

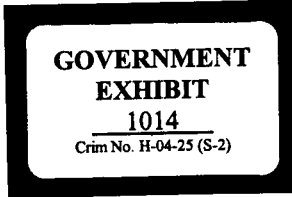
1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

UNITED STATES GRAND JURY  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

RE: INVESTIGATION OF ENRON

BE IT REMEMBERED that on the 1st day of July,  
2004, beginning at 11:56 a.m., in the Federal Building,  
515 Rusk Avenue, Houston, Texas, the United States Grand  
Jury convened, at which time the following proceedings  
were had and testimony adduced as hereinafter set forth.

TESTIMONY OF SALLY K. BALLARD



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

I, IDA H. SALINAS, CSR, a Certified Court  
Reporter and Notary Public in and for the State of Texas,  
previously appeared before the Foreman of the Grand Jury,  
at which time I was sworn in as the reporter for the  
United States Grand Jury.

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

A P P E A R A N C E S

Special Assistant United States Attorney JOHN  
HUESTON appearing for the United States of America.

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

E X H I B I T S

EX. NO.	DESCRIPTION	PAGE
1	Dailies	16
2	Dailies	23
4	Wiring Instructions	45
5	Transmittal sheets	46
10	Memo	29
11	Pledge Agreements	42
13	Statement of Purpose	33
14	Reports	25

1 (Witness sworn.)

2 SALLY K. BALLARD, SWORN

3 EXAMINATION

4 BY MR. HUESTON:

5 Q Good morning, Ms. Ballard. It's still morning.

6 A Barely.

7 Q Could you state your name and spell it please for  
8 the record?

9 A Yes. Sally Ballard, B-a-l-l-a-r-d.

10 Q All right, Ms. Ballard. You've appeared before  
11 the Grand Jury before.

12 A Yes.

13 Q And I will once again remind you of your rights  
14 and obligations as a Grand Jury witness. All right?

15 A Okay.

16 Q You understand that you are testifying here today  
17 under oath and that a record is being made by a court  
18 reporter. Correct?

19 A Yes.

20 Q And do you understand that you have an overriding  
21 obligation to tell the truth and that if you lie about  
22 anything material to the Grand Jury's investigation, you  
23 could be prosecuted for the crimes of perjury and  
24 obstruction of justice?

25 A Yes.

1           Q     You also have a right, as anyone that is before  
2 the Grand Jury, to be represented by an attorney in  
3 connection with your appearance. Do you understand that?

4           A     Yes, I do.

5           Q     And are you represented today?

6           A     Yes, I am.

7           Q     Can you state your attorney's name?

8           A     George Murphy.

9           Q     All right. And I notice -- I know you've done  
10 this before -- and I'm a bit of a slow speaker -- but for  
11 the clarity of the record, if you could wait till I finish  
12 my question --

13          A     You bet.

14          Q     -- before you give the answer --

15          A     Okay.

16          Q     -- I'd appreciate it.

17          A     Okay.

18          Q     All right. Is Mr. Murphy in the courthouse here  
19 with you today?

20          A     Yes.

21          Q     Do you understand that you can't have your lawyer  
22 in the room here with you; but if you wish to excuse  
23 yourself on a reasonable basis, we'll take a break so you  
24 can consult with your attorney? Do you understand that?

25          A     Yes, I do.

1 Q All right. You also understand that you have the  
2 right to refuse to answer any question based on the  
3 grounds of your Fifth Amendment privilege if you believe  
4 in good faith that a truthful answer might tend to  
5 incriminate you?

6 A Okay.

7 Q Do you understand that?

8 A Yes.

9 Q And that's a right and that was explained to you  
10 in your last appearance. Correct?

11 A I'm not certain. I don't recall. But...

12 Q Do you understand that today?

13 A Yes, I do.

14 Q Do you need any time to consult with your  
15 attorney about that?

16 A Not at all.

17 Q All right. And once again, if you have any  
18 questions at all, feel free to take a break and talk to  
19 your attorney.

20 Ms. Ballard, can you please describe how  
21 you're currently employed?

22 A How I'm currently employed?

23 Q Are you currently employed?

24 A Yes. You mean by whom?

25 Q Yes.

1 A I am employed by LayLind Limited.

2 Q And what's your position with LayLind Limited?

3 A My title or what I do?

4 Q Well, let's start with your title.

5 A I do a little bit of everything. I suppose my  
6 title would be -- I think it's financial coordinator.

7 Q Same title --

8 A Executive assistant.

9 Yes.

10 Q All right. And you had the title financial  
11 coordinator, I believe, while you were employed by Mr. Lay  
12 while he was still with Enron. Right?

13 A Correct.

14 Q Okay. And you've testified before in the Grand  
15 Jury, but are your duties and responsibilities with  
16 LayLind essentially the same as they were in the last year  
17 or two of your time while Mr. Lay was still employed with  
18 Enron?

19 A I would say so.

20 Q Can you just very briefly describe your  
21 educational background for the Grand Jury?

22 A I have a year of college.

23 Q All right. And you finished college in 1969,  
24 1970 or so for the year?

25 A About that time. I --



1 Q All right.

2 A That sounds fair.

3 Q And then after that, what kind of positions did  
4 you hold? I don't need to give a -- you don't have to  
5 give me a full employment history, but over the course of  
6 the next 10, 15 years, what sorts of positions did you  
7 have?

8 A Okay. While my children were still at home, I  
9 worked in public schools as school secretary/teacher aide  
10 so that I could have maximum time with my children. When  
11 they got into high school or nearly graduating, then I  
12 went into -- went out to work at a real business so I  
13 could make more money and do -- secretarial work.

14 Q Okay. So, mostly secretarial work?

15 A Secretarial work. And then later I got into a  
16 bit of payroll work and accounting.

17 Q Okay. When did you get into accounting work,  
18 when you say "accounting"?

19 A It was light accounting, basically payroll and  
20 light accounting -- I started probably -- I started with  
21 Enron in 1985. So, probably about 1982.

22 Q All right. So, in 1985 you began working for  
23 Enron. Right?

24 A Correct.

25 Q And what was your position there when you began

1 working in 1985? Were you working as a secretary or were  
2 you working --

3 A I was working as probably  
4 secretary/administrative assistant. I worked in Mr. Lay's  
5 office.

6 Q All right. So, you were one of three  
7 secretaries/administrative assistants. Right?

8 A Correct. We did whatever needed to be done.

9 Q Okay. And that remained true all the way through  
10 2001. Right?

11 A Yes. That is correct.

12 Q Now, you worked in his office; but you were paid  
13 by Mr. Lay. Is that right?

14 A No.

15 Q You were paid by Enron?

16 A That's correct.

17 Q Okay. Did you handle some of Mr. Lay's personal  
18 financial documents, information, in the late Nineties  
19 before Sherrie Gibson arrived?

20 A Yes, I did.

21 Q Okay. Prior to the arrival of Sherrie Gibson,  
22 what kind of work were you doing to assist Mr. Lay in the  
23 handling of his accounts and finances?

24 A I handled all of his personal bill paying duties.  
25 I handled -- coordinated his insurance for the insurance

1 companies and coverages and took care of troubleshooting  
2 there and paid the premiums, gathered information to  
3 forward on to his CPA.

4 Q And who was his CPA prior to the arrival of  
5 Ms. Gibson?

6 A Well, Sherrie --

7 Q Was there one?

8 A Sherrie was -- Sherrie -- I believe Sherrie's  
9 title was -- was -- I think she was controller. We had an  
10 outside CPA firm.

11 Q Oh, Margolis?

12 A Well, before Margolis it was Bessemer Trust in  
13 New York.

14 Q Okay. Was there a controller or somebody doing  
15 Sherrie's job before Sherrie arrived?

16 A No.

17 Q All right. Once Sherrie Gibson arrived, did she  
18 take over some of the responsibilities that you had been  
19 handling?

20 A Absolutely. Yes.

21 Q Okay. So, let's focus now on that period of time  
22 five years or so, let's say, before Ms. Gibson arrived.

23 A Before? Okay.

24 Q Yes. What -- to what extent were you involved in  
25 Mr. Lay's personal investment activities? What role would

1 you have? Processing paperwork? What would you --

2 A I think that would -- yes. That would have been  
3 the most I would have done.

4 Q All right. So, let's say, for instance, that  
5 Mr. Lay is opening an account -- an investment account for  
6 \$2 million. All right? Are you following me?

7 A (Witness nods head.)

8 Q And there's a need to fund the investment, to  
9 find \$2 million to move into that account.

10 A (Witness nods head.)

11 Q Who would provide those instructions to you?  
12 Mr. Lay?

13 A Absolutely.

14 Q Okay. It would be Mr. Lay in every instance.  
15 Correct?

16 A Yes.

17 Q All right. And then when Ms. Gibson arrived,  
18 then she became the contact person with Mr. Lay with  
19 respect to the movements of moneys?

20 A For the most part.

21 Q Were you still involved to some degree?

22 A My only involvement was when Mr. Lay would direct  
23 me to either draw down money from one of his accounts or  
24 to maybe pay down and --

25 Q Pay down a line of credit?

1           A     That's correct.  And I would -- I would -- most  
2 times I would pass that on to Sherrie.

3           Q     Okay.

4           A     Except the Enron line.

5           Q     Now --

6           A     Is this mine?

7           Q     Yes, it is.

8           A     Good.  Thank you.

9           Q     And in those times that Mr. Lay was asking you to  
10 move moneys, he was telling you where to move moneys from  
11 what account to which account.  Right?

12          A     That's correct.

13          Q     From A to B?

14          A     That's correct.

15          Q     You didn't make those decisions on your own?

16          A     No, I did not.

17          Q     And once Ms. Gibson arrived, you still didn't  
18 make those decisions on your own.  Right?

19          A     That's correct.

20          Q     What about for smaller amounts of money?  If you,  
21 say, had to move moneys to pay for a personal expense, did  
22 you check in with Mr. Lay at those times to make sure you  
23 were drawing from the right accounts?

24          A     When you say "for personal expense," what do you  
25 mean?

1 Q Well -- and I was keying off some of your earlier  
2 Grand Jury testimony. Let me just -- let's clarify --

3 A Okay.

4 Q -- and have you say it just in your own words.  
5 Once Ms. Gibson arrived, she took over a lot of that prior  
6 responsibility that you had moving moneys, correct, and  
7 creating reports about where the moneys are coming and  
8 going to. Is that right?

9 A Yes.

10 Q Okay.

11 A I -- you're saying -- you're asking me if -- if  
12 that's what she did?

13 Q Yeah.

14 A If that's my understanding of it? I would think  
15 so, but she still got her direction from Mr. Lay.

16 Q Okay.

17 A I don't -- she didn't make decisions on that --  
18 she didn't do those things without his direction.

19 Q And how do you know that? Because that's the  
20 way --

21 A That's probably conjecture on my part.

22 Q Is it partly because that's the way everything  
23 had happened with you?

24 A That's correct.

25 Q And that's -- Mr. Lay had -- he -- he was a very

1 active manager of his accounts. Right?

2 A That's -- in my experience.

3 Q Okay. So, once Ms. Gibson arrived -- did you  
4 still have any responsibilities once Ms. Gibson arrived  
5 for moving moneys to pay certain expenses?

6 A Oh, gosh. I may have. I'm not -- you know, I  
7 don't know that I did. I really can't recall that. I  
8 don't know that I would have with Sherrie there.

9 Q Okay. So, if you did, it would have been on a  
10 rare occasion. Right?

11 A That's right. It wasn't on a regular basis.

12 Q And if you did so, again, it would be moving  
13 moneys at the direction of Mr. Lay?

14 A That's correct.

15 Q You wouldn't have been just doing it on your own.  
16 Right?

17 A No, I wouldn't have.

18 Q Okay. Prior to the arrival of Sherrie Gibson,  
19 did you create any sort of reports or daily sheets to keep  
20 Mr. Lay up to speed on where moneys were coming and going?

21 A It wouldn't have been on a daily basis.

22 Q Well, when moneys were moved, would you actually  
23 produce a document, a report, that would show when you had  
24 moved moneys?

25 A Well, he would know about it, and I probably --

1 oh, gosh.

2 Q Well, let me just stop you right there.

3 A We're going back --

4 Q Let me just stop you there.

5 A Okay.

6 Q You'd know about it because you would have

7 already talked to him about it?

8 A Right. But you're asking if I --

9 Q Created something afterwards.

10 A -- created reports.

11 I think I probably did.

12 Q Okay. And let's go -- now, I have a book in

13 front of me and here are the rules of the book --

14 A Okay.

15 Q -- just to keep it real simple. Just turn to the

16 tab that I direct you to.

17 A Okay.

18 Q And when you finish with it, just close it back

19 up. Okay?

20 A Uh-huh.

21 Q All right. Let's go to Tab 1 of the book.

22 That's Exhibit BL-1. There are two pages in there.

23 A Right.

24 Q Do you recognize this?

25 A I do.



1 Q What are these pages?

2 A Well, this is what I would have done for him.  
3 This is what I did for him.

4 Q Okay.

5 A And a copy to Linda, as you can see here.

6 Q All right. Well, let's -- I'm putting the first  
7 one on here.

8 A Uh-huh.

9 Q First of all, at the bottom of the page, it  
10 appears to be dated December 29th, '95. Right?

11 A Yes.

12 Q And then it's cc KLL, that's Mr. Lay.

13 A (Witness nods head.)

14 Q Yes?

15 A That's correct.

16 Q And I ask you that because the record has to pick  
17 up --

18 A Sure.

19 Q -- your verbal response.

20 A Okay.

21 Q Okay. And LPL, that's Mrs. Lay?

22 A That's correct.

23 Q And who is TLH?

24 A TLH is Terri Hodges (phonetics) and at that point  
25 she was our -- she was a bookkeeper that we had coming in

1 and we paid her to -- to do things that I couldn't do.

2 I'm not a bookkeeper. So...

3 Q All right.

4 A That was just for her records so she could make  
5 sure that everything was entered correctly in our  
6 financial papers.

7 Q Well, let's take a look at this entry here on  
8 December 29th.

9 A Uh-huh.

10 Q It says "Today I have borrowed \$3,600,000 from  
11 the Compass Bank line to pay off the Enron line and the  
12 balance for expenses."

13 A Yes.

14 Q That's your entry. Right?

15 A That's correct.

16 Q Now, when it says "I borrowed," that was after  
17 consulting with Mr. Lay?

18 A Absolutely.

19 Q And at his direction.

20 A Absolutely. That was just to confirm what I  
21 had --

22 Q It's another way to confirm and --

23 A Yes.

24 Q -- let him know you did it. Right?

25 A That's correct.

1 Q All right. Did you create this form?

2 A I think I did.

3 Q Okay. And would you issue a new one of these  
4 forms every time on a date there was a -- you did a  
5 borrowing like this to keep it -- everybody confirmed and  
6 up to speed?

7 A Well, it wouldn't be a new form, but it would --  
8 I would modify this form. Yes.

9 Q Okay. So, if, say, five days later Mr. Lay asked  
10 you to move \$2 million to some other investment or some  
11 other account, you'd produce another version of this form  
12 or you'd modify it?

13 A That's correct. I would update it.

14 Q With the date. Right?

15 A Yes.

16 Q And the entry down below?

17 A Yes, I believe so.

18 Q Okay. And how would you circulate that? How  
19 would you get it to Mr. Lay or to Mrs. Lay and to this  
20 other person? Would you put it in the mail? Would you  
21 hand it to them or --

22 A Oh, no. I would take it over and give it to  
23 either -- I probably -- I probably -- to the best of my  
24 recollection, I probably would have handed it to him or  
25 put it facedown on his desk where only he could -- would

1 get it.

2 Q Okay. Did he appreciate getting these documents?  
3 Did he say -- did he indicate, "Thanks for doing these. I  
4 do like to have these"? Did he indicate an interest in  
5 these?

6 A Well, I think it was -- the reason I generated it  
7 was because he and Mrs. Lay wanted to -- wanted something  
8 like this. So, yes, that was --

9 Q So that they could both track what's going on  
10 with their moneys?

11 A Absolutely.

12 Q Okay. And Mrs. Lay wanted them, too, you stated.  
13 Right?

14 A Yes.

15 Q And to what extent do you recall her reviewing  
16 this or being involved?

17 A I don't know how involved she was. I just know  
18 that I supplied them to her --

19 Q Okay.

20 A -- because she wanted it.

21 Q And she wanted it.

22 A And possibly Mr. Lay may have said, "Make sure  
23 that Linda gets a copy of this, too." That could have  
24 well been.

25 Q But your recollection is she was interested in

1 getting these?

2 A Yes.

3 Q And did review them?

4 A That's correct. And I would send hers home in a  
5 confidential envelope via Mr. Lay so that it would get to  
6 her in the confidential envelope.

7 Q Do you remember her calling you about these every  
8 once in a while --

9 A I don't recall.

10 Q -- with a question?

11 A I don't recall that.

12 Q Did Mr. Lay ever give you any feedback on these  
13 other than --

14 A He may have but --

15 Q -- just "keep it up"?

16 A -- I don't recall.

17 Q Okay. Okay. And then on the next page, the  
18 second page there, is this a similar list again?

19 A Yes.

20 Q And at the bottom another note. This one's May  
21 of '96. You said: On May 2nd I borrowed 100,000 from  
22 NationsBank, nonpurpose line for expenses, and today I  
23 borrowed another 325,000 for the 5,000 shares Eli Lily,  
24 292,604 in expenses. Right?

25 A That's correct.

1 Q Again, make sure that he knew where the money was  
2 coming from and for what purpose. Right?

3 A That's right.

4 Q And that's something that you would have  
5 confirmed with him anyway in a prior conversation before  
6 you started moving money. Right?

7 A That's right.

8 Q And once Ms. Gibson arrived, did the same  
9 practice happen, she would confirm with him where the  
10 moneys were going and then --

11 A I really don't know what she did.

12 Q Okay. But after she arrived, Ms. Gibson  
13 arrived --

14 A She took -- I think she took that over -- or  
15 maybe I continued. I -- you know, I -- that's been nine  
16 years ago.

17 Q All right. Well, let's -- let's take a look at  
18 some examples and maybe that will help --

19 A Okay.

20 Q -- refresh your recollection.

21 Let's turn to Tab 2.

22 A (Witness complies.) Okay.

23 Q And at Tab 2 you'll see there are a number of --  
24 a -- more of these documents. Right?

25 A Uh-huh.

1 Q Okay. So, on the first page, for instance, is  
2 this something -- the date down at the bottom appears to  
3 have been scratched out and you can see January 13th, '99?

4 A Yes.

5 Q Is that your handwriting there, Ms. Ballard?

6 A It is.

7 Q Okay. So, were you, in fact, still modifying and  
8 updating these daily --

9 A Well, I must have been.

10 Q Okay. They were still in use then as a way to  
11 get everybody up to speed as to where the money was going  
12 and coming. Right?

13 A I don't recall -- did -- see, I'm not sure --  
14 did -- was Sherrie on board at that time? See, I don't  
15 recall. She may have been.

16 Q Look at the cc line.

17 A Oh, she had to have been. Yes. Yes, she had to  
18 have been by then. Okay.

19 Q So, a copy is now going to Mr. Lay, to Mrs. Lay,  
20 and to Sherrie --

21 A And Sherrie rather than Terri.

22 Q All right. So, you were still continuing --

23 A Okay.

24 Q -- to do these dailies --

25 A Okay. I must have been.

1 Q Okay. And why would you handwrite it like this?  
2 Would you later have typed this out?

3 A Oh, I would have typed that out. I wouldn't have  
4 handed that to him like that. These were just my notes.

5 Q All right.

6 A Yes.

7 Q And let me ask you why -- while I have this one  
8 on the screen, actually: Why did you have these accounts  
9 on here? Mr. Lay had other accounts. Why these accounts?  
10 Why were these included, this one from Compass, the Enron  
11 line, the NationsBank, which was at 37 1/2 million, an  
12 unsecured here, a nonpurpose partnership line and --

13 A These were -- excuse me. These were his -- his  
14 lines that we normally -- you know, that I could -- that I  
15 had availability -- that we had availability to draw from.

16 Q Okay. So, this was the pool of lines that were  
17 available for --

18 A Yes.

19 Q -- uses. Right?

20 A That's correct.

21 Q Including investment purposes?

22 A I think so. I'm --

23 Q Okay. In any event, when money was moved you  
24 would still produce one of these reports letting everybody  
25 know where it came from and where it went to. Right?



1 A Yes. Yes.

2 Q All right. If you could page through the rest of  
3 these, are these all your reports and your handwriting?  
4 Or do you see anybody else's handwriting?

5 A (Witness reviewing document.)

6 That's my handwriting.

7 Q Okay. Once Ms. Gibson arrived, she created  
8 monthly balance sheet comparisons and balance sheet  
9 analysis. Do you remember that?

10 A Vaguely.

11 Q Okay. Well, let's -- just very quickly, let me  
12 have you turn to exhibits -- to Exhibit 14. Why don't you  
13 open the book to that.

14 A (Witness complies.)

15 Q Let me ask you if the documents contained at  
16 Exhibit 14 appear familiar.

17 A I'm not certain that I've seen this. I can't say  
18 that I haven't --

19 Q Okay.

20 A -- but it's not anything that I would have gotten  
21 or seen on a regular basis.

22 Q All right. Do you remember getting monthly  
23 reports of some sort from Sherrie Gibson?

24 A I don't recall.

25 Q Okay. Prior to the time that she arrived, did

1 you try to create some sort of document other than the one  
2 that we've been putting up on the screen?

3 A I don't think I would have. Now, I believe that  
4 Terri would do a monthly balance sheet for him -- our --  
5 with the bookkeeper that we had, but I don't -- I don't  
6 think I would have. I don't --

7 Q All right.

8 A I don't recall.

9 Q Prior to Ms. Gibson's arrival --

10 A Uh-huh.

11 Q -- you have talked about how you would move  
12 moneys at Mr. Lay's direction. Right?

13 A Right.

14 Q Now, Terri was a part-time person. Right?

15 A That's correct.

16 Q Was Terri involved in movements of moneys?

17 A Huh-uh. Huh-uh. No, sir.

18 Q It was all with you until Ms. Gibson arrived?

19 A That's correct.

20 Q Okay. Ms. Ballard, let's go back to Tab 1 again.

21 A (Witness complies.) Okay.

22 Q These are a list of the loans that were available  
23 for use. Right?

24 A Yes.

25 Q Okay. What does it mean when you put in under

1 NationsBank, for instance, nonpurpose? What does that  
2 mean?

3 A That was just what -- what our banker -- that's  
4 what they called it, a nonpurpose line.

5 Q They called it a nonpurpose line?

6 A And that's why I put -- I have no idea what that  
7 means.

8 Q Okay. But the bankers called it that. That was  
9 the type of loan it was referred --

10 A Yes.

11 Q -- to as?

12 A It was called a nonpurpose line.

13 Q And so, that's how it was known in your office.  
14 Right? So, you put it in there as the nonpurpose line.  
15 That was the title --

16 A Well, not in the office. The only person that  
17 would have seen this would have been myself, Mr. Lay, and  
18 these people. No one else in the office would have seen  
19 that.

20 Q Right. But Mr. Lay and Mrs. Lay and this other  
21 person?

22 A Correct. We understood that that's what that --  
23 right.

24 Q That that's what that referred to?

25 A That's correct.

1 Q That it was a nonpurpose loan?

2 A Yes.

3 Q But you don't -- you don't, sitting here,  
4 remember if you knew what that meant?

5 A No.

6 Q Did you ever have a discussion with Mr. Lay about  
7 the types of loans that he had?

8 A No, I didn't.

9 Q That was something that he dealt with?

10 A That's correct.

11 Q Okay. Did Mr. Lay ever tell you to change the  
12 format of this at any time -- the format of these dailies  
13 over the years?

14 A I don't believe he did, but -- I don't recall  
15 that he did.

16 Q Did he ever have a question for you like, you  
17 know, "Ms. Keepers, at a time, what are you" -- "what is  
18 this? What does nonpurpose mean?"

19 A No.

20 Q Did he seem to have a pretty good understanding  
21 about what these banking terms meant?

22 A Yes. I thought he did. In my estimation, I  
23 thought he did.

24 Q Ms. Ballard, did you ever handle loan  
25 documentation that was coming through the office that

1 required Mr. Lay's review and signature?

2 A Yes.

3 Q Okay. Well, first of all, let me have you turn  
4 to Exhibit 10.

5 A (Witness complies.) Okay.

6 Q Is this a memo from you where your name is at the  
7 bottom right-hand corner, Sally Keepers? Is this  
8 something from your letterhead?

9 A From my little memo pad.

10 Q From your memo pad?

11 A Uh-huh.

12 Q Does it appear that you prepared this memo to Ken  
13 on or about November of '95?

14 A Yes.

15 Q Okay. It says, "Ken, further to paying off the  
16 Enron loan - Carol" -- St. Clair -- "advises that even  
17 though Enron is not a lending institution, the issue here  
18 is that you are technically bound by the Reg U law when it  
19 comes to paying off with borrowed funds from lending  
20 institutions."

21 Well, why did you write that note?

22 A Why did I write the note?

23 Q Well, first of all, let me ask you: Did you know  
24 what Reg U law was?

25 A No.

1 Q Did you understand the issues that you were  
2 referring to there?

3 A Very vaguely.

4 Q What was -- vaguely what do you remember?

5 A Well, I don't really actually even remember this.

6 Q Okay. Do you remember, roughly, talking to him  
7 or writing memos about Regulation U?

8 A No. No, I don't.

9 Q But this is, in fact, something that you  
10 prepared. Right?

11 A Oh, yes. Yes, it was.

12 Q Okay. And you may have been passing on  
13 Ms. St. Clair's advisement?

14 A Absolutely. Yes, sir.

15 Q Sitting here today, do you have any recollection  
16 about what Reg U was?

17 A No.

18 Q And what the bounds or the requirements of Reg U  
19 are?

20 A No, sir.

21 Q Why don't you turn to the second page in the  
22 exhibit?

23 A (Witness complies.)

24 Q Do you see that? It looks like the same  
25 document. Right?

1           A     The same document?

2           Q     It's not the same document.  Now it's saying --

3     it's dated November 29th, '95 --

4           A     Okay.

5           Q     -- from your memo.  Right?

6           A     Yes.

7           Q     It says Sally Keepers there?

8           A     Uh-huh.

9           Q     Is this another note that you prepared?

10          A     Yes.

11          Q     And it appears that Mr. Lay underlined and

12     circled there.  Right?  Does that look like his heavy sort

13     of underlining, underscoring that he would do on

14     documents?

15          A     It could have been.  I don't know.

16          Q     Does it seem like it, if -- using your best

17     estimate?

18          A     I -- I can't say.  I --

19          Q     This was a note from you to Mr. Lay.  Right?

20          A     Okay.

21          Q     Was it?

22          A     Yes.  Yes, it would have.

23          Q     Okay.  At times would he return something with

24     little notes --

25          A     Yes.

1 Q -- for you?

2 A That's correct.

3 Q Okay. Would you have written on your own  
4 document before handing it to Mr. Lay?

5 A If I needed to add something or correct -- make a  
6 minor correction, I probably would have.

7 Q But you weren't doing that in this one?

8 A I didn't do that, if that's what you're -- no.

9 Q So, it appears that Mr. Lay, in fact, circled  
10 "Reg U" and underlined "to pay off this purpose line."

11 A Well, someone did.

12 Q Okay. And it says, "K, I've realized that we  
13 were advised by James" -- is that James Shelton at Bank of  
14 America?

15 A That would have been James Shelton.

16 Q -- "advised by James that according to Reg U, we  
17 cannot use borrowed funds to pay off this purpose loan."  
18 Let me stop right there.

19 A Okay.

20 Q Did you understand what you were writing, what  
21 the purpose loan was?

22 A I don't recall. That's -- I might have at the  
23 time, but I --

24 Q Okay.

25 A Here today, I don't.



1 Q Do you remember Mr. Lay coming to you and saying,  
2 "What are you talking about? I have no idea what you're  
3 talking about, purpose, nonpurpose." Do you remember  
4 anything like that?

5 A No, sir. No, sir.

6 Q Not at all? He understood what you were writing  
7 about. Right?

8 A Well, if he didn't, he didn't come back to me.

9 Q Okay. And then here you're saying, "Legally we  
10 can pay back another \$155,292 from" -- "from income for  
11 the October 1 to November 29th period but no more than  
12 that. Please advise."

13 You were looking for his guidance. Correct?

14 A Correct.

15 Q You weren't going to make those decisions on your  
16 own?

17 A Oh, absolutely not.

18 Q All right. Let me have you turn to Tab 13,  
19 Exhibit B-13.

20 A (Witness complies.) Okay.

21 Q Do you see that?

22 A Yes.

23 Q This is a series of certifications that say  
24 Statement of Purpose for an Extension of Credit Secured by  
25 Margin Stock.

1                   And you were employed in Mr. Lay's office in  
2 1993. Right?

3           A     Yes, I was.

4           Q     All right. Here's one dated -- signed and dated  
5 April, 1993. It's the first page of this exhibit. Do you  
6 see that there?

7           A     I do.

8           Q     Do you remember seeing these Federal Reserve Form  
9 U-1s coming in?

10          A     I don't recall, but I must have --

11          Q     Okay.

12          A     -- seen it at the time.

13          Q     You don't have an independent recollection --

14          A     I don't.

15          Q     -- today?

16          A     No, I don't.

17          Q     If bank forms came in, would you then bring them  
18 to Mr. Lay for him to process and review and to sign or  
19 would the bankers come separately or both?

20          A     I would say both.

21          Q     Okay. So, if it came into the office to you, you  
22 would then bring this in to Mr. Lay. Right?

23          A     That's right.

24          Q     Now, on this form there are certain things that  
25 need to be filled out.

1           A     Uh-huh.

2           Q     Do you remember ever assisting the Lays in  
3 filling out these forms?

4           A     I probably did. I think probably over the years  
5 I did.

6           Q     Okay. And if you assisted them in filling out  
7 these forms, would you be thinking about these things  
8 ahead of time and writing them up yourself?

9           A     No, sir.

10          Q     It would be at the direction of Mr. Lay?

11          A     That's correct.

12          Q     And do you, in fact, remember typing in these  
13 things, "Will any part of the credit be used to purchase  
14 or carry margin stock?" Answer, typed "no." "If the  
15 answer is no, describe the specific purpose of the  
16 credit." "Personal investments."

17                     Do you remember preparing these forms for  
18 their assistance?

19          A     Yes. I feel sure I prepared that.

20          Q     Okay. So, you remember preparing these from time  
21 to time when these forms arrived?

22          A     Yes.

23          Q     And it would be at their direction?

24          A     Yes.

25          Q     And when I say "their direction," Mr. Lay or

1 would Mrs. Lay also tell you how to fill these out?

2 A I would say Mr. Lay.

3 Q Okay. That's who you remember having  
4 conversations with. Right?

5 A Yes.

6 Q Okay. I'm going to have you page through these.  
7 Sometimes these Form U-1s, this is the second one, you  
8 have it typed in here. Correct?

9 A Is that the next page or do I -- I could just --

10 Q I think it's two pages later.

11 A It's the same one.

12 Q Unless I have it -- yes. It's the next Statement  
13 of Purpose. Do you see it there?

14 A Okay. Yes.

15 Q So, sometimes it's just typed in "personal  
16 investments." Right?

17 A That's what it looks like.

18 Q Okay. You would have recalled -- you recall that  
19 you were typing these things in. Right?

20 A I'm sure I would have been.

21 Q Okay.

22 A If -- unless -- unless the banker -- well, it  
23 depends on the banker. That's -- I don't know who -- how  
24 I got that, but I'm sure I'm the one that typed that in.

25 Q All right. And again, that would be at Mr. Lay's

1 direction. Right?

2 A Yes.

3 Q Turning the page to the next one dated August of  
4 '93, this one says, "If the answer is no, describe the  
5 specific purpose of the credit." Now it says "personal  
6 and investments." Right?

7 A Yes, it says that. Uh-huh.

8 Q And those wouldn't be -- that wouldn't be  
9 something you made up. That would come at the direction  
10 of Mr. Lay. Right?

11 A Yes.

12 Q Okay. Turning two pages on -- I'm going to move  
13 into these documents a little bit further. Okay. If I  
14 can have you turn a few pages, you'll see -- you'll come  
15 to a September of 1997 document. The -- do you see it  
16 there?

17 A Are these in -- are these in chronological order?

18 Q Yes, they are. They should be. And there are  
19 several --

20 A Oh, I'm going the wrong way then. I must be.  
21 What is the date?

22 Q This one is -- the date of signature is September  
23 30th, '97.

24 A Okay.

25 Q It's right after one that says August 7th, '95.

1           A     Oh, okay. Well, I was --

2           Q     All right. You got it now?

3           A     No, not yet.

4           Q     All right.

5           A     This is the 7th. There are a lot of August 7th.

6     Are -- you're saying this is --

7           Q     I'm sorry. Let -- let me -- I can help you.

8           A     9/30. Here we go, right here. Right here.

9           Q     Right. Okay. We'll turn to this page that I

10    have displayed.

11          A     Uh-huh.

12          Q     This says, "Will any part of this credit be used

13    to purchase or carry margin stock?" It's typed "no." "If

14    the answer is no, describe the specific purpose of the

15    credit." "Personal expenses not margin stock."

16                         You would have typed that at the direction

17    of Mr. Lay?

18          A     Correct.

19          Q     All right. I'm going to bring you now -- let's

20    turn one, two, three -- four pages until you get to this

21    form here with some handwriting. This is for a

22    10-million-dollar line of credit --

23          A     Yes.

24          Q     And it's dated December of 1997.

25          A     Uh-huh.

1 Q Is this your handwriting here?

2 A No.

3 Q Okay. So, would this one have been entered by  
4 somebody else?

5 A It would have had to have been.

6 Q Okay. Do you recall whose handwriting that is?

7 A I don't recall. I don't -- I don't recognize  
8 that -- that's right.

9 Q Okay. So, at times somebody else appears to be  
10 writing this in?

11 A Well, that's the first one I've seen like that,  
12 but that --

13 Q Okay. Paging through, I want to see if you  
14 recognize your handwriting. The next page appears to be a  
15 copy of the same one. Let's skip that. And that seems to  
16 be another copy. I'm sorry. Let me take a moment here to  
17 direct you -- the next one I want to draw you to is one --  
18 it says, "\$5 million." It's about five or six pages.  
19 There aren't dates down here at the bottom; but if you  
20 turn to the next page, you'll see the date April of '98.  
21 Do you see that? Are we on the right page?

22 A I see April 15th of '99.

23 Q Okay. I think you might have --

24 A Oh, no. Maybe that's an 8. I'm sorry. That is  
25 an 8.

1 Q Okay.

2 A It looks like a 9.

3 Q Okay. And then going back up to this entry here,  
4 there's a typewritten entry "personal expenses and  
5 investments, not investments in margin stock." Would that  
6 have been something that you had entered?

7 GRAND JUROR: It was back one page. Go back  
8 one page.

9 A Oh, okay. Thank you. I was going to say, that's  
10 not the page I'm on.

11 Okay. I'm sorry. Your question again?

12 Q (By Mr. Hueston) Here's the entry here this  
13 time, "personal expenses and investments, not investments  
14 in margin stock," would that have been something that you  
15 prepared?

16 A Yes.

17 Q Let's go two pages. There's another one with  
18 some handwriting. Is this your handwriting --

19 A No.

20 Q -- or somebody else's?

21 A Have to be someone else's.

22 Q That one appears to be someone else --

23 A (Witness nods head.)

24 Q -- and this one's dated November of '98?

25 A Right.



1 Q Can you identify the handwriting?

2 A I can't.

3 Q Turning to the next page, there are more  
4 typewritten entries. This one for June of '99, would you  
5 have prepared this at his direction?

6 A I -- that looks like that's something that I did.

7 Q Okay. And how can you tell it looks like  
8 something you'd do? You recognizing --

9 A Well, I recognize -- that's the font that I  
10 used --

11 Q Okay.

12 A -- on my typewriter.

13 Q All right.

14 A So, I -- and I -- if that came into our office, I  
15 would have logically been the only one to see his -- his  
16 financial information and to do anything with it.

17 Q And do you remember from time to time helping  
18 complete these bank forms? In general, that was part of  
19 your duties and responsibilities?

20 A Well, I completed this. That's -- that's the  
21 extent of it.

22 Q You did -- but you remember completing these?

23 A Yes.

24 Q Okay. And then turning to the last two pages  
25 here, is this font also -- this is now in 2000. Both of

1 these are dated September of 2000. Is this from your  
2 typewriter as well?

3 A You know, I'm not sure. That doesn't look --  
4 unless my -- unless the typewriter really was worn out by  
5 then. It looks -- it could have been something -- it  
6 could have been mine.

7 Q Okay.

8 A Maybe it was something that Sherrie was doing at  
9 that time. I don't know.

10 Q All right. But in general, you recollect from  
11 time to time filling these forms out at the direction of  
12 Mr. Lay?

13 A Yes.

14 Q And putting in those reasons that he directed you  
15 to put in. Right?

16 A Yes, sir.

17 Q I want to have you turn briefly to Exhibit 11.  
18 These are Pledge Agreements. And I'll ask -- I'll turn  
19 the lights on because it's hard to see. Do you recall  
20 seeing these sorts of documents?

21 A Yes.

22 Q And how would you see these? Would you help  
23 complete these as well?

24 A No. As I recall, the bank would have completed  
25 those.

1 Q These Pledge Agreements?

2 A Yes.

3 Q But if you turn to the last -- I think about --

4 A And then --

5 Q -- four or five pages --

6 A Okay.

7 Q -- they call for Mr. Lay's signature?

8 A Right. But I -- I think as far as this --

9 Q Oh, yeah. That's a printed form.

10 A Yes. And they would send those to me

11 traditionally, to my attention.

12 Q Okay.

13 A And then I would secure the signatures.

14 Q And how would you do that? Explain how you get

15 the signatures. Would you walk it in to Mr. Lay?

16 A If he was available.

17 Q Okay.

18 A If not, I would put the little memo -- sticky

19 memo note on there and say, "Ken, if this" -- "Ken and

20 Linda, if this is your understanding of what you want,

21 please sign." And I would put a little sign thing here.

22 Q Okay.

23 A And he would sign it, traditionally. That was

24 usually the way we did it. And then when I got his

25 signature, then I would send it home in -- in a

1 confidential envelope for Linda to sign and get back to  
2 me.

3 Q Okay.

4 A That was -- that was usually the procedure.

5 Q All right. And did you ever stick around and  
6 watch him review the documents or observe his review of  
7 the documents?

8 A Usually not.

9 Q Okay.

10 A And many times, like I say, I would just put a  
11 note on there; and he would do it at his --

12 Q At his --

13 A When he had a few moments --

14 Q Right.

15 A -- and then get it back to me when it was signed.

16 Q And based on your training and experience there  
17 at Mr. Lay's office, was he somebody who would try and  
18 carefully review his financial paperwork, wanted to keep  
19 on top of things and know what he was doing?

20 A I'm not sure what you mean by "carefully review"  
21 or how careful you would -- you mean would he read the  
22 entire document? I don't think so.

23 Q Do you know --

24 A I mean --

25 Q -- whether he did or not?

1           A     Well, I'm saying I don't think so. I don't know.

2   No, I couldn't -- I couldn't make that --

3           Q     Or maybe --

4           A     -- observation.

5           Q     -- he had read one of these Pledge Agreements, he  
6   knew what it said --

7           A     Yes.

8           Q     -- and then the next one would come in and he --  
9   he would be able to review it more briefly next time,  
10 possibly. Right?

11          A     You know, be conjecture on my part.

12          Q     Either way, right, whether he was closely reading  
13 it or not?

14          A     Right.

15          Q     All right. Okay. Take a look at Exhibits 4 and  
16 5. Actually, let me have you take a look at Exhibit 4  
17 first.

18          A     Okay.

19          Q     These are a series of wiring instructions.

20          A     Uh-huh.

21          Q     Do you recognize all these documents? Why don't  
22 you take a moment to page through them.

23          A     (Witness reviewing document.)

24                     Yes. I recognize this.

25          Q     Were these the wiring instructions that you

1 created to actually cause the moneys to be moved from  
2 Account A to Account B or to Investment C?

3 A Yes. Most times I probably -- could possibly  
4 have been all the time, but certainly that was what my  
5 general practice was.

6 Q Okay. In each of these occasions, this would  
7 reflect the movements of funds that you were directed to  
8 do by Mr. Lay. Right?

9 A Yes.

10 Q Let's move to Tab 5.

11 A Okay.

12 Q This is a series of transmittal sheets after  
13 Ms. Gibson arrived.

14 A Uh-huh.

15 Q Would you assist her in completing these sheets  
16 after she arrived? Are you still doing some of these?

17 A I don't recall.

18 Q Okay. Would you tend to see these at all when  
19 she did these fax wiring instructions?

20 A No. If she did them, I wouldn't have, no.

21 Q All right. All right. Ms. Ballard, that's all  
22 the questions that I have for you at the moment.

23 A Uh-huh.

24 Q If you could just step outside for a minute, I'll  
25 see if the Grand Jurors have any questions for you.

1 (Witness exists.)

2 (Witness enters.)

3 Q (By Mr. Hueston) Ms. Ballard, the forms that we  
4 showed you at Tab 1, can you take a quick look at that?

5 A Sure.

6 Q These were the dailies. Right?

7 A Uh-huh.

8 Q When you created that form, did Mr. Lay approve  
9 it?

10 A When you ask did he approve, what do you mean by  
11 "approve"?

12 Q Well, did he indicate somehow --

13 A I would say that if it -- I would say this: If  
14 there was information that was not on here that he  
15 would -- wanted to see on here or needed to see, he would  
16 have asked me to -- you know, to put -- could I please --  
17 next time would I please add it.

18 Q Okay.

19 A So, in that sense I guess you could say he  
20 approved it. But...

21 Q And likewise, if there was something in there he  
22 didn't want, he would have told you, "You can take that  
23 out." Right? "I don't need that"?

24 A Probably. Yes.

25 Q Okay. But in any event, he never told you to

1 change the format or do anything once you started -- once  
2 you started creating those --

3 A He may have over a period -- over the years. He  
4 might -- we might have refined it some.

5 Q I've showed you some from, I think, '95. Right?

6 A Uh-huh.

7 Q And then you've seen some going all the way into  
8 '99 and 2000, right, in the next tab?

9 A Let's see. Oh. In the next -- okay. Okay.

10 Q The format didn't change, did it?

11 A Okay. Then, obviously, it was okay with him.  
12 But, I mean, I can't -- I don't have recall as to whether  
13 it was revised or whether he...

14 Q But any changes would have come at his request.  
15 Right?

16 A Yes.

17 Q Okay. Let me ask the Grand Jurors if they have  
18 any other questions.

19 A Okay.

20 (Witness exits.)

21 (Proceedings concluded.)

22

23

24

25



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

I, IDA H. SALINAS, CSR, a Certified Court Reporter and Notary Public in and for the State of Texas, having been duly sworn in as the Grand Jury Reporter, hereby certify that the foregoing pages constitute a true and correct transcript of the proceedings had and testimony adduced in said cause at the time and place as hitherto set forth; that the interrogatories and answers by the witness were taken down by me in shorthand and thereafter reduced to typewriting.

AS WITNESS MY HAND AND SEAL OF OFFICE this 11th day of July, 2004.

\_\_\_\_\_  
IDA H. SALINAS, TEXAS CSR 4469  
Expiration Date: 12/31/2004

