

**Market Flash: Enron (Baa1/BBB+) (Stable/Stable) (Attractive)****Enron CEO Resigns; Chairman reassumes President and CEO role through 2005**

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In a move that seemed to catch the market by surprise, Enron President and CEO, Jeff Skilling announced his resignation yesterday, citing personal reasons. Skilling has been a key leader in the rapid growth of Enron's wholesale energy business over the last decade and a vocal proponent of deregulating the natural gas and electric markets. While Enron has many talented and capable managers, we believe it may take some time to develop someone who is ready to take over the CEO role. In the meantime, Kenneth Lay will serve as the Chairman, President and CEO. As a result, we would expect little change in Enron's strategic direction or growth plans. The primary performance targets to monitor over the near-to-intermediate term are the sustainability of growth in Enron's wholesale services and energy services businesses and the implementation of Enron's planned asset optimization program.

On Tuesday, August 14<sup>th</sup>, Enron announced the voluntary resignation of its President and CEO, Jeff Skilling. Enron Chairman, Kenneth Lay will assume the President and CEO duties. Lay has been with Enron since its inception and previously held the President and CEO position from 1985 until February 2001. He extended his employment contract by 2 years until 2005 to allow for adequate time to develop a management succession plan.

Jeff Skilling, who joined Enron in 1990, has worked closely with Lay to develop Enron's wholesale energy business and the company's current business strategy. Skilling became President and COO in 1997, and assumed the CEO role from Lay in February 2001. His employment contract was through 2003. According to management on its conference call update, Skilling will not receive a severance package because of the voluntary nature of his departure from the firm. However, his contract does contain non-compete and non-solicitation provisions.

On a Tuesday afternoon conference call, Skilling described the resignation decision as a personal issue. Also, Lay and Skilling declared that the change is not related to any of the issues that have contributed to the negative pressure on Enron's common stock price this year including the California energy crisis, an unresolved power plant dispute in India, and the "melt-down" of the broadband market. Management also stressed that Enron does not plan to change its business strategy or focus.

Lay noted that Enron senior management positions will be filled internally. We think that Enron is a company that has developed a strong management team and unique corporate culture. The company has a practice of rotating up-and-coming managers through different management roles. As an example of its leadership team, Lay recognized some key executives in senior management positions (see list below), who have all been with the company for at least five years:

Dave Delainey	Chairman & CEO, Enron Energy Services
Andy Fastow	Executive VP & CFO
Mark Frevert	Chairman & CEO, Enron Wholesale Services
Kevin Hannon	Formerly COO of Broadband Services, now head of Enron International
Stan Horton	Chairman & CEO, Enron Transportation Services
Lou Pai	Chairman & CEO, Enron Xcelerator
Greg Whaley	President & COO, Enron Wholesale Services

In terms of credit rating stability, Standard & Poor's released a comment that Enron's credit ratings will not be affected by the management change and that S&P recognized the company's depth of management talent and expects a "continuation of Enron's successful business model".

AMSTERDAM.....	31 20 5754 890	JOHANNESBURG ..	27 11 884 67 41	SÃO PAULO.....	55 11 3841 6000
ATLANTA .....	1 404 656 9500	LONDON .....	44 20 7888 8888	SEOUL.....	82 2 3707 3700
AUCKLAND.....	64 9 302 5500	MADRID .....	34 91 423 16 00	SHANGHAI.....	86 21 6881 8418
BALTIMORE.....	1 410 223 3000	MELBOURNE .....	61 3 9280 1666	SINGAPORE .....	65 212 2000
BEIJING.....	86 10 6410 6611	MEXICO CITY .....	52 5 283 89 00	SYDNEY .....	61 2 8205 4400
BOSTON.....	1 617 556 5500	MILAN .....	39 02 7702 1	TAIPEI .....	886 2 2715 6388
BUDAPEST .....	36 1 202 2188	MOSCOW .....	7 501 967 8200	THAILAND.....	66 2 614 6000
BUENOS AIRES....	54 11 4131 2700	MUMBAI.....	91 22 230 6333	TOKYO .....	81 3 5404 9000
CAIRO .....	202 567 7600	NEW YORK.....	1 212 325 2000	TORONTO .....	1 416 352 4500
CHICAGO .....	1 312 750 3000	PALO ALTO.....	1 650 614 5000	VIENNA .....	43 1 512 3023
FRANKFURT .....	49 69 75 38 0	PARIS .....	33 1 40 76 8888	WARSAW .....	48 22 695 0050
GENEVA.....	41 22 394 70 00	PASADENA .....	1 626 395 5100	WASHINGTON DC..	1 202 354 2600
HOUSTON .....	1 713 220 6700	PHILADELPHIA.....	1 215 851 1000	WELLINGTON.....	64 4 474 4400
HONG KONG .....	852 2101 6000	PRAGUE .....	420 2 210 83111	ZUG .....	41 41 727 97 00
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