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From: Despain, Tim
Sent: Tuesday, October 16, 2001 2:32 PM
To: Lay, Kenneth; Whalley, Greg; Fastow, Andrew; Koenig, Mark; Kean, Steven J.; Palmer, Mark A. (PR); Rieker, Paula; Glisan, Ben
Subject: Moody's Basis for Placing Enron Securities on "Review for Downgrade"

In order to ensure that our communications with the investment community are consistent, Stephen Moore of Moody's and I have agreed to publicly state the following as it pertains to the Moody's rating action taken today:

- **Full Review To Occur** - The action is intended to be the catalyst for a full review of our business operations to occur in the coming months. The company's appropriate rating will be determined during this time frame;
- **Primary Areas of Concern** - Moody's will be focusing on the following items during the review:
 - **Potential Future Equity Write downs:**
 - Dhabol
 - California
 - Broadband Fiber Network
 - Wessex/Azurix
 - **Slow Progress in Asset Sales** - we have been discussing sales for the past 18 months with limited closings
 - **Material Working Capital/Margin Expansion** - has resulting in negative cash flow from operations
 - **The Equity Adjustment** - Moody's was unaware of the potential of an equity adjustment of this magnitude

Please let me know if you would like to discuss any of the points in detail.

Regards:
Tim DeSpain
x31770

GOVERNMENT
EXHIBIT
3983

Crim. No. H-04-25 (S-2)