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The Honorable Lawrence H. Summers
Secretary of the Treasury
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Room 3330
Washington, D.C. 20220

Dear Larry:

I apologize that we have not been able to connect by telephone over the last 2 or 3 days. It appears that our respective schedules are totally out of sync.

The reason I was calling has to do with a matter that just recently came to my attention. Apparently at a conference of the National Economic Research Association held the week of July 5th this year, Treasury Department assistant general counsel John Yeutter made some comments concerning over-the-counter (OTC) derivatives regulation and Enron which were troubling. He apparently stated that the President's Working Group on Financial Markets in its pending study on Hedge Funds and Derivatives considered OTC derivatives regulation an "open issue", and it may recommend regulation of "otherwise unregulated entities, such as Enron".

As you would expect, we are troubled by being singled out, but even more troubled by the notion that financial regulators may be considering any regulation of OTC dealers, particularly in the energy field, where we believe derivatives are truly customer based risk management tools. Enron believes there is no need for any additional regulation of OTC derivatives dealers in as much as the OTC derivatives markets are functioning very smoothly today and, based on any information we have, there have been no problems in the energy derivatives market that warrant regulation. In fact, we believe that derivative products provide a useful and important risk management tool for our customers and the customers of many other dealers in the energy industry and many other business areas.

Larry, hopefully the comments made by John Yeutter were just a misunderstanding. However, if there is any serious thought of imposing regulation of OTC dealers, we would certainly like to have an opportunity to make our case as to why we think this is not warranted. I would very much appreciate receiving a call or note from you if in fact there is any reason that we should be concerned about this occurring.

I spent some time with Bob Ruben in Shanghai last week and he appears to be doing very well. I must say he looked more relaxed than I have seen him in years.

Warm regards,