOUNDATION,	*	
20		*	
21	DEFENDANTS.	*	
22		*	Civil Action No. H-04-0091
23	ELAINE L. CHAO, SECRETARY	*	
24	OF THE UNITED STATES	*	
25	DEPARTMENT OF LABOR,	*	
26		*	
27	PLAINTIFF,	*	
28		*	
29	VS.	*	
30		*	
31	ENRON CORP., ET AL.,	*	
32		*	
33	DEFENDANTS.	*	
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50			
51			
52			
53			
54			
55			
56			
57			
58			
59			
60			
61			
62			
63			
64			
65			
66			
67			
68			
69			
70			
71			
72			
73			
74			
75			
76			
77			
78			
79			
80			
81			
82			
83			
84			
85			
86			
87			
88			
89			
90			
91			
92			
93			
94			
95			
96			
97			
98			
99			
100			

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

IN THE UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

IN RE:	*
	*
ENRON CORP., ET AL	*
	*
DEBTORS.	*
	*
ENRON CORP., ET AL	*
	*
PLAINTIFFS,	*
	*
VS.	*
	*
CITIGROUP, INC., ET AL	*
	*
DEFENDANTS.	*

-----  
 VIDEOTAPED ORAL DEPOSITION  
 OF RONALD C. HULME  
 VOLUME 1  
 JUNE 3, 2004  
 -----

ORAL AND VIDEOTAPED DEPOSITION OF RONALD C. HULME, VOLUME 1, produced as a witness at the instance of the Outside Director Defendants, and duly sworn, was taken in the above-styled and numbered cause on the 3rd day of June, 2004, from 9:07 a.m. to 6:07 p.m., before Angela G. Neustifter, CSR in and for the State of Texas, reported by machine shorthand, at Houston Deposition Center, located at 1111 Bagby Street, Suite 2100, in the City of Houston, County of Harris and State of Texas pursuant to the Federal Rules of Civil Procedure and the provisions stated on the record or attached hereto.

1                                   A P P E A R A N C E S  
2 FOR LEAD PLAINTIFF THE REGENT OF THE UNIVERSITY OF  
3 CALIFORNIA, THE PLAINTIFFS IDENTIFIED IN LEAD  
4 PLAINTIFFS' COMPLAINT FILED IN CIVIL ACTION NO.  
5 H-01-3624, THE PUNITIVE CLASS ASSERTED BY LEAD  
6 PLAINTIFF, WHICH INCLUDES PURCHASERS OF ENRON CORP'S  
7 PUBLICALLY TRADED EQUITY AND DEBT SECURITIES:  
8  
9                   MR. G. PAUL HOWES  
10                   Lerach, Coughlin, Stoia & Robbins  
11                   401 B Street, Suite 1700  
12                   San Diego, California 92101  
13                   (619) 231-1058  
14  
15 FOR ENRON CORP.:  
16  
17                   MR. JAMES T. SOUTHWICK  
18                   Susman Godfrey, L.L.P.  
19                   1000 Louisiana, Suite 5100  
20                   Houston, Texas 77002  
21                   (713) 653-7811  
22  
23 FOR THE WITNESS, RONALD C. HULME:  
24  
25                   MR. JOHN E. BEERBOWER  
                  Cravath, Swaine & Moore, LLP  
                  825 Eighth Avenue, Room 4050  
                  New York, New York 10019  
                  (212) 474-1864  
  
FOR THE DEFENDANT, CFSB:  
  
                  MR. JEFFREY KORN  
                  Cravath, Swaine & Moore, LLP  
                  825 Eighth Avenue, Room 4050  
                  New York, New York 10019  
                  (212) 474-1864  
  
FOR JOSEPH HIRKO:  
  
                  MR. TIMOTHY W. SNIDER  
                  MR. DAVID ANGELI  
                  Stoel Rives, LLP  
                  900 S.W. Fifth Avenue, Suite 2600  
                  Portland, Oregon 97204  
                  (503) 224-3380

1                   A P P E A R A N C E S (Continued)  
2 FOR JEFFREY K. SKILLING:  
3           MR. ROBERT M. STERN  
          O'Melveny & Myers, LLP  
4           1625 Eye Street, NW  
          Washington, D.C. 20006  
5           (202) 383-5300  
6  
7 FOR LEHMAN BROTHERS:  
8  
          MS. MELISSA HAGAN  
9           Jones Day  
          717 Texas  
10          Suite 3300  
          Houston, Texas 77002  
11          (832) 239-3939  
12 FOR MERRILL LYNCH:  
13          MR. JAMES L. HALLOWELL  
          Gibson, Dunn & Crutcher, LLP  
14          200 Park Avenue  
          Suite 4700  
15          New York, New York 10166  
          (212) 351-3804  
16  
17 FOR JP MORGAN CHASE AND AFFILIATED ENTITIES:  
18  
          MR. JONATHAN K. YOUNGWOOD  
19          MR. TAL GOLOMB  
          Simpson, Thacher & Bartlett, LLP  
20          425 Lexington Avenue  
          New York, New York 10017  
21          (212) 455-3539  
22 FOR KEN HARRISON:  
23          MS. ROBYN E. RIDLER  
          Tonkon Torp, LLP  
          1600 Pioneer Tower  
          888 SW Fifth Avenue  
24          Portland, Oregon 97204  
          (503) 221-1440  
25

1                   A P P E A R A N C E S (Continued)  
2 FOR DEUTSCHE BANK:  
3           MR. JONATHAN H. BEEMER  
          White & Case, LLP  
4           1155 Avenue of the Americas  
          New York, New York 10036  
5           (212) 819-8287  
6  
7 FOR ROYAL BANK OF CANADA:  
8           MR. ROBERT GARNER  
          Attorney at Law  
          1155 Avenue of the Americas  
9           15th Floor  
          New York, New York 10036  
10          (917) 453-8410  
11 FOR KENNETH L. LAY:  
12          MS. DIANE SUMOSKI  
          Carrington, Coleman,  
13          Sloman & Blumenthal, LLP  
          200 Crescent Court  
14          Suite 1500  
          Dallas, Texas 75201  
15          (214) 855-3086  
16 FOR OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF  
          ENRON:  
17  
18          MR. DONALD A. WALL  
          Squire, Sanders & Dempsey, LLP  
          40 North Central Avenue  
19          Suite 2700  
          Phoenix, Arizona 85004  
20          (602) 528-4000  
21 FOR THE CANADIAN IMPERIAL BANK OF COMMERCE:  
22          MR. MARK D. MANELA  
          Mayer, Brown, Rowe & Maw  
23          700 Louisiana Street, Suite 3600  
          Houston, Texas 77002  
24          (713) 547-9630  
25

1                   A P P E A R A N C E S (Continued)  
2 FOR OUTSIDE DIRECTOR DEFENDANTS:  
3       MR. JEAN C. FRIZZELL  
4       Gibbs & Bruns  
5       1100 Louisiana Street  
6       Suite 5300  
7       Houston, Texas 77002  
8       (713) 650-8805  
9  
10 FOR VINSON & ELKINS, LLP:  
11       MR. JAMES A. BRUTON, III  
12       MR. JOSEPH FLUET  
13       Williams & Connolly, LLP  
14       725 Twelfth Street, NW  
15       Washington, D.C. 20005  
16       (202) 434-5216  
17 FOR THE ROYAL BANK OF SCOTLAND GROUP, PC, AND  
18 AFFILIATES:  
19       MR. JOHN M. NEWMAN, JR.  
20       Jones, Day  
21       901 Lakeside Avenue  
22       Cleveland, Ohio 44114  
23       (216) 586-3939  
24  
25 FOR DAVID DUNCAN:  
26       MR. BARRY FLYNN  
27       Law Offices of Barry G. Flynn, P.C.  
28       1300 Post Oak Boulevard  
29       Suite 750  
30       Houston, Texas 77056  
31       (713) 840-7474  
32 FOR BARCLAYS BANK, PLC:  
33       MR. DANIEL LAGUARDIA  
34       Sullivan & Cromwell  
35       125 Broad Street  
36       New York, New York 10004  
37       (212) 558-4000  
38  
39  
40  
41  
42  
43  
44  
45

1                   A P P E A R A N C E S (Continued)  
2 FOR CITIGROUP INC.:  
3       MR. DREW HARRIS  
4       Paul, Weiss, Rifkind, Wharton  
5       1285 Avenue of the Americas  
6       25th Floor  
7       New York, New York 10019  
8       (212) 373-3072  
9  
10 FOR LOU L. PAI: (Via Telephone)  
11       MR. LOGAN SMITH  
12       Zuckerman Spaeder, LLP  
13       1201 Connecticut Avenue, NW  
14       Washington, DC 20026  
15       (202) 778-1800  
16  
17 ALSO PRESENT: Mr. James P. Grove, IV  
18                   Sr. Vice President of Royal Bank of  
19                   Scotland Group, PC  
20                   Ms. Deborah Smith, Videographer  
21                   Elite Video Productions  
22                   3024 Commerce Street  
23                   Dallas, Texas 75226  
24                   (214) 747-1952  
25

INDEX		
1		
2	Appearances .....	5-8
3	RONALD C. HULME, Volume 1	
4	Examination by Mr. Frizzell .....	14
	Examination by Mr. Youngwood .....	315
5	Signature and Changes .....	330
	Reporter's Certificate .....	331
6		
	EXHIBITS	
7		
	NUMBER/DESCRIPTION	MARKED/IDENTIFIED
8		
	30001 - Sworn Declaration	15/15
9	30002 - CST Self-Assessment	17/17
	30003 - May 1999 meeting minutes	36/36
10	30004 - E-mail dated 7/27/99	60/60
	30005 - Memo dated 8/2/99	69/69
11	30006 - Document dated 8/19/99	74/74
	30007 - E-mail dated 8/20/99	89/89
12	30008 - Letter dated 8/20/99	96/96
	30009 - E-mail dated 10/1/99	99/99
13	30010 - Letter dated 9/30/99	98/98
	30011 - Letter dated 10/1/99	100/100
14	30012 - Priorities for ECI	104/104
	30013 - Memorandum dated 10/13/99	105/105
15	30014 - Letter dated 10/20/99	118/118
	30015 - Agenda, 11/99	124/124
16	30016 - Perspective on ECI Strategy in Enhanced Internet Services	125/125
17	30017 - Memo to Hirko/Rice	134/134
	30018 - Presentation dated 11/18/99	164/164
18	30019 - Presentation dated 11/18/99 w/handwritten notes	170/170
19	30020 - Presentation dated 12/15/99	173/173
	30021 - Memorandum dated 12/20/99	178/178
20	30022 - Letter dated 12/21/99	190/190
	30023 - McKinsey self-assessment	192/192
21	30024 - EIN Strategy Update	198/198
	30025 - Sizing the EBS Market Opportunity	204/204
22	30026 - Enron Broadband speech	217/217
	30027 - Memo dated 1/26/00	233/233
23	30028 - J. Skilling talking points	238/238
	30029 - Fee statement dated 12/99	243/243
24	30030 - Master ePowered Services Agreement	246/246
	30031 - Letter dated 4/24/00	248/248
25	30032 - Letter dated 6/1/00	251/251
	30033 - Fee statement dated 7/2/00	254/254

EXHIBITS (Continued)		
	NUMBER/DESCRIPTION	MARKED/IDENTIFIED
1		
2		
3	30034 - VoD Business System Presentation	256/256
4	30035 - Fee statement dated 7/31/00	261/261
	30036 - 8/31/00 fee statement	261/261
5	30037 - Summary 2/9/01	277/277
	30038 - Accerating and Enabling Origination	280/280
6		
	30039 - Letter dated 8/17/98	291/291
7	30040 - Hedging and Leveraging the Merchant Equity Portfolio	298/298
8	30041 - Memorandum dated 7/13/99	299/299
	30042 - ECT Merchant Hedging	301/301
9	30043 - Solidifying the Deal Flow Process	301/301
10	30044 - Transitioning to a Professional Partnership Model	305/305
11	30045 - Creating the One Enron Partnership	305/305
12	30046 - Letter dated 9/6/01	307/307
	30047 - Capital Markets Perspectives and Implications	308/308
13		
	30048 - Valuation Update, 10/9/01	309/309
14	30049 - Letter dated 10/22/01	311/311
	30050 - Portfolio Assessment, 5/19/99	323/323
15		
16	VIDEOTAPES	
17	END OF TAPE 1 .....	108
	END OF TAPE 2. ....	192
18	END OF TAPE 3 .....	254
	END OF TAPE 4 .....	329
19		
20		
21		
22		
23		
24		
25		



1 used in its place for all purposes. The court  
2 reporter is otherwise relieved of any statutory  
3 duties.

4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## 1 P R O C E E D I N G S

09:08 2 (June 3, 2004, 9:07 a.m.)

09:08 3 THE VIDEOGRAPHER: Good morning. We're

09:08 4 now on record. Today is June 3rd, 2004. The time is

09:08 5 approximately 9:07 a.m. This is the videotaped

09:08 6 deposition of Ronald Hulme. This deposition is being

09:08 7 taken at 1111 Bagby Street, on the 21st Floor at the

09:08 8 deposition center in Houston, Texas.

09:08 9 This case is styled as Mark Newby,

09:08 10 et al. versus Enron Corp., et al. in the United States

09:08 11 District Court for the Southern District of Texas,

09:08 12 Houston Division, MDL Docket Number 1446, Civil Action

09:08 13 Number H-01-3624. My name is Deborah Smith, with

09:08 14 Elite Video Productions in Dallas. The court reporter

09:08 15 is Angela Neustifter, with Alpha Reporting. This is

09:08 16 Tape 1, Volume I.

09:08 17 Would counsel and all present please

09:09 18 identify themselves, starting with plaintiffs'

09:09 19 attorneys.

09:09 20 MR. FRIZZELL: Well, I'm not the

09:09 21 plaintiffs' attorney, but I'm Jean Frizzell from Gibbs

09:09 22 & Bruns, for the outside directors.

09:09 23 MR. BEERBOWER: John Beerbower, Cravath,

09:09 24 Swaine & Moore, representing the witness.

25 THE WITNESS: I'm Ron Hulme, the

09:15 1 A. It's handwritten with question marks and  
09:15 2 notes, so it doesn't appear to be a final copy.

09:15 3 Q. Yeah, I see a question mark, but I also see a  
09:15 4 series of checks by some of the criteria.

09:15 5 A. Yes.

09:16 6 Q. And I see a check by McKinsey being involved  
09:16 7 in most critically important top management decisions  
09:16 8 and issues. Do you see that, sir?

09:16 9 A. I do, but it appears to me that that's not a  
09:16 10 check of that box. It looks like one individual  
09:16 11 making their own notes on here as opposed to filling  
09:16 12 out the form.

09:16 13 Q. Well, let me ask you.

09:16 14 A. Yeah.

09:16 15 Q. Do you believe that McKinsey was involved in  
09:16 16 most critically important top management decisions and  
09:16 17 issues at Enron?

09:16 18 A. I would say we were involved in many  
09:16 19 critically important, but not probably most.

09:16 20 Q. Okay. Fair enough. Is it also true that  
09:16 21 McKinsey had strong personal relationships with the  
09:16 22 top management at Enron?

09:16 23 A. I think there were good professional  
09:16 24 relationships with members of the management team,  
25 yes.

09:16 1 Q. Absolutely. Did you have access, also, to  
09:16 2 midlevel employees at Enron?

09:16 3 A. Yes, we would have.

09:16 4 Q. And did y'all have access to, for want of a  
09:16 5 better term, lower-level employees at Enron?

09:16 6 A. Yes, we would.

09:17 7 Q. Was it common for McKinsey to have multiple  
09:17 8 teams working with Enron at any given point in time?

09:17 9 A. I would say there were several periods where  
09:17 10 we had multiple teams. It wouldn't necessarily be  
09:17 11 regular or at all times.

09:17 12 Q. How did McKinsey decide what individuals  
09:17 13 would be on a specific team for an engagement at  
09:17 14 Enron?

09:17 15 A. We have a staffing process that has  
09:17 16 professional staffing coordinators that try to match  
09:17 17 client needs and timing with a pool of associates,  
09:17 18 based on their background, interest and location. So  
09:17 19 it's project by project and is, you know, staffed to  
09:17 20 meet the particular need of an engagement.

09:17 21 Q. So on any given project, McKinsey would  
09:17 22 attempt to determine the best fit in terms of who  
09:17 23 should be on a team?

09:17 24 A. That's correct.

25 Q. And so there would be a lot of different

09:32 1 recall?

09:33 2 A. No.

09:33 3 Q. Let me hand you the minutes of the May 1999  
09:33 4 meeting. It is Bates stamped ENE 947. And I'm  
09:33 5 marking it as Exhibit 30003, sir.

09:33 6 (Deposition Exhibit 30003 was marked.)

09:33 7 Q. Have you ever seen this document before?

09:33 8 A. I don't believe I have.

09:33 9 Q. Does this in any way refresh your  
09:33 10 recollection as to the date of the board meeting that  
09:33 11 you attended?

09:33 12 A. The references to May 19th, the Peninsula  
09:33 13 Hotel in New York, I do recall the meeting being at  
09:33 14 the Peninsula Hotel in New York, and I assume the  
09:33 15 date's fine. I don't have any recollection of  
09:33 16 anything different.

09:33 17 Q. Do you recall if the meeting took place in  
09:33 18 the afternoon?

09:33 19 A. I don't recall time of day.

09:34 20 Q. Fair enough. Was there an informal  
09:34 21 premeeting before the board meeting?

09:34 22 A. I don't recall one. I think we entered  
09:34 23 during the middle of the meeting and left shortly  
09:34 24 after our presentation.

25 Q. Before the meeting, did you have any contact

13:30 1 December of 2000, you're in a disagree -- you disagree  
13:30 2 with Mr. Rice's reaction to some work that you present  
13:30 3 to Mr. Rice?

13:30 4 A. Yes.

13:30 5 Q. You view that as -- at the time you viewed  
13:30 6 that as an honest disagreement, right?

13:30 7 A. Yes.

13:30 8 Q. Come January and February, I think you've  
13:30 9 indicated that your -- your feelings became more  
13:30 10 pronounced?

13:30 11 A. We had additional meetings, and that  
13:30 12 impression became stronger as a result of more  
13:30 13 interactions.

13:30 14 Q. And by that impression, do you mean the  
13:30 15 impression that Mr. Rice did not ascribe the same  
13:30 16 weight to the concerns that McKinsey was bringing to  
13:30 17 his attention?

13:30 18 A. I can't say whether he ascribed weight or  
13:30 19 not. I can only describe that it was my impression  
13:31 20 that he didn't seem phased or worried, nor did it  
13:31 21 appear to me that he changed his plans as a result of  
13:31 22 those findings.

13:31 23 Q. And although there clearly was a disagreement  
13:31 24 between you, on behalf of McKinsey, and Mr. Rice, did  
13:31 25 you believe it to be an honest disagreement?

13:31 1 A. I wouldn't even have described it as a  
13:31 2 disagreement at the time.

13:31 3 Q. Okay. How would --

13:31 4 A. He didn't factually disagree.

13:31 5 Q. Excuse me?

13:31 6 A. He did not factually disagree.

13:31 7 Q. Did he disagree on the consequences of what  
13:31 8 you were pointing out?

13:31 9 A. He was simply optimistic. I recall him  
13:31 10 expressing the view that these are minor problems;  
13:31 11 we've been through more difficult things before, and,  
13:31 12 therefore, this is normal, and we'll persevere.

13:31 13 Q. When the gas marketing business was first  
13:31 14 developed, were there problems getting it off the  
13:31 15 ground?

13:32 16 A. I wasn't present for much of that time, but I  
13:32 17 believe that there were. And I believe that it was  
13:32 18 his impression that this was similar to those types of  
13:32 19 experiences.

13:32 20 Q. Mr. Rice had lived through those battles in  
13:32 21 the gas arena, right?

13:32 22 A. Yes, he had.

13:32 23 Q. When the electric power business, the trading  
13:32 24 business was first developed, were there challenges at  
25 initiation?

13:32 1 A. I believe there were.

13:32 2 Q. And had Mr. Rice lived through those

13:32 3 challenges as well?

13:32 4 A. I think he had.

13:32 5 Q. And if I understand your testimony, McKinsey,

13:32 6 doing its job, came forward and said, look, Ken, we've

13:32 7 got a number of serious challenges to this new

13:32 8 business, right?

13:32 9 A. That's correct.

13:32 10 Q. And if I understand Mr. -- your testimony

13:32 11 about Mr. Rice's reaction, it was essentially, I hear

13:32 12 you; I don't disagree, but we can overcome them?

13:32 13 A. I don't recall him saying he disagreed or did

13:33 14 not disagree, but I -- I do recollect that he felt

13:33 15 that anything we talked about could be overcome.

13:33 16 Q. And did he point out that he had lived

13:33 17 through similar battles in other areas of Enron's

13:33 18 business?

13:33 19 A. I believe he did.

13:33 20 Q. All right. So that point was laid out there

13:33 21 in the open, right?

13:33 22 A. Yes.

13:33 23 Q. And did you come away from those meetings,

13:33 24 number one, feeling like you had done your job,

25 constructive criticism, point out the challenges, make

13:44 1 him that report, I'm not certain.

13:44 2 Q. Fair enough. You -- and you can't isolate  
13:44 3 the dates those conversations took place?

13:44 4 A. No. They would have been over a period of --  
13:44 5 in my -- as best I can recall, about a month to six  
13:44 6 weeks.

13:44 7 Q. And you can't identify specifically what was  
13:44 8 said in those conversations?

13:44 9 A. Not the exact words.

13:44 10 Q. Okay. And, again, we're talking about  
13:44 11 something that took place over three years ago?

13:44 12 A. Three years ago.

13:44 13 Q. Okay. Did you ever get a sense that other  
13:44 14 than Mr. Skilling being busy or diverted or  
13:44 15 distracted, that somehow he was overly optimistic?  
13:44 16 And I'm trying to tie it back to your earlier  
13:44 17 response.

13:44 18 A. I did not from those conversations. I did  
13:44 19 from some public statements that he made that I became  
13:44 20 aware of later.

13:44 21 Q. Became aware of how?

13:44 22 A. I believe from members of our team.

13:45 23 Q. Okay. Before we get into that, did you ever  
13:45 24 come to the conclusion that Mr. Skilling was anything  
13:45 25 other than honestly optimistic about broadband's

13:45 1 chances?

13:45 2 A. I had -- I had no thought at the time that  
13:45 3 there was anything that was not honest about the  
13:45 4 reaction of him or others.

13:45 5 Q. Mr. Skilling had, like Mr. Rice, lived  
13:45 6 through the initial power marketing stages?

13:45 7 A. Yes, he had.

13:45 8 Q. He had been through all challenges and the  
13:45 9 problems that were involved in that project as well?

13:45 10 A. Yes, yes.

13:45 11 Q. And he'd -- you'd obviously, through your  
13:45 12 interaction with Mr. Skilling over the years, seen him  
13:45 13 in many situations where there were significant  
13:45 14 challenges, and he was able to overcome them?

13:45 15 A. I had seen those types of situations.

13:45 16 Q. Did you get a -- a -- did you have a firm  
13:45 17 belief that Mr. Skilling believed overall in the  
13:45 18 strength of his management team?

13:45 19 A. That's a broad question.

13:46 20 Q. Did he have confidence in Mr. Rice?

13:46 21 A. I know he had confidence in Mr. Rice through  
13:46 22 some periods and then less confidence at later  
13:46 23 periods.

13:46 24 Q. Did he certainly have confidence in his own  
25 abilities?

13:47 1 A. I do not.

13:47 2 Q. Sitting here today, do you have any evidence  
13:47 3 that Mr. Skilling was anything other than honestly  
13:47 4 optimistic about the prospects of the broadband  
13:47 5 business to the extent he was tapped into the  
13:47 6 broadband business at that time?

13:47 7 A. I have no evidence that there was anything  
13:47 8 other than an honest opinion.

13:47 9 Q. All right. And by talking about Mr. Yaeger,  
13:47 10 Mr. Rice and Mr. Skilling, have we covered the  
13:47 11 waterfront of the folks that you even had a concern  
13:48 12 about their level of optimism?

13:48 13 A. Probably in any significant degree.

13:48 14 Q. And the same question with -- with respect to  
13:48 15 Mr. Hirko, do you have any evidence, sitting here  
13:48 16 today, that Mr. Hirko was -- scratch that. This is  
13:48 17 going to be a slightly different question.

13:48 18 Sitting here today, do you have any  
13:48 19 evidence that any of the Enron officers were somehow  
13:48 20 engaged in fraudulent or criminal behavior with  
13:48 21 respect to Enron Broadband?

13:48 22 MR. YOUNGWOOD: Objection to form.

13:48 23 A. I -- I do not.

13:48 24 Q. (By Mr. Frizzell) With all your contact and  
25 with everything you did with -- with the Enron

18:08 1 STATE OF TEXAS X  
18:08 2 COUNTY OF DALLAS X  
18:08 3 I, ANGELA G. NEUSTIFTER, Certified Shorthand  
18:08 4 Reporter duly commissioned and qualified in and for  
18:08 5 the State of Texas, do hereby certify that there came  
18:08 6 before me on the 3rd day of June, 2004, at the offices  
18:08 7 of the Houston Deposition Center, located at 1111  
18:08 8 Bagby, Suite 2100, in the City of Dallas, County of  
18:08 9 Dallas, State of Texas, the following named person,  
18:08 10 to-wit: RONALD HULME, VOLUME 1, who was duly sworn to  
18:08 11 testify the truth, the whole truth and nothing but the  
18:08 12 truth of his knowledge touching and concerning the  
18:08 13 matters in controversy in this cause; that he was  
18:08 14 thereupon examined upon his oath and his examination  
18:08 15 reduced to typewriting under my supervision; that the  
18:08 16 deposition is a true record of the testimony given by  
18:08 17 the witness, and signature of the witness is to be  
18:08 18 before any Notary Public. I further certify that  
18:08 19 I am neither attorney for, nor related to or employed  
18:08 20 by, any of the parties to the action in which this  
18:08 21 deposition is taken, and further that I am not a  
18:08 22 relative or employee of any attorney or counsel  
18:08 23 employed by the parties hereto, or financially  
18:08 24 interested in the action.  
25

18:08 1                   That the amount of time used by each party at  
18:08 2 the deposition is as follows:

18:08 3  
                  JEAN FRIZZELL: 5 hours, 53 minutes

18:08 4                   JOHN YOUNGWOOD: 16 minutes

18:08 5                   Given under my hand and seal of office on this  
18:08 6 the 9th day of June, A.D., 2004.

18:08 7  
18:08 8  
18:08 9                   

                  ANGELA G. NEUSTIFTER, CSR 3399  
18:08 10                   Alpha Reporting Services, Inc.  
                  Firm Registration No. 298  
18:08 11                   4144 N. Central Expressway  
                  Suite 240  
18:08 12                   Dallas, Texas 75204  
                  (214) 321-5599  
18:08 13                   (214) 321-1922 Facsimile  
                  (888) 667-DEPO Toll Free

18:08 14                   My CSR certification expires: 12-31-04

15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25